

HEGEMON AND POTENTIAL PEER COMPETITOR: AN ANALYSIS OF THE  
UNITED STATES' SECURITY STRATEGY TOWARDS CHINA

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Strategy

by

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China is in the middle of a comprehensive transformation process when it comes to economy, politics and military, and the economic interdependencies between China and the US are significant. The purpose of my thesis is to evaluate the US contemporary security strategy towards China with reference to both apparent strategy and policy and to the politics of implementation. The main research question is: Is the United States' contemporary national security strategy for dealing with China appropriate in the light of political and economic development in China? The analysis leads to the conclusion that the United States' contemporary security strategy for dealing with China is inconsistent, and it is not appropriate in the light of political and economic development in China. On the one hand, the United States is publicly proclaiming engagement, cooperation and good relations with China. On the other hand she invests heavily in defense to deter the Chinese from entering those areas that the US currently dominates. While China has chosen reform with strong elements of revolution as its main path, the US strategy is characterized by co-option and constrain. The consequence is uncertainty and to a certain degree instability.					
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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)

## ABSTRACT

HEGEMON AND POTENTIAL PEER COMPETITOR: AN ANALYSIS OF THE UNITED STATES' SECURITY STRATEGY TOWARDS CHINA, by LTC Ingrid M. Gjerde, 110 pages.

China is in the middle of a comprehensive economic, political and military transformation process, and the economic interdependencies between China and the United States are significant. The purpose of this thesis is to evaluate the US contemporary security strategy towards China with reference to both apparent strategy and policy and to the politics of implementation. The main research question is: Is the United States' contemporary national security strategy for dealing with China appropriate in the light of political and economic development in China? The theoretical framework for this thesis' analysis addresses the issue of the emergence of a peer competitor to the US by studying how a potential peer interacts with a hegemon. Using exploratory modeling techniques, pathways of the various potential peer and hegemon interactions are modeled to identify specific patterns and combinations of actions that might lead to rivalries. The analysis of China and the US strategies leads to the conclusion that the United States' contemporary security strategy for dealing with China is inconsistent, and that it is not appropriate in the light of political and economic development in China. On the one hand, the United States is publicly proclaiming engagement, cooperation and good relations with China. On the other hand she invests heavily in defense to deter the Chinese from entering those areas that the US currently dominates. While China has chosen reform with strong elements of revolution as its main path, the US strategy is characterized by co-option and constrain. The consequence is uncertainty and to a certain degree instability.

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## ACRONYMS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
DoD	United States' Department of Defense
EU	European Union
GDP	Gross Domestic Product
NSS	US National Security Strategy
PACOM	Pacific Command
PLA	People's Liberation Army
PRC	People's Republic of China
QDR	Quadrennial Defense Review
RMA	Revolution in Military Affairs
ROC	Republic of China (Taiwan)
ROK	Republic of Korea
SCO	Shanghai Cooperation Organization
TSCP	Theater Security Cooperation Program
UN	United Nations
US	United States
WTO	World Trade Organization

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## CHAPTER 1

### INTRODUCTION

Many have tried to characterize the United States' (US) relationship with China (PRC) in a catch phrase: good or bad, strategic competitor or strategic partner. Such glib characterizations seldom make sense. The relations between the two powers are too complex, varied, and fast changing for broad generalizations and simplistic judgements (Kelly 2003, 1). China has a significant power potential, because of its vast landmass, natural resources, great population, rich culture, and historical heritage. China's position in international politics has changed dramatically since 1978, when Deng Xiaoping introduced market reforms (Swaine and Tellis 2000, 1). From 1978 to 2002 the gross domestic product (GDP) growth rate for China averaged 9.4 percent (Ng 2005, 1). Straight-line extrapolations in economics seldom hold true, but if China's GDP growth maintains an average rate of 6.5 percent, the Far Eastern power could overtake the US by 2020 (CIA 2005; Mearsheimer 2001, 55).

The *US National Security Strategy 2002* states that the US seeks a constructive relationship with a changing China (2002, 27). The Relations with China constitutes an important part of a larger US strategy to promote a stable, peaceful, and prosperous Asia-Pacific region. The *US National Security Strategy 2006* does not mention such a constructive relationship with China. The George W. Bush administration seems more demanding towards China, and states: "China's leaders proclaim that they have made a decision to walk the transformative path. If China keeps this commitment, the US will welcome the emergence of a China that is prosperous and that cooperates with us to address common challenges and mutual interests" (Bush 2006, 41). There are challenges to good relations between the two states. First, both seem to harbor leadership ambitions

for the Asian region. The US National Security Strategy suggests the US is the leading power of the world, and consequently, possesses strong national interests in the East Asian region (Bush 2002, 25-28). Second, the unsolved problem Taiwan's status may lead to conflict both in the region and between the US and China. The fact that China possesses nuclear weapons makes any potential conflict serious. Third, the future of China's political system is uncertain, and its authorities are criticized for questionable attitudes about democracy and for domestic human rights violations. Fourth, in addition to the Taiwan question, there are several potential sources of conflict in the Asian region. Finally, economic competition between the US and China may have a negative influence on the US economy. The main contentious resource, oil, may be an issue for competition and conflict between the US and China, with Japan and South Korea figuring in the larger equation. In light of these related issues, China's potential as the South East Asian regional power is viewed differently among scholars and politicians around the world. Most scholars agree that China will challenge the US. However, their views on degree and options for dealing with the implications are diverse.

For the last two decades, US economic and military powers have been formidable in comparison with any other state in the world. However, several scholars now presume that the US hegemony may decline in the twenty-first century. The economic and political costs of fighting international terrorism and growing opposition to the US among both allies and adversaries may contribute to a significant decline in the US' power position (Peterson 2004). And, the US may need China's help on such issues as counterterrorism, non-proliferation, the reconstruction of Iraq, and the maintenance of stability in the Middle East (Jisi 2005). Furthermore, demographic changes stemming

from immigration and birth rates in the US may influence the nation's economy and politics. Overseas indebtedness and domestic overspending could become additional complicating factors. Finally, climate changes may also produce costly catastrophes for the US that over the long term undermine the US power position.

The purpose of this study is to evaluate the US contemporary security strategy towards China with reference to both apparent strategy and policy and to the politics of implementation. US perceptions of China's intentions and capabilities are vital to the evolution of US policy towards China. In addition to US perceptions of China, a better understanding of Chinese aspirations and strategy and their impact is vital to an evaluation of US strategy and policy. The paths both China and the US take have profound implications for countries in the region and for the global system.

#### Proposed Research Question

This paper will analyze the US' security strategy and policy towards China. The main research question is: Is the United States' contemporary national security strategy for dealing with China appropriate in the light of political and economic development in China? In order to answer the main research question, several secondary questions require attention. What are China's ambitions and objectives globally and in the East Asian region? What ways and means is China pursuing to attain her objectives? The same kind of questions must be put to the US. What are American ambitions and objectives in the East Asian region? What are the ways and means pursued to obtain US' objectives? And, what are the likely consequences of US contemporary policy? Are there other options for dealing with the challenges?

## Thesis

The George W. Bush administration came to office in January 2001 promising a tougher approach toward the PRC than that of any of its predecessors. Seeking to distance themselves from the policies of “engagement” with China favored by presidential administrations since 1979, Bush administration officials promised to broaden the focus of American policy in Asia, concentrate more on Japan and other US allies, de-emphasize the importance of Sino-US relations in American foreign policy, and look more favorably on issues affecting Taiwan’s status and security (Dumbaugh 2004, 3). However, even while appearing less solicitous of PRC views, US officials have remained open to substantively and symbolically meaningful dialogue with China. And, according to James A. Kelly (2003), the US Assistant Secretary for East Asian and Pacific Affairs, the administration’s approach to China has resulted in a US-China relationship that is, on some fronts, the best it has been in years. Still dichotomies inherent in recent US policy figure prominently in the thesis of this study: The United States’ contemporary security strategy for dealing with China is inconsistent, and it is not appropriate in the light of political and economic development in China.

Contradiction seems to be the order of the day. On the one hand, the US publicly proclaims engagement, cooperation and good relations with China. On the other hand she invests heavily in defense to deter the Chinese from entering those areas that the US currently dominates, like the air, space, and sea. China will likely become a greater power in the East Asian region, regardless of the politics of the US. A peaceful power transition would therefore be more advantageous to the US than a costly military build-up in the region. Even if true friendship between Beijing and Washington, DC, may be unlikely,

the two countries' interests have grown so intertwined that cooperation is the best way to serve both.

### Assumptions

An important assumption is that China's economic growth is as stated. Several economists have asserted that China's GDP has often been overstated. Nevertheless, while China's economic growth might not be as high as reported, most economists acknowledge that it is still very high (Brehms 2001). This assumption will be described in more detail in the analysis of the economy of China. Regardless of the economic growth of China, the aim of this study is to examine how the US deals with a potential economic and military threat in the East Asian region, and not to predict when or to what degree a hegemonic transition might occur. The relevance of the study is not jeopardized even if China's economy does slow down.

### Definition of Terms

People's Republic of China. China

The Republic of China. Taiwan.

US National Security. The confidence held by the great majority of the nation's people that it has the military capability and effective policy to prevent adversaries from using force to prevent the pursuit of national interests (Sarkesian et al. 2002, 13).

National Security Strategy. The way a state intends to pursue its national security goals (Sarkesian et al. 2002, 35-36).

A Hegemonic State: A single powerful state that controls or dominates lesser states in the system (Gilpin 1981, 29). A hegemonic state does not need to be

imperialistic or use military power to establish its position, although military power is almost always characteristic of a hegemon.

A Peer Competitor. A state or collection of challengers with the power and motivation to confront the hegemon on a global scale in a sustained way and at a sufficient level in which the ultimate outcome of a conflict is in doubt even if the hegemon marshals its resources in an effective and timely manner (Szayna et al. 2005, 7).

### Limitations

The secretive nature of the Chinese government and reference to largely English-language sources set certain parameters for an examination of official Chinese positions. Furthermore, time and resources preclude visits to China and interviews with Chinese officials. The next chapter explains how these challenges can be ameliorated without vitiating balanced and valuable research. Finally, the complexity of the Sino-US relations, coupled with the time available for research and the length of this thesis, impose limitations on this study's depth.

### Delimitations

In this study China and the US are mainly dealt with as rational actors. This is a simplification, which means that the focus falls on the states' objectives and strategies without paying much attention either to emotions or to the internal bureaucracies and interest groups that influence and complicate the policies of a state. That the states are rational, means that we expect them to fashion clear goals and objectives. Furthermore, the argument accepts there is a set of alternative strategies to choose from, and that each alternative has consequences. Rational choice consists simply of selecting that alternative

whose consequences figure more positively in the decision maker's payoff function (Allison 1999, 18).

Since the main focus of this study is security at the national level, this thesis will not deal with details concerning economy, diplomacy, information and military. Neither will the policies and strategies towards other countries in the East Asian region be discussed in detail.

The intent of the study is to understand how the US deals with a potential economic and military threat in the East Asian region, and to ascertain the consequences of US policy, strategy and actions. In order to limit the extent of research, this thesis mainly examines the politics of the Bush administration and the Chinese authorities during the time period between the 2002 release of the *US National Security Strategy* and today. These limitations however, do not preclude mention of earlier US-China issues for perspective.

### Significance of the Study

China has experienced remarkable economic growth throughout the past two decades, and estimates indicate that the growth will continue. Many scholars claim that China clearly manifests hegemonic ambitions and that China will threaten US interests in the East Asian region in the twenty-first century. During the 1990s, US interests in China increased year by year. Possible future economic and military competition and the unsolved Taiwan question elicited to great concern in the US. From 2001 on, US-China relations have improved markedly, and US politicians have become less vocal and less legislatively active on issues involving China. However, there have been setbacks in good relations between the two states. For example, the US has announced a series of sanctions

against Chinese companies for violations of non-proliferation commitments (Dumbaugh 2004). The first Chinese manned space flight in 2003 raised new questions about the aspirations of China's space program. Furthermore, economic and trade disagreements began to increase noticeably during the second half of 2003. And, the US has remained supportive of Taiwan's security and its quest for international recognition, while Chinese officials have remained firm about reunification. Moreover, the intelligence community regards China as a great challenge for the US in the years to come (National Security Council 2004). Despite the importance of dealing with international terrorism, the US cannot ignore the consequences of a rising Asian power. This study, therefore, examines the US policy towards China.

### Methodology

The national security strategies of the US and China are accessed primarily from a power-political perspective, using elements of the realist approach. Adopting this approach implies that the focus of analysis rests principally on the state as a political entity dedicated to ensuring both internal and external security of both the elite and the populace (Swaine and Tellis 2000, 6). The framework for this thesis' analysis is based on a model described in the RAND report, *Emergence of Peer Competitors: A framework for analysis* (Szayna et al. 2005). A peer competitor is a state or collection of challengers with the power and motivation to confront the hegemon on a global scale in a sustained way and at a sufficient level where the ultimate outcome of a conflict is in doubt even if the US marshals its resources in an effective and timely manner (Szayna et al. 2005, 7-8). The theoretical framework addresses the issue of the emergence of a peer competitor to the US by studying how a potential peer interacts with a hegemon. The central aspect of

the framework is the interaction between the main strategies of power aggregation available to the potential peer and the main strategies available to the hegemon for countering the rise of a peer. Using exploratory modeling techniques, pathways of the various potential peer and hegemon interactions are modeled to identify specific patterns and combinations of actions that might lead to rivalries.

The literature for this study is reviewed in the second chapter of the thesis. The literature review surveys what has been written on the subject in terms of more important schools of thought, and in terms of the national security strategies of both China and the US. Particular attention is devoted to relations between the two countries.

The third chapter presents and examines the main theories and methodology used in this study. Two analytical instruments merit special attention. They are the RAND framework for studying the emergence of a peer competitor and power transition theory. They constitute the theoretical basis for the study.

The fourth chapter focuses on analytical results. First, Chinese national security goals and strategy are examined. The thesis will consider where and how the Chinese approach to international politics corresponds with peer competitor and power transition theory. Second, the US national security goals and strategy towards China are discussed, and they are compared with what theory predicts for a hegemon. Finally, there is an evaluation of the US approach in order to determine whether the US strategy towards China is optimal in light of political and economic development in China. The thesis will analyze the Bush administration's strategy within the framework of possible hegemon responses from the RAND report on peer competitors.

The fifth chapter is the conclusion for the thesis. As such, this chapter sums up the findings of the study and interprets them. Finally, the conclusion chapter provides recommendations for further studies.

## CHAPTER 2

### LITERATURE REVIEW

The purpose of this study is to evaluate the US contemporary security strategy towards China in the light of the official security strategy documents and the execution of the politics. There is a formidable amount of literature dealing with US national security strategy and the relations between the US and China. The literature research for this paper is divided into three areas: The first part looks at theoretical approaches to international politics, in particular literature dealing with national strategy of great powers and hegemons; the second part surveys Chinese foreign policy and security strategy; and the third part deals with sources of US security politics towards China.

Realism and liberalism are the two perspectives most scholars in international politics use for organizing their thoughts. In order to define Chinese and US strategies and Sino-American relations, this study is based on literature from both schools of thought. Studying only one of the perspectives would probably restrict the value of this thesis, because both perspectives influence strategies of most nations. John Mearsheimer and Michael Swaine and Ashley Tellis represent the realist approach to international politics in this study, while Thomas Barnett represents a more liberalist approach. While Mearsheimer regards China as a challenger to US power status and argues that the US should aim at hampering the Chinese economy and contain China by military means (Jisi 2005, 5), Barnett holds that the US should set the conditions for integrating China into international institutions and thereby encourage a peaceful rise (2005, 142-155).

The main theoretical basis for this thesis is “power transition theory”, which focuses on structures in the world order. Douglas Lemke in *The Continuation of History: Power Transition Theory and the end of the Cold War* (1997) and Robert Gilpin in *The Theory of Hegemonic War* (1981) provide useful ideas that organize and inform this study. Lemke describes international politics as a hierarchy with one dominant state. The dominant state is the one with the largest proportion of power resources; population, productivity and political capacity, the latter meaning coherence and stability. Power parity between challengers and the dominant state, combined with challenging states negative evaluation of dissatisfaction with the status quo, can lead to conflict if the dominant state resists the demands of change from the challengers. The main basis for peace is the preponderance of the dominant country, and the peace can be maintained as long as the potential challenging powers are satisfied. The framework of this analysis is based on a model described in the RAND report *Emergence of Peer Competitors: A framework for analysis* (Szayna et al. 2005). The framework addresses the issue of the emergence of a peer competitor to the US by studying how a potential peer interacts with a hegemon. The central aspect of the framework is the interaction between the main strategies of power aggregation available to the potential peer and the main strategies for countering the rise of a peer available to the hegemon. Then, using exploratory modelling techniques, the pathways of the various potential peer and hegemon interactions are modelled to identify the specific patterns and combinations of actions that might lead to rivalries.

In the analysis of the Chinese foreign policy and security strategy, this thesis will use sources from Chinese authors and leaders when possible. Due to the secretive nature

of the Chinese politics, accurate information on Chinese ends, way, and means in pursuit of foreign politics is not so accessible as for the US. Lack of understanding of the language also contributes to limitations in use of Asian sources in regard to both official documents and other literature, like newspapers, magazines, and scientific works. However, the thesis will make use of official documents from the Chinese State Council Information Office's home pages on the Internet. Several are translated into English. The PRC White Paper of 2004, *China's National Defense in 2004*, describes China's national defense policies and army's modernization process and has contributed significantly to this study (State Council Information Office 2004). The Report stresses that China has no hegemonic aspirations. However, one of the reasons for the modernization of PLA is to decrease the technological gap between modern military forces and to balance the US in the Asia Pacific region (State Council Information Office 2004, 5-9). Furthermore, the thesis will make use of speeches and statements in the media from Chinese authorities. Some Chinese newspapers are available in English on the Internet, for example *China Daily*, *Beijing Review*, and *People's Daily*. Research reports and articles from Western and Asian scholars also provide information for this thesis.

The views on China's aspirations generally fall into two categories: Those who claim that China is a rising power that would become more assertive, even challenge an existing hegemon; and those who argue that China's orientation is generally peaceful, applying force only for the purposes of defense and internal security (Ng 2005, 9). Michael Swaine and Ashley Tellis belong to the first group. In their book *Interpreting China's grand strategy*, they state that growing Chinese power would at some point in the future result in a search for "hegemony," and that an assertive China could reasonable

be expected to augment its military capabilities in a manner commensurate with its increased power (Swaine and Tellis 2000, 233). Other contributions who share their point of view are Richard Bernstein in his book *The coming conflict with China*, and Steven Mosher in *China's plan to dominate Asia and the world*. Furthermore, Thomas Christensen in the article "*China's Rise and Challenges for U.S. security Policy*" claim that Chinese policy is to develop capabilities to dominate most regional actors and to become a regional peer competitor or near peer competitor of the other great powers in the region (2005, 13). Christensen does not think China will be able to catch up with the US by an overall measure of national military power or technology, but that China still can pose major problems for American security interests

The other camp argues that the economic rise of China would not lead to greater assertiveness and that eventual use of force would solely be for the purposes of self-defense. Michael Pillsbury states in his book *China Debates the Future Security Environment* that thirty respected Chinese authors conclude that the main trend in the future security environment will be peace and development and a multipolar world. Also Ross Terril, in his book *The New Chinese Empire*, expects China to focus on developing a modern democratic state, thereby developing a more defensive mind-set. Thomas Barnett states in *Blueprint for Action* that China will become as important to the East as America is to the West (2005, 141). He says that the prospect of such rising power will generate much fear in the West, but that this fear is misguided because China has a clear desire to rise peacefully.

In analysis of the US' foreign policy and security strategy, we will make use of public strategy documents, like the *National Security Strategy (NSS)* and the *National*

*Defence Strategy*. While the US National Security Strategy of 2002 is focused on the war on international terrorism and emphasizes good relations with China, the Defense Strategy of 2004 is somewhat more inquiring when it comes to the development in China. The *Quadrennial Defense Review (QDR)* of 2006 goes even further, when it states that China has the greatest potential to compete militarily with the US and field disruptive military technologies that could over time offset traditional US military advantages, absent US counter strategies (DoD 2006, 29). In the report, the US Department of Defense (DoD) emphasizes shifting strategic focus towards the Asia-Pacific region, and it clearly expresses the need to improve key operations capabilities of the US military in the Pacific region. In general, Chinese media commentary on the *QDR* of 2006 has been sharper and more extensive than reaction to previous QDRs. Also in the *NSS* 2006, the Bush administration seems more skeptical and demanding towards China than in 2002. It states that China's transition remains incomplete, and "China's leaders proclaim that they have made a decision to walk the transformative path. If China keeps this commitment, the US will welcome the emergence of a China that is prosperous and that cooperates with us to address common challenges and mutual interests" (Bush 2006, 41). The Chinese Foreign Ministry has expressed strong dissatisfaction with the "wrong opinions" on China in the US *NSS* 2006 (*People's Daily*, 21 March 2006). The Foreign Ministry's spokesman QinGang held the report on the one hand said that China shares many common interests with the US and the two countries should strengthen cooperation in fields of antiterrorism and non-proliferation, but on the other hand, made irresponsible remarks to groundlessly reproach China's domestic and foreign policies and to interfere in China's internal affairs.

In the official homepages from the White House, the State Department, the DoD and the Department of Treasury there are speeches and statements from US authorities on China's policy and actions. For example, there is information available from the Bureau of East Asian and Pacific Affairs in the Department of State. Furthermore, testimonies from hearings about the relations between China and the US from the Congress and Senate committees' homepages provide useful materials for this study. In particular, hearings in the US Senate and Congress Foreign relations subcommittees on East Asian and Pacific Affairs have provided important information for the analysis. One example of testimony used for research is the hearing of Commander the US Pacific Command, Admiral William J. Fallon, before the Senate Armed Services Committee on US Pacific Command Posture in March 2005. Fallon holds that the US should respond to Chinese military modernization by escalating the US presence in the Asia Pacific region. When studying the many testimonies on this region, it is important to keep in mind that many of the speakers are biased. As Commander of the Pacific Command, it is obvious that Admiral Fallon would benefit from a US military build-up in the region. The newspaper articles from both the US and Asia are mainly from such major newspapers as *The New York Times*, *Washington Post* and *Wall Street Journal*, because these are the premier papers dealing with the topic of this thesis. Both interviews with US and Chinese politicians and articles about international politics in general are frequently used.

In addition to official statements and media contribution to the topic, academic contributions from several scholars on US grand strategy with varied view on the development of China and how the US is dealing with potential challenges is studied. Most analyses come from American scholars. Scientific institutions, like RAND

Cooperation, Pacific Forum, and the Center for Strategic and International Studies in Washington, DC, provide valid insight into the topic. However, several Asian scholars are identified and some from other regions, in order to balance different views and hopefully bring new perspective to the debate on Sino-American relations. The views on US policy towards China generally fall into two schools of thought. They are closely tied to the two categories described about Chinese aspirations. First, there are those who advocate a harder line towards China, included a military build-up in the region. Robert Kaplan is one example of this school. He states in his article “How We Would Fight China”: “The American military contest with China in the Pacific will define the twenty-first century. And China will be a more formidable adversary than Russia ever was” (2005, 1). The *QDR* of 2006 reflects similar thoughts. Second, there are those who hold that the US should focus on economic integration and be willing to accept a peaceful power transition in the region. Michael Pillsbury and Thomas Barnett are representatives of this school. In *Pentagon’s New Map*, Barnett states that China will behave in a more responsible fashion than earlier, because of its national economic growth, and because the US will learn to treat China as a more strategic partner in managing global stability (2004,381).

Since this thesis is focusing on US security strategy of the Bush administration, emphasis has been put on finding literature from 2000 to 2006. The US’ “war on terrorism” may have contributed to less focus on Sino–American relations than would have been seen if the terrorist attacks had not occurred in September 2001. Therefore, several of the sources about China’s aspiration are from the end of the 1990s. However, in late 2005 and early 2006 the China focus is escalating reflected in an increased number

of articles in media and broader attention to the Asia Pacific region in speeches and publications.

## CHAPTER 3

### THEORY AND METHODOLOGY

#### Introduction

This study evaluates US contemporary security strategy towards China both in light of official security strategy documents and the implementation of the politics. It deals with a single case: the US contemporary security strategy towards China. It is a qualitative study, because it is a study of a single case with two units and many variables. However, we will make use of quantitative data as part of the analysis of some of the variables like military and economic capabilities. This chapter reviews the methodology used for examining the strategies and actions of US and China. First, there is a short description of the framework for analysis, “the emergence of peer competitors”. Second, “power transition theory” is examined briefly, because it provides additional ideas that are valuable for examining and organizing the research on Sino-US relations. Finally, the reliability and validity of the sampling method of the study is examined.

#### Framework for Analysis of the Emergence of Peer Competitors

In this study Chinese and US national security objectives and strategies are accessed primary from a power-political perspective, using elements of realist approach. Adopting this approach implies that the focus of analysis rests principally on the state as a political entity dedicated to ensuring both internal and external security of both elite and populace (Swaine and Tellis 2000, 6). The framework of this thesis’ analysis is based on a model described in the RAND report *Emergence of Peer Competitors: A framework for analysis* (Szayna et al. 2005). A peer competitor is a state or collection of challengers

with the power and motivation to confront the US on a global scale in a sustained way and to sufficient level where the ultimate outcome of a conflict is in doubt even if the US marshals its resources in an effective and timely manner (Szayna et al. 2005, 7-8). The theoretical framework addresses the issue of the emergence of a peer competitor to the US by studying how a potential peer interacts with a hegemon. The central aspect of the framework is the interaction between the main strategies of power aggregation available to the potential peer and the main strategies for countering the rise of a peer available to the hegemon. Then, using exploratory modeling techniques, the pathways of the various potential peer and hegemon interactions are modeled to identify the specific patterns and combinations of actions that might lead to rivalries.

In addition to a strong military, a peer's power must be multidimensional economic, technological, and intellectual. The state must be able to harness these capabilities to achieve a policy goal. Furthermore, it must have the desire to challenge the status quo and the rules of the international system that are largely upheld by the current hegemon. Historically, the US rose in the late nineteenth and twentieth century without challenging directly Britain's dominant position. And, in the post-Cold War era, Germany and Japan became major economic powers, but they worked to strengthen, rather than challenge, the US-led international system. According to the RAND report (Szayna et al. 2005, xii), the peer has to be willing and capable of challenging the hegemon on a global scale, and the outcome of the challenge has to be uncertain, even if the hegemon effectively marshals its assets. To become a peer, the potential peer has four main paths: reform, revolution, alliance, or conquest. More than one strategy can be pursued simultaneously, but generally one will dominate. The externally focused

strategies, alliance and conquest can build power faster than the internally focused ones, but the former are more likely to attract the hegemon's attention and provoke hostile response from other states. Especially when the hegemon has a preponderance of power at the global level, the proto peer must tread carefully, since it faces a potentially devastating response that could delay or end its aspirations to become a peer.

A "reform" strategy is usually incremental and generally respects the accepted rules of the international system. In this strategy, the potential peer increases its national resources in order to gain more power. Focus on scientific research, development and improved education can be part of the strategy. Since this strategy is gradual and relatively predictable, the hegemon has considerable time to respond and is unlikely to be threatened. Reform takes decades to engender power. Examples are the rise Britain during its industrial revolution, and the rise of the US, Germany and Japan.

A "revolution" dramatically transforms a state's ability to extract resources by such means as more effective governance or substantial improvement in the country's capability to provide resources. Rapid changes can be caused by both political and military revolutions. The revolution strategy carries with it more uncertainty, but has the potential to increase a state's power greatly and relatively quickly. The unpredictability of the strategy means that the hegemon may have less time to respond, and the hegemon has to be more aware of the actions of a potential peer following such a strategy. The Chinese Communist takeover of power and revolutionary regimes taking over power in Russia, France, and Iran provide examples of political revolutionary paths. In these cases the regime's intentions, allies, and overall conduct changed almost overnight. An example of a military revolution is the German blitzkrieg concept, which was vital for the

early German successes in World War II. The German blitzkrieg exploited advances in tanks, aircraft, and radio, but it depended for success on the doctrinal changes that had begun in 1917 (Krepinevich 1994, 30).

An “alliance” strategy means that the potential peer challenges the hegemon by fashioning alliances with one or more other major states. The hegemon’s dominant role may be reduced. Fear, interest commonality, distribution of power in an alliance, geographical distribution of the allies, shared ideology, and the hegemon’s responses are factors that contribute to alliance tightness. NATO is an example of a tight and institutionalized alliance. However, there are numerous of examples of more temporary alliances or pact. The Nazi- Soviet pact in the twentieth century is one of them.

The last strategy is to increase power by “conquest”. Such a strategy represents an attempt to overturn the existing order. It requires large and capable military forces, both for conquest and in order to consolidate gains. The hegemon finds this strategy highly threatening. Conquest has long been the most frequently traveled route to power. Persia, Rome, China, Spain, and other empires often began with a small city or region that steadily expanded, forcing outlying areas to knuckle under and become part of the empire (Szayna et al. 2005, 38).

The hegemon’s problem is how to remain so for as long as possible, at an acceptable cost. If a hegemon sees a peer competitor emerging, the hegemon will respond in order to slow the rival’s growth and prevent a challenge from emerging. Ways of response can include everything from punitive trade measures to outright sponsorship of internal strife. The hegemon wishes to avoid direct armed conflict, because it can be expensive, may alienate allies, and can lead to overextension. There are four main

responses for the hegemon to adopt. They are differentiated by the level of conflict the hegemon imposes on the potential peer: conciliate, co-opt, constrain, and compete.

The “conciliate” strategy entails mostly cooperative behavior by the hegemon and is designed to increase common goals and limit friction. Inherent in this strategy is the understanding that the hegemon believes the potential peer does not pose a fundamental threat even if it matches the hegemon’s capabilities, because the states have similar or compatible interests. British policy towards the US beginning in the mid-1890s and the early twentieth century provides an example of the conciliate strategy. Faced with US gaining power rapidly, Britain concluded that its interests would not be threatened by allowing the US to assert regional hegemony over the Western hemisphere and that such a move would produce a potential ally against continental potential peers and competitors (Szayna et al. 2005, 56).

The “co-opt” strategy is a hedging strategy designed to increase the stake of the potential peer in the status quo, thus reducing motivation to change it. The hegemon is willing to let the potential peer’s power rise, but only if it modifies its power behavior sufficiently so that it does not threaten the international system. British policy toward Germany in the early 1890s provides an example of the co-opt strategy. The passing of Bismarck made Britain cautious about German intentions and led it to adopt a co-opt strategy. But as long as Germany remained outwardly muted in challenging the rules upheld by Britain, the British did not see a rapid rise of German power as problematic (Szayna et al. 2005, 60).

The goal of the “constrain” strategy is to delay peer status without provoking military conflict. The hegemon concludes that the potential peer competitor is likely to be

a competitor and, to moderate its rise to power, aims to make clear the costs of such competition. Conflict imposition predominates in such a strategy, although the hegemon still sees a possibility of forestalling the emergence of a long-term competitor. An example of the constrain strategy, is the British policy toward Russia in the 1880s and into the twentieth century. Russian challenges to British colonial possessions, its alliance with France, and the potential for its power to grow rapidly because of industrialization made it Britain's primary opponent (Szayna et al. 2005, 63).

The "compete" strategy is primarily one of conflict designed to keep the potential peer from power by imposing costs on him and keep him from achieving peer status. Ideally the conflict is not military, but that is the ultimate risk of such strategy. The costs of the compete strategy are high for both the hegemon and the potential peer competitor, so it will only be advantageous if the hegemon regards that competition with the potential peer is inevitable, that this poses a fundamental threat, and that the risk of not engaging in a strategy of conflict outweigh the costs. Once such strategy is adopted, it can be difficult to modify or abandon. The US policy toward the Soviet Union between the late 1940s and late 1980s provides an example of the compete strategy (Szayna et al. 2005, 65). The US assessed the Soviet challenge as fundamental. Imposition of Soviet rules on the international system would have significant influence on the US and her relations with other states.

The expected consequences of interaction between the hegemon and the potential peer competitor are visualized in a strategy matrix (Szayna et. al. 2005). The four strategies of the potential peer are on the vertical axis, and the strategies of the hegemon are along the horizontal. The intersection of each pair of strategies results in one of the

three situations: unstable, uncertain or quasi-equilibrium. The term quasi-equilibrium is used instead of equilibrium, because the power relationship between the hegemon and the proto-peer evolves continuously, and near-term action depend on imprecise long-term projections. Other squares are unstable and will necessitate a change in strategy. Uncertain interactions are less dangerous than unstable ones. However, uncertain situations might lead to instability.

Table 1. Proto-Peer and Hegemon Strategy Matrix

<b>CONQUEST</b>	Unstable	Unstable	Uncertain	Quasi-Equilibrium
<b>ALLAINCE</b>	Unstable	Uncertain	Quasi-Equilibrium	
<b>REVOLUTION</b>	Uncertain	Quasi-Equilibrium	Uncertain	Unstable
<b>REFORM</b>	Quasi-Equilibrium	Uncertain	Unstable	Unstable
	<b>CONCILIATE</b>	<b>CO-OPT</b>	<b>CONSTRAIN</b>	<b>COMPETE</b>

The squares in the upper right quadrant are already highly conflictual and mean an existing or imminent rivalry. The squares in the lower left quadrant are low in conflict and denote pre-rivalry stage of relations. Generally, escalation by one side provokes response from the other, because it changes some of its calculations. According to the RAND framework, a hegemon should aim at quasi-equilibrium when considering how to respond to a potential peer competitor. The equilibrium represents the approximate balance in threat perception-pace of power growth relationship. Revisionist and aggressive moves by the potential peer alter the hegemon's assessment of the peer's aims,

its own vulnerability, or the timing or severity of a threat, and they cause a hegemonic response commensurately high in conflict imposition. Similarly, a conflictual strategy from the hegemon constrains a potential peer and makes it more dissatisfied with the rules.

The way the different strategies of a hegemon and a potential peer competitor is described and separated here is very simplistic compared to reality. No state acts entirely as a single rational actor. Different domestic and international organizations influence the foreign policy of a state. Two alternative models to the rational actor are Graham Allison's "organizational behavior mode"<sup>1</sup> and "governmental politics model". (1999).

The foreign policy of one state is often inconsistent and difficult to see as part of one of the strategies mentioned above. Many state actions may also correspond to several strategies. Therefore, predicting the emergence of a peer competitor is difficult. The intent of this study is to understand the implications of decision making in China and the US. The decision rules of the peer competitor framework are only valuable for organizing this study as long as they are examined throughout the thesis.

### Power Transition Theory

A description of power transition theory is valuable for clarifying and organizing our thoughts about the relations between competing powers in international politics, and it adds a somewhat broader perspective to the theory of peer competitors. Power transition theory describes international politics as a hierarchy with one dominant state. The dominant state is the one with the largest proportion of power resources: population, productivity, and political capacity meaning coherence and stability. The theory focuses on the strongest states and draws implications from their interactions for war, and from

the maintenance of changes to the structure of the international system. As in the case with pure realist theories, power considerations play an important role. However, in the power transition theory each country's satisfaction with the workings of the international system, or status quo, is also considered. The general pattern of diplomatic, economic, and military interactions of members in the international system altogether constitutes what Douglas Lemke describes as the status quo. The status quo is a stable international order, which determines the ways goods are distributed (Lemke 1997, 24). If dissatisfied challengers are rising, the result can be conflict and war between the rising powers. However, rising powers can be satisfied with the status quo if the hegemon does not challenge their interests too much. Examples of what can satisfy potential peer competitors are security, economic growth, and the ability to gain or maintain regional power. Furthermore, the hegemon should avoid interfering in the potential peer's internal affairs or challenging the peer militarily. The internal growth of a country determines its power, and therefore the relative power among nations constantly changes. The idea of international relations provided by the differential growth of power among states was also set forth by Thucydides (Gilpin 1989). The power transition theory further indicates that a collection of great powers appears as potential rivals to the dominant state. Power parity between challengers and the dominant state, combined with the challengers' negative evaluation of dissatisfaction with the status quo, can lead to conflict if the dominant state resists the demands of change from the challengers. The main basis for peace is the preponderance of the dominant country, and peace can be maintained as long as the potential challenging powers are satisfied. The power transition from Great Britain to the US in the late nineteenth and early twentieth century is an example of a peaceful

transition. Great Britain accepted the gradual growth of the US, and the US avoided interfering in internal British matters. After World War II, common economic and military goals for the US and Europe probably averted competition between these two power centers. In particular the Communist threat and economic prosperities are reasons for European satisfaction with the status quo. Therefore, while the end of the Cold War offers reason for celebration, there is also cause for concern (Lemke 1997, 23).

The power transition theory and the peer competitor approach have very much in common. But, the power transition theory tends to be more predictive when it comes to expectations about the rise of a peer in a hegemonic world order. However, both approaches emphasise the importance of a state's satisfaction, and they claim that as long as a state is satisfied, it may not challenge the hegemon. What satisfaction means to China will be discussed in chapter 4 in this thesis. Examination will be made of the strategic objectives and the ways and means used to achieve them for both China and the US. In the analysis of China, a discussion will be made on whether the dominant strategy is either reformist, revolutionary or characterized by alliance or conquest. For the US whether its response strategy towards China is characterized by conciliation, co-operation, constrain, or competition will be considered. In accordance with the framework of the emergence of a peer competitor, we will consider whether the US' contemporary national security strategy for dealing with China is appropriate in the light of political and economic development in China.

#### Validity and Reliability

A thesis is valid when it measures what it should, and sources are reliable if they yield consistent results. Studying international politics is not like studying chemistry or

mathematics. However, the analysis and conclusions must reflect the research questions. Furthermore, several sources must be used with different perspectives in order to avoid conclusions based on literature or persons with biased or narrow perspective. In addition to weaknesses mentioned in this paragraph, weaknesses in the framework, theory and sources are addressed as part of the analysis in chapter 4.

The methodology used in this study is based on the RAND framework of the emergence of a peer competitor and the power transition theory. Such framework and theories always represent a simplification. No state functions entirely as a single rational actor. Different domestic and international organizations influence the foreign policy of a state. Furthermore, in debates about hegemons and peer competitors there is often an implicit and invalid assumption that relative material strength means security, because significant weaker powers would not openly challenge the security interests of a stronger state. Chapter 4, contains a discussion on whether China can offer a security challenge to the US, even if the state cannot catch up with the US when it comes to military and technology. Finally, a state's strategy will seldom or never fit in to the eight types described in the RAND report. The analysis in chapter 4 indicates that more than one strategy can be pursued simultaneously, and that it can be difficult to judge which strategies are dominant for China and the US. It has also been seen that the rhetoric of authorities does not always reflect the acts of the state. However, the methodology is recognized by a well regarded scientific construct, and the authors of the report have addressed several of the weaknesses in the methodology.

The sources for the research are mainly literature. However, in-depth interviews of a few experts on the topic are used in order to make sure that the interpretation of the

written material is in accordance with the normal understanding among scholars dealing with international politics and the US-China relations in particular. To understand the complexity of the national security strategies of the US and China, a study of literature from different perspectives and schools of thought is emphasized. Furthermore, both Asian and American sources are used to make sure that the treatment of the thesis is not limited only to US perceptions of the topic.

## CHAPTER 4

### ANALYSIS

Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide over time; be good at maintaining a low profile; never claim leadership.

Deng Xiaoping (Mazzetti 2005)

#### Introduction

This chapter presents the analysis of the study. First, Chinese national security goals and strategy are examined. Where and how the Chinese approach to international politics corresponds to peer competitor and power transition theory are considered. Second, the US national security goals and strategy towards China are discussed, and compared with what approach the theory predicts for a hegemon. Finally, there is an evaluation of the US approach in order to consider whether the US strategy towards China is appropriate in the light of political and economic development in China. The Bush administration's strategy in the framework of possible hegemon responses from the RAND report on peer competitors is analyzed.

#### Geopolitical Characteristics and Main Actors

China shares land borders with Russia, Mongolia, North Korea, Vietnam, Laos, Burma, India, Nepal, Tajikistan, Kyrgyzstan, Kazakhstan, and Mongolia. According to the PCR White Paper, China enjoys basic stability in its security situation, despite some border disputes and other unsolved security issues (State Council Information Office 2004, 3). As the most dynamic region economically, most nations in the Asia Pacific region have made development the centerpiece of their policy. Major country relations

continue to improve and grow, and peaceful consultation has become the basic approach to the settlement of disputes. China's growing economic and military power, expanding political influence and increasing participation in regional multinational institutions are key developments in Asian affairs. Davis Shambaugh (2004, 66) agrees that China has managed to peacefully resolve all of its land border disputes, except with India. However, in April 2005, India and China signed an agreement in Delhi aimed at resolving a long-running dispute over their Himalayan border (BBC News, Monday April 11, 2005). As a result most nations in the region see China as a good neighbor and a constructive partner. Despite China's growing influence in the region, the US still remains the region's most powerful actor, although its power and influence are neither unconstrained nor uncontested. The US and China have many common interests in the region and US-Chinese relations have improved after the terrorist attacks against the US in 2001. However, there are still areas of dispute between the two powers. Japan's economic weight and the Association of Southeast Asian Nations' (ASEAN) normative influence are also significant elements in the emerging Asian order, and regional multinational institutions are firmly rooted. Cooperative peace and shared prosperity are the fundamental goals of ASEAN. Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, and Cambodia are members. The ASEAN region has a population of about 500 million, a total area of 4.5 million square kilometers, a combined gross domestic product of US 737 billion dollars, and a total trade of US 720 billion dollars. China has established a strategic partnership with ASEAN dedicated to peace and prosperity in the region. Cooperation in East Asia, with ASEAN, China, Japan, and the Republic of Korea (ROK) as the main players, keeps expanding, leading to greater

economic development and political and security cooperation in the region. Asia-Pacific Economic Cooperation (APEC), in which also the US is a member, is also playing an important role in promoting common development in the region.

North Korea remains a major security concern for many countries. Its pursuit of a nuclear weapons capability constitutes a potential threat to Asia-Pacific security. China continues to call for a “nuclear free Korean peninsula,” and China is coordinating its policies and actions with several other nations within the framework of the “Six Party Talks” as a mechanism to for finding a peaceful solution to the North Korean nuclear issue. The six-party talks began in 2003, and are aimed at ending North Korea’s nuclear weapons program. The parties to the talks are the US, China, Russia, Japan, South Korea, and North Korea.

In September 2005, China announced that negotiators had reached an agreement under which North Korea pledged to dismantle its nuclear arms program in return for recognition and aid from the US and its Asian allies (Cody 2005). However, this deal later fell through.

Japan and China have substantial economic and security interdependencies. But the two countries also are economic and political competitors. The Japanese government is taking a more active role in regional and global security, highlighted by its commitment to the war on international terrorism in Iraq and in Tsunami relief. A strategic relationship with the US is developing through increased interoperability, harmonization of Japanese and US capabilities, and cooperation in missile defense (Australian Government 2005, 7).

The relations between Russia and China are developing rapidly. The two states cooperate and collaborate closely on regional and international affairs when it comes to politics, economics, energy, military matters, science and technology, and culture, as well as investment. The strategic partnership between the two giant neighbors seems also driven by their common concerns about growing American threats to their security interests. In July 2005, China and Russia unveiled their joint plan for a “New World Order,” detailing their intention to re-shape everything from the world’s economy to the rule of law for individual countries’ military structures. According to Michael Scocco, this agreement represented the most significant Sino-Russian alliance since before the days of Khrushchev and Mao Zedong (Scocco 2005).

China and *South Korea* have witnessed rapid progress in the development of their bilateral relations since the establishment of diplomatic ties fourteen years ago. The two countries share similar views on a number of important international and regional affairs, and China and South Korea are shouldering significant interests and responsibilities for peace and development on the Korean Peninsula. While visiting Seoul in 2005, President Hu Jintao stated, “Nowadays, Sino-South Korean relations have entered the best stage in history.” China has become South Korea's top trading partner and destination country for investment, and the trade between the two countries exceeded 100 billion dollars in 2005. South Korea is China's third largest trading partner and second biggest foreign capital source (*People's Daily*, 17 November 2005).

India is enjoying substantial economic growth as it continues to modernize its economy, and it has become a center of technological development. During the last few years, India has significantly increased its trade and defense engagement with South East

Asia. India's relationship with China is also improving, but there is still disagreement on border issues between the two states. India and the US are working on a new framework for defense relations, which probably will increase Indian access to US military technology (Australian Government, 8). The US has also agreed to help India develop its civilian nuclear power program in return for Indian non-proliferation commitments.

### China: Heading Towards Regional or Global Hegemony?

“The developmental goal for China to strive for in the first two decades of this century is to build a moderately prosperous society in an all-round way. China will mainly rely on its own strength for development, and therefore poses no obstacle to any one,” states the PRC White Paper of 2004. Chinese authorities furthermore hold that China needs a peaceful international environment for its own development, which in turn will enhance peace and development in the world. And, they make it clear that China will never opt for expansion, nor will it ever seek hegemony (State Council Information Office 2004, 1). According to Chinese officials during the last few years, China's main objective is stability in the region in order to maintain economic development in China and the rest of the region. “China will unswervingly keep to the path of peaceful development,” stated President Hu Jintao in the United Nations in September 2005. He said China would active participate in international affairs and abide by the purposes and principles of the UN order. According to the PRC white paper, China's basic goals and tasks in maintaining national security are:

- To stop separation and promote reunification, guard against and resist aggression, and defend national sovereignty, territorial integrity and maritime rights and interests.
- To safeguard the interests of national development, promote economic and social development in an all-round, coordinated and sustainable way and steadily increase the overall national strength.
- To modernize China's national defense in line with both the national conditions of China and the trend of military development, and improve the operational capabilities of self-defense under the conditions of informationalization.
- To safeguard the political, economic and cultural rights and interests of the Chinese people, crack down on criminal activities of all sorts and maintain public order and social stability.
- To pursue an independent foreign policy of peace and adhere to the new security concept featuring mutual trust, mutual benefit, equality and coordination with a view to securing a long-term and favourable international surrounding environment.

Simultaneously as the Chinese authorities clearly focus on cooperation and stability, their security goals state that China will not accept a threat to its sovereignty. China regards Taiwan independence forces to have increasingly become the biggest immediate threat to China's sovereignty and territorial integrity, as well as a peace and stability on both sides of the Taiwan Straits and in the Asia Pacific Region as a whole. The government expresses itself very clearly in the White Paper: "It is the sacred responsibility of the Chinese armed forces to stop the Taiwan independence forces from splitting the country. Should the Taiwan authorities go so far as to make a reckless attempt that constitutes a major incident of "Taiwan independence", the Chinese people and armed forces will resolutely and thoroughly crush it at any cost." Chinese authorities furthermore state that US policies on the Taiwan issue are inconsistent, and that US action does not serve a stable situation across the Taiwan Straits (State Council Information Office 2004, 4). Several American scholars also question the US approach to this issue. For example, Thomas Christensen holds that Americans might not understand the psychological and

political reasons for desperation in Beijing over the prospect of Taiwan's permanent independence from the Chinese nation (2001, 14). The US has in many occasions reaffirmed adherence to a one China policy, but at the same time the US continues to increase its arms sales to Taiwan.

Many scholars, who state that there is no reason for the US to fear a rising China, argue that the economic rise of China would not lead to greater assertiveness, and that eventual use of force would solely be for the purposes of self-defense. For example, Michael Pillsbury states that thirty respected Chinese authors conclude that the main trend in the future security environment will be peace and development and a multipolar world (2000). Many of these Chinese authors hold that there already is a significant decline in US power, but they still do not believe China will turn imperialistic or be a source of war. Ross Terril expects China to focus on developing a modern democratic state (2003), thereby develop a more defensive mind-set, and Thomas Barnett states that China will behave in a more responsible fashion than earlier, because of its national economic growth, and because the US will learn to treat China as a more strategic partner in managing global stability (2004: 381).

Even if Chinese officials during the last few years have stated that China's main objective is stability in the region in order to maintain economic development in China and the rest of the region, several scholars, journalists, and US officials hold that China is heading towards regional, and some also claim global, hegemony. They believe China is willing to use military power in order to gain its objectives. The warnings about Chinese hegemonic aspirations and the will to enforce them are based on both expressions from Chinese officials and the ongoing modernization of the armed forces. For example,

Thomas Christensen claims that Chinese policy is to develop capabilities to dominate most regional actors, to become a regional peer competitor or near peer competitor of the other great powers, like Russia, Japan and perhaps future Korea, in the region (2005, 13). Michael Swaine and Ashley Tellis go further, when they state that growing Chinese power would at some point in the future result in a search for “hegemony,” and that an assertive China could reasonable be expected to augment its military capabilities in a manner commensurate with its increased power (2000, 233). The Hudson Institute Report, “China’s Great Leap Forward,” outlines a chilly view of China’s development referring to open and anonymous quotas from top-level Chinese officials (Smith 2005),. President Hu Jintao has stated that he does not think that waging war in the Pacific will affect China’s global trade or obstruct the holding of the 2008 Olympic Games. However, it is not known in what context he gave this statement. Regarding Taiwan, an unnamed general holds: “We must capture Taiwan, even if that means we have to sacrifice the lives of tens thousands of soldiers.” First, too much attention should not be paid to statements of a single unnamed general, when it is known the number of Chinese generals. Second, it may be acceptable that a country is willing to sacrifice soldiers’ lives in order to defend what the nation sees as sovereignty. The Hudson report states that China is prepared to fight the US (Smith 2005). Interpreting the Chinese white paper, the Hudson report may be right on this point, but it seems likely that China put emphasis on avoiding military confrontation. The PRC White Paper states: “China needs a peaceful international environment for its own development, which in turn will enhance peace and development in the world.” The Hudson report concludes that trade and economic growth are secondary issues for China. It has to be taken into consideration that this report is mainly

based on statements from the Chinese Army. Official policies and actions of China in recent years do not support the Hudson report. President Hu Jintao does advocate some change in today's world order when he states that China will work with other countries to build a new international economic and political order that is fair and rational (*People's Daily*, 15 September 2005). However, as long as he ensures the world that China will act in accordance with the UN principles, the fear of China might be overstated.

Several authors use historical examples to advocate their view on China as a state with hegemonic tendencies and a rising peer competitor for the US. China has historically been more than willing to use force to secure their territories. For example, Alastair I. Johnston states that from 1100 B.C. to the end of the Qing Dynasty in 1911, there were a total of 3 790 recorded wars (1995, 27). Swaine and Tellis also hold that we can expect an assertive grand strategic policy from China, because that would be consistent with the previous great powers historically (2000, 231). Furthermore, the two authors say that the long-standing Chinese experience of geopolitical primacy and the association of that primacy with good order, civilization, and justice may make the pursuit of geopolitical centrality through assertive behavior once again attractive. Moreover, the use and exploitation of force was by no means exceptional in Chinese history, many official protestations today notwithstanding, even though the application of an intense level of force for prolonged periods was often resisted by some political elites and even though strong Chinese regimes would at times eschew the use of force when it was shown to be ineffective and inferior to appeasement.

The PRC white paper states that a major strategic task for China is to secure a coordinated development of national defense and economy and to build modernized,

regularized, and revolutionary armed forces to keep the country safe (State Council Information Office 2004, 5). China is concerned with increasingly complicated security factors in the Asia Pacific region, and the US presence in the region is mentioned in particular. “The United States is realigning its military presence in this region by buttressing military alliances and accelerating deployment of missile defense systems,” states the PRC white paper. Furthermore, it holds that Japan is stepping up its constitutional overhaul, adjusting its military and security policies, and developing a missile defense system for future deployment and that Japan has also increased military activities abroad. The threat from North Korean nuclear weapons and also from terrorism, drug trafficking, piracy, and money laundering, is also mentioned in the white paper. Moreover, many countries in the region, including China, are confronted by the formidable task to eliminating poverty and achieving sustainable development and enhancing security in the area of public health. The defense white paper also identifies the technological gap resulting from the Revolution in Military Affairs as a development that will have a “major impact on China’s security.”

According to Chinese authorities, China’s strategic interests lie in a secure, stable flow of resources to support its economic modernization, and the development of markets for its goods and services. China’s growing economy benefits from stability in the Asian-Pacific region. Therefore, there is little reason to fear an expansionist China using aggression and military power to gain regional or global hegemony. According to official Chinese policy statements, the aim of the Chinese military modernization is self-defense. China will defend national sovereignty and resist aggression. At the same time, military power must contribute to avoid separation and promote reunification. Across the globe,

there are many scholars and politicians who question the peaceful rhetoric of the Chinese authorities. Profound differences between Western and Chinese cultures characterize interpretations from both sides. Looking at China through Western lenses might lead to dangerous miscalculations. In further analysis, will be discussed how China in practice acts in order to achieve its political goals. An examination of Chinese information, diplomatic, economic, and military factors will lead to a clearer picture of the state's aspirations and how to deal with them.

### China: Ways and Means

Diplomatic, information, military and economic power are considered to be the four elements of national power. Effective policy requires that the four sources of power complement one another. They are closely interlinked. The informational source, both the ability to communicate and to gather intelligence, probably has the most pervasive reach. Public diplomacy, international broadcasting and domestic information influence both the domestic and international public. Globalization, development of information technology and role of international media contribute to an extended role for the informational power. Diplomatic power is closely interlinked with the idea of prestige, which refers primarily to the perceptions of other states with respect to a state's capacities and its ability and willingness to exercise power (Gilpin 1981, 31). Bilateral and multilateral negotiations, diplomatic recognition and coalition building are examples of diplomacy. Military power is based on military capabilities, deployment, show of force, security cooperation and major combat operations. Economic power deals with domestic sources, GDP, economic growth, trade relations, sanctions and economic aid.

## Information

“Secrecy envelops most aspects of Chinese security affairs, and the outside world has limited knowledge of Chinese motivations and decision-making and of key capabilities supporting PLA modernization”, states the US Office of the Secretary of Defense in 2005. However, there have been significant improvements in Chinese openness during the last few years with reference to policy documents, appearance of the leadership, the media and academia.

Chinese authorities hold that China needs a peaceful international environment for its own development, which in turn will enhance peace and development in the world. And, they make sure that China will seek expansion or hegemony (State Council Information Office 2004, 1). At the same time, China does not conceal its ambitions for becoming a more powerful actor in the international arena. President Hu Jintao states that China will work with other countries to build a new international and political order that is fair and rational (*People's Daily*, 15 September 2005). China introduced the term “peaceful rise” to describe China’s emergence (US DoD 2005a, 2). China will build more than a strong economy. China also puts emphasis in appearing as a responsible great power, which cares not only about regional challenges, but also security issues across the globe. In May 2003, President Hu Jintao stated: “It is necessary . . . to establish a mechanism of mutual promotion and coordinated development between national defense building and economic development” (US DoD 2005a, 11). However, Chinese authorities assure the world that China will act in accordance with UN purposes and principles, and they also encourage other nations to contribute to peace and stability (*People's Daily*, 15 September 2005). For example, the PRC white paper states: “The Chinese government

maintains that the international community should safeguard the international regime of arms control, disarmament and non-proliferation treaties promote its universality and reinforce its effectiveness and authority” (State Council Information Office 2004, 40). The paper additionally states that China will continue to support the reform of the UN peacekeeping missions, hoping to further strengthen UN capability in preserving peace (State Council Information Office 2004, 39).

Despite the emphasis on peace, stability and good relations between China and both regional and global powers, the rhetoric used in dealing with the Taiwan issue is quite tough. The PRC white paper states: “Should the Taiwan authorities go so far as to make a reckless attempt that constitutes a major incident of Taiwan independence, the Chinese people and armed forces will resolutely and thoroughly crush it at any cost” (State Council Information Office 2004, 5). China continues to threaten with use of force if Taiwan pursues independence, and the expressions used contribute to uncertainty about China’s proclaimed peaceful approach as a rising power. In March 2005, China’s National People’s Congress passed an “anti-secession law” as a means to pressure the Taiwan leadership, to build a legal foundation to justify use of force, and to form a rhetorical counter to the US-Taiwan Relations Act (DoD 2004, 3). Despite tough rhetoric and clear threats about a potential conflict with Taiwan, Chinese authorities make it clear that their policy of peaceful reunification with Taiwan is persistent. Since 1949, China has emphasized that the Taiwan Province is an integral part of China, which today strives to implement the basic principle of “peaceful reunification, and one country, two systems” (State Council Information Office 2006). Chinese authorities regard the Taiwan issue as the most difficult in their relations with the US. The PRC White paper says: “The

US has on many occasions reaffirmed adherence to the one China policy, observance of the three joint communiqués and opposition to Taiwan independence (State Council Information Office 2004, 4). However, it continues to increase, qualitatively and quantitatively, its arms sales to Taiwan, sending a wrong signal to Taiwan authorities. The US action does not serve a stable situation across the Taiwan straits.”

While public documents and most statements from Chinese officials emphasize the importance of good relations between China and the US, some Chinese officials frequently express concerns about US imperial aspirations. In an interview in 2005, General Liu Yazhou stated that the US has tried to paralyze China, so that China would never develop soundly (Eurasia View of Geopolitics 2005, 3). The US does not want China to collapse completely, because Japan, Russia and India would rise and upset the balance on the Asian continent, forcing the US to fill the vacuum of power. “The United States is the only nation in the world that earns money by fighting wars. It not only asks other countries to share war expenses before the war and capture the resources of the defeated countries, it also sells weapons in large scales afterwards. We should condemn it and learn from it,” said the Chinese general.

The RAND study, “A framework for analyzing the emergence of a peer competitor,” characterizes an emerging peer competitor as pursuing one of four possible strategies: reform, revolution, alliance, and conquest. From the informational perspective, China’s dominant strategy is overtly one of reform. In the last decade, there have been significant improvements in Chinese openness. China’s message to the world is that peaceful relations with regional powers and the US in order to maintain the economic development in region, is vital for the economic rise of China. China will promote change

in accordance with UN aims and principles. Concerning the question of Taiwan and other disputes over Chinese sovereignty, the authorities are less willing to compromise.

Depending on whether we see the Taiwan issue as an internal matter or we are willing to recognize Taiwan as an independent state, we may regard China's strategy as one of reform or conquest. China has never accepted separation, and only a few countries have recognized Taiwan as an independent state. Even today's authorities in Taiwan regard the island as a part of China. And, Chinese authorities do advocate a peaceful reunification, which will embrace two different political and economic systems. Therefore, the Chinese informational approach to the Taiwan issue does not change the conclusion about the informational path as reformist.

### Diplomacy

During the last few years, China has aimed at strengthening all aspects of security cooperation with other countries. China and Russia have conducted a number of vice-foreign-ministerial level consultations over the nuclear issue on the Korean peninsula, the question of Iraq, and the Middle East, and other international regional and bilateral issues of common concern. In 2004, the two countries hosted a counter-terrorism working group at the vice-foreign ministerial level. The two militaries established a consultation mechanism in 1997, and the general staffs of the two militaries have held several strategic consultations over the years (State Council Information Office 2004, 36). China also has conducted extensive strategic consultations with France, United Kingdom, South Africa, Mexico, Canada, Italy, Poland, New Zealand, and other countries. And, China continues to press the European Union to lift its embargo on the sale of arms to China, established in response to the Tiananmen crackdown in 1989.

Within the Asian Pacific region the extent of bilateral consultations is also increasing. Several defense consultations have been held with Australia, Thailand, Mongolia, and Japan. China pursues a foreign policy building good-neighbor relationship and partnership. The Shanghai Cooperation Organization (SCO) was established in 2001 in order to promote regional security, stability and development. Economic cooperation, fighting terrorism and crime are parts of the organization's focus. China continues to call publicly for a "nuclear free North Korean peninsula." Beijing plays the lead role as the chief organizer of the Six-Party Talks aimed at resolving the North Korea nuclear issue. In addition to China, Japan, the Republic of Korea, the USA, Russia, and North Korea participate in these talks. Moreover, China is increasing its cooperation with other countries within the framework of international organizations, including the United Nations. Together with Japan and the Republic of Korea, China has established a strategic partnership with the Association of Southeast Asian Nations dedicated to peace and prosperity in the region. The organization deals with economic development, crime and diseases. Since 1989, China has been a member of APEC. The organization, consisting of 21 member states from North and South America, Asia and Australia, is playing an important role in promoting common development in the Asia- Pacific region. In 1996, the (SCO) was initially formed as part of confidence-building measures between China and the former Soviet republics. Now it seeks to draw Russia, China, and a number of Central Asian states closer together. In September 2004, the SCO met and agreed upon a deal to strengthen cooperative efforts in trade, science, technology, and humanitarian projects (Valentinas Mite 2004). In addition, the deal specified concrete measures to

better combat terrorism and the specter of separatism, the latter of great concern to both Moscow and Beijing.

With reference to Sino-US diplomatic relations, they are improving both in terms of frequency of meetings and programs and in openness between the two nations. There have been several difficult issues between China and the US during the last decade. The tensions peaked in April 2001, when an American EP-3 electronic reconnaissance aircraft made a forced landing in China after a collision with a Chinese fighter. Just a few years earlier, the US accidentally bombed the Chinese embassy in Belgrade. However, after the terrorist attacks in 2001, diplomatic relations between the two powers have improved remarkably. The two countries maintain consultations on non-proliferation, counter-terrorism, and bilateral military security cooperation. Since 2003, there have been three rounds of consultations at the vice-foreign-ministerial level on strategic security, multilateral arms control and non-proliferation, several Defense Consultative Talks and counter-terrorism consultations. Maritime and air safety working groups under the Military Maritime Consultative Agreement have also been established. And, when President Bush visited China in November 2005, both the Chinese and the US President stated that it is very important to maintain a good working relationship between the two states. Neither the US nor the Chinese administrations conceal their stand concerning the question of Taiwan. However, the topic is seldom a matter of discussion in diplomatic arenas between China and the US, probably because both states regard the status quo as advantageous for themselves and the region. China regards the Taiwan issue as an internal matter, and in the Taiwan election in 2004, China used diplomatic pressures and verbal warnings to try to avoid re-election of the Taiwan President, Chen Shui-bian.

The aim of China's diplomatic efforts seems to be to establish peaceful relations with regional powers and the US in order to maintain economic development in the region, and for China in particular. According to Davis Shambaugh, Beijing's diplomacy has been both nuanced and adept bilaterally and multilaterally. According to the RAND framework of analysis a reformist strategy is usually incremental and generally respects the accepted rules of the international system. In this strategy, the potential peer increases its national resources in order to gain more power. This strategy is gradual and relatively predictable; the hegemon has considerable time to respond and is unlikely to be threatened. The Chinese diplomacy seems to follow the described reform path. China has strengthened its diplomatic relations with states in the Asia Pacific region, and globally, in order to maintain its economic development. Bilateral and multilateral cooperation proceeds according to international law and within the order of today. However, over the long term China's closer security and economic cooperation with other countries may contribute to changes in the international order. For example, the relationship with Russia has strong overtones of an alliance strategy.

### Economy

Official figures have confirmed that the Chinese economy expanded with 9.9 percent in 2005. Growth has now been about 10 percent for three consecutive years and the economy shows no signs of slowing despite government efforts to restrain it. The total economic output rose to 18.2 trillion yuan (2.25 trillion dollars) as soaring exports fuelled the country's growing trade surplus. According to *the Economist* (23 January 2006), China may now be the world's fourth-largest economy, and China's trade surplus has nearly tripled to just under 102bn dollars. The surplus is a source of concern to the

US, in particular, which has accused China of keeping the value of its currency artificially low in order to boost exports (*The Economist*, 23 January 2006). On his state visit to Beijing in the autumn, US President George W. Bush received a promise from President Hu Jintao that China would eliminate its trade deficit. (*Taipei Times*, 11 February 2006). The problem is that no one can imagine how it will be accomplished unless something changes, notably the dollar devaluation and Yuan revaluation that the Chinese seem to want to resist.

Unexpected high growth in 2005 has intensified the dispute on whether the Chinese economy can continue to grow, or if we may see a collapse within a few years. Chinese authorities have sought to control growth in state-run industries, such as construction, which have largely driven China's economic boom. Li Deshui, commissioner of the National Bureau of Statistics states: "In particular, the stability of the economic performance was strengthened to some extent and progress was seen in more balanced development" (*Taipei Times*, 11 February 2006). However, much of the recent expansion in the Chinese economy has come from the private sector in areas such as services and banking.

In large part China's emergence as a major market and its increasing demand for resources is driving the expansion of economic activity in the Asia-Pacific region. China is also emerging as a significant centre for technological development. In 2003, China became the world's second largest consumer and third largest importer of oil. The need for oil has led to closer political and economic relations with several countries in the Middle East, Africa, Eurasia and Latin America. The US fears that as China's resource needs growth, it will bring China closer to problem countries like Iran, Venezuela, and

Sudan (US DoD 2004, 2). Moreover, China's interests in energy might result in close cooperation with Russia, Europe, relationships that may change today's world order.

In the last few years, the economic and trading interdependence between Latin America and China has increased. Bilateral trade volume increased to over 40 billion US dollars in 2004, allowing China to surpass Japan for the first time to become an Asian market, which Latin America hopes most to explore (*Peoples Daily*, 14 September 2005). Sino-Latin American relations have aroused great attention in the US, and worries about closer relations probably reflect larger worries about China's peaceful rise. The People's Daily holds that there is no reason for these concerns. Firstly, China-Latin American relations date to ancient times. Secondly, contacts between the two countries are normal inter-state associations in which there is neither military alliance, nor any act of nibbling or harming the economic benefits of a third party.

Another concern for Chinese competitors is the increased technological standard of several Chinese products. Traditionally, China has exported cheap and simple products. Now, there are more than 120 Chinese car makers, which sell 5 million cars a year domestically and will begin selling in the US in 2007. China graduates more than 325 000 engineers a year, five times as many as the US, and is now able to manufacture its own commercial jets (*ABC News*, 9 January 2006). However, China still has a long way to go. Compared with Japan, there are significant differences. Most people still cannot name a single Chinese brand. By this stage in its growth path, Japan was boasting Sony, Honda, JVC and Toyota, to name but a few (*The Observer*, 11 February 2006, 9). Nor does it allay American concern that three-fifths of China's exports are made by US,

European, Japanese, Taiwanese or Hong Kong companies and not by native Chinese; they still do not have the expertise, brands, or technology.

At the same time, as China impresses the world with its high GDP growth, staggering trading volumes and surging consumption appetite, there are indications that the high GDP centred development may be too costly to sustain. The quarter century of expanding capitalism has unleashed powerful forces of change across China, but those left behind or hurt by the upheavals have few channels for protest in a political system monopolized by the Communist Party. According to George Friedman, there is a tremendous tension in the Chinese economy, because the capital allocation has been driven by political and social considerations more than by economic ones (2005). Who gets loans, and at what rates, frequently has been decided by the borrower's relation to the bureaucracy, not by the economic merits of the case. As a result, China as a nation has made terrible investments and is trying to compensate with rapid growth. The Chinese masses are experiencing the costs of industrialization and the costs of economic failure, states Friedman. Unrest is the consequence, and the question is how far the unrest will go. Peter Zeihan supports Friedman's view, and points at different solutions to the economic challenges, which may lead to rebellions among different groups of the population (2005). Local rebellions in the rural areas have already become common. In March 2005, the villagers in Huaxi in the Zhejiang region protested against a local official who had used his connections to build a chemical plant on the outskirts of town (Peter Zeihan 2005). In December 2005, farmers in Shanwei protested against a local official spending money that was meant for the farmers on expanding his wind-power farm. In this incident, the government forces opened fire in order to regain control. The

demonstrations are related to rural, urban and environmental questions, and according to professor Wenran Jiang, popular disturbances are moving from localized and isolated events to a widespread and serious social crisis (2006). The purchase of land, including forced sale, is one of the issues that contributes to unrest. Purchases are considered necessary for Chinese economic development. The challenge for China is to hold internal conflicts to a tolerable level, while simultaneously maintaining the reforms in the economic sector. The spread of disorder has become a major issue for President Hu Jintao's government, which is anxious to prevent disorder from coalescing into broader instability. The growing political unrest threatens not only Chinese economic development, but also remains a major issue for the military power of the nation.

The dominant economic path for China is one of reform, because its economic development in general respects the accepted rules of the international system. Furthermore, the focus on scientific research, development and improved education is increasing. The economic development in China is often characterized by the term "revolution," but we can no longer say that contemporary changes in the Chinese economy dramatically transform its ability to extract resources by such means as more effective governance or substantial improvement in the country's capability to provide resources. China's significant increase in the economy carries with it some uncertainty, and the Chinese banking system is a matter of discussion and fear in the international community. The RAND framework separates the reformist and the revolutionary paths of the potential hegemon with regard to the hegemon's ability to respond to the development. A gradual and relatively predictable strategy will give the hegemon a considerable time to respond and the hegemon is unlikely to be threatened. From this

perspective we must conclude that economically, China's dominant path is reform, with elements of revolution. China does increase its national resources in order to gain more power, but because she is increasingly integrated into international economic rules and institutions, the US and the rest of the world should be able to develop a timely and effective response to China's rising economic power.

### Military

The RAND study "The emergence of a peer competitor" emphasises the importance of assessing the development of the military power of a potential peer competitor in order to establish an appropriate policy for the hegemon. Secrecy envelops most aspects of Chinese security affairs, and the outside world has limited knowledge of Chinese motivations, decision-making, and key capabilities supporting PLA modernization. The PLA's routine biannual defense white paper demonstrates some improvement in transparency. However, the white paper provides only limited transparency in military affairs, and Chinese authorities still hold on tightly to the information about expenditure and capabilities. For example, in 2000, the official US estimates of Chinese expenditures on national defense were two to three times higher than official Chinese published figures (US DoD 2004). In any case, the PLA has made no secret of its effort to craft a slimmer, more mobile force versed in the use of advanced weaponry as a source of national pride and as a deterrent to Taiwanese independence.

The PLA is in the third decade of a comprehensive program of modernization and transformation that began in 1979, after its campaign against Vietnam. The program continues with renewed vigor into the new century, and the US intelligence community estimates that China will require until 2010 or later to produce a modern force capable of

defeating a moderate size adversary (Military Periscope 2006). The PRC White Paper states that China adheres to a military strategy of active defense and works to speed up the Revolution in Military Affairs (RMA) with Chinese characteristics in order to adapt itself to changes both in the international strategic situation and in the national security environment and to the rise of challenges presented by RMA worldwide (State Council Information Office 2004, 5). The intent is to make sure that the People's Liberation Army gradually accomplishes the transition from mechanization and semi-mechanization to informationalization. The PLA will promote coordinated development of firepower, mobility and information capability, enhance the development of its operational strength with priority to the Navy, Air Force and Second Artillery Force, and strengthen its comprehensive deterrence and war fighting capabilities. According to the White Paper (State Council Information Office 2004, 8), the purpose of strengthening these capabilities is to win both command of the sea and air, and to conduct strategic counter strikes. In order to build a more streamlined and technological military, the PLA is reducing its manpower by 200, 000 to a total strength of 2.3 million. But China has a 3, 000, 000 strong militia, whose tasks are to assist the PLA in production, undergo military training and defend China's frontiers in peacetime. In addition, the People's Armed Police Force, consisting of 1.5 million men, acts as a ready reserve for regular army units in wartime and guards strategic mountain and border areas.

China is expanding its force of ballistic missiles, cruise missiles, submarines, advanced aircraft, and other modern systems. Over the next several years China will begin to bring into service a new road-mobile, solid-propellant, intercontinental range ballistic missile and a submarine launched ballistic missile. China has more than 700

aircraft within range of Taiwan, and the air force continue to acquire advanced fighter aircraft from Russia. The fielding of a new fourth generation fighter, F-10, which provides new capabilities, has already started. And, China is developing new advanced precision strike munitions, including cruise missiles and air-to-air, air-to-surface, and anti-radiation munitions. China is buying guided missile destroyers and diesel electric submarines from Russia, in addition to Chinese produced submarines. In 2005, new nuclear attack submarines were expected to enter service. China is modernizing its air-defense. Russian surface to air missile battalions have longer ranges and increased lethality against tactical ballistic missiles and offer more effective electronic counter-counter measures.

The PLA has made impressive progress over the past decade, and it would be a formidable opponent for most of its Asian neighbors. However, much remains to be done. The services are not equipped and trained for joint warfighting, and the logistical system is not able to sustain a large scale, long-term, high intensity conflict (Graff and Higham 2002, 300). Furthermore, the nuclear submarine development program has been unimpressive, with a wide gap between rhetoric and reality, and the Chinese Air force is struggling with the issue of spare parts for its Russian planes. Morale is poor, particularly among enlisted personnel. And finally, the PLA lacks combat experience. Plans do not automatically translate into capabilities. In technology and material, the Chinese military is at the same level as the US military in the 1980s, and a formidable increase of the defense budget is necessary to compete militarily with the US in the years to come. Thomas Christensen states that it is more likely that the military gap between China and the US will expand in the next few decades (2005, 12). This assertion is also

acknowledged by top level officers in PLA. For example, General Liu Yazhou states that the US is not afraid of Chinese military modernization, because China could hardly catch up. (*Eurasian Review of Geopolitics*, 2005, 23). What the US feared was the Maoization of the Chinese military, because it would call for revolutionizing and politicization. Mao Tse-Tung managed to fight and defeat a stronger enemy with methods very different from today's US warfighting doctrines, methods and capabilities.

China's official defense budget began a steady rise in 1989. Some foreign analysts concluded that the military was rewarded for moving against dissidents. Others saw the rising defense budget as evidence that China was intent on an expansionist policy internationally. China's defense budget for 2005 was about 30 billion dollars, a 12.6 percent increase from the prior year. However, the public figures likely do not include research and development spending or purchases of foreign weapons, so actual defense spending is estimated to range as high as 90 billion dollars in the *Military Periscope* of 2006. For most of the years since 1990 the growth rate of China's defense expenditure in relation to its GDP and to the state financial expenditure in the same period has remained basically stable. And, compared with some major Western countries the absolute amount of China's defense expenditure and the proportion of GDP and state financial expenditure are quite low. In 2003, China's expenditure amounted to only 5.69 percent of that of the US, 56.8 of that of Japan, 37.1 of that of the United Kingdom and 75.9 of that of France (*Periscope* 2006). According to the PRC white paper, the increased parts of China's defense expenditures have primarily been used for increases in salaries, improvement of social insurance, structural reform and improved education for the military (2004, 8-9). The spending for equipment has been only moderate. A RAND report from 2005 states

that even if China manages to spend 5.0 percent of GDP on defense, the pressure within China to increase social spending on health care, pensions, education, and the environment, coupled with the costs of paying the Chinese government's liabilities, makes it more likely that military spending will not rise above 2.3 percent of GDP. Furthermore, the authors forecast that Chinese military spending is likely to rise from an estimated 69 billion in 2003 to 185 billion US dollars by 2025, approximately 61 percent of that of the US Department of Defense in 2003. What is not covered in these numerical estimates is which capacities China will be able to develop within its economic limitations.

Since 1990, China has consistently supported and actively participated in UN peacekeeping operations. US authorities interpret China's more active role in the global arena as an attempt to increase its influence not only regionally, but also globally. In the Secretary of Defense Report to Congress, the Chinese deployment of peacekeepers to Haiti and the growing Chinese engagement in Latin America are mentioned in particular (US DoD 2005a, 2). The PLA also conducts active military exchanges and cooperation with militaries of other countries, and has developed a wide-ranging military diplomacy. China has established military relations with more than 150 countries in the world, including more than 100 military attaché offices in embassies abroad. Over the past three years, the PLA has sent high-level military delegations to over 60 countries, and played host to over 130 delegations. In 2004, for the first time in history PLA conducted maritime search and rescue drills with British, Indian and French naval forces. In August 2005, China and Russia cooperated in the largest combined military exercise in decades, descending on China's Shandong peninsula with 10,000 troops and a range of

sophisticated weapons. And, Russia is expected to hold a similar exercise on its territory in 2006 (Magnier 2006, 6).

As mentioned earlier in this chapter, domestic protests mainly directed at local policies have grown violent over the past years, posing increased challenges to China's internal security forces. According to Chinese official estimates, the number of these incidents in 2005 reached an all-time high of at least 87, 000 incidents (Jiang 2006, 2). The rising number of protests reflects growing popular dissatisfaction with official behavior related to property rights and forced relocations, labor rights, pensions, corruption, and political reforms. Some say this is an alarming acknowledgement of a looming crisis in the Chinese society. Others hold that the figure is not surprising and that it may not even be a new development: it reflects only that Beijing now allows more reporting of these protests that have existed for a long time (Jiang 2006, 2). Certainly, there is nothing new about an internal focus in the PLA, and many also claim domestic matters in the future will be the main focus and challenge for the Chinese military. Internal unrest also has influenced how the military are disciplined. For a time after the Tiananmen Square incident there were intensive efforts to instill in officers and recruits the necessity for absolute and unswerving loyalty to the party and its orders. PLA members were reminded that theirs was a party army, not a state army (Graff and Higham 2002, 293).

Chinese modernization of its armed forces is a matter of discussion, fear and disagreement throughout the world. The Chinese authorities state officially that China adheres to a military strategy of "active defense" (State Council Information Office 2004, 5). China does not face a direct threat from any other nation. However, she still continues

to invest heavily in her military. PLA General Liu Yanzhou states that the Chinese military revolution needs grand conceptions and vast accommodation. He says, “we should consider the innovation concept in the military theory from the height of life and death, survival and perdition of our country and nation. The real value of the military can be tested only in armed clashes” (*Eurasian Review of Geopolitics*, 2005, 6). The focus on nuclear and other offensive capabilities can be interpreted as support for General Yanzhou’s concerns. Some people are even more concerned about Chinese military development. For example the Russian General Vladimir Slipchenko claims that the ultimate goal of Chinese military reform consists in the creation of a military establishment that guarantees “living space” within strategic borders (Smith 2005). It is hard to find reasonable support and evidence for Slipchenko’s view. The primary strategic focus within the Chinese political and military leadership seems to remain the unification of China, including Taiwan, via peaceful or military means. In order to achieve her regional political objectives, China aims at gaining the ability to effectively counter the US in the region. In 2004, China held two large scale exercises, one of which explicitly dealt with the Taiwan scenario (US DoD 2005a, 3). China continues to deploy its most advanced systems to the military region directly opposite Taiwan. Some 650-730 mobile CSS-6 and CSS 7 short-range ballistic missiles are deployed to garrisons opposite Taiwan. Newer versions of these weapons feature improved ranges and accuracy. According to a report from a top-level Washington think-tank, China plans to win a war over Taiwan within a week (Smith 2005).

The transformation of the PLA has elements of a reform strategy, because it is relatively incremental and so far respects the accepted rules of the international system.

The Chinese military focus on scientific research, development and improved education, and the strategy seems relatively predictable. However, studying the aims and proposed tempo of the transformation, the term revolution probably is a more reasonable description. The PRC white paper even uses the expression “Revolution in Military Affairs” describing the modernization of PLA, while the great increase in defense spending indicates more than reform. Despite the fact that the PLA is still at the technological level the US was in the 80s, Chinese modernization carries with it some uncertainty, and it has the potential to increase China’s power greatly and relatively quickly. When it comes to the two possible strategies, alliance and revolution, we can find elements of both, but it would be hard to defend either as the dominant military strategy of China. A strategic partnership with Russia, which includes military exercises, indicates that China enhances military cooperation with regional powers. Concern over US policies brought the Russian and Chinese leaders together after the Cold War. But a full-fledged alliance that could threaten the US is probably inconceivable. The two countries may deplore US policies but at the same time remain in need of US help. And, both China and Russia remain deeply suspicious of each other. Keith Bush, director of the Russian and Eurasian program at the Center for Strategic and International Studies in Washington, states that in both countries, relations with the US are more important than with each other. This is certainly true for China, whose trade with the US is many times higher than with Russia. Limited economic ties between China and Russia, together with both countries close economic ties to the US, do not support a strong alliance strategy for China. A strategy of conquest represents an attempt to overturn the existing order. It requires large and capable military forces, both for the conquest and in order to

consolidate gains. Some scholars hold that conquest strategy provides a good description of China, and think the Chinese strategy is highly threatening. China is building up some offensive assets, and she is clear about her ambitions for confronting the US militarily, if necessary, in order to defend the unification of China. However, China has a long way to go to confront the US, and, considering internal unrest, she probably has more will to build up alliances than to go for a conquest strategy in order to confront the US militarily, as long as she does not feel her sovereignty is threatened.

To summarize, defense budgets and military reforms in China indicate a dominant revolutionary Chinese security strategy. Even if we can find elements that could fit into an alliance or conquest strategy, we cannot justify conclusions indicating that China militarily will be able to threaten the US globally within the next few decades. Furthermore, China is probably unwilling to break strong economic ties with the US by threatening the US either with building blocks or with aggressive acts. However, China can still pose major problems for American security interests in the South Pacific region.

#### China's Main Path

According to the RAND report (Szayna et al. 2005, xii), a peer competitor has to be willing and capable of challenging the hegemon on a global scale, and the outcome of the challenge has to be uncertain, even if the hegemon effectively marshals its assets. Summing up the conclusions of discussions about Chinese sources of power, China sends somewhat mixed signals about her aspirations and strategy. We must remember that thinking over very long cycles is part of Chinese culture. Development in Chinese economy is one of reform, and the US should be able to respond to it in a timely and efficient manner. However, internal challenges tied to industrialization and social

reforms, and corruption and a banking system that might fail, could be bigger threats to the world economy than a rising economic power. In the informational and diplomatic field, China also has a reformist approach to the world. Chinese officials hold that China's strategic interests lie in a secure, stable flow of resources to support its economic modernization and the development of markets for its goods and services. China's growing economy benefits from stability in the Asian-Pacific region. However, at the same time Chinese growth will offer significant challenges. The pace and scale of China's defense modernization create the potential for misunderstandings, particularly with the development of new military capabilities that extend the strike capability and sustainability of its forces. The new offensive assets may represent a threat regionally, and can pose major problems for American security interests, especially for Taiwan (Christensen 2005, 5). China might challenge US interests regionally. However, the fact that the modernization of PLA is a generation behind the US limits the military threat to the US. Moreover, the internal challenges limit China's ability to focus externally.

#### US National Goals and Interests Involved in the Asia Pacific Region

Our Nation's cause has always been larger than our Nation's defense. We fight, as we always fight, for a just peace—a peace that favors liberty. We will defend the peace against the threats from terrorists and tyrants. We will preserve the peace by building good relations among the great powers. And we will extend the peace by encouraging free and open societies on every continent.

President Bush (2002, Introduction)

The aim of the *US National Security Strategy of 2002* is to help make the world not just safer but better, states President George W. Bush (2002, introduction). “Our goals on

the path to progress are clear: political and economic freedom, peaceful relations with other states, and respect for human dignity.” The strategy never mentions US world leadership or hegemony. However, US aspirations for maintaining today’s world-order are clear. As the dominant power, the US finds itself responsible for peace and stability throughout the world. “America cannot know peace, security, and prosperity by retreating from the world. America must lead by deed as well as by example,” states the *NSS* of 2006. Furthermore, the Bush administration is willing to take pre-emptive steps in order to avoid an imminent threat. From the Iraq war, we know that the definition of imminent threat is a matter of discussion. The National Security Strategy of 2002 and the National Defense Strategy of 2005 both articulate great concern about international terrorism. Potential peer competitors do not merit much attention. Democrats have blamed President Bush for not addressing the rise of China. Senate Minority Leader Harry M. Reid wrote Bush a letter in November 2005, in which he stated: “The current ad hoc, inconsistent and essentially aimless approach of the US policy toward China has exacerbated these fears.” Before the terrorist attacks in 2001, many Americans regarded the rise of China as the greatest threat for US security. In 2005, a US Quadrennial Pew opinion poll indicated that only 16 percent regarded China as the biggest threat to the US. In 2001 polls indicated that there was broad concurrence that China posed the greatest danger to the US (Pew Research Center 2005). However, more recently, the US focus on China seems to be escalating. There is a significant increase in attention to China in the February 2006 edition of the *QDR*, compared with the *QDR* released in 2001. Concerns about the emergence of a new superpower after the fall of the Soviet Union characterized US politics and military planning during the 1990s. Within US administrations many claimed

that the number one objective of US post-Cold War political and military strategy should be preventing the emergence of a rival superpower. According to “Frontline” (2005), the following part of a draft document of Defense Planning Guidance from 1992, supervised by Paul Wolfowitz, was leaked to *The New York Times*, and later rewritten. In 1992, Paul Wolfowitz was Under Secretary of Defense for policy.

Our first objective is to prevent the re-emergence of a new rival. This is a dominant consideration underlying the new regional defense strategy and requires that we endeavour to prevent any hostile power from dominating a region whose resources would, under consolidated control, be sufficient to generate global power. These regions include Western Europe, East Asia, the territory of former Soviet Union and Southwest Asia.

The *US National Security Strategy* states that the US seeks a constructive relationship with a changing China (2002, 27). The relationship is an important part of the US strategy to promote a stable, peaceful, and prosperous Asia-Pacific region. Since World War II, US’ engagement in the Asia-Pacific region has been the foundation of the region’s stability and security. Continued engagement in the region also remains a key goal for the US. At the same time, there is a desire to find new solutions to emerging and enduring threats, as well as the need for modern less labor intensive US forces. The US wants countries to contribute more to their own regional stability. In the Asia-Pacific region Japan, Korea and Australia may be expected to take on more prominent roles in support of shared strategic interests.

There are challenges to good relations between the US and China. First, both states seem to harbor leadership ambitions for the Asian region. Second, the unsolved problem about the status of Taiwan may lead to conflict both in the region and between the US and China. The fact that China possesses nuclear weapons makes a potential conflict with China more serious. Third, the future of the political system in China is

uncertain, and Chinese authorities are criticized for questionable attitudes about democracy and for violating human rights domestically. Fourth, in addition to the Taiwan question, there are several potential sources of conflict in the Asian region. Finally, the US has great economic interests in the region, including China in particular. The region already plays an important role for the global economy, and will probably increase its economic influence in the years to come. The main contentious resource, oil, may be an issue for competition and conflict between the US and China, and with Japan and South Korea figuring in the larger equation.

In light of these related issues, the US administration's approach to China is viewed differently among scholars and politicians around the world. Most scholars agree that China will challenge the US, at least regionally. However, their views on degree and on how to deal with the implications are diverse. National Security Advisor Stephen J. Hadley stated: "The main goal is to indicate clearly that the president knows the US has an important role to play in both the economic and security challenges in Asia and that he wants to play that role."

#### United States: Ways and Means

As today's global hegemon, the US has a unique possibility to influence the rest of the world by informational, diplomatic, economic and military means. However, even for a hegemon there are limitations and uncertainties about the long term perspective. The US' power position is based on a large number of allies. In order to fight international terrorists, avoid the emergence of a peer competitor and protect other interests, the US must rely on close cooperation with other strong nations. Economic development,

shortage of resources, natural disasters, cultural conflicts or changes in demography might change the contemporary world order, and lead to a decline of US power.

### Information

Today, most big sources of information with global reach, whether it is CNN, *The Wall Street Journal*, or *Time Magazine*, are US controlled. Despite freedom of speech and freedom of press, it is no doubt that this gives American authorities and interest groups a unique possibility to spread their thoughts and messages throughout the world.

US official rhetoric about China has changed a lot during the last decade. The NSS of 2002 states, that the US seeks a constructive relationship with a changing China. “We already cooperate well where our interests overlap, including the current war on terrorism and in promoting stability on the Korean peninsula.” The positive approach towards China is also reflected in many speeches and comments from the Bush administration. According to the Bush administration, the US welcomes the rise of a peaceful and prosperous China, one that becomes integrated as a constructive member of the international community. During President Bush’s visit to China in 2005, he several times stated that the US has a good working relationship with China, and that it is very important for the US to maintain a good relationship with the leadership. Also Genreal Peter Pace, Chairman of the US Joint Chiefs of Staff, states that the Pentagon does not regard China as a threat and that they want good relations with the Chinese military (Gertz and Scarborough 2006). However, the US administration expresses some uncertainty about the Chinese will and ability to take the responsibility expected from a great regional or global power. The NSS states: “The relationship with China is an important part of our strategy to promote a stable, peaceful, and prosperous China (Bush

2002, 8). The democratic development of China is crucial to that future. Yet, a quarter century after beginning of the process of shedding the worst features of the Communist legacy, China's leaders have not yet made the next series of fundamental choices about the character of the state." Furthermore, in an interview with *The Australian*, the US Deputy Secretary of State, Robert Zoellick, called China to accept the responsibilities as well as the benefits of the global system (Kelly 2005). He stated that the US welcomes a confident, peaceful and prosperous China, and he offers China an invitation to work with the US to shape the future international system.

Simultaneously as the Bush administration focuses on improved relations with China, the *National Security Strategy* states that there are areas in which China and the US have profound disagreements (2002, 28). The self-defense of Taiwan under the Taiwan Relations Act is one, and human rights is another. The security strategy states that China must be more open with information, promote the development of civil society, and enhance individual human rights. Furthermore, US' expectations for China to adhere to its nonproliferation commitments are addressed. Despite the Bush administration's emphasis on good relations between the two states, it is obvious that the administration questions the Chinese development and aspirations. In 2005, the US Secretary of Defense stated that China is facing a strategic crossroads, and questions about the basic choices China's leaders will make, as China's power and influence grow, still remain (US DoD 2005a, 7). "China can choose a pathway of peaceful integration and benign competition, or find itself upon, a pathway along which China would emerge to exert dominant influence in an expanding sphere" (US DoD 2005a, 7). Nationalistic fervor, structural economic weaknesses, inability to accommodate the forces of market

economy, and a government that is still adapting to great power roles are forces that can divert China from a peaceful pathway. Furthermore, the US is concerned that PLA capabilities could pose a credible threat to other modern militaries operating in the region. The US Secretary of Defense has several times questioned the reasons for a Chinese military buildup. The secretary says China is not a threat to the US, but it is building up its military without being threatened by any other country. Also the *NSS* states that the US does not regard China as a threat: “In pursuing advanced military capabilities that can threaten its neighbors in the Asia Pacific region, China is following an outdated path that, in the end, will hamper its own pursuit of national greatness. In time, China will find that social and political freedom is the only source of that greatness” (US DoD 2005a, 7, 28).

The US Defense Department and the military are often accused of exploiting uncertainty over the rise of China in order to build up military capacities. The US Defense strategy of 2005 states: “Our forces will be strong enough to dissuade potential adversaries from pursuing a military build up in hopes of surpassing, or equaling the power of the US.” The same document states that the US military must dissuade future military competition. Admiral William J. Fallon (2004), Commander US Pacific Command, stated in testimony to the US Senate that deterrence efforts in the Asia Pacific region are an important driver for the ongoing US military transformation. “Our competitors must recognize without doubt that the U.S. military is peerless and continues to evolve beyond their scope of combat power,” said the Admiral.

The US administration often states that the presence of US forces overseas is one of the most profound symbols of US commitments to allies and friends. “The US

demonstrates its resolve to maintain a balance of power that favours freedom . . . to contend with uncertainty and to meet the many security challenges we face, the US will require bases and stations within and beyond Western Europe and North East Asia, as well as temporary access arrangements for the long distance deployment of US forces,” states the DoD (US DoD 2005b, 29). While the Bush administration rhetorically has a strong element of idealism in its approach to the security situation in the South Pacific region, the DoD and the military do not deny that it is vital for the US to remain a hegemon and the sole military superpower in the world.

Even if US ambitions and interests in the Asia Pacific region are clear, less clear is the role the US wants to play, and to what extent it can accept China as a regional and global influence. The US Secretary of Defence has signalled a harder line against China from the Bush administration, and this stance is reflected in the US *QDR* of February 2006. The *QDR* does spell out a fourth military mission, beyond defending the homeland, fighting terrorism, and engaging in asymmetrical warfare. “Shaping the choices of countries at a strategic crossroads,” is the wording of a mission that hardly can be interpreted as anything other than countering the looming threat of China (Fred Kaplan 2006). The Chinese Foreign Ministry spokesman, Kong Quan, characterized the *QDR* as interference in Chinese internal affairs and the promotion of a new China military threat theory (Getz, Bill and Rowan Scarborough 2006).

For the last few years, the US rhetorically has chosen a conciliatory path towards China. The conciliatory strategy entails mostly cooperative behavior by the hegemon and is designed to emphasize common goals and limit friction. The *NSS* states that the US seeks a constructive relationship with a changing China, and the same message is

repeated again and again by the Bush administration. Inherent in the conciliatory strategy is the understanding that the hegemon believes the potential peer does not pose a fundamental threat even if it matches the hegemon's capabilities, because the two states have similar or compatible interests. The case for China is that the American administration does not consider China as a threat in short time perspective. According to information from the administration, the US and China have similar interests concerning stability and development in the Asia Pacific region and the war on international terrorism. However, opposing views on specific regional issues, and a US concern about Chinese military modernization, are clearly expressed. The *QDR* of February 2006 might represent a shift in the Bush administration's approach towards China. There are strong elements of a co-opt and constrain strategy in the way the *QDR* describes how to deal with "countries at a strategic crossroads." These hedging strategies are designed to increase the stake of the potential peer in the status quo or to delay peer status without provoking military conflict. The hegemon is willing to let the potential peer's power rise, but only if it modifies its power behavior sufficiently so that it does not threaten the international system. Several Chinese responses to the *QDR* do support these interpretations. For example, the Chinese military analyst, Wang Xinjun, holds that the US *QDR* is based on containing China (Gertz and Scarborough 2006).

### Diplomacy

During the last few years, US diplomatic relations with China have improved significantly. After the terrorist attacks against the US in 2001, the two administrations expressed common interests in the war on international terrorism. In addition to fighting international terror, China and the US have worked together to pursue the common

objective of a nuclear free Korean Peninsula, to establish the Six-Party Talks Process and to support a common effort in fighting HIV-AIDS. When the US Secretary of State, Condoleezza Rice, visited China in 2005, she stated that the US-China diplomatic relations has developed remarkably and in ways that would have been through unthinkable a few years ago (US Department of State 2005b).

Some scholars hold that while President Bush has focused on the wars in Afghanistan and Iraq and the war on international terrorism, US diplomacy in the Asia Pacific region has suffered. According to *The Washington Post*, foreign policy specialists have said that US visibility in Asia has been eclipsed by China's growing economic and political power (Baker 2005). A few scholars have also claimed that Chinese support for the US war is caused by Beijing's ability to claim that its crackdowns in Tibet and Xinjiang are part of the same war (Lindorff 2004). However, in the last months of 2005, the administration has sought to engage more in the Asia Pacific region, dispatching a series of high-level officials, including the President, the Secretary of Defense, and the Secretary of State. Also within the economic sector, diplomatic relations have become tighter and have led to more frequent contact between the two countries' administrations. China's World Trade Organization (WTO) membership, following more than 15 years of negotiations, marked the final step in normalizing US-China trade relations, and several bilateral institutions have been established to manage trade and advance the goals elaborated when China joined the WTO. Examples are the Joint Commission on Commerce and Trade and the Joint Economic Committee.

Concerning the Taiwan issue, China and the US have a common interest in maintaining the status quo. The US Secretary of State confirms that the two states agree

upon not doing anything in order to avoid increased tension across the Cross-Straits (US Department of State 2005b). When China passed the Taiwan antiseccession law in March 2005, Rice made it clear that it was not a welcome development. She held that the law just demonstrates the unsettled nature of some of the relationships between China and others in the region. The US administration is urging the European Union to keep in place its ban on selling weapons to China, because Washington views that any European weapons sold to China could be used in a conflict over Taiwan. In remarks to the press in March 2005, the US Secretary of State said that lifting the embargo at a time when there are concerns about China's human rights situation and the military balance in the region would not be the right signal (US Department of State 2005b).

Diplomatic relations between the US and many other Asia Pacific states have vital implications for the Sino-US relationship. The Six-Party Talks, aimed at eliminating North Korea's nuclear weapons program, is one example of multilateral efforts in which the US participates in order to achieve regional and global peace and stability. Australia is one of oldest US allies and a key nation in the Pacific in the War on Terror. Furthermore, Australia plays a leading role in regional security, with operations in several conflict-areas. The US-Japan alliance remains the most important pact in the Pacific. Nearly 38, 000 US armed forces personnel are stationed in Japan, along with an additional 14, 000 forward-deployed US Naval personnel (Fallon 2005). "We have an exceptionally positive working relationship with the Japanese and expect an outcome that suits both their national, sovereign interests while maintaining a robust alliance and enduring U.S. commitment to peace, stability, and security in the region," states the PACOM commander. The US-ROK alliance also remains strong. The fundamental

purpose of the alliance is mutual defense, to deter and defend against the North Korean threat, and to sustain a mutual commitment to regional security and stability. The ROK-US Security Policy Initiative, formerly the Future of the Alliance talks, addresses the mutual security needs of both nations to move the alliance towards a more enduring relationship, while meeting US requirements for transformation and increased flexibility.

Diplomatically, the US has chosen a dominant conciliatory strategy towards China. US diplomatic relations with China have improved significantly, and the two states cooperate closely in order to enhance peace and stability regionally and globally. Chinese support in the war on terror is regarded as very positive for the relationship. A significant increase in visits of high-level officials and close cooperation in institutions such as the Six-Party Talks and WTO reflect the common interests of the two states. However, there are strong elements of a more cooperative and even containment strategy from the US. The US administration uses every opportunity to remind China about issues in dispute. And, despite all the friendly references, US diplomats do express concern about China's intentions. Chinese authorities do not complain about close US relations with other regional powers. However, it is not likely that China welcomes strengthened alliances between them.

### Economy

The US has the largest and most technologically powerful economy in the world, with a per capita GDP of 41,800 dollars, and it still reflects more research and development than any other single country. US GDP growth is higher than for most European countries, and the size of the economy as a proportion of the global economy is likely to increase in the years to come (Jisi 2005, 2). US firms are at or near the forefront

in technological advances, especially in computers and in the medical, aerospace, and military fields. As the dominant power in the World Bank, the World Trade Organization, the Financial Stability Forum and several other international economic institutions, the US plays a significant role in the global economy. The response to the terrorist attacks of 11 September 2001 showed a remarkable resilience of the economy. Effects from an increase in energy prices and Hurricane Katrina have also had relatively small impact on overall GDP growth. However, despite the great lead over other economies, there are significant challenges to the US economy. The US advantage has narrowed since the end of World War II. Long-term problems include inadequate investment in economic infrastructure, rapidly rising medical and pension costs for an aging population, sizable trade and budget deficits, and stagnation of family income in the lower economic groups. The costs of the war on terrorism may also be hard to bear if American engagement continues on today's or an escalating level. The costs of the Iraq war have already passed 251 billion dollars (National Priority Project 2006). In addition to military expenses, the international isolation of the US both from traditional friends, especially from the Arab world, might be costly. Globalization also contributes to vulnerability for the US economy. The financial flows around the world of more than 1.5 trillion dollars a day are so large that no one can control them. One example is the Thai Bath currency crisis in 1997. When the Thai currency collapsed, the big global decision makers decided to ignore this crisis. But it spread to several countries in the region, then Korea, Russia and Brazil, before it began to rattle American markets (Mahbubani 2006, 6-7).

The US and China display substantial economic interdependencies. In 2004, US imports from China amounted to 210.5 billion dollars, while export was only 34.7 (US

China Business Council 2006). The US is China's top export destination, while it is number four when it comes to imports. The latest research report released by the US-China Business Council in January 2006 indicates that by 2010, Sino-US trade will increase the disposable income of every US family with an average of 1,000 dollars a year. It is clear that improved Sino-US economic cooperation conforms the self-interests of the US, at least in short term. During his State of the Union Address in 2006, President Bush emphasized that it is necessary for the US to step up cooperation with China. US Deputy Secretary of State Robert Zoellick was even more concise when he stated: "China is a stake holder of US, and the conditions of the Sino-US relations will have a direct impact on the self-interests of the United States." During the 1990s the US negotiated with and encouraged China to enter the WTO, and the US is still working constructively with China to help it implement fully WTO commitments. The Chinese entry benefited American businesses. It expanded US access to growing Chinese markets because of trade liberalization. "We support China's WTO implementation not only because it will accelerate China's economic reform through the creation of a more institution-based and market-driven economy. Just as significantly, it means more export and investment opportunities for US companies and ultimately more jobs for American farmers and workers," states Shaun Donnelly, acting assistant secretary for the State Department's Bureau of Economic and Business Affairs (The American Embassy in China 2006).

There is a potential Chinese-US conflict over energy supplies. The US is concerned about growing demands by China and other rising powers. The demands will have substantial impacts on geopolitical relations. Furthermore, the US is concerned

about increased economic cooperation between China and states with unstable or hostile regimes, in particular Iran and Sudan.

Within the US business environment, there seems to be little concern about the rise of China and the possibility of a peer competitor to the US. “There is a Sinofobia within the Beltway, [Washington, DC: US Congress and administration] which you will not find in the US business society,” stated Kara Than Bhala, CEO Seven Pillars Consulting, in a conference about globalization at Kansas State University in 2006. She said that business sees China as an opportunity, while several agencies have interests in defining China as an adversary. One reason for the different approaches towards China may be the time perspective. While American business people in general have a short-term perspective, the military and politicians think in longer terms. Some American scholars argue that the US should take a more competitive or containment approach towards China. For example, John Mearsheimer argues that the US should aim at hampering the Chinese economy (Jisi 2005, 5). However, most scholars and politicians see that the consequences of such an approach would be lost returns to US investments in China and higher costs for American consumers.

Economically, the US has a conciliatory strategy towards China. The strategy entails mostly cooperative behavior by the hegemon and is designed to increase common goals and limit friction. Few people, especially within the US business society, believe that China poses a fundamental threat even if it in the future matches the US economically. Similar or compatible economic interests are the reason for the US effort to include China in global economic institutions, such as WTO. Most of those who fear the rise of China as a potential peer competitor understand that a strong and stable

Chinese economy does benefit the global economy, and thereby US economic prosperities. However, there are concerns both about the implications of a possible collapse in the Chinese economy or of a more imperialistic China as a result of rising economic power. Therefore, elements of cooperative and competitive strategies are visible.

### Military

The US has the most modern and powerful military in the world, and the US defense budget reached US 417.4 billion dollars in 2003, 46 percent of the global total. During 2007, the expenditure is expected to equal that of the rest of the world combined (Anderson 2006). Only the US has the ability to project its military power anywhere in the world. Since the early 1990s, defense transformation and the corresponding information technologies-based Revolution in Military Affairs has preoccupied the US Defense Department. Defense transformation means much more than the modernization of the armed forces--it is the promise of a paradigm shift in the character and conduct of warfare, which means that in addition to new technologies it requires fundamental changes in military doctrine, operations, and organization. The US DoD remains unclear over its own vision of transformation and how to implement it. However, the DoD and the military do not deny that one main purpose of this transformation is to consolidate and reinforce US military supremacy. Production of PAC-3s, guided enhanced missiles, and SM-3 missiles; procurement of guided cruise missile submarines; continued development of the littoral combat ship; and the purchase of F 22 fighters and multimission aircrafts are examples of an emphasis on capabilities that indicate the US aims at maintaining global hegemony.

As the US continues to transform its forces, this process will have particular effect on defense and security in the Asia-Pacific region. Issues of concern include the possible impact on bilateral alliance relations, including interoperability and coalition operations, prospects for multilateralizing regional alliance relationships, the impact on regional great-power security relationships, the prospects for expanding security cooperation with ad hoc coalition partners, and, finally, how US defense transformation may affect collective efforts to combat pan-regional security threats, such as terrorism and proliferation (Fallon 2006). Risk of crisis on the Korean peninsula, miscalculation over the Taiwan Strait or in Kashmir, and the threat from global terrorism provide a cautionary backdrop to positive developments in the Asia-Pacific region. China is perhaps *the* critical factor influencing US military engagement in this region. The concern that a peer competitor could arise to challenge US predominance in Asia has been a major driver of US transformation efforts. For example, this was the conclusion in a conference on “US Defense Transformation: Implications for Security in the Asia-Pacific Region” held by the Asia-Pacific Center for Security Studies in December 2004 in which government and military officials, leading academics and researchers, and business representatives participated. However, there are those who think that the US should have done much more to balance China. For example, Mark Helprin states that the rise of Chinese military power has been met with no response (2005). In a congressional hearing during December 2005, the US-China Economic Security Review Commission stated that there is an urgent need for Congress to encourage increasing US military capabilities in the Western Pacific in response to growing Chinese capabilities and deployments in the area. The *QDR* of February 2006 states that China has the greatest potential to compete

militarily with the US and to field disruptive military technologies that could over time offset traditional US military advantages, absent US counter strategies (US DoD 2006, 29). In the report, the DoD emphasizes shifting strategic focus towards the Asia-Pacific region and it clearly expresses the need to improve key operational capabilities of the US military in the Pacific region. One tack is to shift about 60 percent of the submarines of the US navy to the Pacific Ocean. Another is to assure that at least six of eleven aircraft carriers are operationally available in the region. Furthermore, the *QDR* states that the US will quicken the procurement of attack submarines and expedite the execution plan for the next generation long-range bomber project and to move up generation's deployment time by several years. Also the capabilities of the Air-Force will be strengthened in the region. The Chinese military analyst, Wang Xijun, commenting on the *QDR*, said that US opposition to China is based on four elements: to contain China and bolster US military activities in Asia, use China to strengthen the US alliance with Japan, block China from retaking Taiwan, and create an enemy that will justify military spending (Gertz and Scarborough 2006).

Overall, US defense transformation has the potential to greatly affect the security situation in the Asia-Pacific region, as transformation entails significant changes in the ways US forces will operate in the area. US military ambitions about global dominance in air, space and sea are clear, and the military leadership does not deny that it has China in mind when focusing on developing capabilities to achieve this aim. The PACOM commander states that, not only is transformation important on its most basic level by providing US more effective capability and capacity, it also is inherently important to US dissuasion and deterrence efforts. "US competitors must recognize without doubt that the

US military is peerless and continues to evolve beyond their scope of combat power. We seek an agile, flexible force, forward deployed, ready for immediate employment,” says Fallon (2005). There is no doubt that the US views the Asia-Pacific region with great interest and that its commitments remain undiminished. The Chinese General Liu Yazhou says that Dennis C. Blair, former Commander in Chief US Pacific Command, has made similar assertions: “We respect the authority of the PLA in their mainland. Yet we must make them understand that the ocean and sky is our” (*Eurasian Review of Geopolitics* 2005, 24). If Liu Yazhou has the reference right, Chinese authorities and PLA officers have good reason for building up their naval and air power. For a growing regional dominant power, it must be hard to accept that a foreign nation, even if it is the dominant power of the world, claim ownership to international water, space and sky.

How US forces will operate in the Asia-Pacific region in the future will have particularly significant implications for US allies and ad hoc partners in the region. The US will continue to need coalition partners and basing rights to operate in the region, but the requirements for both will change. In particular, the US military will have increased need for interoperability with allies and friendly states when it comes to such emerging military requirements as counterterrorism and counterinsurgency, counterproliferation, maritime security, and missile defense. The USPACOM commander states that the Theater Security Cooperation Program (TSCP) is one of the primary means through which the US intends its influence, develop access, and promote competence among potential coalition partners (Fallon 2005). DoD defines Security Cooperation, those activities conducted with allies and friends in accordance with the Secretary of Defense to: (1) build relationships that promote US specified interests; (2) build allied and

friendly capabilities for self-defense and coalition operations; and (3) provide US forces with contingencies and peacetime access. The aim of TSCP activities is to help build competent partners among friends and allies to fight the long term war on terrorism, says the USPACOM commander. The *QDR* of 2006 calls for reinforcing US alliances with Australia, Japan, and South Korea.

As for the military relationship between the US and China, the PACOM commander holds that the US maintains a modest but constructive military-to-military relationship with China. Guided by Public Law 106-65, also known as the National Defense Authorization Act of 2000, this relationship is limited to non-war-fighting venues such as high-level visits, professional military education exchanges, and port visits. The exchanges, including high-level visits and contacts between military academies, are expanding every year.

Despite the fact that the US military is by far the biggest and most modern in the world, there are several neglected issues in debates about the US as a hegemon. First, US forces are spread thin in more than one theater, which means there are limitations on the US ability to control, and respond to crises across the globe. In February 2006, the costs of the Iraq war were estimated at 251 billion dollars (National Priority Project 2006). Even for an economic hegemon, such costs over time will affect the economy. Furthermore, it is an implicit and invalid assumption that relative material strength means security because significantly weaker powers would not openly challenge the security interests of a stronger state. In fighting international terrorist networks in Iraq, the US forces has felt the challenges of asymmetric warfare.

The DoD and the military seem more concerned about the rise of China than other branches of the US administration and American business. Constrain, and to a certain degree competition, are the dominant elements of the military strategy. The goal of a constrain strategy is to delay peer status without provoking military conflict. The hegemon concludes that the potential peer competitor is likely to be a competitor and, to moderate its rise to power, aims to make clear the costs of such competition. The *compete* strategy is primarily one of conflict designed to keep the potential peer from power by imposing costs on him and keeping him from attainment of peer status. Ideally the conflict is not military, but such is the ultimate risk of this strategy. Both the rhetoric of DoD and the military build up in the Asia Pacific region and around the globe seem to aim at delaying or denying China peer status by imposing serious costs on Beijing. The concern that a peer competitor could arise to challenge US predominance in Asia has been a major driver of US transformation efforts. The costs of the strategy are high for both the US and China, and there is a risk that the consequences of the military build up result in fatal misunderstandings. Despite a rising Chinese economy and military ambitions and ongoing modernization, China will probably still lack the economic and technological resources to catch up with US transformational efforts within the first decades. However, the fact that US defense transformation relies so much on advanced technology, something that most local armed forces cannot hope to match, does not mean the PLA cannot and will not challenge the US in the region. There is concern that this process could have inadvertent negative repercussions in the Asia-Pacific region.

## Evaluation of US strategy towards China

“Only an abrupt reversal of the process of globalization or a major upheaval in these countries would prevent their rise. Yet how China and India exercise their growing power and whether they relate cooperatively or competitively to other powers in the international system are key uncertainties,” states the Report of the National Intelligence Council’s 2020 Project (National Security Council 2004). These uncertainties are reflected in the US security strategy towards China. The secrecy of Chinese authorities and the mixed signals they send to the US in the way they orchestrate the four sources of national power make the relationship between the two states very complex. And, the consequences of the US response to the rise of China may escalate uncertainty and complexity in Sino-US relations. The dominant Chinese path lies somewhere between a reformist and revolutionary strategy. According to the RAND framework, the hegemon should respond by a conciliatory strategy towards a reformist potential peer, and a by co-optive strategy if the potential peer has a revolutionary approach in order to foster common goals and limit friction. In the informational, diplomatic and economic fields conciliation has very much been the case after the terrorist attacks in 2001. However, in the military realm there are strong elements of a competitive strategy. Military transformation aiming at a global US dominance of space, air and sea might be dangerous both for the US and for the regional powers in the Asia Pacific region. The research for this thesis confirms what Ted C. Fishman (2005) states about how Americans view China: “Those who focus on economics tend to see partnership, cooperation and reasons for optimism . . . , while security experts are more pessimistic and anticipate strategic conflict as the future.”

A US military buildup can lead to further military buildup in China and possible fatal misunderstandings. In this regard, viewing China as a threat can be a self-fulfilling prophecy promoting a number of disastrous policy consequences for US interests. Chinese scholars and politicians also express concern about military competition. “Militarism is the doctrine that military might is the basic source of all security. Militarism can be self-defeating, the doctrinal fuel for arms races, not only among hostile nations,” says Henry Liu (*Asia Times*, 28 April 2005). The differences in US and Chinese cultures over time perspectives may strengthen the uncertainty in their relationship. Several scholars and politicians in the US and elsewhere the rest of the world have expressed concern about the lack of consistency in US policy towards China. In the economic and information fields, liberal ideas seem to be the US foundation, while military policy is based on a pure realist approach to international politics. The specialist in Asian affairs Kerry Dumbaugh stated in a testimony in Congress that the approach of the current Bush administration towards China appears to have charted a hybrid middle territory, borrowing different aspects from three different camps of Sino-US policy: engagement, caution and threat (2004). The struggle between realist and liberal forces in the US administration seems to result in a dangerous uncertainty between the hegemon and its potential peer. “The inconsistencies of American policy towards China . . . illustrate the difficulties of choice, and perhaps nowhere does this liberal-realist dilemma operate more clearly than in relation to a potential superpower such as China,” stated Barry Buzan in 1999, and this still seems to be the case (1999, 13-14).

From this and similar assertions, we might draw the following preliminary conclusions. The US should avoid fearing or opposing China. Integrating China into the

regional order has been a long-standing goal of ASEAN, the US and Japan. Now that this is occurring, the US should welcome it. The US should support and encourage China to further democratization and peaceful participation in regional problem solving. A new regional order that contributes to wealth and prosperity in the Asia Pacific region may be the best solution for future American security.

## CHAPTER 5

### CONCLUSIONS

#### Introduction

China is in the middle of a comprehensive economic, political, and military transformation process, and the economic interdependencies between China and the US are significant. There is disagreement in the US about the long-term nature of the US-China relationship. This disagreement pits those who see China by about 2020 as an inevitable enemy against those who see China by 2020 as merely a potential enemy. How the US and China will manage their relationship will be important for the Asia-Pacific region as a whole. This study evaluates the US contemporary security strategy towards China with reference to both apparent strategy and policy and to the politics of implementation. The paper analyzes the US' security strategy and policy towards China. The main research question is: Is the US' contemporary national security strategy for dealing with China appropriate in light of political and economic development in China? In order to answer the research question, we have discussed China's ambitions and objectives in the East Asian region and the ways and means China is pursuing to obtain her objectives. As for the US, we have examined what American ambitions and objectives are, what ways and means are employed to obtain these objectives, and what are the likely consequences of US contemporary policy. Our proposition was that the US' contemporary security strategy for dealing with China is inconsistent, and that it is not appropriate in the light of political and economic development in China. On the one hand, the US publicly proclaims engagement, cooperation and good relations with China. On

the other hand the US invests heavily in defense to deter the Chinese from entering those areas that the US currently dominates.

The theoretical framework for this thesis comes from the theory about hegemon and peer competitor. A peer competitor has the power and motivation to confront the hegemon on a global scale in a sustained way and at a sufficient level at which the ultimate outcome of a conflict is in doubt even if the hegemon marshals its resources in an effective and timely manner. The research framework addresses the issue of the emergence of a peer competitor to the US by studying how a potential peer interacts with a hegemon. The central aspect of this framework is the interaction among the main strategies of power aggregation available to the potential peer and the main strategies for countering the rise of a peer available to the hegemon. The pathways of the various potential peer and hegemon interactions are modeled to identify specific patterns and combinations of actions that might lead to rivalries. To become a peer, the potential peer has four main paths: reform, revolution, alliance or conquest. More than one strategy can be pursued simultaneously, but generally one will dominate. The hegemon's problem is how to remain so for as long as possible, at an acceptable cost. If a hegemon sees a peer competitor emerging, the hegemon will respond in order to slow its growth and prevent a challenge from emerging. There are four main responses for the hegemon, differentiated by the level of conflict the hegemon imposes on the potential peer: conciliate, co-opt, constrain, or compete. In order to avoid instability and uncertainty, the hegemon should respond at the same level as the peer competitor. The four sources of national power, diplomacy, information, military and economy, which are closely interlinked, have been examined both for the US and China to determine the dominant path of each state.

## Conclusions about China

This analysis has led to the conclusion that global hegemony is not China's strategic intent in the short or mid-term. However, Chinese authorities do aim at playing a bigger role in international politics and particularly in the Asia Pacific region. A peer competitor has to be willing and capable of challenging the hegemon on a global scale, and the outcome of the challenge has to be uncertain, even if the hegemon effectively marshals its assets. China sends somewhat mixed signals about her aspirations and strategy, and to understand Chinese authorities, it must be remembered that thinking in very long cycles is part of the country's culture. We must also remember that the US and China might be equally rational, but according to a totally different sets of standards. The intent to become more powerful must also be accompanied by marshalling the necessary national sources of power in order to gain more power.

The dominant Chinese path lies between a reformist and revolutionary strategy. In general China's economic development respects the accepted rules of the international system. Furthermore, the focus on scientific research, development and improved education is increasing. Economic development in China is often characterized by the term "revolution," but it can no longer be said that contemporary changes in the Chinese economy dramatically transforms the country's ability to extract resources by such means as more effective governance or substantial improvement in the capability to provide resources. China's significant economic growth carries with it some uncertainty, and the Chinese banking system is a matter of discussion and fear in the international community. However, internal challenges tied to industrialization and social reforms, and widespread corruption and a banking system that may fail, might be a bigger threat to the world

economy than a rising economic power. In the informational and diplomatic field, China also has a reformist approach to the world. Chinese officials hold that China's strategic interests lie in a secure, stable flow of resources to support its economic modernization and the development of markets for its goods and services. China's growing economy benefits from stability in the Asian-Pacific region. Therefore, the pace and scale of China's defense modernization create the potential for misunderstandings, particularly with regard to development of new military capabilities that extend strike capability and sustainability of its forces. New offensive assets may represent a threat regionally, and can pose major problems for American security interests, especially concerning Taiwan. However, with the modernization of the PLA, which would place it one generation behind the US, China does not represent a global military threat for the US. Furthermore, internal challenges may severely limit the China's ability to focus externally.

#### Conclusions about US Intents and Strategy

The analysis of US security strategy supports the thesis' initial proposition, that the US' contemporary security strategy for dealing with China is inconsistent. US aspirations about maintaining today's world-order are clear. As the dominant power and in order to maintain this hegemony, the US finds itself responsible for peace and stability throughout the world. The relationship with China is an important part of the US strategy to promote a stable and prosperous Asia-Pacific region and to make sure that China does not threaten US interests in the region and globally. Therefore, the Bush administration has held that it seeks a constructive relationship with a changing China. Uncertainties about how China exercises her global power and whether she is cooperative or competitive towards other states are reflected in the US security strategy towards China.

*The National Security Strategy* of 2006 pays more attention to these concerns than the 2002 strategy.

According to the RAND framework, a conciliatory strategy is the best response for the hegemon to a reformist peer competitor in order to avoid uncertainty and instability. A co-op strategy is appropriate if the potential peer has a revolutionary approach in order to foster common goals and limit friction. After the terrorist attacks in 2001, the Bush administration's China policy did reflect a conciliatory path in the informational, diplomatic and economic fields. US diplomatic relations with China improved significantly, and the two states have cooperated closely in order to enhance peace and stability regionally and globally. Chinese support in the war on terror is regarded as very positive for the relationship. A significant increase in visits of high-level officials and close cooperation in institutions such as the Six-Party Talks and the WTO reflect the common interests of the two states. Despite the improved relationship, there are US concerns about Chinese intentions. The Taiwan issue, in particular, is a matter of concern and has several times led to setbacks in the relationship. The US administration continues to support Taiwan with military material and has made it clear that the US did not appreciate the Taiwan anti-secession law in March 2005. The US administration is also urging the European Union to keep in place its ban on selling weapons to China, because Washington assumes that any European weapons sold to China could be used in a conflict over Taiwan. In the economic field, similar or compatible economic interests are the reason for the US effort to include China in global economic institutions, such as WTO. Most of those who fear the rise of China as a potential peer competitor understand that a strong and stable Chinese economy does benefit the global economy, and thereby

US economic prosperity. However, there are concerns about the consequences of China's growing need for oil, and the implications about a possible collapse in the Chinese economy or a more imperialistic China resulting from increased economic power. The rhetoric in the *National Security Strategy* of 2006 calls for a harder line towards China, and the path seems to shift towards a more competitive approach to China. Regarding the military instrument of power, there are also strong elements of a competitive strategy. The DoD and the military seem more concerned about the rise of China than other branches of the US administration and American business. The *QDR* of 2006 states that China has the greatest potential to compete militarily with the US and to field disruptive military technologies that could over time offset traditional US military advantages, absent US counter strategies (US DoD 2006, 29). The DoD emphasizes shifting strategic focus towards the Asia-Pacific region and it clearly expresses the need to improve key operations capabilities of the US military in the Pacific region. Examples of US ambitions in the region are a shift of about 60 percent of the submarines of the US navy to the Pacific Ocean, the availability of at least six of eleven aircraft carriers operationally available in the region, quicker procurement of attack submarines, implementation of the execution plan for the next generation long-range bomber project and the speed up of their deployment time by several years. Military transformation aimed at a global US dominance of space, air, and sea might be dangerous both for the US and regional powers in the Asia Pacific region.

Table 2. Proto-Peer and Hegemon Strategy Matrix: China and the United States				
<b>CONQUEST</b>	Unstable	Unstable	Uncertain	Quasi-Equilibrium
<b>ALLIANCE</b>	Unstable	Uncertain	Quasi-Equilibrium	
<b>REVOLUTION</b>	Uncertain	Quasi-Equilibrium	Uncertain	Unstable
<b>REFORM</b>	Quasi-Equilibrium	Uncertain	Unstable	Unstable
<b>CHINA/US</b>	<b>CONCILIATE</b>	<b>CO-OPT</b>	<b>CONSTRAIN</b>	<b>COMPETE</b>

Note: According to the RAND model, the appropriate US response to a dominant reformist Chinese strategy is a conciliatory strategy. The proto peer and hegemon matrix shows that the consequence of the containments strategy, which dominates US contemporary policy towards China, is uncertainty or instability.

### Consequences of the US Path Towards China

The US strategy towards China is not appropriate in the light of political and economic development in China. The struggle between realist and liberal forces in the US administration could result in a dangerous instability or uncertainty between the hegemon and its potential peer. A US military build-up in the Asia Pacific region and globally can lead to a further military build-up in China and fatal misunderstandings. In this regard, viewing China as a threat can become a self-fulfilling prophecy resulting in a number of disastrous policy consequences for US interests. In the economic, diplomatic, and information spheres, liberal ideas seem to lie at the foundation, while military policy is based on a pure realist approach to international politics. Even the Pentagon's rhetoric in the US Defense engagement is characterized by caution and threat. China responds to the US defense transformation by pursuing its own RMA, by seeking to further mechanize and "informatize" its armed forces and to gain asymmetric advantages over the US. In so

doing, China is trying to leap forward and skip some generations of research and development.

### Way Ahead

China's growing economy, her increasing demand for energy, and the desire to assume more prominence in international and regional affairs will all play key roles in defining Asia's future security environment. China will likely become a greater power in the East Asian region, regardless of the US. Therefore, a peaceful power transition will be more advantageous to the US than to a costly military build up in the region. Even if true friendship between Beijing and Washington, DC, may be unlikely, their interests have grown so intertwined that cooperation seems the best way to serve both countries. Power transition theory is based on the assumption that a hegemon only can survive only if it is able to satisfy its potential peer. Rather than threats, containment or military competition, the US should focus on satisfying China. For the US, the best way of remaining a global hegemon is probably to allow China additional regional power while emphasising the integration of China into the international community. A conciliatory approach would probably be the best foundation for a peaceful power transition that contributes to stability and prosperity for the Asia-Pacific region. The US and China should develop mutual recognition of shared interests and the need for cooperation in dealing with regional challenges. The two nations share a common national interest in a stable region and for dealing with nonmilitary issues of international importance.

In order to develop an appropriate strategy, the US must continue to increase cultural, political and economic ties with China. Furthermore, the US must encourage and set the conditions for Chinese engagement in international and regional regimes like the

UN, WTO, ASEAN and others dealing with arms control and conflict resolution. To gain more power, China must be encouraged to take more responsibility. Thomas Christensen (2005, 53) is probably right when he states that the use of threats or force on moderate Chinese leaders is the best way to foster hyper-nationalism. "Avoiding these pitfalls is a tricky balance that requires a clear understanding of Chinese perceptions and their domestic situation as well as much finesse," says Chad-Son Ng (2005, 81). To make sure that current and future American decision makers understand Chinese perceptions, the US should emphasize improving general knowledge about the South Asian region and Chinese culture spectrum and society. Interaction with China and other Asian countries within a broad spectre of areas, scientific programs and education in Chinese language, history, economy and culture are examples of ways to go. China's future political system is unclear, and there are several issues that must be repeatedly revisited in order to respond in a timely and effectively manner to avoid conflict. Will China produce a marriage between big business leaders and autocratic officials who use nationalism and coercion to keep the poor in line? Will she follow the paths of others in Asia toward the gradual development of first a dominant one-party democracy and then a more truly competitive political system? Or will she become a weak and corrupt authoritarian polity? According to Wang Jisi, the Chinese view is that the decline of US primacy and the subsequent transition to a multipolar world are inevitable, but in the short term Washington's power is unlikely to decline. Chinese and US cooperation is vital to ensure a peaceful power transition in the Asia-Pacific region.

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