



# CHINA

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# Four more years

With relations growing tenser, are the US and China on a collision course in Asia?

**W**hen a J-15 jet touched its wheels down on an aircraft carrier off China's northeastern coast on November 26, many saw it as a symbol of the country's military modernization. The landing was a first for Beijing, which put the retooled Soviet carrier into service earlier this summer.

Foreign media looked on the event with suspicion, but within China the day was a rare triumph for a country that increasingly feels under siege by its Asian neighbors and the US. Only two weeks later, the homepage of state-run newspaper *Global Times* featured a slideshow of the US Navy conducting a drone test

from the flight deck of its own nuclear-powered carrier – technology that some military analysts believe is aimed at offsetting China's recent advances.

Worries are escalating on both sides as China and the US expand their military commitments in Asia. China is investing heavily to improve its outdated navy and air force, while the US is in the midst of a strategic rebalancing that will see 60% of its naval assets deployed to the Pacific by 2020. Barack Obama's visit to Thailand, Cambodia and Burma in late November, his first trip abroad since reelection, suggested the US is doubling down on its pivot to Asia. Countries that

are vying with China over territory in the South and East China seas, including Vietnam, Japan and the Philippines, have welcomed America's renewed interest, but many Chinese condemn it as a veiled effort at containing their rise.

These entangling alliances and shifting relationships in Asia have amplified an already growing distrust between the US and China. In a Pew Research Center poll released in November, 68% of Americans said the US should not trust China. Another Pew poll showed that the percentage of Chinese who saw the US-China relationship as one of cooperation fell to 39% from 68% in 2010.

With China's rise set to continue remaking the balance of power in Asia, relations between the world's largest economies could worsen further. Amid military build-ups, governments will each need to reassess their military goals – otherwise they could be headed for a clash.

The current goals of the US and Chinese military are “basically incompatible,” said Kenneth Lieberthal, the director of the John L. Thornton China Center at the Brookings Institution. “Our stated goal is to maintain the degree of freedom of navigation and activity outside of China's territorial waters but inside the first island chain [of Japan, Taiwan, the Philippines and Indonesia] that we have enjoyed for decades. China's goal is to not let that happen,” he said. “Both of those are unrealistic.”

### History in the making

The rocky ground Obama faces today differs vastly from the smooth start to US-China relations in his first term.

The administration came into office determined that Obama would be America's first Pacific president, and their efforts to strengthen ties with China initially bore fruit, Jeffrey Bader, a senior diplomat and fellow at the Brookings Institution, a think tank based in Washington, DC, writes in “Obama and China's Rise.” In 2009, the administration sent Hillary Clinton to China, Japan and South Korea on her first trip overseas as secretary of state, and the US and China led the way at the Group of 20 in advocating and implementing post-financial crisis stimulus measures.

But relations began to unravel in late 2009 when China and the US clashed at the Copenhagen climate summit over how much responsibility less developed nations should share for reducing carbon emissions. The two nations again ran into serious trouble in 2010 as the Obama Administration arranged an arms sale to Taiwan and held a meeting with the Dalai Lama, engagements it had delayed from 2009 to help smooth relations with the Chinese, Bader writes.

As Obama's first term wore on, it became apparent that the financial crisis had irrevocably changed the dynamics of power. Economically, the crisis spurred both countries to implement some protectionist measures, raising trade tensions. Psychologically, it altered how Americans and Chinese saw their relative positions, destabilizing relations in the process.

Within China, the idea began to emerge that the US was catastrophically weakened and the gap in comprehensive national power between the US and China had shrunk dramatically, Lieberthal said. “That generated a kind of assertiveness and arrogance in China and a broader attitude that ‘We don't have to take no or wait for an answer anymore.’” One outcome of this was China's more aggressive stance in the South China Sea.

In the US, the attitude toward China also shifted as the business and investment community became less unified on the prospects of the China market, said Damien Ma, an analyst at consultancy Eurasia Group. In an annual survey by the American Chamber of Commerce, 71% of business leaders in Shanghai said that China's regulatory environment stayed the same or deteriorated in 2011, up from 63% the year before. As US businesspeople become less enthusiastic as a positive voice for China in Washington, DC, more hawkish attitudes have taken center stage, Ma said.

### Arms race

A sharp rise in military spending has given hawks even more fodder for their dissatisfaction. Chinese defense spending rose to US\$89.9 billion in 2011 from only US\$22.5 billion in 2000. Most of the money has gone to building up China's relatively small navy and air force, including acquiring advanced submarines, ballistic and cruise missiles, satellites, anti-satellite weapons and the Soviet carrier. While China's neighbors view these investments with suspicion, Chinese argue that the spending is a natural product of the need to take on more responsibility overseas and protect their exports as their economic power grows.

China's more aggressive South China Sea claims could partly be a bid to justify this spending, said Ma of Eurasia Group. The People's Liberation Army and the Navy have always pictured a conflict with the US over Taiwan as their worst-case scenario and planned their spending accordingly, he said. But a conflict over Taiwan seems a lot less likely these days. “If you're the strategic guys in China and you want to make arguments about how do you get more money and resources, [you might say,] ‘Let's expand into the maritime space; let's look to the South China Seas [sic].’”

The US has also shifted resources to Asia to protect its growing economic

interests in the region. In 2009, the US Navy and Air Force introduced the Air-Sea Battle concept, a doctrine that focuses on preserving access to the East and South China Sea for the US and its allies. Clearly provoked by China's rise, the doctrine involves improving command-and-control, precision strike, advanced missile defenses, robotics, submarine operations and the use of air and space domains.

The Air-Sea Battle concept was followed by Obama's announcement in October 2011 of a broader rebalancing of US resources toward Asia. The administration presented the policy not as an effort to counterbalance China but as finally giving an economically and strategically important region the attention it deserved. However, many analysts agree that China's growing power and influence in the Asia-Pacific region ultimately motivated the strategic shift.

## The Chinese have shifted from seeing the US as a stabilizing force to a destabilizing force in Asia

Over the past two years, the Philippines, Vietnam and Japan have drawn closer to the US as they oppose Chinese claims in the East and South China Sea, but Washington has been careful not to take a stand on the sovereignty claims, only arguing for preserving freedom of navigation, said Ralf Emmers, an associate professor of security and international studies at Nanyang Technological University in Singapore. Even so, the Chinese have shifted from seeing the US as a stabilizing force to a destabilizing force in Asia, said Ma of Eurasia Group.

Zhao Lei, deputy director of the Institution for International Strategic Studies at the Central Committee Party School, agreed with this idea. “It is usually said that where there's trouble, the US will go. But in the Asia-Pacific, it's the opposite: Where the US goes, there will be trouble. The increasing tensions in the Diaoyu and Huanyan islands [called the Senkaku Islands and the Scarborough Shoal by other claimants] are examples of this.”

### Managing crisis

Government officials in the US and China are heavily invested in protect- >>

>> ing a close, cooperative relationship between the world's two largest economies. But China's rapid increase in power has made these dynamics difficult for officials on both sides to navigate. And in 2012 and 2013, almost all of the US cabinet officers who deal with the Chinese, and vice versa, will change, creating an adjustment period for the relationship.

Analysts say Obama's China policy is likely to remain largely consistent with his first term. However, the US pivot to Asia may continue to evolve. Some in Washington have criticized the pivot as excessively focused on security, and they want the administration to focus more on economic aspects in the future, such as increasing membership of the Trans-Pacific Partnership, a free trade pact among countries along the Pacific Rim.

China's foreign policy framework also seems likely to evolve. While leaders have expressed discomfort with joining the US to lead the world as a "group of two," China's global investments and interests have outgrown its traditional policy of non-intervention, Ma said. On global issues, China seems set to assume a proactive role, bringing it into more cooperation and more conflict with the US.

Chinese media report that Xi Jinping is stressing a new foreign policy concept to describe China's relations with the US, called "new great power relations" (*xin daguo guanxi*). While it's unclear exactly what this philosophy entails, Xi is sending strong signs that he wants to improve US-China relations. While meeting with former US President Jimmy Carter in Beijing in December, Xi called for more "positive energy" for the relationship.

Even so, there is no easy solution to tensions between the US and China in Asia. The US pivot to the region is a long-term and wide-ranging strategy, as is the defense of maritime claims for China, Japan, the Philippines and Vietnam. "So the key word here is not resolution; it's management," Emmers said.

A necessary part of managing this relationship will be clear communication. US and Chinese officials must carry out difficult discussions about their primary goals in Asia and whether they can make these goals more compatible by exercising mutual restraint, said Lieberthal. Otherwise, strengthening military capabilities on both sides may only worsen relations. "Everyone has spent a lot, and the world is less safe at the end of the day," Lieberthal said. ♦

## Expect the unexpected

East Asia expert Susan Shirk discusses why seemingly rote Chinese foreign policy decisions sometimes yield unpredictable results

Foreign policy wonks around the world are paying close attention to the words and actions of Xi Jinping, China's president-to-be, for clues to the country's future foreign policies. For example, many observers in the US took Xi's warm reception of former US President Jimmy Carter in Beijing in mid-December as a good sign of his positive intentions toward the US.

But while Xi will have undeniable influence on foreign relations, the truth is that Chinese policy rests on many other actors besides the country's paramount leader. Tensions in the South China Sea this year have demonstrated that a myriad of ministries, military leaders and lower-level officials often shape Chinese foreign relations, as does Chinese public opinion. One reason is that China's minister of foreign affairs ranks far lower than in other countries: As an ordinary member of the Communist Party Central Committee, the foreign minister holds the same rank as the more than 300 members of that body, Susan Shirk said.

One of the world's foremost experts on US-China relations, Shirk served as deputy assistant secretary of state dur-

ing the Clinton Administration. She is currently a professor at the Graduate School of International Relations and Pacific Studies at the University of California, San Diego, and a senior director of global strategy firm Albright Stonebridge Group. She is the author of several books, including "China: Fragile Superpower," which addresses the role popular nationalism plays in shaping Chinese policy.

Shirk spoke with CHINA ECONOMIC REVIEW about how China's fragmented foreign policy can lead to sometimes unpredictable outcomes.

**You directed US foreign policy toward China as part of the Clinton Administration. How have you seen Chinese foreign policy evolve since then?**

Today, China's interests and international engagements have expanded beyond the Asia-Pacific neighborhood to Latin America, Africa, the Middle East – basically every part of the world. So Chinese foreign policy is more globalized than it was at that time. And China is still in the process of trying to figure out, beyond its economic interests, what kind of role it wants to play in those regions and the



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world. They're making it up as they go along. I don't think this is something that Deng Xiaoping necessarily envisioned. I think China remains torn between its traditional principles of non-intervention and the fact that it has a lot at stake in all of these situations. For example, China is really more dependent on oil from the Middle East and the Persian Gulf than the United States is. I think it feels cross-pressured to play some kind of role but still reluctant to risk its reputation in circumstances where there is a very uncertain outcome.

### What is the Chinese view of the US "rebalancing" toward Asia?

There's a lot of misperception and [a] blame game going on between the US and China. The Obama Administration came into office determined from day one to play a more active role in the Asia-Pacific region across the board in all respects – economic, multilateral, diplomatic and security. And of course what happened is that China's behavior turned more assertive in ways that alarmed its neighbors and created a demand from them for a closer security relationship with the US. So from the US perspective, this is something normal. It's part of a multi-faceted engagement in the region, and it's also in response to a demand from our allies and friends in the region, who have become increasingly alarmed at China's somewhat bullying behavior. Of course, the Chinese government has, especially in its propaganda at home, in its media public statements at home, framed the rebalancing as an effort to contain China. It's certainly not an effort to contain China, but

it is an effort to retain a security balance in the region, so that China's neighbors feel more secure.

### Your discussion of Chinese nationalism in "China: Fragile Superpower" was very interesting, and I'm wondering about your opinion on Chinese actions in South China Sea and the East China Sea. Some people interpret this as the government stoking nationalist sentiment to distract people during a leadership transition, and others would interpret it as the government being sort of held hostage by public sentiment. What's your view of that dynamic?

Popular nationalism is an increasingly important concept for Chinese foreign policy. The East China Sea is really a focal point for that popular nationalism, because it involves relations with Japan, which have been a hot button domestic issue in China for a long time. The South China Sea is different. The South China Sea was not the focus of a lot of domestic attention until fairly recently. And I found it kind of puzzling that China's rhetoric and its actions in the South China Sea became more assertive after quite a few years of trying to work things out with the other claimants, including agreeing to, in principle, a code of conduct with the other claimants. From my perspective, that was not driven by popular nationalism. That was something that emerged more out of the fragmented nature of the Chinese foreign policy process, and a lot of different bureaucratic actors who could benefit from trying to stir up sentiment on this issue, to get bigger budgets, get more ships, get more bureaucratic influence. And unfortunately, it looks like the Chinese government let its policies in the South China Sea be high-jacked by those interest groups within the state in a way that has been very harmful for relations with countries in Southeast Asia. So I see the two issues as being really quite different in that respect, one being more driven by the constraints of popular nationalism, and one being driven top-down by the nature of the Chinese foreign policy process.

**One of the arguments of your book is that China has an internal weakness because of its political system that isn't always very visible from the outside. Have you seen that**

### in the leadership transition?

That insecurity was revealed in the continued secrecy around leadership politics, around the crackdowns on organizations or individuals who might somehow disrupt the lead-up to the leadership transition. There was extreme nervousness that was palpable to everyone. The sense of domestic insecurity that China's leaders have is very evident. In fact, it was discussed openly at the party congress in the discussion about corruption, in which various senior leaders talked about how the future rule of the Chinese Communist Party was at risk. So that insecurity is not something that we are just projecting onto China, it is something that is articulated openly inside China. And I do think that insecurity makes these territorial disputes particularly dangerous, because there is a risk that in order to maintain domestic support, they make threats. And we've seen a lot of open threatening statements and even actions in both of these territorial disputes. And then they feel that they can't compromise or back down in order to get a negotiated solution. If there's an accident in one of these maritime disputes, how will they de-escalate? They worry that a severe domestic backlash could actually threaten the survival of party rule. That's the biggest danger of the current situation. ♦

