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China's Arrival: *A Strategic Framework for a Global Relationship*

Edited by Abraham Denmark and Nirav Patel
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**Center for a
New American
Security**

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INTRODUCTION:
THE STRATEGIC ENVIRONMENT
OF U.S.-SINO RELATIONS

By Nirav Patel



"The relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world. That really must underpin our partnership. That is the responsibility that together we bear."

— President Barack Obama, July 2009¹

THE STRATEGIC ENVIRONMENT OF U.S.-SINO RELATIONS

By Nirav Patel

Introduction

China's rise is one of the most significant geopolitical events in modern history, rivaling America's ascent more than a century before. Leading newspapers and blogs from around the world provide a daily reminder of a growing international demand to engage Beijing on a variety of major global issues, including proliferation, energy security, climate change, and the global financial crisis. However, the world is also reminded of the underside of China's ascent, manifested in its support for despotic regimes, its military modernization efforts, and its repressive treatment of its citizens. Still, the international financial crisis that originated in the West has only accelerated China's arrival as a global player. As most of the industrialized world struggles to post neutral growth figures, China maintains that it will achieve eight percent growth in 2009 and continues to find opportunities to convert its economic strength into influence.²

In the view of top American officials, the U.S.-China relationship holds the keys to addressing some of the most pressing challenges of the modern epoch.³ At the Strategic and Economic Dialogue (S&ED) between the two nations this summer, President Obama said the U.S.-China bilateral relationship was "as important as any other bilateral relationship in the world." The United States and China are simply too big to not work together and both sides are prepared for a future of growing interdependency and mutual engagement.

At the same time, relations with China are defined by a mix of opportunity and challenges. Despite Beijing's growing confidence, China is still coming into its own on the international stage. It has yet to resolve numerous domestic and international challenges, even as it makes incremental progress in some areas. China and the United States are openly cognizant of disagreements that continue to animate Sino-U.S. relations. Disagreements have

◀ PLA soldiers observe fireworks during the Opening Ceremony of the 2008 Summer Olympics in Beijing, China.

derailed relations in the past and have the potential to do so again in the future. Yet, while “it is tempting to focus our attention on the tensions and perils of our interdependence,” Secretary Clinton noted, “...I prefer to view our connectedness as an opportunity for dynamic and productive partnerships that can address both the challenge and the promise of this new century.”⁴ To accomplish its goals, the United States will have to be strategic and proactive in how it engages China. A few points are in order about how this must be done:

“As most of the industrialized world struggles to post neutral growth figures, China maintains that it will achieve eight percent growth in 2009 and continues to find opportunities to convert its economic strength into influence.”

First, China should not be treated as a threat. Some in the United States and in China foresee disappointment with current trends, and predict a future of competition and conflict.⁵ In the United States, those who emphasize the China threat view its rise as overwhelmingly detrimental to American power and influence in East Asia. Yet, as Richard Armitage cautions us, “Nobody—including the leadership of China—knows how it’s going to

come out. If it comes out badly, this is bad for us; if it comes out well, it can benefit all of us. And that’s what we should dedicate ourselves to.”⁶ The thrust of American policy towards China since the Cold War has been to foster Beijing’s integration into the international system, not to take steps that would isolate China and ensure the negative outcomes some fear.

Second, the Obama administration should continue to remain cautious about strategies that seek to outsource China policy to unwieldy multilateral organizations—including burgeoning regional fora—that do not necessarily harbor American interests as core strategic values.⁷ Policy makers must avoid giving in to American attitudes of weakness and retrenchment that myopically view a multipolar world as zero-sum with American leadership and power. It is particularly important that decision makers in Washington reject neo-isolationist tendencies that have become more pronounced in the wake of the financial crisis. However, this does not mean that the United States abdicates involvement in regional groupings. In fact, America’s active involvement will remain vital to how many of these organizations develop, including the East Asia Summit (EAS) and Asia-Pacific Economic Cooperation (APEC).

Third, the U.S.-Chinese relationship should not be treated as the only element of America’s strategic engagement in the Asia-Pacific. Japan, South Korea, Thailand, and Australia—American allies and friends with shared values and strategic interests—will remain central to the U.S. presence in Asia. Critical to understanding the contributions of this volume is former Deputy Secretary of State Richard Armitage’s formulation that “To get China right you have to get Asia right.” Each author attempts to not only get China policy right but to shape an Asian political-security environment in a manner that encourages China to become a “responsible stakeholder” and peacefully integrate into the regional and international order.

China's Rapid Emergence

Despite China's grand entrance at the 2008 Olympic Games, no one suspected then that China's international stock would rise as rapidly as it has over the past year. In fact, many experts predicted a period of great strategic risk for China as it faced unrest among its Tibetan and Uighur populations, increasing international pressure to liberalize its political system, and questions about its human rights policies.⁸ As Elizabeth Economy and Adam Segal of the Council on Foreign Relations noted then:

Rather than basking in the admiration of the world, China is beset by internal protests and international condemnation. The world is increasingly doubtful that Beijing will reform politically and become a responsible global actor. The Olympics were supposed to put these questions to bed, not raise them, all anew.⁹

These views of growing risk ahead were also animated by fears that China's economy was overheating and unlikely to sustain its breakneck economic growth rate for another year.¹⁰ Over the past six months, however, and contrary to the skepticism of many China observers, the world has witnessed a rapid emergence of a confident China, as its economic power has been instrumental in softening the blow of the financial crisis.

Even as it continues to manage its own internal challenges, China has capitalized (literally and figuratively) on the international financial crisis.¹¹ China is now the third largest economy in the world in terms of nominal gross domestic product (GDP), trailing only the United States and Japan. It is by far the fastest growing G20 country in 2009, and is home to the three largest banks in the world in terms of market capitalization—a remarkable feat, given that 10 years ago none of its banks were among the world's 20 largest.¹² China is also a major creditor nation that is expanding its economic ties around the world,¹³ strategically employing its \$2 trillion foreign reserves to

“Policy makers must avoid giving in to American attitudes of weakness and retrenchment that myopically view a multipolar world as zero-sum with American leadership and power.”

purchase equity stakes in critical mineral resource corporations (e.g., Canada's Peru Cooper), and helping bail out economies across the globe with unconditional capital injections and loans. China is also at the center of the Asian economy, and has overtaken the United States as Japan and Korea's primary trading partner. Even though China's export-dependent economy has not been spared the brunt of the current financial crisis, it is likely to fare relatively well, as the central government has allocated close to half a trillion dollars in “stimulus” funds over the course of the next three years to help allay unemployment for millions of workers and recent college graduates.¹⁴

Three decades of economic growth have brought China levels of political influence and military power unprecedented in its modern history. In a thought provoking article in the *Journal of International Affairs*, Eric Helleiner and Gregory Chin argue that China's “...creditor position has generated a new potential for power in the form of influence in the international arena—a potential that is in fact greater than that of the Japanese state in the late 1980s.”¹⁵ Even though both authors conclude that China still faces significant structural challenges before it becomes a “great power,” China's newfound position as an emerging global

“Three decades of economic growth have brought China levels of political influence and military power unprecedented in its modern history.”

power can be seen in its more assertive international behavior, driven by its leaders' recognition that China's interests and influence are expanding rapidly. In January 2009, Chinese Premier Wen Jiabao gave a professorial performance at the World Economic Forum in Davos, where he lectured the United States and Western powers about “excessive expansion of financial institutions in blind pursuit of profit...[and an] unsustainable model of development, characterized by prolonged low savings and high consumption.”¹⁶ Wen's speech was followed by a bold proposal from Zhou Xiaochuan, the governor of China's central bank, to replace the U.S. dollar as the international reserve currency with one “that is disconnected from individual nations and is able to remain stable in the long run, thus removing the inherent deficiencies caused by using credit-based national currencies.”¹⁷ In the past few months, China has inked close to \$100 billion in currency swap agreements with six countries—including Argentina, Indonesia, and South Korea. China will now hold some of their foreign currency reserves in Yuan denominations.¹⁸ China's foreign assistance and loans have also dramatically increased in the past few months. Most recently, Beijing signed a deal with the government of Jamaica to prevent its insolvency, after Jamaica was unable to secure immediate capital injections from the United States and England.¹⁹

Meanwhile, China has leveraged its economic strength for strategic gains by offering cash loans to fiscally weak, resource-rich countries for access to their resources. Such resource-driven foreign policy is likely to accelerate as a result of lower global demand and falling prices in the wake of the global economic contraction. Witness Beijing's growing involvement in Latin America, where it has spent (or in many instances, loaned) billions of dollars to such nations as Venezuela, Brazil, and Ecuador in hopes of securing agreements for oil and other critical minerals. According to *The Wall Street Journal*, “China Inc. is drawing increased attention as Chinese companies snap up mining and energy assets around the world.” According to Deologic, China announced foreign acquisitions of \$52 billion last year, two-thirds of which was in natural resources.²⁰ David Rothkopf notes “This is how the balance of power shifts quietly during times of crisis. The loans are an example of the checkbook power in the world moving to new places, with the Chinese becoming more active.”²¹ Similar agreements are being inked from Africa through the Middle East to Southeast Asia as China attempts to secure critical equities around the world. These actions demonstrate that Beijing is becoming more strategically conscious in its global engagement and is more willing to push its interests in competition with those of the United States.

Not content merely to deploy its economic influence abroad, China has also used its economic growth to support double-digit increases in its military budget since 1989. This has fed a comprehensive military modernization program that has transformed the People's Liberation Army (PLA) from a force focused on fighting protracted land wars of attrition on China's territory into one capable of fighting short-duration, high-intensity conflicts along China's periphery against technologically superior opponents. For example, the PLA has emphasized developing rapid reaction forces

capable of deploying beyond China's borders, and the PLA Navy has been acquiring longer-range air defense and cruise missile systems, as well as more effective submarine forces.²² Chinese strategists have also sought to develop an "assassin's mace" collection of niche weapons that the PLA can use to exploit asymmetrical vulnerabilities in adversary military defenses, such as America's growing dependence on complex information technology.²³ For example, China's continued exploitation of U.S. government computer networks poses significant risks to U.S. national security and could produce friction in the bilateral relationship.²⁴

China's military modernization has been geared presumably for a contingency in the Taiwan Strait, though regional powers such as India and Japan believe its interests are more expansive. Anxiety in the region is growing as China continues to invest billions to advance its force projection capabilities. According to the Department of Defense's annual report on China's military power, "One measure of increasing resourcing for the PLA is the official budget, which has more than doubled from \$27.9 billion in 2000 to \$60.1 billion in 2008 (in 2008 USD). The budget, however, does not capture the totality of military expenditure."²⁵ This figure contains an average annual increase of 15 percent in China's military spending during the past five years, one of the few sectors that outpaces the country's economic growth. The lack of transparency regarding Chinese defense expenditures obscures the true amount, but most foreign analysts estimate that the PRC spent between \$97 and \$139 billion on military-related expenditures in 2007 (up to three times the official Chinese budget figures of \$45 billion).²⁶

There are also growing indications that China is becoming more militarily assertive in the wake of the international financial crisis. The recent incident involving the *USNS Impeccable*—a surveillance ship that was provocatively harassed by Chinese Navy and merchant vessels near Hainan

Island—was, according to Dr. Ian Storey of the Institute of Southeast Asian Studies in Singapore, "...part of a pattern of increased [Chinese] assertiveness in the South China Sea..."²⁷ Dr. Tim Huxley, executive director at the International Institute for Strategic Studies, contends that the *Impeccable* incident reflects a more confident Chinese government that is taking advantage of the Obama administration's "...need to keep China on board in cooperating in resolving the financial and economic crisis."²⁸

"There are also growing indications that China is becoming more militarily assertive in the wake of the international financial crisis."

China's approach to Taiwan, however, tells a different story. China's policy has shifted dramatically since the election of Ma Ying-jeou as President of Taiwan in May 2008. China and Taiwan have both taken significant steps to reduce cross-Strait tensions. In a statement after the election that was later cited by President Ma in his inaugural address, PRC President Hu Jintao proposed that both sides "build mutual trust, lay aside disputes, seek consensus and shelve differences, and create a win-win situation" to secure peace and promote the "peaceful development of cross-Strait relations." In June 2008, Taiwan's Straits Exchange Foundation and the mainland's Association for Relations Across the Taiwan Straits reinstituted semi-official bilateral exchanges after a nine-year hiatus. High-level visits have been conducted, and on December 31, 2008 President Hu gave

a speech outlining six points to govern future cross-Strait relations. Still, there have been no meaningful actions on the part of the mainland to reduce its military presence directly opposite Taiwan. Beijing's announcement of a 17 percent increase in its 2009 military budget signals a strong commitment to maintaining China's military modernization program even in the face of increasing economic challenges.

China has also sought to manage fears about its military rise. China's political and diplomatic efforts in the Asia-Pacific region have been effective in limiting a regional backlash.²⁹ China has eclipsed the United States as the largest trading partner of America's key allies in the region, and is negotiating a trade agreement with the Association of Southeast Asian Nations. China has also acted to resolve territorial disputes with Russia and continues to negotiate with India over Arunachal Pradesh,³⁰ has strengthened its relationship with Pakistan, and has reinvigorated its diplomatic outreach from Northeast Asia to Australia and through the South Pacific.³¹

With such outreach, the region has responded with concern, but not overt hostility, to China's rise. In February 2005, Japan and the United States, for example, signed a "Common Strategic Objectives" agreement that identified contributing to the peace and stability of the Taiwan Strait as a fundamental factor in East Asian strategic stability. India, Singapore, Indonesia, and Vietnam are also upgrading their military relationships with the United States to hedge against a potentially aggressive China. A relatively new development has been intraregional balancing. India is expanding its relations with Japan; Southeast Asian countries helped India, Australia, and New Zealand join the 2006 EAS; and Japan and Australia initiated a new security cooperation agreement in 2007. Yet, according to a recent study by the Rand Corporation that investigated the response of U.S. allies and security partners to China's rise, "What is *not* occurring



Chinese sailors facing the USNS *Impeccable* during a tense maritime incident in March 2009.

in Asia in response to China's rise is as important as what is occurring...Regional governments are watching Chinese military modernization with varying degrees of attention and concern," but have not pursued policies to contain Beijing.³² For example, Australia and South Korea have both resisted pressure from Washington to upgrade their contributions to Taiwan's defense. The fact of the matter is that American commitment to the region will continue to play an instrumental role in preventing competitive behavior and insecurity.

The United States, meanwhile, remains strategically preoccupied in the Middle East (albeit to a lesser extent than the Bush administration) as it attempts to prevent the unraveling of the security situation in Iraq and to ramp up military operations in the Afghanistan-Pakistan region. Complicating American engagements in the "Crescent of Instability" are an emerging proliferation crisis on the Korean peninsula, an Iranian regime whose nuclear intentions remain opaque, the growing risk of instability in Mexico spilling into the United States, climate change problems, and a variety of emerging non-traditional security issues such as pandemic disease and poverty. Complicating America's engagement in two ongoing major wars and a daunting array of global challenges is a domestic economic recession that continues to dominate the agenda of U.S. policy makers, including President Obama. Despite

some positive signs of recovery, many believe the economy could slip further into recession.³³ Many Asian analysts, in particular, are uncertain how President Obama will manage the growing protectionist sentiment in the United States, which could catalyze protectionist brackets and unfair trade practices throughout the world—particularly in the Asia-Pacific. The long-term strategic consequences of a protectionist U.S. trade policy would likely be significant. Rebalancing American engagement is a defining element of the Obama administration's foreign policy. This will be particularly important in the context of Washington's China policy, as fears of neglect continue to animate perceptions of American foreign policy throughout the Asia-Pacific.

Despite China's rapid growth, it continues to face significant structural problems that could cripple its rise. Indeed, the "market Leninism" practiced by China is rife with contradictions that could place Beijing's progress at risk. These include growing societal fault lines between coastal populations and those from the rural interior; an emergent and impatient middle class eager for property rights; an increasingly discontented rural population (some 87,000 mass incidents occurred in 2005); strains on the education and health care services; an enormous transient population; and demographic issues, including a surplus of males. A faltering China would likely pose a much greater risk to the United States and its regional allies than would a strong China, so long as communications remain open and red lines are not crossed. America's economy is dependent on Chinese holdings of Treasury bills and cheap imports from China. An unstable China could also alter its current defense trajectory and pursue a more erratic and aggressive military posture in the region—further enhancing the prospects for miscalculation and conflict.

Beijing also needs to responsibly manage violence in Tibet and Xinjiang and alter its approach to Taiwan if it wants to ease concerns around the

“Despite China’s rapid growth, it continues to face significant structural problems that could cripple its rise.”

world. The international community continues to challenge Chinese officials to think of the long-term implications of its heavy-handed approach to dissent and free expression. China's neighbors and the United States remain concerned about any risk to Taiwan's democracy and security. Problems also plague China's relations and attitudes toward many minority groups, including largely Muslim Uighurs and the Yi who are routinely exploited by Beijing's policies.³⁴ The July riots in Xinjiang involving government forces, Muslim Uighurs and the local Han population is an example of social and political fragility in the region. The ethnic riots forced President Hu to prematurely depart the G8 Summit in Italy to tend to destabilizing events at home. While expecting the best, U.S. policy makers should prepare for many possible Chinese futures—strong or weak, responsible or aggressive—while conscious of the fact that U.S. interests are best served by a China that is strong, prosperous, and responsible.

Assessing American Strategic Alternatives

Despite an acknowledgement by many leading national security strategists of China's importance to the United States and international community, Washington has failed to produce a comprehensive strategy for managing China's complexities and America's growing engagement with the PRC. Therefore, over the course of the last nine months, the Center for a New American Security (CNAS) engaged in a strategic assessment of China's arrival on the world stage. The purpose of this project is

to articulate a more nuanced and strategic framework to manage the U.S.-China relationship.³⁵ This volume is composed of seven chapters, each one identifying critical issues that will require proactive American engagement.

*“This volume offers
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broader perspective.”*

Fundamental to the approach of this volume is that the United States’ strategic framework must move beyond the simplistic formula of “engage” or “hedge.” Rather, the framework must have a nuanced focus on the need to “engage, integrate, and balance.”³⁶ CNAS is fortunate to have been able to attract some of the leading American strategic thinkers on China and U.S. policy, and for their help and assistance we are most grateful. This volume offers a multilayered understanding of how various bilateral challenges — ranging from arms control and military-to-military relations to

complex climate and energy security issues — need to be considered from a broader perspective. This process should seek to balance bilateral cooperation with U.S. engagement in Asian regional institutions in order to encourage (and in some cases compel) China to become a more responsible stakeholder in the international community. The text is broken down into two conceptual categories. Chapters 1–4 focus on functional areas for cooperation, while chapters 5–7 offer theoretical and strategic guidance for decision makers.

Dr. Josh Busby, Assistant Professor of Public Affairs at the University of Texas at Austin, provides a lucid assessment of the implications of China’s energy security and climate change policies on the U.S.-China relationship. Busby argues that as two of the world’s largest energy importers, both the United States and China have a vested interest in ensuring stable access to global energy supplies. Similarly, as the two largest contributors of greenhouse gases, the United States and China will be essential players in any global efforts to mitigate the consequences of climate change. Yet China’s quest for increased and more varied overseas energy resources and its growing role in global emissions also creates “additional fault lines in an already complex strategic relationship.” As the United States attempts to manage the influence of greater energy competition and shape a more collaborative relationship in the arenas of climate and energy security, Busby cautions against the danger of unrealistic expectations. He contends that the most important lesson for U.S. policy makers will be to recognize the inherent bureaucratic diffusion of the Chinese system and the limitations this will place on future collaboration. Collaboration, according to Busby, is possible but difficult, and can be improved by “out of the box” thinking that incentivizes non-state actors and the private sector to play a greater role in self-enforcement of government policies.

Robert Kaplan, Senior Fellow at CNAS and a Contributing Editor for *The Atlantic Monthly*, assesses another consequence of China's growing global engagement: the expanding role of China's Navy beyond its continental waters. Drawing from his research on the geostrategic importance of the Indian Ocean, Kaplan suggests that China's naval strategy is increasingly concerned with looking beyond Taiwan. China is promoting its global influence through a "two-ocean strategy" in both the Pacific and Indian Oceans. Kaplan argues that the imperatives of economic growth and the need for overseas energy resources are forcing China's Navy to improve its blue-water capabilities in order to protect vital sea lines of communication. Kaplan acknowledges that these developments are presently driven more by economic imperatives than an overarching strategic vision. However, he argues that China's growing involvement in the Indian Ocean and its creation of ports off the coasts of Pakistan, Sri Lanka, and Burma will have significant geostrategic implications in the coming years. Kaplan's piece provides a useful framework to understand China's future naval strategy and a wakeup call to the American strategic community to consider the Navy's role in shaping the international environment, particularly in the Asian theater.

Ambassador Linton Brooks, former Director of the National Nuclear Security Agency, helps provide greater clarity in understanding China's nuclear posture and doctrine in Chapter 3 of this report, and how best to manage this often overlooked component of the bilateral relationship. By sketching out the parameters of China's nuclear doctrine, this chapter moves the discussion about China's nuclear strategy beyond the theoretical level and toward a clearer understanding of the strategic purpose of nuclear weapons in China. Although China has long espoused a policy of "no first use," Brooks contends that China's rapid modernization program creates serious questions

about the immutability of this stance and the future of China's nuclear doctrine. Of particular importance for U.S. policy makers is Ambassador Brooks' observation that "concepts such as 'active defense' and 'counter-attack in self defense' can easily evolve into doctrines of preemption or what the French call 'anticipatory self defense.'" To the degree that significant ambiguities and misperceptions remain in the relationship, Ambassador Brooks argues that bilateral discussions to improve U.S. understanding of China's views on nuclear policy would be beneficial. Brooks' careful evaluation of existing uncertainties and pragmatic recommendations for shaping the bilateral nuclear relationship provide policy makers with an indispensable guide to creating a more dynamic and comprehensive nuclear policy.

Dr. Richard Weitz, Senior Fellow and Director of the Political-Military Affairs Program at the Hudson Institute and non-resident Senior Fellow at CNAS, provides a complementary piece to Ambassador Brooks' contribution by assessing China's participation in global non-proliferation and arms control regimes. Weitz's work goes beyond traditional discussions of arms control agreements—which encompass ballistic missiles and nuclear weapons—to also consider the growing challenges associated with space-based proliferation. Weitz concludes that China's record on non-proliferation and arms control is improving, but still limited. Although China has acceded to several important international agreements in recent years, Weitz argues these decisions have been largely instrumentalist, driven by China's acknowledgement of the economic advantages of increased international security and its desire to be seen as a greater power in the international system. He further suggests that one of the greatest impediments to improved Chinese adherence to non-proliferation agreements will be the limited will, and capacity, of the Chinese government to reign in the activities of corporate actors. As

a result, Weitz, like Busby, cautions U.S. policy makers against unrealistic expectations. Instead, he suggests a clear ranking of immediate priorities and recognition that some issues will require longer-term and more gradual progress.

The second section of this edited volume identifies several issues that will be key components of a U.S. strategy to help manage, shape, and integrate China's remarkable ascent into the international order. This section not only provides opposing views on how the United States and its allies should go about developing a strategic framework for the relationship, but also provides a more complete understanding of how domestic and regional institutions can influence or impede greater cooperation and progress. The final chapter articulates an ends, ways, and means approach to manage what is quickly becoming one of the most important bilateral relationships in the world.

Dr. John Ikenberry, Albert Milbank Professor of Political Science at Princeton University, develops a nuanced analysis of the importance of integrating China into regional organizations that can help shape and, when necessary, temper Chinese behavior. This chapter offers three critical questions that should animate U.S. views toward regional integration: How should the United States make sense of growing "regionalism" in East Asia in the context of a rising China? Do these regional groupings benefit China? How should the United States engage China and its allies in the development of regional security, political, and economic groupings? Ikenberry argues that in adjusting to, and promoting, greater regionalism in East Asia the United States should not block China's entry into the regional order, but rather, it should attempt to use regional institutions to "shape" the terms of this entry. To do this, Ikenberry suggests the United States should develop a regional security institution that complements existing U.S. security alliances and binds China to the larger regional



President Bush and President Hu side by side at the November 2008 G-20 Summit in Washington D.C.

order. This piece offers fundamental insights for U.S. policy makers by sketching a blueprint for how America should shape and configure Asian regional architecture to better help integrate China into the regional order, and minimize competitive behavior.

Dr. Michael Green, Senior Adviser and Japan Chair at the Center for Strategic and International Studies and Associate Professor at Georgetown University, and Daniel Twining, Senior Fellow at the German Marshall Fund for Asia, provide an excellent and groundbreaking contribution to the debate on regional architecture by considering the role of values-based institutions in the regional order. Green and Twining argue that U.S. policy makers are mistaken to eschew values-based engagement with liberal-democratic Asian friends and allies. They suggest that especially in the midst of difficult global economic events, the United States would be wise to focus more on the "balance of influence" than the "balance of power." While agreeing with Ikenberry that regional institutions will play a critical role in shaping China's behavior, the authors contend that China's behavior can be better influenced through the development of a "democratic caucus" in the region that would slowly compel China to liberalize its political

system. Green and Twining conclude that a “smart power” agenda to bind China into the international order must include a principled form of realism that sees the value of ideas and norms.

Lindsey Ford, formerly a Research Associate at CNAS and now Special Assistant to the Assistant Secretary of Defense for Asian and Pacific Security Affairs, moves the discussion of U.S. strategy toward China back to the bilateral arena with an examination of the influence of bureaucratic relations on the U.S.-China relationship. Her views expressed in the chapter were authored prior to her appointment at DOD, and do not necessarily reflect the views of the Department of Defense or the U.S. government. Ford argues that in the coming years, the greatest question for U.S. policy makers will not be *whether* to engage China, but *how* to implement a policy of engagement. This chapter examines the influence and interactions of the various bureaucracies that shape the security aspects of the U.S.-China relationship and provides recommendations to facilitate a more cohesive strategic approach to the bilateral relationship. Ford contends that the bilateral relationship between the United States and China continues to be challenged by mismatches between U.S. and Chinese bureaucracies and the growing range of policy actors now involved. In order to bring cohesion to this range of interests, Ford suggests that the United States must design a comprehensive high-level dialogue that incorporates and coordinates the various bureaucratic actors in the security relationship.

Abraham Denmark, Fellow at CNAS and former Country Director for China at the Department of Defense, uses his experience and knowledge as an intelligence analyst and policy maker focused on China’s rise to articulate a nuanced ends, ways, and means strategy. Denmark appropriately suggests that China has risen, but that U.S. policy and strategy toward China have not come to grips with the

complexity of managing the U.S.-China relationship. His important contribution suggests that the current U.S. “engage and hedge” policy formulation unnecessarily feeds the misunderstanding that the United States pursues two virtually separate China strategies: engaging (managed by the State Department) and hedging (managed by the Department of Defense). The hedging/engagement formula must expand to incorporate engagement, integration, and balancing into a comprehensive approach at the global, regional, bilateral, and unilateral levels that utilizes all elements of U.S. national power.

“A strong centrist and pragmatic China policy will be vital to carry the relationship forward and ensure America’s strategic presence in the Asia-Pacific and beyond.”

Concluding Observations

It has been a little over 30 years since the Carter administration established official diplomatic relations with China. Critical to this move was Nixon’s visit to China, which paved the way for one of the most important diplomatic engagements of the modern era. The monumental process of opening up to China continues to this day and is wrought with many challenges. However, the breadth and depth of the relationship continues to grow and will be critical to addressing a plethora of Asian and global issues ranging from climate change and energy security to proliferation and the current global economic crisis.

Despite a relatively strong consensus among national security experts about China's growing centrality in international affairs, Washington has been slow to articulate a comprehensive framework that moves beyond the simplistic engage and hedge formulation to one of comprehensive integration. As the Obama administration continues to enhance and broaden bilateral engagements with Beijing, it must also seek to neutralize radical domestic voices. Neo-conservatives advocate an untenable form of containment, while neo-isolationist forces seek to adopt protectionist and inward looking policies. The truth of the matter is that the United States and China's mutual interdependence is significant and continues to grow. A strong centrist and pragmatic China policy will be vital to carry the relationship forward and ensure America's strategic presence in the Asia-Pacific and beyond. This volume presents an integrated and comprehensive approach to varied elements of the U.S.-China relationship — political, military, diplomatic, and economic — that is critical to ensure these interconnected elements are reinforcing, and not undercutting, U.S. strategic interests.

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³⁵ CNAS scholars intentionally chose not to produce a paper on China's soft power, given the rich treatment this subject has received over the past few years. However, discussions of Chinese soft power are the subtext of many of this volume's chapters.

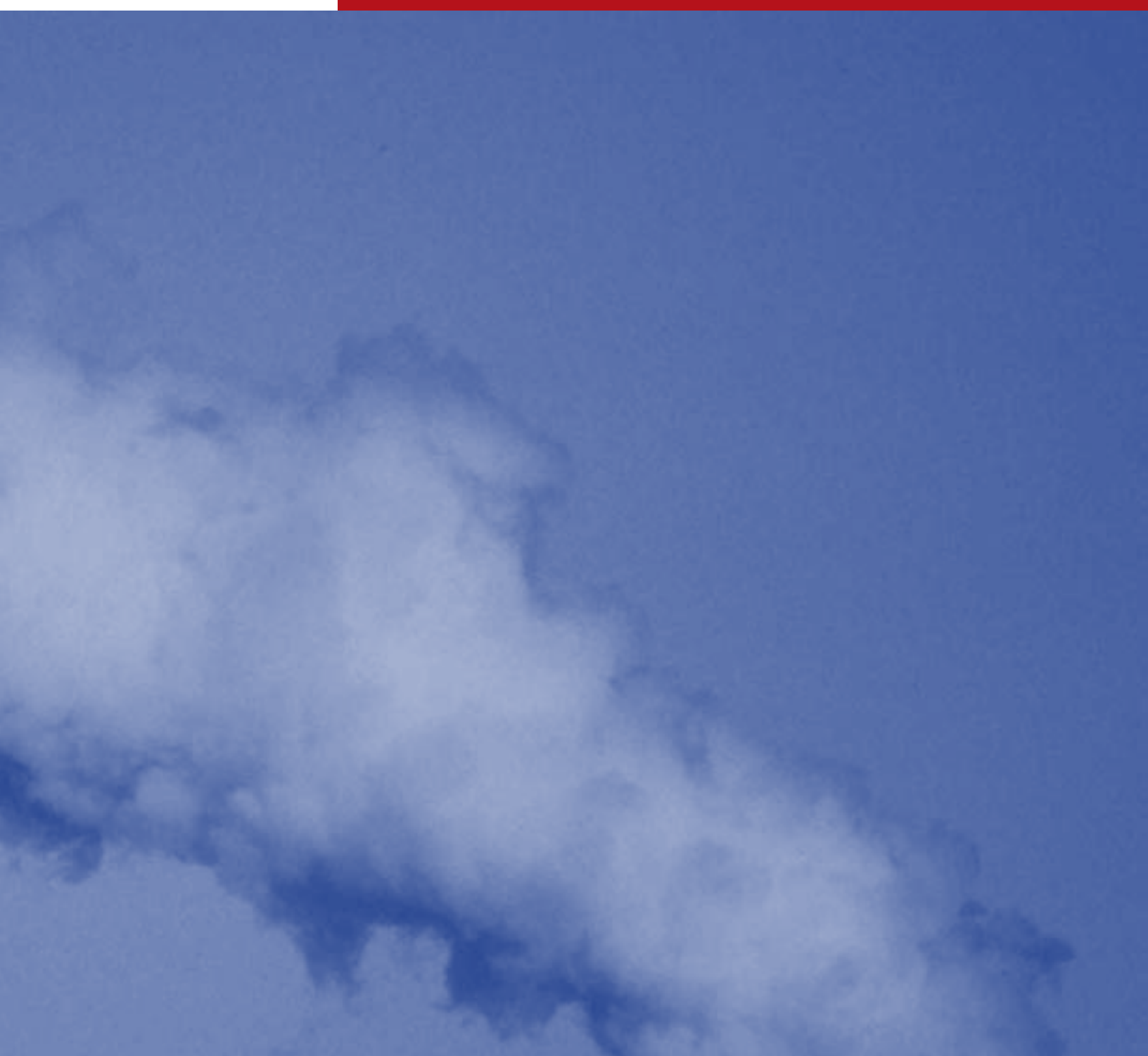
³⁶ CNAS is grateful and indebted to Dr. Evan S. Medeiros of the RAND Corporation for his thoughtful suggestions on China policy and strategy.



CHAPTER I:

THE NEED FOR POWER: IMPLICATIONS OF CHINESE ENERGY SECURITY AND CLIMATE CHANGE POLICIES FOR SINO- AMERICAN RELATIONS

By Dr. Joshua W. Busby



"These twin developments — China's pursuit of external energy resources and its rapid rise in greenhouse gas emissions — have produced additional fault lines in an already complex strategic relationship between the United States and China."

THE NEED FOR POWER:
IMPLICATIONS OF CHINESE ENERGY
SECURITY AND CLIMATE CHANGE
POLICIES FOR SINO-AMERICAN
RELATIONS ¹

By Dr. Joshua W. Busby

In March 2005, the state-owned China National Offshore Oil Corporation (CNOOC) made an \$18.5 billion bid for Unocal, a California-based petroleum company. Alarmed by the prospect of Chinese ownership of an American oil company, the U.S. House of Representatives passed a non-binding motion in June of that year, asking the president to review the matter on national security grounds. In August 2005, in the face of mounting U.S. political opposition to the deal, CNOOC withdrew its offer.² Shut out of the U.S. market, CNOOC and other Chinese oil companies have continued their pursuit of equity stakes in and long-run purchase agreements from countries including Iran, Venezuela, Sudan, and Myanmar.³

The Netherlands Environmental Assessment Agency estimated that in 2006 China overtook the United States to become the world's largest emitter of carbon dioxide (CO₂), the main greenhouse gas.⁴ By 2030, Chinese emissions of energy-related CO₂ were expected to more than double, accounting for nearly 48 percent of the world's total estimated increase.⁵

These twin developments—China's pursuit of external energy resources and its rapid rise in greenhouse gas emissions—have produced additional fault lines in an already complex strategic relationship between the United States and China. As two large energy-consuming nations, they have common interests in ensuring stable energy prices and supplies. As the two biggest contributors of greenhouse gases, the United States and China are indispensable nations if the problem is to be successfully addressed. However, conflictual currents in U.S.-China relations may make cooperation difficult. Given China's authoritarian political system and rising military capability, doubts about its long-run intentions remain. At the same time, difficult economic conditions have generated rising protectionist sentiment in the United States, leading to friction with China over its currency and trade surplus. As climate change has become

“Thus, if China falls short of U.S. expectations about where it gets its oil or how quickly it moves to address climate change, it is important to remember that the undesired result may not be a conscious choice by the Chinese leadership but a consequence of the state’s loosened grip on the levers of control.”

a higher priority issue, linking environmental performance to trade sanctions has increasingly become a favored policy instrument among American lawmakers, uniting those concerned about climate change with those worried about economic competition from China. The Chinese, for their part, are suspicious that American concerns about climate change and competitiveness are merely a means to keep them down.

This chapter examines the implications of China’s energy security and climate change policies on strategic relations with the United States. On one level, separate communities of experts discuss these issues independently. Decision makers in both countries have largely focused on their proximate energy needs through continued investment in petroleum, coal, natural gas, and other carbon-based energy resources, even as long-run concerns about climate change would question that logic.

If climate change is to be addressed in any significant way, those discussions will ultimately have to intersect, and as the largest energy consuming and emissions producing economies, U.S.-China relations will be at the heart of that discussion. That said, energy security and climate change often exist in parallel universes, so this chapter discusses them in turn in the first two sections before turning to their joint implications for Sino-American relations in the final section.

The main conclusion of this chapter is that the domestic decision making environment in China is much more fragmented than one would expect from an authoritarian regime. As a consequence, it would be a mistake for American policy makers to assume that the Chinese state is a unitary actor driving decisions for overseas energy acquisitions. By the same token, given the relative autonomy enjoyed by provincial economic and political actors, the Chinese state will have great difficulty reorienting local rewards for economic growth to be more energy efficient and less carbon-intensive. The embedded incentives for economic growth have tendencies and trajectories independent of the Chinese central government’s intentions and announced policy. Thus, if China falls short of U.S. expectations about where it gets its oil or how quickly it moves to address climate change, it is important to remember that the undesired result may not be a conscious choice by the Chinese leadership but a consequence of the state’s loosened grip on the levers of control. While some Chinese policy makers may be unconcerned about or even welcome friction with Western governments over energy and climate policy, others clearly recognize the dangers to China’s ability to peacefully rise without engendering antagonism and fear among its neighbors and the broader international community.

Until the financial crisis of 2008, U.S. concerns mostly focused on China’s strength rather than its weaknesses. U.S. policy makers should take

seriously the implications of weakening economic performance on China's political stability.⁶ The country is also vulnerable to climate change, with potential freshwater shortages from melting glaciers and changing rainfall patterns as well as from storm damage along its densely populated coast. Environmental damage—not just from climate change but from air and water pollution as well—coupled with poor economic performance could be a combustible mix, with domestic turmoil making China's external policies less predictable. For the United States, seizing cooperative opportunities, particularly on energy efficiency and clean energy technology, could provide a way to simultaneously address China's surging energy demand and climate change. At the same time, such a strategy could reinforce elements of Chinese leadership who believe in China's peaceful rise until such a perspective becomes an embedded part of Chinese identity rather than a means to reassure its neighbors and the wider international community.

Energy Demand and Energy Security in China

China has moved from a centrally planned economy to a form of market socialism in which the government's source of legitimacy has been sustained by the country's economic performance. With its push for economic growth, China has become an energy-hungry economy, primarily for industrial production but increasingly for personal consumption as income gains have made it possible for a wider cohort of Chinese to afford automobiles, electronics, and other luxury goods. To support electrification for industry, office, and home use, China has relied largely on its domestic coal resources, leading to unprecedented environmental impacts on China's air quality as well as a staggering increase in the country's greenhouse gas emissions.

As China and the Chinese people have become richer, China's need for oil (which has increasingly had to be imported) has also spiked dramatically,

“For the United States, seizing cooperative opportunities, particularly on energy efficiency and clean energy technology, could provide a way to simultaneously address China's surging energy demand and climate change.”

driving up global energy prices in times of high demand. To meet that demand, China's state-owned energy companies have pursued equity investments and trade deals overseas, some with governments that have difficult relations with the West (such as Iran, Myanmar, and Sudan). Given that petroleum is a global commodity, Chinese efforts to lock in supplies from particular producers have struck many observers as curious. More significantly, China's forays into energy diplomacy threaten to complicate U.S. strategic objectives wherever energy resources are to be found, including relations with Russia, Central Asia, the Middle East, the Americas, and emergent producers in Africa. China's actions in the energy arena also potentially conflict with those of other large energy consumers, including regional neighbors like Japan. While the financial crisis has temporarily taken the steam out of Chinese energy demand,⁷ Beijing's energy needs will increase dramatically in the long run.

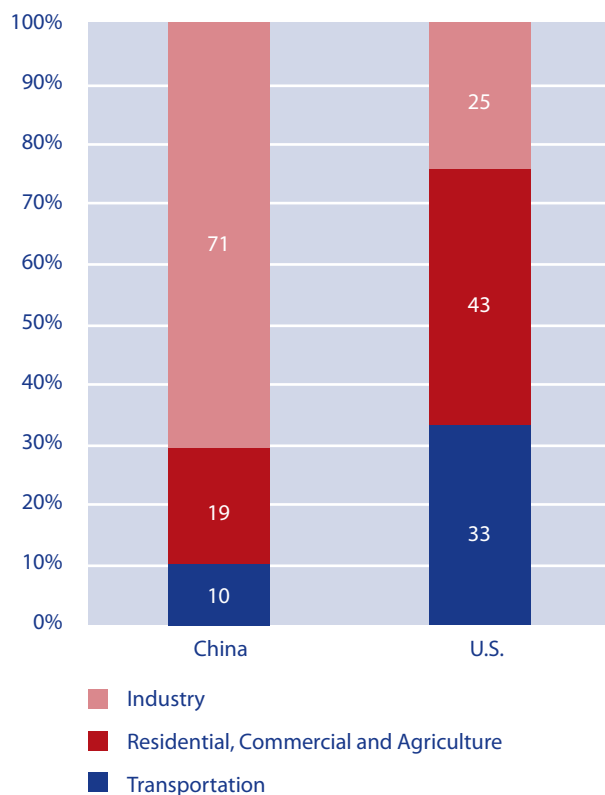
ENERGY DEMAND

After China began its economic reforms in 1978, Chinese energy intensity (the amount of energy required per unit of output) improved dramatically, as market reforms and opening up of the economy shifted incentives from energy-intensive heavy industry to light manufacturing. However, despite Chinese government expectations that gains in energy efficiency would continue, those trends were reversed in early 2002.⁸ Chinese energy demand grew four times faster than predicted, rising from 10 percent of global energy demand in 2001 to 15 percent in 2006. That increase was primarily driven by industry, which now consumes more than 70 percent of China's total energy needs (see *Figure 1*).⁹ Despite efficiency gains between 1980 and the early 2000s, China's energy intensity was still nearly four times greater than that of the United States in 2006 and nearly 8 times greater than that of Japan (see *Figure 2*).¹⁰

China experienced a return to energy-intensive heavy industry in the late 1990s, less a consequence of central government design than competitive local pressures for economic advantage. In 1996, China, like the United States, produced 13 percent of the world's steel. By 2006, China accounted for 35 percent of global steel production while the U.S. share declined to 8 percent. In 2006, China was also responsible for 48 percent of global cement production, 49 percent of flat glass, and 28 percent of aluminum. Industry contributed 48 percent of China's gross domestic product (GDP) in 2005, compared to just 20 percent in the United States and 27 percent in India.¹¹

To meet the energy needs of industry and the burgeoning urban population, China has expanded its power sector, particularly by building new coal-burning power plants. Coal currently meets 80 percent of China's electricity needs¹² and more than 67 percent of its total energy needs.¹³ In 2006, China consumed more than twice as much coal as the United States.¹⁴ Of the 560 coal-burning power

Figure 1: Energy Demand by Sector (2005)

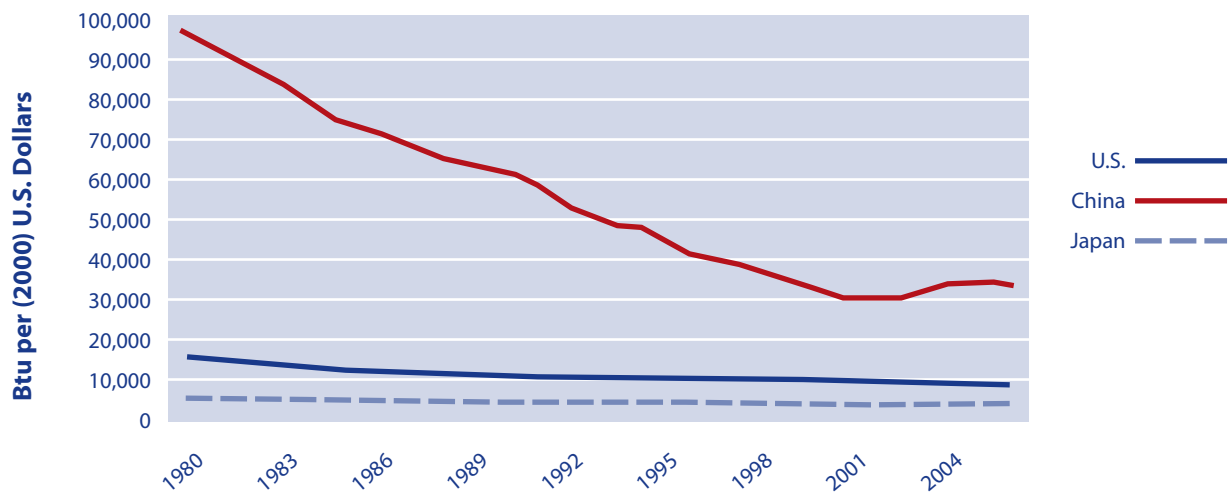


Source: Data from Rosen and Houser (2007)

plants that were built worldwide between 2002 and 2006, 2/3 were built in China.¹⁵ To put this in perspective, China in 2005 added as much generating capacity from coal-based power plants as the entire British power sector.¹⁶

China's manufacturing boom has been permissible because of its abundant domestic sources of coal. However, few of China's existing coal-burning power plants are of the more efficient supercritical or ultra supercritical varieties; few plants employ Integrated Gasification Combined Cycle technology.¹⁷ Concerns about intellectual property theft have kept Western technology firms, in some cases, from exporting the most advanced, efficient equipment to China. Cleaner coal-burning power plants can cost considerably more than less efficient equipment, and many Chinese firms have

Figure 2: Energy Intensity [Total Primary Energy Consumption per Dollar of Gross Domestic Product (GDP)] — Market Exchange Rates



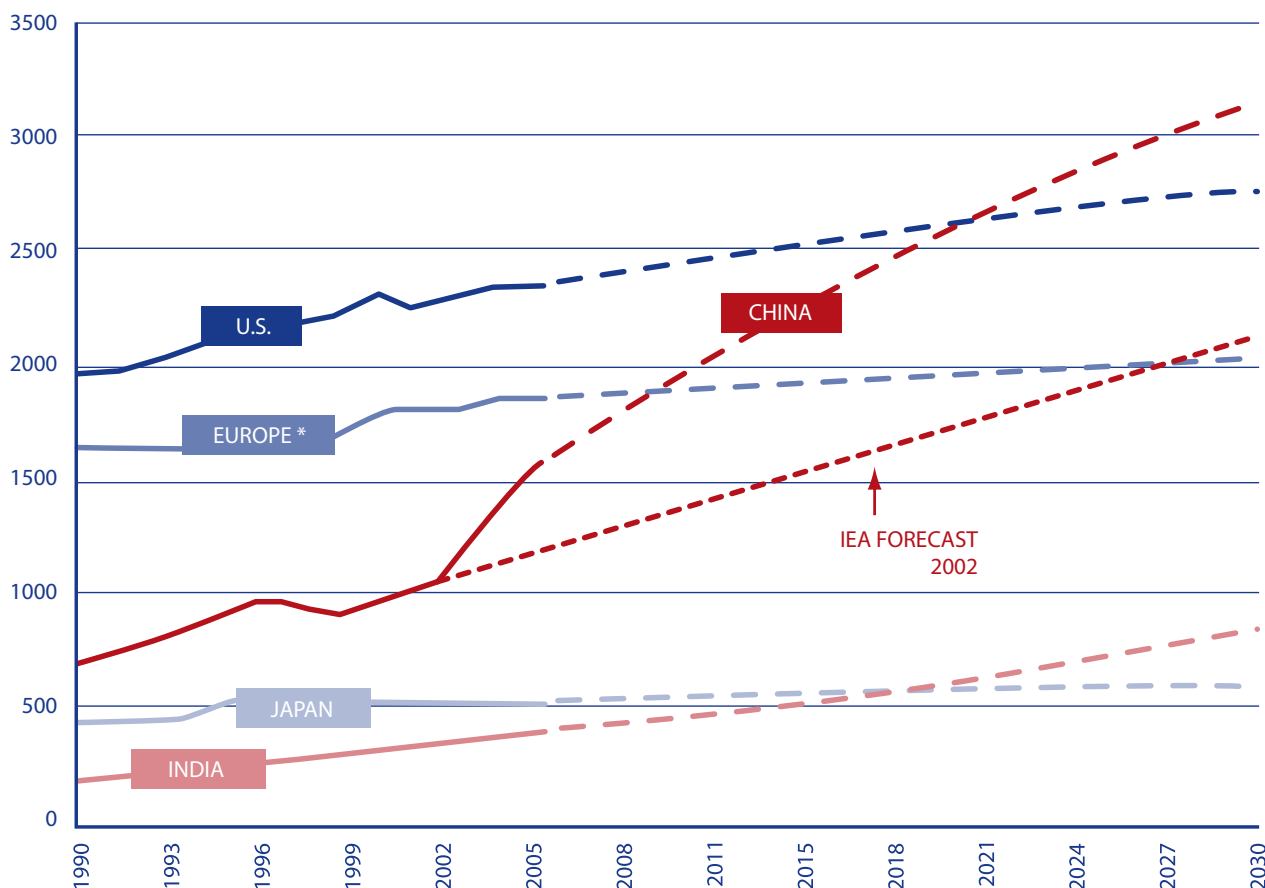
Source: Energy Information Agency

been unwilling to pay these additional costs.¹⁸ In addition to building new coal-burning power plants, China is among the few countries planning to build new nuclear plants (as many as 32 new plants by 2020); nuclear power will, with current plans, only account for 4 percent of China's electricity needs by 2030.¹⁹ While China has a robust renewables sector that is growing rapidly, renewables provide a small share of China's electricity needs; large-scale dams like the Three Gorges Dam still provide most of China's power from renewables.²⁰ China's rising demand for energy in the electricity sector has been accompanied by a rapid rise in demand for oil. China is the fourth largest producer of oil outside of the Middle East, and from the mid-1960s up until 1993, the country was a net oil exporter.²¹ After the Chinese revolution and subsequent estrangement from both the West and the Soviet Union, China was self-sufficient in energy but hardly energy secure. China's rapprochement with the West brought it less self-sufficiency but enhanced economic opportunity, as Beijing exported oil in

exchange for manufacturing and industrial technology that facilitated its rapid economic growth.²² Oil demand increased from 2.3 million barrels a day in 1990 to 7.2 millions barrels per day in 2006. By 2006, China was importing nearly half of its oil requirements. By 2020, China will have to import 60–80 percent of its oil needs.²³

Where transportation accounts for 2/3 of oil demand in the United States, industry is the primary consumer of petroleum products in China, accounting for more than 2/3 in 2006.²⁴ Industrial demand for oil has been driven by unreliable and inadequate electricity; coupled with strong incentives for economic growth, local manufacturers have turned to highly inefficient diesel generators to ensure reliable supplies in the face of periodic blackouts. However, with rising middle class incomes and increased internal freight traffic, transportation is becoming a larger share of China's oil demand, accounting for 42 percent of the increase in demand between 1995 and 2006.²⁵ In 1997, China had only two million cars;²⁶ today there are nearly 37 million cars — equivalent to

Figure 3: Energy Demand Forecasts (mtoe)



*Europe refers to European members of the Organization for Economic Co-operation and Development (OECD): Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Source: Rosen and Houser (2007)

U.S. per capita car ownership in 1920.²⁷ That is set to change: by one estimate, China will have 370 million vehicles on the road by 2030.²⁸

Despite the dampening of energy demand in China as a result of the financial crisis, the International Energy Agency (IEA) in its 2008 World Energy Outlook estimated that between 2006 and 2030, 43 percent of additional world demand for oil and 66 percent of world demand for coal would come from China (see *Figure 3*).²⁹

In the meantime, the sharp slowing of economic growth in China, as a result of declining Western orders for Chinese products, has contributed to a steep reduction in electricity demand.³⁰

ENERGY SECURITY AND ENERGY POLICY IN CHINA

While most of its energy needs are met through domestic sources of coal, China's rising demand for oil has been at the heart of its external energy security effort. Like the United States, China has primarily pursued diversity of suppliers. Given fears of a potential naval blockade in the unlikely event of a war over Taiwan, China has

also pursued diversity of supply routes, including by rail and via pipelines from Russia and Central Asia. Increasingly, measures to curb demand and improve energy efficiency are seen as part of the equation, though these have arguably been less successful.

While China's national oil companies have been pursuing external sources of oil for more than 15 years, the major national oil companies—China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corp (Sinopec), and CNOOC—have increasingly turned to long-run purchase agreements with foreign oil suppliers and equity stakes in foreign oil enterprises since the early 2000s as domestic demand sharply increased. In 2000, Chinese oil imports nearly doubled over 1999 levels at the same time that world oil prices tripled.³¹ In 2002, in the face of inadequate Chinese supplies of domestic resources, the Chinese government encouraged state-owned companies to “go out” and invest internationally to secure foreign sources of resources, including, but not limited to, petroleum.

China's strategy of seeking guaranteed sources of supply from particular producers has puzzled observers who see petroleum as a global commodity. Such neo-mercantilist behavior seemed anachronistic, though is somewhat more understandable given China's distrust of energy markets it sees as dominated by the United States.³² Given that China has been willing to pursue such agreements with regimes that have been facing international isolation from Western countries, the “going out” strategy has undermined the broader strategic orientation of a “peaceful rise” by eliciting fears of China's global intentions.³³ As David Helvey, Country Director for China, Taiwan, and Mongolia for the U.S. Department of Defense, noted in his 2007 testimony to the U.S.-China Economic and Security Review Commission:

China's response to its energy needs has led Beijing to finance energy projects that have

uncertain prospects for a positive return on investment, to ignore political risk that is prohibitive to private commerce, and to establish closer relations with problem states that are rich in energy but that defy international norms.³⁴

China's experience with overseas investments appears to be a learning process that may in time discipline China to market demands, though characteristics of some Chinese firms (relative independence from international investors) and Western behavior (such as denying CNOOC's bid for Unocal) may reinforce the effort to lock in purchase orders of petroleum from troublesome regimes. To the extent that Chinese companies are publicly listed, international investors can exert pressure on Chinese firms and, by extension, on the Chinese government to limit their exposure to regimes that have problematic relations with the West. At the very least, such pressure may induce Beijing to put pressure on Sudan, Myanmar, and other regimes to moderate their behavior vis-à-vis their own citizens.³⁵

Chinese firms have sought energy and resources from distant locations in Africa (Angola provided 14 percent of China's oil imports in 2005, Sudan 5 percent), Central Asia (Russia 10 percent) and the Middle East (Saudi Arabia 18 percent, Iran 13 percent).³⁶ At the same time, China has also sought to shore up its access to energy from overland sources from Kazakhstan (where a pipeline already exists), Russia (where oil is shipped by rail and a pipeline has been in the planning stage for years) and Turkmenistan (with which China signed an agreement on natural gas exports in 2007). The efforts to secure oil supplies from Russia have sparked concerns about an emergent Sino-Russian alliance and have exacerbated tensions with the Japanese, who have also sought access to Russian oil supplies from eastern Siberia.³⁷ Since Russian oil may not be enough to supply both China and Japan, there is a sense that their interests are somewhat conflictual. This is predicated on the assumption that Russian oil somehow would be

cheaper for China than global prices (because of lower transit costs) or more reliable (which, given Russia's willingness to throw its weight around with natural gas supplies, seems a dubious proposition). Both China and Japan have competed for Russian oil by proposing alternative pipeline routes in Siberia. Russia and China have repeatedly issued statements suggesting a final agreement has been reached, after which time no progress on the pipeline was made. In late 2008, the Russians and the Chinese appeared to come to terms on a final agreement. However, the pipeline route was not the Angarsk–Daqing route that would bring the oil to China by pipeline with no port location enabling exports to Japan. Instead, the route appears to pass from the Russian city of Skovorodino with a spur planned to the south in China to Daqing. The pipeline would importantly extend on to the new port of Kazmino, which would ostensibly enable the Russians to ship oil to Japan.³⁸

A notional Sino-Russian condominium is unlikely, given the past history between the two countries and Russia's fears about China's regional ambitions.³⁹ As Mikkal E. Herberg of the National Bureau of Asian Research argued, Chinese ambitions for more energy from Russia have been less than satisfactory because relations between the two are “fraught with cross-currents of competition, suspicion, and Russian energy policy paralysis.”⁴⁰ Indeed, Russia has used its leverage over both China and Japan to foster tensions between the two of them.⁴¹

Fears of gradual encirclement by the United States and a potential naval blockade of the Straits of Malacca in the unlikely event of a conflict over Taiwan have also led the Chinese government to enhance its maritime capabilities. The United States possesses distant bases like Diego Garcia and Guam that enhance its power projection capabilities, particularly for sea-lane protection. Some analysts believe that Chinese efforts to develop a number of ports from the Middle East

to the Indian Ocean, what has been described as a “string of pearls,” will ultimately be used to enhance China's ability to defend its access to oil.⁴² For example, the Chinese have developed a port at Gwadar in Western Pakistan.⁴³ By its proximity to the Straits of Hormuz, the port would allow overland transport of oil in the event of a disruption in ship transport. Despite this development, James Holmes of the U.S. Naval War College notes that the United States would easily be able to prevent the unloading of oil at Gwadar. Indeed, given the difficulty for the United States of actually carrying out a successful blockade in the Straits of Malacca, it is unclear that Gwadar has much strategic value to the Chinese if oil transshipments would be more vulnerable to blockage than the Straits themselves.⁴⁴ Moreover, there is some doubt among China observers that port investments like Gwadar represent anything more than commercial ventures.⁴⁵

In addition to the pursuit of external energy resources, China has enacted a number of measures at home and in its near abroad to enhance its energy security. First, China has created its own strategic oil reserves, a move largely applauded in U.S. policy circles.⁴⁶ More troublesome, China asserted sovereignty over territory in the East and South China Seas, some of which may contain energy resources. A number of countries contest those claims including Japan, Taiwan, Brunei, Indonesia, Malaysia, Philippines, and Vietnam. In a world of scarce energy resources, these latent territorial disputes could become more significant.⁴⁷

In addition to measures to enhance the supply of available energy, China has recently adopted ambitious energy efficiency goals to curb demand. These goals are embodied in its 11th Five-Year Plan (2006–2010). China is seeking to replicate its earlier success in reducing the energy intensity of its economy. Between 2000 and 2020, China hopes to quadruple economic growth while only doubling energy consumption.⁴⁸ Chinese

officials have extended such demand-side measures to fuel efficiency where China's standards exceed U.S. Corporate Average Fuel Economy (CAFE) standards.⁴⁹

Between 2005 and 2010, China aimed to reduce its energy intensity by 20 percent. Until the 2008 recession, China appeared to be off-track in meeting those goals, though the country made modest improvements between 2006 and 2008.⁵⁰ Despite these positive portents, this drive for efficiency has not yet had much impact in the construction of new buildings, which are not especially well insulated and do not use efficient lighting, heating, or cooling.⁵¹ Given that China is experiencing the annual migration of nearly 15 million people from rural to urban areas, all of whom need housing and other urban amenities, the lack of progress in this arena is worrisome but also a potential area of low-hanging fruit for large efficiency gains.⁵²

Erica Downs suggested policy fragmentation is perhaps the main reason these ambitious plans may not add up. Despite a March 2008 reorganization of the institutions governing energy policy, Downs writes that, "China's fragmented energy policymaking structure has impeded energy governance because there is no single institution, such as a Ministry of Energy, with the authority to coordinate the interests of the various stakeholders." Prior to the March 2008 reforms, the most important governmental actor was the National Development and Reform Commission (NDRC) and its now defunct Energy Bureau. In 2005, reforms created a new National Energy Leading Group, an advisory body under Premier Wen Jiabao. The 2008 reforms sought to reorganize decision making yet again, creating the National Energy Administration (NEA) to replace the Energy Bureau and the National Energy Commission (NEC) to replace the Leading Group. The NEA will handle daily affairs while the NEC is expected to develop long-run strategy and coordination.⁵³

China's Emissions, Climate Vulnerability, and Environmental Policy

As China's economy has experienced extraordinarily high rates of growth, the boom in manufacturing, construction, and vehicles has brought along with it soaring emissions of greenhouse gases and other pollutants. China has increasingly recognized the adverse consequences of pollution on the welfare of its own citizens and gradually become a more cooperative actor in international climate negotiations, but deeply embedded incentives for economic growth may limit China's ability to embrace environmental protection and become a constructive player on climate change.

CHINA'S EMISSIONS

The country has, by some accounts, overtaken the United States as the leading source of CO₂. Eighty percent of China's greenhouse gas emissions come from burning coal.⁵⁴ China's emissions of sulfur dioxide (SO₂), a contributor to acid rain, increased by 27 percent between 2000 and 2005, making China the world leader in SO₂ emissions as well.⁵⁵ Pollution from Chinese factories has had a severe impact on human health, and, in turn, on China's economy. In 2004, Wen Jiabao, the Chinese premier, announced that a green GDP would replace traditional measures of economic growth. In 2006, the initial green GDP estimated that environmental damage cost the country more than 3 percent of its GDP, with losses exceeding \$64 billion.⁵⁶ Many international observers, as well as the country's own environment agency, thought this estimate was probably too low. Lost sick days, medical expenses, and other effects of pollution are thought to have cost the Chinese as much as 8–12 percent of GDP per year over the past decade.⁵⁷ In 2007, a World Bank study conducted with China's environmental agency estimated that outdoor air pollution was causing on the order of 350,000 to 400,000 premature deaths a year.⁵⁸ By 2007, with fears that this new accounting mechanism would

reveal zero growth in a number of provinces, the release of the green GDP metric was shelved, at least as an official government product.⁵⁹

CHINA'S VULNERABILITY TO CLIMATE CHANGE

In addition to the environmental and human health impacts of air and water pollution, China is among the more vulnerable countries to climate impacts, particularly because of the large population along its southern coast that is exposed to flooding from storm surges and typhoons. Major metropolitan areas in the Bohai Gulf Area, the Yangtze River Delta, and the Pearl River Delta are especially vulnerable.⁶⁰ At the same time, large parts of China are already subject to water scarcity. Even larger proportions suffer from contaminated water. Climate change is melting Himalayan glaciers, with highly significant consequences on water availability in the broader region. In China alone, hundreds of millions in the Yellow and Yangtze river basins—147 and 386 million, respectively—depend on ice melt from the glaciers of the Tibet-Qinghai Plateau for their water supply.⁶¹ The effects of agriculture could be especially severe, as about half of China's rice harvest is generated in the Yangtze River basin area. While some parts of China are subject to increasing water scarcity because of climate change (northern China in addition to the Yellow and Yangtze river basins), other parts of China—northwest and southern China, for example—are likely to experience more intense precipitation events.⁶²

Given its tremendous population, China has periodically experienced devastating floods, storm surges, and other climate-related disasters that affect many people. In the first half of 2007, flooding affected more than 105 million people.⁶³ As a consequence, the Chinese have been proactive in trying to insulate their country and people from disaster losses. Between 1960 and 2000, the Chinese spent \$3.15 billion on flood control, and averted an estimated \$12 billion in losses.⁶⁴

ENVIRONMENTAL AND CLIMATE POLICY IN CHINA

The State Environmental Protection Agency (SEPA), which saw its authority grow throughout the 1990s, was elevated to the Ministry of Environmental Protection in March 2008. Although this is a positive development that indicates a heightened appreciation of the negative consequences of pollution, the ministry is understaffed and a relatively weak player in the Chinese cabinet.⁶⁵ At the local level, monitoring depends upon Environmental Protection Bureaus.⁶⁶ Because these entities rely on local governments for budget support, they lack the authority to enforce environmental standards under normal circumstances, particularly since economic growth remains the overriding priority for most provincial governments.⁶⁷ Even when plants have adequate equipment, such as scrubbers, to generate lower emissions per unit of output, firms often fail to turn the equipment on, in order to cut costs and maximize production. Indiscriminate pollution has sparked localized protest movements (potentially a serious challenge to the regime's legitimacy).⁶⁸ However, nascent environmental organizations and leaders of these efforts have found themselves subject to political reprisals, leading to imprisonment, loss of employment, and other negative consequences.⁶⁹

The headlong rush to industrialize has created local incentive structures to largely disregard environmental rules that the government has periodically put into place. Local governments and manufacturers have colluded, in some cases, to create additional capacity in energy generation, even where contrary to central government directives to shut down dirtier manufacturing facilities. Thus, it is unclear whether the central government could rein in inefficient practices if it wanted to, given the diffusion of power to local authorities. Some of the Chinese leadership has recognized the negative consequences of environmental damage and sought to address these trends by emphasizing the importance of these issues. However,

environmental concerns still have trouble securing their place in the hierarchy of priorities.

Internationally, China's bargaining position in climate negotiations is strong because no global climate policy has any chance of succeeding without China on board. While a signatory to both the United Nations Framework Convention on Climate Change and Kyoto Protocols, China has until recently played an obstructionist role in international climate negotiations, seeing itself as a developing country with advanced industrialized countries bearing the responsibility for historic greenhouse gas emissions.⁷⁰ China's position has largely been that it will not take any measures that curb its need for economic growth, given the need to lift the hundreds of millions of rural Chinese that still live in desperate poverty. In international negotiations, Chinese diplomats often point to the vast difference in per capita emissions between Western countries and China and the West's responsibility for the lion's share of the world's historic emissions since the industrial revolution.⁷¹ They also note that China's current development trajectory of resource-intensive growth is the pattern by which Western countries became wealthy.⁷²

However, there are some signs that China's approach to climate change and environmental policy are changing. In the prelude to the Olympics, when China's prestige was on the line before an unprecedented international audience, the central government engaged in extraordinary measures to improve Beijing's air quality by shutting down hundreds of factories and restricting the use of personal automobiles, among other measures.⁷³ Moreover, China has moved in recent years to establish more robust planning mechanisms and programs to deal with climate change, releasing its first National Assessment Report on Climate Change in late 2006 and releasing its National Climate Change Program in June 2007.⁷⁴ The movement towards a more sustainable growth pattern, dubbed "scientific development,"



China's Three Gorges Dam.

has gained more official acceptance, motivated by concerns about the health and economic impact of air quality, energy security concerns, and to a lesser extent climate change.⁷⁵ In addition to the energy efficiency measures discussed earlier (which, if enacted, will save roughly a billion tons of CO₂ over business-as-usual patterns), China has also adopted a target for renewables to provide 10 percent of its energy consumption by 2010 and 15 percent by 2020.⁷⁶ Cities like Shanghai, where populations are richer and less willing to accept a tradeoff between economic growth and clean air, have demanded more environmental protection, prompting a movement to cleaner-burning natural gas to provide electricity to the city.

China's position on climate change has also started to change in recent years as its international stature has matured. The country's leadership increasingly sees China as having interests distinct from the G77, the lobbying bloc of developing countries that had acted in concert in climate negotiations. While China is not quite ready to assume global responsibilities and would like to buy time while it continues to grow wealthier, it does have greater aspirations for global influence, which Chinese leaders realize will require more dynamic action on the global stage. The Chinese also increasingly see China as benefiting from global climate

policies. China, more than any other country, has been able to take great advantage of the Clean Development Mechanism (CDM) projects that were made permissible under the Kyoto Protocol.⁷⁷ CDM projects make it possible for Western firms to meet their emissions reduction obligations by undertaking projects in the developing world (in fact, the Chinese have gamed these rules to benefit their firms without necessarily contributing to climate protection).⁷⁸ At the Bali climate negotiations in 2007, China was willing to support a non-binding agreement in which developing countries accepted some form of verifiable action on the climate in exchange for considerable Western assistance to introduce clean technologies.⁷⁹ China's ability to extract resource transfers from Western donors may be limited, however, by concerns about competitiveness, the ample size of China's reserve holdings, and the product safety of Chinese goods. These issues may lend themselves to punitive trade actions by Western governments seeking to protect their own industries and to ensure safety and environmental standards.

STRATEGIC IMPLICATIONS FOR THE UNITED STATES

For a number of reasons, U.S. fears about China's strategic ambitions for energy security may be misplaced. At the same time, U.S. views about the Chinese state's capability to be a responsible partner on energy security and climate change may suffer from unrealistic expectations.

With respect to China's extraterritorial pursuit of oil resources, it is unclear whether China's attempts to lock in supplies will be successful or are even antithetical to U.S. interests. As Eugene Gholz and Daryl Press argue, "China's prepurchase agreements mainly move oil around: they alter trade patterns and dictate which specific barrels of oil arrive at China's ports." Locking in supplies means other players getting *different* oil, not getting *less*. On the offhand chance that China's relationships with politically risky regimes yields additional oil, world oil prices will drop and benefit the United

States as well.⁸⁰ Moreover, as Daniel Rosen and Trevor Houser note, fears that China will lock up supplies of oil and take them off the global market through equity deals seem overblown. Little of the Chinese oil that firms have obtained from their overseas equity stakes have made it back to China. Most of it was sold on the open market.⁸¹

The energy security problem is not the efforts to lock in supply but rising Chinese demand, which drives up world prices. The broader problem, of China's engagement with rogue regimes, has little to do with U.S. energy security and rather reflects China's ability to undermine sanctions regimes against countries the United States does not like.⁸² Even here, it is unclear that these are orchestrated efforts by the Chinese state to undermine Western political objectives.

The Chinese government has the reputation of being a centralized authoritarian regime capable of exercising its will over a huge population and landmass. For some time, however, observers of China have recognized that such a depiction fails to accurately describe contemporary Chinese policy making.⁸³ Such discipline and degree of centralization are increasingly rare, as policy consensus gives way to fragmentation and inadequate oversight. Having established rapid economic growth (8 percent per annum growth or higher) as the overriding objective and source of rewards for all levels of government, China now faces twin problems of agency and capacity when the central government seeks to change the direction of firms and local governments on energy security and climate change objectives. Agency reflects the inability of China's central government, except under extraordinary circumstances like the Olympics, to both monitor and control local actors in their compliance with national level policies. Capacity refers to the limited ability of the Chinese government to implement those policies at any level because of inadequate staffing levels and insufficient trained staff, among other barriers.

As Kenneth Lieberthal and David Sandalow of the Brookings Institution write:

In sum, a dearth of adequately trained manpower, countervailing systemic incentives and practices, and technical deficiencies often render it very difficult for Beijing either to precisely understand what is actually happening on the ground in the energy and environmental arenas or for it to vigorously enforce its own laws and regulations.⁸⁴

As Erica Downs, also of Brookings, notes:

If China falls short of our expectations it may not reflect a conscious decision by Beijing to shirk its global responsibilities but rather the limited capacity of its national energy institutions to bend other actors, notably firms and local governments, to its will.⁸⁵

Examples of this abound. China's Environmental Protection Agency (EPA) found that of 70,000 environmental violations reported at the national level between 2002–2004, only 500 had been dealt with; local governments turned a blind eye to violations because of the overriding demands for economic growth.⁸⁶ Similarly, a number of observers question the degree to which China's outward efforts to shore up agreements with foreign oil producers reflect a coherent government strategy, or whether they are the natural response by state-owned (but relatively autonomous) energy companies to rising demand. Rosen and Houser write that "Companies, rather than government officials, are the real force behind any 'going out' policy."⁸⁷ Zha Daojiong and Hu Weixing, in the March 2007 issue of *The Washington Quarterly*, argue that the absence of a central coordination mechanism over Chinese energy policy means that National Oil Companies (NOCs) are not clearly carrying out state bidding. Rather, they are responding to China's energy demand and the particular needs of the Chinese refinery sector for specific kinds of crude:

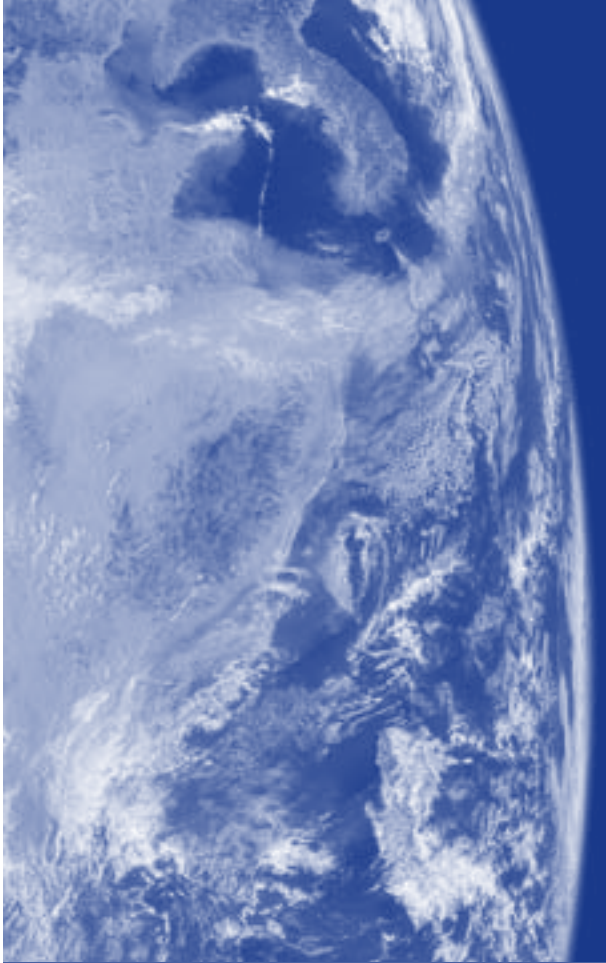
If there is a technological match between available refining facilities in China and supply from

a foreign country that the United States finds questionable, China has no choice but to live with international complaints or protests. What appears to be a matter of willful disregard of U.S. concerns may instead be a necessary evil given China's need to feed its tremendous growth.⁸⁸

Even where these firms engage with regimes that the West finds objectionable, they often do so not because of, but in spite of, the national government's wishes. CNPC acquired more assets in Sudan in 2007, despite Sudan being excluded by the government's NDRC from a list of countries

"By identifying areas of technical cooperation where the United States and China share similar objectives, it may be possible to de-politicize climate change and energy security."

where Chinese companies should invest.⁸⁹ Downs notes that CNOOC, through its ill-fated effort to acquire Unocal, learned that its internationally listed subsidiary was less able to make risky investments than CNPC or Sinopec. CNPC and Sinopec's parent companies, unlike CNOOC, have been able to make overseas investments without the political constraints of listed subsidiaries. CNOOC unsuccessfully sought to amend the non-compete agreement with its parent company to allow the parent company to make bids for overseas investments.⁹⁰ That would have given another state-owned company even greater autonomy from



NASA satellite image of particle pollution over China.

the constraints imposed by international investors and the Chinese state and allow China's three most important state-owned energy companies to make investment decisions that damage China's international reputation and undermine Western political objectives.

If the United States were able to credibly commit to a less nationalist response in the event of a Chinese firm's bid for another U.S. oil company, China might be in a position to direct more of the overseas energy investment decisions by state-owned oil companies through internationally listed subsidiaries. Domestic legal changes in China might be required to facilitate such a policy. While such

a move would further enhance the autonomy of state-owned firms from the Chinese state, they would be subject to reputational disciplinary pressure from shareholders.

However, the March 2008 reforms are unlikely to give the central government the upper hand in its dealings with China's state-owned firms. While the NEA has vice-ministerial rank, a step up from the Energy Bureau, the heads of some of the oil companies—including CNPC and Sinopec—hold ministerial rank. Moreover, the NEA is further constrained by its small size. It is staffed by slightly more than 100 people; by contrast, the U.S. Department of Energy employs 4,000.⁹¹

One of the dangers for U.S.-China relations on both energy security and climate change is that mutual suspicions will become self-reinforcing. As Gholz and Press write: "The main danger stemming from China's energy policy is that current U.S. fears may create a self-fulfilling prophecy of Sino-U.S. conflict."⁹² Similarly, Lieberthal and Herberg warn: "If Beijing believes that the United States is attempting to use energy politics as an instrument to weaken and contain China, then Beijing will be more likely to use its growing energy influence to frustrate U.S. foreign and security policies."⁹³ As long as the two countries act on the basis of hostile mirror images, progress will be fleeting. Lieberthal and Sandalow note the Chinese see U.S. concerns of climate change "as a subterfuge intended to stifle China's economic development."⁹⁴

Confidence building measures in both arenas could facilitate improved relations at the strategic level.⁹⁵ Lieberthal and Sandalow, among other observers, recommend a variety of technocratic cooperative initiatives—joint ventures on carbon capture, electric cars, standard setting, energy efficiency in buildings, and sectoral agreements to reduce emissions in particular sectors like cement and steel. By identifying areas of technical

cooperation where the United States and China share similar objectives, it may be possible to de-politicize climate change and energy security. Lieberthal and Sandalow suggest, given Chinese suspicions about U.S. motives on climate change (as well as the deeper salience of improvements in air and water quality in China), that “clean energy” is likely to be a more effective rhetorical platform for engagement than climate change.⁹⁶

Beyond technical cooperation on clean energy, adaptation and disaster preparedness provide great opportunities for Sino-American cooperation. Here, positive portents emerged from the tragedy of the 2008 earthquake, which killed nearly 70,000. The earthquake was a real test of the Chinese government’s legitimacy; it succeeded in mobilizing an effective response to the disaster as well as accepting international assistance in the aftermath. This unprecedented willingness to receive international assistance has set the stage for some joint military exercises between China and the United States for disaster preparedness.⁹⁷ Such activities could prove useful with respect to future climate-related disasters; military-to-military cooperation in this arena could also be helpful in establishing improved lines of communication and trust. In time (and perhaps quite a long ways away), that trust could facilitate more joint efforts by the United States and China to police the sea lanes upon which both rely for their energy security. Currently, the United States provides this public good while China’s ability to free ride gives it the freedom to invest more capacity in a blue-water navy.⁹⁸

These efforts will not be easy. Chinese expectations for large transfers of funds from the United States to facilitate its clean energy transition are unlikely to materialize in the midst of an economic recession. Even before the recession, such transfers to China were politically unlikely, given China’s accumulation of vast amounts of foreign exchange.⁹⁹ Moreover, American politicians are likely to increasingly seek to scapegoat China for

perceived competitiveness losses from Chinese government intervention in support of heavy industry and an undervalued currency. Given the salience of these competitiveness concerns, it may be virtually impossible for the United States to pass a cap-and-trade bill to restrain U.S. greenhouse gas emissions without some measure that would authorize the President to impose trade sanctions on countries that lack adequate policies to restrain their own greenhouse gas emissions. While these trade measures may ultimately fall foul of World Trade Organization (WTO) rules, some may still survive the legislative process.¹⁰⁰

The Chinese government’s willingness to enter into some form of verifiable commitments will most likely be limited at the outset to emissions-intensity targets that would slow the rate of increase of greenhouse gas emissions, but not immediately lower emissions. China’s desire to agree to such commitments will likely be tempered by the threat of potential trade sanctions. Chinese leaders fear that acceptance of intensity targets (or sectoral agreements on emissions) could allow punitive trade sanctions to come in the back door, should China’s efforts fall short of their commitments (or somehow be determined to have fallen short by U.S. actors). Cap-and-trade bills with trade measures have the potential to inflame anti-U.S. tensions in China and could prove to be a costly reputational nightmare for the United States if ultimately ruled illegal by the WTO.¹⁰¹ Trevor Houser and his co-authors conclude that border tax adjustments would be an unwieldy, potentially ineffective and counterproductive instrument. Instead, they favor targeted multilateral agreements that seek to lift standards in the few carbon-intensive sectors most likely to be disadvantaged by unilateral climate protection policies such as steel, cement, paper, aluminum, and basic chemicals. Given that China has reasons to reduce emissions and improve efficiency in those sectors anyway, such agreements may be easier to achieve than many people think.¹⁰²

David Victor similarly makes the case for so-called Climate Accession Deals as a way for the United States to engage developing countries. He is skeptical that the CDM can leverage significant emissions reductions over the long term, believing it to be administratively onerous and plagued by the perverse incentives that have motivated Chinese firms to game the current system by installing outdated technology only to be paid to remove it. Modeled on the very detailed trade agreements under the General Agreement on Tariffs and Trade and WTO, he suggests that the United States ought to enter into agreements with developing countries to improve efficiency in key sectors in exchange for financing from the United States to pay the extra costs of installing more efficient coal-burning power plants, testing of improved “smart-grid” technology, and potentially providing more support for expansion of nuclear power.¹⁰³

As suggested already, leveraging large budgetary transfers to a potential geopolitical rival, let alone an economic competitor, are unlikely, particularly in the context of a global economic downturn. That said, there may be a number of creative measures to channel existing flows of resources in ways that contribute to enhanced efficiency gains and emissions reductions, as well as potential market opportunities that benefit both the United States and China. Scholars at the Center for American Progress advocate a variety of export credit guarantees and other measures to facilitate green technology exports from the United States to China.¹⁰⁴ Resources for the World Bank ought to be able to pay for the additional costs that would be required to enhance the implementation of clean energy technologies.¹⁰⁵ The United States and China have a joint interest in assessing the feasibility of carbon capture and storage. Therefore, pursuing large-scale demonstration projects could be politically viable for the United States.

At the same time, even if China accepts climate commitments, the state's ability to implement them will be sorely tested, given the country's policy fragmentation. In a sense, China is becoming more like the United States. Even if the United States possesses more regulatory capacity than China, it too is subject to policy incoherence on energy policy.¹⁰⁶ Given the pluralism in both countries with respect to energy and climate policy and the sheer number of players required to change their behavior, both governments should change the incentives for private actors so that agreements, once reached, are self-enforcing.

At a general level, if China does agree to binding commitments of some sort, these may empower local actors seeking improved environmental performance and governance.¹⁰⁷ Many of these efforts are supported by international nongovernmental organizations (NGOs); though the actions of these organizations can sometimes be viewed as foreign meddling, the U.S. government may be in a position to channel resources for technical assistance through universities and NGOs in a way that is politically palatable to both U.S. audiences and the Chinese. That said, private actors will largely be responsible for implementing government commitments in both countries. U.S. private actors should exercise their leverage in China via their purchasing agreements with suppliers and in the companies in which they hold equity stakes. Greening the supply chain, like Wal-Mart has begun, ought to be encouraged and rewarded.

Complicating the story further is the fact that China is not a member of the IEA. The IEA provides an important arena for energy policy coordination and consultation; its emergency oil-sharing program is especially useful. However, IEA membership is tied to Organization for Economic Cooperation and Development (OECD) membership, which is, in turn, restricted to advanced industrialized countries that have a minimum standard of protection for human

rights. Since China benefits from reduced prices in a crisis, the United States has an interest in strengthening China's coordination with the IEA, including provisions to share its emerging strategic reserves regionally. Closer Chinese ties to the IEA could be achieved either by altering the rules for membership or, if this proves too controversial, by deepening the existing relationship between the IEA and China and offering it an associative status.¹⁰⁸ Like its earlier entry into the WTO, such a strategy would provide China with more of a stake in extant international institutions and reinforce the status quo elements within China's political, military, and economic elite. In order to enhance China's sense that its participation and commitments are needed for global problem solving, Lieberthal and Herberg recommend greater Chinese involvement in a variety of multilateral venues—including enhanced engagement with the IEA, inclusion in the G8, and creation of a Northeast Asia Security Community.¹⁰⁹

As Aaron Friedberg suggests, energy security has now been elevated as a matter of strategy in China. He sees economic crisis in China providing a severe test of the regime: “a prolonged period of economic turmoil would seriously disrupt the leadership's hopes of rapidly increasing ‘comprehensive national power.’”¹¹⁰ A prolonged economic crisis in China will undermine the regime's legitimacy and surface all sorts of grievances, including environmental concerns. Given China's perennial (and increasing) vulnerability to extreme weather events from floods, storms, and droughts, Beijing will likely be tested again by nature at a time when its economy is already delivering less than expected. In this context, it may be helpful for U.S. strategic planners to flesh out scenarios of the consequences of heightened regime weakness in China in the face of a domestic economic crisis and a natural disaster.¹¹¹

Conclusion

China and the United States, despite their differences, possess some interests that unite them. As large energy-consuming and energy-importing nations, both have an interest in reliable and affordable energy supplies. As large emitters of greenhouse gases, both necessarily must be involved if the problem of climate change is going to be successfully addressed. Both China and the United States have long coastlines vulnerable to extreme weather events and storm surges, as well as emergent water scarcity issues. Finally, both countries are together responsible for more than 40 percent of the world's greenhouse gas emissions. As such, both are vulnerable to the negative reputational damage associated with being the biggest contributors to climate change. If the effects of climate change prove to be as severe or worse than scientists fear, both countries will increasingly become the targets of recriminations from those most affected, particularly low-lying island nations but also countries in the developing world. Both therefore have an incentive to avoid being tagged as climate villains.¹¹² Given the relatively low salience of climate concerns in China, however, the United States is most likely to have success where measures are framed in terms of supporting the extension of clean energy to China. Even if larger concerns about China's long-run motivations remain, efficiency gains in the Chinese economy can serve to dampen its energy demand when economic growth returns and reduce the rate of increase in greenhouse gas emissions, addressing two core concerns of the United States at the same time.

ENDNOTES

- ¹ The author would like to thank Sharon Burke, Erica Downs, Michael Glosny, Andrew Kennedy, Alex Liebman, Evan Medeiros, Kenneth Lieberthal, Nirav Patel, and Nigel Purvis for helpful advice and comments on this project.
- ² Edmund L. Andrews, "China's Oil Setback: The Politics," *The New York Times* (3 August 2005).
- ³ William Mellor and Le-Min Lim, "China's Oil Deals With Iran, Myanmar Put It at Odds With U.S.," *Bloomberg* (26 September 2006).
- ⁴ Bloomberg News, "China overtakes U.S. in greenhouse gas emissions," *International Herald Tribune* (20 June 2007). The International Energy Agency (IEA) projects that Chinese emissions of CO₂ will account for 27 percent of the world's total by 2020, up from 21 percent in 2007. While U.S. emissions would still be the second largest, the U.S. share is projected to fall from 20 percent of the world's total in 2007 to 16 percent in 2020. International Energy Agency, *World Energy Outlook 2008* (Paris: International Energy Agency, 2008): 417.
- ⁵ Energy-related CO₂ emissions are expected to rise from 5.65 gigatonnes in 2006 to 11.71 gigatonnes. International Energy Agency: 385.
- ⁶ Edward Wong, "College-Educated Chinese Feel the Pinch," *The New York Times* (24 January 2009).
- ⁷ Andrew Revkin, "China's Power Surge Ends (for Now)," *The New York Times* (6 January 2009).
- ⁸ China went from needing nearly 400 tons of coal equivalent per million real Renminbi in the late 1970s to slightly more than 100 tons in the early 2000s. See Daniel Rosen and Trevor Houser, *China Energy: A Guide for the Perplexed* (Washington, D.C.: Peterson Institute for International Economics, May 2007): 7, at <http://www.petersoninstitute.org/publications/papers/rosen0507.pdf>. Between 1978 and 2000 the Chinese economy averaged 9 percent growth while energy demand only grew at 4 percent. After 2001, economic growth continued at similarly high levels while energy demand growth surged to 13 percent per year. Rosen and Houser: 4.
- ⁹ By 2000, Chinese economic activity required two-thirds less energy per unit of output than in 1978. *Ibid.*: 7-8.
- ¹⁰ Energy Information Agency, *International Total Primary Energy Consumption and Energy Intensity*, at <http://www.eia.doe.gov/emeu/international/energyconsumption.html>.
- ¹¹ Rosen and Houser: 10.
- ¹² John Deutch and Ernest J. Moniz, eds., "The Future of Coal — Options for a Carbon Constrained World," (Cambridge: Massachusetts Institute of Technology, 2007): 63, at <http://web.mit.edu/coal/>.
- ¹³ Rosen and Houser: 17. In the United States, coal accounts for 1/3 of the energy supply and supplies 1/2 of the country's electricity needs. Kelly Sims Gallagher, *Testimony before the U.S.-China Economic and Security Review Commission* (15 June 2007), at http://www.uscc.gov/hearings/2007hearings/written_testimonies/07_06_14_15wrts/07_06_14_gallagher_statement.php.
- ¹⁴ China has about 13 percent of the world's coal reserves compared to 27 percent for the United States. However, in 2006, China used an estimated 2.8 billion metric tons of coal compared to U.S. consumption of 1.3 billion metric tons. *Ibid.* In 2004, China was responsible for 33.8 percent of the world's total coal consumption compared to 18.2 percent in the United States. Deutch and Moniz: 64.
- ¹⁵ Mark Clayton, "Global boom in coal power — and emissions," *Christian Science Monitor* (22 March 2007).
- ¹⁶ Deutch and Moniz: 63. China planned to add that much capacity again in 2006 and 2007.
- ¹⁷ Eighty percent of China's coal plants employ pulverized subcritical coal-fired power technology, which burns coal at a lower temperature than supercritical technology. Rosen and Houser: 26. Whereas supercritical (and ultra supercritical) plants enhance thermal efficiency by burning coal at higher temperatures and pressure, Integrated Gasification Combined Cycle (IGCC) technology achieves higher efficiency by desulphurizing, purifying, and then gasifying the coal. The average efficiency of China's coal-burning power plants was 32 percent in 2005 but is expected to rise to 40 percent as more supercritical technology and IGCC technology are employed. In 2006, about 20 percent of China's new coal power plants were supercritical plants. Pew Center on Global Climate Change and Asia Society, *Common Challenge, Collaborative Response: A Roadmap for U.S.-China Cooperation on Energy and Climate Change* (Washington, D.C.: Pew Center on Global Climate Change, January 2009): 29, at <http://www.pewclimate.org/US-China>. In 2007, China was building 32 new ultra supercritical plants and was developing its own IGCC technology and had plans to build three IGCC plants in its latest five-year plan. Gallagher, *Testimony before the U.S.-China Economic and Security Review Commission*.
- ¹⁸ David Victor and Varun Rai, "Dirty Coal is Winning," *Newsweek* (12 January 2009).
- ¹⁹ Alexis Madrigal, "Nuclear Power to Explode in India, but China Prefers Coal," *Wired* (25 October 2007); Deutch and Ernest J. Moniz: 70. If those nuclear plants are all built, more nuclear plants will be built in China over the next two decades than the rest of the world combined. Richard Lester and Edward Steinfeld, "China's Real Energy Crisis," *Harvard Pacific Review* 9, No. 1 (2007): 37.
- ²⁰ In 2006, hydro, nuclear, and wind together provided 7.9 percent of China's energy production. National Bureau of Statistics of China, *China Statistical Yearbook* (2007), at <http://www.stats.gov.cn/tjsj/ndsj/2007/indexeh.htm>. Though China has the fifth largest wind power sector in the world, wind power accounted for only 1 percent of China's installed power generation in 2006. Rosen and Houser: 27.
- ²¹ *Ibid.*: 19.
- ²² Daojiong Zha, "China's energy security: Domestic and international issues," *Survival* 48, No. 1 (2006): 179-190. The United States was the second largest destination of Chinese oil exports in the 1980s behind Japan. Daojiong Zha and Weixing Hu, "Promoting Energy Partnership in Beijing and Washington," *Survival* 30, No. 4 (2006): 105-115.
- ²³ Erica Downs, *China* (Washington, D.C.: Brookings Institution, December 2006), at <http://www.brookings.edu/~media/Files/rc/reports/2006/12china/12china.pdf>. By 2025, China will have to import 40 percent of its natural gas needs, mostly from Russia, Southeast Asia, Africa, and the Persian Gulf. Kenneth Lieberthal and

- Mikkal Herberg, "China's Search for Energy security: Implications for U.S. Policy," *NBR Analysis* 17, No. 1 (2006): 12.
- ²⁴ Figures include crude oil, gasoline, kerosene, diesel oil, and fuel oil. National Bureau of Statistics of China.
- ²⁵ Rosen and Houser: 19.
- ²⁶ J. R. McNeill, *Something New Under the Sun* (New York: W.W. Norton & Company, 2000): 60.
- ²⁷ Amory Lovins, *Winning the Oil Endgame: Innovation for Profits, Jobs and Security* (Snowmass, CO: Rocky Mountain Institute, 2004): 2-3.
- ²⁸ Rosen and Houser: 15.
- ²⁹ International Energy Agency: 82. Projections for Figure 3 were generated prior to the 2008 global recession and appear in Rosen and Houser: 8. MTOE stands for million tonne oil equivalent, or the energy released by burning one million tonnes of crude oil.
- ³⁰ In December 2008, electricity use across China was down 8 percent from the previous year. The decline in energy use is actually greater. At times of high economic growth, energy demand has exceeded the capacity of China's domestic grid, leading many companies to use diesel generators to supplement their energy needs. In the economic downturn, those generators are not running and grid electricity use is still below capacity. Keith Bradsher, "China's Unemployment Swells as Exports Falter," *The New York Times* (5 February 2009).
- ³¹ Oil imports increased from 37 million tons in 1999 to 72 million tons in 2000. Zha and Hu: 106.
- ³² Lieberthal and Herberg: 16.
- ³³ Aaron Friedberg, "'Going Out': China's Pursuit of Natural Resources and Implications for the PRC's Grand Strategy," *NBR Analysis* 17, No. 3 (2006): 5-34.
- ³⁴ U.S.-China Economic and Security Review Commission, *Report of the U.S.-China Economic and Security Review Commission* (2007):175, at http://www.uscc.gov/annual_report/2007/07_annual_report.php.
- ³⁵ *Ibid.*; Erica Downs, "China's NOCs: lessons learned from adventures abroad," in *Fundamentals of the Oil and Gas Industry* (2008): 27-31.
- ³⁶ Downs, *China*: 31.
- ³⁷ Lyle Goldstein and Vitaly Kozyrev, "China, Japan and the Scramble for Siberia," *Survival* 48, No. 1 (2005): 163-178.
- ³⁸ The plan was to complete the route to Skovorodino by the end of 2009 and start the route to Kazmino in December 2009. Cost overruns and the global financial crisis potentially endanger the project. The Chinese thought they finally sealed the deal on the project when they signed a memorandum of understanding with the Russians to provide up to \$25 billion in loans to Russian oil firms in exchange for future crude supplies. Sergei Blagov, "Russia's Eastern Siberian Oil Pipeline Becomes More Expensive," *Eurasia Daily Monitor* (26 January 2009). For an extended discussion, see Downs, *China*: 34-35.
- ³⁹ Mikkal E. Herberg, *The Emergence of China Throughout Asia: Security and Economic Consequences for the U.S.*, Testimony before the United States Senate Committee on Foreign Relations (7 June 2005), at <http://foreign.senate.gov/testimony/2005/HerbergTestimony050607.pdf>.
- ⁴⁰ U.S.-China Economic and Security Review Commission: 182.
- ⁴¹ Lieberthal and Herberg: 24.
- ⁴² For a discussion of the emerging political conflict in and around Gwadar, see Robert Kaplan, "Pakistan's Fatal Shore," *Atlantic Monthly* (May 2009).
- ⁴³ The term "string of pearls" had its origins in a Booz-Allen study commissioned by the Pentagon's Office of Net Assessment, reports of which first appeared in a 2005 *Washington Times* article. See Bill Gertz, "China Builds Up Strategic Sea Lanes," *Washington Times* (18 January 2005).
- ⁴⁴ James Holmes, *Testimony before the U.S.-China Economic and Security Review Commission* (14 June 2007), at http://www.uscc.gov/hearings/2007hearings/written_testimonies/07_06_14_15wrts/07_06_14_holmes_statement.pdf. See also U.S.-China Economic and Security Review Commission: Chapter 3.
- ⁴⁵ Declan Walsh, "U.S. uneasy as Beijing develops a strategic string of pearls," *The Guardian* (10 November 2005).
- ⁴⁶ During the period of the 10th Five-Year Plan (2001-2005), China decided to establish strategic petroleum reserves at four sites in the country with the first phase set to be completed in 2008, enough for 25 days of oil. There were some concerns the Chinese might use the reserves to manipulate market prices to favor China's state-owned companies, but this appears to be a speculative concern. U.S.-China Economic and Security Review Commission: 183.
- ⁴⁷ *Ibid.*: 181.
- ⁴⁸ Joanna Lewis, "China's Strategic Priorities in International Climate Change Negotiations," *The Washington Quarterly* 31, No. 1 (2007): 160.
- ⁴⁹ In July 2005 the Chinese government implemented the first stage of fuel economy standards. More stringent standards were to go into effect in 2008. Downs: *China*: 30. The average fuel efficiency of new vehicles in China is expected to reach 36.7 miles per gallon in 2008. Pew Center, *Common Challenge, Collaborative Response*: 33.
- ⁵⁰ Rob Bradley of the World Resources Institute noted that China's energy intensity improved by 1.6 percent in 2006, 3.7 percent in 2007, and 4.3 percent in 2008. Rob Bradley, *Testimony to the House Select Committee on Energy Independence and Global Warming* (4 February 2009), at <http://www.wri.org/publication/rob-bradley-testimony-select-climate>.
- ⁵¹ According to the World Bank, Chinese buildings, on average, require twice as much energy for heating and lighting as buildings in comparable climates in the United States and Europe. Moreover, 95 percent of new buildings in China do not meet the country's own energy efficiency standards. Joseph Kahn and Jim Yardley, "As China Roars, Pollution Reaches Deadly Extremes," *The New York Times* (26 August 2007).
- ⁵² Kenneth Lieberthal and David Sandalow, *Overcoming Obstacles to U.S.-China Cooperation on Climate Change* (Washington, D.C.: The Brookings Institution,

- January 2009): 31, at http://www.brookings.edu/~media/Files/rc/reports/2009/01_climate_change_lieberthal_sandalow/01_climate_change_lieberthal_sandalow.pdf.
- ⁵³ Jurisdiction for energy policy was spread across 12 different agencies. Successive reforms have failed to consolidate decision making. Erica Downs, "China's 'New' Energy Administration," *China Business Review* (November/December 2008): 42-45.
- ⁵⁴ John Podesta and Peter Ogden, "The Security Implications of Climate Change," *The Washington Quarterly* 31, No. 1 (2007): 125.
- ⁵⁵ Agence Press-France, "Environmental pollution costs China 64 billion dollars in 2004," *Terra Wire* (7 September 2006).
- ⁵⁶ "China issues first 'green GDP' report," *China Dialogue* (7 September 2006), at <http://www.chinadialogue.net/blog/show/single/en/355-China-issues-first-green-GDP-report>.
- ⁵⁷ Elizabeth Economy, "Opinion: Green GDP," PBS (2006), at <http://www.pbs.org/kqed/chinainside/nature/greengdp.html>.
- ⁵⁸ Kahn and Yardley. For a more extended discussion of China's environmental footprint, see Elizabeth Economy, *The River Runs Black: The Environmental Challenge to China's Future* (Ithaca: Cornell University Press, 2004).
- ⁵⁹ Elizabeth Economy, "The Great Leap Backward," *Foreign Affairs* 86, No. 5 (2007): 38-59; Kahn and Yardley.
- ⁶⁰ Lieberthal and Sandalow: 11. See also Podesta and Ogden: 125-129.
- ⁶¹ Lester R. Brown, *Melting Mountain Glaciers Will Shrink Grain Harvests in China and India* (Washington, D.C.: Earth Policy Institute, 20 March 2008), at <http://www.earth-policy.org/Updates/2008/Update71.htm>.
- ⁶² R. V. Cruz et al., "Asia," in M. L. Parry et al., eds., *Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge: Cambridge University Press, 2007); J. H. Christensen et al., "Regional Climate Projections," in S. Solomon et al., eds., *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge: Cambridge University Press, 2007).
- ⁶³ International Federation of the Red Cross, *China: Floods* (16 July 2007), at <http://www.ifrc.org/docs/appeals/07/mdrcn002dref.pdf>.
- ⁶⁴ UK Department for International Development, *Natural Disaster and Disaster Risk Reduction Measures* (8 December 2005), at <http://www.dfid.gov.uk/pubs/files/disaster-risk-reduction-study.pdf>.
- ⁶⁵ In 2007, SEPA had only 300 staff, compared to the U.S. Environmental Protection Agency, which has almost 9,000 in Washington, D.C. alone. Economy, "The Great Leap Backward."
- ⁶⁶ *Ibid.*; Carin Zissis and Jayshree Bajoria, *China's Environmental Crisis* (Washington, D.C.: Council on Foreign Relations, 4 August 2008), at <http://www.cfr.org/publication/12608/>.
- ⁶⁷ Lester and Steinfeld.
- ⁶⁸ Li Fangchao, "Environment issues addressed more urgently," *China Daily* (4 May 2006).
- ⁶⁹ Joseph Kahn, "In China, a Lake's Champion Imperils Himself," *The New York Times* (14 October 2007); Nick Young, "Answers from Nick Young," *The New York Times* (15 October 2007). For a more optimistic portrait of environmental NGO activity in China, see Elizabeth Economy, *Environmental NGOs in China: Encouraging Action and Addressing Public Grievances*, Testimony before the Congressional Executive Commission on China Roundtable (7 February 2005).
- ⁷⁰ The United States is the largest historic emitter of greenhouse gases, responsible for about 29 percent of energy-related CO₂ emissions since 1850, compared to only 8 percent for China. Pew Center, *Common Challenge, Collaborative Response*: 18.
- ⁷¹ China's per capita emissions were 78 percent lower than the United States in 2009, with U.S. emissions exceeding 22 tons of CO₂ per year per person compared to about 5 tons in China. *Ibid.*
- ⁷² For a review of Chinese arguments, see Lieberthal and Sandalow: 36-37.
- ⁷³ Toni Johnson, *Clearing the Air in China* (Washington, D.C.: Council on Foreign Relations, 5 August 2008), at http://www.cfr.org/publication/16896/clearing_the_air_in_china.html. Steiner reports that China shut down 200 factories in Beijing, moved production out of the city, increased its reliance on natural gas, reforested much of the city, dramatically improved wastewater treatment, and extended rail service throughout the city. Achim Steiner, "Green efforts before Games deserve praise," *Japan Times* (8 August 2008).
- ⁷⁴ Lewis, "China's Strategic Priorities:" 159.
- ⁷⁵ Lieberthal and Sandalow: 29.
- ⁷⁶ *Ibid.*: 28.
- ⁷⁷ Fifty-two percent of the CDM credits have taken place in China. Lewis, "China's Strategic Priorities:" 165.
- ⁷⁸ Keith Bradsher, "Clean Power That Reaps a Whirlwind," *The New York Times* (9 May 2007); David Bradsher, "Outsize Profits, and Questions, in Effort to Cut Warming Gases," *The New York Times* (21 December 2006); Michael Wara, "Measuring the Clean Development Mechanisms' Performance and Potential," *UCLA Law Review* 55, No. 6 (2008): 1759-1803.
- ⁷⁹ This new flexibility was qualified, provisional upon them receiving ample financial incentives to adopt clean energy technology. Among the enhanced mitigation strategies that will be part of the post-Kyoto agreement, the Bali roadmap text includes: "Nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner." United Nations Framework Convention on Climate Change, *Bali Action Plan* (2007), at http://unfccc.int/files/meetings/cop_13/application/pdf/cp_bali_action.pdf.

- ⁸⁰ Eugene Gholz and Daryl G. Press, *Energy Alarmism: The Myths That Make Americans Worry about Oil* (Washington, D.C.: Cato Institute, 5 April 2007): 8-10, at <http://www.cato.org/pubs/pas/pa589.pdf>; Lieberthal and Herberg: 20.
- ⁸¹ Rosen and Houser: 33.
- ⁸² Gholz and Press: 8-10; Lieberthal and Herberg: 20.
- ⁸³ Lieberthal and Oksenberg described China's "fragmented authoritarianism" as early as 1988. Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes* (Princeton: Princeton University Press, 1988). For an updated assessment that suggests even greater pluralism, see Andrew C. Mertha, "'Fragmented Authoritarianism 2.0': Political Pluralization in the Chinese Policy Process," *The China Quarterly* (forthcoming).
- ⁸⁴ Lieberthal and Sandalow: 35.
- ⁸⁵ Erica Downs, *Testimony before the U.S.-China Economic & Security Review Commission* (13 August 2008), at http://www.uscc.gov/hearings/2008hearings/written_testimonies/08_08_13_wrts/08_08_13_downs_statement.php. See also Lester and Steinfeld; Lieberthal and Herberg.
- ⁸⁶ Elizabeth Economy and Kenneth Lieberthal, "Scorched Earth: Will Environmental Risks in China Overwhelm its Opportunities?" *Harvard Business Review* 85, No. 6 (2007): 88-96.
- ⁸⁷ Rosen and Houser: 22.
- ⁸⁸ Zha and Hu: 110. See also Daojiong Zha, "China's energy security: Domestic and international issues," Daojiong Zha, "China's Energy Security and its International Relations," *The China and Eurasia Forum Quarterly* 3, No. 3 (2005): 39-54.
- ⁸⁹ Downs, "China's 'New' Energy Administration."
- ⁹⁰ Downs, "China's NOCs," Lieberthal and Herberg: 18.
- ⁹¹ Downs, "China's 'New' Energy Administration."
- ⁹² Gholz and Press: 2.
- ⁹³ Lieberthal and Herberg: 10.
- ⁹⁴ Lieberthal and Sandalow: 61.
- ⁹⁵ Lieberthal and Herberg make a similar point in Lieberthal and Herberg: 9.
- ⁹⁶ Lieberthal and Sandalow. For similar recommendations, see Pew Center, *Common Challenge, Collaborative Response*; Kelly Sims Gallagher, "China Needs Help with Climate Change," *Current History* 106, No. 703 (2007): 389-394. Sectoral agreements could take the form of performance standards or targets for the emissions per unit of output in individual sectors like cement and steel. See also Pew Center on Global Climate Change, *Response of the Pew Center on Global Climate Change to Climate Change Legislation Design White Paper: Competitiveness Concerns/Engaging Developing Countries* (Washington, D.C.: Pew Center on Global Climate Change, 5 March 2008), at <http://www.pewclimate.org/competitiveness-response-030508>.
- ⁹⁷ Al Pessin, "US, China Agree to Joint Military Exercises," *VOA News* (16 July 2008).
- ⁹⁸ U.S.-China Economic and Security Review Commission. As of 2009, China is a long way off from having such capacity, with an aircraft carrier still in the discussion stage.
- ⁹⁹ Lieberthal and Sandalow make a similar point in Lieberthal and Sandalow: 69.
- ¹⁰⁰ A number of cap-and-trade bills in the 2008 Congress would have allowed the U.S. president to impose trade sanctions on a country within a certain period of time if it was determined that the country lacked "comparable" climate policies. For a discussion of these proposals, see *Ibid.*: 25-26. The draft 2009 cap-and-trade bill circulating in the U.S. House of Representatives favors rebates and compensation mechanisms for industries affected by the emissions standards, includes possibilities for presidential review to slow down implementation, and provides for sanctions on foreign countries only as a last resort. Elliott Diringer, *Congressional Testimony of Elliot Diringer: International Aspects of the American Clean Energy and Security Act*, House Energy and Commerce Committee Energy, Environment Subcommittee (23 April 2009), at <http://www.pewclimate.org/testimony/diringer/4.23.09>.
- ¹⁰¹ Gary Hufbauer, *Climate Change: Competitiveness Concerns and Prospects for Engaging Developing Countries* (Washington, D.C.: Peterson Institute for International Economics, 5 March 2008), at <http://www.petersoninstitute.org/publications/papers/hufbauer0308.pdf>.
- ¹⁰² Trevor Houser et al., *Leveling the Carbon Playing Field* (Washington, D.C.: Peterson Institute for International Economics and the World Resources Institute, 2008). China has already instituted changes in tax policy that are equivalent to a \$50 per ton carbon tariff applied to Chinese steel exports.
- ¹⁰³ David Victor, *Global Warming Policy After Kyoto: Rethinking Engagement with Developing Countries* (Stanford: Program on Energy and Sustainable Development, January 2009), at <http://pesd.stanford.edu/publications/cad/>. Nigel Purvis makes the analogous case for granting the U.S. president "climate protection authority" which would allow him/her to enter into a climate agreement that would be subject to a final up or down vote by both chambers of the U.S. Congress rather than a 2/3 vote of the Senate for advice and consent. Nigel Purvis, "Climate Trading: The Case for the 'Climate Protection Authority,'" *Harvard International Review* (Summer 2008).
- ¹⁰⁴ Denis McDonough and Peter Ogden, *Cleaning up China: Opportunities Beckon for U.S. Businesses* (Washington, D.C.: Center for American Progress, 30 January 2007), at http://www.americanprogress.org/issues/2007/01/green_china.html. John Podesta, John Deutch, and Peter Ogden, *China's Energy Challenge* (Washington, D.C.: Center for American Progress, 1 June 2007), at http://www.americanprogress.org/issues/2007/01/aspn_paper.html. Victor makes a similar argument in Victor: 17-20. To do this, some restrictions dating back to the days of Tiananmen Square may have to be lifted to allow the Overseas Private Investment Corporation (OPIC) to support investments in China.
- ¹⁰⁵ In 2008, President Bush pledged \$2 billion over three years to the World Bank-administered Clean Technology Fund. However, in 2009, Congress failed to fund the year one contribution of \$400 million, as disputes about the Fund's potential support for cleaner-burning coal power led to opposition from environmental groups and their Congressional allies. Ama Marston, "Congress votes against funding World Bank climate fund," *Bretton Woods Update*, 65 (March/April 2009), at <http://www.brettonwoodsproject.org/art-564193>.

¹⁰⁶ See Joshua Busby, *Overcoming Political Barriers to Reform in Energy Policy* (Washington, D.C.: Center for a New American Security, 2008), at <http://www.cnas.org/node/119>; and Lieberthal and Herberg: 26.

¹⁰⁷ Lester and Steinfeld: 38.

¹⁰⁸ Lieberthal and Herberg: 34–35. See also Joshua Busby, *Climate Change and National Security: An Agenda for Action* (Washington, D.C.: Council on Foreign Relations, 2007): 28, at <http://www.cfr.org/publication/14862>.

¹⁰⁹ Lieberthal and Herberg: 31.

¹¹⁰ Friedberg: 24.

¹¹¹ The classified National Intelligence Assessment (NIA), for which this author was an outside reviewer, could be an important document upon which subsequent analysis could be based. For a summary of the findings of the NIA, see Thomas Fingar, *Testimony to the House Permanent Select Committee on Intelligence House Select Committee on Energy Independence and Global Warming* (25 June 2008), at http://www.dni.gov/testimonies/20080625_testimony.pdf. For further speculation on China and relations with its neighbors (over water rights and the Mekong and Amur Rivers), see Paul Herman and Gregory F. Treverton, "The Political Consequences of Climate Change," *Survival* 51, No. 2 (2009): 137–148.

¹¹² Busby, *Climate Change and National Security*: 18.



CHAPTER II: CHINA'S TWO-OCEAN STRATEGY

By Robert D. Kaplan

S E P T E M B E R 2 0 0 9

China's Arrival:

A Strategic Framework for a Global Relationship



CHINA'S TWO-OCEAN STRATEGY

By Robert D. Kaplan

In retrospect, it might be that we will view the December 2004–January 2005 relief effort mounted by the United States military off the coast of Sumatra, on behalf of the victims of the Indian Ocean tsunami, as one of the climaxes of American naval power in Asia. The sight of carrier and expeditionary strike groups, with their attendant cruisers, destroyers, and frigates—helicopters lifting off decks in ship-to-shore circuits, assisted further by rescue swimmers and medical corpsmen—created a rousing aura of dominance and virtue, two attributes that rarely mix. For while the aim of Operation Unified Assistance was humanitarian, the skills employed—getting a vast array of warships and aircraft across hundreds of miles of ocean at “best speed” on a moment’s notice—were those essential to war. The real message of the rescue effort was: *Behold the power of the United States Navy!*

Yet the trend that is now hiding in plain sight is the loss of the Indian and Western Pacific oceans as veritable American military lakes after more than 60 years of near-total dominion. A few years down the road, according to the security analysts at the private policy group Strategic Forecasting, Americans will not to the same extent be the prime deliverers of disaster assistance in Southeast Asian seas. In the next emergency our ships will share the waters (and the glory) with new “big decks” from Australia, Japan, South Korea, India, and perhaps China. This occurs at the same time that China’s production and acquisition of submarines is several times that of America’s. Indeed, China is in the midst of a shipbuilding and acquisition craze that will result in the People’s Liberation Army Navy having more ships than the U.S. Navy sometime in the next decade. Numbers only tell a small part of the story. But they do matter.

Undeniably, in recent decades the U.S. Navy has been slowly disappearing on us. At the end of World War II, the United States had 6,700 ships. Throughout the Cold War it had around 600 ships.

“Indeed, it is too facile to suggest that China is acquiring naval power as a means to the end of regional or perhaps global hegemony. Empires are often not sought consciously. Rather, as states become stronger, they develop needs and—counter-intuitively—a whole new set of insecurities that lead them to expand in an organic fashion.”

In the 1990s, following the collapse of the Berlin Wall, it had more than 350. Now we are down to fewer than 280. Though the Navy has plans to increase that number to more than 310, according to the Congressional Budget Office and the Congressional Research Service, cost overruns of 34 percent, plus other factors, mean that such plans may be overly optimistic. Over the next decade and beyond, if the Navy continues to build only seven ships per year with a fleet whose life expectancy is 30 years, the total number of its ships could conceivably dwindle to the low 200s. Then there is our current economic recession to consider. The Pentagon's budget will surely be reduced, and ship development, which is a very expensive capital item, will pay a significant price.

This does not mean that the U.S. Navy will cede its preeminent position in Asian waters anytime soon. All the figures cited indicate slow-moving trends that are subject to reversal. But it does mean that, closing in on seven decades after World War II, other naval powers—those indigenous to the region, as well as non-state actors like pirates—are finally starting to crowd the picture. America's unipolar moment in the world's oceans is starting to fade. This happens as China—America's most likely peer competitor in the 21st century—increasingly translates its economic clout into seapower.

A point that bears repeating, often and early on in this discussion, is that there is nothing illegitimate about the rise of the Chinese military. China's ascendancy can fairly be compared with that of the United States following our own consolidation of land-based power in the aftermath of the Civil War and the settlement of the American West, which culminated at the turn of the 20th century with the construction of the Panama Canal. In the years of some of our most forgettable presidents—Hayes, Garfield, Arthur, Harrison, and so on—the American economy chugged quietly along with high annual growth rates. Consequently, as we traded more with the outside world, we developed for the first time complex economic and strategic interests in far-flung places that led, among other military actions, to Navy and Marine landings in South America and the Pacific. Why should China follow a radically different path?

Indeed, it is too facile to suggest that China is acquiring naval power as a means to the end of regional or perhaps global hegemony. Empires are often not sought consciously. Rather, as states become stronger, they develop needs and—counter-intuitively—a whole new set of insecurities that lead them to expand in an organic fashion.

Furthermore, China is not Iran under President Mahmoud Ahmadinejad. It isn't threatening to

destroy any country, and has an intensely developed diplomatic and economic relationship with the United States. Then there is the global recession to consider, which has tied American and Chinese interests even closer together, as we depend on them for affordable goods and to prop up our currency with their deposits, and they depend on us as their principal consumer market. Indeed, strong American-Chinese bilateral relations going forward are not only plausible, but might be the best case scenario for the global system in the 21st century, allowing for true world governance to take shape.

However, a more likely scenario is something more nuanced: we will compete with China even as we cooperate with it. The American-Chinese rivalry of the future could give new meaning to the word “subtlety,” especially in its economic and diplomatic arrangements. Yet this relationship will probably also have its hard edges, and one of those might be where the two countries’ navies interact.

While our ship procurement process has been described as broken, and we struggle to maintain a Navy at its current size in the face of zero GDP growth—amid the worst economic downturn since the Great Depression—China’s defense budget has been increasing by double digits for two decades already, even as its economy, despite the deleterious effects of the global crisis, will expand by over eight percent in 2009. China’s undersea arsenal includes 12 *KILO*-class diesel-electric guided-missile attack submarines, armed with wake-homing torpedoes; 13 Song-class submarines similar to the Kilos; two *SHANG*-class nuclear attack submarines, and one *JIN*-class nuclear ballistic-missile submarine, with three more on the way.

Obviously, this line-up bears no comparison whatsoever to the U.S. Navy’s 74 nuclear-powered attack and ballistic missile submarines now in service. We boast 11 of the world’s 21 aircraft carriers;

the Chinese have none (but are developing one or two). Such statistics go on. But numbers do not tell the whole story: rather, the story is about underlying trends, asymmetric capabilities, and the creative combination of naval, economic, and territorial power in order to create a sphere of influence throughout Asia.

“Whereas Iraq showed America the crude, low-tech end of asymmetry with roadside bombs, the Chinese, with their development of missile and space programs, will show America the subtle, high-tech end of asymmetry through the art of dissuasion and access denial.”

China is catching up, slowly, but fast enough to alert us that our time of dominance is not forever. Whereas Iraq showed America the crude, low-tech end of asymmetry with roadside bombs, the Chinese, with their development of missile and space programs, will show America the subtle, high-tech end of asymmetry through the art of dissuasion and access denial: making it riskier for us in the future to move our carrier strike groups close to the Asian mainland, whenever and wherever we like. Finally, it is China’s geographical

centrality to Asia, coupled with its growing navy and burgeoning economic might, that will cause us to continue to lose influence there.

“Whereas coastal city-states and island nations, big and small, pursue seapower as a matter of course, a continental and historically insular nation like China does so partly as a luxury: the mark of a budding great power. Merely by going to sea in the wide-ranging manner that it has, China demonstrates its dominance on land in the heartland of Asia.”

Therefore, it is crucial to sketch out what may be China's evolving naval strategy in the Indian and Pacific oceans. Keep in mind that we will increasingly see the maritime world from Africa eastward to Indonesia, and then northward to the Korean Peninsula and Japan, as one sweeping continuum: owing to the various canal and land-bridge projects that may in the foreseeable future provide links between the two oceans, but which now are limited to the Malacca and Lombok straits.¹

Although it will soon become a single maritime world, it is still two for the time being. For the Strait of Malacca remains the end of one great oceanic civilization and the beginning of another. And whereas China approaches the Indian Ocean as a land-locked power, seeking port access agreements with littoral countries such as Pakistan, Sri Lanka, Bangladesh, and Burma — thus bringing it into potential conflict with India — China has a long coastline fronting the Pacific, bringing it into potential conflict with the United States. Therefore, this analysis will begin in the Pacific, after examining China's complex developing economic and strategic interests related to its maritime policies, which are vaguely comparable to those of the United States more than a century ago.

Since antiquity China has been preoccupied with the threat of land invasions. The Great Wall of China was built in the 3rd century B.C. to keep out Turkic invaders; in the mid-20th century China was anxious about another invasion from the north, from the Soviet Union following the Sino-Soviet Split. Thus, under Mao Zedong China concentrated its defense budget on its army, and pointedly neglected the seas. But with the collapse of the Soviet Union, such worries dissipated. Chinese diplomats, moreover, have been busy in recent years settling remaining border disputes with the Central Asian republics and its other neighbors. In fact, a reverse invasion is now underway, with Chinese migrants in the slow process of demographically taking over parts of Siberia. Therefore, China's pursuit of seapower is, first and foremost, an indication that its land borders are for the first time in ages not under threat. Whereas coastal city-states and island nations, big and small, pursue seapower as a matter of course, a continental and historically insular nation like China does so partly as a luxury: the mark of a budding great power. Merely by going to sea in the wide-ranging manner that it has, China demonstrates its dominance on land in the heartland of

Asia. To be sure, China is not as secure in its neighborhood as the late-19th century United States was in its, given America's status as a veritable island nation. Nevertheless, China is more secure on land than it has been throughout most of its history.

Pointing China seaward is the dramatic boom in its economy, which has led to an explosion of trade, and thus to the concomitant explosion of commerce along the country's coast. For today, despite the jet and information age, 90 percent of global commerce and two-thirds of all petroleum supplies travel by sea. In 2007, Shanghai's ports overtook Hong Kong as the largest in the world according to cargo handled. And by 2015, China will become the world's most prolific shipbuilder, overtaking Japan and South Korea. Seapower is partially determined by merchant shipping, and China will lead the world in this regard.

Above all, there is China's demand for energy: the need for an increasing, uninterrupted flow of hydrocarbons to sustain its dramatic economic growth. China, despite its increasing emphasis on coal, biomass, nuclear power, and other alternatives, requires more oil and natural gas. It is the world's second largest consumer of oil after the United States. Concurrently, Chinese officials see this very dependence on imported petroleum products as a pressure point that a future adversary can exploit. The need to diversify its energy sources helps explain why China deals openly with such an odious regime as Sudan's. For China's hydrocarbon use has more than doubled in the past two decades, even as domestic oil production has remained stagnant since 1993, when China became a net oil importer. China's hydrocarbon use will double again in the next decade or two. And that oil and natural gas comes overwhelmingly—as much as 85 percent—from the Indian Ocean through the Malacca Strait en route to China's Pacific Ocean ports. China will become more dependent on Saudi Arabian oil and Iranian liquefied natural gas in the future. Therefore, vital

sea lines of communications (SLOCs) around the southern Eurasian rimland must be protected. And given China's history as a great civilizational power since antiquity, and its relatively recent history as a victim of Western colonialism, why would Chinese leaders want to entrust such a vital defense detail to the U.S. Navy, the self-anointed protector of the worldwide maritime commons? *If you governed China, with the responsibility of lifting up hundreds of millions of Chinese into an energy-ravenous, middle-class lifestyle, you, too, would seek a credible navy in order to protect your merchant fleet across the Indian Ocean and Western Pacific.*

But the problem is that Chinese leaders are still many years away from having such a navy. Therefore, at the moment, according to the analyst James Mulvenon, they may be content to “free ride” on the “public good” that the U.S. Navy provides.² Yet, as the Chinese Navy is increasingly able to assume more and more responsibilities, such free rider-ship will become less necessary and the era of U.S.-China naval competition might begin in earnest, especially if our own fleet size goes down, bringing the two navies closer together in terms of capabilities.

In the Pacific, the Chinese Navy sees little but trouble and frustration in the First Island Chain, which, going from north to south, comprises Japan, the Ryuku Islands, the “half-island” of the Korean Peninsula, Taiwan, the Philippines, Indonesia, and Australia.³ All of these places save for Australia are potential flashpoints. Scenarios include the collapse of North Korea or an inter-Korean war, a possible struggle with the United States over Taiwan, and acts of piracy or terrorism that conceivably impede China's merchant fleet access to the Malacca and other Indonesian straits. There are, too, China's territorial disputes over the likely energy-rich ocean beds in the East and South China seas. In the former, China and Japan have conflicting claims of sovereignty to the Senkaku/Diaoyu Islands; in the latter, China has

conflicting sovereignty claims with the Philippines and Vietnam to some or all of the Spratly Islands. Particularly in the case of Senkaku/Diaoyu Islands, the dispute carries the benefit of providing Beijing with a lever to stoke nationalism, whenever it might need to. But otherwise, it is a grim seascape for Chinese naval strategists. For looking

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out from its mainland Pacific coast onto this First Island Chain, they behold a kind of “Great Wall in reverse,” in the words of Naval War College professors James Holmes and Toshi Yoshihara: a well organized line of American allies, with the equivalent of guard towers on Japan, the Ryukus, South Korea, Taiwan, the Philippines, and Australia, all potentially blocking China’s access to the larger ocean. Chinese strategists look at this map and bristle at its navy being so boxed in.

The unification of the two Koreas would be, to say the least, geopolitically inconvenient to China.

Jutting out far from the Asian mainland, the Korean Peninsula commands all maritime traffic in northeastern China and, more particularly, traps in its armpit the Bohai Sea, home to China’s largest offshore oil reserve. Moreover, a unified Korea would likely be a nationalistic Korea, with distinctly mixed feelings towards its large neighbors, China and Japan, which have historically sought to control and even occupy it. A divided Korea is momentarily useful to China, as North Korea—as many headaches as its hermetic regime gives Beijing—provides a buffer between China and the vibrant and successful democracy that is South Korea.

The Korea situation illustrates something basic in world politics: that moral questions are often just beneath the surface of questions of power. China may declare that it theoretically wants a unified Korean Peninsula in order to appear morally in the right, even as it dreads that very thing. Taiwan, too, is discussed by all sides purely in moral terms, even as its sovereignty or lack thereof carries pivotal geopolitical consequences.

China talks about Taiwan in terms of consolidating the national patrimony, unifying China for the good of all ethnic Chinese. We talk about Taiwan in terms of preserving a model democracy. But Taiwan is something else: in the late General Douglas MacArthur’s words, it is “an unsinkable aircraft carrier” that dominates the center point of China’s convex seaboard, from which an outside power like the United States can “radiate” power along China’s coastal periphery.⁴ As such, nothing irritates Chinese naval planners as much as de facto Taiwanese independence. Of all the guard towers along the reverse maritime Great Wall, Taiwan is, metaphorically, the tallest and most centrally located. With Taiwan returned to the bosom of mainland China, suddenly the Great Wall and the maritime straitjacket it represents are severed.

China yearns for an authentic blue-water, or oceanic, navy, just as the United States once did. To create one, America first had to consolidate the continent through westward expansion and settlement. Once China consolidates Taiwan, not only will its navy suddenly be in an advantageous strategic position vis-à-vis the First Island Chain, but its national energies will be just as dramatically freed to project power outward, to a degree that has so far been impossible. For with Taiwan resolved in China's favor, then, as Holmes and Yoshihara posit, China is more liberated to pursue a naval grand strategy in both the Indian and Pacific oceans. Further consolidation of ethnic-Han Chinese control over the Muslim Turkic Uighurs in its westernmost province of Xinjiang will add an additional spur to China's pan-oceanic naval efforts.

The Chinese conquest of Taiwan would have a similar impact to the last battle of the Indian Wars, the Wounded Knee Massacre of 1890. After that dreadful event, the U.S. military began in earnest to focus seaward, and a little more than a decade later came the building of the Panama Canal. Though the adjective "multipolar" is thrown around liberally to describe the global situation, it will be the fusing of Taiwan with the mainland that will mark the real emergence of such a multipolar world.

China is working assiduously in many ways, principally economic, at changing the dynamic of the American-dominated First Island Chain. Countries like the Philippines and Australia will have China as their number one trading partner. In the case of the Philippines—an American legacy going back over 100 years that has included war, occupation, decades-long political interference, and massive economic aid—China has been doing everything it can to boost bilateral ties, even offering the Philippines a defense pact some years back that included an intelligence sharing agreement. The future could include a rearmed Japan, a nationalist Greater Korea, a Taiwan united with

the mainland, and a Philippines and Australia that, while nominally pro-American, have been neutralized by trade and other realities related to China's continued economic and military rise. The result would be a far less stable Western Pacific in tandem with the diminution of American power, and the breakout of China on all naval fronts.

To the east, in such a scenario, China begins to have designs on the Second Island Chain, dominated by U.S. territories like Guam and the Marianas Islands. Indeed, Oceania in its entirety is a region where China is fast developing interests in areas like tourism, even as it broadly strengthens diplomatic and economic ties with many of these small and seemingly obscure island nations.

But it is to the south, in the complex maritime region of the South China and Java seas, dominated by Singapore, peninsular Malaysia, and the many thousands of islands of the southern Philippines and the Indonesia archipelago, where China's naval interests are most pronounced—and where its SLOCs to the oil-rich Middle East and to Africa are most at risk. Here we have radical Islam, piracy, and the naval rise of India, coupled with the heavily congested geographic bottlenecks of the Malacca and Lombok straits, through which a large proportion of China's oil tankers and merchant fleets must pass. There are also significant deposits of oil that China hopes to exploit, making the South China Sea a "second Persian Gulf" in some estimations.⁵ The combination of all these factors, and the opportunities, problems, and nightmares they represent for Chinese planners, make this region, where the Indian and Pacific oceans meet, among the most critical seascapes of the coming decades. Just as the U.S. Navy moved a century ago to control the Caribbean Basin, so must the Chinese Navy move, if not to control, then to at least to become as dominant as the Americans in these seas: for the Malacca Strait can be thought of akin to the Panama Canal, an outlet to the wider world.⁶



China has invested heavily in the deep-sea port of Gwadar off the coast of Pakistan's Baluchistan province.

Imagine what it must be like for the Chinese to see U.S. Navy carrier and expeditionary strike groups sailing at will throughout their vital backyard. The tsunami relief effort mounted off Indonesia by the U.S. Navy was for the Chinese a demonstration of their own impotence in their maritime backyard, as they had no aircraft carriers to send to help. The rescue effort further inflamed an ongoing debate in Chinese power circles about whether or not they should acquire a carrier or two of their own, rather than continue to concentrate on purely warmaking platforms like submarines and destroyers, which have little utility in aid efforts. Future naval dominance of these waters is, in the eyes of the Chinese, a natural right. The tsunami relief effort only intensified their determination in this regard.

When considering maritime Southeast Asia, what immediately impresses one is the growth of radical Islam in the partly ungovernable archipelago of the southern Philippines, Malaysia, and Indonesia. For the Chinese, radical Islam is bad because it brings the U.S. military closer to their shores in the hunt for terrorists. I witnessed this firsthand while covering Operation Enduring Freedom in the Philippines in 2004 and again in 2006. In the hunt for the al-Qaeda- and Jemaah Islamiya-affiliated terrorist group, Abu Sayyaf, American

Special Operations Forces established a base in southern Mindanao, to help Filipino soldiers and marines conduct anti-terror operations in the embattled Sulu Archipelago to the south. The effect was to bring the American military back to the Philippines for the first time since the closure of Clark Air Base and Subic Bay Naval Station in 1992, and to deploy American forces south of the main Filipino island of Luzon for the first time since World War II. This was all disheartening news to Chinese strategists. Some Americans I interviewed were very open about the geopolitical implications of their presence, telling me that today the problem was radical Islam, but that such deployments better positioned the military for a future competition with China.

Piracy bothers the Chinese for obvious reasons. It potentially threatens China's maritime lifeline to the mainland in these crowded and constricted archipelagic waters. In recent years, cooperation among the navies of Singapore, Malaysia, and Indonesia have greatly reduced piracy, so it is no longer the scourge that it is in the Gulf of Aden, at the opposite end of the Indian Ocean. Nevertheless, given the consequences of a return of piracy to Southeast Asia, where it has been a common feature of sea warfare for many centuries, Chinese admirals cannot afford to be complacent.

Piracy is a constant worry; so much depends on the narrow Malacca Strait that all conceivable threats to it must be taken seriously. Chinese Communist Party leader Hu Jintao has, according to one report, bemoaned China's sea-lane vulnerability, referring to it as his country's "Malacca Dilemma," from which China must somehow escape.⁷ One Chinese analyst even worries that the 244 islands that constitute India's Andaman-Nicobar archipelago can be used as a "metal chain" to lock shut the northwestern entrance of the Malacca Strait. This analyst, Zhang Ming, reasons further that "once India commands the Indian Ocean, it will not be satisfied with its position and will continuously

seek to extend its influence, and its eastward strategy will have a particular impact on China.” Ming sums up by saying that “India is perhaps China’s most realistic strategic adversary.”⁸ Of course, this could be the sound of a professional worrier from the Chinese equivalent of Washington’s own theory class. But policy elites worry to a serious purpose, and even if Ming is somewhat exaggerating the extent of the Indian menace, his concerns demonstrate just how seriously Beijing takes New Delhi as a major seapower in its own right, and how so much depends on Malacca.

There is speculation that the Chinese will in the foreseeable future help finance a canal across the Isthmus of Kra in Thailand that will provide another link between the Indian and Pacific oceans—an engineering project on the scale of the Panama Canal and slated to cost \$20 billion. It was across the Kra Isthmus that the Chinese portaged goods in antiquity to get to the Indian Ocean side and back.⁹ For China, a Kra canal might be as significant as the Grand Canal that in late antiquity connected Hangzhou in central China with Beijing in the north. A Kra canal would offer China new port facilities and oil refineries, warehousing for trans-shipments, and, in general, a platform from which to expand Beijing’s influence in Southeast Asia. For not all that far from the Isthmus of Kra is Hainan Island in the South China Sea, where China is increasingly able to project air and sea power from its military base there.¹⁰

Meanwhile, Dubai Ports World is conducting a feasibility study to construct a nearby land bridge, with ports on either side of the Isthmus of Kra, connected by rails and highways. And the Malaysian government is interested in an east-west pipeline network that will link up ports in the Bay of Bengal and the South China Sea. For some time now, the strategic heart of the maritime world has not been the North Atlantic, but instead the Pacific and Greater Indian Ocean region. Yet that trend is about to dramatically accelerate with the

building of at least one or two, if not all three, of these projects: which, in turn, will have an equally dramatic effect on naval deployment patterns. For the twin trends of an economically rising Asia and a politically crumbling Middle East will lead to a naval warfare emphasis on the Indian Ocean and surrounding seas, whose choke points are increasingly susceptible to terrorism and piracy.

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China will gain immeasurably from all these projects. The potential threats signified by piracy and the rise of the Indian navy dissipate once these Southeast Asian waters become less constricted and less focused on one strait. There is, too, the worry about congestion, pollution, and hazardous cargoes that will also be alleviated. More importantly, the Chinese Navy would prefer to be not

a one-ocean, but a two-ocean power, with multiple access routes between the Indian Ocean and Western Pacific to ease its dependence on the Strait of Malacca.

“The Indian Ocean, in the years and decades hence, will help register whether China becomes a great military power or remains as it is, a great regional power in the Pacific.”

China's Malacca challenge has two long-term solutions. The first is simply to provide alternative sea routes from one ocean to the other. The second is to get more of China's energy supplies overland from the Middle East and Central Asia so that less hydrocarbons have to transit from the Indian to Pacific Ocean in the first place. That means using Indian Ocean ports to transport oil and other energy products via roads and pipelines northward into the heart of China.

The Chinese military's so-called string of pearls strategy for the Indian Ocean features the construction of a large naval base and listening post at the Pakistani port of Gwadar on the Arabian Sea, where the Chinese may already be monitoring ship traffic through the Strait of Hormuz. There will be another Chinese-utilized port in Pakistan, at Pasni, 75 miles east of Gwadar and joined to it by a new highway. At Hambantota, on the southern coast of Sri Lanka, the Chinese are building the oil-age equivalent of a coaling

station for their ships. On the other side of India, at the Bangladeshi port of Chittagong on the Bay of Bengal, the Chinese are building a container port facility and seeking extensive naval and commercial access. In Burma, where the Chinese give billions of dollars in military assistance to the ruling junta, Beijing is building and upgrading commercial and naval bases, as well as constructing road, waterway, and pipeline links from the Bay of Bengal to China's Yunnan Province, even as it operates surveillance facilities on islands deep in the Bay of Bengal.¹¹ A number of these ports are closer to cities in central and western China than those cities are to Beijing and Shanghai. Such Indian Ocean ports, with north-south road and rail links, will help economically liberate landlocked inner China. It is significant that 90 percent of Chinese arms sales are to Indian Ocean littoral countries, which also, as it happens, virtually surround India on three sides.¹²

Of course, one must be careful in judging China's actions in this region. The Port of Singapore Authority, not China, will be running the harbor in Gwadar. Many pipeline routes go through what are presently politically unstable areas, so China is in no rush to go forward with some of these plans. The idea is not to have fully developed official bases—that would be too overt, and the Chinese prefer subtlety. Indeed, the Song and early Ming dynasties from the 10th through early 15th centuries saw China exact tribute and maintain access agreements with Indian Ocean littoral states, but not establish permanent bases like the Portuguese, Dutch, French, and English would later do. What the Chinese appear to want now is modern deep-water ports in friendly countries along the southern Eurasian rimland that their warships and merchant fleet can have access to, in the course of having a greater presence along Indian Ocean SLOCs. Guarding these SLOCs makes for a major bureaucratic sales argument in Beijing for a

blue-water force.¹³ The bottom line is, beyond its immediate, demonstrated concern with Taiwan and the First Island Chain, China seems to have a secondary interest in the Indian Ocean.

China's long-term quest for a presence in the Indian Ocean in order to project power and to protect its merchant and energy fleets is evinced by its well heeled, very public commemoration of the historical figure of Zheng He, the early 15th century Ming dynasty explorer and admiral who plied the seas between China and Indonesia, Sri Lanka, the Persian Gulf, and the Horn of Africa. A Muslim eunuch of Mongolian origin, who was captured and castrated as a little boy for service in the Forbidden City and rose up through the ranks, Zheng He took his treasure fleet of hundreds of ships with as much as 30,000 men to Middle Eastern shores to trade, exact tribute, and to show the flag.¹⁴ China's much renewed emphasis on this Indian Ocean explorer and his life story says, in effect, that these seas have always been part of its zone of influence, and China is merely returning to its traditional trade routes. In fact, it was striking how China leaped at the chance to deploy two destroyers and a supply boat to the Gulf of Aden to protect Chinese vessels against pirates. In addition to getting its sailors hands-on, out-of-area, long-voyage experience, it furthered China's claim to the entire Indian Ocean as a legitimate venue for its naval operations.

Yet this discussion addresses a possible future; for the present, Chinese officials are focused on Taiwan and the First Island Chain, with the Indian Ocean at the periphery of their concerns. The Indian Ocean, in the years and decades hence, will help register whether China becomes a great military power or remains as it is, a great regional power in the Pacific.

A possible future scenario is a Chinese merchant fleet and naval presence in some form from the coast of Africa all the way around the two oceans

to the Korean Peninsula—covering, in effect, all Asian waters within the temperate and tropical zones, and thus protecting Chinese economic interests and the global maritime system within which those interests operate. In such a scenario, India, South Korea, and Japan may all add submarines and other warships to patrol this Afro-Indo-Pacific region. These circumstances could leave a United States that is still a hegemon, with the world's largest Navy and Coast Guard, but with less of a distance between it and other world-class navies than exists today.

To be sure, the United States will recover from the greatest crisis in capitalism since the Great Depression, but the gap between it and Asian giants China and India will gradually shrink, and that will affect the size of navies. Of course, American economic and military decline is not a fatalistic *given*. We can't know the future. Decline, too, as a concept, is overrated. The British Royal Navy began its relative decline in the 1890s, even as Great Britain went on to help save the West in two world wars over the next half century.¹⁵ Nevertheless, a certain pattern has emerged. The United States dominated the world's economy for the Cold War decades. Whereas the other great powers suffered major infrastructure destruction on their own soil in World War II, the United States came out unscathed. China, Japan, and Europe were decimated in the 1930s and 1940s, while India was still under colonial rule. That world is gone, the other nations have caught up, and the remaining question is how does the United States responsibly respond to a multipolarity that will probably become more of a feature of the world system in years to come.

Naval power will be as accurate an indicator of an increasingly complex global power arrangement as anything. Indeed, China's naval rise can present the United States with opportunities. Once more, it is fortunate that the Chinese Navy is rising in a legitimate manner, to protect economic and

rightful security interests as ours has done, rather than to forge a potentially suicidal insurgency force at sea, as Iran's Islamic Revolutionary Guard Corps Navy appears determined to do.¹⁶ This provides China and the United States with several intersecting points of cooperation. Piracy, terrorism, and natural disasters are all problem areas where the two navies can work together, because China's interests in all three are not dissimilar to ours. China, moreover, may be cagily open to cooperation with the United States on the naval aspects of energy issues: jointly patrolling SLOCs, that is. After all, both China and the United States will continue to be dependent on hydrocarbons from the Greater Middle East (China especially so in coming years), so our interests in this sphere seem to be converging. Therefore, it is not inevitable that two great powers who harbor no territorial disputes, who both require imported energy in large amounts, who inhabit opposite sides of the world, and whose philosophical systems of governance, while wide apart, are still not as distant as were those between the United States and the Soviet Union, become adversaries.

Thus, leveraging allies like India and Japan against China is responsible in one sense only: it helps provide a mechanism for the United States to gradually and elegantly cede great power responsibilities to like-minded others as their own capacities rise, as part of a studied retreat from a unipolar world. But to follow such a strategy in isolation risks unduly and unnecessarily alienating China. Therefore, leveraging allies must be part of a wider military strategy, which seeks to draw in China as part of an Asia-centric alliance system, in which militaries cooperate on a multitude of issues.

Indeed, "Where the old 'Maritime Strategy' focused on sea control," Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff said in 2006 (when he was Chief of Naval Operations), "the new one must recognize that the economic tide of all

nations rises not when the seas are controlled by one [nation], but rather when they are made safe and free for all."

Admiral Mullen went on: "I'm after that proverbial 1,000-ship Navy—a fleet-in-being, if you will, comprised of all freedom-loving nations, standing watch over the seas, standing watch over each other."

As grandiose and platitudinous as Admiral Mullen's words may sound, it is in fact a realistic response to our own diminished resources. The United States will be less and less able to go it alone and so will increasingly rely on coalitions. National navies tend to cooperate better than national armies, partly because sailors are united by a kind of fellowship of the sea, born of their shared experience facing violent natural forces. Just as a subtle Cold War of the seas is possible between the American and Chinese navies, the very tendency of navies to cooperate better than armies might also mean, conversely, that the two navies could be the leading edge of cooperation between the two powers, working towards the establishment of a stable and prosperous multipolar system. Given our civilizational tensions with radical Islam, and our policy tensions with a pacifist-trending Europe and a bitter and truculent Russia, we must do all that we can to find commonality with China. The United States cannot take the whole world on by itself.

Furthermore, the incoming Obama administration must immediately end the era of neglect with which the Bush administration treated the countries of maritime Southeast Asia. For years, the Bush State Department, through its preoccupation with Iraq and Afghanistan and its concomitant failure to delegate some of the secretary of state's responsibilities to special envoys, missed vital regional meetings and other opportunities for representation. As a consequence, the Chinese made significant diplomatic inroads into countries like the Philippines, Thailand, and Indonesia. The

U.S. government must act immediately to show the flag and otherwise rectify the situation in these countries. The same goes for the Pacific and Indian Ocean regions.

Western penetration of the Indian and Pacific oceans began bloodily with the Portuguese at the end of the 15th century. The supplanting of the Portuguese by the Dutch, and the Dutch by the English, also came with its fair share of blood. Then there was the supplanting of the English by the Americans in the high seas of Asia that came via the bloodshed of World War II. Therefore, the peaceful transition away from American unipolarity at sea — and towards an American-Indian-Chinese condominium of sorts — would be the first of its kind. Rather than an abdication of responsibility, it will instead leave the Indian and western Pacific oceans in the free and accountable hands of indigenous nations for the first time in 500 years. Managing China's ascendancy at sea while preserving U.S. power and prestige in the region will be decisive to that aim.

ENDNOTES

¹ My thinking depends substantially on a group of scholars at the U.S. Naval War College, whose work on China's maritime strategy has been exhaustive, creative, and very moderate in tone. They are: Gabriel B. Collins, Andrew S. Erickson, Lyle J. Goldstein, James R. Holmes, William S. Murray, and Toshi Yoshihara. In particular, I am heavily indebted to three publications for statistics and many insights: James R. Holmes and Toshi Yoshihara, *Chinese Naval Strategy in the 21st Century: The Turn to Mahan* (Routledge, New York, 2008); Toshi Yoshihara and James Holmes, "Command of the Sea with Chinese Characteristics," *Orbis* (Fall 2005); Gabriel B. Collins, Andrew S. Erickson, Lyle J. Goldstein, and William S. Murray, eds., *China's Energy Strategy: The Impact on Beijing's Maritime Policies* (Annapolis: Naval Institute Press, 2008); and Andrew Erickson and Gabe Collins, "Beijing's Energy Security Strategy: The Significance of a Chinese State-Owned Tanker Fleet," *Orbis* (Fall 2007).

² Gabriel B. Collins, Andrew S. Erickson et al., *China's Energy Strategy*.

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⁴ *Ibid.*

⁵ Andrew Erickson and Lyle Goldstein, "Gunboats for China's New 'Grand Canals'?" *Naval War College Review* (Spring 2009).

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⁸ Holmes and Yoshihara, "China and the United States in the Indian Ocean: An Emerging Strategic Triangle?" *Naval War College Review* (22 June 2008). From Ming's articles, "The Indian Navy Energetically Steps toward the High Seas" and "The Malacca Dilemma and the Chinese Navy's Strategic Choices."

⁹ Donald B. Freeman, *The Straits of Malacca: Gateway or Gauntlet* (McGill: Queens University Press, 2003): 77.

¹⁰ MacDonald, Donahue, and Danyluk, "Energy Futures in Asia."

¹¹ China is also building similar facilities in Cambodia by the Gulf of Thailand and the South China Sea. MacDonald, Donahue and Danyluk, "Energy Futures in Asia."

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¹⁴ Louise Levathes, *When China Ruled the Seas: The Treasury Fleet of the Dragon Throne* (New York: Oxford University Press, 1994); Thant Myint-U, *The River of Lost Footsteps: A Personal History of Burma* (New York: Farrar, Straus and Giroux, 2006): 66.

¹⁵ Aaron L. Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895-1905* (Princeton: Princeton University Press, 1988).

¹⁶ Fariborz Haghsheenas, "Iran's Asymmetric Naval Warfare" (Washington, D.C.: Washington Institute for Near East Policy, September 2008).

CHAPTER III:
THE SINO-AMERICAN NUCLEAR BALANCE:
ITS FUTURE AND IMPLICATIONS

By Ambassador Linton Brooks

S E P T E M B E R 2 0 0 9

China's Arrival:

A Strategic Framework for a Global Relationship



THE SINO-AMERICAN NUCLEAR BALANCE: ITS FUTURE AND IMPLICATIONS

By Ambassador Linton Brooks¹

Introduction

The nuclear relationship between China and the United States is not the most important component of Sino-American relations; that honor belongs to economics. Nor is the nuclear relationship the most worrisome security issue. China's growing emphasis on high-technology asymmetric warfare, especially cyber warfare, is likely to require far greater analysis and adaptation by the U.S. national security community. Yet nuclear weapons, because of their destructiveness and the mystique associated with them, remain a unique measure of national power. They have too often been neglected in discussions of Sino-American relations. This chapter, therefore, analyzes what is known about China's strategic posture, identifies existing ambiguities, and suggests initiatives to improve mutual understanding and reduce the possibility of miscalculation. It does not consider other nuclear weapons-related issues such as the security of nuclear weapons or Chinese non-proliferation policy.²

What We Know

CHINA'S NUCLEAR FORCES

China's nuclear weapons are controlled by the Second Artillery Corps, an independent branch of China's armed forces. While significantly inferior to those of the United States and Russia in terms of both numbers and capability, China's nuclear forces are undergoing significant modernization. In the past, China's intercontinental ballistic missile (ICBM) forces consisted of a small number of silo-based solid-fueled missiles. China's current force is much more modern, diverse, and survivable, as described in the most recent Pentagon annual report on China:

China is both qualitatively and quantitatively improving its strategic missile forces. China's nuclear arsenal currently consists of approximately 20 silo-based, liquid-fueled CSS-4 ICBMs; solid-fueled, road-mobile DF-31 and DF-31A ICBMs, which were deployed

respectively in 2006 and 2007; approximately 20 liquid-fueled, limited range CSS-3 ICBMs; between 15 to 20 liquid-fueled CSS-2 intermediate-range ballistic missiles; CSS-5 road-mobile, solid-fueled MRBMs [medium range ballistic missiles] (for regional deterrence missions); and JL-1 SLBMs [submarine launched ballistic missiles] on the XIA-class SSBN [ballistic missile submarine] (although the operational status of the XIA is questionable).³

Two recent developments have the potential to significantly improve China’s strategic deterrent. First, the deployment of the DF-31 and DF-31A solid-fueled road-mobile ICBM is a major improvement to the survivability of China’s strategic forces. Second, in addition to the operational forces described above, China has launched a more modern ballistic missile submarine, the Type-094 or JIN-class, each capable of carrying 12 new JL-2 missiles. The Pentagon projects that up to five of these will be deployed, allowing China to maintain two ships continuously on patrol should it choose.⁴ Doing so will give China a significant sea-based deterrent for the first time, presenting China’s leaders with new command and control issues and doctrinal options.

While these numbers remain small, they represent rapid growth in both numbers and capability. The magnitude and speed of the growth can be seen by comparing the numbers of medium range ballistic missiles and launchers, especially those of the CSS-5, in the last several Pentagon annual reports on China.

It is reasonable to expect similar rapid growth in the ICBM force as additional DF-31 and DF-31A road-mobile ICBMs continue to be deployed. More impressive than the quantitative improvements, significant qualitative modernization has resulted in a strategic force with greater mobility and survivability. China is conducting research on ballistic missile defense countermeasures, including maneuvering re-entry vehicles, decoys, chaff, jamming, and thermal shielding.⁶ Finally, although China does not admit to possessing tactical nuclear weapons and the Pentagon reports do not mention them, one U.S. government advisory body asserts in a 2008 draft report that China is developing and deploying “tactical nuclear arms, encompassing enhanced radiation weapons, nuclear artillery, and anti-ship weapons.”⁷

GROWTH IN MEDIUM RANGE BALLISTIC MISSILES BASED ON PENTAGON ANNUAL REPORTS ⁵						
		2005	2006	2007	2008	2009
CSS-2 (3000+km)	Missiles	14 – 18	14 – 18	14 – 18	15 – 20	15 – 20
	Launchers	6 – 10	6 – 10	6 – 10	5 – 10	5 – 10
CSS-3 (5400+km)	Missiles	20 – 24	20 – 24	16 – 24	15 – 20	15 – 20
	Launchers	10 – 14	10 – 14	9 – 13	10 – 15	10 – 15
CSS-5 (1750+km)	Missiles	19 – 23	19 – 50	40 – 50	60 – 80	60 – 80
	Launchers	34 – 38	34 – 38	34 – 38	60	70 – 90

In assessing the logic of China's modernization, it is important to pay equal attention to what they are *not* doing. The Chinese force structure appears to place essentially no value on active damage limitation. There is no strategic defense, no early warning system (and thus no ability to launch on warning), limited launch readiness, and no counterforce capabilities against the United States. China does, however, maintain "a very ambitious civil defense program aimed at protecting national leadership and key capabilities in underground facilities."⁸

CHINESE NUCLEAR POLICY AND DOCTRINE⁹

The nuclear posture of a state consists of more than its forces. Equally important are the motivations for their acquisition and the doctrine guiding their possible employment. The conventional wisdom in the United States is that China seeks to maintain minimum deterrence; that is, to deploy only enough strategic forces to provide a very limited retaliation after absorbing an initial strike. The concept of minimum deterrence is that the prospect of such limited retaliation (presumably against cities) will be sufficiently horrific to deter an initial strike. Further, China's public statements firmly adhere to a policy of no first use, which rejects the first use of nuclear weapons in all cases and pledges to never use or threaten to use nuclear weapons against a non-nuclear adversary. In both cases, reality may be more complex.

China may regard the United States as its primary threat, but it is also concerned with regional actors, especially India and Russia. Indeed, although the United States assumes—probably correctly—that a confrontation over Taiwan is the most likely source of a nuclear confrontation, Chinese writings do not distinguish between a Taiwan contingency and other scenarios. As Brad Roberts notes, the fact that "China's strategic posture now seems well suited to the requirements of deterrence in a cross-strait contingency does not mean it has been tailored solely for this purpose."¹⁰ While Chinese

officials often assert that reciprocal pledges of no first use with India and Russia eliminate any Chinese concern with those states, their forces appear to be postured to respond to a threat from them as well as contingencies over Taiwan.

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On January 13, 1993, Jiang Zemin promulgated the *Military Strategic Guidance for the New Period* to plan and manage the development and use of the armed forces. According to the most recent Department of Defense (DoD) report to Congress, the guidelines reflect China's perceptions of its security environment and the character of modern warfare, and integrate lessons learned from China's military modernization. Recent revisions to the guidelines emphasize building forces to win "local war under conditions of informatization"—a concept introduced by Jiang in 2002 and officially adopted by the People's Liberation Army (PLA) in

2004.¹¹ These guidelines led to a significant planning effort, one result of which was a 2004 volume *The Science of Second Artillery Campaigns*.¹² The concepts involved “go well beyond the simple view of minimum deterrence...[and] reflect a concerted Chinese effort to better understand the use of military power to shape China’s security environment in peacetime and war.”¹³ A key aspect of Chinese thinking is “counterdeterrence,” designed to keep China from being coerced or having its freedom of action limited by the nuclear forces of others.

One particularly important issue for the United States is the degree to which China’s long-standing and oft-repeated no first use policy reflects China’s actual policy or is subject to change or qualification in the future. Official Chinese documents stress the immutability of the no first use policy and its consistency with other Chinese defense concepts. For example, the authoritative *China’s National Defense in 2008* states:

China implements a military strategy of active defense. Strategically, it adheres to the principle of featuring defensive operations, self-defense and striking and getting the better of the enemy only after the enemy has started an attack...China remains committed to the policy of no first use of nuclear weapons, pursues a self-defensive nuclear strategy, and will never enter into a nuclear arms race with any other country.¹⁴

Chinese officials and non-government experts insist that the policy of no first use will not change, and the latest DoD report to Congress affirms internal support for this policy.¹⁵ Nevertheless, there appears to have been debate in recent years within academic and military circles about eliminating or placing qualifications on the no first use policy. The debate was probably a response to concerns about new risks to China’s nuclear forces from U.S. conventional precision strike capability, but also may have been stoked by the new capabilities developed by China’s military modernization

program. These concerns were apparently not seen by China’s leadership as sufficiently compelling to deny China the political benefits of continuing the no first use policy, especially as it seeks to signal its “peaceful rise” to global status.¹⁶

Ambiguities

AMBIGUITY IN MOTIVATION FOR NUCLEAR MODERNIZATION

Assessing Chinese motives for strategic nuclear modernization and the ongoing development of a more detailed nuclear doctrine is difficult and contentious. Chinese experts assert that their ongoing modernization is designed to preserve their long-standing nuclear policy. Other explanations are possible, including:

- *China is taking routine steps to preserve a minimum retaliatory strike deterrent.* This explanation would be consistent with Chinese public statements. It fails, however, to explain the emphasis in Second Artillery Corps documents on something more than minimum deterrence.
- *China is modernizing strategic forces as part of its overall modernization and its attempts to build a suitable military capability for the 21st century without having a specific strategic purpose in mind.* History is replete with examples of modernization driven by momentum rather than strategic vision. This explanation is consistent with the overall Chinese military emphasis on high technology. It does not, however, explain the rich intellectual effort undertaken by the Second Artillery Corps in recent years on roles and missions for China’s strategic forces beyond preserving a minimal deterrent.
- *China is responding to U.S. defenses and to America’s increasing conventional precision strike capability.* This explanation is consistent with some Chinese statements and with their detailed studies of American use of high-technology weapons in the first Gulf War and subsequent military operations. The assertion that China is only responding to U.S. deployment of strategic

defenses is inconsistent with the fact that most modernization programs were conceived before the United States made deployment decisions on missile defense. China has adjusted those programs, however, apparently in response to U.S. missile defense deployments.

- *China is methodically adapting its forces to support a goal of replacing the United States as the dominant power in the Asia-Pacific region.* This explanation is most consistent with much of the doctrinal development observed in the past decade.¹⁷
- *China is embarked on a long-term program with an initial goal of regional dominance and an ultimate goal of global strategic parity with the United States.* This explanation is inconsistent with most authoritative Chinese statements and the slow pace of modernization of China's intercontinental strategic forces, but is consistent with a number of individual statements by individual Chinese military and government experts (some of whom are of questionable authority). It is also consistent with the long time horizon that characterizes some Chinese thinking and with projections for Chinese economic growth over the next half-century.¹⁸

Of course, China may be motivated by a combination of factors. An important task for analysts and an important goal of bilateral strategic dialogue should be to seek greater understanding of Chinese motives for nuclear modernization and of the relationship between these motives and China's overall strategic vision.

AMBIGUITY IN POLICY, DOCTRINE, AND COMMAND AND CONTROL

Despite the consistent reaffirmation of the doctrine of no first use in official Chinese publications, some U.S. analysts remain unconvinced. Statements by individual Chinese officials sometimes appear to cast doubt on the policy and

especially on whether it applies to Taiwan, which Beijing regards as an integral part of China.¹⁹ Even if the doctrine represents current Chinese intent, concepts such as "active defense" and "counterattack in self defense" can easily evolve into doctrines of preemption or what the French call "anticipatory self defense." Indeed, these concepts have been used by China to defend military preemption as a strategically defensive act. The Korean War and conflicts with India, the USSR, and Vietnam have all been justified in official texts as defensive actions, even though in all cases China was the first to act. The latest DoD report to Congress notes that in the authoritative Chinese work *Science of Military Strategy*, an enemy "strike" is not limited to military operations but may also be defined in political terms, allowing for a much greater degree of subjectivity in determining if China has been "attacked."²⁰

Further, a declaration of no first use, by its very nature, can be reversed at any time. When faced with the choice of whether or not to use nuclear weapons, leaders will make the decision they believe is in their nation's interest at the time. Past declarations can only constrain that decision to the extent that they have inhibited the military planning necessary for carrying out a first use decision.²¹ The opaque nature of Chinese military planning makes it impossible to ascertain whether such planning has been inhibited, but the concepts noted above and the stress on speed in conventional missile operations suggest China would be fully capable of implementing a first use decision, even one made at the last moment. The point is not that China will make such a decision, but that it might and, if it did, it could carry it out.

There also remain significant ambiguities regarding how China plans to control its newer strategic forces. In the past, the Second Artillery Corps has controlled all of China's strategic weapons. China's

authoritative 2008 Defense White Paper states, “If China comes under a nuclear attack, the nuclear missile force of the Second Artillery Force will use nuclear missiles to launch a resolute counterattack against the enemy either independently or together with the nuclear forces of other services.”²²

“Discussions are probably most likely to be successful when they do not seek specific information on force structure or modernization, but instead focus on understanding Chinese thinking on nuclear issues.”

Deployment of *JIN*-class nuclear submarines raises questions about operational control of the on-board nuclear weapons during submarine patrols. The White Paper suggests the Chinese are aware of the issue but does not indicate its resolution.

QUESTIONS OF PERCEPTION

The nuclear relationship between the two countries is complicated by potential misperceptions on both sides. Several of the most common misperceptions of U.S. moves made by Chinese analysts are listed on the following page. Yet Chinese scholars assert that the United States also misperceives China's actions. The table on the next page includes a list of several actions Chinese scholars complain are misunderstood by U.S. analysts. It is striking—and potentially optimistic—that these scholars

understand how China's actions are viewed in the United States. Most of the interpretations listed are accepted by a significant fraction of the strategic community.

In theory, strategic dialogue should help reduce such misperceptions, but it is unclear how successful such efforts have been in the past. There are inherent problems in seeking strategic dialogue with China. One of the most significant is the Chinese attitude toward transparency. The United States sees reciprocal transparency as inherently desirable. In contrast, China views the obligations of transparency as falling on the stronger, not the weaker, power. The weaker power needs to be assured that the stronger power has no intention to exploit its weakness.²⁴ Thus, China tends to view calls for it to be more transparent as an attempt to keep it at a disadvantage. Discussions are probably most likely to be successful when they do not seek specific information on force structure or modernization, but instead focus on understanding Chinese thinking on nuclear issues.

The type of discussion matters as well. Official strategic dialogue can be helpful in understanding perceptions the two sides have of common international problems such as relations with Russia, dealing with North Korea, or coping with proliferation. They are less successful in dealing with perceptions about one another, in part because it is difficult for senior officials to have free ranging discussions when any comments they make will inevitably be treated as official government positions.

On the other hand, pure Track II discussions are limited in effectiveness, particularly on sensitive subjects such as nuclear policy. Participants may neither fully understand nor be capable of influencing the policy of their government. The most successful dialogue would appear to either involve very senior former officials (who may be assumed to have both detailed policy knowledge and access

U.S. MOVES	INTERPRETATION BY CHINESE EXPERTS
Missile defense development and deployment	Negating China's limited deterrent
Warhead modernization (RRW)	Seeking smaller but better nuclear arsenal to assure nuclear supremacy
Tactical nuclear weapon development (Robust Nuclear Earth Penetrator)	Lowering the nuclear threshold and making nuclear use more likely
Development of conventional strategic capabilities like "prompt global strike"	Challenging and discrediting China's no first use policy
Research and development of space-based radars	Threatening the survivability of China's mobile ICBMs
Redeployment of Asia-Pacific forces including SSBNs to West Pacific	Aiming to deter and respond to a possible Taiwan conflict in a more effective way
Implementing the new strategic "triad"	Lowering the nuclear threshold, destroying stability, and keeping the option for nuclear re-buildup
Rejection of Comprehensive Test Ban Treaty (CTBT) and active stockpile of reduced warheads	Keeping the option to reverse nuclear disarmament and conduct a rapid re-buildup

CHINESE MOVES	INTERPRETATION BY U.S. EXPERTS
Modernization of China's nuclear arsenal while the other four nuclear arsenals [i.e., Russia, France, United Kingdom, and United States] are shrinking	Indicating a potential change in force posture for minimum deterrence to limited deterrence, with a likely end state of seeking parity with the United States
Reluctance in transparency about weapon types, numbers, and goals	Hiding the real intention of nuclear modernization, which may have significant implications for the United States
Debates in Chinese academia about the validity of the policy of no first use	Signaling the possibility that China's no first use policy is a political slogan that has little credibility and will be readily thrown away if necessary
The Chinese Second Artillery has both nuclear and conventional forces and has fielded more short and medium ranged missiles	Shifting from a deterrence focus to a more or less warfighting orientation

to the top leaders in their government) or to be conducted in a Track 1.5 format, with discussions being conducted by nongovernment participants but with mid-level individuals (ideally those who have access to decision makers) in attendance.

Challenges For The United States

During the Cold War, China was a strategic afterthought, treated by all but a few specialists as a lesser-included case of deterrence of the Soviet Union and given little prominence in mainstream U.S. thinking on nuclear issues. There was sporadic interest in deploying a so-called light antiballistic missile system to defend against Chinese ICBMs. This concern was one reason for the deployment of the Safeguard system in the early 1970s. After Safeguard was shut down in 1976, however, the idea never again gained political traction. In the post-Cold War world, one of the defense policy goals the George W. Bush administration established for nuclear weapons was dissuasion of states other than Russia from seeking parity with the United States. Although seldom formally stated by the administration, this goal was widely interpreted as requiring that the size of U.S. strategic forces be maintained significantly higher than China's, in order to discourage any "sprint to parity."²⁵ Other than this, little attention has been given to Chinese strategic forces in official circles. The growing prominence of Chinese strategic nuclear forces, however, will present the United States with several issues.

ACCEPTING MUTUAL VULNERABILITY

The United States has accepted that it cannot deploy defenses sufficient to preclude a devastating Russian attack and thus depends on defense through the threat of offensive retaliation. The Bush and Clinton administrations rejected this approach for Iran and North Korea and sought to deploy defenses sufficient to limit (or preclude) damage from a long-range nuclear strike, an approach the Obama administration may continue, although with less emphasis. There is,

however, no consensus in the United States on whether China should be thought of as a small Russia to be dealt with by deterrence or as a large rogue against which defenses are needed.

Those who reject mutual vulnerability see China as embarked on a campaign for Asia-Pacific dominance, with the United States as its main strategic competitor. They believe China will focus on exploiting U.S. vulnerabilities, rather than countering U.S. strengths directly. As a result, perpetuating U.S. vulnerability will not lead to strategic stability, but may "encourage China to attempt to exploit U.S. vulnerability at a time of crisis and lead to undesired escalation based on miscalculation."²⁶ Thus, they conclude that the correct U.S. posture with respect to China is one that includes deterrence by denial.²⁷ Advocates of this position are often silent on how it will encourage China to become a responsible international stakeholder.

An alternate view is that—with a technically sophisticated adversary—ballistic missile offense will always dominate over ballistic missile defense. Further, it is exceptionally unlikely that the United States would spend the large sums required to even attempt to deny China the ability to conduct ballistic missile strikes on the United States. In this view, therefore, mutual vulnerability with China, like mutual vulnerability with Russia, is not a policy choice to be accepted or rejected, but an objective reality to be acknowledged and managed.

If the United States elects to accept mutual vulnerability, it will need to decide what "acceptance" means. The United States could simply not seek to deploy defenses against China (today's de facto policy), could make its acceptance of mutual vulnerability clear in private conversations, or could make a public acknowledgement of such vulnerability. The latter course is simplest and clearest and would be welcomed by China, but would doubtless be contentious within the United States.

IMPLICATIONS FOR BALLISTIC MISSILE DEFENSE

If the United States does accept mutual vulnerability with China while continuing to seek defenses against North Korea, it faces a problem. Any defenses effective against a North Korean ballistic missile will have some ability against China (and more importantly, will be seen by China as having such a capability). China can be expected to respond through modernizing and increasing its forces. Indeed, some would argue that the doubling of weapons capable of reaching the United States and the significant increase in theater systems seen in recent years indicate that this process is already in progress. The United States thus risks having the worst of both worlds: no effective defense against a Chinese missile strike while simultaneously providing incentives to China for the modernization and expansion of its strategic forces. This implies the need for transparency and confidence building measures, probably similar to those proposed to Russia by the previous administration.

IMPLICATIONS FOR U.S.-RUSSIAN ARMS CONTROL

For the United States to continue to adhere to the goal of dissuading states other than Russia from seeking nuclear parity, it must maintain forces significantly higher than China's. But even without an accelerated buildup by China, significant arms reductions by the United States and Russia will lower the gap between their strategic forces and those of China, potentially increasing the attractiveness to China of seeking parity.

While ultimately the United States will need to choose between two goals—continuing arms reductions and dissuading China from seeking parity—the choice is not imminent. A common view in the arms control community is that China must be brought into negotiations before U.S.-Russian levels below 1,000 warheads can be seriously contemplated. The replacement for the Strategic Arms Reduction Treaty (START) to be negotiated this year will probably constrain Russia and the United States to about 1,500 warheads, still

well above even the most aggressive predictions of Chinese modernization. A probable follow-on negotiation, still on a bilateral basis, is often assumed to aim at reductions to about 1,000 warheads. But the logic of the president's call for steady movement toward nuclear abolition will require further negotiated reductions thereafter. China may be unwilling to join such negotiations until the two major nuclear powers reduce near current (or planned) Chinese levels.

“During the Cold War, China was a strategic afterthought, treated by all but a few specialists as a lesser-included case of deterrence of the Soviet Union and given little prominence in mainstream U.S. thinking on nuclear issues.”

IMPLICATIONS FOR A CONFRONTATION OVER TAIWAN

A future attempt to change the existing status between Taiwan and the mainland by force represents the most likely (and probably the only plausible) source of nuclear confrontation between China and the United States. Although such a contingency appears increasingly unlikely, prudent planning demands that the United States be prepared. Nuclear weapons could be involved in such a confrontation in several ways:

- They could be used in regional politics to coerce Japan and other regional states into not

allowing any support to U.S. forces in a Taiwan contingency. The obvious U.S. counter is continued cooperation on missile defense with Japan and reaffirming that extended deterrence remains robust.

- They could be used strategically to make the United States cautious because of the asymmetry of the stakes involved for the two sides.
- They could be used to directly counter the U.S. Seventh Fleet as part of China's anti-access strategy. There is no current evidence that China is pursuing such a capability; implications of a change in Chinese policy are discussed below.

POTENTIAL OPPORTUNITIES FOR EXPANDED COOPERATION

Not all of the issues facing the United States involve problems. The start of a new U.S. administration may offer an opportunity for technical discussions on nuclear issues to complement past discussions on policy. The George W. Bush administration and the Chinese government both wanted to begin such discussions but could not reach agreement on how to characterize discussions held in the 1990s. Future discussions might include material protection, control and accounting; nuclear forensics (perhaps under the

auspices of the Global Initiative to Combat Nuclear Terrorism); and best practices on security. China clearly is interested in such talks and probably would seek a more expansive set of topics than the United States would be willing to pursue, at least initially. In particular, China may be interested in discussions of safety and security, where it may believe it has more to learn from the United States than vice versa. A substantial amount of information on these topics can be exchanged at the unclassified level if the United States elects to do so. A fundamental issue for the United States, therefore, is whether improving the safety and security of China's nuclear weapons is in the U.S. interest, given the fact that those weapons will be deployed in any case. The answer will significantly influence what topics the United States might be willing to discuss.

Wild Cards

It is important for analysts and the U.S. government to try to predict—and if possible shape—the future development of China's strategic capability. It is equally important to recognize that our predictions might be wrong. As one DoD annual assessment notes, "Several aspects of China's military development have surprised U.S. analysts."²⁸ Three unlikely developments could significantly influence the Sino-American nuclear relationship and could force the United States to face difficult, and in some cases unpalatable, choices.

A SIGNIFICANT STRATEGIC SHIFT TO SEA

China's nuclear forces have always been land based and under the control of the Second Artillery Corps.²⁹ If a significant fraction of the Chinese strategic nuclear force moves to sea on *JIN*-class submarines, how would the strategic situation change? In traditional arms control theology, submarine-based strategic forces are stabilizing. But this is only true if both they and their command and control are survivable and effective. As the Pentagon's most recent analysis of China's

"There is, however, no consensus in the United States on whether China should be thought of as a small Russia to be dealt with by deterrence or as a large rogue against which defenses are needed."

military notes, China “has only a limited capacity to communicate with submarines at sea and...no experience in managing a SSBN fleet that performs strategic patrols.”³⁰ Further, the integration of land-based and sea-based strategic components proved difficult for the United States and might prove equally difficult for China, whose military strategic thinking has been dominated by the Second Artillery Corps.

If, despite these difficulties, China does deploy a significant portion of its nuclear capability at sea in *JIN*-class submarines equipped with the 7,200-kilometer JL-2 missile, the ships will need to operate in the open ocean to range targets in the continental United States.³¹ Because Chinese submarines will be relatively detectable, the United States will be faced with the question of whether to return to a controversial policy of the 1980s of seeking to hold strategic submarines at risk in time of tension or conventional war to provide leverage or discourage escalation.³² While this policy — whatever its merits — did not give the United States the ability to disarm the Soviet Union, China could well perceive that so-called strategic anti-submarine warfare was part of a disarming strategy.

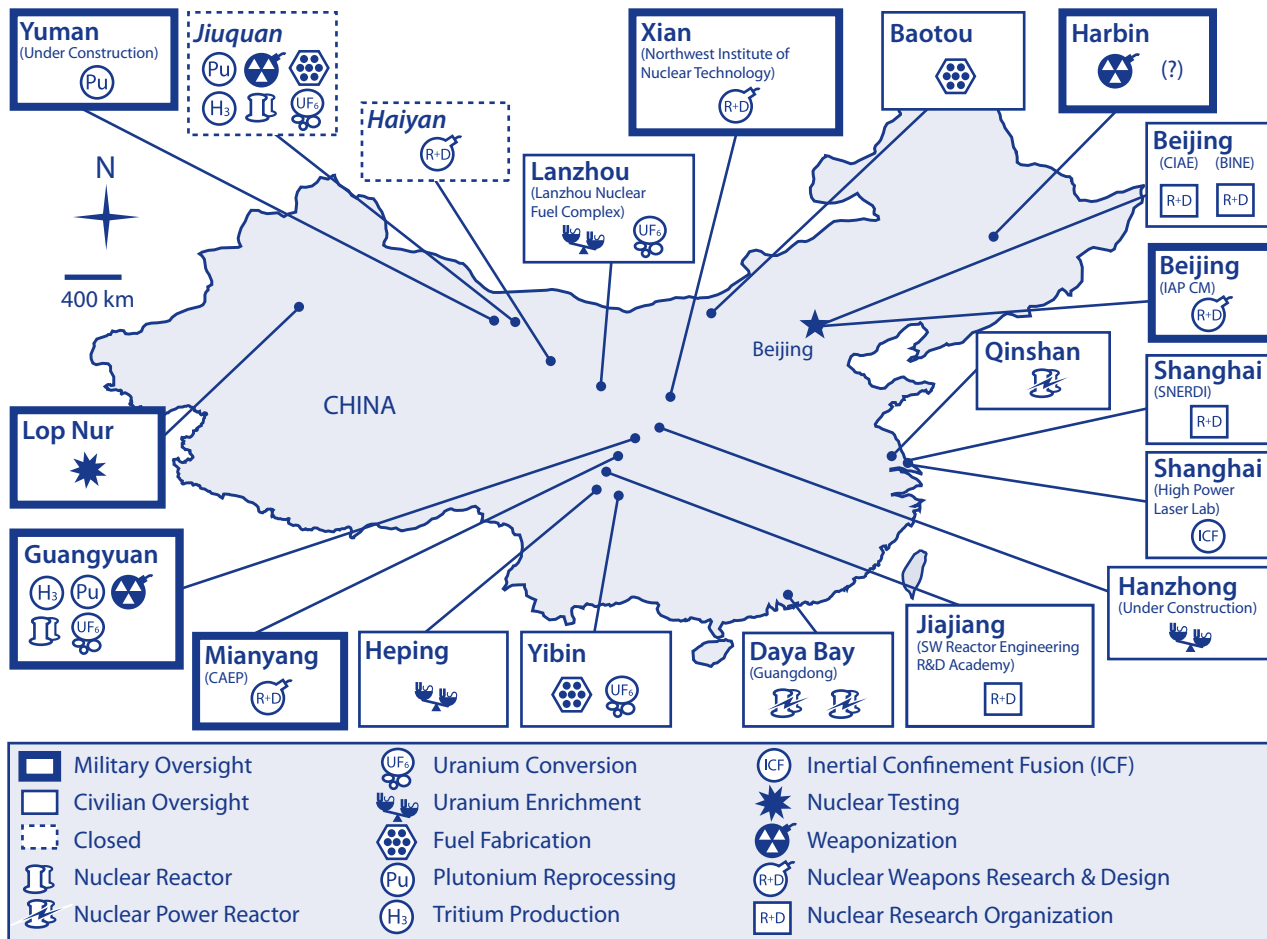
ELECTROMAGNETIC PULSE ATTACKS

In 2004, a Congressionally mandated commission examined the threat to the United States from an attack using high altitude nuclear detonations to generate an electromagnetic pulse (EMP). The Commission concluded that a single detonation could cause catastrophic consequences to the United States. It asserted that China had considered such a tactic and noted that a similar high altitude burst could cause significant damage to tactical military forces.³³ Despite the forceful nature of the report, relatively little has been done in the intervening five years. While there are Chinese writings on EMP, there is little evidence that China is fielding such a capability. There is also little doubt that it could do so if it chose.

A strategic attack involving an EMP probably poses no new policy considerations for the United States. If such an attack were as devastating as the EMP Commission suggests, it would be the equivalent of a direct nuclear attack on American cities and would certainly draw retaliation. While some speculate that the United States would be reluctant to retaliate for an attack that caused few fatalities, China would be unlikely to assume this was true. If deterrence works at all, it works for strategic EMP attacks.

“While ultimately the United States will need to choose between two goals — continuing arms reductions and dissuading China from seeking parity — the choice is not imminent.”

Tactical use of EMP is another story. The 2007 Defense Science Board summer study noted that even one or two nuclear weapons could cripple tactical command and control capabilities and implied that the United States is not fully prepared for such a contingency.³⁴ Unlike a strategic attack, the Chinese might conclude that the United States would not retaliate for a tactical EMP attack that caused no casualties, given the probable asymmetry of interests and China’s ability to conduct strategic strikes on U.S. cities. Hardening of military forces and equipment would negate (or at least mitigate) the threat, but such hardening is both time consuming and expensive. It is unclear



China Nuclear Map, *Nuclear Threat Initiative*, <http://www.nti.org/db/china/nukemap.gif>

whether either the interest or the funding for significant hardening will be available.

A NUCLEAR COMPONENT TO CHINA'S ANTI-ACCESS STRATEGY

There is widespread agreement that one of China's military objectives is to prevent U.S. intervention should the People's Republic conclude it needed to change the status of Taiwan by force. China is developing anti-access capabilities, including using ballistic missiles derived from those capable of carrying nuclear weapons.³⁵ Although these capabilities have been exclusively conventional thus far, that need not always be true. In addition to EMP

weapons, other options are possible. As a recent Congressional Research Service report noted:

China, as a longstanding nuclear weapon state, could put nuclear warheads on weapons such as [tactical ballistic missiles...anti-ship cruise missiles], torpedoes, and naval mines. China could use nuclear-armed versions of these weapons... to attack U.S. Navy ships at sea. China might do so in the belief that it could subsequently confuse the issue in the public arena of whose nuclear warhead had detonated, or that the United States in any event would not escalate the conflict by retaliating with a nuclear attack on a land target in China.³⁶

While China certainly could deploy nuclear weapons this way, there are no indications that it has done so. The Chinese do not acknowledge possessing tactical nuclear weapons, although some analysts assume they have them.³⁷ Deterring the use of nuclear weapons against Navy warships would pose problems similar to those faced during the final decade of the Cold War. One unlikely but worrisome scenario was that the Soviets might be tempted to use nuclear weapons against the surface fleet, especially aircraft carriers, before escalation had occurred ashore. Threats of retaliation in kind would not be an effective deterrent, since the Soviet surface fleet was far less important to them than ours was to us. The United States thus sought to make it clear that such attacks would result in nuclear retaliation ashore. As the Secretary of Defense's Annual Report of Fiscal Year 1984 noted, "our sea based forces for land attack...support our policy that we will not permit the Soviets to limit a nuclear war to the sea."³⁸ This policy had limited credibility, but the Soviet focus on the land campaign made initial nuclear use at sea unlikely in any case. The same might not be true for China.

Conclusions and Policy Recommendations

Future Sino-American relations will be characterized by a combination of competition and cooperation. China's global economic influence and growing regional military importance are natural results of China's status as a rising power and need not necessarily threaten U.S. interests. Managing relations with China will be challenging and will inevitably lead to periods of tension and concern. It is unrealistic to assume these tensions can be avoided. It is *not* unrealistic to seek to avoid anything remotely resembling the decades-long confrontational relationships of the Cold War.

The nuclear relationship will both depend on and help shape the overall strategic relationship between the two countries. The degree to which it can be managed in a direction of overall stability is uncertain and is crucially dependent, among

other factors, on China's motivation for its ongoing modernization. A key strategy is to overcome the misperceptions noted earlier. The following approach might be useful:

- *Acknowledge mutual vulnerability as a fact of life.* Even if it is technically possible to develop national defenses against Chinese ballistic missiles, decades of experience suggest the sustained political will to do so is not now present, and will not be present in the future.
- *Offer robust confidence building measures to help China see the limited nature of U.S. ballistic missile defenses.* It is in the U.S. interest to reinforce the common Sino-American concern about North Korea.
- *Continue efforts toward a strategic dialogue on nuclear issues, emphasizing both official and Track 1.5 efforts.* The focus of discussion should be how the two sides think about nuclear weapons and their future, not about details of systems or force structure. At the same time, stress that as Chinese power grows, the logic of their own position on transparency should lead them to become more transparent.
- *Complement that dialogue with technical talks involving the Departments of Defense and Energy and the national laboratories.* Be willing to consider a more expansive agenda than in the past both as a back door to transparency and as a means of ensuring the safety and security of Chinese nuclear forces.
- *Ignore arms control for now.* Any treaty reducing U.S. and Russian strategic forces to 1,000 warheads will take longer and be more difficult politically (because of Russian reluctance), militarily (because of concerns with non-strategic nuclear weapons), and technically (because of verification) than arms control enthusiasts assume. Worrying about China in strategic arms control, before U.S. and Russian warhead levels approach those of China, is premature.

- *Prepare intellectually for the “wild cards” discussed above.* Massive expenditures may or may not be justified; serious thought certainly is.

China's nuclear modernization is a cause for concern and analysis. It is not a cause for overreaction and panic. The nuclear component of the relationship is now and will continue to be subordinate to the overall political relationship. U.S. leaders should concentrate on that relationship.

ENDNOTES

¹ I am indebted to Zachary Hosford of the Center for a New American Security for extensive research assistance, to Brad Roberts, then of the Institute for Defense Analyses, for access to various material on China and to Brad Roberts, Kurt Campbell, Abe Denmark, Nirav Patel, Lindsey Ford, Zachary Hosford and Mike McDevitt for comments on an earlier draft. Any errors of fact or interpretation are mine alone.

² For a discussion of China and proliferation today, see Richard Weitz, "Understanding China's Evolving Role in Global Security Challenges" in this volume.

³ Office of the Secretary of Defense, *Military Power of the People's Republic of China 2009* (March 2009): 24.

⁴ The Office of Naval Intelligence estimates that five SSBNs would only provide for a "near continuous at-sea SSBN presence." Office of Naval Intelligence, *Seapower Questions on the Chinese Submarine Force* (20 December 2006), at <http://www.fas.org/nuke/guide/china/ONI2006.pdf>. The actual answer depends on how far from their bases on Hainan Island the ships patrol. For the United States, France, and the United Kingdom the ability to maintain submarines at sea (and therefore ensure their survival) is an important strategic metric. In contrast, during the Cold War the Soviet Union kept most of its submarine fleet in port ready to deploy on strategic warning, discounting any "bolt out of the blue" attack and preserving reactor core life. It is unclear which approach China will follow; they may not have yet decided.

⁵ Office of the Secretary of Defense, *Military Power of the People's Republic of China*, (2005-2009).

⁶ Office of the Secretary of Defense, *Military Power of the People's Republic of China 2009* (March 2009): 24.

⁷ Department of State, International Security Advisory Board, *China's Strategic Modernization* (circa September 2008): 4, at <http://www.washingtontimes.com/news/2008/oct/01/new-us-defenses-sought-to-counter-beijing-buildup/>. This draft report was apparently never formally submitted.

⁸ Brad Roberts, "Strategic Deterrence Beyond Taiwan," in Roy Kamphausen, ed., *PLA Missions Other Than Taiwan* (Carlisle: U.S. Army War College, 2009). Page number citations to this essay are from a self-contained copy and will not match the pagination of the final volume. I am indebted to Dr. Roberts for making the essay available in advance of publication.

⁹ This section draws very heavily on Roberts.

¹⁰ *Ibid.*: 20.

¹¹ Office of the Secretary of Defense: 10-11.

¹² Roberts: 8-10.

¹³ *Ibid.*: 11.

¹⁴ Information Office of the State Council of the People's Republic of China, *China's National Defense in 2008* (January 2009): 8-9.

¹⁵ Office of the Secretary of Defense: 25.

¹⁶ Based on Chinese presentations during a Track 1.5 dialogue in Beijing on 20-21 June 2006 co-hosted by the Center for Strategic and International Studies, RAND, Institute for Defense Analyses, and the China Foundation for International and Strategic Studies. PowerPoint presentation by Bonnie Glaser, Evan Medeiros, and Brad Roberts.

¹⁷ Roberts.

¹⁸ See Mark Schneider, *The Nuclear Doctrine and Forces of the People's Republic of China* (Fairfax, VA: National Institute Press, 2007).

¹⁹ For a forceful argument that "no first use" is only propaganda, see Schneider: 6-8 and the references cited therein.

²⁰ Office of the Secretary of Defense: 12.

²¹ I am indebted to Scott Sagan for this insight.

²² Information Office of the State Council of the People's Republic of China: 29.

²³ These tables are slightly edited extracts from a presentation by PLA Senior Colonel Yao Yunzhu, "Factors Affecting Strategic Stability and Confidence Building Measures" at the Center for Strategic and International Studies-RAND-Institute for Defense Analyses-China Foundation for International and Strategic Studies Workshop *U.S.-China Strategic Nuclear Dynamics* (9-10 June 2008).

²⁴ I am indebted to Brad Roberts for this point.

²⁵ Secretary of Defense Donald Rumsfeld made this point explicit in his testimony on the ratification of the Treaty of Moscow. See Donald Rumsfeld, "Treaty on Strategic Offensive Reduction: The Moscow Treaty," *Hearings Before the Committee on Foreign Relations, United States Senate* (17 July 2002). It is not at all clear that China is interested in parity. Most Chinese deny such an interest and often assert that their responses to U.S. missile defense deployment will be qualitative rather than quantitative.

²⁶ L. Pfaltzgraff, Jr., "China-U.S. Strategic Stability," presentation prepared for the Carnegie Endowment for International Peace conference, *The Nuclear Order — Build or Break* (April 2009).

²⁷ *Ibid.*

²⁸ Office of the Secretary of Defense, *Military Power of the People's Republic of China 2006*: 1.

²⁹ The single XIA-class SSBN, launched in 1981, has never deployed outside of regional waters and may not be operational.

³⁰ Office of the Secretary of Defense: 24.

³¹ Targets in Alaska would be in range from protected bastions near China. Congressional Research Service, *China Naval Modernization: Implications for U.S. Navy Capabilities* (19 November 2008): 11.

³² For a description and defense of this policy, see Linton F. Brooks, "Naval Power and National Security: The Case for the Maritime Strategy," *International Security* (Fall 1986). For critiques, see John J. Mearsheimer, "A Strategic Miscalculation: The Maritime Strategy and Deterrence in Europe," *International Security* (Fall 1986);

and Barry R. Posen, "Inadvertent Nuclear War? Escalation and NATO's Northern Flank," *International Security* (Fall 1982).

³³ The Commission to Assess the Threat to the United States from Electromagnetic Pulse (EMP) Attack, *Volume 1: Executive Report* (2004), at http://www.globalsecurity.org/wmd/library/congress/2004_r/04-07-22emp.pdf.

³⁴ Defense Science Board, *Challenges to Military Operations in Support of U.S. Interests*, Volume II, Main Report: Chapter 19.

³⁵ Office of the Secretary of Defense: 20–21.

³⁶ Congressional Research Service: 6.

³⁷ Robert S. Norris, et al., *Nuclear Weapons Databook*, Vol. 5 (Boulder, Colorado: Westview Press, 1994): 370–371. See also International Security Advisory Board.

³⁸ Secretary of Defense Caspar Weinberger, *Annual Report to the Congress*, Fiscal Year 1984 (Washington, D.C.: U.S. Government Printing Office [U.S. GPO]: 127.



CHAPTER IV:

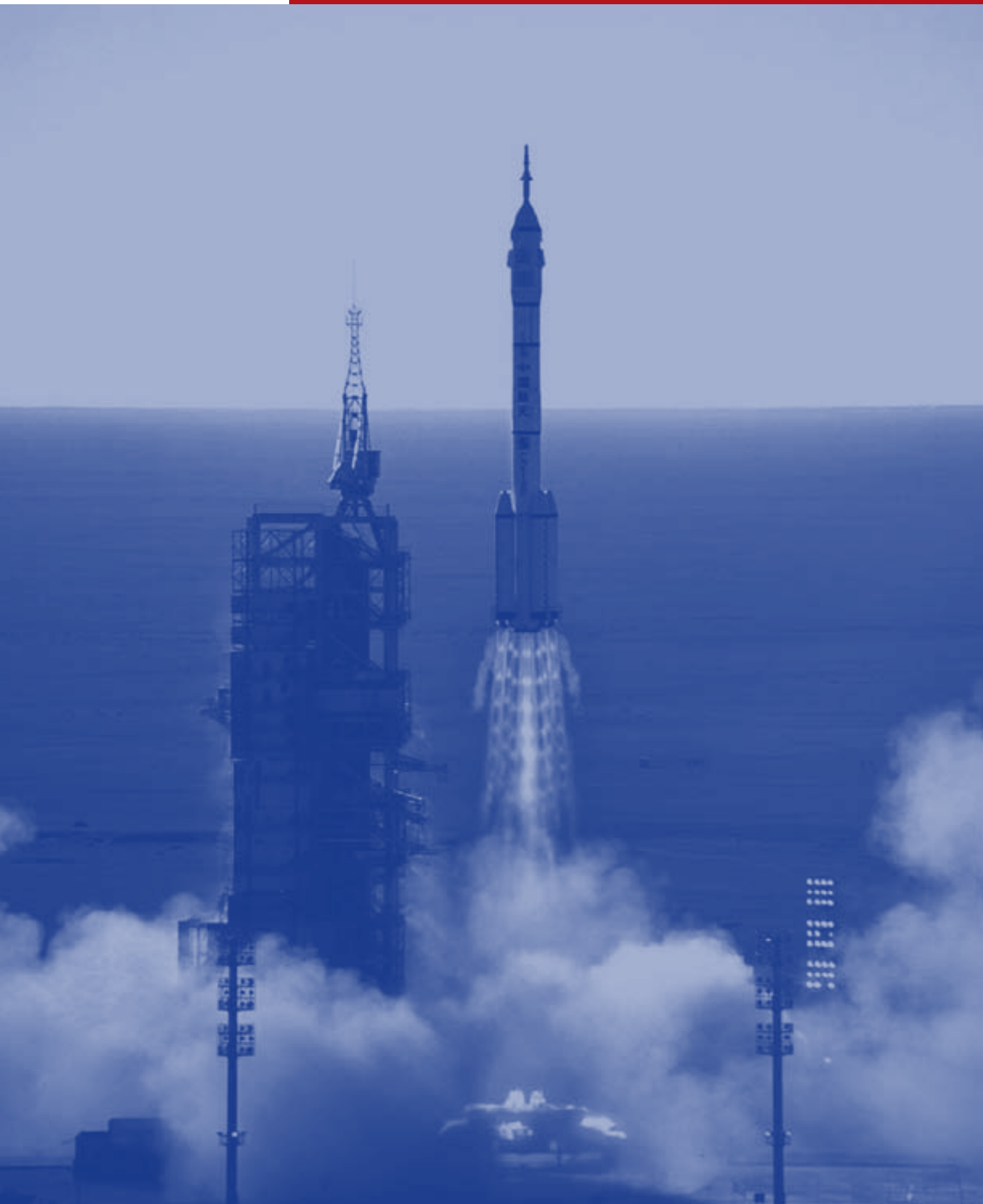
UNDERSTANDING CHINA'S EVOLVING ROLE IN GLOBAL SECURITY CHALLENGES

By Dr. Richard Weitz

S E P T E M B E R 2 0 0 9

China's Arrival:

A Strategic Framework for a Global Relationship



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Introduction

April 5, 2009 began with a shot across the bow of the international community. Despite warnings by China, the United States, and other governments, as well as a UN Security Council (UNSC) resolution prohibiting such missile-related activities, the Democratic People's Republic of Korea (DPRK) launched a self-described space "rocket" over the Sea of Japan. The DPRK government claimed the launch was meant to place a communications satellite into orbit. However, no one outside North Korea has spotted the alleged satellite. Since the technologies used for space rockets and long-range ballistic missiles are similar, most analysts consider the launch an attempt to improve, as well as showcase, Pyongyang's ballistic missile capabilities. After the UNSC criticized Pyongyang's action, the North Korean government responded by announcing it would never return to the Six-Party Talks on the denuclearization of the Korean Peninsula and would instead bolster its nuclear weapons program.¹ The DPRK then (again) expelled the inspectors of the International Atomic Energy Agency (IAEA) who were monitoring its nuclear program. North Korea is now threatening to conduct further ballistic missile launches and resume testing of its nuclear weapons.²

President Barack Obama responded firmly to the North Korean provocation. In the final speech of his European visit, the President insisted that, "Rules must be binding. Violations must be punished. Words must mean something."³ The Obama administration refuses to recognize North Korea as an official nuclear weapons state (NWS) or abandon the Six-Party Talks. In his Prague speech, Obama also reaffirmed his determination to prevent the spread of nuclear weapons to new states as well as non-state actors, and to reduce the nuclear stockpiles of the existing NWS. He further announced the goals of ratifying the Comprehensive Test Ban Treaty (CTBT), strengthening the Nuclear Non-Proliferation Treaty (NPT),

◀ The launch of Long March 2F Carrier Rocket; Shenzhou 5; Jiuquan Satellite Launch Center, China.

securing an international agreement to end the production of fissile materials, and new initiatives to secure nuclear materials and eradicate nuclear black markets in order to prevent the spread of dangerous weapons to non-state actors.⁴

The government of China will play a key role, either positively or negatively, in the implementation of the Obama administration's new non-proliferation strategy. Beijing's support is essential for strengthening non-proliferation agreements and reducing existing nuclear weapons stockpiles. As one of the world's largest economies and an important export and transshipment hub, China will also be a necessary participant in any efforts to prevent black market sales of technologies and materials that can be used to make weapons of mass destruction (WMD)—nuclear, chemical, or biological munitions—or their means of delivery.

Beijing has served as an important partner with Washington in restraining the DPRK's nuclear ambitions. Yet, while China and the United States share the same goal of averting a nuclear-armed DPRK, they differ in their reasons. Chinese officials generally worry most that Japan or other countries will strengthen their own military potential in response, whereas their American counterparts fear the DPRK will transfer nuclear materials and technologies to other parties. In addition, the Chinese and American governments often differ in their preferred tactics regarding North Korea and other proliferation issues. After the April 9 DPRK missile launch, Chinese representatives wanted the UNSC to avoid punishing the DPRK further and instead focus on reviving the Six-Party Talks. Chinese Foreign Minister Yang Jiechi said that Beijing “upholds using talks to solve the problem, and does not condone any action which may exacerbate or complicate the situation further.”⁵ In this instance, Beijing and Washington reached a compromise, but differences over their preferred means to achieve mutual

non-proliferation objectives, and their underlying reasons for doing so, will continue to complicate their security relations.⁶

In many ways, the Chinese government's improving record and public statements regarding WMD proliferation should encourage American policy makers about China's potential role in preventing their spread. The trajectory of Beijing's proliferation policies over the past 20 years is generally positive, but the slope has not, and will not, be steep. China is still one of the world's largest providers of sensitive, “dual-use” technologies and materials—those that have both legitimate commercial and illicit military applications. While trend lines are headed in a positive direction, a few remaining challenges will continue to impede more dramatic progress between the United States and China on this front. First, while the Chinese government has a direct interest in preventing the proliferation of WMD-related items that might be traced to China and damage its reputation, its higher priority is promoting domestic economic growth. The sale of weapons systems, military technologies, and sensitive dual-use materials is a profitable business for many influential actors in China. Furthermore, these sales frequently support important Chinese political and economic goals. In particular, Beijing often provides weapons and dual-use technologies as a means of promoting closer relations with countries that possess valuable energy resources.

Questions persist over the degree to which the Chinese government is capable of constraining the export of sensitive weapons and technologies as well as their means of delivery (especially ballistic missiles). More often than not, these sales are orchestrated by China's large state-owned enterprises (SOEs). While these companies are nominally under the control of the ruling Chinese Communist Party—through their SOE status and their executives' roles and connections with Party leaders—U.S. officials remain uncertain about the

extent to which Beijing can limit their activities. The Obama administration has made non-proliferation and arms control a high priority, but as the president acknowledged in Prague, the administration realistically understands that these changes will not happen overnight. U.S. policymakers will have to consider carefully how best to move China towards being a responsible stakeholder and partner on these fronts, and examine how Beijing's limited commitment to the administration's goals will impact the overall bilateral relationship.

This paper analyzes China's current stance on non-proliferation and arms control, its adherence to international regimes, and remaining areas of concern that need to be addressed to improve Sino-American cooperation in this area.⁷ It concludes that the Obama administration will need to make three general decisions as it calculates its strategic interests and endeavors to shape China's course towards one that is more conducive to international peace and stability. First, U.S. policy makers should look for "low-hanging fruit" where the United States and China have obvious incentives to increase cooperation. The administration should move quickly to increase collaboration in these areas. Second, President Obama will have to determine those priority non-proliferation and arms control issues on which securing increased Chinese-American cooperation is essential. In these instances, the United States will probably need to leverage other areas of the bilateral relationship and make a full-court press to achieve its objectives. Finally, Obama and his advisors will have to establish which non-proliferation goals will present the greatest obstacles to near-term Sino-American cooperation and thus will likely see the most gradual trajectory toward progress. While remaining alert to unexpected opportunities, the U.S. government will, in most of these cases, devote fewer resources at present to these challenging issues than those falling in the first two categories. Ideally, changing circumstances will allow for their longer-term resolution.

China and Non-Proliferation

Any assessment of China's current record on arms control and proliferation must be made with an eye to the past. Although disputes and concerns remain in certain areas, China's general record regarding the proliferation of WMD and their means of delivery has improved in the last 20 years.⁸ During the 1980s, Beijing's practice of transferring proliferation-sensitive technologies and materials that recipient countries such as Pakistan could use to manufacture nuclear weapons and ballistic missiles was a recurring source of tension between the People's Republic of China (PRC) and the United States.⁹ Since then, China has shown an increasing willingness to address international concerns about its WMD-related policies. The PRC has joined a number of non-proliferation treaties and institutions, and has adopted an expanding range of export controls limiting the sale of technologies that could potentially contribute to WMD proliferation.¹⁰ Especially in its declaratory policies, Chinese policy makers emphasize their desire to achieve mutually beneficial, "win-win" outcomes that advance both Chinese and American interests. More than at any time in their history, the PRC and the United States pursue similar non-proliferation goals within a common set of institutions, rules, and principles.

The evolution of China's non-proliferation and arms control policies is undoubtedly due to a variety of political, economic, and military considerations. Insofar as it is possible to generalize, however, two factors seem most influential. First, China's growing integration into the international community has caused its government to reconsider the political and economic costs of proliferation. Chinese officials and analysts consider the United States the most influential global actor for achieving many of China's security—as well as economic and diplomatic—goals. They recognize that the commercial profits that some

Chinese exporters realize through the sale of proliferation-related items are less valuable than the gains derived from maintaining stable political and economic relations with the United States. Furthermore, Chinese leaders appreciate the need to maintain a benign international environment in which Beijing's power and prosperity can increase, unfettered by sanctions or other impediments. As the PRC has gained wealth and prestige, the relative benefits of selling controversial items to states of proliferation concern have declined. Conversely, the costs to China's reputation and relations with important countries from proliferation-related activities remain high. This changing cost-benefit calculus has led the Chinese government to attempt to improve its non-proliferation credentials.

“Beijing understands that its highly beneficial trading relationship with the United States, and probably other countries, could be put at risk were it ever to be identified as a source of a WMD used by terrorists against the U.S.”

Concerns about possible WMD acquisition by Japan, Taiwan, or other Asian countries have long affected Beijing's proliferation-related policies, but China's cost-benefit calculus appears to have been especially influenced by the effects of the September 2001 terrorist attacks on the United

States. The American response to the 9/11 attacks and the U.S. invasion of Iraq demonstrated to Chinese leaders the danger of being perceived as a state accomplice to the activities of dangerous non-state actors. Chinese officials have become more eager to show Washington and other governments that China is a “responsible” global security stakeholder by actively opposing WMD proliferation.¹¹ Chinese government representatives also regularly stress their commitment to curbing WMD proliferation and terrorism to American audiences. While these changes reflect an instrumentalist rationale rather than a newfound commitment to the value of non-proliferation norms, American officials have welcomed this shift in Beijing's behavior.

Second, China's improved behavior is a component of its broader efforts to serve as a “rule shaper” rather than merely a “rule taker” in the international system. Institutions such as the UN provide the PRC with a voice and an ability to constrain U.S. actions in the international community, leading the Chinese government to use these institutions as a means to enhance Beijing's global influence. China also frequently frames its mission in international institutions as providing a leading voice for the developing world, in effect, serving as an alternate power center to the United States.

Beginning in the 1990s, China's participation in international non-proliferation regimes noticeably increased, although, as non-proliferation expert Robert Einhorn notes, China's progress was often “two steps forward, one step back.”¹² In recent years, Beijing's growing participation in international non-proliferation regimes has improved its reputation to such a degree that the Nuclear Suppliers Group (NSG) offered membership to China in May 2004.¹³ As an NSG member, China is obligated to require that all recipients of its nuclear material and technologies adopt “full-scope safeguards,” allowing the IAEA to inspect the recipient's other declared nuclear facilities,

not just those receiving the nuclear transfers, to prevent diversion of the imported nuclear items for use in weapons programs. Of particular importance for China's relationship with Pakistan, NSG guidelines also prohibit members from providing nuclear assistance to countries that have not signed the NPT. Beijing's continuing support of Pakistan's nuclear program still engenders unease and criticism in Washington and New Delhi, but some Chinese nuclear experts have in turn criticized the United States for providing similar support to a non-NPT nation through the U.S.-India nuclear cooperation agreement.¹⁴

China is now a strong supporter of the Global Initiative to Combat Nuclear Terrorism (GICNT). Russian President Vladimir Putin and U.S. President George W. Bush launched the program—which seeks to integrate and expand international efforts to counter nuclear terrorist threats—on the sidelines of the 2006 G8 summit in St. Petersburg. It rapidly gained the support of the other G8 members as well as dozens of other influential countries, including China. The Chinese government decided to join the GICNT at its founding plenary meeting in Rabat in October 2006. Beijing also assumed a position on its Implementation and Assessment Group (IAG), which serves as the Initiative's leadership body by developing the GICNT's work plan and GICNT-sponsored activities. In December 2007, moreover, China's Atomic Energy Authority hosted a Radiological Emergency Response Workshop attended by 55 representatives from 15 GICNT partner countries. Participants received briefings from China's Atomic Energy Authority and the U.S. Department of Energy's National Nuclear Security Administration (NNSA) on using nuclear detection equipment. They also engaged in field exercises and other activities to enhance their capacities to detect potential nuclear terrorist threats.¹⁵ During a June 2008 conference in Beijing involving Chinese and American

strategic experts, the Chinese participants solicited advice from their American interlocutors regarding how they could more effectively engage in the GICNT.¹⁶

Since its accession to the NPT in 1992, China has also become the sole NPT-recognized NWS whose government has signed all the protocols that have been drafted for the existing nuclear-weapons-free zones (NWFZ). The treaties establishing a NWFZ typically contain one or more protocols that define special rights and obligations of non-regional states. These protocols are open for signature by the five countries (Britain, China, France, Russia, and the United States) defined under the NPT as NWS. One of these protocols usually obligates the NWS to pledge to respect the treaty by not stationing or testing nuclear weapons in the zone. Another protocol typically requires them to guarantee that they will not attack, or threaten to attack, the parties to the treaty with nuclear weapons. Countries join NWFZs in large part to obtain these so-called negative security assurances. China is also the only NWS whose government has always offered a no-first-use pledge to all non-nuclear-weapons states, a pledge that the Chinese government formally extends to all countries. Beijing has called on the other four NWS to make the same commitment.¹⁷

Yet China has repeatedly used its growing international role to attempt to reshape the terms of various non-proliferation agreements toward its own preferences. For example, Chinese delegations to various meetings of the Biological and Chemical Weapons Conventions often coincide with the Non-Aligned Movement (NAM) in these developing countries' disputes with the United States and other Western countries. Whereas Beijing and the NAM want to encourage the transfer of technologies from Western states, which often possess the most advanced commercial biotech and conventional industries, Western governments want to limit the spread of proliferation-sensitive dual-use

technologies. Furthermore, at the December 2008 meeting of the Chemical Weapons Convention (CWC) Conference of States Parties, Ambassador Zhang Jun urged countries to prioritize the elimination of the chemical weapons left over from World War II and the Cold War—of which China claims it has none¹⁸—rather than redirect resources toward regulating the new chemical industries that have been emerging in China and other Asian countries since the Convention's entry into force in April 1997. But when it came to verifying that the burgeoning chemical industries in developing countries (such as China) were adhering to the CWC, Zhang cautioned that the Organization for the Prohibition of Chemical Weapons, which administers the CWC verification regime, should proceed “in a gradual and orderly manner with due regard to the capacities of concerned states parties.”¹⁹ The Chinese delegation to the meeting also endorsed the NAM's position that “it is imperative to ensure the removal of and to avoid the imposition of any restrictions that are contrary to the letter and spirit of the Convention, which prevent access to materials, equipment and technology required by developing States Parties for their continued and peaceful development.”²⁰

The Chinese government has also issued defense white papers to reinforce its international position on various non-proliferation issues. The PRC's most recent defense white paper, *China's National Defense in 2008*, reiterates, “China firmly opposes the proliferation of weapons of mass destruction (WMD) and their means of delivery, and actively takes part in international non-proliferation efforts.”²¹ Yet, the text repeats a common Chinese criticism of U.S. non-proliferation policies by arguing that the international community needs to employ an integrated approach that addresses “both the symptoms and root causes of proliferation” and establishes “a global and regional security environment featuring stability, cooperation and mutual trust.” The paper insists that

realizing this objective requires that “double standards must be abandoned” and that non-proliferation disputes must be resolved through “dialogue and negotiation.” Chinese policy makers use these arguments to bolster support for the PRC's preferred approaches toward two particularly troubling proliferation challenges—North Korea and Iran. In both cases, China's white paper reiterates Beijing's insistence on resolving these issues through diplomatic means.²²

China's desire to shape, rather than merely accept, the terms of international agreements has frequently made it reticent to join U.S.-led initiatives over which it will have less influence. China's absence from the U.S.-led Proliferation Security Initiative (PSI) has been a particular source of American disappointment and concern in recent years. The PSI, launched by the Bush administration in 2002, aims to establish a voluntary international coalition that cooperates to curtail the illicit transfer of WMD, their means of delivery, and related technologies and materials. The Chinese government has expressed concerns that the initiative may violate international law and national sovereignty.²³ China's non-participation is especially problematic since neighboring North Korea has always been a primary, if unadvertised, target of the initiative. Indeed, some of the early PSI maritime exercises in Asia seemed designed to pressure Pyongyang to make more concessions in the Six-Party Talks regarding its denuclearization.²⁴ Yet, Chinese analyst Xu Guangyu probably reflects Chinese government opinion regarding PSI when he observed that, “We don't want to see actions that could escalate tensions or spark confrontation. It wouldn't serve China's interests to become closely involved.”²⁵ Thus far, the Chinese government has decided to support specific interdiction efforts on a case-by-case basis.²⁶

Yet, as in the case of the GICNT, the Chinese government has supported some U.S.-led multilateral initiatives that Beijing sees as supporting the PRC's

national economic, political, and security initiatives. For example, China has joined the Container Security Initiative (CSI), which helps secure global supply chains by placing U.S. Customs and Border Protection personnel onsite at the world's largest ports to screen U.S.-bound cargo for dangerous items at the point of origin. After the United States launched the CSI in 2002, China agreed to allow the ports of Shanghai, Shenzhen, and Hong Kong to participate.²⁷ China has also joined the Department of Energy's Megaports Initiative, which installs radiation detection equipment at major ports to screen for material that could be used to make nuclear weapons or dirty bombs. In July 2007, the Chinese port of Hong Kong agreed to allow the U.S. Departments of Energy and Homeland Security to implement its Secure Freight Initiative on a pilot basis.²⁸ By these actions, Beijing presumably hopes both to underscore its anti-terrorist credentials among Americans and avert the commercial disaster that would befall Chinese trade if a container carrying WMD-related items ever entered the United States from China.

China's participation in these initiatives provides an important lesson to U.S. policy makers. Regardless of Beijing's protestations about international legitimacy, its objections to American-led non-proliferation programs are largely instrumentalist. China prefers those international organizations or initiatives (such as the Six-Party Talks and the GICNT) in which it plays the role of a rule maker rather than a rule taker. However, China's participation in CSI points to another important point. China's participation in international security institutions is based not on lofty ideals but on clear calculations of its cost-benefit analysis. In spite of its American origins, CSI promotes the safety of China's exports and the security of global trade. Beijing understands that its highly beneficial trading relationship with the United States, and probably other countries, could be put at risk were it ever to be identified as

a source of a WMD used by terrorists against the U.S.²⁹ The record shows that China is most likely to support American-led security initiatives if the U.S. government shapes the PRC's cost-benefit analysis in a way that either makes the benefits of participation too large to forgo or the costs of exclusion too large to ignore.

Unfortunately, the greatest obstacle to major improvements in China's non-proliferation record is often a domestic cost-benefit analysis on which the U.S. government can exert little influence. Most remaining Sino-American proliferation disputes do not pertain to the actions of the Chinese government, but to the practices of China's state-owned defense industries. China's SOEs are some of the world's most prolific exporters of weapons and dual-use technologies. Although the Chinese government might not directly approve these transactions, the existence of such "serial proliferators" suggests that Chinese officials lack the capacity or the will—or both—to control their activities. While Chinese exporters describe these transactions as peaceful commercial sales, U.S. officials fear they might help the recipient countries make or use WMD. A recurring problem is that Chinese representatives have undermined the spirit, if not the letter, of existing limitations on these transfers by accepting at face value buyers' claims that they will not employ imported dual-use items for illicit purposes—despite U.S. warnings that the recipients engage in such activities.

The Chinese government's failure to curb the activities of the proliferating entities stems from the integrated civil-military nature of these companies and their work. The government relies on sustained economic growth for its legitimacy, and China's defense firms generate essential research and development (R&D) that drives both the civilian and military sectors of the economy. Over the past decade, China's R&D spending has increased at an annual rate of nearly 20 percent. Yet, according to a recent assessment, China still requires

significant improvements in this area before it will have a “mature national innovation system.”³⁰ These companies’ importance to the sustained growth of the Chinese economy prevents the central government from curtailing their WMD-related activities. Moreover, the disaggregated nature of China’s domestic governance and the limited oversight capacity of Beijing-based officials increase the autonomy of these corporations and limit the degree to which the central government has prior knowledge of their activities.

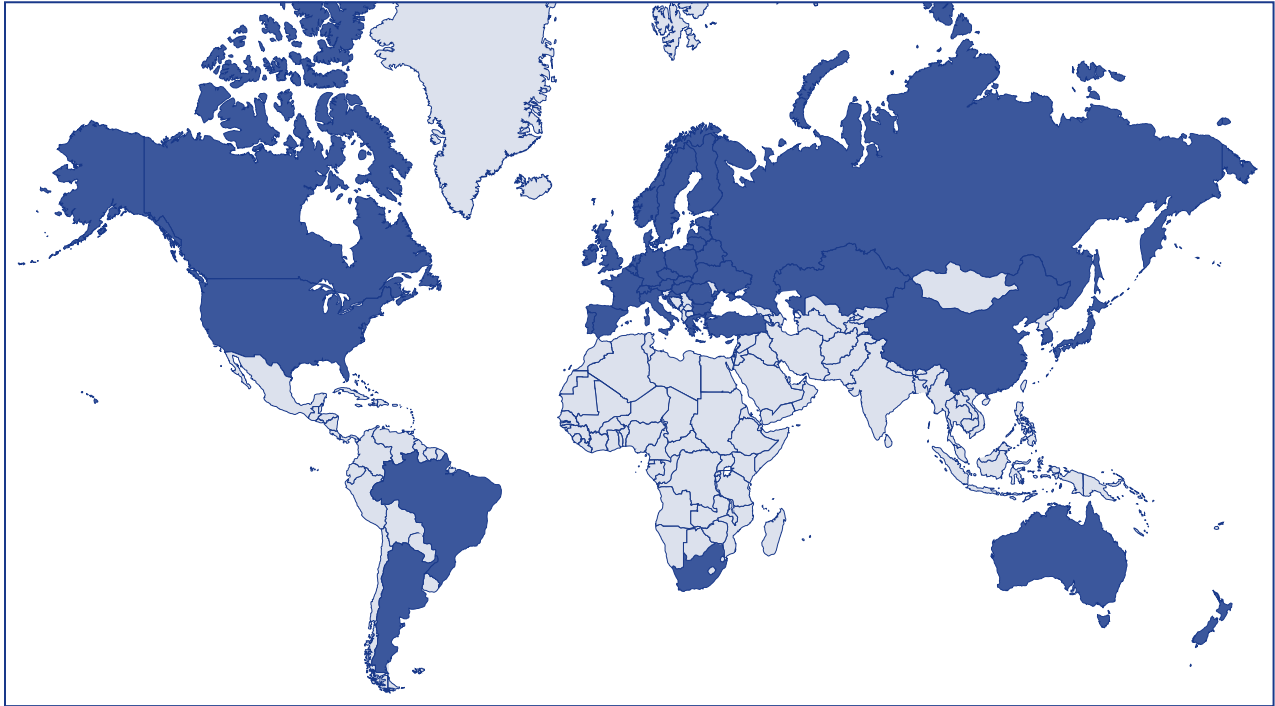
Past U.S. administrations have sought to change China’s proliferation practices through economic sanctions. The George H.W. Bush and William Clinton administrations tended to threaten sanctions against the Chinese government, but then withhold or waive them in return for Chinese pledges of improved behavior. In an effort to express U.S. displeasure and penalize those specific Chinese institutions most involved in proliferation-related activities without jeopardizing the larger Sino-American relationship between the two countries, the Bush administration heavily sanctioned individual Chinese entities rather than the Chinese government. In recent years, the U.S. government has imposed more proliferation-related sanctions on Chinese entities than any other country in the world. According to the administration, these sanctions had a positive effect in some cases, inducing The China North Industries Corporation (NORINCO) and China Great Wall Industry Corporation (CGWIC) to discuss with the State Department how they could avoid further penalties.³¹ Even so, these Chinese-American proliferation conflicts complicated efforts during the Clinton and both Bush administrations to expand Sino-American collaboration in such important fields as civil nuclear cooperation, outer space exploration, the surveillance of infectious diseases and other biological threats, and other areas.³²

Furthermore, China’s unwillingness to take stronger actions against the proliferation activities

of its defense companies has made Beijing reluctant to support various international agreements that would require stricter enforcement of export controls. Chinese officials, following up on several verbal commitments, formally agreed to adhere to the guidelines adopted by the Missile Technology Control Regime (MTCR) in October 1994, despite previous Chinese objections that Beijing could not follow rules it had not participated in drafting.³³ Even so, the other MTCR members have thus far considered Beijing’s adherence to its principles insufficient to accept the PRC’s 2004 application for full MTCR membership. China has also not joined the Australia Group, the Wassenaar Arrangement, or the International Code of Conduct Against Ballistic Missile Proliferation. All these regimes seek to strengthen export controls against “dual-use” biological, chemical, or missile technologies that have legitimate commercial applications but could also be used by recipients to manufacture WMD and their means of delivery.

China and Arms Control

China’s pattern of gradual and selective improvement of its non-proliferation policies largely mirrors trends in its arms control policies over the past 20 years. The Chinese government has moved closer to American positions regarding several important arms control issues, but Beijing still refuses to join the United States and Russia in committing to limit its nuclear weapons or ballistic missiles.³⁴ Until the end of the Cold War, Chinese officials regularly denounced nuclear test ban agreements and other strategic arms control measures as discriminatory and designed to prevent developing countries like China from acquiring the military and economic benefits attributed to possessing nuclear weapons. A particular Chinese concern was that Moscow and Washington were colluding to use arms control to freeze the PRC’s nuclear arsenal into a position of permanent military inferiority.



Countries who are members of the Nuclear Suppliers Group. China became a member in 2004.

The Obama administration's intent to negotiate major reductions in offensive strategic arms with Russia has reinvigorated discussions about China's possible participation in important arms control agreements. For the past year, Russian officials have been explicitly advocating multilateralizing various bilateral Russian-American arms control negotiations. In his address at the February 2008 session of the Munich Security Conference, for instance, First Deputy Prime Minister Sergey Ivanov argued that, "Sooner or later, we will have to start working in a multilateral format."³⁵ As a growing international power and the only acknowledged NWS in East Asia, securing China's involvement is an essential prerequisite to achieving substantial reductions in nuclear weapons. Although the United States and Russia still have much larger nuclear arsenals than China, these two countries will find it difficult to reduce their nuclear holdings below approximately 1,000 warheads unless the PRC commits to limiting

its own nuclear arsenal. Otherwise, Washington and Moscow would fear that Beijing could exploit Russian-American reductions to strengthen its own nuclear forces in an effort to become an equivalent nuclear power. Anxieties about such a Chinese response have already worried Japanese and American policy makers concerned about maintaining the credibility of American extended nuclear deterrence guarantees to Japan. In the past, U.S. promises to defend Japan against a Chinese nuclear attack have played a major role in dissuading the Japanese government from developing its own nuclear weapons. These constraints would weaken if the PRC achieved nuclear parity with the United States.

Despite these considerations, Chinese officials have indicated they have no intention of joining strategic arms reduction talks for offensive nuclear systems of intercontinental range until Moscow and Washington reduce their own arsenals to

“A recurring problem is that Chinese representatives have undermined the spirit, if not the letter, of existing limitations on these transfers by accepting at face value buyers’ claims that they will not employ imported dual-use items for illicit purposes—despite U.S. warnings that the recipients engage in such activities.”

levels approximating that of China. The country’s January 2009 defense white paper commented: “The two countries possessing the largest nuclear arsenals bear special and primary responsibility for nuclear disarmament. They should earnestly comply with the relevant agreements already concluded, and further drastically reduce their nuclear arsenals in a verifiable and irreversible manner, so as to create the necessary conditions for the participation of other nuclear-weapon states in the process of nuclear disarmament.”³⁶ According to many estimates, whereas Russia and the United States have thousands of strategic nuclear warheads, China has only about 20 operational intercontinental ballistic missiles (ICBMs),

each carrying a single warhead, capable of reaching the continental United States. The U.S. intelligence community anticipates that, at best, China will be able to increase this number to 100 warheads by 2015.³⁷ Chinese officials have therefore eschewed accepting limits on their nuclear weapons programs or transparency measures that could facilitate the ability of the United States to locate and destroy China’s inferior strategic weapons.³⁸

China’s participation in the 1987 Intermediate-Range Nuclear Forces (INF) Treaty could also become an important component of arms control dialogues. The existing accord prohibits both the United States and Russia from developing, manufacturing, or deploying ground-launched ballistic and cruise missiles having ranges of 500-5,500 kilometers. Russian officials, however, have pointed out that an increasing number of countries have been developing intermediate-range missiles that could reach targets in Russia. They complain that the existing agreement uniquely discriminates against Russia and the United States and should therefore be multilateralized. In October 2007, then Russian President Vladimir Putin argued that his government would find it difficult to continue its compliance with the treaty unless other countries ratified the agreement.³⁹ Washington and Moscow subsequently agreed to collaborate to encourage other countries to join the INF Treaty, but this campaign has involved little more than jointly issuing an appeal at the UN General Assembly.⁴⁰ Since China’s arsenal mostly consists of missiles falling within INF-range limits, Beijing’s participation would be a vital factor in efforts to broaden the treaty. However, China considers these missiles an integral component of its coercive deterrent capabilities vis-à-vis Taiwan, rendering the prospects for the PRC’s near-term accession to the INF Treaty minimal.

Another arms control agreement of particular importance to both China and the United States is the CTBT. Both governments signed the CTBT

in 1996, but to date neither country has ratified the agreement. The other NPT-recognized NWS—Britain, France, and Russia—have ratified the CTBT and are pressing China and the United States to do so as well. Since signing the treaty, the Chinese government has formally submitted the CTBT to the National People's Congress for ratification. Chinese officials have also repeatedly affirmed their support for the accord and for the principle of ending all nuclear weapons testing. In addition, they have frequently pledged not to resume nuclear testing. The reasons for China's failure to ratify the treaty thus far are unclear, but probably result from a policy of using ratification as a hedging tactic to ensure that Washington also ratifies the CTBT, which would avoid placing the PRC in a militarily disadvantageous position vis-à-vis the United States. Chinese intentions regarding the treaty might become clearer if the Obama administration, as expected, resumes efforts to secure U.S. Senate ratification of the CTBT.

Although Moscow's opposition to U.S. missile defense plans are well known, Chinese policy makers have expressed similar unease about America's expanding capabilities in this area, especially since Japan and the United States collaborate on several joint programs. Beijing's fear is that Washington and Tokyo might at some point seek to extend a missile shield to cover Taiwan. *China's National Defense in 2008* warns "China maintains that the global missile defence programme will be detrimental to strategic balance and stability, undermine international and regional security, and have a negative impact on the process of nuclear disarmament. China pays close attention to this issue."⁴¹ The Chinese and Russian governments have begun denouncing American ballistic missile defense (BMD) programs in their joint statements.

Finally, an emerging area of concern for the international community, and the United States in particular, is China's growing presence in outer

space and the potential need for further arms control in this realm. The 1967 Outer Space Treaty prohibits countries from basing WMD in space, but its application to space-based missile defenses involving lasers or other non-nuclear weapons remains under dispute.⁴² Concerned about these potential loopholes, Chinese delegations have for several years submitted proposals at various multilateral disarmament negotiations to prevent the militarization of space.⁴³ However, the Bush administration repeatedly expressed reluctance to establish space arms control agreements. The 2006 U.S. National Space Policy adamantly asserted the administration's commitment to "enable unhindered U.S. operations in and through space to defend our interests there."⁴⁴ Chinese officials have sought to link progress on negotiating a Fissile Material Cut-Off Treaty, which the Obama administration favors, to American acceptance of their proposed Outer Space Treaty.

Despite Chinese statements about the importance of averting the militarization of outer space, the Chinese military conducted its first anti-satellite (ASAT) test in January 2007, ending a decades-long unofficial international moratorium against such experiments. Although the Chinese government has never given a clear explanation of the reasons for the test, one interpretation is that Beijing may have hoped to shock the Bush administration into abandoning its opposition to further outer space arms control measures.⁴⁵ A more common interpretation is that China was seeking to develop the capacity to disrupt U.S. space-based communications and reconnaissance, especially during a future Taiwan contingency.⁴⁶ Whatever the reasons for the original decision, the Chinese government has signaled that it does not intend to conduct additional ASAT tests. It also reaffirmed its support for a formal treaty banning the deployment of weapons in outer space.⁴⁷ On February 12, 2008, China and Russia jointly submitted a draft treaty that would prohibit the deployment of

some weapons in outer space—including defensive missile interceptors that Beijing and Moscow fear the Bush administration hoped to deploy as part of a space-based BMD system—while not affecting ground-based ICBMs that fly through space or conventional satellites that can function as ramming weapons against other satellites.⁴⁸ Although the Bush administration refused to negotiate another outer space arms control treaty, President Obama has yet to state U.S. policies regarding this issue.

Conclusions

This review of China's recent record regarding WMD proliferation and multilateral arms control exposes several trends. As a general rule, Chinese officials try to support American preferences regarding these issues. The Chinese government sees the United States as the main potential impediment to China's peaceful rise in coming years and therefore hopes to avoid antagonizing Washington regarding issues of vital American concern. In many cases, such as countering nuclear weapons proliferation and nuclear terrorism, Chinese policies have moved closer to U.S. objectives.

As the new Obama administration charts its framework for the strategic management of China, it should seek to move Beijing's policies even more towards advancing international peace and stability. U.S. policy makers should try to deter competitive Chinese behavior as well as hedge against further disruptive acts by Beijing. At the same time, they should vigorously pursue opportunities to engage their Chinese colleagues on security issues of mutual interest, which are expanding. In particular, both the United States and China would benefit from further cooperation regarding countering WMD proliferation and adapting international arms control mechanisms to manage contemporary security challenges more effectively. In attempting to increase cooperation in these areas, the administration should avoid

repeating past situations in which different components of the American government pursued their own China policies based on agency-specific, rather than government-wide, priorities.⁴⁹ Given the importance of China for affecting a range of American interests, such policy integration will need to occur at the level of the White House, under the supervision of the National Security Council. The President may also need to intervene to prevent Congressional committees from trying to impose their own China policies.

Given the diverse array of considerations involved with non-proliferation and arms control, American policy makers will need to prioritize which objectives to pursue most vigorously. This ranking will require constant reassessment depending on the importance of the issue to U.S. security as well as the prospects of cooperating with Beijing on specific projects. An effective strategy might require temporarily sacrificing less significant goals or policies where Sino-American differences are too stark to achieve desirable results in the near term. The continued evolution in Chinese domestic and foreign policies might make these disagreements more amenable to resolution at a later date.

This paper recommends a three-pronged approach for the Obama administration to achieve realistic progress in the Chinese-American non-proliferation and arms control agenda during the next few years. First, American policy makers should move rapidly to take advantage of areas where the PRC and the United States share an obvious interest in increasing their collaboration. Second, President Obama should decide which select priority issues are so important that the administration will probably need to apply all available resources, including presidential attention, to achieve its objectives. Finally, U.S. policy makers will have to identify those longer-term non-proliferation goals that currently experience serious impediments to Sino-American collaboration. Although remaining



Li Zhaoxing, China's Minister for Foreign Affairs, signs the International Convention for the Suppression of Acts of Nuclear Terrorism in September 2005.

alert to unanticipated opportunities, American policy makers will typically devote fewer resources to achieving near-term progress in these challenging areas than those issues that belong to the first two categories.

An effective effort to prioritize issues of concern should include the following considerations:

ARMS CONTROL

Inducing China to limit its arsenal of nuclear weapons and ballistic missiles is important but difficult. These capabilities directly threaten the United States and its allies, complicate transforming Cold War-era bilateral arms control agreements into multilateral institutions, and threaten stability in East and South Asia by disrupting existing power balances. Yet, Chinese policy makers have long rejected joining strategic arms reduction agreements before the United States and Russia decrease the size of their own arsenals to that of China. Even so, while the Chinese government refuses to accept formal limits on its strategic programs, Beijing may consent to constrain them unilaterally to avoid antagonizing Washington or Moscow.

Pending changes in China's approach to formal strategic arms control, the U.S. government could profitably pursue opportunities for operational arms control based on unilateral constraints not requiring negotiated force reductions. *China's National Defense in 2008* insists, "the People's Liberation Army (PLA) adheres to the highest standards of nuclear safety and control" and has adopted "special safety measures to avoid unauthorized and accidental launches."⁵⁰ The governments of China and the United States should more comprehensively address measures to avoid accidents, misunderstandings, confrontations, and other developments that risk escalating into a nuclear war between the two countries.

COUNTER PROLIFERATION AND NUCLEAR TERRORISM

In the area of curbing nuclear proliferation and WMD terrorism — arguably the most important American security concerns at present — the record suggests that Chinese officials tend to be more supportive of security institutions in which China played an early leading role in their development, giving Beijing considerable influence in setting their rules. For example, China's extensive engagement with the GICNT likely results from its being a joint Russian-American initiative that rapidly gained G8 support. In contrast, the PSI is more clearly an American-origin enterprise that continues to reflect Washington's security priorities. By joining the IAG, moreover, Beijing has been able to help craft the "rules" for the GICNT, unlike in the case of the PSI, the 1968 NPT (which China joined only in 1992), and many other institutions in which the PRC has been asked to accept a set of principles and decisions that its government had little input in formulating. Whatever the reason for Beijing's support, maintaining China's involvement with the GICNT is especially important since Beijing does not participate in the Russian-American strategic arms control process or U.S. threat reduction programs involving the former Soviet republics. The GICNT therefore provides

one of the few intergovernmental institutions through which the international community can engage with Chinese officials on issues related to nuclear terrorism and the security of the PRC's nuclear materials. Most other multilateral endeavors in this area occur on an unofficial or semi-official basis, which facilitates dialogue but also makes it harder to negotiate and enforce agreements. In addition, the GICNT might provide a mechanism to implement the 2008 recommendations of the U.S. Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism that Washington and Moscow augment collaboration with China to help curtail WMD proliferation and terrorism in South Asia.⁵¹ In this regard, the three countries would be building on their past collaboration regarding North Korea within the framework of the Six-Party Talks.

ENDNOTES

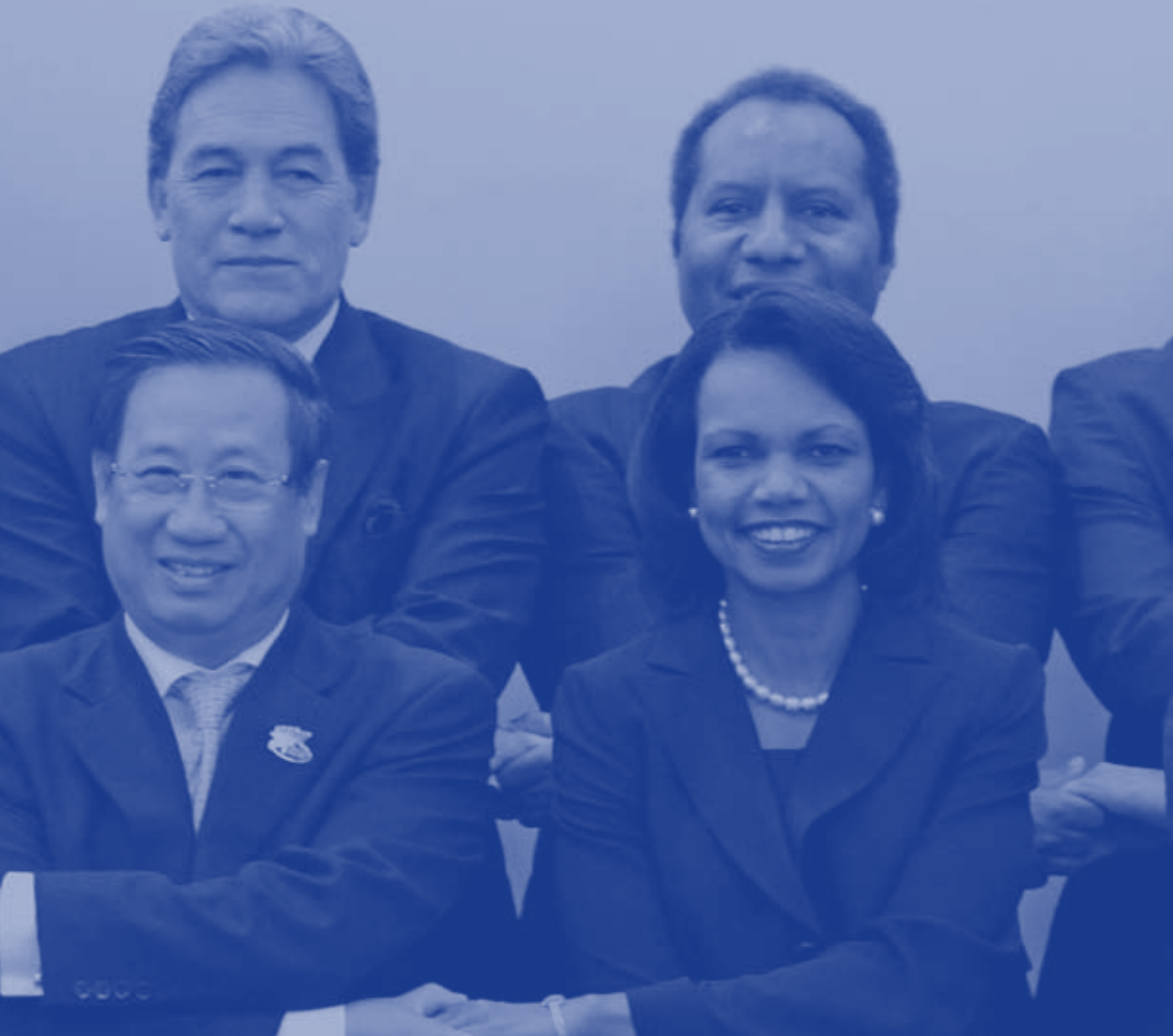
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CHAPTER V:

ASIAN REGIONALISM AND THE FUTURE OF
U.S. STRATEGIC ENGAGEMENT WITH CHINA

By Dr. G. John Ikenberry



"The security dilemma rationale for a multilateral security mechanism in Northeast Asia is fundamental. And proponents of a new security mechanism argue that without new efforts to address the sources of the security dilemma, it is almost inevitable that conflict between China, Japan, and the United States will grow."

ASIAN REGIONALISM AND THE FUTURE OF U.S. STRATEGIC ENGAGEMENT WITH CHINA

By Dr. G. John Ikenberry

Introduction

The rise of China is one of the defining dramas of world politics in the 21st century, with far-reaching implications for America's strategic interests and global position. How the United States should respond to growing Chinese power is—and will increasingly be—a seminal question of grand strategy in the years ahead. At the same time, East Asia as a region is also transforming, and the countries in East Asia are building various regional groupings and forging new relationships. How should the United States make sense of this growing “regionalism” in East Asia in the context of a rising China? Do these regional groupings benefit China? How should the United States engage China and its allies in the development of regional security and political and economic groupings?

Over the postwar decades, the United States built a regional security order in East Asia organized around bilateral security partnerships and an open trading system. This regional framework has provided a remarkably successful basis for the pursuit of American interests in close association with its allies. But the region is changing and efforts to build multilateral regional associations are growing—including calls for the establishment of a permanent security mechanism. This is not surprising. The region is undergoing extraordinary change with the rise of China, the “normalization” of Japan, and the ongoing nuclear crisis on the Korean peninsula. Rapid economic growth, rising defense budgets, unresolved territorial disputes, frayed alliance ties, growing nuclear proliferation threats, and shifting orientations of governments are together reshaping the security environment for all the states in the region. The increasing salience of newer and non-traditional security issues—such as energy security, the environment, transnational crime, and terrorism—is also creating new interests and constituencies urging expanded regional security cooperation. As uncertainties and insecurities have risen across Asia, so

too has talk about new forms of regional dialogues and institutional cooperation.¹

“China has actively engaged in regional institutions, such as ASEAN plus 3, ARF, and the Asian Summit. These regional groupings give Beijing tools to signal what it hopes will be seen as its non-belligerent intentions. To avoid being seen as a disconnected and increasingly powerful regional wild card, China uses institutions to reassure and engage.”

This paper asks two sorts of questions. One set focuses on growing Asian regionalism and the emerging American and Chinese struggle for influence. Here we want to know how various forms of regionalism impact China's interests and position. Do these institutions advance or constrain China's growing influence in the region? Do these institutions help or impede U.S. efforts to advance its own interests in the region? Do proposals for regional security dialogues—which would include China—pose a threat to the viability of America's

bilateral alliances? These questions all focus on regionalism as it affects great power politics and the efforts by the United States and China to advance their often competing interests.

A second set of questions focuses on the wider shifts within the region—and the various ways that the United States can use regional institutions to support its allies and protect its interests. What are the “demands” for regional cooperation? What sorts of problems can regional cooperation address? How do other countries in the region—in both Northeast Asia and Southeast Asia—think about the role of regionalism? Again, the question comes back to the United States. How should the United States think about East Asian regionalism? And how should the United States reorient its Asia-Pacific strategy to account for growing regionalism?

The paper makes the following arguments:

- There are a variety of regional initiatives, each with its own proponents, logic, and purposes. No single regional institution currently or prospectively will dominate the region, and China cannot ensure a future in which it sits at the center of a regional organization that excludes the United States.
- Regional institutions can be useful to China as it seeks to signal restraint and commitment to neighbors that are worried about rising Chinese power.
- Regional institutions can be useful to the United States as a way of “embedding” China in wider groupings that provide mechanisms for neighbors to engage with and restrain Beijing.
- The United States does not need to choose between its bilateral alliances and regional institutional cooperation.
- Regionalism—manifest in the growing density of institutionalized cooperation across East Asia—is generally a “friend” to American

strategic interests. This is particularly true if a variety of layers of East Asian regionalism remain, and if the United States is actively involved in the most important ones.

I start by looking at the various ways that regional groupings and institutions matter in the context of Chinese and American strategic interests. Next I look at the “old order” in East Asia and the ways in which the bilateral alliance system provided stability and advanced American interests in the region. After this, I look at how regionalism can play a role in setting the terms of China’s growing power in the region. Finally, I look at various possible pathways of regionalism and how they might impact Chinese and American interests and position in the region. This provides the basis for offering some policy suggestions for American policy makers.

Regional Institutions, Security Dilemmas, And Collective Action

How does growing East Asian regionalism shape and advance China’s interests and position in the region? And how might this regionalism provide tools to advance American interests in the region? These questions force us to ask more basic questions about how regional institutions “matter” in the context of great power politics. How do institutions advance and constrain states’ power and influence? How are regional institutions of use as “tools” for China and the United States in the context of growing regionalism in East Asia?

At the outset, it should be observed that there are a wide variety of regional groupings in East Asia—and a wide variety of proposals for new regional groupings. Bates Gill and Michael Green take note of this wide-ranging and shifting East Asian regionalism:

Over the past sixty years, Asia’s stability has rested on the foundations of bilateral alliances between the United States and Japan, Australia, and South Korea principally, but also the



Philippines and Thailand. However, in recent years the regional architecture has been reinforced with the long-standing Association of Southeast Asian Nations (ASEAN) and a more mature ASEAN Regional Forum (ARF), as well as with other multilateral mechanisms such as the Asia-Pacific Economic Cooperation (APEC) forum, the ASEAN Plus Three (APT) process, the Shanghai Cooperation Organization (SCO), the Six-Party Talks on Korean Peninsula stability, and the newly formed East Asia Summit (EAS). Reflective of the region itself, this new architecture is highly fluid and engenders both cooperation and competition among the region’s powers. What is more, the future direction and success of these arrangements and the implications for global and regional security and prosperity remain unclear even as the elements of this dynamic regional architecture expand and become more complex.²

The remarkable variety and scope of these various regional groupings makes it clear that states are using regional institutions for a range of purposes. We can identify these various purposes.

First, the most important use of regional institutions is in **mitigating the security dilemma**. This is a situation where two (or more) states are drawn

into conflict that is not wanted by either side but provoked when one state's defensive measures to increase its security unintentionally create insecurity in the other side. A regional security institution or mechanism can provide diplomatic tools and a flow of information that can dampen this sort of conflict.

The security dilemma rationale for a multilateral security mechanism in Northeast Asia is fundamental. And proponents of a new security mechanism argue that without new efforts to address the sources of the security dilemma, it is almost inevitable that conflict between China, Japan, and the United States will grow. This is because of the two great dramas that are unfolding in the region: the rise of China and the “normalization” of Japan. Each has the potential to trigger a spiral of conflict—but because these twin developments are unfolding simultaneously and can influence each other, the dangers are even larger.

As a result, a regional security grouping can be useful to all three countries, as it provides ways to mitigate distrust and uncertainty. The security institution can do various things, including: encourage transparency and early notification of military- or security-related actions among members, resolve misunderstandings and prevent miscalculations concerning the intentions of others, and promote the peaceful resolution of disputes.

A second role of regional institutions is to **promote collective action**. Opportunities for cooperation may be otherwise missed because of a lack of knowledge of other members' joint interests, collective action problems, commitment uncertainties, and so forth.

China may have an interest in establishing a cooperative security environment that will allow it to address problems of energy security, environmental degradation, and other emerging

non-security problems. The extraordinary growth of the Chinese economy is creating externalities in the region—economic, political, environmental, and security—that should worry Beijing. China is clearly searching for a regional strategy that will allow it to address these emerging dangers and instabilities. For example, several Chinese experts have advanced the idea of “sustainable security” as a concept that might help inform the creation of an “East Asian Security Community.”³

Japan and other states in the region also have proposed various sorts of new regional organizations aimed at tackling “new” security problems, such as the environment, energy, and development. Hitoshi Tanaka, the Japanese diplomat, has articulated a vision of an East Asian Community that would develop an inclusive, rules-oriented community—a regionalism with mechanisms for expanded cooperation on common economic and political problems.⁴ The goal of this sort of regionalism is to establish a stable and open region that allows all states within it to operate effectively—trading, doing business, and tackling transnational problems. This regional community would have a “security forum” attached to it that would allow the major states to engage in ongoing dialogue on regional security issues.

Perhaps the most explicit regional grouping that aims at collective action is APEC, which seeks to build stronger open economic ties across the Asia Pacific. The various efforts by ASEAN to work with China, Japan, and South Korea to build stronger capabilities for regional monetary and financial stability also are examples of collective action. In this sense, institutions are useful in a variety of ways: they provide mechanisms for states to work together, and they embody rules and norms that inform the stable functioning of the region.

There are other, more tactical, uses for regional institutions that draw on these two basic functions—that is, signaling restraint and

commitment and facilitating collective action. One is **security binding**. This is what the United States and its allies pursue within their bilateral, “hub and spoke” system of security pacts. The United States makes specific security commitments to Japan, South Korea, and other regional partners, and in exchange these countries tie themselves to the United States and support its general regional strategic presence and goals. The direct benefits to the United States and its allies are obvious. But there are also indirect benefits. The United States is able to signal commitment and restraint more generally by establishing itself as the leading agent of stability and order in the region. Japan’s security ties to the United States allow it to be seen within the region as a restrained great power. Japan can gain security without developing the independent military capabilities that would trigger region-wide security dilemmas.

Another tactical use of institutions is demonstrated by the way China uses participation in regional institutions as a way to **convey restraint and leadership**. Indeed, to the surprise of many states in the region, China has actively engaged in regional institutions, such as ASEAN plus 3, ARF, and the Asian Summit. These regional groupings give Beijing tools to signal what it hopes will be seen as its non-belligerent intentions. To avoid being seen as a disconnected and increasingly powerful regional wild card, China uses institutions to reassure and engage.

China’s initial embrace of Western-oriented rules and institutions has been pursued in part for defensive purposes—protecting its sovereignty and economic interests while seeking to reassure other states of its peaceful intentions by involvement in regional and global groupings. But as the scholar Marc Lanteigne argues: “What separates China from other states, and indeed previous global powers, is that not only is it ‘growing up’ within a milieu of international institutions far more developed than ever before, but more

importantly, it is doing so while making active use of these institutions to promote the country’s development of global power status.”⁵ The result is that China is already increasingly engaging, rather than working outside of, the existing international order.

*“Yet partly by accident
and partly by design,
a relatively stable
and peaceful order
has emerged in East
Asia over the last half
century. It is an order
organized around ‘hard’
bilateralism and ‘soft’
multilateralism.”*

Indeed, China is clearly aware of the unintended consequences of its own rapid growth in power. Other countries in the region—and the other outside great powers, including the United States—worry about rising security threats that manifest themselves as China grows. Beijing appears to be pursuing a regional diplomatic strategy that aims to reassure the neighborhood, what Avery Goldstein has called a “neo-Bismarckian” grand strategy.⁶ In an echo of Bismarck’s efforts to allay the fears of European leaders as Germany unified, Chinese leaders are cooperating with other East Asian countries in the strengthening of regional dialogues and institutions. China’s neighbors are, in turn, also seeking to tie China

to regional institutions and dialogues so as to make its rising power more predictable and less threatening.⁷

The Old American-Led Order in East Asia

The debate about China and East Asian regionalism is taking place in the context of an existing American-led security order. This order has been remarkably durable and legitimate, producing a stable order for almost half a century. But forces of change, including the rise of China, are creating pressures for a reorganization of the East Asian order.

Indeed, there is a widespread view that the postwar East Asian system of economics, politics, and security is not well organized. The contrast with Europe is striking. Europe engineered a stable postwar peace, built around a Franco-German accord and layers of regional institutions—NATO, the EU, the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe, and others. In contrast, East Asia has no region-wide system of cooperative security, while it does have unresolved historical antagonisms, conflicting economic systems, divided and disputed territories, and rapidly shifting power relations.

Yet partly by accident and partly by design, a relatively stable and peaceful order has emerged in East Asia over the last half century. It is an order organized around “hard” bilateralism and “soft” multilateralism. At its core is the U.S.-Japan alliance and the wider system of bilateral alliances that connect the United States to Korea, Taiwan, and other Asian countries. Supplementing this security system is a variety of soft regional dialogues, including APEC, ARF, ASEAN plus 3, and the Asian Summit.⁸

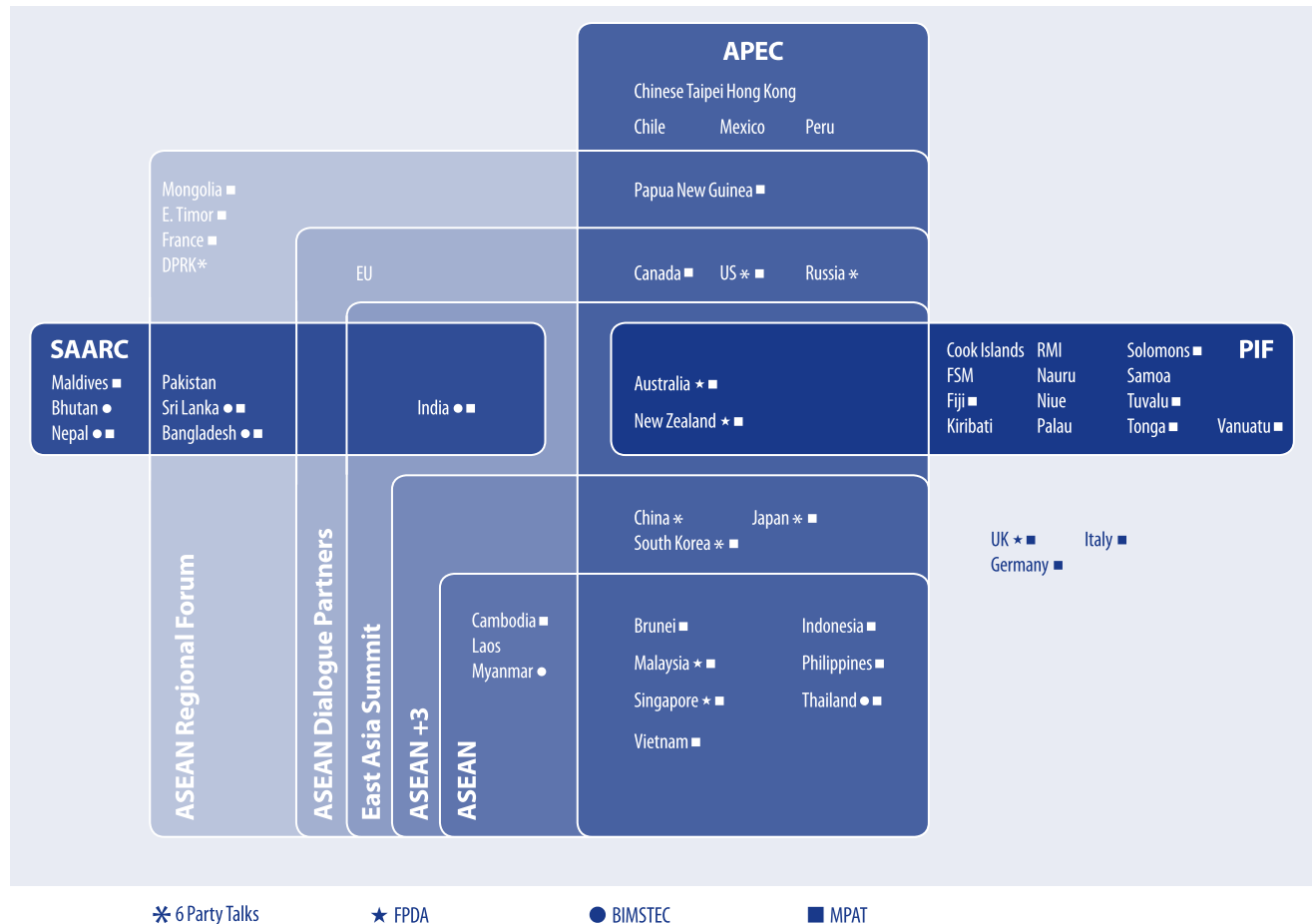
In essence, postwar order in East Asia has been built according to an American-style hegemonic logic. The United States has exported security and imported goods. It is an order where the U.S.-Japan

alliance—together with the wider hub and spoke system of bilateral security ties—provides the hidden support beams for the wider region. It is an order based on a set of grand political bargains. The United States provides security, open markets, and working political relations with its partners; in return these countries agree to affiliate with the United States, providing it with logistical, economic, and diplomatic support as the United States leads the wider system.

From the outset, this bilateral security order has been intertwined with the evolution of regional economic relations. The United States facilitated Japanese economic reconstruction after the war and created markets for Japanese exports. The American security guarantee to its partners in East Asia provided a national security rationale for Japan to open its markets. Free trade helped cement the alliance, and in turn the alliance helped settle economic disputes. The export-oriented development strategies of Japan and the other Asian “tigers” depended on America’s willingness to accept imports and huge trade deficits, which alliance ties made politically tolerable.

Over the decades, this American-led alliance system has been quite functional for both the United States and its partners. This is true in at least four respects. First, the hub and spoke alliance system provides the political and geographical foundation for the projection of American influence into the region. With forward bases and security commitments across the region, the United States established itself as the leading power in East Asia. Second, the bilateral alliances bind the United States to the region, establishing fixed commitments and mechanisms that increase certainty and predictability about the exercise of American power. Worry is reduced in the region about America coming and going. Third, the alliance ties create channels of access for Japan and other security partners to Washington. In effect, the alliances provide institutionalized “voice opportunities” for

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these countries. Finally, the U.S.-Japan alliance has played a more specific and crucial role—namely, it has allowed Japan to be secure without the necessity of becoming a traditional military power. Japan could be defended while remaining a “civilian power,” allowing it to rebuild and reenter the region without triggering dangerous security dilemmas.

In these ways, the U.S.-Japan alliance and the bilateral alliance system have been more than defense arrangements—they have also served as political architecture for the wider system. Through this system, American power has been linked and rendered more predictable, while Japan has been able to reassure its neighbors, integrate into the region,

and pioneer a civilian pathway to growth and influence. In effect, in the postwar era, if Japan was the Germany of East Asia, the United States played the role of France. Just as the Franco-German partnership was the linchpin for the reintegration of Germany into Europe, the U.S.-Japan alliance was the linchpin for Japan’s reentry into Asia. Importantly, China’s unspoken support for the U.S.-Japan alliance over the decades reflects the fact that these stabilizing and reassurance functions of the alliance were widely appreciated in the region.

Even today, as change erodes aspects of this order, the old logic of order still has its virtues. Indeed, it is hard to envisage a wholly new logic of order for

East Asia that is equally functional. It is difficult to imagine a peaceful and workable regional system without these bilateral security underpinnings and a continuing hegemonic presence by the United States. Looking into the future, the challenge will

“The United States’ challenge is not to block China’s entry into the regional order, but to help shape its terms, looking for opportunities to strike strategic bargains at various moments along the shifting power trajectories and encroaching geopolitical spheres.”

be to adapt this regional order to accommodate the rise of China and the “normalization” of Japan—but to do so in ways that retain the virtues of the old order.

Caging a Rising China

The rise of China presents a fundamental challenge to this postwar East Asian order. During the Cold War era, China operated largely outside its regional frameworks and bargains. But in the last decade, because of rapid and sustained growth and increasingly activist diplomacy, China is now squarely inside the region—and its power and influence continue to expand.

As China gets more powerful, two things are likely to happen. First, China will want to use its growing capabilities to reshape the rules and institutions of the regional order to better reflect its interests. Second, China will increasingly be seen as a security threat to other countries in the region. The result will be growing tension, distrust, security dilemmas, and conflict. China is a formidable and potentially troubling specter: 1.3 billion people, nuclear weapons, nine percent economic growth, a robust nationalist spirit, and expanding regional aspirations.

Accordingly, the current regional order threatens to unravel. East Asian countries will likely find themselves “picking sides.” For example, South Korea might increasingly ask itself whether the United States should remain its security patron or whether its long-term future lies in operating within a Chinese-centered regional order. Some countries would flip toward China and others would flip toward the United States. The United States might find itself increasingly under pressure to hold onto its strategic partners and forward-based positions in the region. The specific scenarios are numerous, but they are all stories about the coming crisis of the old order.

The United States’ challenge is not to block China’s entry into the regional order, but to help shape its terms, looking for opportunities to strike strategic bargains at various moments along the shifting power trajectories and encroaching geopolitical spheres. The big bargain that the United States will want to strike is this: to accommodate a rising China by offering it status and position within the regional order in return for Beijing accepting and accommodating Washington’s core strategic interests, which include remaining a dominant security provider within East Asia.

In striking this strategic bargain, the United States will also want to try to build multilateral institutional arrangements in East Asia that will tie down

and bind China to the wider region. China has already grasped the utility of this strategy in recent years—and it is now actively seeking to reassure and co-opt its neighbors by offering to embed itself in regional institutions such as the ASEAN plus 3 and the East Asia Summit. This is, of course, precisely what the United States did in the decades after World War II, building and operating within layers of regional and global economic, political, and security institutions—thereby making itself more predictable and approachable, and reducing the incentives that other states would otherwise have to resist or undermine the United States by building countervailing coalitions.

Perhaps more relevant to a rising China is Germany on the eve of unification in 1989. The prospect of a unified—and more powerful—Germany worried the leaders of France, Britain, and Russia. In moving forward with unification, Chancellor Kohl signaled to his neighbors that if they acquiesced in unification, Germany would redouble its commitment to European integration and the Atlantic security community. German Foreign Minister Hans-Dietrich Genscher articulated the German view in a January 1990 speech: “We want to place the process of German unification in the context of EC [European Community] integration, of the CSCE [Conference on Security and Cooperation in Europe] process, the West-East partnership for stability, the construction of the common European house and the creation of a peaceful European order from the Atlantic to the Urals.” Germany’s message was clear: to gain acquiescence in its unification and growth in power, Germany was prepared to further bind itself to its neighbors.

The challenge for the United States is to encourage China to respond in this same enlightened way. But to do this, there will need to be a more formal and articulated regional security organization established into which China can integrate. Such

“...to the extent that the United States takes an active role in working on the development of regional cooperation—cooperation that includes China—it improves its own strategic position. Being an active participant sends a signal to other Asian states that they do not need to choose between the alliance with the United States and regional cooperation.”

an organization need not have the features of an alliance system—the countries in the region are not ready for this; a security organization is needed that has a treaty of non-aggression and mechanisms for periodic consultation at its center.

In this volume Michael Green and Daniel Twining evince skepticism of the European example, arguing that the binding strategy that I propose is suited to liberal democracies such as Germany and France but not to autocratic states such as China. They suggest that I overlook the “key variable of regime type as a necessary condition for institutional binding to work.”⁹ They correctly site my argument that liberal democracies do find it

easier to make binding commitments and convey institutionally grounded signals of restraint and commitment.¹⁰ However, they fail to appreciate several factors that make institutional binding relevant to the rise of China. First, even among liberal democracies institutional binding is never absolute. It entails states agreeing to operate within a shared institutional framework. States—even liberal democracies—can break out of these institutional binds. The point is that the institutional participation allows states that are suspicious of each other to exchange information, develop working relations, generate transparency, and thereby reduce the perceived risks of sudden shifts toward militarized aggression. This is true regardless of regime type. Second, authoritarian states can, in fact, make credible signals of restraint and reassurance.¹¹ It is always a matter of degree and at the margins. Third, this fact is clearly understood by states within the region. Neighboring states do seek to bind China within regional institutions—and they pursue this goal because they realize that binding has some impact on Chinese behavior and the prospects for conflict.¹² Green and Twining are no doubt correct that China is currently unable to play a hegemonic role in the way the United States has in Europe and Asia. But it is precisely because of this that the United States will remain a critical provider of order within the region. A strategy of institutional binding will not solve all the problems of East Asia or guarantee a future as peaceful as Europe, but it will reinforce and expand the logic of the existing order—an order in which the United States remains at the core.

The United States will want to insist that a new East Asian regional security organization complement rather than supplant its bilateral security alliances. Moreover, the creation of a new East Asian security organization that includes China need not be inconsistent with simultaneous efforts to strengthen ties between America's democratic allies in the region. This is true in two respects.

First, because China's future is so uncertain, the United States will naturally want to hedge its relations and nurture and reinforce relations with democratic states in the region. But also—as Professor Thomas Christensen of Princeton University argues—China's current willingness to pursue an engagement strategy in the region and participate in regional multilateral institutions is at least in part triggered by Beijing's worries that the United States will seek to contain and counterbalance China. If this is so, the two tracks of American policy work together—drawing China into a more institutionalized regional order and strengthening the alliance bulwark among democratic East Asian states.

Conclusion

There are several possible pathways for East Asian regionalism—some more advantageous to the United States and some less so. One possibility is that China gradually comes to dominate regional institutions, reducing American influence and the pivotal role of the U.S.-led bilateral security pacts. This could happen if regional institutions that exclude the United States—such as ASEAN plus 3 and the SCO—emerge as serious regional entities. This is not a likely outcome. America's allies are not likely to accept this evolution in East Asian regionalism. A more likely route is a growing pluralism of regional groupings and associations. The region already is marked by this multi-layered regionalism. No singular regional organization—an “EU of Asia”—is in the offing. There are simply too many divergent and complex problems that call for different sorts of regional mechanisms and groupings. East Asia will not follow a European pathway.

If the foregoing is correct, several policy recommendations for the United States follow. First, the United States does not need to “choose” between bilateral alliances and regional cooperation. In the past, Americans rightly worried about this

problem. Many people thought that the growth of East Asian regionalism would undermine the logic and primacy of the bilateral security system. But this does not appear to be a threat today. The alliances are valued by Japan, Korea, and other states in the region, in part because of the rise of Chinese power. None of America's allies are eager to trade these defense agreements away for regional multilateral security cooperation. America and its allies do not want to choose, and indeed they do not need to.

Second, beyond this, to the extent that the United States takes an active role in working on the development of regional cooperation—cooperation that includes China—it improves its own strategic position. Being an active participant sends a signal to other Asian states that they do not need to choose between the alliance with the United States and regional cooperation. Also, active American participation helps ensure that the resulting regional groupings will include the United States.

Third, it is in America's interest to find ways to embed China in regional political, economic, and security groupings. The logic that was so important for the embedding of Germany in Europe—both after World War II and after unification—holds for China as well. A China that is excluded and disconnected is a more worrisome state than if it is operating inside a variety of regional institutions.

Overall, regionalism is thriving in East Asia because it is useful to many different constituencies in many different ways. Regionalism is not something that benefits only China or the United States. It has advantages for both. Going forward, there will be growing reasons for regional cooperation. Since the security dilemma—triggered by the rise of Chinese military power and the “normalization” of Japan—will continue to create insecurity, regional security dialogues and mechanisms will

be useful. There are also a full range of functional problems—energy security, the environment, transnational crime, etc.—that call for regional collective action. Regionalism will grow because the demand for it will grow. But the old American order built around bilateral security pacts does not need to fully give way to these new developments. When it comes to bilateral security ties and regional multilateral cooperation, the United States can—and should—have it both ways.

ENDNOTES

- ¹ This essay builds on several earlier papers. See G. John Ikenberry, "A New Order in East Asia?" in Kent Calder and Francis Fukuyama, eds., *East Asian Multilateralism* (Baltimore, MD: Johns Hopkins University Press, 2008); G. John Ikenberry, "American Strategy in the New Asia," *The American Interest*, Vol. 2, No. 1 (September/October 2006): 89-94; and G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs*, Vol. 87, No. 1 (January-February 2008): 23-37. See also G. John Ikenberry and Anne-Marie Slaughter, eds., *Forging a World of Liberty Under Law: U.S. National Security in the 21st Century* (Final Report of the Princeton Project on National Security, Princeton University, 2006).
- ² Bates Gill and Michael J. Green, "Unbundling Asia's New Multilateralism," in Michael J. Green and Bates Gill, eds., *Asia's New Multilateralism: Cooperation, Competition, and the Search for Community* (New York: Columbia University Press, 2009).
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- ⁴ Hitoshi Tanaka and Adam P. Liff, "The Strategic Rationale for East Asia Community Building," in Jusuf Wanandi and Tadashi Yamamoto, eds., *East Asia at a Crossroads* (Tokyo: Japan Center for International Exchange, 2008): 90-104.
- ⁵ Marc Lanteigne, *China and International Institutions: Alternative Paths to Global Power* (New York: Routledge, 2007).
- ⁶ Avery Goldstein, "China's Emerging Grand Strategy: A Neo-Bismarckian Turn," in G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia Pacific* (New York: Columbia University Press, 2003): 57-106.
- ⁷ See Gerald Segal, "Tying China into the International System" *Survival*, Vol. 37 (1995): 60-73; and Morton Abramowitz and Stephen Bosworth, *Chasing the Sun: Rethinking East Asian Policy* (New York: The Century Foundation Press, 2006): 42.
- ⁸ See G. John Ikenberry, "The Political Foundations of American Relations with East Asia," in G. John Ikenberry and Chung-in Moon, eds., *The United States and Northeast Asia: Debates, Issues, and New Order* (New York: Rowman & Littlefield, 2008); and G. John Ikenberry, "America in East Asia: Power, Markets, and Grand Strategy," in T.J. Pempel and Ellis Kraus, eds., *Beyond Bilateralism: The Emerging East Asian Regionalism* (Stanford: Stanford University Press, 2003).
- ⁹ Michael J. Green and Daniel Twining, "Power and Norms in U.S. Asia Strategy: Constructing an Ideational Architecture to Encourage China's Peaceful Rise," *China's Arrival: A Strategic Framework for a Global Relationship* (Washington, D.C.: Center for a New American Security, September, 2009), 131.
- ¹⁰ G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars* (Princeton, 2001).
- ¹¹ See Jessica L. Weeks, "Autocratic Audience Costs: Regime Type and Signaling Resolve," *International Organization*, Vol. 62, No. 1 (Winter 2008).
- ¹² See David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security*, Vol. 29, No. 3 (2004): 64-99.



CHAPTER VI:

POWER AND NORMS IN U.S. ASIA STRATEGY: CONSTRUCTING AN IDEATIONAL ARCHITECTURE TO ENCOURAGE CHINA'S PEACEFUL RISE

By Dr. Michael J. Green and Daniel Twining



POWER AND NORMS IN U.S. ASIA
STRATEGY: CONSTRUCTING AN
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ENCOURAGE CHINA'S PEACEFUL RISE

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**Introduction: Why The Ideational Balance
of Power Matters**

The history of American foreign policy is often framed by realists in terms of “values” versus “interests,” with founding fathers of realist thought such as Hans Morgenthau, Robert Osgood and Henry Kissinger decrying Woodrow Wilson’s vision of “mak[ing] the world safe for democracy” in favor of a supposedly unsentimental and prudential balance of power calculus premised on states’ external behavior and internal capabilities, rather than their ideological orientation.¹ There has been a notable backlash against perceived “idealism” in favor of a more “realist” foreign policy over the past few years. Leading U.S. think tanks have produced strategy reports warning the Obama administration to be cautious in pursuing any “values-based” architecture in Asia.² In an even starker warning, Charles Kupchan and Adam Mount have argued that the United States’ promotion of liberal values puts it at a competitive disadvantage relative to China and Russia, and that Washington should therefore embrace the principle of “non-interference in internal affairs” as part of a new foreign policy for a multipolar world.³ Secretary of State Hillary Clinton struck a similar chord — perhaps unintentionally — when she announced during her first visit to Asia in February 2009 that she would not allow human rights concerns to obstruct cooperation with China on issues like climate change or non-proliferation.⁴

It is not surprising that U.S. strategists are deemphasizing values in the wake of a difficult war and during a period of economic crisis and perceived diminution of American power. A century ago the idealism of Theodore Roosevelt’s Cuban intervention rapidly waned as “goo-goos” and “jingoes” clashed over the costs of democracy promotion and imperialism in the midst of a prolonged and ugly counterinsurgency in the Philippines. The ambitious idealism of Woodrow

Wilson's call to arms in 1917 also dissipated as a war-weary nation turned inward and further scaled back its ambitions during the Great Depression. Richard Nixon's and Henry Kissinger's unsentimental realism was designed to dial down the lofty ambitions set by John F. Kennedy and to restore a tolerable balance of power as America withdrew from Vietnam. In many respects, we are in a similar cycle of contraction and contrition in American strategic thought today.

“American ‘soft power’ — the ability to mobilize or affect the behavior of other nation-states without coercion — depends far more on the currency of American ideals than on the popularity of American culture.”

But it is precisely because of the rise of Chinese power and the longer-term trend towards multipolarity in the international system that values can and should serve as a tool of American statecraft today — just as they have throughout the history of American foreign relations. The debate between ideals and interests is, in many respects, a false dichotomy. The sociological turn in international relations theory has shown that “the national interest” is a normative construct rooted in the identities of individual societies and their elites.⁵ Liberal scholars of the democratic peace and

English School theorists of international society have shown how traditional concepts of balance of power have always been constituted normatively, not simply materially.⁶ Even self-described “realists” have conceded the case. Balance of threat theory, for example, clarifies that states balance not against power but against power that threatens them, with danger defined in ways that implicate the identities of the affected states rather than with regard to any pure structural logic.⁷

As examined in this paper, what we term “balance of influence” — the ideational counterpart of the balance of power — rests even more fundamentally on the spread of the universal norms that underpin the neo-liberal order. American “soft power” — the ability to mobilize or affect the behavior of other nation-states without coercion — depends far more on the currency of American ideals than on the popularity of American culture. In short, in times of uncertain material power, the ideational balance of power deserves more — not less — attention. More specifically, we see six reasons for the United States to focus on the ideational dimension of the balance of power in Asia.

First, despite the apparent shift back to “realism” in U.S. strategy, there is actually an enduring bipartisanship behind the pursuit of democratic values within the American foreign policy establishment. During the 2008 campaign, President Obama called for a new worldwide concert of democracies to overcome obstruction by the authoritarian governments of Russia and China in the UN Security Council, and key officials of his administration were involved in the Princeton Project, whose final report called for the construction of a new “concert of democracies” to manage twenty-first century challenges.⁸ Secretary of State Hillary Clinton's Policy Planning Director at the State Department, Anne-Marie Slaughter, authored the Princeton Project's final report, which called for reconstituting the quadrilateral military partnership among the United States, Japan, Australia,

and India. Secretary Clinton also visited Indonesia on her inaugural trip as Secretary to pledge the development of a comprehensive partnership.⁹ Among Republicans, John McCain called for a “league of democracies” and construction of a comprehensive new partnership with democratic Indonesia, while Rudy Giuliani advocated incorporating Asia’s militarily capable democracies into NATO.¹⁰ President Obama’s ambassador to NATO, Ivo Daalder, has advocated a worldwide alliance of democracies in the form of a “global NATO.”¹¹ Rumors of democracy promotion’s demise are premature.

Second, universal values are a force multiplier in a region where democratic norms are on the ascent. The democratization of every major Asian power,¹² with the critical exception of China, creates a solid foundation for trans-Pacific cooperation based on a set of norms and values that few states in the region shared with the United States (or each other) during the Cold War. Democracy is now America’s greatest source of soft power in Asia—uniting it with states as diverse as Indonesia and Mongolia, and with great powers like Japan and India—based on a shared belief in representative government and rule by law.

Far from being imposed by the West, democracy now has an Asian face, demonstrating the universality of liberal beliefs, which have become the true “Asian values” that cultural apologists for Confucian authoritarianism once decried. Leading Asian powers are increasingly defining their national interests with reference to the liberal norms that legitimize their social systems, creating a platform for greater cooperation with and among them to shape the rules of international society in 21st century Asia. Interestingly, both India, with its growing weight in the international system, and Japan, which is experiencing a process of relative material decline vis-à-vis competitors like China, identify democratic legitimacy as a source of strength not only domestically but in geopolitical

terms. This is also true in different ways in South Korea and Indonesia. We will examine these trends in more detail below.

*“Democracy is now
America’s greatest
source of soft power
in Asia — uniting it
with states as diverse
as Indonesia and
Mongolia, and with
great powers like Japan
and India — based
on a shared belief
in representative
government and rule
by law.”*

Third, consistency on values provides reassurance for allies. Japanese and Korean leaders worry about the evolution of the United States’ Asia strategy towards a bipolar condominium with China. In Japan, American neo-realism evokes memories of the Nixon shocks (the surprise opening to China, the soybean embargo on Japan, and decoupling the dollar from the gold standard), as well as the Bush administration’s decision to lift sanctions on North Korea over the objections of the Japanese government, which had received prior assurances that America would keep those exact sanctions on terrorism in place until there was progress on the fate of Japanese abducted by Pyongyang. The



Headquarters of the United Nations Economic and Social Commission for Asia and the Pacific.

credibility of the Taiwan Relations Act or the U.S. commitment to isolated Mongolia is also measured in terms of how much Washington appears to value democracy itself in Asia.

None of these democratic allies or like-minded states seeks an active alliance to contain China, but all are hedging as China rises and are acutely sensitive to subtle shifts of alignment in the region. They want neither entrapment in any U.S. containment strategy, nor abandonment by the United States in a Sino-U.S. condominium. They will hedge against both risks and it is in U.S. interests to minimize that unilateral hedging behavior. Consistent commitment to shared values provides the transparency and reassurance needed to achieve that end.

Fourth, the ideational balance of power is critical to shaping Chinese behavior. Just as a commitment to spreading universal norms reassures allies at a time of rising Chinese power, it can also serve as an important tool of dissuasion towards Beijing. A reinforced regional commitment to human rights, rule of law, transparency and (eventually) free and fair elections can help to set important boundaries on Chinese behavior. China is trying to avoid a security dilemma with its neighbors by wrapping

its rising power and influence in the reassuring language of “peaceful development” and the establishment of a “harmonious society,” while arguing that China is being faithful to a regional consensus on “non-interference in internal affairs.” A broad regional commitment to universal values raises the stakes for China of pursuing mercantile or irredentist policies because of the prospect of counterbalancing and closer alignment among neighboring states if China violates regional norms.

For example, a broad regional commitment to transparent foreign aid procedures undermines Beijing’s non-interference argument and increases the pressure on China to follow suit with economic assistance policies that support, rather than undermine, good governance in recipient countries. Similarly, a U.S.-EU-Japan-Australia consensus on the importance of democratic values in Taiwan raises the potential cost to Beijing of any use of force, even if those other democratic nations never take on a defense commitment to Taiwan. For the same reason, a broad regional commitment to rule of law and political liberalization should encourage those within China and even the Communist Party who are pushing for greater intra-party democracy and accountability, precisely because these values will be seen as both “universal” and “Asian.” The United States is responding to the rise of China with engagement, not containment, but it is not enough merely to hedge against failure. The strategy must also encompass active “shaping” of China’s choices. Maintaining a strong ideational balance of power is indispensable to that end.

Fifth, democratic governments in Asia are under stress. Just as the spread of democratic norms presents an opportunity for shaping regional dynamics, the reversal of democratization in Asia would undermine American leadership and regional stability. The current economic crisis has confronted democracies—which are more immediately accountable to their people for

performance—with a real challenge. Thailand has reestablished a democratic government under Prime Minister Abhisit Vejjajiva in the wake of the 2006 coup, but supporters of former Prime Minister Thaksin Shinawatra continue to take to the streets in an attempt to force an extra-constitutional change of government, while the military lurks on the sidelines. Mongolia narrowly averted open fighting in the streets in the wake of electoral victory by former communists in the Mongolian People's Revolutionary Party in August 2008 (fortunately, protestors were unified in celebrating Mongolia's first gold medal in the Beijing Olympics). Japan, Korea, and Taiwan all have leaders whose support in the polls has collapsed in parallel with their exports. Even greater challenges have beset Timor-Leste and South Pacific nations that had begun to make strides in governance over the past decade.

Help for the weaker or newer democracies is unlikely to happen in any broader Asian forum like the East Asia Summit (EAS) or the Asian Development Bank; rather, it requires new modalities of cooperation led by the United States and the other developed democracies in the region. This is particularly important because the debate over political liberalization within China will be influenced by how effectively other democratic forms of government are seen to provide growth and stability.

Sixth, the danger of a normative “security dilemma” with China is overstated. Opponents of a values-based architecture in Asia argue that U.S. policy in the region must be inclusive of China in order to solve new challenges such as climate change or North Korean proliferation and warn against establishing a new bipolar “Cold War” structure in the region. However, these protestations ignore the reality that there is no single architecture in Asia, nor will there be one as long as the region has such diverse political systems, threat assessments, and norms. The

United States and China will continue to expand cooperation deeply in forums such as the Six Party Talks on North Korea, the AP-7 forum on clean energy and climate, and the Asia Pacific Economic Cooperation (APEC) summits.

Meanwhile, both Beijing and Washington will attempt to shape the normative debate in the region through other forums or caucuses of like-minded states. China has already utilized the Shanghai Cooperation Organization (SCO) for this purpose, just as the United States, Japan, and Australia created the Trilateral Security Dialogue in 2001 in order to share strategic planning on regional and global challenges. Neither has had any measurable effect on U.S.-China cooperation in other forums such as APEC. The fact is that Asian governments will continue to “forum shop” and will prefer holding on to a diverse range of institutions in their diplomatic play-book precisely because the region itself is still so diverse compared with Europe. As long as this is the case, it is not only safe but also essential for the democratic nations of Asia to concert within like-minded groupings to advance shared rules and values—not to supplant broader and more inclusive regional institutions, but instead to ensure that they are effective.

The ideational balance of power in Asia clearly matters to U.S. interests, whether defined in terms of idealism or realism. However, any effort to impose norms unilaterally from Washington is unlikely to succeed. U.S. strategy must therefore harness the growing embrace of democratic values within Asia while avoiding steps that exacerbate ideational fissures within the democratic camp or provoke unintended counterbalancing against the United States. Given the enormous success of U.S. alliances and democratic norms within the region, this strategy is well within reach. However, before making specific recommendations, it is important to assess the actual balance of ideational power within the region. We focus first on the broader

“The fissures within the democratic camp and the challenges of institutionalizing cooperation on universal norms in Asia are not reasons to abandon efforts to shape the ideational balance of power.”

ideational map in Asia and then on the specific uses of democratic norm framing by Japan, India, South Korea, and Indonesia.

Regional Strategic Views on Norms, Power and Institutions

A number of recent public and elite polls on Asia have reinforced the evidence that democratic norms have gained greater traction in the region. These include: the 2008 Chicago Council on Global Affairs' public survey on “soft power” in Japan, China, South Korea, and Indonesia, which demonstrated that universal values are viewed favorably in these four countries;¹³ the 2008 Pacific Forum/Center for Strategic and International Studies (CSIS) survey of Japanese and Korean elites on national and Asian identity issues;¹⁴ and the “Asian barometer” survey on Asia Values and Democratization established in 2001, which has consistently shown that Asian respondents prefer democracy over all other forms of government.¹⁵

In order to gain more granular insights into the link between institution building, power, and norms in Asia, CSIS conducted a survey in the fall of 2008 of over 300 leading strategic thinkers in nine Asian countries (the United States, Australia,

China, India, Indonesia, Singapore, Thailand, Japan, and Korea). The survey results further demonstrated the broad support for universal norms within the region and the broad trust of the United States, but also illuminated the complex tactical considerations that would have to go into any U.S. strategy aimed at shaping the ideational balance of power.

First, in terms of material power, the strategic elite in Asia identified a clear shift to China, with 65.5 percent of respondents in a weighted average arguing that China would be the most powerful country in Asia in ten years, compared with only 31 percent for the United States. However, 38 percent ranked China as the greatest potential threat to peace and stability in ten years, compared with 21 percent who cited North Korea and 12.9 percent (mostly in China and Southeast Asia) who named the United States. By contrast, the United States was ranked as the greatest force for peace and stability in ten years by 40 percent of respondents, compared with 24 percent for China. U.S. allies Japan, South Korea, and Australia were strongly of the view that the United States represents the greatest source of stability and China the greatest potential threat.

Eighty-one percent of respondents said they “strongly” or “somewhat” supported the creation of an East Asian Community, with strong support for both India (80 percent) and the United States (79 percent) to be included, attesting to widespread support for “open regionalism.” The important aspect of this community building from the standpoint of the ideational balance of power was the strong support expressed across the region for a focus on universal norms. When asked to rank the priorities for an East Asian Community, 95 percent cited confidence building or prevention of conflict and 90 percent highlighted the establishment of a framework for trade and economic integration. Those were not surprising results. However, the next four priorities were all normative: promoting

good governance (85 percent), promoting human rights (80 percent), promoting free and open elections (79 percent), and strengthening domestic political institutions (78 percent).

These numbers reflect the depth and breadth of consensus on the rules and values that should govern Asia's future integration, even despite the variation in political systems today. They are the ballast for American influence and regional stability as China's material power rises. Interestingly, just over half of the Chinese respondents shared the view that these were important priorities for community building, evidence of the potential feedback loop in terms of regional norms and the domestic Chinese debate.

At the same time, fissures within the democratic camp were evident in the survey response. While universal norms ranked in the top half of the 12 priorities listed in the survey and "non-interference in internal affairs" ranked ninth with 71 percent, China was not alone in supporting non-interference. Democratic India, Indonesia, and Thailand were also above the region-wide average in emphasizing "non-interference in internal affairs" as a priority. These three democracies also stood above the region-wide average in pointing to "maintaining national unity" as critical to the process of region-wide community building. Even as these developing nations clearly share a sensitivity about sovereignty with China, they also stand strongly for universal values. On the issues of free and fair elections, governance and human rights, India, Indonesia, and Thailand stood well above the region-wide average, while China stood well below. Whether this dichotomy is the residual effect of the post-colonial experience and unresolved territorial issues or something more enduring in their national cultures can be debated. However, it clearly has to be considered in any broader U.S. strategy to strengthen cooperation among democracies in the region.

A second caution on tactics derives from the survey's result with respect to institution building in Asia. Overall, the survey respondents placed relatively little faith in the ability of regional institutions to respond to natural disasters, financial crises, terrorism, health pandemics, or military crises in Asia. The same respondents who had waxed enthusiastic about creating an East Asia Community confided that even in ten years' time, they would still look first to their national capabilities, their allies (especially, for Korea and Japan, the United States), or global institutions like the International Monetary Fund or UN *before* they would turn to Asia's regional institutions. That does not mean that regional institutions are seen as useless or without merit, but decoupling from global institutions or from the alliance structure in favor of regional institutions seems unlikely.

Meanwhile, on the question of promoting good governance, respondents were even more skeptical about international institutions, with the majority responding "none of the above" when asked whether the UN, EAS, or other regional institutions could best advance the broadly shared view that East Asian integration should put a high priority on strengthening good governance. The challenge of marrying Asians' aspirational views on universal norms with practical regional mechanisms is evident in Association of Southeast Asian Nations' (ASEAN) difficulty establishing a human rights commission as promised under the new 2008 ASEAN Charter — which still also contains the organization's original commitment to "non-interference in internal affairs" alongside a commitment to protect human rights and advance democratic governance.¹⁶

The fissures within the democratic camp and the challenges of institutionalizing cooperation on universal norms in Asia are not reasons to abandon efforts to shape the ideational balance of power. In fact, these are challenges that reflect a region in transition and not a region that

is hardening its views against democratic governance. These complexities—and the strategic opportunities—become more evident upon closer examination of the evolving norm framing of the region's two most powerful democracies: Japan and India.

The Evolution of Japan and India's Embrace of Democratic Norms in Foreign Policy

The growing use of the democracy card by Japan and India is noteworthy precisely because it is so different from the discourse that characterized both nations at the end of the Cold War and the dawn of the American unipolar era.¹⁷ At that time, Japanese political leaders downplayed universal norms and emphasized unique “Asian” values that explained Japan's particular style of capitalism and reflected a broad expectation of closer relations with China and a greater hedge against American unipolarity. Indian policy was characterized at the end of the Cold War by non-alignment abroad and a strong socialism at home. For both Japan and India, a national identity that challenged the universality of “Western” norms and emphasized exceptionalism—much like Beijing's formula today—provided a sense of national purpose, regional leadership, and an ideational buffer against forces from Washington that threatened their traditional sense of sovereignty and integrity.

What is even more striking is that the Japanese and Indian leadership have arrived at this newer discourse not because of hegemonic coercion by the United States, but because of a determination that identification with universal norms advances the power and prestige of those leaders internally and their nations internationally. The reasons for the shift are directly related to changes in the material balance of power within each nation and in the international system as a whole. Both Japan and India have undertaken significant structural economic reforms in response to globalization over the past decade in ways that have increased

dependence on foreign direct investment, empowered internationally competitive actors in the economy, and decreased the utility of ideational buffers against “Western” notions of capitalism. Meanwhile, both Japan and India have had to reorder their national priorities in order to shape, deter, and balance a rising China.

This has increased the utility of (1) emphasizing democratic norms as a national brand vis-à-vis a rising China, (2) aligning with other democracies linked by common values, and (3) leveraging the rules of the neo-liberal international order to bind Chinese power. In short, national identity politics based on universal norms have become more useful in managing a rising China than identity politics that challenge the norms of the prevailing American-led neo-liberal order by emphasizing exceptionalism or Asian values, precisely the ideational turf Beijing is now seizing.

JAPAN

Changes in the objective distribution of power and the nature of threats to Japanese economic and security interests have affected the identity discourse of the Japanese elite. The Asian values discourse has decreased in utility, as Beijing has co-opted the same theme to counter U.S. and Japanese influence in the region and has argued that Japan's historical record gives China greater moral standing in Asia. Identification with China and Asian values is also unlikely to resonate in the same way with a Japanese public that is increasingly alarmed about China's rise and North Korea's nuclear weapons program. On the other hand, identification with universal norms of democracy, rule of law, and human rights puts Beijing on the defensive and provides legitimacy and ideational glue for external balancing with the United States and other militarily capable democracies on China's periphery, including India and Australia.

The emphasis on universality also provides greater legitimacy when Japan pushes for more effective

transparency, governance, and anti-corruption measures in China. China's failure to reform in these areas are all larger threats to Japanese economic interests today than American pressure or protectionism. And identification with universal values provides a coherent worldview to organize resources and strengthen internal solidarity vis-à-vis a new external threat at a time when Japan's other national assets are either waning in relative terms (the economy) or not yet sufficiently supported by the public (the military).

The markers in this new discourse have been striking, particularly given the direction that seemed more likely at the end of the Cold War. The introduction of universal values into Japan's foreign policy statements actually began with the April 1996 U.S.-Japan Joint Security Declaration; while the American side focused on technical military cooperation and broad strategic themes in the drafting process, it was the Japanese side that proposed a preamble highlighting the common values that bond the United States and Japan as allies.¹⁸ This theme grew in emphasis in bilateral summit documents and ministerial statements over the next 12 years.¹⁹

The normative shift away from economic exceptionalism began with Koizumi's January 2002 proposal for an "Initiative for Development of the Economies of Asia" (IDEA), which highlighted the themes of good governance, rule of law, and economic transparency as new lessons Japan could bring to Southeast Asia's search for sustainable development.²⁰ The IDEA proposal was not pushed by the United States or even cleared with Washington—an indication of how important Koizumi's new branding was to Japan's assessment of its own position in Asia.²¹ Koizumi subsequently gave clear voice to the democratic norms underpinning Japan's role in Asia in his speech to the 50th anniversary of the Bandung Asia-Africa summit on April 22, 2005 in which he argued, "we should all play an active role in

preventing disorderly trade in weapons, as well as in disseminating universal values such as the rule of law, freedom and democracy."²² The fact that the speech was delivered on the anniversary of the non-aligned movement's Asia-Africa summit with no Anglo-American democracies present was unprecedented and noteworthy.

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The theme of universal values picked up in subsequent years. In 2005 Foreign Minister Taro Aso gave a speech on "Japan as the Thought Leader of Asia," arguing that Japan stands as a model for the rest of Asia based on its success through adherence to the principals of market economics and democracy.²³ In 2006 and 2007 the Japanese foreign ministry organized a major foreign policy

initiative around Taro Aso's concept of an "Arc of Freedom and Prosperity" — a series of speeches that emphasized Japan's commitment to advancing democracy, human rights, and the rule of law from the Baltic states to Southeast Asia.²⁴

Universal values also provided the ideational glue for Japan's initiation of new strategic relationships with NATO, Australia, and India from 2006–2008, all of which were framed by Japanese prime ministers as being rooted in common values.²⁵ Abe also argued for a U.S.-Japan-India-Australia quadrilateral forum based on common democratic values.²⁶ For the first time since Hosokawa in 1993, the word "democracy" began appearing more regularly in prime ministers' speeches before the Diet, only this time with a clear identification with the West.

Japanese diplomats also used the universality branding in the debate over the first EAS in 2005, arguing strenuously before other Asian governments in regional meetings that the objective of any new East Asian Community was to establish "principled multilateralism" that would narrow the differences among Asia's diverse political systems by strengthening democracy, the rule of law, and good governance.²⁷ The new norm framing also began to impact Japanese foreign aid policy. In December 2005 the prime minister's office established a new body to review Japan's overseas development assistance (ODA); the Commission on Strategic International Economic Cooperation (*Kokusai Keizai Kyoryoku ni Kansuru Kentokai*) emphasized in its inaugural report of February 28, 2006 that Japan's foreign assistance should advance democracy, human rights, and the rule of law, leading to increases in foreign assistance for the construction of democratic institutions in targeted states.²⁸

Subtle but important changes in policy priorities also occurred with respect to Burma policy, including a freezing of aid to the junta following the 2007 crackdown and the formation of a Diet

members' League to support Aung San Suu Kyi. The 2008 Diplomatic Blue Book emphasized that "Japan will strengthen its diplomacy in a comprehensive manner for enhancing human rights and democracy" through foreign assistance, in multilateral forums, and diplomacy.²⁹ Japan is a charter member of the UN Democracy Fund, the Partnership for Democratic Governance, and the Asia-Pacific Democracy Partnership, all of which commit it to tangible action to promote liberal norms in Asia and beyond.

Skeptics of Japan's new embrace of values-based diplomacy have argued that we are seeing nothing more than conservatives in Japan attempting to strengthen their brand over progressive opponents at home. This is undoubtedly true. But it is only part of the story for three reasons. First, the focus is on expanding Japan's legitimacy and brand abroad as well as the conservatives' brand at home, which means this will likely be an enduring part of the Japanese foreign policy toolkit as Chinese power rises and Japan seeks closer ties with other democratic nation states. Second, the new values-based diplomacy builds on more than a decade of Japanese efforts to strengthen its role as a rule maker in Asia. That is why Asianists like former Deputy Foreign Minister Hitoshi Tanaka pushed for Koizumi to highlight universal norms in the 2005 Bandung speech and why civilian internationalists like Tokyo University Professor Takashi Inoguchi urge a strategy where Japan will pursue "aggressive legalism" as Chinese power rises.³⁰ And third, the balance of power within Japan has shifted irreversibly. The collusive relationships between industry and bureaucrats and the cross-shareholding of stock that put Japanese economic ideology at odds with America's has now changed. The common concern is maintaining the rules as China's influence grows.

Japan has always had a focus on the ideational balance of power in Asia. This is not new. But what is new and enduring is the focus on sustaining a

balance of ideational power that favors universality over exceptionalism.

INDIA

The material drivers behind Japan's new norm identification are striking,³¹ but one would expect to find similar patterns in other democracies in Asia that face similar circumstances before drawing the broader conclusion that secondary states are using the hegemonic power's norms to balance newly rising potential adversaries in the system. In fact, there are similarities in the evolution of Japanese and Indian norm identification, even though the political cultures of these Asian powers are as different as sushi and samosas. And the common denominators between Japan and India appear to be changes in the domestic and external balance of power—namely, economic reform and the rise of China.

While the collapse of the Soviet Union shocked the Delhi elite enough to shift discourses on economic issues, clashes over democracy and security norms with the West would prevent a broader shift in norm identification for a decade. That changed with the rise of Chinese power and the eventual effects of economic reforms, which decreased the utility of socialist ideology and weakened the exceptionalist and anti-Western discourses that had been so dominant during the Cold War, long-standing frictions over Pakistan and Kashmir, and the 1998 nuclear test.

Meanwhile, the increase in Chinese power and influence shifted Sino-Indian competition to the larger field of relations with other major powers and placed it in competition for influence in international organizations. In 2001 the Bush administration announced the goal of establishing a “strategic partnership” with India, and in 2004 Japan, Brazil, and Germany joined with India to announce a “G4” effort to secure permanent seats together in the reform of the UN Security Council. In 2005 Singapore and Japan took the lead to

include India in the newly formed EAS. China opposed all of these maneuvers. In the competition for greater influence globally and vis-à-vis China, non-alignment provided very little legitimacy advantage to the Indian elite. But India's democratic identity did.

“In fact, there are similarities in the evolution of Japanese and Indian norm identification, even though the political cultures of these Asian powers are as different as sushi and samosas.”

Finally, with India's economic success and increased stability and solidarity at home, threat assessment began to change as well. Rather than Western or neocolonial domination behind the guise of Western values—or even the danger of major war with Pakistan or China—Indian strategists increasingly focused on the overflow effect of failed and failing states on India's periphery, many of which had been penetrated by Chinese influence. Both senior civilian and military officials identified an Indian national interest in the democratic development of weak states along India's periphery. “India would like the whole of South Asia to emerge as a community of flourishing democracies,” said Foreign Secretary Shyam Saran in 2005. “We believe that democracy would provide a more enduring and broad-based foundation

for an edifice of peace and cooperation in our subcontinent...[W]hile expediency [by engaging authoritarian regimes] may yield short-term advantage, it also leads to a harmful corrosion of our core values of respect for pluralism and human rights.”³² In 2007, India’s Navy and Air Force chiefs maintained that India’s security would remain under threat until functioning democracies were established in Pakistan, Nepal, Bangladesh, and Sri Lanka. How India would promote democracy would be a matter of considerable debate and self-restraint, but the importance of democracy abroad to India’s own security was increasingly evident.³³

The utility of branding around universal democratic norms became apparent to Indian leaders as collisions over Kashmir, human rights, and proliferation began to subside around 2001. In the face of multinational enterprises’ focus on the China market, survey results commissioned by the Indian business community led it to emphasize democracy as the brand that would distinguish India from China.³⁴ The democracy brand also began working in domestic Indian politics. Smart politicians sensed early on what was made clear in a poll in 2007 by New Delhi TV (NDTV) asking Indians to list the word that makes them most proud of India. Forty-four percent answered “democracy,” compared with 17 percent who responded “secularism,” 16 percent who said “the IT industry,” and 14 percent who pointed to “the armed forces.”³⁵

Prime Minister Manmohan Singh used this same democracy branding when he came to power at the head of the Congress-led coalition in 2004. As C. Raja Mohan has noted, it was unexceptional for Singh to highlight India’s own commitment to democracy when he spoke early in his tenure as prime minister in 2005, but it was a definite departure to argue that the world should naturally be ordered by universal democratic principles; or as he put it, that “liberal democracy is the natural order of political organization in today’s world. All

alternate systems, authoritarian and majoritarian in varying degrees, are an aberration.”³⁶

The move from norm entrepreneurship to norm cascading and internalization³⁷ has been uneven in India just as it has in Japan, but in many respects, India is returning to the universalist Rousseauian roots it always had. In terms of policy preferences, the shift first became apparent in the spring of 2000 when India chose to become one of the 10 founding members of the new Community of Democracies, proposed by the Clinton administration and launched in Warsaw that June. The Bharatiya Janata Party (BJP)-led government of Prime Minister Atal Bihari Vajpayee had made a strategic decision to identify itself more closely with the United States in response to the material changes described above. However, the inertia of the Non-Aligned Movement (NAM) ideology in the Ministry of External Affairs later led the BJP government to reject cooperation on an Asian grouping for the Community of Democracies or to support human rights platforms against China in the UN Commission on Human Rights.

The Bush administration’s accommodation of Indian aspirations with respect to nuclear cooperation paved the way for New Delhi to take further steps to put democracy at the center of Indian international identity. In their joint statement at the July 2005 summit, Prime Minister Singh and President Bush declared that both nations “have an obligation to the global community to strengthen values, ideals and practices of freedom, pluralism, and rule of law.”³⁸ India and the United States coordinated closely when Nepal’s king declared emergency law that year and suspended parliament, with both New Delhi and Washington holding off military aid to push for a reinstatement of democratic practice. India also pledged \$10 million to the UN Democracy Fund announced by President Bush in September 2005 and through

the Colombo Plan, New Delhi has budgeted to invite neighbors to send senior officials to study India's own experiences in democracy and good governance. India has invested heavily to support democratic state building in Afghanistan, where its \$1.2 billion aid commitment puts India among the country's top donors. India is also cooperating with the Partnership for Democratic Governance, which founding members Australia, Brazil, Canada, Chile, Japan, Korea, Mexico, Poland, Turkey, and the United States formed in October 2007.³⁹ Finally, India participates in the Asia-Pacific Democracy Partnership initiated by the Bush administration in 2008.⁴⁰

However, if India was returning to its Rousseauian roots in this period, it never fully severed its non-aligned ideology or its use of other realpolitik strategies that conflicted with neo-liberal norms. The most striking example has been India's approach to Burma. The same balance of power calculations that led to rebranding India in terms of democratic norms as Chinese power grew in the late 1990s also contributed to an erosion of idealism and the emergence of a neo-Curzonian foreign policy strategy aimed at countering Chinese influence in Southeast Asia. The Indian government did suspend arms sales to Burma in November 2007 after the junta's brutal suppression of peaceful protests by monks and students,⁴¹ but India's overall approach to Burma has reflected a competition for influence with China that does not center on promoting liberal norms.⁴²

As the CSIS survey indicated, India straddles both the non-interference and universal norms camps. The contested narratives in Indian identity politics reflect India's struggle with sustainable development, challenges to its own democratic institutions from corruption and sectarian violence,⁴³ the residual influence of Nehruvian non-alignment, and India's troubled relations with its neighbors, whose state weaknesses in many respects have been intensified rather than ameliorated by Indian

intervention.⁴⁴ Indian hesitancy about pressuring its neighbors also stems from New Delhi's own unique vulnerabilities at home, including long-standing tribal and Naxalite insurgencies, the rise of homegrown Islamic terrorism, sectarian tensions exploited by right-wing nationalists, and a large Shiite minority susceptible to political mobilization by opportunistic politicians.

Although India's pro-Western orientation has accelerated dramatically over the past decade under successive governments,⁴⁵ contestation of national identity and norms remains quite understandable in a proudly independent, pluralistic nation that continues to define itself as economic growth and demographic change transform its society and worldview. Sunil Khilnani aptly describes this dynamic, evoking India as a "bridging power"—that is, a power that represents both sides of virtually every debate in international society.⁴⁶ These experiences and geostrategic circumstances are all quite different from Japan's and account for the less pronounced shift in branding and leadership discourse with respect to democracy and other universal norms. But like Japan, India's worldview is shifting in ways that have a positive impact on the ideational balance of power in Asia.

DEMOCRATIC MIDDLE POWERS: KOREA AND INDONESIA

Japan and India have been largely successful democratic examples for half a century, while democratization came to South Korea only two decades ago and to Indonesia just a decade after that. Yet in the wake of democratization and the shifting balance of power in Asia, norm framing and branding in South Korea and Indonesia have followed strikingly similar patterns to Japan and India.

In South Korea, the authoritarian governments of Park Chung Hee and Chun Doo Hwan were attracted to the Western camp in their shared opposition to communist North Korea, but resisted

universalist arguments from Washington when it came to improving democracy within their own nation. Opposition leader Kim Dae Jung wrote in *Foreign Affairs* in the early 1990s that democracy was both a universal and a Korean value in his efforts to reframe South Korean norms against his military opponents in the government.⁴⁷ When he became president, Kim agreed to host the Community of Democracies in Seoul. However, his successor, Roh Moo Hyun, introduced a political narrative that blamed the United States for the North Korean nuclear program, even as the more conservative diplomats in the Ministry of Foreign Affairs and Trade worked with the Bush administration in the Six-Party Talks to forge a joint U.S.-Republic of Korea (ROK) position.⁴⁸ The only reference to shared democratic norms with the United States during the Roh period came in joint statements negotiated by U.S. officials and their counterparts in the Ministry of Foreign Affairs and Trade. Yet even these joint statements proved contentious with Blue House political advisors when it came to references to human rights in North Korea.⁴⁹

When conservatives assumed power under President Lee Myung-bak in December 2007, they immediately signaled their intention both to revitalize the alliance relationship with the United States and to frame Korean identity in terms of universal values of democracy, rule of law, and human rights. While domestic politics drove this new narrative, so did growing concern about Chinese power and intentions. Fears grew over Beijing's official propaganda campaign on China's ancient suzerainty over what is today North Korea (once the Koguryo Kingdom),⁵⁰ anti-Korean nationalism in China, and attacks on South Korean pro-Tibet protestors by Chinese security officials during the Olympic torch relay through Seoul in April 2008.⁵¹ The Korean Institute for Defense Analyses saw China leap 15 percentage points ahead of any other country in their annual

survey of public perceptions of long-term military threats to South Korea in March 2006 and that trend has continued since, with respondents in Korea and across Asia deeming China a growing threat.⁵² Meanwhile, South Korean industry surveys began indicating in March 2006 that business leaders saw China as the gravest competitive threat to Korea's economic future, even as trade with China surpassed trade with the United States.⁵³

For domestic political and international strategic reasons, it was a natural move for President Lee Myung-bak to announce, in a speech on the 60th anniversary of the founding of the ROK, that Korea's "journey to freedom is especially valuable as it gives shape to the universal values of all peoples"⁵⁴ and for Prime Minister Han Seung Soo to argue in a speech in Seoul on September 28, 2008 that:

Korea has shown that Western values need not be mutually exclusive with traditional values, religions, and cultural traditions. The two can co-exist in a powerful synergy. This is perhaps one of Korea's greatest gifts to the world — demonstrating its commitment to democratization, globalization and openness even as it retains and honors Asian values... respecting human dignity, guaranteeing a liberal society, and listening to diverse voices and opinions cannot be wished away or ignored due to cultural or political exceptionalism.⁵⁵

The narrative has been met with renewed commitment to universal norms in South Korean diplomacy, including hosting the Asia Pacific Democracy Partnership's (APDP) first Senior Officials meeting in October 2008 in Seoul. Korea also pledged to significantly increase foreign aid support for governance and democracy as a new member of the Development Assistance Committee under the Organization for Economic Cooperation and Development (OECD).⁵⁶ Declaring as "a major foreign policy initiative... the promotion of human rights and democracy

throughout the world,” Foreign Minister Yu Myung-hwan argued that strengthening liberal norms is intrinsically important, enhances Korean security, builds on Korea’s own experience, and boosts South Korea’s international prominence in a “global society” that embraces these values.⁵⁷

Indonesia was also ruled by generals for decades. Like their Korean counterparts, Sukarno and Suharto relied on Asian exceptionalist arguments for legitimacy and influence at home and in the region. Following the overthrow of Suharto, Indonesia began its democratic transition in the midst of financial crisis and a 14 percent contraction of the economy. But in the years since, Indonesia has developed a vibrant civil society, decentralized administrative authorities, and successfully held its first direct presidential election in 2004.⁵⁸

As Indonesia has reasserted itself as the strategic heavyweight within ASEAN under President Susilo Bambang Yudhoyono, democracy has emerged as a central theme in Jakarta’s new national brand. The turning point was ASEAN’s decision in December 2005 that it would commission an Eminent Persons Group (EPG) to draft a new Charter for ASEAN for heads of state to review in January 2007. When it was completed, the EPG draft reflected the position of Yudhoyono that the Charter should highlight the “[p]romotion of ASEAN’s peace and security through the active strengthening of democratic values, good governance, rejection of unconstitutional and undemocratic changes of government, the rule of law including international humanitarian law, and respect for human rights and fundamental freedoms.”⁵⁹ When the EPG report was sent back to ASEAN officials on the High Level Task Force, less democratic members of the 10-nation organization succeeded in watering down the emphasis on universalism by reinserting ASEAN’s traditional principle of non-interference in internal affairs and eliminating any concrete implementation

plans for the Charter’s new regional human rights commission.

This, in turn, prompted a strong reaction from Indonesian civil society, parliament, and the government. Rizal Sukma, Executive Director of the Indonesian Center for Strategic and International Studies, captured the resistance to signing a watered-down Charter when he argued that “as the largest nation in ASEAN,” Indonesia had a responsibility to ensure that “ASEAN countries will travel the road of democracy and human rights will be respected.”⁶⁰ Within Parliament, the governing Democratic Party supported the Charter, but a majority of the other parties blocked progress when it was submitted to the Commission on Foreign Affairs and Defense in July 2008.⁶¹ After difficult negotiations, Indonesia’s foreign minister, Hassan Wirajuda, convinced Parliament to ratify the Charter in October by promising that it would be the best way to help ASEAN embrace democratic and human rights values.⁶²

Like India, Indonesia’s national brand continues to have multiple dimensions, drawing on membership in NAM, the Organization of Islamic Conference and, of course, ASEAN. Nonetheless, the Indonesian government continues to act on the belief that democracy is a source of prestige, influence, and regional security. For instance, Indonesia has cooperated with the United States and regional democracies to promote free and fair elections through the APDP.

As Foreign Minister Wirajuda emphasized in remarks to the UN in September 2008, Indonesia’s democratic norms should be applied to the international system in terms of opening the UN Security Council and creating greater participation for developing nations:

...we pursue the democratic ideal: democracy at the level of the United Nations, democracy at the regional level, and democracy within the nation.⁶³

“The challenge for American policy going forward is to contribute to a regional architecture that empowers democratic Asian partners to strengthen pluralistic norms of cooperation and transparency without isolating China or other important countries like Vietnam.”

In his speech, Wirajuda announced the formation of the Bali Democracy Forum, which President Yudhoyono invited Australian Prime Minister Kevin Rudd to co-chair in June 2008. Unlike the U.S.-initiated APDP, the Bali Forum would be open to China, Burma and other states regardless of their actual democratic practices. In its own way, Indonesia has been using the democratic brand to increase its influence as a bridging nation.⁶⁴

Shaping an Inclusive and Peaceful Regional Order

During most of the Cold War, the United States did not privilege support for democratic institutions or security cooperation among democracies as core elements of U.S. foreign policy in Asia, in part because the normative environment in Cold War Asia was hostile to what would have been described then as “Western” liberalism. The normative environment in 21st century Asia is strikingly different

following the end of Cold War divisions, China’s great power resurgence, the U.S.-India rapprochement, and the spread of liberal norms across Asia. Indeed, officials in Korea, Indonesia, and elsewhere are adamant that their countries earned democracy through people power; they do not view the liberal norms their societies have embraced as imports, but as indigenous responses to political repression (often by leaders allied with the United States during the Cold War).

Not only does the United States now have a plethora of democratic Asian partners, including treaty allies Japan, South Korea, and Australia and regional giants India and Indonesia; public opinion polling shows that democracy is an important source of the United States’ “soft power” in Asia, which remains notably superior to that of China. At the same time, since 2001, U.S.-China relations have been more stable and productive for a longer period than any since the 1970s, suggesting that the United States does not face a choice between strengthening democratic partnerships and intensifying collaboration with China; with skillful statecraft and principled leadership, it can do both.

The challenge for American policy going forward is to contribute to a regional architecture that empowers democratic Asian partners to strengthen pluralistic norms of cooperation and transparency without isolating China or other important countries like Vietnam. Leveraging the Asian embrace of liberal norms to advance shared security interests can only be effective if it contributes to an ideational order that countries like China and Vietnam aspire to join, as part of a broader U.S. commitment to open regionalism and the shared provision of public goods that benefits all regional powers, including China. A policy that produces new dividing lines across a region already characterized by too many of them—for reasons of history, power dynamics, and institutional underdevelopment—would be a strategic error.

The United States is fully capable of contributing to an Asia-Pacific ideational order that increasingly privileges norms of good governance, rule of law, and democratic cooperation to provide regional public goods of security and stability, while at the same time working with China on a full agenda of mutual interests. The key is for Washington to pursue a differentiated agenda with individual Asian partners, minilateral groupings, and regional institutions depending on their outlook and capabilities, and to empower Asians to lead in efforts to make accountable governance and democratic cooperation foundational sources of regional stability, security, and prosperity—as they are in Europe and North America.

Ultimately, the continuing “Asianization” of universal norms—the “software” of effective institutions of governance, law, and civic participation, and the opportunities these create for empowering like-minded states that share a set of basic values to build a durable security community in Asia—could be as important a guarantor of U.S. regional interests as the “hardware” of forward-deployed American military forces and weapons platforms. As American material preponderance erodes in the face of Asia’s rise, it is important to think creatively about how partnering with old and new friends to strengthen pluralistic norms can sustain an Asian order conducive to continued American leadership, rather than relying purely on a Cold War-era alliance system that alone is insufficient to manage a rapidly changing region.

With regard to individual countries, a differentiated strategy could expand bilateral partnerships with friends and allies on appropriate elements of a common agenda on which these countries display a demonstrated interest and track record. With Japan, this could include coordinating foreign assistance policy and aid delivery to strengthen institutions of governance and civic association in developing democracies in Southeast and Central Asia. The United States could cooperate with

South Korea to help ASEAN countries develop more robust human rights- and election-monitoring mechanisms. With India, Washington could coordinate foreign assistance programming for fragile states across South Asia, including jointly increasing the transparency and accountability of aid to Burma, as part of a joint bilateral initiative to strengthen governance and transparency among states in India’s near neighborhood. U.S. capacity-building assistance could strengthen the role of Indonesian ministries, parliamentarians, and nongovernmental organizations in sharing best practices in good governance, media freedom, and free elections with neighbors across Southeast Asia.

With regard to minilateral groupings of like-minded partners dedicated to providing security and other public goods in the region that target no country, a differentiated U.S. strategy could work to strengthen U.S.-Japan-Australia cooperation within the Trilateral Strategic Dialogue, formalize at the senior officials’ level a similar U.S.-Japan-India grouping, and use both dialogues to lay a more sustainable foundation for functional cooperation among the U.S.-Japan-India-Australia quadrilateral, for instance, in sea-lane security and regional disaster relief. In the context of ongoing senior officials’ dialogues regarding North Korea and strategic partnership talks between Washington and Seoul to define a longer-term agenda for the U.S.-Korea alliance beyond the peninsula, the United States could upgrade the U.S.-Japan-South Korea trilateral dialogue to focus on wider Asian issues including promoting shared security and fostering good governance elsewhere in the region. Meanwhile, a U.S.-Japan-China trilateral forum is under active discussion in the Obama administration and would fully complement these other mechanisms, building on areas of common interest among the United States, Japan, and China in areas such as energy.

Within Asian regional institutions, substance and coordination are as important as form. The

“A ground rule for any strategy to promote wider values-based cooperation in Asia is that it should vest Asian countries with leadership as much as possible—even if their management of regional initiatives produces less efficient institutional outcomes. Indeed, the United States should be prepared to enter these arrangements ready to learn from the experiences of democratization in Asia and to let Asians learn from each other.”

United States could caucus with democratic member-states before regional meetings in APEC, ASEAN Regional Forum (ARF), and the EAS (should America be admitted as a member), a goal that only becomes more important as regional forums proliferate. Indeed, Washington already participates in such like-minded planning conclaves through the “APEC Friendlies” meetings it convenes to develop a shared normative agenda before APEC meetings—one useful model for a broader approach to participation in Asia-Pacific

institutions to build their capacity and produce more substantive institutional outcomes, a goal shared by all regional powers. More generally, the United States can invest in Asian regional institutions, not only through more consistent and higher-level participation by senior officials, but by helping them build capacity in specific functional realms related to good governance, rule of law, education, health, and environmental management. For example, although it is not a member of the Bali Democracy Forum convened by Indonesia to promote good governance as an Asian public good, Washington’s clear interest in the success of this initiative warrants targeted U.S. assistance and cooperation to help Jakarta build regional capacity to strengthen the civic and institutional foundations of open societies.

A ground rule for any strategy to promote wider values-based cooperation in Asia is that it should vest Asian countries with leadership as much as possible—even if their management of regional initiatives produces less efficient institutional outcomes. Indeed, the United States should be prepared to enter these arrangements ready to learn from the experiences of democratization in Asia and to let Asians learn from each other. America’s role remains instrumental in building capacity and quietly helping to convene partners who are often more used to working through Washington than directly with each other. But such initiatives are more effective and viewed as more legitimate when they have an Asian “face.”

This was evident in the formation and launch of the APDP: although conceptualized by the United States, South Korea and Canada wrote its initial white paper, Mongolia hosted and Japan funded its first election observation, South Korea hosted its first senior officials’ meeting, and Australia facilitated APDP’s election mission to Micronesia. Sometimes bridging nations like Indonesia will define democracy-based imperatives differently—the Bali Democracy Forum, for example, includes

Burma and China and excludes the United States—but Washington should welcome and empower Indonesian leadership to strengthen governance, rule of law, and respect for individual rights for reasons of symbolism as well as substance. For similar reasons, the United States should help build ASEAN capacity to ensure that its new human rights body is effective, rather than rhetorically railing about its inevitable shortcomings. As seen in the debate over the ASEAN Charter, many Southeast Asian capitals wanted a stronger regional human rights mechanism; Washington could work to empower these countries in the internal ASEAN process of developing a regional human rights strategy.

At the global level, the United States should take the lead to reform international institutions with the goal of making important Asian democracies responsible international stewards rather than second-class citizens. Japan and India deserve seats on the UN Security Council, whose current membership was conceived at a time when the world looked rather different. The international architecture will inevitably change in the wake of the current financial crisis and leadership will reflect the distribution of economic power and Asian power, as we have already seen with the constitution of membership in the G20. But while the G8 process began as a grouping of the leading economies *and* democracies, the current G20 makes sense only on economic grounds. It is not the proper forum to vest with responsibility for shaping an agenda that extends to the maintenance of the broader neo-liberal order. Some exclusive responsibilities should still rest with those nations that are proven “responsible stakeholders” in sustaining the international system. A complex architecture that combines groupings of great economic powers and caucuses of leading democracies would accurately reflect the distribution of material and ideational power in the world today and make the establishment of stronger global institutions more likely.

CAVEATS

There are important caveats that must be taken into account in forming a values-based strategy, as we have seen.

First, the ideational balance of power is not a substitute for maintaining the material balance of power. Commitment to the spread of universal norms is important in terms of reassuring allies and dissuading potential adversaries, but the United States will still need military capabilities to retain credibility in terms of deterring or defeating aggression.

Second, cooperation among like-minded democracies in Asia will require subtlety and, sometimes, a non-U.S. lead—neither of which is a particular strength for American statecraft in the region. Steady and consistent coordination among like-minded states to spread shared values is more important than the banner headline achieved in a one-time summit by a secretary of state. Unfortunately, high-level U.S. attention tends to be episodic and secretaries of state can often be convinced to go to the region only in exchange for the banner headline. Fortunately, democracies like Korea are eager to take a leading role in support of universal values as part of their national brand in the region.

Third, a clear signal to Beijing that the United States supports China’s economic development and expanding role is *sine qua non*. For now, China does not appear to be a revisionist power and our goal should be to encourage its evolution as a responsible stakeholder—not its rejection of universal norms. The actions of other nations should demonstrate to Beijing that its embrace of good governance, rule of law, human rights, and political liberalization are in China’s national interests. We cannot force political liberalization upon China, but we can leverage a regional consensus on democratic principles to encourage Chinese leaders to see the advantages in terms of their own

national power and influence, and the costs of contesting a widely held regional norm.

Fourth, it would be inadvisable for the United States to make democracy-based security and diplomatic cooperation in Asia the framework for a containment coalition designed to prevent China's rise. Such a goal would be unachievable and would meet with strong resistance among America's Asian partners, which do not want to be forced to choose between Washington and Beijing and which value U.S. leadership in Asia partly to the extent that the United States deftly handles relations with Beijing in ways that foster regional stability and prosperity. A Cold War-type standoff with China is also undesirable from Washington's perspective, given the two countries' economic interdependence and the U.S. goal of socializing China as a stakeholder capable of managing global challenges including climate change, international economic governance, and proliferation. As we have noted, however, caucusing by democracies is not in itself going to be the cause of a new "Cold War" in Asia as long as constructive cooperation with China continues in parallel through other multilateral and bilateral mechanisms.

Democracy, Autocracy, and The Future of Asian Institutions: Does European Integration Offer a Model For Asia?

The United States has a compelling interest in strengthening Asian regional institutions. This is one part of a strategic approach to Asian regionalism that works with partners—bilaterally and within minilateral and multilateral forums—to set high standards for transparency, inclusiveness, peaceful cooperation, and the provision of regional public goods. U.S. leadership and China's future trajectory are the key variables in realizing this vision. As G. John Ikenberry argues elsewhere in this volume, "The challenge [for] the United States is not to block China's entry into the regional order but to help shape its terms."⁶⁵

Liberal institutionalists correctly credit regional institutions with shaping China's behavior, socializing Beijing about regional norms and helping China redefine its own interests through institutional incentives for cooperation. The history of postwar European integration is often cited as an aspirational model for Asia. But institutionalists who draw conclusions based on the European experience for Asia understate the role of regime type in institutional binding. In these pages, Ikenberry, for instance, maintains that China can follow in the footsteps of the United States vis-à-vis Western Europe from 1949 and of Germany vis-à-vis the rest of Europe from 1990. He cites both the U.S. decision to bind itself to Western Europe through regional institutions like NATO after World War II and newly unified Germany's move in 1990 to bind itself to European institutions as ways in which dominant states employed institutional strategies to signal reassurance, restraint, and predictability with weaker partners, thereby overcoming traditional self-help pressures for lesser nations to balance against the hegemon in their midst.

But Ikenberry overlooks the key variable of regime type as a necessary condition for institutional binding to work. In both historical cases, Western nations that shared a common commitment to representative government and rule of law constructed security communities grounded in common understandings of a democratic peace. Indeed, as Ikenberry has argued elsewhere, such security communities are essentially externalized versions of the "constitutional order" that prevails within liberal democracies.⁶⁶ In this analysis, China's authoritarian regime type presents considerable challenges to its ability to signal restraint and reassurance and pursue strategies for shared security with wary democratic neighbors. There may be clear limits to Asian integration so long as China seeks to construct an external order that reflects not horizontal relations of sovereign

equality grounded in norms of democratic legitimacy, but vertical, hierarchic external relations of power and prestige grounded in China's own domestic regime type.

With regard to the U.S. experience in postwar Europe and a unified Germany's European integration following the Cold War, realists would also dispute the institutionalist prediction that China could follow a path of peaceful Asian integration. In judging the Cold War relationship among the Atlantic allies, realists would invoke hegemonic power relations between a U.S. superpower and its European dependencies in the face of a common and geographically proximate adversary in the form of the Soviet Union. With regard to German unification, they would cite the continuing U.S. security guarantee to its European allies, and a continuing U.S. military presence in Germany that prevents Berlin from pursuing a security policy of self-help, as sources of reassurance that assuage concerns about German revanchism on the continent.

Based on the realist understanding, China cannot play the role of the United States in Europe after World War II by offering security guarantees to its neighbors as a benign hegemon and leader of a democratic security community. Any Chinese hegemony in Asia would be contested rather than welcomed by its neighbors. It would not be perceived to be benign (for reasons of history and because American leadership is not perceived by other Asian states as a threat they wish China to countervail). And China's non-democratic regime type gives rise to a dangerous lack of transparency surrounding both its intentions and capabilities, making China as much a source of threat as of reassurance to other Asian states.

Nor can China pursue Germany's institutional pathway in the European Union—because the continuing U.S. security guarantee that convinced skeptical neighbors like Britain and France to

consent to German unification, and the American commitment to German security that neuters Germany's own national capabilities, are not ones that China is in a position to make. To do so it would have to both limit the development of its own national capabilities and commit to the security of neighbors that identify China as their primary threat. Ironically, it is the U.S. commitment to the security of its Asian allies, particularly Japan, that has enabled China to pursue its continuing military buildup without spurring the full-scale arms racing and counterbalancing realist theories predict would otherwise occur.

Conclusion: Implications For China of a U.S. Strategy to Shape The Balance of Influence in Asia

Rather than somehow contain or stymie China's rise, the United States should continue to engage fully with Beijing while simultaneously nurturing strategic and diplomatic cooperation with regional democracies as part of a strategy to shape an Asian regional order in which China faces structural and normative incentives to pursue its peaceful rise, within Asian institutions and more broadly. Then-Undersecretary of State R. Nicholas Burns in 2006 highlighted Washington's ambition to construct "a stable balance of power in all of the Asia-Pacific region—one that favors peace through the presence of strong democratic nations enjoying friendly relations with the United States."⁶⁷ While this vision does not exclude China, it suggests that managing Chinese power will require not only strong bilateral ties between Washington and Beijing and continued investment in the development of Asian regional institutions, but also enhanced U.S. partnership with Asian states that share common democratic values.

From an American perspective, this is a bipartisan agenda, one that has been pursued in different ways by the Clinton, Bush, and Obama administrations alike. It is time to move beyond what Kurt Campbell correctly labels the "ideological

tribalism” that characterizes the Washington debate on values-based cooperation in Asia. A more constructive debate could shape a consensus on a principled realism that works to vest China as a responsible steward of the existing international system, in part by working with democratic Asian friends and allies to influence China’s pathway by strengthening international rules and standards in the direction of greater transparency, accountability, and predictability. This would be a critical component of a “smart power” agenda to contribute to and reinforce China’s peaceful rise. As this paper has attempted to demonstrate, partners as diverse as Japan, South Korea, India, and Indonesia, in different ways, would welcome smart, non-ideological, and functional cooperation on such an agenda—because they are in the process of defining, as does the United States, good governance and rule of law within countries as sources of peace and security between countries.

Along these lines, cooperation among fellow democracies within Asian regional institutions, rather than weakening or dividing them, is necessary to promote institutional deepening of forums that for too long have served as little more than “talk shops.” Indeed, it is precisely because the effort to integrate China and other non-democratic nations into broad forums such as the ARF and EAS will require a lowest-common-denominator approach, and because of China’s own efforts to shape the regional normative agenda through exclusive groupings such as the SCO, that the region’s democracies will naturally caucus to ensure that the direction of regional integration continues to reinforce what Japanese officials call “principled” multilateralism. And because there will continue to be multiple outlets for Asian multilateral diplomacy, many of which bring the United States and China together to work constructively on common challenges, this competition of norms need not, and should not, lead to two opposing camps comparable to the Cold War.

Given the democratic trend across Asia over the past two decades, China’s authoritarianism looks like the outlier in Asia, not the model its more ambitious neighbors mean to follow. Moreover, to the extent that a common political identity is a fundamental source of security cooperation among states, as liberals and constructivists argue, the pervasiveness of democracy across Asia leaves China with few alliance options. Indeed, China’s closest security relationships have been with other autocracies in North Korea, Burma, Pakistan, Russia, and Central Asia. China’s preferred regional forum is the SCO. By contrast, Beijing chafed when Japan, Indonesia, and Singapore created a democratic counterweight to Chinese influence at the EAS by inviting India, Australia, and New Zealand to its founding meeting.

Washington should explain transparently its intentions with respect to promoting democratic principles in Asia, seek common ground with China on areas of agreement such as intellectual property rights and rule of law, and seek to minimize tensions from areas of disagreement over fundamental issues of political liberty and human rights. The United States should not apologize for promoting this agenda, but it can provide a more reassuring context for it by building a cooperative, constructive, and candid relationship with Beijing. In the process, U.S. officials can encourage greater transparency from Beijing with respect to China’s exclusive arrangements in the regional architecture, such as the SCO.

Ultimately, what is emerging within Asia’s evolving normative order is not a new ideological bipolarity, because there is no “Beijing consensus” about authoritarian economic development, even within China. To the extent that Chinese officials advance the principle of “non-interference in internal affairs,” it is situational and defensive. The record shows that Beijing has been quite happy to pressure regimes like North Korea and Burma when their internal behavior has undermined Chinese

interests. Indeed, the 2008 CSIS poll of Asian strategic elites revealed that while 78 percent of Chinese respondents cited “non-interference in internal affairs” as a “very” or “somewhat” important objective for multilateral community building in Asia, 71 percent of Chinese elites also cited “human rights” as a priority for Asian community building.⁶⁸ Recent discussions with Chinese scholars suggest that there is an active internal debate in Beijing about the wisdom of hewing too closely to the principle of non-interference. An effective and consistent agenda for democracy promotion in Asia can advance the debate within China and make “non-interference” the anachronism it is slowly, but surely, becoming across the region.

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⁵⁶ The rapid increase in Korean aid was fueled by Korea's own strengthened civil society and quest for greater international prestige. David Lumsdaine and James Schopf, "Changing Values and the Recent Rise in Korean Development Assistance," *Pacific Review* 20, No. 2 (June 2007): 221-255.

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⁵⁸ John Bresnan, ed., *Indonesia: The Great Transition*. (New York: Weatherhead Institute, 2005); Shawn W. Crispin, "Behold Indonesia's Democratic Beacon," *Asia Times Online* (19 October 2006), at http://www.atimes.com/atimes/Southeast_Asia/HJ19Ae02.html.

⁵⁹ Carlos Conde, "Southeast Asians Agree to Draft New Charter," *The New York Times* (13 January 2007). For greater details, see also William Cole and Erik Jensen, "Norms and Regional Architecture: The Impact of Regional Multilateralism on Governance and Democracy," in Bates Gill and Michael Green, eds., *Asia's New Multilateralism: Competition, Cooperation and the Search for Community* (New York: Columbia University Press, 2008). For details see also Michael J. Green and Daniel Twining, "Democracy and American Grand Strategy in Asia: The Realist Principles Behind an Enduring Idealism," *Contemporary Southeast Asia* 30, No. 1 (Winter 2008): 15-19.

⁶⁰ Rizal Sukma, "To Be Responsible, Indonesia Should Not Ratify ASEAN Charter," *The Jakarta Post* (22 July 2008).

⁶¹ "Opposition to ASEAN Charter Grows Following Lee's Remarks," *The Jakarta Post* (25 July 2008).

⁶² "Editorial: Saving ASEAN's Face," *The Jakarta Post* (24 October 2008).

⁶³ Statement by H.E. Dr. N Hassan Wirajuda, Minister of Foreign Affairs, at the 63rd Session of the UN General Assembly (27 September 2008).

⁶⁴ As one Indonesian Foreign Ministry official working on the Bali Democracy Forum put it, Indonesia could support the international system while the United States is focused on Iraq, Afghanistan, and domestic economic challenges: "Another important way that Indonesia could play a role is by sharing its experiences in promoting democracy to other states in the region. This does not mean that Indonesia will follow the U.S. style of promoting democracy. Far from it: Indonesia's illuminating experience in the past decade suggests that democracy cannot be imposed from outside by outsiders. As a matter of fact, for a democracy to work properly, its seeds must be planted in the soil of a nation's life." Pribadi Sutiono, "Indonesia Gains Many Opportunities for Global Role with U.S. Election," *The Jakarta Post* (26 October 2008).

⁶⁵ John Ikenberry, "Asian Regionalism and the Future of U.S. Strategic Engagement with China."

⁶⁶ G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars* (Princeton: Princeton University Press, 2001).

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CHAPTER VII:
21ST CENTURY STRATEGY WITH 19TH CENTURY
INSTITUTIONS: THE CHALLENGE OF BUREAUCRACIES
IN THE U.S.-CHINA RELATIONSHIP

By Lindsey Ford



"Perhaps the greatest challenge that faces the United States is to develop a coherent strategic framework for approaching China in a way that does protect vital U.S. interests while recognizing legitimate Chinese aspirations, minimizing the likelihood of conflict, building cooperative practices and institutions, and advancing both countries' long-term interests wherever that is possible . . . This surely will test U.S. creativity and diplomatic skill."

— 2005 Report to Congress of the U.S.-China Economic and Security Review Commission

21ST CENTURY STRATEGY WITH 19TH CENTURY INSTITUTIONS: THE CHALLENGE OF BUREAUCRACIES IN THE U.S.-CHINA RELATIONSHIP

By Lindsey Ford

Introduction

As the Obama administration begins to craft its Asia policy, the question is no longer *whether* to engage China, but *how* to engage China. Over the past three decades, as China's political, economic, and military power has grown, the range of issues across which the United States and China engage has significantly expanded. As a result, the United States and China now struggle to manage the profusion of policy actors involved in the bilateral relationship. Both countries are grappling with a similar problem internally, as globalization and non-traditional security challenges blur previously discrete boundaries between stovepiped organizations.

The United States and China are already two of the world's most economically and militarily powerful nations. In coming years, their ability to manage both the cooperative and competitive aspects of an increasingly complex relationship will fundamentally shape the international system. Although the overall direction of the relationship will be determined at the highest levels of government, it is individual bureaucrats within far-flung bureaucracies who will influence and implement these policies. Organizational mandates, the individual preferences of their leaders, and the mechanisms through which bureaucracies interact will continue to shape the contours of the relationship. Effective bureaucratic mechanisms will not only increase the opportunities for cooperation in the years ahead, they will also reduce the risk of misunderstandings and miscalculations that can damage our strategy and undermine the credibility of our policies. For this reason, it is not enough for policy makers to articulate a *strategy* for engagement. They will have to understand how to manage effectively the *process* of engagement.

This chapter considers the influence and interactions of the various bureaucracies and actors that shape the U.S.-China relationship and provides recommendations to promote a cohesive and

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comprehensive approach to the bilateral relationship. The paper briefly assesses the rise of bureaucratic influence in the U.S.-China relationship and then outlines several challenges presented by the bilateral interactions of these bureaucracies. As the United States continues to debate the likelihood of China's evolution into a “responsible stakeholder,” the question of how our bureaucracies engage will have a determinative effect on America's ability to influence the trajectory of China's rise.

The Rise of the Bureaucracies

The existence of bureaucratic fragmentation within the policy making process is hardly surprising in a democratic system. The bureaucratic wrangling between America's two mainstays of national security policy, the Departments of State and Defense, has been a frequent topic of discussion in the policy literature, as have executive branch efforts to minimize this fragmentation by centralizing national security authority with the

president and the National Security Council. As U.S. global interests have proliferated in the post-WWII era, the number, size, and stretch of our national security bureaucracies have also shifted. The U.S. government has repeatedly attempted to reduce the growing disjointedness of the national security policy process through executive decisions and legislative actions, such as the National Security Act of 1947, the Goldwater-Nichols Act of 1986, and the more recent Homeland Security and Intelligence Reform Acts.

However, in an age of globalization and emerging non-traditional security threats, the problem of managing an expanding array of national security actors is more than ever a challenge to the U.S. policy system. In order to manage this phenomenon, recent administrations have turned to various bureaucratic “work arounds” —including interagency councils and working groups such as the National Security Council, the Council of Economic Advisers, the Homeland Security Council, special envoys and policy “czars.”¹ Yet as Secretary of Defense Robert Gates has argued, the overall structure of the U.S. national security bureaucracy continues to be out of touch with the strategic imperatives of the 21st century.²

The Chinese, for their part, have contended with bureaucracy for thousands of years. In a state as large as China, bureaucracy has long been an inevitable yet troublesome aspect of governance. In the modern era, the Chinese Communist Party (CCP) built a sprawling Leninist governing apparatus modeled on the Soviet Union to unify and govern the sprawling socialist state. Mao Zedong's ill-fated attack on the CCP and his perceived political opponents during the Cultural Revolution reflected, in part, his frustration at being unable to impose his will on an unwieldy bureaucracy.

Despite his partial success in dismantling China's bureaucracy, in order to restore order at home and integrate China into the global economy, Mao's

successors deemed it necessary to reassert the Leninist bureaucracy, to institutionalize and formalize government processes, and to install checks within the system against the kind of near-absolute power that Mao had wielded. Concurrently, in an effort to encourage greater domestic growth and integrate China into the global economy, the central leadership empowered regional and local authorities with greater responsibility over their own economic and fiscal affairs.

The formalization of Chinese politics has expanded the number of relevant policy actors in China and has led to a system in which the “core leader”³ no longer holds absolute sway.⁴ Instead of a system of tight central management, China’s governance process is one in which “policy made at the center becomes increasingly malleable to the parochial organizational and political goals of various vertical agencies and spatial regions charged with enforcing that policy.”⁵ Although the top Party leadership still controls major policy decisions, governance has become fragmented and diffuse, with multiple “bureaucratic fissures.”

Since the beginning of the reform era in the late 1970s, interagency redundancy has become a significant challenge in the Chinese system. Over the past 30 years, China’s bureaucracies have expanded in both size and mandate, leading to a confusing array of functionally overlapping bureaus and offices with muddled hierarchies. Because no single institution or office has clear decision making authority, the policy process is often stymied by internecine bargaining and incremental decision making.⁶ Since 1982, the central government has undertaken several successive waves of reform in an effort to consolidate its unwieldy bureaucracies, but in spite of these efforts, the overall size of the central government bureaucracy grew by an astonishing 80 percent from the late 1970s to the end of the 1990s.⁷ Significantly, many of these bureaucracies report directly to the State Council, forcing the central leadership and Premier Wen

Jiabao to expend considerable energy managing bureaucratic disputes rather than focusing on more pressing policy priorities.⁸

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In tandem with the cleavages between formal bureaucracies, Beijing also wrestles with the fissures created by the “shadow bureaucracies” of the CCP. Indeed, there is little doubt that the primary and final authority over China’s national security policy resides with the Party and its elite. The Party and its various institutions are responsible for shaping and directing China’s policies, while formal state bureaucracies are responsible for implementing these choices. This process is facilitated by Party organs and personnel embedded within and linked to formal state institutions at all levels of governance, extending the Party’s reach down to the local level. While at first glance these shadow bureaucracies appear to centralize the policy process, the consultations and compromises that must be made with various Party bodies often add a further layer of bureaucratic inertia.

Moreover, the “core” leaders of the 4th and 5th generations no longer possess the unquestioned authority of the earlier revolutionary leadership. As several China scholars have observed, China’s

politics is laced with factionalism, based to some extent on ideology but also on personal networks (a phenomenon more optimistically termed intraparty democracy), most recently between the Communist Youth League *tuanpai* and the Communist elite “princelings.”⁹ The leadership’s unprecedented 2007 decision to nominate two potential “heirs apparent” to the Politburo Standing Committee indicates the degree to which the elite leadership must take account of competing factions.¹⁰ Li Keqiang, believed to be in line for the Premiership, is viewed as a Hu Jintao loyalist and a member of his Communist Youth League faction. Xi Jinping, the likely successor to Hu, is a princeling, often portrayed as a compromise choice between members of the *tuanpai* faction and Jiang Zemin’s Shanghai faction. According to Avery Goldstein, the result of this factionalization is “a policy process where the most insidious aspects of bureaucratic politics reinforce a traditional political culture that emphasizes the personal ties of *guanxi*.”¹¹

Another fissure in the Chinese system exists between China’s central and regional governments. This is not a new problem—an ancient Chinese proverb “山高皇帝远—the mountains are high and the Emperor is far away” highlights the central government’s inability to impose its will far from the capital. In the reform era, China’s provincial and local bureaucracies remain important power centers in their own right.¹² The economic independence of the regional leaders and the resulting decentralization of authority in the Chinese system present a conundrum for the elite leadership.¹³ On the one hand, decentralization is vital to China’s sustained economic growth. On the other hand, this system has created a sub-national leadership almost exclusively driven by profit margins and local development, leading to a noticeable divide between the incentives of central and sub-national bureaucrats and actions taken on the ground. Corruption among local party cadres is widespread.¹⁴ Furthermore, there are divisions not only

between the central and regional governments, but between the various regions themselves. Leaders from the coastal provinces—represented by Jiang Zemin and the party princelings—emphasize international trade and integration. In contrast, leaders from China’s inland provinces—often associated with Hu Jintao and the *tuanpai*—are more disposed to social welfare and “populist” concerns.¹⁵ China’s future policy choices will continue to demonstrate a difficult and careful balance between these two models of development.

Finally, there is an important fissure between China’s civilian and military leadership. Although Chinese doctrine mandates that the military (People’s Liberation Army, PLA) serve the will of the Party, efforts to professionalize the military have created a divide between the civilian and military leadership. Few government leaders interact on a regular basis with the military and there is little cross-representation of civilian leaders in military organizations or military leadership in civilian institutions.¹⁶ China’s leading military body, the Central Military Commission (CMC), is noticeably independent of significant civilian input.¹⁷ The core leader is the sole government official who serves on the CMC. This allows the military to serve as an important and separate base of power that is largely unconnected to the rest of the government.¹⁸ This civil-military fissure in China’s bureaucracy results in a troubling lack of oversight over the PLA. The PLA’s disconnect from the broader civilian government and the stovepiped nature of its military structures prevent critical information from reaching civilian leaders below the highest level of government.¹⁹ More importantly, the PLA’s importance as a legitimating institution for the Party leadership limits the ability or willingness of civilian leaders to increase this oversight. Given that central leaders exert significant time cultivating military loyalty and stocking the CMC with their favorite generals, they would bear significant personal costs from any shake up of the military’s authority.



President Obama meets Chinese Foreign Minister Yang Jiechi.

China's civil-military fissures have significant implications for its international relations. For example, during the 2001 EP-3 crisis, information and reports about the nature of the crisis passed through multiple layers of military bureaucracy before reaching civilian leaders. As James Mulvenon notes, this hierarchical structure gave the PLA significant control over the "official" version of the incident, hindered the ability of Foreign Ministry negotiators to obtain vital information, and increased the likelihood that information would be "sanitized" to protect military personnel.²⁰ The PLA played a similarly obstructionist role in responding to the 2003 SARS crisis, leading the World Health Organization to complain that key details about the epidemic were being hidden from civilian authorities.²¹ There are also indications that China's decision to transit a *HAN*-class submarine through Japan's territorial waters in 2004 and China's 2007 anti-satellite test were both undertaken at the behest of the military leadership and largely without the knowledge of the Ministry of Foreign Affairs.²² These divisions create not only a troubling challenge for China internally, but also the possibility of military leaders provoking international incidents that heighten military tensions between China and other nations.

Of course, it is important to note that China's "bureaucratic fissures" do not present

insurmountable obstacles, nor do they suggest that the People's Republic of China (PRC) is in imminent danger of collapse. If anything, the past 30 years of reform demonstrate that the Chinese system has proven remarkably resilient and capable of adaptation. In spite of a system that requires arduous consensus-building across muddled bureaucratic hierarchies, the establishment of these bureaucracies has provided greater input into China's policy making processes. In turn, this has provided the highly personalistic Maoist system of governance with much greater institutionalization and regularization. Additionally, while intraparty factionalism is a challenge for the CCP leadership, there is also a norm in Chinese politics toward consensus building (also known as "democratic centralism" or "party discipline") that suggests these factions can find ways to accommodate each other.

Bureaucratic Engagement Enters The U.S.-China Relationship

The challenges faced by both the United States and China in managing increasingly complex and overlapping bureaucratic interests underscore the difficulty of providing a coherent approach to the bilateral engagement of our respective bureaucracies. Although this challenge is common to any multifaceted relationship that engages disparate organizations, the U.S.-China relationship has been particularly affected by this phenomenon over the past 30 years. The growth in connections among diffuse American and Chinese bureaucracies has outpaced the development of a model to manage these relationships. As a result, policy makers on both sides of the relationship have been forced to play a furious game of "bureaucratic catch up," attempting to design a series of overlapping bilateral dialogues and policy forums that will bring all the relevant players to the table. The following section examines the growing need for a more expansive relationship over the past 30 years and the various bureaucratic mechanisms and

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dialogues that have been established to facilitate this engagement.

The original model of U.S.-China engagement was straightforward in both its strategic rationale and its implementation. President Nixon's China policy was based on the realpolitik security goals of the Cold War and closely guarded by the guiding hands of Henry Kissinger and Zhou Enlai. Kissinger so zealously shielded his control over America's China policy that few outside a small coterie of White House advisers participated in the process. The U.S.-China relationship continued to be driven by security imperatives and guided by a small group of national security officials for the remainder of the Cold War. However, the Tiananmen Square incident of 1989 and the collapse of the Soviet Union shortly thereafter marked the end of this relationship. A bilateral relationship that was clearly grounded in shared strategic imperatives quickly became a tactical relationship dominated by issue-based politics.

During the Clinton administration, trade and human rights surged to the forefront of U.S. policy toward China, while the strategic bedrock of Cold War security cooperation eroded. As new interests arose and the rationale for older interests faded, the Clinton administration endeavored to design a new model for this broader engagement. Unfortunately, several factors—including mistrust between American and Chinese officials, divisions between U.S. bureaucracies, and China's preference for high-level face time—combined to limit the development of more regular bureaucratic relations during this period. As a result, the bilateral relationship was at its most successful when the White House took a firm hand in designing the overall framework for the relationship. By creating multiple “issue baskets” to be addressed during presidential summits, the Clinton administration managed to address a variety of issues in the relationship while avoiding the complexities of negotiating these issues through a more disparate bureaucratic engagement.²³

In addition to presidential management, however, the Clinton administration continued to make a concerted effort to expand security cooperation. Two important bilateral security dialogues were established in the late 1990s—the Defense Consultative Talks in 1997 and the Military Maritime Consultative Agreement (MMCA) in 1998. Both of these dialogues aimed to reestablish a degree of transparency and cooperation in the defense sphere that had been lost after the Tiananmen Square incident. The Defense Consultative Talks, led by the Undersecretary of Defense and the Deputy Chief of the General Staff of the PLA, aimed to provide a forum for high-level discussions of broad strategic issues in the defense relationship. In contrast, the MMCA talks were coordinated as tactical, operator-level discussions aimed at promoting better maritime coordination and safety. In spite of the Clinton administration's efforts to support closer security

cooperation, the results of these talks were limited. Ongoing challenges, including the U.S. bombing of the Chinese embassy in Belgrade and allegations of Chinese espionage, repeatedly derailed bilateral security cooperation.

Although the George W. Bush administration entered office skeptical about the Clinton administration's engagement with China, particularly in the defense sphere, the EP-3 crisis of early 2001 convinced many in the administration that more institutionalized dialogues were needed to prevent further crises and miscalculations in the relationship. Beginning with the creation of the Department of State's U.S.-China Security Dialogue in 2003,²⁴ the United States and China aimed to establish a series of high-level bureaucratic exchanges that would move away from tactical discussions and provide more authoritative forums in which to discuss a broader range of strategic issues. In 2005, the United States established its highest-level foreign affairs dialogue with China—the Senior Dialogue (SD)—in order to “look over the horizon and discuss the strategic framework of U.S.-China relations.”²⁵ The SD was also supplemented by the creation of a Global Issues Forum—to discuss emerging global security challenges—and sub-level regional dialogues held under the auspices of the SD to discuss specific regional concerns.

As China's participation in, and influence on, the international system has grown and the U.S.-China relationship has evolved, the range of overlapping interests between the two countries has developed accordingly. One would be hard pressed in the Obama era to find a U.S. bureaucracy that did not in some way have an interest in the U.S.-China relationship and want a seat at the table. In addition to high-level security dialogues, the United States and China now engage in various military-to-military dialogues (including new joint training exercises) and an array of bureaucratic interactions involving agencies from

“...while the United States and China have committed to expanding bureaucratic engagement, enhancing this engagement will require greater consistency and coherence across the full range of bilateral dialogues and processes.”

the Department of Energy to the Department of Health and Human Services. In the broadest high-level exchange to date, the July 2009 Strategic and Economic Dialogue (S&ED) brought 28 ministerial-level Chinese officials to Washington, D.C. for discussions with their American counterparts. All told, there are now more than 60 formal bilateral exchange mechanisms between the U.S. and Chinese governments.²⁶ These dialogues have delivered numerous opportunities for cooperation and trust building, as well as for constructively addressing existing tensions and disagreements. As a result of this continuing push for expanded engagement, most policy makers agree that the U.S.-China relationship is now the strongest it has been since normalization.

However, while the United States and China have committed to expanding bureaucratic engagement, enhancing this engagement will require greater consistency and coherence across the full range of bilateral dialogues and processes. The Obama administration's S&ED is just a first step towards facilitating a more integrated model of bureaucratic engagement. As U.S. policy makers develop

their strategy, they should carefully consider the significant challenges that bureaucratic obstacles continue to pose to the bilateral relationship.

“While the United States may view the various aspects of China’s international power—economic, political, and military—as discrete, Chinese strategists view these policy arenas as parts of an integrated whole.”

THE INTERAGENCY CHALLENGE

Many of the most pressing challenges facing both the United States and China are inherently inter-agency in nature, yet the disparate nature of our existing dialogues precludes our ability to bring all of the necessary bureaucratic actors to the table. As a result, identical issues are discussed across a range of discrete dialogues, limiting the opportunity to leverage a “whole of government” approach to these problems.

In recognition of this problem, the United States and China under the Bush and Obama administrations agreed to hold the most comprehensive bilateral dialogues to date—first the Strategic Economic Dialogue (SED) beginning in 2006 and, more recently, the Obama administration’s S&ED. The first SED, led by Secretary of the Treasury Henry Paulson and China’s Vice Premier Wu Yi, served two important purposes. First, it

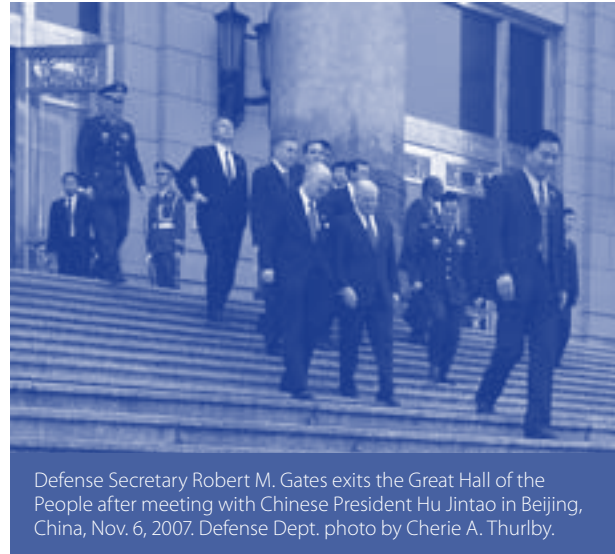
acknowledged that economic engagement between the United States and China increasingly serves as the strategic bedrock for the relationship. Second, the SED created a flagship dialogue to oversee and coordinate the disparate array of economic and trade-related dialogues spread out through multiple U.S. and Chinese bureaucracies. By including several Cabinet secretaries with a stake in the U.S.-China economic relationship, the SED ensured that the strategic vision for the economic relationship would be coordinated across both Chinese and American bureaucracies. For many U.S. policy makers, this forced interaction with Chinese bureaucrats is perhaps the greatest advantage of an interagency dialogue.²⁷

The Obama administration’s creation of the S&ED was a substantial contribution to U.S.-China dialogues because it added a strategic track, led by Secretary of State Hillary Clinton and State Councilor Dai Bingguo, to the economic track of SED. Yet, while the SED provided an important forum for establishing high-level coordination and oversight of the bilateral economic relationship, and the S&ED included high-level discussions on strategic and defense issues, the security side of the relationship still lacks a comprehensive, high-level interagency effort. In the past few years, however, the United States and China have taken some important steps to increase the inter-agency representation of the foreign affairs and defense dialogues. For the first time in 2007, the Department of State and the National Security Council sent representatives to the Defense Consultative Talks. Similarly, in 2007 the Defense Department sent a representative to the SD, as did China’s Ministry of National Defense. Although promising, this cross-agency representation is not yet comparable to the high-level interagency deliberations of the SED. In addition to the disaggregation of our security dialogues, the separation of the economic dialogues from the security dialogues also creates a false divide between the

various components of the relationship. The Obama administration's decision to merge the SD and the Strategic Economic Dialogue into the S&ED was a valuable step toward integrating security and economics, but the respective defense establishments did not have as high-level representation — the highest-level representatives to the talks from the U.S. defense establishment were Undersecretary of Defense for Policy Michele Flournoy and the Commander of U.S. Pacific Command, Admiral Timothy Keating. Without equally high-level representation from the Department of Defense, the perception will remain that our China policy is both strategically and bureaucratically divided into its separate “engagement” and “hedging” components.

The creation of a truly integrated security dialogue — encompassing the economic, military, and political components of U.S. power — would facilitate a more coherent and cooperative bureaucratic engagement in two ways. First, by disaggregating our security dialogues, we overlook important realities about China's strategic thinking and its global interests. While the United States may view the various aspects of China's international power — economic, political, and military — as discrete, Chinese strategists view these policy arenas as parts of an integrated whole. From the Chinese viewpoint, military power is not discrete from diplomatic might; both are constitutive elements of China's “comprehensive national power.” China's integrated view of its interests not only supports a more comprehensive approach to bilateral cooperation, but also necessitates a more integrated and strategic approach to bilateral competition. Chinese strategists increasingly emphasize non-kinetic means of warfare, noting “war is not only a military struggle, but also a comprehensive contest on the fronts of politics, economy, diplomacy, and law.”²⁸

Nowhere is the need for an integrated approach more evident than in U.S. efforts to deal with



Defense Secretary Robert M. Gates exits the Great Hall of the People after meeting with Chinese President Hu Jintao in Beijing, China, Nov. 6, 2007. Defense Dept. photo by Cherie A. Thurlby.

China's increasing ties to regions of key strategic interest. Former State Department officials note that regional sub-dialogues held under the rubric of the SD have been an especially useful tool to manage China's growing use of “region-specific diplomacy.”²⁹ In the past few years, these dialogues have helped influence China's unprecedented decisions to support UN sanctions against North Korea and Iran, as well as its decision to take a more active role in pressuring the Sudanese government to accept UN peacekeepers. However, China's political connections to these regions are inherently connected to, and bolstered by, its economic and military ties. For example, any discussion of China's political leverage over Pyongyang should also consider its ongoing economic support for the regime, but conversations about sanctions regimes must also include American and Chinese economic agencies. Likewise, one of the most pressing concerns facing the United States and China on the Korean peninsula is the potential collapse of the North Korean regime, but any discussions about contingency planning must be coordinated with the Department of Defense and the PLA. By segregating the various components of this relationship, the United States cannot adequately address the full range of its concerns. Moreover, the United

States loses the opportunity to leverage progress in one area of the relationship in return for China's increased cooperation in another area.

China's engagement in Africa provides similar opportunities for cross-issue leverage and inter-agency coordination. China's investments in Africa are driven by its search for resources, but it has increasingly comprehensive relationships in the region. The State Department's SD was instrumental in influencing China's decision to take a more active role in pressuring the Sudanese government to accept UN peacekeepers. These discussions could be improved, however, if they were integrated into broader discussions about China's peacekeeping role on the continent and its regional energy and trade investments. By separating these discussions, the United States loses the

the continent, and provides a useful opportunity for the United States to coordinate a similar interagency discussion of China's involvement in the region.³⁰

The second advantage of an interagency security forum is the ability to address the growing role that transnational security challenges play in the U.S.-China relationship. For example, energy security and climate change are not only two of the most urgent domestic threats for the Chinese leadership, but they also present two of the most pressing security challenges for the bilateral relationship. Similarly, the 2003 SARS incident highlighted the need for bilateral cooperation on the threat of pandemic diseases. Over the past few years, the United States and China have gradually increased their discussions on this subject, leading the U.S. Secretary of Health and Human Services and China's Vice Minister of Health to initiate the China-U.S. Collaboration Program Office for Emerging and Reemerging Infectious Diseases. Moreover, the U.S. Secretary for Health and Human Services, Kathleen Sebelius, attended the 2009 S&ED. However, the Chinese military has to date not been included in discussions between the health bureaucracies, in spite of evidence that suggests the military was instrumental both in aggravating and eventually solving the 2003 crisis.

"STRUCTURAL" CHALLENGES

The second challenge that U.S. policy makers will have to consider when designing a more comprehensive bureaucratic engagement is the structural mismatch between many American and Chinese bureaucracies. The success of any bilateral dialogue is dependent upon our ability to get the right people to the table, an inherently difficult task when dealing with China. The differences between the organizational structures of American and Chinese bureaucracies complicate any efforts to design an effective dialogue process. U.S. policy makers must contend with the challenge of government bureaucracies that are often mismatched in

"The success of any bilateral dialogue is dependent upon our ability to get the right people to the table, an inherently difficult task when dealing with China."

opportunity to help China more carefully consider the inherent tensions and contradictions between its various interests in the region. An integrated discussion would also better reflect the nature of the U.S. presence in Africa. As David Sedney, former Deputy Assistant Secretary of Defense for East Asia, recently observed, the Defense Department's creation of the U.S. Africa Command is premised on an interagency approach toward security on

terms of their functional role and/or influence. For example, the U.S. decision to design the SED was largely in response to such a mismatch between the U.S. Treasury Department and China's Ministry of Finance. Prior to the creation of the SED, China had paired the Secretary of the Treasury together with its Minister of Finance to lead bilateral economic talks. However, in the minutiae of China's bureaucratic structures, the Minister of Finance functions as more of a sub-cabinet level official, in contrast to the Cabinet-level Vice Foreign Ministers and Councilors (with whom the Treasury Secretary was paired for the SED and S&ED). Additionally, unlike the powerful U.S. Treasury Department, the Ministry of Finance operates as more of a "government funding ministry" than as the government's leading economic policy wheelhouse.³¹ Such structural mismatches are all too common and have the potential to significantly undermine the utility and success of any bilateral dialogues.

Perhaps the most significant structural impediment we face is the dualism of China's governance structures. Bilateral dialogues typically involve representatives from China's government ministries, yet the primary and final authority over China's national security policy resides with the CCP elite. The opacity of CCP power politics creates informal power hierarchies that frequently do not align with formal bureaucratic titles. These informal power hierarchies have been a particular challenge for U.S. officials engaging with China's Ministry of Foreign Affairs and Ministry of Defense. While the U.S. Departments of State and Defense are two of the most powerful bureaucracies in the United States, in China, these ministries were established for the specific purpose of managing Beijing's international engagement and are accorded limited influence in the internal political calculus of the CCP elite. U.S. diplomats have noted that Ministry of Foreign Affairs interlocutors are viewed as the "barbarian handlers" who

are valued for their diplomatic skill, but have a limited ability to influence policy outcomes and other bureaucracies.³² Multiple U.S. interlocutors attributed the success of the SD more to the informal political influence of Dai Bingguo, who is close to Hu Jintao, than his formal role within the Ministry of Foreign Affairs.³³

"The reality of China's informal power structures therefore necessitates an approach to bilateral engagement that recognizes that individuals matter more than institutions or titles."

Without a clear sense of which faction or individual holds the greatest informal power at a given point in time, it is often difficult for U.S. officials to ascertain the most effective level of engagement or the specific individuals with whom to engage. For example, while China's vice premiers hold formal bureaucratic roles, their policy portfolios are individually determined rather than mandated by their specific position. When the senior leadership changes, these portfolios will shift, and it may not be immediately clear to outside observers which leader holds the decision making power over a specific area. Similarly, China's leading small groups play a significant role as interagency coordinating bodies, yet the leadership and membership of these committees are rarely publicized, again

leaving U.S. policy makers with an incomplete understanding of the key policy makers on any given issue.³⁴ The reality of China's informal power structures therefore necessitates an approach to bilateral engagement that recognizes that individuals matter more than institutions or titles.

THE CIVIL-MILITARY CHALLENGE

The third bureaucratic challenge facing the bilateral relationship is the continued limitation of our military engagement. The defense and military relationships between China and the United States are ironically some of the oldest, and yet least institutionalized, areas of bureaucratic engagement.³⁵ For the past two decades, the bilateral defense and military relationship has been defined by mutual suspicion and frequent flare-ups of animosity. Whereas bilateral dialogues between the foreign affairs and economic bureaucracies have established clear areas of shared interests and cooperation in spite of remaining disagreements and strategic competition, the defense relationship has been almost solely characterized by strategic “hedging.” As a result, the divide between the “engagement” and “hedging” components of our relationship has been not only metaphorical but plainly bureaucratic.

One of the primary challenges to a more satisfying military engagement is the fundamental difference of opinion between the United States and China about the objectives of these dialogues. This difference is unlikely to change in the near future. From the U.S. perspective, bilateral dialogues should be results based and lead to greater clarity about China's intentions, technology, and practices. From the perspective of Chinese military leaders, such transparency would be strategic folly. As the weaker military power, China believes it has little incentive to be forthcoming about the advancements, or lack thereof, in its military capabilities. For China, military dialogues should be about building trust between high-level representatives, an approach that is often at odds with the U.S.

preference to “build up” to high-level dialogues.

Military dialogues will also continue to be challenged by the dual structure of China's defense and military leadership, which forces international partners to engage with China through the relatively weak Ministry of National Defense, while limiting foreign access to the CMC, the true source of military power in China. It is important to be realistic about the short-term potential for the bilateral military relationship. As long as China maintains its “shadow bureaucracy” system and insists on keeping the military's true leaders out of bilateral military-to-military exchanges, these challenges will remain. Therefore U.S. policy makers will likely have to accept that the military relationship will sit somewhat removed from, and will trail behind, the rest of the bilateral relationship. As the United States considers a more comprehensive bureaucratic engagement, this reality will be one of the most difficult obstacles to overcome.

Yet it is precisely in this area of the bilateral relationship that a more productive and institutionalized bureaucratic engagement would be most beneficial to the stable development of future relations, and there are growing signs that small and targeted improvements in our military relations are possible. Since the military-to-military relationship reached its nadir following the 2001 EP-3 incident, military exchanges between the United States and China have broadened and deepened, both in terms of the range of military personnel participating in the talks and their frequency. In November 2005, the two countries instituted a series of mid-level officer exchanges with the aim of increasing cultural understanding between officers and discussing “common interests” that might help promote greater engagement among future military leaders.³⁶ In addition, both the United States and China have expressed a greater interest in developing exchanges between lower-level military personnel. In June 2008, the

United States brought its first group of noncommissioned officers to China for a bilateral dialogue. China's willingness to participate in exchanges of lower-level officers is a promising development for military relations that may encourage a greater degree of international awareness and openness among China's upcoming generation of military leaders.

In addition to expanded military exchanges with the United States, China's military is also developing a larger international profile.³⁷ General Cao Gangchuan visited more than 24 different countries over the past five years during his tenure as Minister of National Defense, and the PLA now maintains a regular presence in 96 different countries.³⁸ The PLA is also playing a more important role in providing global security. China is now the 12th largest provider of peacekeeping forces—with peacekeepers stationed in six of the UN's seven African peacekeeping operations—more than any other member of the UN Security Council.³⁹

China's global defense presence necessitates a more comprehensive approach to bilateral dialogues that integrates China's defense leaders into broad strategic discussions. While incorporating PLA leadership into broader discussions might be difficult, it also presents an opportunity to bring high-level military leaders into wide-ranging strategic discussions while avoiding the difficulties of discussing precise military acquisitions and force developments that stymie more tactical military exchanges. Similarly, by incorporating high-level defense representatives into an interagency dialogue, the United States would increase its ability to leverage other areas of the bilateral relationship in order to shape China's overseas military practices in a way that is in keeping with U.S. interests. U.S. officials have noted that in many instances China views its overseas military ties as being subservient to its economic and political interests, presenting a useful opportunity for the United States to exploit its cross-issue leverage. In recent

testimony to Congress, former Deputy Secretary of Defense David Sedney noted that Chinese military sales to Latin America are likely directly correlated to the degree to which it believes it can continue this practice without “directly antagonizing the U.S.”⁴⁰

“In the 21st century, domestic and international policies are inherently interconnected. States cannot afford to ignore the influence of sub-national actors in the international sphere. Nowhere is this more true than in China.”

THE CHALLENGE OF SUB-NATIONAL ACTORS

The final bureaucratic obstacle facing U.S.-China relations is the increasing involvement of sub-national actors, such as provincial governors and corporate leaders, who play key roles in shaping China's policies. In the 21st century, domestic and international policies are inherently interconnected. States cannot afford to ignore the influence of sub-national actors in the international sphere. Nowhere is this more true than in China, where the divide between central and sub-national actors is complex and blurred. The fiscal empowerment of China's provinces gives provincial leaders a degree of influence that is often equivalent to, or greater than, that of central government ministers. Moreover, China's provincial leaders are able

to influence the central government's decisions through their roles in the Central Committee and Politburo. China's large state-owned enterprises, which play an important role in the country's economic development and overseas investments, are also influential in shaping Beijing's foreign policy. Like provincial leaders, the influence of these corporations and their executives extends beyond their immediate area of responsibility through their high-level connections in the CCP.

Both regional governments and large corporations can influence China's international relations in myriad ways, through international trade, enforcement of environmental and public health regulations, and intellectual property protections.⁴¹ Recent debacles over food safety and product standards highlight the ease with which local and corporate negligence could have dramatic international consequences. Similarly, Guangdong province's announcement in the wake of the product safety scandal that it would sue Mattel over lost revenues highlights the growing role of sub-national actors in the bilateral relationship.⁴² China's seeming inability to monitor and control these subsidiary bureaucracies is not only a threat to its domestic stability, but also to the U.S.-China relationship.⁴³

The need to address the influence of sub-national actors is particularly evident in a few key areas of the bilateral relationship, including climate change, energy security, and anti-proliferation efforts. As noted by several scholars, while climate change and energy security are transnational challenges, China's ability or inability to respond to these threats will be primarily determined at the regional and local levels.⁴⁴ Much of the responsibility for enforcing China's environmental agreements is placed upon local governments, but the party's focus on achieving economic growth reduces the incentive of local actors to implement contradictory national directives. The relative autonomy enjoyed by provincial and local actors

and the lack of adequate central oversight further exacerbates the difficulty of establishing a strong central government response to climate change in China.⁴⁵ In response to this predicament, the Environmental Protection Agency and the Asian Development Bank recently joined together to establish "regional supervision centers" to increase China's enforcement capacity at the regional and local levels.⁴⁶ As the United States and China aim to establish greater cooperation on energy and climate security, it will be essential to incorporate similar efforts into a comprehensive bilateral discussion.

The influence of China's sub-national actors has also been a particularly vexing aspect of its arms proliferation practices. In spite of China's signature on multiple arms control agreements, it remains one of the world's most prolific suppliers of military hardware and sensitive technology. This problem has been a long-standing issue of contention in the bilateral relationship, and has been repeatedly addressed in multiple bilateral dialogues. Existing dialogues, however, do not provide a significantly broad aperture to address this issue. The leading source of China's proliferation is not the Chinese government, but rather its state-owned defense industries. China's defense corporations, neither exclusively civilian nor military in nature, manufacture a variety of dual-use materials that have frequently been sold to regimes including Iran, Iraq, and Pakistan. On the one hand, corporate officials are appointed to their position by the CCP and are therefore subject to Party control. However, U.S. officials have debated the degree to which the Chinese government is aware of corporate practices. Worrisome sales by corporate entities such as the China National Nuclear Corporation and NORINCO have repeatedly caused the U.S. government to struggle in dealing with the uncertain relationship between such companies and the Chinese government.⁴⁷

Regardless of Beijing's direct or indirect complicity in facilitating proliferation by China's defense corporations, U.S. officials have argued that existing dialogues do not engage the appropriate actors to solve this problem. According to Stephen Rademacher, former Undersecretary of State for Arms Control and Proliferation:

Whatever the reason, it appeared to me that stopping the proliferation activities of these companies was beyond the bureaucratic power of our counterparts in the Foreign Ministry...[B]y the time I left the State Department I had come to the conclusion that the problem with the serial proliferators was not that our nonproliferation counterparts within the Chinese government were uninterested in reining in these companies, but rather that they were unable to do so.⁴⁸

Dealing with this threat will require high-level interagency discussions that leverage the full range of policy actors involved in controlling China's proliferation activities. However, given the pervasiveness of this problem across the entirety of China's defense industries, a more efficient bureaucratic engagement should also provide a direct means for U.S. policy makers to deal with the influence of China's powerful sub-national actors.

Conclusions: Principles For Bureaucratic Management

Thirty years after the normalization of relations between the United States and China, the scope of the U.S.-China relationship exceeds anything even Zhou Enlai and Henry Kissinger could have envisioned. Management of this vast and expanding engagement will require U.S. policy makers to design effective bureaucratic forums to support the overarching strategic vision for the relationship. The expanding scope and depth of the bilateral relationship will require a proactive effort on the part of U.S. leaders to coordinate the broad array of bureaucratic institutions and actors now invested in our relationship with China. The following principles should guide U.S. policy makers as they design future bilateral engagement.

ENGAGEMENT BEGINS AT HOME

U.S. policy makers must remember that engagement begins at home. Our strategic approach towards China must first be coordinated among U.S. actors before engaging in bilateral discussions. While this message might appear simple, the reality is that U.S.-China policy has frequently been haphazard and reactive to China's actions and unfolding world events, rather than proactive and cohesive. This problem should be addressed as quickly as possible, because presidential distraction and bureaucratic individualism will quickly set in. High-level attention and management from the White House will be essential to gather key principals and deputies on a regular basis and ensure adequate coordination among U.S. policy makers.

“The expanding scope and depth of the bilateral relationship will require a proactive effort on the part of U.S. leaders to coordinate the broad array of bureaucratic institutions and actors now invested in our relationship with China.”

FOCUS ON PEOPLE MORE THAN INSTITUTIONS

As long as China remains a one-party state, the complexities of its informal power structures will undermine any effort to neatly match bureaucratic institutions and titles. U.S. policy makers must

be sensitive to this reality and concern themselves more with cultivating relationships with the appropriate “power players” than matching policy actors according to bureaucratic protocol. A key component of this effort should also be a focus on cultivating relationships with China’s upcoming elite. In contrast to the uncertain electoral future of a democracy, the United States is able to ascertain China’s future leadership at least several years in advance. This provides U.S. policy makers with a valuable window of opportunity to begin establishing trust and cooperative relationships with future Chinese leaders before they move into power. Similarly, the United States should establish a more direct means of communicating with powerful sub-national actors in the Chinese system.

PLAN FOR CROSS-ISSUE LINKAGES

Fragmentation of our bilateral security dialogues not only inhibits a more cohesive approach to bureaucratic management, but also limits U.S. policy makers’ ability to bring the full weight of U.S. power to bear on its negotiations with China. China’s interests are intricately connected across domestic, international, and functional lines. Chinese policy makers have proven remarkably adept at leveraging one aspect of the bilateral relationship off of another in the past. U.S. policy makers can either choose to proactively leverage these cross-issue linkages or allow Chinese policy makers to exploit them to their own advantage. A key component of planning for cross-issue linkages should be providing high-level defense representation at future S&EDs.

FREQUENCY MATTERS

Given the lack of trust and frequent misunderstandings that have characterized the U.S.-China relationship, the frequency of bilateral dialogues is important. While it is difficult to gather high-level principals for cross-Pacific travel, the benefits of more frequent discussions are clear. The complexity of the U.S.-China relationship, as well as the potentially significant bilateral and international

consequences of increased tensions in the relationship, requires the United States to be as forward leaning as possible in promoting frequent conversations.

A CAVEAT — THE CONTINUED CHALLENGE OF CRISIS MANAGEMENT

The U.S.-China relationship has repeatedly been undermined by strategic miscalculations and misunderstandings between various actors, leading to dangerous crises in the relationship. These crises have proved notoriously difficult to manage, as both the United States and China have often lacked adequate insight about who to engage in order to defuse the situation. Effective bureaucratic engagement will not necessarily improve this problem. To the extent that crises are more prone to erupt under conditions of poor overall relations and mistrust, a cooperative bureaucratic engagement will help decrease the potential for future crises. Additionally, establishing more frequent conversations between key players should provide both sides with a clearer picture of the appropriate actors to engage in the event of a crisis. The establishment of crisis hotlines is also a promising step forward, yet the difficulty of getting China to establish clear plans and agreements for these hotlines highlights the greatest continued challenge of both crisis management and bureaucratic engagement as a whole — at the end of the day, the Chinese have to pick up the phone.

ENDNOTES

- ¹ For a fuller exploration of this phenomenon, see Gordon Adams, "When National Security Meets Government Bureaucracy," *Bulletin of the Atomic Scientists* (18 September 2007), at <http://www.thebulletin.org/web-edition/columnists/gordon-adams/when-national-security-meets-government-bureaucracy>.
- ² Robert M. Gates, "Landon Lecture (Kansas State University)" (26 November 2007), at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1199>.
- ³ The "core leader" today is the General Secretary of the Communist Party, Hu Jintao.
- ⁴ David M. Lampton, "China's Foreign and National Security Policy-Making Process: Is It Changing, and Does It Matter?" in David M. Lampton, ed., *The Making of Chinese Foreign and Security Policy in an Era of Reform, 1978-2000* (Stanford: Stanford University Press, 2001): 4.
- ⁵ Andrew C. Mertha, "'Fragmented Authoritarianism 2.0': Political Pluralization in the Chinese Policy Process," *The China Quarterly* (forthcoming 2009).
- ⁶ Kenneth Lieberthal and Michel Oksenberg, *Policymaking in China: Leaders, Structures and Processes* (Princeton: Princeton University Press, 1988): 3.
- ⁷ Including both government and Party bureaucracies, approximately one in every 18 people in China now works in the bureaucratic system, requiring the Chinese government to spend up to 37 percent of its total tax intake on maintaining the system itself. See "Trimming China's Bureaucracy," *BBC News* (6 March 1998); Rowan Callick, "Bid to Streamline China Bureaucracy Sparks Turf War," *The Australian* (4 March 2009).
- ⁸ Most recently, the Hu/Wen administration embarked on a new effort to consolidate the policy process through the creation of "super ministries." Although the effort was partially successful, it fell far short of the more wide ranging reforms initially envisioned by the central leadership. See Gang He, "China's New Ministry of Environmental Protection Begins to Bark, but Still Lacks in Bite," *Earth Trends* (Washington, D.C.: World Resources Institute, 17 July 2008), at <http://earthtrends.wri.org/updates/node/321>.
- ⁹ See Cheng Li, "China's Team of Rivals," *Foreign Policy* (March/April 2009). See also Jing Huang, *Factionalism in Chinese Communist Politics* (Cambridge: Cambridge University Press, 2000); Cheng Li, *China's Leaders: The New Generation* (Lanham, MD: Rowman & Littlefield, 2001); and Cheng Li, "Hu's Policy Shift and the Tuanpai's Coming-of-Age," *China Leadership Monitor* (Summer 2005).
- ¹⁰ With each accession of a new elite "core," the central leader is forced to expend significant time and energy accommodating the varying interests of these factions, even as he works to repopulate influential committees with his loyalists. Accordingly, the relative strength or weakness of the central leader and his faction significantly influences his ability (and willingness) to undertake policy reforms and often has a great deal of influence over the relative cooperativeness or insularity of China's foreign policy.
- ¹¹ Avery Goldstein, "Trends in the Study of Political Elites and Institutions in the PRC," *The China Quarterly* 139 (September 1994): 724.
- ¹² The importance of provincial leadership experience and the power of regional constituencies is clearly reflected in the composition of China's core leadership bodies. Both Hu Jintao and Jiang Zemin had experience as provincial Party secretaries. Provincial leaders have now become one of the most important constituencies on the Politburo and the Central Committee. In fact, all but one of the current members of the Politburo Standing Committee, including all four of the members elected at the 17th Party Congress, had substantial experience as provincial chiefs prior to their election to the central leadership. Additionally, nearly 50 percent of the Central Committee is now composed of regional and local leaders, whose main role is to represent the interests of their localities. See Cheng Li, "A Pivotal Stepping-Stone: Local Leaders' Representation on the 17th Central Committee," *China Leadership Monitor* 23 (Winter 2008).
- ¹³ Kenneth Lieberthal, "How Domestic Forces Shape the PRC's Grand Strategy and International Impact," in Ashley J. Tellis and Michael Wills, eds., *Strategic Asia 2007-08: Domestic Political Change and Grand Strategy* (Washington, D.C.: National Bureau of Asian Research, 2007): 39.
- ¹⁴ Willy Lam, "The Hu-Wen Leadership Battles 'Warlords' over Economic Policies and Bureaucratic Reform," *China Brief* Vol. 8, No. 18 (20 October 2008), at <http://www.jamestown.org/programs/chinabrief/>.
- ¹⁵ There is a clear alignment of the *tuanpai* and princeling factions with regional divisions. Cheng Li notes that 73 percent of the 22 *tuanpai* leaders who held provincial chief posts at the 17th Party Congress represented inland provinces.
- ¹⁶ Tai Ming Cheung, "The Influence of the Gun: China's Central Military Commission and its Relationship with the Military, Party, and State Decision-Making Systems," in Lampton: 86.
- ¹⁷ Since 1992, Jiang Zemin and Hu Jintao have been the only civilian representatives to sit on the CMC. Similarly, only two military leaders have served on the Politburo over the past decade, signaling a further divide between civilian and military affairs. See Li Cheng and Scott W. Harold, "China's New Military Elite," *China Security*, Vol. 3 No. 4 (Autumn 2007): 63-65.
- ¹⁸ *Ibid.*: 65.
- ¹⁹ There is some evidence that the PLA coordinates with the Ministry of Foreign Affairs and the Foreign Affairs Leading Small Group on its military diplomacy, but the extent and influence of these interactions is unclear. See Kristen Gunness, "China's Military Diplomacy in an Era of Change," Presented at a National Defense University Symposium, *China's Global Activism: Implications for U.S. Security Interests* (20 June 2006), at <http://www.ndu.edu/inss/symposia/pacific2006/Gunnesspaper.pdf>.
- ²⁰ James Mulvenon, "Civil-Military Relations and the EP-3 Crisis: A Content Analysis," *China Leadership Monitor* No. 1 (Winter 2002): 4.
- ²¹ See James C. Mulvenon, "Party-Army Relations Since the 16th Party Congress: The Battle of the Two Centers?" in Andrew Scobell and Larry Wortzel, eds., *Civil-Military Change in China: Elites, Institutes, and Ideas after the 16th Party Congress* (September 2004): 31. Mulvenon's article includes a larger discussion of the PLA's role in exacerbating the SARS Crisis.
- ²² James Pollpeter, "Motives and Implications Behind China's ASAT Test," *China Brief* Vol. 7, No. 2 (24 January 2007).
- ²³ Robert Suettinger, *Beyond Tiananmen: The Politics of U.S.-China Relations 1989-2000* (Washington, D.C.: Brookings Institution Press, 2004): 250, 312.

- ²⁴ Led by the Undersecretary of State for Arms Control and International Security, the Security Dialogue was an effort to provide high-level strategic security talks, primarily focused on arms control and non-proliferation issues.
- ²⁵ "Senior Dialogue Examines Framework of U.S.-China Relationship" (8 December 2005), at <http://www.america.gov/st/washfile-english/2005/December/20051208165226ajesrom0.4026758.html#ixzz0AlQlaV5S>.
- ²⁶ "First Chinese Military Official Attends China-U.S. Strategic Dialogue," *Xinhua* (17 January 2008), at <http://www.china-embassy.org/eng/xw/t400794.htm>.
- ²⁷ Author's interview with Bush administration official, March 2009. Also, as former Secretary of the Treasury Henry Paulson observed: "the Strategic Economic Dialogue's interagency approach . . . allows all the ministers and cabinet officials to hear arguments from all sides, and that, in turn, informs the decision-making process. For example, the governor of the People's Bank of China Zhou Xiaochuan, does not decide the pace of the renminbi's appreciation on his own; through the SED, all the ministers involved in that decision can discuss it." See Henry Paulson, "A Strategic Economic Engagement," *Foreign Affairs* (September 2008).
- ²⁸ Office of the Secretary of Defense, *Military Power of the People's Republic of China 2007*: 13.
- ²⁹ "Mr. Yang Jiechi, China's Minister of Foreign Affairs, Meets the Press," at <http://www.fmprc.gov.cn/ce/cebnc/eng/sqxx/t541666.htm>. Author's interview (31 March 2009).
- ³⁰ David E. Sedney, *Testimony Before the U.S.-China Economic and Security Review Commission* (4 March 2009).
- ³¹ Albert Keidel, "America's New China Dialogue" (Washington, D.C.: Carnegie Endowment for International Peace, October 2006).
- ³² Author's interview with former State Department official (15 April 2009).
- ³³ Author's interview with former State Department official (31 March 2009).
- ³⁴ Alice L. Miller, "The CCP Central Committee's Leading Small Groups," *China Leadership Monitor*, No. 26 (Fall 2008), at <http://www.hoover.org/publications/clm/issues/27770964.html>.
- ³⁵ As early as 1980, former Secretary of Defense Harold Brown began laying the groundwork for strategic dialogues and reciprocal exchanges between the American and Chinese defense bureaucracies and militaries. See Shirley A. Kan, "U.S.-China Military Contacts: Issues for Congress," Congressional Research Service (19 March 2009), at <http://www.fas.org/sfp/crs/natsec/RL32496.pdf>.
- ³⁶ U.S. Pacific Command, "USPACOM Sends Mid-Level Officer Delegation to PRC," (24 March 2008), at http://www.pacom.mil/news/news2008/004_08%20USPACOM%20Sends%20Delegation%20to%20PRC.pdf.
- ³⁷ In 2004, President Hu Jintao explicitly promoted China's greater involvement in regional and global security through participation in "historic missions." Office of the Secretary of Defense, *Military Power of the People's Republic of China 2005*.
- ³⁸ Office of the Secretary of Defense, *Military Power of the People's Republic of China 2009*: 54.
- ³⁹ Marc Miller, *PLA Missions Beyond Taiwan* (Carlisle, PA: Strategic Studies Institute, United States Army War College, 27 October 2008): 2.
- ⁴⁰ Sedney.
- ⁴¹ Lieberthal: 37.
- ⁴² "Chinese Province 'May Sue Mattel,'" *BBC News* (6 November 2007).
- ⁴³ David D. Li, "Changing Incentives of the Chinese Bureaucracy," The William Davidson Institute at the University of Michigan Business School, Working Paper No. 130 (June 1998), at <http://www.wdi.umich.edu/files/Publications/WorkingPapers/wp130.pdf>; "Trimming China's Bureaucracy," *BBC News* (6 March 1998).
- ⁴⁴ Kenneth Lieberthal and David Sandalow, "Overcoming Obstacles to U.S.-China Cooperation on Climate Change," (Washington, D.C.: The Brookings Institution, January 2009): 35.
- ⁴⁵ Busby, this volume: 4.
- ⁴⁶ Judith E. Ayres, *Testimony before the United States-China Economic and Security Review Commission* (14 June 2007).
- ⁴⁷ Shirley A. Kan, "China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues," Congressional Research Service (7 January 2009), at http://assets.opencrs.com/rpts/RL31555_20090107.pdf.
- ⁴⁸ U.S.-China Economic and Security Review Commission, *2008 Report to Congress* (November 2008), at http://www.uscc.gov/annual_report/2008/annual_report_full_08.pdf.

CHAPTER VIII:
CHINA'S ARRIVAL:
A FRAMEWORK FOR A GLOBAL RELATIONSHIP

By Abraham M. Denmark



"With the United States primarily focused on the 'Arc of Instability' and the Department of Defense attempting to "balance" its capabilities across the spectrum of warfare, ensuring China's peaceful arrival as a responsible international stakeholder and maintaining military deterrence is more important than ever."



CHINA'S ARRIVAL: A FRAMEWORK FOR A GLOBAL RELATIONSHIP

By Abraham M. Denmark¹

Introduction

China has arrived as a major player on the world stage. China's newfound status can be seen in its more assertive international behavior, driven by its leaders' recognition that China's interests and influence are increasingly regional and global in scale. From Chinese astronauts orbiting the Earth to Chinese companies making \$52 billion in foreign acquisitions in 2008, China's arrival can be felt in all corners of the world.

China's arrival can also be seen in the U.S.-China relationship. President Obama stated in July that America's relationship with China "will shape the 21st century, which makes it as important as any bilateral relationship in the world."² The economic and political aspects of the relationship have greatly expanded over the past 10 years, with bilateral trade topping \$409 billion in 2009³; a series of high-level political dialogues culminated in the inauguration of the Strategic and Economic Dialogue (S&ED) in July 2009, led by Secretary of State Hillary Clinton, Secretary of the Treasury Timothy Geithner, and their Chinese counterparts.

This chapter will propose a strategic framework that takes China's arrival into account, identifies U.S. interests, capabilities, and limitations, and incorporates the analyses and recommendations of the scholars in this volume. The framework moves beyond the formulation of engagement and hedging, and toward a strategy that incorporates engagement, integration, and balancing into a comprehensive approach utilizing all elements of U.S. national power.

The George W. Bush administration deserves a great deal of credit for improving America's relationship with the People's Republic of China (PRC). Still, despite its success, the Bush administration was perceived as profoundly focused on the "Arc of Instability" from the Middle East to South Asia. In addition to requiring significant amounts of policy maker attention, this focus directly

impacted the ability of U.S. leaders to engage in the Asia-Pacific region. In a telling example, in July 2005, Secretary of State Condoleezza Rice skipped a meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) in order to travel to the Middle East. As a result, foreign ministers from Japan, India, and China either skipped the meeting or departed early, leading a local media outlet to carry the unfortunate headline “Condoleezza Rice: Too busy to care about Southeast Asia?”⁴ This focus, combined with a difficult economic picture constraining future defense budgets, necessarily diverted resources and high-level attention away from China and the Asia-Pacific, and forced the United States to operate in the region with one hand figuratively tied behind its back.

In its first year in office, the Obama administration has done a great deal to address this problem. Japanese Prime Minister Taro Aso was the first foreign head of government to visit Washington, and Japan was the site of Hillary Clinton's first foreign visit as Secretary of State, before she headed to the 2009 ARF meeting. President Obama has issued a Joint Declaration with South Korean President Lee Myung-bak and is reportedly planning a long trip through Asia this winter, capping the reemergence of Asia as a priority for the United States.

Yet, this reemergence must be understood within the broader context of America's ongoing wars and commitments around the world, as well as the Obama administration's prioritization of economic and domestic issues. Despite the recognized importance of Asia to American interests, we remain a nation focused on current crises. Under these conditions, ensuring China's arrival as a responsible international stakeholder is more important than ever. There is an urgent need to construct a strategy toward China that recognizes the reality of a U.S. strategic focus and accounts for China's newfound interests and power.

Beijing's Interests and Strategy

China does not publish an authoritative, comprehensive list of its strategic objectives. However, the U.S. Department of Defense has identified “a coherent set of enduring strategic priorities, which include the perpetuation of CCP [Chinese Communist Party] rule, sustained economic growth and development, maintaining domestic political stability, defending China's national sovereignty and territorial integrity, and securing China's status as a great power.”⁵

Economic development plays a central role in Beijing's calculations because China's leaders have staked a key pillar of the CCP's legitimacy on an implicit social contract: the Party provides China's population with a rising standard of living and promises of a return to China's rightful place as a great power; in return, the people must accept one-party rule and the legitimacy of the CCP. China's leaders have identified a strategic window of opportunity through 2020, during which they believe that the international system will remain stable, allowing China the opportunity to focus on its own economic development.⁶

Due to the centrality of the people's living conditions on the Party's legitimacy, Beijing is profoundly sensitive to indications of widespread instability and popular discontent. Even though China's exceptional economic growth over the past 30 years has lifted hundreds of millions of people out of poverty and improved living conditions tremendously for the Chinese people, all is not well inside China. Its economic growth has created expanding economic inequality, environmental degradation, and official corruption that threaten the quality of people's lives, and thus the CCP's legitimacy. The government's perpetual concerns about instability are likely to be exacerbated by several sensitive domestic anniversaries and the effects of an ongoing global economic crisis. For the foreseeable future, the operational priority of

China's elites will be co-opting, suppressing, and addressing issues related to economic inequality and social dislocations.

The recent introduction of advanced computing technologies has brought blogging, text messaging, and internet chat into Chinese society, providing the Chinese people with fresh avenues to discuss issues, express displeasure with government behavior, and organize. While China's security services have, to date, been able to keep a lid on internal dissent, technologies have given the common people a powerful tool that allows them to organize protests more quickly than the police can respond.⁷

Beijing's focus on maintaining China's internal stability and economic growth drives a foreign policy that is geared towards preserving China's economic development and avoiding foreign conflicts and entanglements that may jeopardize these goals, as demonstrated by PRC President Hu's departure from the G8 meeting in Italy to return to Beijing because of an uprising in Xinjiang province. However, China's leaders also recognize that global and regional issues increasingly impact China domestically, primarily since China's economy depends on foreign resources and markets. Beijing must therefore address these issues and examine the development of military capabilities to protect China's access to needed foreign markets and resources.

Avoiding military conflict with the United States is a major part of maintaining a stable and peaceful external environment, at least in the near term. China's leaders understand that China's economy is closely tied to that of the United States, and that any conflict would significantly damage China's economic development. Additionally, Chinese strategists appear to recognize that the People's Liberation Army (PLA)'s capabilities remain significantly behind those of the U.S. military, and that

“For the foreseeable future, the top operational priority for China’s elites will be co-opting, suppressing, and addressing issues related to economic inequality and social dislocations.”

for the foreseeable future China would be unlikely to achieve its political objectives through a conflict with the United States.

A clear understanding of China's short- and medium-term strategic objectives and their foreign policy framework should drive U.S. responses and initiatives and suggest areas of mutual concern. For example, China's integration into regional multilateral organizations has clearly moderated its behavior and liberalized some trade practices, despite Beijing's efforts to maintain its freedom of action. The United States can utilize Beijing's interest in increasing its influence in multilateral institutions by raising the profile of inclusive institutions and insisting that these institutions emphasize transparency, free markets, and accountability while delivering tangible improvements to regional stability and prosperity.

While China's short- to mid-term objectives and foreign policy goals are fairly well understood, its long-term objectives are unclear. China's leaders do not publicly discuss with any specificity where they would like to see China over the long term, and Beijing's authoritative statements rarely go beyond banal platitudes. Some elements of China's military modernization program and statements

Assessment of China's Foreign Policy Framework

- Regard the United States as the world's most powerful country, and do not allow the U.S.-China relationship to turn significantly negative.
- Recognize that over the long run, the United States does not want China to achieve its full national potential and will take measures to inhibit China's success. China should, therefore, encourage development of centers of power that reduce U.S. dominance, while carefully refraining from giving such efforts an explicitly anti-U.S. flavor.
- Respond to U.S. engagement in the Asia-Pacific region by enhancing ties with countries (such as India and Australia) that the United States appears to be using to constrain China. Encourage strong bilateral economic and political relationships in Asia, reinforced by initiatives to create sub-regional and regional multilateral capabilities, preferably with little or no U.S. role.
- Secure access to foreign resources and markets by managing diplomatic relations with supplier and market nations; assure access to (and preferably have ownership over) natural resources.
- Increase China's voice and role in multilateral organizations and activities. Attempt to limit responsibilities and maximize Chinese freedom of action while recognizing that some changes in behavior are unavoidable.
- Strengthen ties to Taiwan, and develop the capacity to wreak unacceptable damage with conventional arms, should Taiwan (in the PRC's eyes) declare *de jure* independence.
- Seek great power status while limiting China's responsibilities and costs of maintaining the international system, while continuing to self-identify as a developing country.
- Develop asymmetric military capabilities designed to deter, dissuade, and delay U.S. military access to the Western Pacific, especially in the areas surrounding Taiwan.
- Enhance soft power with economic aid, cultural engagement, and active civilian and military diplomatic efforts with foreign populations.

by China's leaders suggest an interest in regional preeminence, which could put it in direct conflict with the United States. Most likely, though, China's leaders are focused on the near to medium term, and have only a vague vision of Chinese objectives and behavior beyond 2020.

Strategic Advantages

A comprehensive policy toward China requires a consideration of each side's relative advantages. The following table summarizes, in no particular order, the primary strategic advantages that both the United States and the PRC possess.

It should be noted that U.S. and PRC advantages are on somewhat different scales. The global political, economic, and military preeminence currently enjoyed by the United States outweighs any advantage of the PRC in quantitative terms. The U.S. defense budget is nine times larger than China's, the U.S. economy is more than three times larger, and the United States maintains a network of allies and partners around the world, including in the Asia-Pacific region. Additionally, the U.S. military has been regularly active fighting wars around the

world, whereas China's military has not fought a large-scale conflict in 30 years. The U.S. military therefore is a battle-hardened force with experience in the modern battlefield that is difficult to overstate, while the PLA's battlefield experience is largely limited to simulations, exercises, and theoretical study.

Yet, in some areas China does have significant qualitative advantages. Unlike the United States, China does not have alliance obligations around the world. This gives Beijing room to focus on a relatively small number of possible contingencies and adversaries. In response to the diverse current and future roles of the U.S. Armed Forces, Secretary of Defense Robert M. Gates has undertaken a strategy that seeks "balance" within three areas:

Between trying to prevail in current conflicts and preparing for other contingencies, between institutionalizing capabilities such as counter-insurgency and foreign military assistance and maintaining the United States' existing conventional and strategic technological edge against

U.S.	PRC
• Global political, economic, and military preeminence • Technological superiority • Stable domestic polity • Dynamic and flexible economy • Global network of allies and partners • The existing international system, based on free markets, active multilateral institutions, and international law is generally conducive to American interests • Educated and entrepreneurial population • Independent and effective legal system • Globally dominant soft power	• Global economic and political influence • Large, entrepreneurial population • Some areas of technological parity and a large scientific community • Military "home court advantage" • Ability to focus on a limited set of contingencies • Strong ties to the developing world • Major companies are controlled by the Party, allowing China to make economic investments driven by political interests, not profit • Increasing soft power regionally and globally

other military forces, and between retaining those cultural traits that have made the U.S. armed forces successful and shedding those that hamper their ability to do what needs to be done.⁸

Pursuing a “balanced” national security strategy requires the military to maintain dominance across the spectrum of warfare around the world at all times. The PLA, on the other hand, has the luxury of focusing its energies on developing capabilities and doctrine specifically designed to counter those of its primary potential adversary—namely, the United States.

*“China’s ability to focus
on the United States
gives China’s strategists
an opportunity to
undermine traditional
U.S. advantages.”*

China’s ability to focus on the United States gives China’s strategists an opportunity to undermine traditional U.S. military advantages. These strategists have studied U.S. and coalition warfighting practices since the Persian Gulf War in 1991. They have identified what they believe to be key vulnerabilities that, if attacked, would significantly undermine the U.S. military’s ability to bring its full power to bear during a time of crisis or conflict. To this end, the PLA has developed asymmetric capabilities to attack U.S. regional bases, power projection platforms, and space- and cyberspace-based command, control, communications, computers, intelligence, surveillance and

reconnaissance (C4ISR) capabilities.⁹ China can thus undermine the U.S. military’s global power projection capability.

China’s attempts to undermine traditional U.S. advantages go far beyond the military realm. Chinese technology firms are willing to engage in industrial espionage or copy the intellectual property of non-Chinese companies, giving China the ability to “leapfrog” generations of technological development and quickly attain near-parity with the United States. Chinese strategists have also developed what they refer to as the “Three Warfares” (psychological, media, and legal) to affect an adversary’s civilian population, international opinion, and international legal regimes. Lastly, China has undertaken a “charm offensive” to expand its soft power through targeted diplomacy, cultural centers, foreign aid and investment, and a subtle, organized public relations campaign.¹⁰

China’s strong relationships with the developing world are another significant asset. China considers itself to be the world’s largest developing nation, and attempts to maintain close relations with the developing world in order to ensure access to foreign natural resources and markets, promote support for Chinese interests, and maintain Taiwan’s diplomatic isolation. China’s approach to these countries is focused on its own interests, rather than principles of good governance or individual human rights. This has allowed it to develop relations with several countries—such as Zimbabwe, Sudan, and Burma (Myanmar)—that are inaccessible to the West due to economic and political sanctions. China is a prolific supplier of small arms and light weapons to the developing world, accounting for 18 percent of the sub-Saharan arms market from 2000 through 2005.¹¹ China also provides billions of dollars of low- or no-interest loans to the developing world, though the benefit to the common people in the recipient

countries is questionable. These activities have earned China significant goodwill among the developing world's political elite, which Beijing has deftly translated into support for China's positions in the UN General Assembly and regional fora.

Geography and military logistics also present a significant advantage for China and a challenge for the United States when considering the most likely settings for a future military confrontation. As Chinese strategists are well aware, in any potential conflict along China's periphery, the United States would need to utilize its regional bases and ensure a secure logistics chain across the Pacific Ocean in order to project power. During a Taiwan contingency, however, China's land mass would make its logistics chains more survivable and its access to the battlefield easier. Lastly, the locations of China's most likely military confrontations are

all along its periphery, and relatively close to PLA bases. The ability of China's strategists to focus on a relatively small set of military contingencies, and the fact that extended power projection would not be necessary, gives China's relatively inferior military a "home field advantage" that would challenge the U.S. global advantage. However, China lacks sufficient logistical capabilities for extended power projection; it also lacks the ability to protect its overseas investments/resources on its own. This requires it to rely, at least for the immediate future, on U.S. capabilities.

U.S. Strategic Objectives

The U.S. strategy toward China should utilize America's strategic advantages, and address existing vulnerabilities and challenges, while also accommodating (as much as possible) China's interests of continued economic development and stability. To these ends, the United States should pursue the following objectives:

1) CONTINUE AND DEEPEN CHINA'S POLITICAL AND ECONOMIC INTEGRATION INTO THE INTERNATIONAL SYSTEM

Integrating China more fully into the international system leads to more responsible behavior from Beijing and delivers rewards of stability and prosperity. As argued by Dr. G. John Ikenberry in this volume, "Institutional participation allows states that are suspicious of each other to exchange information, develop working relations, generate transparency, and thereby reduce the perceived risks of sudden shifts toward militarized aggression." Even though economic self-interest and the desire to hedge against a perceived U.S. containment originally drove China's political and economic integration into East and Southeast Asia, this integration has nonetheless led to the liberalization of China's economic system.

The strategic framework proposed later in this chapter is a *continuation* of the long-standing U.S. policy to assist China's rise as a prosperous contributor to the international system. President

This chapter proposes the following interrelated and mutually supporting objectives for the United States, in no particular order:

1. Continue and deepen China's political and economic integration into the international system.
2. Encourage China to play a constructive and peaceful role in the region and globally.
3. Promote democracy, the rule of law, and individual human rights.
4. Maintain U.S. political and economic leadership in the Asia-Pacific region.
5. Preserve U.S. military freedom of action in the Asia-Pacific region.



A Chinese sailor on escort duty off the Somali coast.

Nixon's decision to initiate official contacts in 1972 was followed in 1979 by President Carter's decision to officially recognize the PRC. The result of these decisions, combined with Deng Xiaoping's crucial steps to open and reform China's economy, has been an explosion in China's wealth. In 30 years, hundreds of millions of Chinese have been lifted out of poverty, domestic stability has improved, and China's influence in international affairs has expanded. The growth of China's economic and political power has been enabled by its integration into the international economy—an integration promoted by the United States.

2) ENCOURAGE CHINA TO PLAY A CONSTRUCTIVE AND PEACEFUL ROLE IN THE REGION AND GLOBALLY

China's interests, influence, and capabilities are becoming increasingly regional and global in nature. Its responsibilities to the international system should increase correspondingly. In recent years, the United States and China have included several global and regional issues in their bilateral discussions. The United States should make a concerted effort to engage China as a major partner in confronting global problems such as the economic crisis, climate change, access to the global commons, and energy security. For Washington, this will mean carving out strategic space for Beijing to solve problems, as has already been done in counter-piracy operations off the coast of Somalia.

It will also require both sides to be comfortable with openly and substantively addressing issues of disagreement or concern.

China's support for UN Security Council Resolution 1874, which imposed sanctions on North Korea following a nuclear test and a round of missile tests, strongly signaled a realization on the part of China's leaders that supporting multi-lateral efforts against provocation and belligerence is not only healthy for the international system, but also is in China's mid-term interests in stability and counter-proliferation. Other security issues, such as Burma's arms purchases and possible nuclear relationship with North Korea, and the spread of transnational terrorism and instability from Afghanistan and Pakistan, also call for cooperation between Washington and Beijing to address common interests.

Yet, there are security issues in which the United States and China remain at odds. China's continued support for problematic regimes around the world, including arms sales and infrastructure development for regimes in Tehran, Khartoum, and Harare, undercuts the international political system's attempts to hold these governments accountable for their actions and damages China's international reputation. Moreover, the often vigorous and dangerous harassment of foreign vessels by Chinese naval units in international waters within China's declared Exclusive Economic Zone (EEZ) demonstrates a dismissive attitude toward international law and a callous approach to international stability.

These problems are intensified by continued international concern about China's ongoing military modernization program. At this time, China's military modernization has focused on utilizing asymmetric capabilities to deny the U.S. military freedom of action around China's periphery, especially in areas near Taiwan. These developments, combined with China's lack of openness



about the intentions and desired end states behind its military modernization, have driven the United States to hedge against possible Chinese military aggression. If the United States is to work with China as a constructive and peaceful contributor to regional and global stability, China's military should ensure that its modernization program is open and non-threatening.

As Robert Kaplan states in his chapter, there is nothing illegitimate about the rise of the Chinese military. However, there is also nothing illegitimate about questioning the reasons for the development of sophisticated anti-access capabilities, such as the anti-ship ballistic missile, which have nothing to do with preserving access to foreign resources and maintaining a stable security environment. Especially considering the recent decrease in cross-Strait tensions, there is much China could do to enhance its military transparency and invest in a military that does not threaten the United States or its allies.

A key element of improving mutual understanding on military issues will be a robust military-to-military relationship, which has historically lagged behind the economic and political aspects of the bilateral relationship. Regular, frank contacts between the U.S. and PRC militaries—which both

sides agreed to at the S&ED—would help explain the intentions of both sides, resolve misunderstandings as they arise, and generally reduce the chances of miscalculation.

If China were to improve its transparency, engage in a robust military-to-military relationship with the United States, and invest in non-threatening military capabilities, it could reap tremendous economic and political benefits by playing a major role in international security efforts to preserve access to the global commons, combat terrorism and proliferation, and promote international stability. This role should define a positive vision for the military dimension of China as a responsible international stakeholder.

3) PROMOTE DEMOCRACY, THE RULE OF LAW, AND INDIVIDUAL HUMAN RIGHTS

Promoting individual human rights and the rule of law is an essential part of encouraging China's political and economic liberalization, China's integration into the international system, and solidifying its stability. Several experts have pointed out that China currently operates in a "rule by law" (as opposed to rule *of* law) system, in which laws are used to justify state actions on a case-by-case basis. China remains a country in which the ruling elite are not subject to the same information controls and behavioral expectations as the rest of the population. Corruption remains a defining feature of China's political and economic environment. This causes frustration and strife within the population, and creates an uncertain investment environment for foreign corporations.

As demonstrated in Michael Green and Daniel Twining's chapter in this volume, democratic norms have spread throughout East Asia (with the striking exceptions of China and North Korea) and become established as "Asian values." ASEAN, an organization established on the principle of non-interference in internal affairs, adopted a charter in December 2008 that called for its members "to

strengthen democracy, enhance good governance and the rule of law, and to promote human rights.” Although enforcement is still a concern, the trend is for democratic values to increasingly be *Asian* values.

The United States should promote individual human rights and the rule of law by encouraging the development of an independent judiciary, open and frank discussions about Beijing's actions towards its people, clearly expressed repercussions for unacceptable behavior, and equally clear avenues for China to address U.S. concerns. To best express its concerns about these values, the United States should use its statements, its political and economic policies, and the example of its own behavior.

This is not to say that countries that do not uphold these values should be excluded. Rather, the United States should acknowledge the importance of democratic values in the international system and the Asia-Pacific region, and work with *all* countries to promote the spread and success of democratic values throughout the region. Using democratic norms such as the rule of law, transparency, and accountability could both raise regional standards for rules-based cooperation and influence China's internal and external behavior.

In an encouraging sign, there appears to be some positive movement in this direction. During her closing remarks at the July 2009 S&ED, Secretary of State Hillary Clinton reported that the two sides had shared “candid and respectful exchanges.”¹² Moreover, in another potentially positive sign, China's highest court recently announced its intention to minimize the use of capital punishment. While these developments certainly fall far short of a substantial shift in China's approach to individual human rights, they may represent a starting point for future U.S.-China discussions.

4) MAINTAIN U.S. POLITICAL AND ECONOMIC LEADERSHIP IN THE ASIA-PACIFIC REGION

China's influence is regional and global in scale, so any China-focused strategy must address regional and global issues that affect the U.S.-China relationship. Regionally, the United States should focus on maintaining stability and prosperity by encouraging free trade and market access via the global commons while supporting the development of inclusive multilateral institutions founded on the rule of law, transparency, and accountability. The United States should also strengthen existing alliances and partnerships, and develop new relationships that contribute to regional stability and prosperity.

America's bilateral alliances should remain the foundation for its engagement in the Asia-Pacific; they remain indispensable to managing traditional security challenges and dealing with new non-traditional security issues. The Obama administration should build on the Bush administration's enhancement of American bilateral alliances in the Asia-Pacific region, especially on burgeoning partnerships with India and Vietnam. These alliances not only set the stage for continued U.S. access and leadership in the region, but also act as a calming force in the region's many disputes over territory and history. In particular, as argued in the broader Center for a New American Security (CNAS) strategy toward Asia, the United States should endeavor to be more transparent and minimize surprises. The document emphasized that “the foundation for strong bilateral relations must be constant, open, and genuine consultation with our friends and partners, and especially with our formal security allies in the region.”¹³

CNAS' Asia strategy also called for the United States to counter perceptions of indifference toward Asian multilateral institutions such as the U.S.-ASEAN Enhanced Partnership, the proposed Free Trade Area of the Asia-Pacific, and the East Asia Summit (EAS). U.S. participation in these

institutions is not only vital to ensuring continued U.S. leadership in the region, but—as G. John Ikenberry argues in this volume—also has the potential to ease China’s further integration into the regional system.

5) PRESERVE U.S. MILITARY FREEDOM OF ACTION IN THE ASIA-PACIFIC REGION

The United States must determine how to maintain deterrence and military freedom of action, even when its resources are focused on other areas of the world and further down the spectrum of warfare. Doing so will require smart military investments that deter potential Chinese aggression while addressing U.S. vulnerabilities to China’s asymmetric threats.

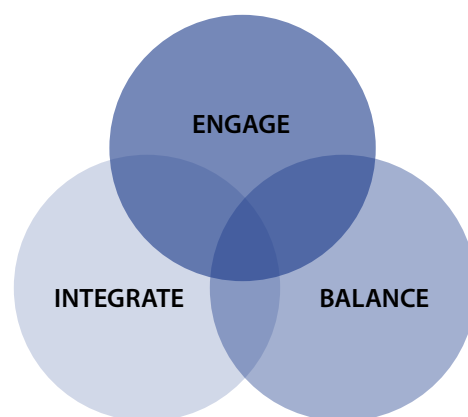
China’s anti-access/area denial military strategy focuses on denying the U.S. military access to the Western Pacific during times of crisis or conflict by striking U.S. logistics, regional basing, and perceived vulnerabilities in U.S. power projection capabilities (including in space and cyberspace). The United States must therefore enhance not only its own capabilities but also the capabilities of its allies and partners to contribute to U.S. military freedom of action in the face of Chinese anti-access threats. For our friends and allies, this will require traditional military investments such as arms sales and base hardening, as well as diplomatic efforts to reassure our allies and maintain support at home and abroad for U.S. regional engagement. The U.S. military, for its part, must thoroughly examine its ability to counter Chinese anti-access threats and operate in denied areas, especially space and cyberspace.

A Comprehensive U.S. Strategy: Engage, Integrate, And Balance¹⁴

The current U.S. approach to China was most recently defined in the 2006 National Security Strategy: “Our strategy seeks to encourage China to make the right strategic choices for its people, while we hedge against other possibilities.”¹⁵

While such an approach recognizes the degree of complexity that any policy toward China requires, the stark dichotomy of “engaging” and “hedging” has undermined attempts to present a unified U.S. approach because it deemphasizes the mutually supporting nature of engaging and hedging. The purpose of hedging is not only to limit the danger of China’s negative choices, but also to promote the likelihood of positive choices. The use of prudent military hedging plays a valuable role in dissuading and deterring potential military aggression and encouraging diplomatic and economic engagement.

This chapter proposes a strategy that combines engagement, integration, and balancing into a comprehensive whole in which all three tools are used in tandem to advance U.S. objectives. The intended effect of this strategy is to encourage China to adopt a peaceful and constructive approach to the world. This is done by simultaneously offering incentives to do so while decreasing the perceived benefits of actions and capabilities hostile to U.S. and allied interests.¹⁶



OPERATING PRINCIPLES

The proposed comprehensive approach to China should be guided by the following overarching principles:

- *Connect and balance all elements of national power.* Both Secretary of State Clinton and

“As China’s actions have expanded to a global scale, so to must the U.S. strategy toward China.”

Secretary of Defense Gates have already called for U.S. foreign policy to use the full range of tools at our disposal — diplomatic, economic, military, political, legal, and cultural.¹⁷ The sheer size of the U.S.-China relationship necessitates that the U.S. government engage China using all elements of national power, even those not traditionally associated with foreign policy such as agriculture, health services, and social security. In recent years, China has shown an impressive ability to utilize all elements of national power in order to achieve a desired result; the aforementioned concept of “Three Warfares” is an example of Beijing’s desire to link all elements of national power for strategic ends. Implementing a comprehensive strategy using all elements of national power will require U.S. policy makers to make hard choices about strategic priorities and the policy tradeoffs that will be necessary to achieve these priorities. For example, China may demand concessions on issues of less immediate importance to the United States but of high long-term value (e.g., freedom of navigation in international waters) in order to gain agreements on America’s more immediate interests (e.g., economic and trade issues).

- *Accept complexity.* The United States and its allies must be comfortable with integrating their economies with China and working constructively with Beijing on issues of common political, economic, and security interest. At the same time, they must develop capabilities to deter, dissuade, and defeat possible Chinese military aggression. Similarly, China’s counter-piracy

operations off the coast of Somalia have significantly contributed to the international effort, yet have also provided the PLA Navy with invaluable experience in capabilities that could assist a power projection capability, such as long-range logistical supply, the maintenance of command and control PLA headquarters in Beijing and Haikou, and lessons learned from operating with the world’s most advanced navies. These dichotomies will necessarily define the future U.S.-China relationship until China’s long-term intentions are credibly clarified and mutual trust is firmly established.

- *Engagement begins at home.* The U.S.-China relationship involves several interlocking parts, many of which cut across traditional U.S. bureaucratic stovepipes. In order to properly manage and balance these various parts, U.S. officials managing the relationship throughout the bureaucracy will need to understand the government’s overall approach to the Asia-Pacific region and their role in it. This will require clear presidential guidance outlining our strategy and its priorities, with strong White House coordination of all the players involved in implementing this strategy.
- *Work with allies, partners, and sub-state actors.* America’s bilateral allies and partners serve as the foundation of the future U.S. approach to the Asia-Pacific region, including a comprehensive effort to engage, integrate, and balance China. Initiatives and policies toward China should be developed with the interests, concerns, and unique capabilities of regional allies and partners in mind. Additionally, the United States should engage its allies and partners to respond to the problematic effects of China’s rise on the international system. Finally, the significant impact of sub-state actors such as corporations, nongovernmental organizations, and provincial leaders on the U.S.-China relationship highlights the need for the U.S. government to engage these

actors and include them in a comprehensive approach toward China.¹⁸

- *The United States is not determinative.* China's leaders see the United States as the most important country in the world and China's primary relationship. However, China's own interests are the more important factor in decisions about its future. While the United States has an opportunity to influence leadership decision making, China's future will primarily be directed by Beijing. All initiatives and policies should be undertaken with an understanding of the strength and limits of American power. American political, economic, and military power cannot control China's choices, but they *can* influence its behavior if the United States properly understands the interests and motivations driving Beijing's decisions. Demonstrating an understanding of China's priorities will tremendously improve the effectiveness of any policy or initiative.

In order to adjust for the new geopolitical realities addressed throughout this volume, this chapter proposes a strategy that incorporates engagement, integration, and balancing into a comprehensive approach that utilizes all elements of U.S. national power at the global, regional, bilateral, and unilateral levels.

GLOBAL

China's international response to the global economic crisis—bold speeches and proposals, \$100 billion in currency swap agreements with six countries, and dramatic increases in foreign assistance and loans—indicates that its interests and influence have gone global. Therefore, U.S. strategy toward China must be expanded to a global scale. As Secretaries Clinton and Geithner wrote before the S&ED:

Few global problems can be solved by the U.S. or China alone. And few can be solved without the U.S. and China together. The strength of the global economy, the health of the global

environment, the stability of fragile states and the solution to nonproliferation challenges turn in large measure on cooperation between the U.S. and China.¹⁹

The United States should support China's continued and deepening integration into the international system by including it as a partner in addressing some of the world's most pressing issues, such as climate change, energy security, Africa, Latin America, Iran, and the global commons. Many of these issues cannot be solved without China's participation. For example, China is the world's largest emitter of greenhouse gases, having surpassed the United States in 2008. The international community cannot effectively address climate change without China's active and substantive participation. The State Department's envoy for climate change, Todd Stern, has already argued that the United States and China "need to develop a strong, constructive partnership to build the kind of clean energy economies that will allow us to put the brakes on global climate change."²⁰

Joshua Busby's examination of the implications of China's energy security and climate change policies elsewhere in this volume demonstrates the importance of a comprehensive approach to China on global issues. Busby proposes engagement with China on issues of energy efficiency and clean energy technology, combined with an international effort to integrate China into international agreements on climate change and ensure compliance with those agreements. This strategy would address both Washington's and Beijing's common interests while tackling difficult issues of global significance.

China's approach to arms control and disarmament is another global issue the United States will have to address. Richard Weitz's chapter in this volume notes that China's record on these issues is certainly mixed, and future progress cannot be made without its substantive participation. Yet, China's record on arms control and disarmament

has improved in recent years, probably due to Beijing's desire to be perceived as a responsible international stakeholder and out of a genuine concern for international stability. Moving forward, the United States and the international community should engage China to improve its internal enforcement mechanisms. They should also integrate China into multilateral arms control and disarmament organizations, such as the Missile Technology Control Regime (MTCR), the Australia Group, the Wassenaar Arrangement, the International Code of Conduct Against Ballistic Missile Proliferation, and a multilateral version of the Intermediate Nuclear Forces treaty. Membership in these organizations requires a record of responsible behavior. The United States should adopt the process used to facilitate China's joining the World Trade Organization — specifically, offering political benefits in exchange for improved Chinese behavior.

“While the United States should encourage China’s continued integration into regional institutions, not all organizations are created equal.”

It is important to keep this global cooperation in perspective. Some prominent U.S. strategists have proposed that the United States and China create a “G2” to address global issues such as the international economic crisis, climate change, and proliferation. Though the strategy put forth in this volume fully endorses the prospect of the United States and China cooperating on these issues, it

rejects labeling such cooperation as a G2. Such a designation would be overly exclusionary to the United States’ allies and partners, and would be highly inappropriate until China has established a solid record as a global problem solver and a truly responsible international stakeholder.²¹ Also, it is unlikely that China will agree to all aspects of the U.S. approach to global issues. That is why it is important to go beyond simple bilateral engagement with Beijing and include our friends, allies, and partners in the international community to increase international pressure on China to act responsibly and help solve global problems. International pressure has forced China to change its stance toward Darfur and Iran; such pressure may also work on global issues that directly affect China, such as climate change and the economic crisis.

Engaging China on global issues of mutual concern will require a concerted effort by both Washington and Beijing. The United States must expect and encourage China to assume greater levels of responsibility in the international system by making significant contributions to solving global problems. This entails both giving China responsibilities and holding it accountable for its actions. It will also require dealing with the global effects of China’s influence. U.S. allies and partners can support the United States in integrating China into the international system, engaging China directly, and balancing against its rise. This will require a new way of thinking in Washington, in which U.S. specialists on China and Asia make a concerted effort to interact with other experts in allied and partner governments in order to develop a common understanding of, and response to, China.

For example, this interaction of U.S. and allied China experts should be a driving force in influencing the EU’s role in managing China’s rise. The EU is a key trade partner with China, a significant political force in the international community, and a potential source for advanced technologies that

could support the PLA's modernization. The EU arms embargo, originally imposed after the 1989 Tiananmen Square uprising, must be maintained for the foreseeable future and until China's military strategy no longer sees the United States as a major potential adversary. As the U.S. military increases its interoperability with EU militaries, and as modern militaries continue to make use of civilian technologies, the United States and the EU must work together to ensure that sensitive military and "dual use" technologies are not transferred to the PRC.

REGIONAL

Bilateral alliances in the Asia-Pacific region should remain the foundation of the future U.S. approach to China. In addition to the tremendous value they bring in their own right, these relationships will be indispensable for adjusting to, and dealing with, the consequences and implications of China's rise. For example, China's military modernization program, combined with its lack of transparency in military affairs, is already affecting regional balances. Our bilateral alliances with Japan, Korea, Australia, the Philippines, and Thailand—as well as our many partnerships in the region—play a vital role in ensuring U.S. access to the region and deterring potential Chinese aggression.

The United States should solidify these important relationships through a concerted economic, political, and security engagement effort. The aim of this effort should be to assure the region of U.S. commitment to the Asia-Pacific, maintain U.S. regional freedom of access, and provide allies with room to engage and integrate China while maintaining a close security relationship with the United States. Just as the U.S. relationship with China will grow increasingly complex, so too will those between China and U.S. allies and partners.

U.S. allies and partners can play a vital role by engaging China on a number of important regional issues. The most important of these are the

ongoing North Korean nuclear crisis and China's increasingly aggressive assertion of its claims of sovereignty over the South China Sea. Beijing has played a leading role in the Six-Party Talks as host, and as the only party with enough influence inside Pyongyang to convince North Korean leader Kim Jong-Il to negotiate. The United States will need to work with its allies to encourage China to hold North Korea accountable for its actions by fully enforcing UN Security Council sanctions.

As argued by Dr. G. John Ikenberry in this volume, regional institutions can be useful to both the United States and China, although for different reasons. Further, Ikenberry demonstrates that although regionalism is a positive development for U.S. interests, the United States should not diminish its commitments to its bilateral alliances. A key arena for integrating China into the international system is Asia's diverse set of multinational organizations. China has decidedly focused on increasing its participation and influence in these regional fora, with a clear preference for those in which the United States and its allies have minimal representation, such as ASEAN + 3. While the United States should encourage China's continued integration into regional institutions, not all organizations are created equal. The United States and its partners should work to increase the prominence and effectiveness of inclusive organizations, such as the EAS and the ARF.

The U.S. regional approach should reflect democratic values in order for non-coercive measures to have their full effect. American material preponderance is eroding in the face of China's military modernization, and the United States can no longer rely solely on military alliances and weapons systems. It is important now to partner with old and new friends in the Asia-Pacific region and strengthen pluralistic norms supporting an Asian order conducive to continued American leadership. The United States can use universal values such as individual human rights, the rule of law,

China Territorial Water Dispute



Source: BBC

and democracy as tools of statecraft. This would help solidify bipartisan support for continued engagement in the Asia-Pacific region, work as a force multiplier, reassure allies, influence Chinese behavior, and support Asian democratic governments. In this volume, Green and Twining call for a U.S. strategy that “harness[es] the growing embrace of democratic values within Asia while avoiding steps that exacerbate ideational fissures within the democratic camp or provoke unintended counterbalancing against the United States.” This can best be accomplished using a comprehensive approach. U.S. and regional engagement with China will cast the benefits of universal liberal values not as uniquely American, but as well suited for Asian cultures. At the same time, carefully integrating the region into values-based cooperative organizations will demonstrate the benefits of democratic governance without

coming across as an effort to contain China. Such organizations could address non-military issues such as the rule of law, climate change, and free trade, as well as security issues that have wide mutual benefits, such as sea security and counter-proliferation. Such organizations should not require China to first become a Jeffersonian democracy, but rather should reward efforts on its part to institute the rule of law (as opposed to its current system of rule *by* law), government transparency, and public accountability. As Green and Twining argue, such “soft” efforts could be as valuable to U.S. regional interests as the “hardware” of American military forces deployed to the area.²²

This is not to say that the United States should abandon “minilateral” groupings that do not include China, such as the U.S.-Japan-Australia dialogue, Trilateral Strategic Dialogue, and Trilateral Coordination and Oversight Group.

Such groupings serve a functional purpose by providing public goods to the region and shaping regional interactions that require collaboration amongst democracies, such as ensuring free and fair elections in emerging democracies throughout the region. The United States should work with its democratic allies and partners in the region to provide public goods and emphasize the benefits of democracy for long-term growth and stability.

One of the most pressing issues that would benefit from increased regional cooperation is the absence of a clear “code of conduct” for the South China Sea. The South China Sea plays an important role in regional security considerations, due to the amount of maritime shipping that passes through and several competing sovereignty claims. China’s campaign to treat its 200-nautical mile EEZ as its own territorial waters is troubling for regional stability. The UN Convention of the Law of the Sea (UNCLOS) stipulates that the EEZ remains an international waterway, and that all states have freedom of navigation within the EEZ, and do not need to notify the coastal state of “innocent passage.” Nonetheless, China interprets UNCLOS as granting China the power to exercise full authority over the EEZ, as if it were part of its national coastline and territorial waters. This policy has to date translated into aggressive actions toward foreign survey ships in international waters, including unprofessional seamanship, unannounced maneuvers, and dangerously close shadowing and monitoring, as with the USNS *Impeccable* and the USS *John McCain*.

At the annual Shangri-La conference in May 2008, Secretary of Defense Gates endorsed the mid-1990s U.S. policy that encouraged:

“...A ‘code of conduct’ among states with competing territorial and resource claims in South China Sea. We stressed then, as we do today, that we do not favor one claim, or one claimant country, over another. We urged then, as we do today, the maintenance of a calm and non-assertive

environment in which contending claims may be discussed and, if possible, resolved. All of us in Asia must ensure that our actions are not seen as pressure tactics, even when they coexist beside outward displays of cooperation.”²³

The U.S. position to resolve disputes in the region would be greatly strengthened by ratifying UNCLOS and working with our partners—including China—to develop agreements to ensure the openness of the maritime commons and address concerns about aggressive behavior that could threaten regional stability and prosperity.

BILATERAL

Because of the breadth of global and regional issues covered in the U.S.-China relationship, priority issues for the bilateral level should be those that are either too sensitive to be addressed in regional fora or too specific to the U.S.-China relationship. Primary among these is building a military-to-military relationship capable of openly and substantively addressing security concerns and ambiguities as well as areas of mutual interest and agreement.

Following the White House’s announced approval of the sale of arms to Taiwan in October 2008, China effectively froze military-to-military contacts—which have recently been jump-started—even as the economic and political aspects of the relationship continued unaffected. In Beijing, China’s National Defense Department Foreign Affairs Office Director, General Qian Lihua, met with his U.S. counterpart, then Deputy Assistant Secretary of Defense for East Asia, David Sedney. Still, China’s media declared that the military relationship was being restrained by a number of obstacles—namely arms sales to Taiwan, the National Defense Authorization Act of Fiscal Year 2000 (which regulates U.S. military contacts with the PRC) and DoD’s annual report to Congress on China’s military power.²⁴

Military-to-military communications are a vital aspect of the overall bilateral relationship because of their ability to build mutual trust, address issues of concern, and reduce the chance of miscalculation. The United States should clearly communicate to the PRC that these contacts are part of the overall relationship, and work with Beijing to inoculate the military-to-military relationship from fluctuations in the overall relationship. Disagreements should not be allowed to halt important interactions, be they political, economic, or military.

*“As the U.S. military’s
‘balanced’ strategy
foresees mostly small wars,
it must also maintain
high-end capabilities to
deter potential Chinese
aggression and maintain
freedom of action in the
Asia-Pacific region.”*

Despite a recent rapprochement between Beijing and Taipei, Taiwan will probably remain a central issue of disagreement in the U.S.-China relationship for the foreseeable future. The United States has a long-enduring policy of not supporting Taiwan’s independence, and encouraging both sides to come to a peaceful, mutually acceptable resolution. Furthermore, according to the Taiwan Relations Act, the United States is legally obligated to “make available to Taiwan such defense articles and defense services in such quantity as may be

necessary to enable Taiwan to maintain a sufficient self-defense capability,” which means continued arms sales to Taiwan in response to China’s military buildup across the Strait. This is not only the law—it is also a morally and strategically justified policy. Taiwan is a vigorous democracy and a shining example that democracy and human rights are Asian values, which merit a defense from attack or coercion. Additionally, many see the U.S. commitment to Taiwan as a “canary in the coal mine” for the rest of the region, signaling U.S. resolve in the face of China’s rise. The United States should continue to clearly tell China that our policy toward Taiwan has not changed, and that future cooperation should not be blocked by the Taiwan issue.

Prior to the G20 conference in April 2009, Presidents Obama and Hu agreed to upgrade the primary preexisting dialogue from the Strategic Economic Dialogue (SED) to the Strategic and Economic Dialogue (S&ED). The designation of the State and Treasury Secretaries and the Vice Premier and State Councilor with diplomatic and economic portfolios (Wang Qishan and Dai Bingguo, respectively) as the heads of delegation to the S&ED signaled a shift in the substance of the relationship. Moreover, the inclusion of relatively high-level military representatives (the U.S. side was represented by the Under Secretary of Defense for Policy and the Commander of U.S. Pacific Command) signaled a broadening of the dialogue to include military and security issues, yet did not go far enough. Including the U.S. Secretary of Defense and a Vice-Chairman of the Central Military Commission (at this time, Guo Boxiong or Xu Caihou) would make the S&ED truly reflective of the entire relationship.

Lastly, as discussed by Linton Brooks in this volume, the nuclear relationship between China and the United States is a too-often neglected component of the bilateral relationship that will become increasingly important as China’s military

modernization program continues and the United States and Russia conduct strategic force reduction negotiations. As suggested by Brooks, the United States should acknowledge mutual vulnerability in the strategic relationship, offer robust confidence building measures supported by official and Track 1.5 dialogues in order to improve mutual understanding and reduce the possibility of miscalculation. Even though the nuclear issue is not the most important component of the relationship, addressing mutual concerns will help shape the overall strategic relationship between the two countries.

UNILATERAL

An often-overlooked aspect of U.S.-China relations is the changes and initiatives the United States must undertake on its own in order to better engage China and the Asia-Pacific region. Many of these changes, such as energy efficiency, pollution control, and government transparency and accountability, are important in their own right. They are also valuable opportunities for the United States to set an example for the rest of the world. For example, U.S. efforts to work with China on climate change will be tremendously more effective if Washington is able to implement its own domestic pollution controls and standards.

America's public diplomacy toward China is decentralized and not government directed. Education programs that accept thousands of Chinese exchange students, nongovernmental organizations such as the National Committee on United States-China Relations and the Asia Foundation, and ubiquitous American culture are all tools of American soft power in the region. However, the American people are also immensely important drivers of U.S.-China relations and of Washington's approach to the Asia-Pacific region. Washington needs to recognize the importance of these nongovernmental actors and work with them to explain to the American people the importance of the Asia-Pacific region and to build support for

America's continued presence there. Attempts to assure allies of a continued U.S. commitment will be substantially reinforced if the American people's support for these alliances is strengthened.

As the United States tries to recover from the global economic crisis and deal with the challenges of globalization, officials from the political left and right will be tempted to blame China for America's economic problems. Concerns about China's record on economic, environmental, and labor issues are worth discussing diplomatically, but U.S. officials must avoid using China as a domestic political tool. Too often, China has been used to score points in domestic electoral politics with little regard for the impact of that rhetoric on our relationship with China. These attacks may be politically expedient in the short term, but they have the potential to significantly damage the U.S.-China relationship in ways that benefit no one.

As the U.S. military's "balanced" strategy foresees mostly small wars, it must also maintain high-end capabilities to deter potential Chinese aggression and maintain freedom of action in the Asia-Pacific region. The primary mission of deterrence should color the U.S. military assessments of current and future advantages and vulnerabilities. U.S. military capabilities are generally the most advanced in the world, and far ahead of anything China has developed. But China does not need to catch up with U.S. capabilities in order to succeed militarily. Because of China's home court advantage, the PLA would probably be able to achieve its objectives with military force long before it achieves parity with the U.S. military. By continuing to develop and field advanced capabilities that maintain a substantial advantage, the U.S. military can continue to make military options unappealing for China. If expensive, high-end conventional weapons are never used in a conflict with China, they will have accomplished their mission and more than justified their high cost.

Elsewhere in this volume, Robert Kaplan discusses the dwindling size of the U.S. Navy and China's evolving naval strategy in the Indian and Pacific Oceans. The U.S. military should prepare for, as Kaplan describes, "a Chinese merchant fleet and navy, present in some form from the coast of Africa all the way around the two oceans to the Korean peninsula, covering, in effect, all Asia waters within the temperate and tropical zones, and thus protecting Chinese economic interests and the global maritime system within which those interests operate." The United States should, as Kaplan suggests, "respond to a multipolarity that will probably become more of a feature of the world system in years to come." This involves laying the groundwork now to ensure that such a Chinese force contributes to international stability and the openness of the global commons while not threatening U.S. interests or global preeminence. Such a challenge will require the comprehensive strategy proposed here: engaging China's leadership and military to demonstrate the benefits of contributing to the international system, integrating China into international organizations and agreements to moderate its behavior, and developing military capabilities and relationships to balance its continuing military modernization efforts.

IMPLEMENTING A COMPREHENSIVE STRATEGY

The U.S. government tends to stovepipe certain types of interactions into different bureaucracies, making for a chaotic and undirected approach to China. Even though the United States is already engaging China at the global, regional, bilateral, and unilateral levels, doing so in a comprehensive and coordinated fashion will tax an already burdened U.S. national security system.

Just as this strategy is intended to be integrated into a broader approach to the Asia-Pacific region, so should the formulation and implementation of China policies be integrated with a regional approach within the U.S. government. The Obama

administration should establish a small cadre of Asia experts to elevate decision making beyond bureaucratic stovepipes, and approach the region with a broad governmental perspective capable of wielding all elements of national power. This will require a larger and more central role for the National Security Council (NSC), which will necessitate an increase in its current staffing levels. The NSC will need to ensure that it includes representatives from the many departments involved in the U.S. approach to China specifically and Asia as a whole, that these representatives understand the broader U.S. approach to the region and their organization's role in it, and that they have the power to ensure their organizations operate as part of a cohesive whole. This will require strong personalities, and a direct mandate from President Obama that Asia is a high priority and that the cadre of Asia experts has his full backing.

No less important than policy makers will be the U.S. Intelligence Community. Specifically, the National Intelligence Council should take a leading role in driving strategic analysis of China and the Asia-Pacific region by appointing a Mission Manager and breaking down the bureaucratic walls that inhibit collection and analysis.

In her chapter in this volume, Lindsey Ford offered suggestions to address interagency, structural, and military deficits currently hamstringing U.S.-China dialogues. The chapter also addressed the challenge of "sub-national actors," such as Chinese provincial governors and corporations on both sides, which are able to make decisions with strategic effects and act, at times, without the direction or authorization of a central government. U.S. policy makers need to develop an understanding of China's decentralized authoritarian system and target their discussions to the individuals, not offices, who have influence throughout China's disparate bureaucracies and power centers. This requires less focus on appropriate rank in dialogues; often a high-ranking Chinese official has

little real influence over Chinese decision making or behavior. U.S. officials should also cultivate relationships with relatively junior “up-and-comers” in China who may hold positions of authority in the future.

MANAGING PRC REACTIONS

The intended sum effect of combining engagement, integration, and balancing is to encourage China to adopt a peaceful and constructive approach to the world. This is done by offering positive inducements for good behavior while decreasing China’s perceived benefits of adopting objectives and capabilities hostile to U.S. and allied interests.

The Chinese government’s past behavior regarding multilateral and bilateral agreements suggests a “no pain, all gain” approach. That is, they have shown a preference for agreements that improve China’s international image and bring material rewards, while requiring little in the way of material sacrifice or paying a political price for close ties to rogue regimes. A challenge for the United States will be convincing China to accept international responsibilities commensurate with its desired status as a great power, and holding it accountable if it fails to meet those obligations. This will require Washington to maintain a long-term perspective on its relationship with China. The United States must keep in mind that some long-term priorities (e.g., the military-to-military relationship) are more important than short-term issues of concern (e.g., an economic agreement with Beijing) that merely offer immediate economic or political benefits. The United States and the international community must clearly show Beijing that if China wants to be seen as a responsible international stakeholder, it will need to take responsibility for its actions and solve problems.

China has in the past also proved adept at playing the U.S. Departments of Defense and State off of each other. It will be incumbent on the proposed cadre managing the U.S. approach to China to

maintain discipline within the bureaucracy, and ensure that all elements of national power are represented in internal discussions and utilized in policy implementation.

Conclusion

While the Obama administration has brought Asia back into the policy limelight, the ongoing focus of senior U.S. leaders on the “Arc of Instability” and domestic issues continues. Yet, China’s rise is too important to put on the back burner. Implementing a strategy that acknowledges U.S. focus elsewhere and recognizes China’s newfound global influence will require strong leadership from the White House, with a clear vision of U.S. priorities and how to achieve them.

China’s rise presents a complex set of challenges for the United States and the Asia-Pacific region. Our approach to China must be similarly multifaceted. The comprehensive approach described in this strategy, which utilizes all elements of national power from the global to the unilateral levels, will allow U.S. policy makers to engage, integrate, and balance China with greater control and effectiveness.

China’s economic, political, and military power demands a high-priority response throughout the U.S. government. Bilateral alliances and partnerships will continue to serve as the foundation for America’s approach to the Asia-Pacific region for the foreseeable future. It is time, though, for China to become an increasingly important global power capable of contributing to the health and success of the international system and the stability of the Asia-Pacific region.

ENDNOTES

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