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President Trump and China

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<table>
<thead>
<tr>
<th>Name</th>
<th>Institution and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pieter Bottelier</td>
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</tr>
<tr>
<td></td>
<td>Studies (SAIS)</td>
</tr>
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</tr>
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<tr>
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</tr>
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</tr>
<tr>
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</tr>
<tr>
<td>Richard P. Suttmeier</td>
<td>University of Oregon (retired)</td>
</tr>
</tbody>
</table>
Washington Journal of Modern China
Autumn 2017, Vol. 13

Introduction 1

ARTICLES

Thinking About Strategic First Principles in U.S.-China Relations 3
David M. Lampton, PhD

Remarks at the 2016 Gala Dinner of The U.S.-China Policy Foundation 7
Ambassador Cui Tiankai

Donald Trump, the Taiwan Issue and Hardening U.S. Policy Toward China 12
Robert Sutter, PhD

U.S.-China Tensions: Interplay Between Economics and Politics 30
Yukon Huang, PhD

The Political Economy of U.S.-China Relations and the Trump Administration 53
Ming Wan, PhD

The CCP and Pursuing Its Goals: Proliferating Non-traditional Aspects of Power 76
Cynthia Watson, PhD

Decoding Modern Chinese Foreign Policy Through the Lenses of Ancient Philosophy and Applied Game Theory 98
Alicia Fawcett

REVIEWS

Destined for War: Can America and China Escape Thucydides's Trap?, 122
Graham Allison
Reviewed by Emily Bulkeley

The End of the Asian Century—War, Stagnation, and the Risks to the World's Most Dynamic Region, 125
Michael Auslin
Reviewed by Scarlette Li

A Full Life: Reflections at Ninety, 128
Jimmy Carter
Reviewed by Ariane C. Rosen
Introduction

With the U.S. presidential election having taken place in 2016 and China preparing for its 19th National Congress of the Communist Party of China in late 2017, these two countries find themselves at a pivotal point in their own political development. The U.S.-China relationship similarly seems to be at a crossroads. While both leaders have strong personalities, they still must put these aside to focus on strengthening what is perhaps the most important relationship in the world today.

With a new president in the White House, it is always important to reevaluate key policies, strategies, and global relationships. This holds even more true for the current administration, and when dealing with China in particular. Not only is President Trump from a different political party than his predecessor, which on its own would suggest major changes in policy, but he is also an entirely new type of president. His non-political background and unconventional methods of presenting policy priorities (e.g. by using twitter) have left many confused and unsure about what his administration will do.

This uncertainty is compounded when dealing with the question of China. President Obama had a clear plan in place outlining his strategy and priorities for the Asian Pacific region—his Pivot to Asia. This plan was unpopular with China, leading to hopes that with Trump in the White House instead of Clinton, who was Secretary of State when Obama’s Pivot was announced, a new U.S. approach to Asia, one more favorable to China, might take its place. Based on Trump’s campaign rhetoric and “Make America Great Again” slogan, however, there were also concerns that President Trump’s priorities might clash with Xi Jinping’s own pursuit of “The Chinese Dream.”

President Trump’s early actions have not helped clarify his goals for China. He, at various times, is both combative and complimentary, friendly and antagonistic. Trump took a phone call with Taiwan’s leader Tsai Ing-wen and also suggested he might not abide by the One-China Policy, only to later take a phone call with President Xi and confirm the One-China Policy. He called out China’s unfair trade
practices, but then rescinded U.S. support for the TPP, a trade agreement viewed by many as aimed against China. Now, he's initiated an investigation into China’s trade practices. President Trump welcomed Xi Jinping to his Mar-a-Lago resort in an informal atmosphere of friendship, declaring his approval of the Chinese president and their shared goal of denuclearizing North Korea. When China’s actions regarding North Korea did not meet Trump’s high expectations, however, he tweeted out his frustrations. It is not unlikely that Trump’s rhetoric and attitude toward China will change once again when he meets with Xi Jinping in November.

With so many questions surrounding U.S. policy toward China, it is important to have a deeper understanding of U.S. and Chinese priorities as well as their different approaches to international relations. This edition of the Washington Journal provides an in depth look at the challenges President Trump faces in China. Some of these articles focus on challenges in the diplomatic and economic relationships between the U.S. and China. Others seek to further our understanding of Chinese strategy and how it may be applied in the coming years. Together, these articles endeavor to clarify the complex and changing relationship between the United States and China and provide insight into how best to move forward.

The authors of these articles are nationally and internationally recognized China scholars currently located in the DC area. WJMC is unique in that it highlights the distinctive expertise found in the nation's capital. These leaders in their fields have strong academic backgrounds, but many also have years of experience either working in the U.S. government or advising policymakers. This gives the journal articles a balance of academic analysis and practical knowledge that enriches the arguments and advice presented.

The Washington Journal of Modern China (WJMC) is a publication affiliated with the U.S.-China Policy Foundation (USCPF), a Washington, DC based non-profit organization dedicated to improving U.S.-China mutual understanding. USCPF was founded to improve understanding between the U.S. and China, an undertaking that is no less important now than when it was founded over 20 years ago.
Thinking About Strategic First Principles in U.S.-China Relations

David M. Lampton

Adapted from remarks given at USCPF’s Annual Gala at the Mayflower Hotel, Washington, DC on Thursday, November 17, 2016, shortly after President Donald Trump was elected.

Turning to U.S.-China relations, America has just concluded a grueling general election. The voters have spoken, but not much productive, realistic, or enlightening was said about China policy during that marathon campaign, except to raise red flags about tariffs, alliance management, and military strengthening. Our national debate did not focus on the central questions our new executive and legislative branch officials must now address. In Beijing, an important airing of views about China’s domestic and foreign policy choices also is underway.

Long ago, Britain’s Harold Macmillan reportedly was asked what blew even the steadiest ship of state off course as history unfolded. His perhaps apocryphal response was: “Events, my dear boy, events.”

Our just-completed general election is just one such “event,” and we can be sure there will be others. The tectonic plates of the post-World War II order are shifting because of tumultuous domestic political developments in China, the United States, and around the world. The post-World War II free trade order is under pressure—world merchandise trade shrank about 14 percent in 2015 and world commercial services trade by 6 percent. Some treaty arrangements in

Dr. Lampton is the Director of China Studies at the Johns Hopkins School of Advanced International Studies. In this speech he accepts his award for Lifetime Achievement in U.S.-China Education from USCPF. Formerly President of the National Committee on United States-China Relations, he is the author of many books, including The Three Faces of Chinese Power: Might, Money, and Minds (University of California Press, 2008) and Following the Leader: Ruling China, from Deng Xiaoping to Xi Jinping (University of California Press, 2014). He received his BA, MA, and PhD degrees from Stanford University.
East Asia are fraying. Regional proliferation dangers are mounting.\(^1\) Central Asia and the Middle East are in seemingly endless turmoil, and the European Project is searching for a way forward. Amidst these swirling events we must return to strategic first principles.

We must keep two different ideas in our minds simultaneously: The first is that strategic foundations are essential for the effective management of the relationship. Simultaneously, we also need to keep in mind that our two countries now have a relationship between our two societies, not just our two national governments, not just two national leaders. Our two societies’ interdependence provides dynamism, durability, and creative potential that are the relationship’s greatest strengths. These linkages among our local governments, companies, and civic organizations remind us of how much positive there is in U.S.-China ties. One opportunity to come out of the recent elections, for instance, is that at least 34 state governorships are in the hands of Republicans who generally are free trade and investment oriented and likely to be dedicated to stable, productive economic and cultural ties with China.

What are the strategic questions upon which both sides should focus at this moment of transition in both our countries? U.S. policy in the Obama Administration asserts that “we don’t have the luxury of choosing among” challenges to our security: North Korea, ISIS, terrorism, Iran, Iraq, Syria, Afghanistan, Russia, and China are all currently mentioned as central challenges, albeit over somewhat different time frames and in various ways. I would ask: Do we have the luxury of not choosing among threats, of not having priorities? And if we must choose, is China reasonably placed on the list of threats with the others?

The first obligation of leadership is to bring commitments into alignment with resources. Not doing so fosters anxiety among allies and friends, emboldens competitors, and creates domestic confusion while gradually bleeding national strength and resolve. There are only limited ways to achieve alignment of resources and commitments—reduce threats, reduce commitments, multiply friends, and/or expand

\(^1\) Referring to North Korea’s continued missile tests and threats of further nuclear tests.
financial and political resources. The time has come for America to do all four. China is best viewed as a competitor with whom we can deal, not an existential threat now or anytime soon.

Second, an enduring national interest of the United States has been to seek a sovereign, cohesive China and to prevent a circumstance in which the Eurasian Continent is under the dominance of any single hostile power or powers. This has been the lodestar of U.S. policy, whether past challenges came from Europe in the Nineteenth Century, Japan in the first half of the Twentieth Century, the Soviet Union thereafter, or the current concerning convergence of Chinese and Russian policy. If this remains a defining U.S. national interest, how does driving Moscow and Beijing together, by putting pressure on one from Europe and the other from the Pacific, serve that objective?

I also wish to ask Beijing a question: While China has achieved a dramatic increase in its national strength over the last forty years, and the international system has made, and should continue to make, room for China in global institutions, would it not be preferable for China to stick with the core feature of Deng Xiaoping’s strategy? Namely, reassure the Asian region and the world beyond in order to focus leadership attention, national resources, and popular energies on the protracted task of China’s national renewal? Demographic trends in the People’s Republic are challenging, as is the gargantuan task of rebalancing the PRC’s economy, not to mention environmental stresses. Of all the shared interests between China and America, the greatest is our common need for national development and renewal. The quickest way to better relations with Washington is for Beijing to improve ties with its neighbors. Recent moves towards peaceful management of maritime issues with the Philippines and Malaysia are welcome. Two steps in the right direction.

By way of conclusion, I would ask both sides two additional questions: How can we cooperate to increase the density of economic and security institutions in Asia in which we both are participants? And, are not the transnational problems the world faces almost becoming existential security challenges, whether we consider climate change, global health concerns, or the need to jointly contribute to the management of world economic stability? (Parenthetically, the
incoming-administration’s apparent intention to reject the Paris Climate Agreement is deeply disturbing.)² Elevating our shared strategic gaze to the global level will be difficult, but, it is essential.

² President Trump announced the U.S. would pull out of the Paris Accords on June 1, 2017.
I wish to express my appreciation to the Foundation for the thoughtful choice of the venue tonight. The Mayflower Hotel is a good place to reflect on the history and look into the future of China-U.S. relations. In 1973, at the dawn of the normalization of our bilateral ties, it was in this hotel that China opened its Liaison Office in the U.S. The Mayflower housed the Office for eight months and witnessed an unforgettable period in China-U.S. relations.

Over the past four decades, under the guidance of successive leadership in China, and eight presidents of the United States from both parties, China-U.S. relations have developed steadily through numerous challenges and dramatic transformations in the world. Today, we are conducting dialogues and cooperating in an ever wider range of areas, reflecting intertwined interests and complex interdependence. Effective formats have been established for our leaders to meet regularly for strategic communication. Over one hundred bilateral mechanisms are at work for policy coordination and practical cooperation. Two-way trade, investment and people-to-people exchanges are at historical highs. Military-to-military relations are also making good progress, contrary to some media reports. The breadth and depth of China-U.S. relations today are beyond anybody’s imagination over forty years ago when the first group of Chinese diplomats checked into the Mayflower.

Ambassador Cui Tiankai was appointed the Chinese Ambassador to the United States in 2013. He graduated from the School of Foreign Languages at East China Normal University and studied interpretation at Beijing Foreign Studies University. Later, he earned his MA from Johns Hopkins University’s School of Advanced International Studies.
The growth of this relationship has served the interests of both countries and contributed to the peace, stability and prosperity of the Asia-Pacific region and the world at large. Our accomplishments owe a great deal to the hard efforts of both sides and the strong support of our peoples. Our two countries have clear differences in terms of historical background, cultural heritage, social systems and levels of economic development. But over the years we have cultivated a culture between us that enables us to continuously expand cooperation while managing differences in a constructive way. In this regard, the importance of firm commitment by our leaders and genuine strategic communication between them cannot be overemphasized.

President Xi Jinping and President Barack Obama are going to meet again on the sidelines of the 2016 APEC Economic Leaders’ Meeting in Lima, Peru.¹ This will be their 9th face-to-face meeting since June 2013. I have had the privilege to be present at most of their meetings and witnessed how a frank and sincere dialogue was developed and mutual understanding and confidence deepened. We look forward to the success of this upcoming meeting, not as an end but as a new height in the close working relations between the two leaders.

On November 13, President Xi Jinping and President-elect Donald Trump had their first conversation on the phone. President Xi said that cooperation is the only correct choice for China and the U.S. As China-U.S. cooperation faces important opportunities and has huge potential, the two countries need to strengthen coordination, advance their respective economic development and global economic growth, and expand exchanges and cooperation in various fields so as to bring more benefits to the two peoples and make further progress in China-U.S. relations. President-elect Trump agreed that the U.S. and China can achieve win-win results and mutual benefits. He expressed his readiness to work with President Xi to strengthen U.S.-China cooperation. They agreed to keep close contact, establish a good working relationship, and meet at an early date to have timely exchanges of views on bilateral ties and other issues of common concern.

¹ This meeting occurred on November 20, 2016.
There are other high-level meetings in the pipeline, including the 27th session of the China-U.S. Joint Commission on Commerce and Trade (JCCT) and the 3rd China-U.S. High-Level Joint Dialogue on Cybercrime and Related Issues. We should make full use of these opportunities and carry the good momentum of the bilateral relationship to the next U.S. administration.

Looking back at our achievements, we have good reasons to be proud and optimistic. However, our journey ahead may still be long and arduous. We still have some long-standing issues between us. New challenges may come up from time to time. Our relationship will go through more tests as our interaction gets closer. As permanent members of the United Nations Security Council and the two biggest economies in the world, the choices we are to make will have a far-reaching impact on the well-being of our peoples and the future of the world. The most pressing task now is to ensure a smooth transition of the China-U.S. relationship into the new U.S. administration and its sustained development in the years to come.

How shall we do it? Let me try to submit a few suggestions for your consideration.

First, we should put our people’s long-term interests at the top of our agenda. On the first day of being elected General Secretary of the Party, President Xi stated that the people’s wish for a good life is our goal. This not only applies to China’s domestic policies, but is also true in developing our relations with other countries. As a matter of fact, people’s aspirations are similar all over the world and governments should have similar goals. People in China and people in the U.S. all want better prospects in life—stable jobs, increasing income, good education and medical care, enhanced social safety net, improved infrastructure, better environment, and so on. Both our countries are now faced with the tremendous task of implementing economic and social reform and restructuring at home. Both governments need to live up to the expectations of the people and deliver greater outcomes across the board. And in order to do all this, we both need a peaceful

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2 The 27th JCCT session was held November 21-23, 2016 in Washington, DC. The 3rd China-U.S. High-Level Joint Dialogue on Cybercrime and Related Issues was held on December 7, 2016 in Washington, DC.
and stable international environment. Such common and long-term interests of our peoples should be what defines, shapes and guides China-U.S. relations now and in the future.

Second, we should aim at win-win results. Today our interests are so intertwined and our interdependence so deep that the only choice before us is a win-win or lose-lose one. What happened in the past few decades has already proved that a thriving China is good for America, and a thriving America is good for China. The nature of our relationship should be mutually beneficial—in trade and economy, in education and culture, in science and technology, in people-to-people ties, in military-to-military exchanges, and in handling global and regional issues together. Therefore, we need to firmly reject the zero-sum mentality, which is not only morally wrong but also discredited in reality already.

Third, we should seek closer cooperation. It is clear that each country should have the responsibility to tackle its own problems. But both will be better able to accomplish the job if we cooperate with each other. Engaging the talents, ideas, energies and resources of both sides will yield more than either could achieve on its own. On the bilateral relationship, we need to find new approaches to unlock our potentials and explore new areas for cooperation. In the Asia-Pacific region, we need to keep close coordination on our policies and work together to boost economic growth, promote integration, facilitate connectivity, and rein in hotspot issues. At the global level, we need to make joint efforts with other countries to address pressing and long-term challenges facing humanity. China-U.S. cooperation is critical in dealing with an increasing number of such issues, from macro-economic policy coordination to global governance, from environment protection to energy security, from disease control to disaster prevention, from counter-terrorism to non-proliferation. The list is almost inexhaustible.

I have to point out here that effective and mutually beneficial cooperation requires persistent efforts to build mutual trust. It is essential that we have a correct understanding of each other’s strategic intentions in order to avoid misperception and miscalculation. We need more candid and in-depth dialogues and
communications at various levels. Frequent and frank exchanges will further consolidate the basis of the relationship and inject more impetus to its future development.

Of course, we fully recognize that it is almost impossible for any two countries to see eye-to-eye on everything at all times. What matters is how we manage differences and disputes. As our relationship is growing and expanding, most of the issues we have today, such as frictions over trade, currency, cyber-security and maritime issues, can be handled in a positive and constructive manner through deepening mutual understanding and enhancing coordination. This is the big picture we should keep in mind. If we learn to see these issues against the big background of common challenges and growing common interests in today’s world, they will be in the right perspective. Then we will be able to find more rallying points than we could imagine otherwise. China-U.S. cooperation in fighting cybercrimes is a good example.

To build such a relationship between our two great countries, in the spirit of non-conflict, non-confrontation, mutual respect and win-win cooperation, is both a goal and a process, both in our common interests and representing our shared responsibility to the global community. We must show to the world that we Chinese and Americans are up to the task. In order to do this, we need not only the resolve and confidence to “climb up to the top of the Great Wall in China,” but also the patience and wisdom of “crossing the river by feeling the stones in the riverbed.” Standing at a new starting point, we are confident that China and the U.S. will make new progress in the relationship and bring more benefits to the peoples of our two countries and beyond.
President-elect Donald Trump sharply broke with past practice in December 2016 by accepting a congratulatory phone call from Taiwan President Tsai Ing-wen, publicly questioning U.S. government support for the policy of “one China” including Taiwan, and reacting promptly to Chinese criticisms with blunt public complaints about unfair Chinese economic policies and military expansion in the disputed South China Sea. The phone call was facilitated by representatives in the president-elect’s entourage and the Republican Party leadership who favored an American policy toward Taiwan less deferential to Beijing. The *New York Times*, among other mainstream media, depicted the move negatively as dangerously broadening the ongoing frictions in U.S.-China relations amid substantial hardening of U.S. policy toward China to include sensitive issues involving Taiwan. The Trump initiative reportedly came from a cabal of what the *Times* called “a small, hard-line faction of Republicans that has periodically urged a more confrontational approach to Beijing.”¹

What such media treatment ignores is the significantly widespread support Taiwan has enjoyed in the United States, and in Washington in particular. And it raises the question of how long the so-called Taiwan issue is to be kept insulated from the arguments and differences the United States increasingly has with Chinese President

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Xi Jinping's government actively carrying out policies seen to undermine major American security, economic and political interests.

What follows is a review of significant signs of the evolving and, on the whole, growing American support for Taiwan, notably in the U.S. Congress, in the context of Taiwan President Ma Ying-jeou (2008-2016) and his efforts aimed at accommodating Beijing. This article then assesses greater American support for Taiwan in the context of the overall worsening of U.S.-China relations and the rise to power of a new Taiwan administration under President Tsai Ing-wen (2016-) determined to remain firm in the face of Beijing's pressures.

It shows that the administration of Barack Obama (2009-2017) remained firm in not allowing rising U.S. difficulties in relations with China to impact U.S. policy toward Taiwan. The Obama government persevered in handling Taiwan issues in ways that did not negatively upset U.S. relations with China. In contrast, an examination of the Donald Trump administration's actions regarding Taiwan and China on one hand signaled greater U.S. government support for Taiwan and less concern than in the recent past for managing Taiwan issues in ways inoffensive to Beijing; and on the other hand the administration's actions on Taiwan and China also signaled a willingness to use U.S. relations with Taiwan as leverage in efforts to seek changes in Chinese policies in other areas of concern for the administration.

**American Support for Taiwan Under Ma Ying-jeou**

The dramatic shift toward moderation and accommodation in Taiwan's approach to China under President Ma Ying-jeou was warmly welcomed by the outgoing George W. Bush administration and the incoming Barack Obama administration. Both administrations in this transition period played down past emphasis on Taiwan's role in cooperation with the United States in sustaining a favorable military balance in the Taiwan Strait. Rather, they sought to support Ma's new approach of reassurance as an important means to sustain stability and peace.

Over time, the Obama government's relations with China became
more contentious and overtly competitive, notably with the announcements in 2011 of the president’s signature “pivot” to Asia and resulting rebalance policies involving diplomatic, economic and security initiatives sharply criticized by China. Despite shifts toward greater acrimony in U.S. China policy, Obama government policy toward Taiwan and the Taiwan issue in U.S.-China relations remained consistent. The Obama government sold a large amount of weapons to Taiwan but avoided provoking Chinese ire with the sale of advanced fighter aircraft or submarines requested by Taiwan. Given China’s criticism of the new rebalance in Asia policy, the Obama government was careful to keep Taiwan outside the scope of the rebalance in its initial explanations of the new policy; later official U.S. references affirming Taiwan’s role in the rebalance policy avoided specifics or actions that would raise China’s ire over the very sensitive Taiwan issue in U.S.–China relations.2

U.S. administration policymakers concerned with Taiwan repeatedly highlighted the good state of U.S.-Taiwan relations and the calm that prevailed in cross-strait ties, a welcome comparison to the headaches for U.S. policy posed by active nearby hot spots in the East and South China Seas and North Korea. Signs of low U.S. tolerance for Taiwan actions that could disrupt cross-strait ties included U.S. officials warning against Tsai Ing-wen, then the Democratic Progressive Party candidate for the 2012 presidential election, on account of concerns over her China policy following U.S. official meetings with the candidate in 2011. This episode marked a rare American official intervention into a friendly democracy’s electoral process.3

Specialists and media highlighted declines in U.S. support for Taiwan under the Obama government. The administration strongly disagreed, but it followed policies in the rebalance, in dealing with sales of sensitive weapons, and in reacting to the approach of the DPP presidential candidate, noted above, that underlined declining support for policy initiatives that would support Taiwan but risk

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upsetting China and come at a possibly significant cost for U.S. relations with China. By contrast, George W. Bush started his administration with a strong rebalancing against perceived Chinese assertiveness in Asia by placing Taiwan at the center of his approach, warning that he would do “whatever it takes” to help Taiwan defend itself against Chinese attack. Bush subsequently soured on relations with Taiwan, seeing Taiwan President Chen Shui-bian as risking U.S.-China war with repeated provocations directed at Beijing.

Congress at times has been the source of strong support for Taiwan and pressure on the administration to do more for Taiwan. But the weak congressional signs of support of Taiwan in the first term of the Obama government were overshadowed by declining interest and opposition to Taiwan’s wishes. Few members visited the island and those who did sometimes came away with views adverse to Taiwan’s interests. After visiting Taiwan in August 2010, Senator Arlen Specter came out against irritating China by selling Taiwan the F-16 aircraft sought by President Ma. Likewise, in a public hearing in June 2010, Senate Intelligence Committee Chairwoman Dianne Feinstein cast U.S. arms sales to Taiwan as a liability for U.S. foreign policy and pressed Secretary of Defense Robert Gates for options to resolve the impasse between the United States and China over the issue.

The decline in congressional support was also influenced by the fracturing and decline of the Taiwan lobby in Washington. Reflecting the often intense competition in Taiwan politics between the Nationalist or Kuomintang (KMT) Party and the Democratic Progressive Party (DPP) in recent decades, DPP representatives in Washington and like-minded U.S. interest groups such as the Formosan Association for Public Affairs on one side, and KMT representatives in Washington and supporting interest groups on the other side, repeatedly clashed while lobbying congressional members. Ma Ying-jeou’s appointment of the head of the KMT’s Washington

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office, a veteran of these partisan squabbles with the DPP, as his choice to lead the Taiwan government’s office in Washington saw the partisan divisions persist. An overall result was confusion on Capitol Hill and a decline in Taiwan’s influence there.\(^6\)

Against this background, several respected and prominent former officials and specialists called for an American pullback from continued support for Taiwan roughly consistent with the approach of Senator Feinstein and some others in Congress. Former vice chairman of the Joint Chiefs of Staff William Owens argued in November 2009 that because of the need for friendly ties with rising China, the United States should reassess the Taiwan Relations Act and curb American arms sales to Taiwan. Academic China specialist Bruce Gilley argued in January 2010 that Taiwan’s détente with China should seek neutralization along the lines of Finland’s position in the Cold War and that such neutralization should be supported by the United States; it would remove a major sore point in Sino-American relations. International relations scholar Charles Glaser said in March that the key to avoiding U.S. conflict with China was accommodating Beijing by withdrawing commitments to Taiwan. In January 2011, Joseph Prueher, former ambassador to China and former commander of the U.S. Pacific Command, hosted prominent business leaders and China specialists and produced a report that called for reevaluation of U.S. arms sales to Taiwan that were seen to create strongly negative implications for U.S. interests. In the largest and most thorough study of issues in U.S.–Chinese relations in many years, Carnegie Endowment for International Peace China specialist Michael Swaine warned in 2011 of potentially disastrous consequences for the United States of its ongoing commitment to defend Taiwan against rising Chinese power.\(^7\)


\(^7\) “A Way Ahead with China: Steering the Right Course with the Middle Kingdom,” recommendations from the Miller Center for Public Affairs Roundtable, Miller Center for Public Affairs, University of Virginia, March 2011; Charles Glaser, “Will China’s Rise Lead to War?” \textit{Foreign Affairs} 90, no. 2 (March–April 2011): 80–91; Michael Swaine, \textit{America’s Challenge} (Washington, DC: Carnegie Endowment for International Peace,
Since 2012, American tensions with China rose over various issues, including disputes in the East and South China Seas; they were accompanied by an increase in congressional, nongovernment specialist, and media attention to Taiwan’s role in proposed American plans for dealing with Chinese assertiveness. For its part, the Obama government was generally mum on Taiwan’s role in this regard. U.S. government representatives started to say Taiwan was part of the rebalance, but they avoided how this would assist in dealing with Chinese assertiveness or other missions. One reason for Obama government restraint presumably was that such discussion would heighten attention to the Taiwan issue in U.S.–China differences in Asia, causing more serious friction in U.S.–China relations than the Obama government judged as warranted under the circumstances. The Obama government, congressional representatives, and specialists were in agreement in complimenting the actions of the Ma Ying-jeou government—a major stakeholder in the contested claims—for generally adhering to peaceful means in dealing with differences and in reaching pragmatic understandings with Japan and the Philippines over fishing rights in disputed territories. They also appreciated Taiwan’s criticism of China’s abrupt declaration of an air defense identification zone over the disputed East China Sea islands in late 2013.8

Pushing against Obama government restraint has been an array of congressional representatives, specialists, and commentators arguing in favor of greater U.S. attention to Taiwan in this period of tension with China. Generally, the hardened views against China of these observers crowded out the arguments of only a few years ago noted above for neutralizing Taiwan, accommodating Chinese demands over Taiwan, and withdrawing U.S. support for the island.

The push against Obama government restraint regarding Taiwan and China was intensified by what became common discourse in

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congressional deliberations and media commentary: that the Obama government was too timid in the face of challenges in such sensitive international areas as Ukraine, Syria, Iraq, Afghanistan, and elsewhere.\(^9\) Few observers supported U.S. combat operations to meet American objectives, and the critics probably recognized that the president's policies were in line with public opinion polls showing war weariness in America. Nonetheless, critics saw the stakes in competition with China as long term and serious; they argued for stronger American actions that would show negative costs for China's interests if it pursued its so-called salami slicing in nearby disputed territories and other actions undermining American interests. They were prepared to risk some of the negative consequences for the United States that would flow from serious disruption of the existing relationship with China.

Against this background, Taiwan has been involved in some proposed American actions to counter China as the United States moves from the positive engagement side of the policy spectrum to an approach that balances against and endeavors to deter Chinese expansionism. Strategists and specialists have argued that to effectively deter expanding China requires credible American strategies to deal with confrontation with China. Taiwan often is at the center of such proposed strategies if the United States needs to shore up radars, defenses, and other anti-China military preparations along the first island chain running from Japan through Taiwan to the Philippines.\(^10\) National Defense University strategist T. X. Hammes proposed a strategy that relies on close integration of land-based air and sea defenses involving Taiwan at the center that is designed to deal with a Chinese confrontation through conventional arms in ways that do not

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involve direct attack on the Chinese mainland.¹¹

What exactly could be done in Taiwan to help check Chinese power presumably would be in line with proposed and actual steps the Japanese government is taking in deploying forces to its south and west, especially along the Ryukyu Island chain, and using sensors, land-based and other anti-ship missiles, and sophisticated mines in plans to cut off or greatly impede Chinese passage beyond the so-called first island chain.¹² Seemingly along these lines, Congressman Randy Forbes, a leading advocate of strong U.S. defenses in Asia, introduced legislative provisions that would consider the pros and cons of integrating Taiwan’s sophisticated early warning radar with U.S. missile defense and sensor systems.¹³

A different path leading to greater U.S. attention to Taiwan came as a former leading Asian affairs official in the Obama government highlighted Taiwan’s importance regarding the origins of the nine-dashed line Chinese maps use to designate Chinese claims over most of the South China Sea. Jeffrey Bader argued that as the creator of the dashed line in the 1940s, the Taiwan Republic of China (ROC) government should reevaluate its position in line with existing international law. The judgment was that if Taiwan did so, it would demonstrate the extremity and unreasonableness of China’s current claim, pushing Beijing to do a similar reevaluation. Meanwhile, Taiwan’s government controls the official archives that would show what exactly the ROC government intended when it proposed the dashed line claiming the South China Sea in the 1940s. A study and disclosure of perhaps more limited intent than Beijing’s current claims would assist American efforts to get China to back away from its excessive claims and deal more reasonably and peacefully with other disputants.¹⁴ Thus far, the Taiwan government has shown little

interest in taking either of these steps, presumably because they risk friction in Taipei’s relations with Beijing.

Taiwan is also involved in options raised in congressional deliberations and specialist commentaries on what the United States could do in order to raise the cost for China of its continued salami slicing in the nearby seas and other offensive actions. According to this view, by raising the costs to China with these Taiwan-related options (as well as other options), the United States could show Beijing that its interests would be better served with a less aggressive approach in the East and South China Seas and other challenges to U.S. interests.¹⁵ The Ma Ying-jeou government reacted very warily to these suggestions, while the Obama government ignored them.

They include using the sale of advanced jet fighters to Taiwan as a way to upset Chinese security calculus along its periphery in ways costly to China with the implicit understanding that more such disruptions of Chinese plans will come unless it ceases its assertiveness and expansion in the East and South China Seas. Another option is for American officials to speak out more forcefully in support of popular demonstrations such as those led by Taiwan’s so-called sunflower movement. U.S. support for the freedom to speak out against feared Chinese dominance shown during the sunflower movement presumably would show the United States to be more open to a change in Taiwan’s existing approach to China. Beijing wrestled with how to deal with rising criticism in Taiwan of the Ma government’s growing engagement with China. The above U.S. move would have added to China’s problems and presumably would have enhanced the chances for the election of an opposition candidate in the presidential election in 2016—an outcome complicating for China’s approach to Taiwan.

Meanwhile, another U.S. option regarding Taiwan builds on the Obama government’s strong recent criticism of China’s use of coercion and intimidation of neighbors involved with disputes in the East China

Sea and the South China Sea. The new U.S. government rhetoric raises the question of why the United States has not shown the same concern with long-standing Chinese military coercion and intimidation of Taiwan. Strong American statements against Chinese intimidation of Taiwan, if backed by substantive support, would seriously complicate China's plans for what Beijing sees as the resolution of the Taiwan issue—a major cost to the Chinese government.

Perhaps the most broadly based American school of thought supporting Taiwan was composed of various officials, commentators and specialists who urged U.S. policy to deal with Taiwan for its own sake, rather than in a contingent way dependent on U.S. interests with China. They opposed the U.S. government intervention in Taiwan domestic politics in voicing concern about Tsai Ing-wen's cross-strait policies in 2011. They favored more forthright American government support for Taiwan's entry into the Trans Pacific Partnership (TPP) multi-lateral economic agreement, more frequent U.S. cabinet-level visits to Taiwan, and the sale of more advanced U.S. military equipment to Taiwan; and they agreed that recently strident American leadership complaints about Chinese bullying and intimidation of neighbors using military and other coercive means needed also to highlight and condemn China's two decades of massive bullying, coercion, and intimidation toward Taiwan.

The increased attention to Taiwan related to hardening U.S. policy toward China has been reinforced by other factors increasing American focus on Taiwan. Thanks in part to stronger efforts by the Taiwan office in Washington and to the particular interest in Taiwan by committee chairs and ranking members in the House and Senate, the numbers of members of Congress visiting Taiwan and the stature of these members have increased.16

In 2012, a general election year when overseas congressional travel usually declines, there were fifteen Representatives who visited Taiwan. The highlight was the visit of Rep. Ileana Ros-Lehtinen (R-FL), then chairwoman of the House Committee on Foreign Affairs, who led

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a congressional delegation to Taiwan in May 2012 in celebration of President Ma’s inauguration for his second term as president.

In 2013, there were four Senators and eighteen Representatives who visited Taiwan. Chairman Ed Royce (R-CA) of the House Committee on Foreign Affairs led a congressional delegation to Taiwan in January; Sen. James Inhofe (R-OK), ranking member of the Committee on Armed Services, also came in January; and Chairman Robert Menendez (D-NJ) of the Senate Committee on Foreign Relations visited in August.

Subsequent highlights included visits by the Chairmen of the Senate Finance Committee and the House Armed Services Committee. During the election campaign of 2016, Senator John McCain took time from his reelection campaign to visit Asia with other Senators during May-June 2016. The visiting Senators endeavored to reassure U.S. allies and partners of continued strong American regional engagement. McCain and six of the visiting Senators stopped in Taiwan to affirm support for recently installed President Tsai Ing-wen. The visit marked the first by the Chair of the Senate Armed Services Committee in 26 years and the largest group of U.S. Senators to visit Taiwan in 10 years.17

Congress continued to pass legislation and urge the U.S. administration in various ways to encourage Taiwan’s democratization, to meet Taiwan’s self-defense needs, and to assist with Taiwan’s bid to participate in regional economic integration and international organizations. The convergence in congressional-administration support for Taiwan came with important differences, with congressional representatives pressing the administration to strongly reaffirm the so-called six assurances of the Ronald Reagan administration that have long governed U.S. support for Taiwan and pressing the Executive branch to conform more with congressional requirements for reports and closer administration monitoring of Taiwan’s defense needs.18 Meanwhile, the Senate Foreign Relations Committee captured the views of many supporters of Taiwan in

Congress and elsewhere who see Taiwan’s future closely tied to its economic connections and role in Asian and world affairs. The committee argued that Taiwan’s joining the U.S.-backed Trans-Pacific Partnership (TPP) international economic agreement was an essential step securing Taiwan’s overall strength and well-being. The committee’s report, “Rebalancing the Rebalance,” urged the Obama government to include Taiwan in the TPP.19

**American Support for Taiwan Under Tsai Ing-wen**

Beginning in 2014, the Xi Jinping government’s territorial expansion, cyber theft, unfair economic practices and internal repression drew strong public rebukes from heretofore reticent President Obama. The Chinese behavior hardened the administration’s overall policy toward China. The president’s wide-ranging and often sharp criticism notably refrained from including China’s policy toward Taiwan. Rather, the president and his administration continued to adhere to an approach inherited from the practice in the latter years of the George W. Bush administration that Taiwan issues should be handled in ways that avoid serious negative consequences for American policy toward China. Thus, the hardening of the Obama government’s stance on various aspects of China policy was not accompanied by hardening in its policy toward China over Taiwan.

U.S. officials highlighted progress in U.S. relations with Taiwan involving cooperation on global issues, increased official interchanges at levels somewhat higher than in the recent past, assisting Taiwan membership in international bodies and other matters that were deemed less likely to prompt frictions with China. They avoided taking sides against presidential candidate and now President Tsai Ing-wen of the Democratic Progressive Party (DPP), which refuses to endorse a view of “one China” demanded by Beijing. They encouraged both Beijing and Taipei to avoid provocations, seek constructive communications, and reach compromise formulas or understandings that would avoid a break in cross-strait interchange detrimental to peace and stability. American critics of the administration’s policy

toward Taiwan included Republican leaders in Congress, Republican leaning think tanks, media and interest groups, along with many Democrats and progressive think tanks, media and interest groups advocating change in existing U.S. Taiwan policy less deferential to China.20

**Relevant 2015-2016 U.S. Election Debates**

There was limited attention to Taiwan during the 2015-2016 U.S. election debates. A few Republican presidential candidates and the Republican Party Platform used the arguments of American China critics and Taiwan supporters described above in calling for change in policy toward Taiwan. Before, during and after his stint as a presidential candidate, Senator Marco Rubio has been active in congressional measures to support Taiwan along the lines of critics who urge treating Taiwan for its own sake and without so much deference to Beijing. Rubio notably backed a U.S. military buildup to ensure Taiwan's protection in the face of China’s military power. He advised that U.S. policy should be guided by historic American reassurances of support for Taiwan and not by reputed need to avoid exacerbating tensions with China over the issue.21

Senator Cruz released a statement on the results of Taiwan's January 2016 presidential elections lauding Taiwan on ideological grounds as a beacon for Democracy inspiring those in China and Hong Kong seeking freedom against the oppressive Communist government.22

Along these lines of strengthening U.S. support for Taiwan was the visit of Senator McCain and other Senators in June 2016 discussed earlier.

Though Candidate Donald Trump said little about Taiwan, in July

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2016 Professor Peter Navarro used a byline as policy advisor to Donald Trump on Asian issues in publishing an extensive assessment of the importance of stronger U.S. support for Taiwan, using the arguments of the schools of thought noted above.23

The U.S. election debates on Taiwan showed little deviation from the arguments seen in Congress and the media prior to and during the American campaign. How Hillary Clinton’s promised hardening of policy on disputes with China would impact her approach to Taiwan remained undefined. However, her senior staff member Jake Sullivan told the media in July 2016 that Hillary Clinton would not change Taiwan policy.24 As noted, candidate Donald Trump devoted little attention to the issue.

In July 2016, observers in Taipei were concerned that Taiwan would suffer if Donald Trump followed through with pledges to negotiate major agreements with China, as the Taiwan issue would likely be raised by the Chinese side in those negotiations. There was also worry in Taipei that candidate Trump’s approach to U.S. ally Japan would seriously weaken the U.S. ability to support Taiwan in the face of China’s military intimidation. Observers in Taiwan appreciated the resolve shown by John McCain and his Senate colleagues to continue support for U.S. allies and partners in Asia regardless of the results of the American presidential election. They were encouraged by interactions with Trump campaign Asia expert Peter Navarro during a recent visit to Taiwan and strong support for Taiwan registered in the Republican Party platform. Taiwan issues did not figure prominently in comments by interlocutors in China or elsewhere in Asia. High-level interlocutors in Beijing judged that Hillary Clinton’s tougher approach would not involve major moves on Taiwan.25

25 These observations are from the report Washington Asia Policy Debates: Impact of 2015-2016 Presidential Campaign and Asian Reactions East-West Center, Washington, September 2016
President Donald Trump’s Repeated Shifts on Taiwan—Implications

Will the results of the Taiwan elections, greater uncertainty about cross-strait peace and stability, and President-elect Donald Trump’s various initiatives toward Taiwan lead to a change in U.S. policy and practice toward Taiwan? As shown above, despite a significant American debate over China policy and a hardening of Obama administration policy toward China, the Obama government, backed by numerous specialists and media, argued against such change.

Opposed were groups of Americans seeking to advance relations with Taiwan in ways that risk antagonizing Beijing. One group of Americans strongly urged U.S. policy to deal with Taiwan for its own sake, rather than in a manner dependent on U.S. interests with China. A second group of Americans focused on using Taiwan’s strategic location in opposition to what they saw as Chinese efforts to undermine the American strategic position in the Pacific and achieve overall dominance in the region contrary to longstanding American interests. And a third group of Americans focused on the Xi government’s recent coercive expansionism at American expense along China’s rim and other practices grossly at odds with U.S. interests to argue that America should take action showing greater support for Taiwan as part of a cost imposition strategy to counter Xi’s anti-American moves. In their view, the kinds of steps forward in U.S. relations with Taiwan advocated by the previous two groups should be considered and used as the United States endeavors to show Beijing that its various challenges to U.S. interests will not be cost-free.

President-elect Trump’s phone conversation with Tsai Ing-wen upset Chinese forecasts of smoother sailing with Donald Trump than with Hillary Clinton. In a few gestures, the President-elect showed President Xi and his subordinates that the new U.S. leader was capable of a wide range of actions that would surprise Chinese counterparts with serious negative consequences. During the long U.S. election campaign, Mr. Trump made clear that he values unpredictability and does not place the high value President Obama did on policy transparency, carefully measured responses, and
avoiding dramatic actions. He seemed much less constrained than the previous U.S. administration by a perceived need to sustain and advance U.S.-China relations. Like President Xi and unlike President Obama, President Trump does not eschew tension and presumably seeks advantage in tensions between the two countries. And like his Chinese counterpart and unlike President Obama, he is prepared to seek leverage through linking his policy preference in one area of the relationship with policies in other areas of the relationship.

What all of the above meant for the full range of U.S. relations with China and especially policy toward Taiwan remained very uncertain as Mr. Trump took office. As time passed, the U.S. president in February saw the wisdom in meeting Xi Jinping’s requirement for consultations by saying in a phone conversation with Xi that he supported the traditional one China policy of the United States. A summit with Xi at President Trump’s resort Mar-a-Lago in Florida in April came amid intensified U.S. pressure on China to do more to stop North Korea’s development of nuclear weapons. The strong U.S. focus on China and North Korea caused the president and the administration, for a few weeks, to avoid actions that would have alienated Beijing, such as freedom of navigation naval demonstrations along China’s coast and arms sales to Taiwan. It was against this background that President Trump told the media in April 2017 that he would not accept another phone call from Taiwan’s president until he had discussed the matter with President Xi.26

Showing a remarkable inclination to change American policy in ways that complicated Chinese efforts to seek the advantageous stability it desired in relations with the United States, President Trump in June expressed disappointment with China’s efforts to curb North Korea’s nuclear weapons. What followed were U.S. freedom of navigation exercises in much faster sequence than in the recent past in the disputed South China Sea, an announced major U.S. arms sales package for Taiwan, strong public statements from Secretary of Defense James Mattis and Secretary of State Rex Tillerson in support of American military and other commitments to Taiwan, substantial

U.S. sanctions against a Chinese bank and Chinese individuals seen by the U.S. as aiding North Korea to circumvent international sanctions against its nuclear weapons program, and greater criticism of China in a State Department report on human trafficking. Administration officials privately indicated more measures were to come, demonstrating American resolve against Chinese actions seen opposed to U.S. security, economic and other interests.²⁷

Whether or not there is some sort of decisive outcome for U.S. policy regarding Taiwan from such twists and turns on sensitive issues in U.S.-China relations remains very uncertain. One path forward could involve constant shifting, depending on various changing circumstances. The Trump administration seems at bottom wary of Xi Jinping’s China; and if Xi and his officials had thought President Trump would be easy to deal with, one suspects such views are now a thing of the past. Signs to watch for include an articulated strategy of the Trump government in foreign affairs, and the Asia-Pacific region in particular, that China could respond to negatively or positively with a sense of clarity. Present circumstances—notably a volatile U.S. president with a still very poorly staffed administration—see that strategy as far off.

Regarding Taiwan, it is possible but unlikely that President Trump will succeed in persuading President Xi to accept some improvement in U.S.-Taiwan relations and other changes in China policy favorable to the United States rather than risk major disruption and confrontation in Sino-American relations at this sensitive time of leadership transition in China. On the other end, President Xi may, out of a sense of power and confidence or a sense of vulnerability, resort to massive demonstrations of Chinese economic and military power to compel the Trump government to reverse its Taiwan initiatives and accommodate China’s demands. In between are many possibilities, including negotiations and deal making favored by Mr. Trump and many in China where compromises will be reached allowing for smoother progress in the relationship. Taiwan presumably would

benefit from the first outcome; it would be at the center of any U.S.-China military faceoff seen in the second outcome; and, as noted above, observers in Taiwan remain concerned Taiwan will be “the price to pay” in any U.S.-China grand bargain governing future Sino-American relations.

Finally, one trend shown in this article is that President Trump’s controversial initiatives in favor of Taiwan are much more than the results of a plot by a small group of extremists in the Republican Party. The initiatives that support Taiwan have significant backing among Americans deeply concerned with the growing Chinese efforts to undermine key American security, economic and political interests and the implications of continuing American policy of deference to China over Taiwan.
U.S.-China Tensions: Interplay Between Economics and Politics

Yukon Huang, PhD

The agreement reached during President Xi’s April 2017 meeting with President Trump at Mar-a-Lago on a 100 day plan to ease trade tensions did not have a long shelf life. For several months, the agreement appeared to have defused any intentions to consider more contentious protectionist measures. Accusations regarding currency manipulations also evaporated, as did concerns about cyber-security violations for economic gain. From China’s perspective, President Trump’s assurance that the U.S. would not play the Taiwan card removed the most contentious of concerns from the agenda. All this seemed to suggest economic issues would not become intertwined with security and political concerns. Yet, over the summer, signs that this would not necessarily be the case become apparent and this was confirmed by the lack of significant progress in the July U.S.-China Comprehensive Economic Dialogue (CED).

The likelihood that trade and foreign investment factors will continue to be a source of tension is discussed in my recently published book: *Cracking the China Conundrum—Why Conventional Economic Wisdom Is Wrong* (Oxford University Press, July 2017). These tensions stem in part from basic misunderstandings of the nature of the trade and investment relations between the U.S. and China that has contributed to an unnecessarily antagonistic relationship. These negative and highly emotional perceptions are nurtured by insecurities in the mindsets of both nations and reflect the mistrust between their respective civilian and military leaders. Contrasting political systems and cultural norms of society have always made it difficult for these two nations to work together. But ironically, with President Trump’s

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election and President Xi’s consolidation of authority, the potential for conflict is now greater not because of these differences but because of commonalities in their personal aspirations.

Public Perceptions Shape Policies

That the media pays so much attention to China is not surprising given that its economy has now superseded that of the U.S. in purchasing power terms. This has created anxieties as Washington ponders the extent that America’s global dominance has been diminished. Meanwhile, the American public believes China’s rise has contributed to their stagnating salaries and lost jobs. Whether one is a politician, a foreign investor or the average citizen, one’s views on China are strongly influenced by location, culture and values.¹

China was a convenient target in the recent presidential campaign, as evidenced in Mr. Trump’s accusations about China’s economic policies. But long-prevailing public perceptions have nurtured these positions. Opinion polls conducted by Gallup and Pew over the past decade show that most Americans worry about China’s increasing economic strength and think China is untrustworthy. A majority of both Democrats and Republicans hold China responsible for America’s trade deficits and outsourcing of jobs abroad, with Republicans significantly more negative than Democrats. This has encouraged punitive actions, including claims with the WTO that China’s exports are unfairly subsidized.

Such negative sentiments provided a rationale for the U.S.’s major trade initiative, the Trans-Pacific Partnership (TPP), to exclude China, reinforcing the view that most Americans believe China’s trade practices are unfair. President Trump has now taken this position one step further in dropping the TPP, even as many still believe it is the best option for checking China’s influence in the Asian region.

Globally, there is a marked shift in security concerns coming from China’s increasing economic might and willingness to exercise it. In

¹ For a discussion of the source and nature of the poll results see chapter two in Yukon Huang, Cracking the China Conundrum: Why Conventional Economic Wisdom Is Wrong (New York, New York: Oxford University Press, 2017).
the past, many saw China’s accomplishments as a laudable outcome that benefited the world. But the majority of Americans now see China’s economic rise as a threat to their country’s international stature.

Ironically, the Chinese people do not see the U.S. so critically, with various polls showing that their sentiments include considerable admiration for American ideas, values and scientific accomplishments. This reaffirms the major advantage the U.S. has in projecting its soft power as a complement to its military superiority.

**Economic Factors Also Shape Perceptions**

The U.S.-China relationship is unique because these perceptions have been influenced as much by economic trends as political factors. China’s emergence as the world’s largest trading nation is mirrored in America’s relative economic decline over the past decade, as the latter’s financial vulnerabilities triggered the 2008 global financial crisis.

While size matters in judging global significance, China’s direct impact on other countries comes primarily through its emergence as the world’s largest trading nation, a premier destination for foreign investment and a source of surging outward capital flows. These shifts have fundamentally altered China’s external economic relations with the U.S., Europe and its neighbors. All this has been part of a globalization process that until recently was seen as generally having benefited both developing and developed countries. But rising protectionist sentiments have led to pushback against globalization in the West, even as emerging economies like China continue to embrace its positive consequences.

Such shifts in opinions have made it more difficult to forge constructive solutions. Trade and foreign investment flows have played a major role in shaping China’s development and its impact on other countries. From being largely a regional player, it is now the primary export destination for some 40 countries—compared with 10 a decade ago—with key relationships extending to all continents.
With success came concern. In the mid-2000s, the international financial community, with the U.S. in the lead, was preoccupied with China’s huge trade surpluses and its impact on global macro-imbalances. China’s soaring levels of foreign reserves drew largely misplaced outcries that America would be held hostage to Beijing’s commands and would allow China to broaden its external economic influence.

Despite China’s recent economic slowdown, public sentiment on the nature of U.S.-China economic relations have not evolved as quickly. Presidential campaign charges made by Mr. Trump and his key economic advisors reinforced long-standing complaints from congressional leaders and segments of the business community about China’s exchange rate being undervalued, even though years of appreciation have led most analysts to conclude otherwise. China’s persistent bilateral trade surpluses with the U.S. are seen as harming America’s competitiveness. Moreover, there has been a noticeable shift in the sentiments of U.S. investors in recent years over the difficulties they now have in accessing China’s domestic market. This is occurring despite China being ranked consistently as a highly attractive foreign investment destination—second only to the United States.

**Evolving U.S. Views on China**

President Trump’s election did not alter the fact that American perceptions of China are influenced by both economic and security concerns. While nearly half of Americans surveyed see China as a military threat, compared with about a third in Europe, a poll from the Chicago Council on Global Affairs shows that the American public overwhelmingly—by a measure of 77 to 23 percent—feels China’s economic strength, rather than its military might, determines its power to influence global events. Nevertheless, much attention these days is being given to security-related issues given the tensions surrounding cybersecurity attacks, island-related territorial disputes and maritime incidents.

Since the Global Financial Crisis, Gallup polls have indicated that a majority of Americans believe China is the world's leading economic
power while a smaller share of around 30-35 percent see the U.S. as dominant—a sentiment which is also broadly shared in Europe. This was not the case in 2000 when only 10 percent named China and 65 percent of Americans saw the U.S. as on top.

With one exception, Pew surveys show that the rest of the world sees the U.S. as the leading economic power, and that exception is Europe which until last year also viewed China as the leading economic power. Is there a simple reason the U.S. and Europe are more inclined to see China as the leading economic power, when the rest of the world, including China itself, feels otherwise?

In part, this comes from the misleading impression that a country's economic might is shaped by simple financial indicators such as trade balances or a country's size. China has a huge trade surplus with the U.S. and to a lesser extent with Europe, but it runs deficits with the rest of the world, most notably with commodity exporters and its East Asian neighbors. This generates considerable insecurities in the U.S. as well as Europe about its competitiveness that for the most part are overdone.

A country's economic power comes more from the strength of its institutions, its human capital base, and technological prowess, which is more closely correlated with per capita GDP than trade balances or the size of its population. With a per capita GDP placing it between 70-80th globally, China is far from ready to assume the mantle of being the leading economic power. And given its relatively weak command of “soft power” skills and underdeveloped alliances, it fares poorly regarding the usual criteria used to define great powers in terms of their foreign policy influence.

The sense that the U.S. is no longer unchallenged economically has contributed to the increasingly negative American sentiments toward China, based in part on long-standing concerns about China’s political system and position on human rights. Some see a military threat in the making, but most realize China is decades away from seriously challenging America’s military superiority.
A decade ago, many did appreciate that the world is better off with a more prosperous China. This is evidenced in the Pew polls on whether the public has “favorable” or “unfavorable” feelings toward China. Americans had quite favorable feelings about China in the first half of the 2000s (see Figure 1). But by 2006, America’s trade deficits and increasing complaints of unfair competition drove an increase in the share that rated China unfavorably, bottoming out with the Global Financial Crisis in 2008. From 2009-11, China’s strong growth was again seen positively in propping up global demand as the West struggled with its financial problems and this led to a decline in unfavorable ratings. Sentiments turned and have remained strongly unfavorable in recent years as the U.S. reasserted itself in Asia and China became more aggressive in challenging its neighbors and the U.S. over the island disputes in Asian waters.

![Figure 1: U.S. Opinions of China (Source: Pew Surveys, author)](image)

**U.S.-China Trade Tensions**

President Trump has capitalized on the fact that sentiments toward China are quite unfavorable in raising the specter of China being an unfair competitor. Ask the average person in Detroit or even Washington DC, and he or she will likely say that China’s manipulation of its currency is one of the causes of America’s trade deficit and job losses. However, economic principles tell us that the current account balance of each country is determined within its own borders, not by...
its trading partners, and that employment gains or losses are rarely a trade issue.

The confusion comes from having China as the final assembly point for shipping to the U.S. of parts produced by other Asian countries. This makes it difficult to determine which country is really responsible for the bulk of the value of finished products that end up in America.

China’s foreign investment-led industrialization process, along with reforms, created the capacity for it to become globally competitive, while membership in the WTO provided it access to Western markets. This led to a dramatic increase in China’s account surpluses by the time of the global recession a decade ago. This has led to China being blamed for lost jobs, unfair competition, and low wage growth, although much of the surplus actually represents an “accounting” shift among countries in the Asian region.

Nonetheless, the fact that China accounts for the largest share of America’s trade deficit provides credibility for the storyline that Beijing has not played fairly. However, there is no direct link between the emergence of America’s huge trade deficits and China’s trade surpluses. Moreover, there is little evidence that an undervalued renminbi played a major role in driving China’s trade surpluses over the past two decades.

That the U.S. and China’s trade balances are not directly linked is clearly illustrated by the historical trends (see Figure 2). America’s trade problems became significant around the late 1990s when its current account deficit, as a share of global GDP, increased sharply and only began to moderate around 2007. But China’s surpluses did not become significant until around 2004-05. As China’s surpluses increased, the U.S. deficit actually started to moderate. How could China be responsible for America’s trade deficits, when America’s huge deficits emerged long before China even became a major export power?
A trade deficit is often the result of excessive government deficits and/or households consuming beyond their means—both of which have characterized the American economy for decades. In such circumstances, a large trade deficit is inevitable. The countries that show up as being the source of the offsetting trade surpluses are incidental.

America’s bilateral trade deficits were concentrated among the more developed East Asian economies in the 1990s, most notably Japan, South Korea, and Taiwan. But this shifted to the Chinese mainland after it became the center of the regional production line in the early 2000s. U.S. manufactured imports from East Asia (without China) have decreased from about 45 percent of total U.S. manufactured imports in 1990 to about 20 percent in 2014 (see Figure 3). However, this is a reflection of China gradually capturing an increasing share of the last stop in the global assembly chain. Thus, the appearance that U.S. trade deficits are linked with China’s surpluses is misleading. It is really about deficits with East Asia and notably the more advanced economies like Japan, Taiwan and South Korea where many of the higher-value components are being produced.

The recent failure of G-7 financial leaders to reaffirm their support for free trade illustrates the chasm between the views of the U.S. and other major economies. The Trump administration sees the U.S. trade deficit as impeding economic growth and prefers taking a bilateral approach to trade imbalances. This includes protectionist options.
such as renegotiating the North American Free Trade Agreement and de-emphasizing the World Trade Organization. This line of reasoning, however, is misguided.

America’s overall trade balance has little to do with the bilateral deficits of any specific country, even China. Bilateral trade balances do not matter. What matters is a country’s overall trade balance.

Consider a simple three-country world. Country A sells something to country B, country B sells something of similar value to country C and country C sells something of similar value to country A. Each country has a bilateral surplus or deficit with the other two, but overall, each country’s trade is balanced. Moreover, a country’s trade balance does not depend on whether its trade regime is relatively open or protected. Brazil and India, for example, have highly protected trade systems but incur persistent deficits. Germany and Singapore have relatively open economies yet generate large trade surpluses. The link between trade deficits and growth is also tenuous at best. Rapidly growing economies often experience trade deficits because surging consumption requires more imports, while a stagnant economy has less need for imports.

Persistent trade deficits reflect a range of structural and macroeconomic policies. For one, trade-deficit countries are not saving enough relative to investment needs, while trade-surplus countries are saving too much. America’s low savings rate is the
consequence of its large budget deficits and households spending beyond their means. But a country’s savings rate is not totally independent of the savings rates of its trading partners.

China’s high savings rate over the past decade led to huge capital flows to the United States. This helped drive down interest rates, making it easier for the U.S. government and households to borrow. The resulting decline in net savings then shows up in America’s persistent trade deficits, as net savings are equal to net exports.

This pattern is exacerbated because the U.S. is the preferred global safe-haven for capital flows. This boosts the value of the dollar, making it virtually impossible for the U.S. to avoid running a trade deficit, explaining why the U.S. has been running trade deficits for forty years. From this perspective, America’s trade deficit has little to do with alleged unfair trade practices and more with the unique role of the dollar. This gives the U.S. the “exorbitant privilege” of running deficits with impunity.

Exchange Rates Now Matter Less

A contributing factor to these misguided trade tensions is the perception that China’s export strengths are largely due to its exchange rate being deliberately undervalued, giving it an unfair production advantage. How important was a fixed exchange rate in driving China’s trade surpluses?

After joining the WTO in 2001, many analysts thought the renminbi would be under pressure to depreciate since China had to liberalize its import regime as a condition of membership and new exports would take time to develop. But the reality was far different. China gained a significant share of the global export market from productivity-enhancing infrastructure investments that led to a surge in labor productivity. This made China the center of regional assembly activities. Structural shifts and policy changes, not the exchange rate, were the major factors driving China’s export success.

But appreciating the exchange rate can help moderate trade imbalances once they emerge. When China’s trade surpluses
increased to 5 percent of GDP, it moved away from a fixed peg to the U.S. dollar and began to appreciate the renminbi in 2005. The combination of a steady appreciation of its nominal exchange rate and increasing consumer prices contributed to China’s real effective exchange rate appreciating by about 50 percent by the end of 2015 compared with a nominal increase of 35 percent since 2005. This occurred during a period when most of the other major East Asian economies were depreciating their currencies. Thus, the wide-spread view that the renminbi has not been appreciating significantly over the past decade is simply wrong.

More generally, studies have shown that adjustments in exchange rates have a much smaller impact on trade balances today than they did decades ago. Manufacturers are increasingly reliant on imported components for production rather than trying to produce all the parts themselves. As a consequence, if the exchange rate falls, the boost to exports is not that great because increases in the price of imported components will partially offset the benefits from higher export receipts. Similarly, if the exchange rate appreciates, exports do not fall that much because the cost of imported inputs will decline. This factor is especially relevant for China’s trade given the very high share of imported inputs in its exports of finished products to the West.

**Employment Concerns Drive Trade and Investment Tensions**

Even if China’s exchange rate becomes less of a concern, emotions in the U.S. and Europe are likely to remain strong as long as the public continues to believe globalization is the main reason manufacturing jobs have been lost to developing countries like China or Mexico. This view has been strongly advanced by President Trump and his advisors.

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The decline in manufacturing jobs in the U.S. is not strictly a China issue. The share of manufacturing workers in the U.S. has been declining for quite some time, with the total number of manufacturing jobs peaking in 1979. China’s trade with the U.S. did not take off until the early 2000s, well after the U.S. job decline began.

The loss of American manufacturing jobs, however, has been driven by forces largely beyond the control of any leader or country. Technological advances or productivity increases have been the major reasons for the decline, although shifting industrial expertise around the world and the availability of low-cost labor, if not in China then elsewhere in countries like India and Vietnam, have contributed to the decline in the United States. The process can be moderated, but trying to stop it with trade barriers or restrictions on migration will ultimately prove to be ineffective with the costs showing up in reduced growth and welfare for all countries. Nor would higher tariffs bring many of these jobs back.

What made the process seem like a China issue is the speed and size of the loss in jobs that began as China became the center of the East Asian production network. With the recent decline in East Asia’s trade surpluses, the pattern of job loss has changed. Contrary to today’s popular perceptions, manufacturing jobs have actually been increasing of late in the United States. America’s exports to China are also becoming a major source of U.S. job generation, with the Department of Commerce estimating that some 350,000 new jobs were created for this purpose during 2009-14. In contrast, the manufacturing labor force in China has been declining, as workers’ salaries a decade ago were comparable to Vietnam’s and Bangladesh’s but are now multiples higher.

Yet, the reality is that the “hollowing” out of the middle class in the U.S. and Europe has given rise to frustrations that can no longer be placated by simply appealing to the supposed virtues of globalization. There are uncompensated losers in the process. Political systems need to find ways to address local interests without giving up the benefits globalization can bring rather than blaming China as many of the White House advisors are in the habit of doing. But China also needs to play a role in the process by being more sensitive to the external
Investment Relations Between China and the United States

Employment concerns also underpin the prevailing perception that U.S. firms invest a lot overseas in China and that this has led to a loss in jobs at home. The logic is reinforced by the fact that the U.S. and China are the two largest economies and trading nations. The reality, however, is the opposite, since over the past decade UNCTAD data indicates that only about 1-2 percent of America’s investment has been going to China and only about 2-3 percent of China’s outward investment has been going to the United States. These estimates understate the actual amounts given that considerable investment is channeled through tax havens. In contrast, countries like South Korea and Japan have historically invested around 20 percent of their FDI in China.

For comparison, consider the EU, which in its economic size ($18 trillion) and trade with China ($500+ billion) is comparable to the United States. Over the past decade, annual flows of EU’s FDI to China have been roughly double that of the U.S., although they began at around the same levels a decade ago (see Figure 4). Similarly, until last year, much more of China’s outward flow of FDI has been going to the EU compared to the United States. So why have the U.S. and China not been investing as much in each other?

The EU is known globally for its manufacturing prowess and a comparison done by Rhodium using transactions data covering 2008-2011 shows that it has almost double the investment of the U.S. in both manufacturing and services in China. Though China presents a large and potentially attractive market, its relative lack of natural resources compared to its population, its significant investment restrictions (particularly in areas of U.S. strengths) and its weak property rights enforcement are seen as reasons for the low flow of

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5 Considerable foreign investment goes to tax havens and thus the actual country specific amounts are higher but there is no way to tell how much higher. However, the tax haven issue affects all countries, thus relatively speaking less is coming and going to the U.S. relative to Europe or the other East Asian major economies.

FDI from the United States. However, the question remains that given similar barriers to entry in China, security concerns, and weak intellectual property enforcement, why did EU investment flows with China grow more rapidly?

![FDI in China, EU vs U.S.](sources: UNCTAD, MOFCOM)

**Figure 4: EU and U.S. FDI in China**

**Trade Patterns Explain U.S. and EU FDI Differences with China**

From 2004 to 2013, U.S. exports to China nearly tripled to $120 billion, yet it still ranked behind South Korea, Japan and the EU—which is ranked number one. The EU’s exports to China totaled 164 billion Euros in 2014. This suggests that the EU’s economic strengths in manufacturing have been more complementary with China’s market needs than has been the case for the United States.

The EU’s top exports to China are dominated by machinery and transport as well as items targeted to both high-end consumers and industrial firms. These sectors logically lead to FDI flows to support market penetration and servicing as well as the establishment of localized production capacity when conditions warrant.

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In comparison, the top three categories of U.S. exports to China over the past decade and a half have been oilseeds and grains followed by aerospace products and then, surprisingly, by recycled waste (scrap metal and discarded paper) (see Figure 5). None of these categories have led to significant FDI. The reasons are obvious regarding food products and recycled waste. For aerospace products, Boeing has refrained from opening operations in China while its European competitor, Airbus, has had manufacturing centers in China since 2008 and continues to expand its production as China expands flight services to its interior.

Motor vehicle exports only became significant in recent years, and its emergence is somewhat surprising. Most of the surge in exports of cars ironically is accounted for by European luxury branded SUVs such as Audi and Mercedes. These are made in the U.S. but, given China’s tax policies, can be imported at a price that is lower than those made in China. The related FDI then turns out to be European rather than American.

EU and U.S. trade relations with China illustrate how composition matters in shaping FDI flows. Manufacturing exports and investments are largely welcomed in China’s domestic market and cater more to EU strengths, while China’s closed services sector has a
disproportionately more negative effect on the U.S., whose strengths lie in higher value services, notably in IT and finance. Of total U.S. services exports in 2014, 19 percent of exports came from the use of intellectual property compared to the EU’s 6.4 percent of total service exports from royalties and licensing fees. Financial services also made up 12 percent of U.S. services exports compared to the EU’s 8.6 percent.\(^8\)

China’s economy has one of the most restrictive FDI services sectors in the world, especially for high-value services such as communications, mobile telecoms, legal, insurance, financial, and banking services, precisely the areas of interest to American and European firms. China’s leadership seems to have finally recognized the importance of this issue. Last January, a directive was issued liberalizing investment in several sectors including financial services, telecommunications and education and the 100 day plan includes actions to allow more U.S. financial companies to operate in China, including credit card companies. But how rapidly these intentions will be implemented is unclear as indicated in the July CED discussions.

Another reason for lower U.S. investment in China compared to the EU is because EU trade provides about twice as much value added in the manufacturing process within China than does the United States. American firms like Apple also operate in a way that tends to involve little direct FDI coming from the United States. Although Apple products are manufactured in China, the company actually responsible for production is a Taiwanese firm Foxconn, which accounts for the bulk of the FDI required. Thus, while most Americans think Apple must be heavily invested financially in China, the reality is that most of the investment comes from other sources.

Furthermore, major U.S. companies with a visible presence in China, such as fast food and hotel chains, operate as franchises. These U.S. companies do not own their local affiliates but license and receive franchise fees, although they may be involved in providing some of the products needed by their franchisees. Thus the presence of these U.S. multinational icons in China does not necessary show up as a larger

\(^8\) Eurostat and Bureau of Economic Analysis data, various years.
share of FDI in the official tallies, although one can argue the impact of these U.S. companies is much greater than the dollar value of their FDI would suggest.

Overall, the structure of trade relations between the United States and China does not lend itself as naturally to foreign investment as it does with the EU. But if China liberalizes its investment regime in favor of more high-value services this could alter prospects.

**Political and Security Sensitivities Affect China’s Outward FDI Flows**

The U.S. and the EU have reacted quite differently to China’s rising outward investment. In addition to reciprocity and more complementary trade sectors, not to be overlooked is the basic fact that despite some recent setbacks the EU is more willing to let the Chinese come in. China’s outward FDI stock in the EU is about double that of the United States. The divergence is largely due to the post-Global Financial Crisis years when annual flows were typically multiples higher for the EU (see Figure 6). The rise in China’s investment in the EU was significantly impacted by the opportunities for Chinese investors during the euro-zone crisis. However, no similarly large spike in investment was seen when the U.S. suffered its own financial crisis.

![China invests more in Europe than the U.S.](Source: UNCTAD, MOFCOM)

**Figure 6:** China FDI to the EU and U.S. (Source: UNCTAD, MOFCOM)
For Chinese companies, the EU also represents a much easier market to penetrate because it offers a greater choice of partners. This could be seen as a form of a “divide and conquer” strategy. If one EU member country restricted access to its market, a Chinese company could still enter through a different member country and gain access to the greater EU market in that way. Though partnerships with individual U.S. states are possible, the more agglomerated nature of U.S. companies and overarching federal policies are a greater challenge.

Security concerns are also a major concern because many Chinese investments into the U.S. are subject to review by the U.S. Committee on Foreign Investment (CFIUS), which determines whether deals with foreign corporations raise anti-trust or national security issues. Although China accounts for only a few percent of FDI into the United States, it comprises nearly a quarter of CFIUS cases and topped the list of countries whose proposed transactions were reviewed by CFIUS.9 China’s investments within the U.S. attract particular scrutiny due to wariness over China’s state-owned enterprises and security concerns.

Contrary to the high profile negative sentiments over Chinese state-owned enterprise investments in the United States, a majority of Chinese investment to the U.S. may actually be private. Nevertheless, the negative sentiments around CFIUS cases may be counterproductive to attracting smaller private Chinese investors. According to the 2015 report to Congress by CFIUS, China ranks number one in terms of CIFIUS reviews although it ranks 14th regarding the amount of foreign investment that is coming into the United States.

National security concerns are especially relevant in U.S. high-tech sectors. Huawei, a Chinese telecommunications company, is one example of how U.S. national security concerns prevented its expansion while the EU was much more open. The House Intelligence Committee recommended that CFIUS should block acquisitions involving Huawei and another Chinese telecom company, ZTE, citing

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both as a "threat to U.S. national security interests."

While being virtually shut out of the U.S., Huawei has had better luck in Europe. While Canada and Australia followed the U.S. lead in blocking Huawei over cyber espionage concerns, the United Kingdom took another approach. The U.K. set up a special center to examine Huawei’s technology that enabled U.K. experts to work with Huawei to gain the necessary assurance that the products met security standards. Huawei now comprises nearly a quarter of mobile-network infrastructure spending in Europe, the Middle East and Africa. By contrast, Huawei has less than 3 percent share of the telecom market in North America. 10

A bilateral investment treaty (BIT) has been under negotiation for many years between Beijing and the United States. But the Trump administration may be resistant to any agreement that would encourage American companies to invest more abroad. Yet, for many American businesses operating in or hoping to operate in China, liberalizing China’s FDI policies would create commercial opportunities that would generate more jobs at home. Thus, moving forward with a bilateral investment treaty should be high on President Trump’s agenda.

Without a BIT, economic tensions may become more serious in the coming years even as trade related issues become less of a concern. Surveys of American firms operating in China suggest their primary worries relate to recent actions taken by Beijing to promote “indigenous innovation” by excluding foreign companies from various sectors given national security concerns. China is seen as keen to develop its own technology as a means of offsetting rising wages and a shrinking labor force and has launched many initiatives to support this objective. Western governments and business associations have warned that any discriminatory policies will adversely impact future foreign investments in China. All this is occurring at a time when the political environments in both the U.S. and China have created the potential for relations to go astray if not carefully managed.

Conflict and Commonality Between Donald Trump and Xi Jinping

If not carefully managed, President Trump’s election and President Xi’s consolidation of authority could exacerbate tensions between the U.S. and China given similarities in their political and foreign policy aspirations.

Both seek to elevate the profile of their countries—Mr. Xi by achieving his “Chinese Dream” and Mr. Trump by fulfilling his promise to “Make America Great Again.” They are also trying to enhance their own power bases within their respective political systems: Mr. Trump by making repeated references to the strength of his electoral victory and downplaying allegations Russia was interfering in the U.S. presidential elections and Mr. Xi by being named as a “core” leader, with reports suggesting he may wish to extend his term. Both see their objectives as requiring a robust economy with foreign policy playing a supportive role. Nationalism tinged with nostalgia is part of this approach, but its manifestations differ.

For Mr. Trump, it means reaffirming the U.S.’s position as the dominant superpower. An “America First” theme is part of this blueprint, and his ban on travel from seven mainly Muslim countries is one of the consequences.

Mr. Xi’s brand of nationalism stems from the legacy of humiliation by foreign powers and the desire to reassert China globally as a great power commensurate with its economic rise. This has been supported by a series of actions aimed at curbing Western influences at home, including registration of foreign NGOs and limiting access of Western media to the Chinese market.

Both are catering to populist sentiment as income disparities widen: Mr. Trump to a largely rural and white middle class that feels neglected; Mr. Xi to restless workers and stalwart party members who see capitalism as having concentrated wealth and rendered Maoist principles less relevant.

Populism in the United States translates into the view that globalization has wiped out many industrial jobs, making
protectionism central to the solution. In this environment, multilateral approaches will give way to bilateral options that at times mix economic with political objectives. America’s strategic alliances with Japan and South Korea and dangling the “One China” policy are seen by some in the White House as bargaining chips since traditional economic measures such as WTO sanctions have proved ineffective in molding the China economic relationship.

In China, populism is fed by the sense that widespread corruption is undermining the credibility of the system. Thus, Mr. Xi’s anti-corruption campaign is motivated by urgency to preserve the dominance of the Communist party. And while his directives also contain a healthy sprinkling of economic reform sentiments, progress has been limited by the desire to protect state-owned enterprises—the fulcrum for party support.

But Beijing has moved more vigorously than the U.S. on its external agenda to capitalize on a China-centric globalization without the usual Western-focused liberal ideologies. This is reflected in trade liberalization, the establishment of the Asian Infrastructure Investment Bank to complement and compete with Western-inspired multilateral institutions and the “Belt and Road Initiative” to improve connectivity with Europe and the rest of Asia. Beijing’s leadership role, however, is limited by its restrictions on capital movements and foreign investment, and on the flow of information and ideas.

Rising nationalism is pushing China to increase its presence in Asian waters so one day it can challenge U.S. maritime superiority. It has invested in a vast network of harbors and in its coast guard and fishing fleet. Beijing’s assertiveness has pushed Mr. Trump to consider a more muscular Asian presence than his predecessor. Non-economic actions may once again come to the fore if punitive economic measures such as ad hoc tariffs and import restrictions turn out to be counterproductive in triggering retaliation, at a time when abandoning the Trans-Pacific Partnership has further reduced America’s economic leverage.

Mr. Xi cannot afford to be seen as caving in to a more determined U.S. presence in the region lest he lose popular support. Thus, aside from
strengthening his overtures to Europe, as illustrated by his speech at Davos in response to America's retrenchment and China's May 2017 Belt and Road leader's summit, he may not be as tough on North Korea as the United States has requested nor willing to moderate island-related activities in Asian waters.

Any escalating of tensions in the South China Sea would give rise the possibility that the two nations will fall into what some have depicted as the “Thucydides trap” in which a rising power's perceived threat to the established power results in a clash. Avoiding conflict means addressing the more legitimate concerns of their populist constituencies—not by blaming foreign antagonists but by putting their own houses in order. With much at stake, the world must hope the two leaders are capable of such statesmanship.

In dealing with each other, the Chinese political system has one major advantage over America's. China's leaders have the luxury of working with a much longer time framework spanning a decade or two rather than America's preoccupation with 2-4 year election cycles. The latter creates pressure for short-term political gains rather than providing the patience to work toward longer-term objectives.

**What to Expect**

Increasing tensions over the past decade have driven China's neighbors to welcome the U.S. playing a stronger role in the region, including the more visible military presence its high-profile rebalancing to Asia has come to embody. There is considerable nostalgia for a past when the U.S., as the dominant regional power, provided the security blanket and framework that allowed East Asia to prosper.

In the immediate future, the triggering point for increased tensions might be foreign policy driven. This could show up, for example, if the U.S. became disappointed in China not applying enough pressure on North Korea to curb its nuclear ambitions. Or it could arise from some maritime incident in the South China Sea.

Or the triggering incident could be the U.S. becoming more aggressive
Yukon Huang

on economic issues that are particularly sensitive for China. This might involve a ban on steel imports from China or lobbying WTO not to grant China so-called market status which has made it easier to levy punitive countervailing duties on China for dumping products. Such an intention was noted by the media last June in statements made by the U.S. Special Trade Representative.

A more sustained improvement in relations between the U.S. and China would require a shift in the economic as well as political environment. An American economy that has moved to a more robust growth path would make it less likely that its citizens and political leaders would continue to see China as the culprit for economic woes at home. Similarly, a China that has been able to stabilize its economic slowdown would be in a better position to continue liberalizing its trade and investment regime. But more harmonious relations would ultimately require China to shift to a more sensitive posture in dealing with its neighbors while promoting more accountability and transparency in governance at home. For the U.S., it might mean recognizing that the “new kind of great power relations” Beijing is seeking is necessary to build trust between these two nations. Whether such events might lead to more serious conflicts or a more conciliatory process that will allow the Asia region to remain stable and prosper remains to be seen.
The U.S.-China relationship is without a doubt one of the most important bilateral relationships in the world. As the world’s two largest economies, the United States and China have built intimate economic ties. At the same time, they have become rivals with high tensions, which are increasingly consequential for what kind of international order we may have in the world. Human nature is such that people are more curious about a combination of intense interaction and tensions, like those between the United States and China, and are not paying as much attention as they should to equally intensely interactive but peaceful relationships, such as that between the United States and Canada. The complexity of the U.S.-China relationship leads to conflicting interpretations of the dynamic, nature and impact of the relationship. No single person knows the answer. We just have to debate to get closer to the truths. To do that, we have to be explicit with our assumptions, analytical frameworks and empirical facts.

This paper examines the “political economy” of U.S.-China relations. The term political economy means different things for different academic fields. International political economy (IPE) as an interdisciplinary field emerged in the 1970s in response to the first oil crisis, the breakdown of the Bretton Woods System, and demands from developing countries for a more just international order. IPE draws mainly from economics and political science and focuses on the interaction between the state and the market or between power and wealth. IPE scholars may specialize in issue areas such as trade, money and production but they also address broad issues such as...
whether and how different national systems of political economy compete and whether and how globalization leads to convergence. Focusing on the state level rather than the international level, comparative political economy (CPE) examines the differences between how the state and the market operate in different countries and the impact of economic development on political development such as democratization.

Many political scientists, including IPE and CPE scholars, now follow a rational choice approach based on the assumption that economic tools can be applied in the political arena because voters and consumers behave similarly in seeking to maximize their gains. One reason for this embracing of the rational choice theory is growing realization of the importance of domestic politics. Rational choice adopts methodological individualism that offers a useful analytical framework to integrate domestic and international politics. However, a common criticism is that the approach has often focused on narrow topics that allow application of sophisticated modeling at the expense of understanding of broader issues. For example, income and wealth inequality has grown significantly over the past few decades, transforming politics and economy worldwide. The rational choice approach is not particularly helpful in dealing with such structural transformations.

I will combine a macro-level analysis of broad structural issues and a micro-level analysis of individual preferences for understanding the political economy of U.S.-China relations. China's rise constitutes a structural transformation in international relations and we need to analyze how individuals have behaved in a bilateral relationship.

**A Macro-level Analysis**

Among the leading international relations (IR) specialists, Kenneth Waltz asserts that IR is supposed to explain “only a small number of big and important things.”¹ By that high standard, the U.S.-China relationship qualifies as a big and important issue due to all kinds of

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geopolitical and geoeconomic implications coming from it. Waltz focused on the distribution of power among big sovereign countries in an international system without an overarching authority. A good number of other leading realist thinkers also worry about the destabilizing effect of having a rising challenger to the existing dominant power in the world system. Graham Allison has recently argued for a “more likely than not” military conflict between the United States and China based on the notion of “the Thucydides’s Trap.”

Realists in the American school of international relations trace their intellectual origin to Thucydides who famously attributed the cause of the hegemonic Peloponnesian War between Athens and Sparta over 2,400 years ago to the following: “It was the rise of Athens, and the fear that this inspired in Sparta, that made war inevitable.” I agree that people should not be overly sanguine, but do not believe the United States and China are destined for war. The two countries are nuclear states, which should have a deterrent on how far they can go. China has shown no interest in building an overseas empire, which is unrealistic for any country to attempt in the world of ours.

International relations scholars do not have a consensus on when a country becomes a challenger to the existing world leader. But having about 50 percent that of the dominant power could put a country in that position. Power comes in different forms. Some analysts just use gross domestic product (GDP) as a crude indicator based on the assumption that a country’s power depends on its economic foundation and that power and wealth reinforce each other ultimately.

Figure 1 gauges China’s power relative to that of the United States in several measures: GDP in current U.S. dollars, GDP in purchasing power parity (PPP), GDP per capita, merchandize trade, foreign direct investment outflows, military expenditure and membership in international organizations. By all these measures, China has arisen dramatically across the board and could indeed be a challenger. On every measure, China was below 20 percent of the United States in

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1990. Merely 26 years later, China has surpassed the United States in GDP PPP and merchandise trade volume in the past few years. China’s nominal GDP is now about 60 percent of America’s. That measure alone would qualify China as a challenger if it chooses to do so or if the United States views Beijing that way. The trend lines in Figure 1 confirm the observation that China has been rising by focusing on economic development and avoiding adventurism abroad. But since around 2012 when Xi Jinping took over as the country’s top leader, China has become more assertive and ambitious. That shift in grand strategy confirms that wealth generates power, eventually. China’s military expenditure has been growing rapidly relative to the United States. China is thus strong enough to be a challenger in the security arena.

China’s lowest score against the United States is GDP per capita, increasing from one percent that of the United States in 1990 to 14 percent in 2016. China is not yet a developed country, but that low percentage should be worrisome for power-oriented thinkers because China still has much room to grow. If China grew to a level at about half of America’s GDP per capita, its total nominal GDP would be more than twice that of the United States.

One should not simply project China’s performance so far into the future. China’s economic growth has already slowed down given its greater economic maturity. The Chinese population is aging rapidly. However, China does not have to have a breakneck pace to outgrow the United States in the foreseeable future. At least, one does not want to rule out that possibility.

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Sources: World Bank, World Development Indicators online; World Trade Organization, Database; UNCTAD, UNCTADSTAT; SIPRI, Military Expenditure, 1949-2016; Union of International Associations, The Yearbook of International Organizations online.

Note: The data for FDI outflows for 2005 would give China an unusually high 80 percent. I replaced that year’s data with the information from World Development Indicators online. As a check, the percentages from the previous year and the following year are similar to those from the UNCSTADSTAT.
One may immediately ask why the United States has allowed China to rise. Some thinkers in the United States have indeed raised that question and have proposed to prevent China’s further growth before it is too late. However, China’s rise is due to multiple reasons and the United States does not have the magic touch to allow or not allow a billion-person country to rise and fall. The United States has pursued its own interests in forging a relationship with China. The United States and China reached a rapprochement in the early 1970s based on shared strategic interests against the Soviet Union. Deng Xiaoping’s economic reform and opening in 1978 gave Americans the sense that the Chinese nation would join the international community led by the United States and had now started an inevitable historical process of converging with the United States economically and eventually politically as well. Many Chinese, including this author, shared and hoped for that vision.

An opportunity for political change in the late 1980s degenerated into a government crackdown on June 4, 1989, dashing the hope for quick liberalization. But most analysts still thought further economic growth would unleash social and cultural forces, which would pave the way for inevitable democratization. With the subsequent end of the Cold War and transition to democracy in Eastern Europe and elsewhere, the Americans were confident. Moreover, by now the United States could not truly isolate China anyway, particularly in the economic arena, as Japan, Europe and the developing countries continued to engage with Beijing. Once the Chinese economy took off in the early 1990s, the American business community was largely supportive of an engagement policy, which paved the way for China to join the World Trade Organization (WTO) in December 2001.

There is no question in my mind that China's access to the U.S. market and knowledge base has been tremendously beneficial to its ascendancy. But very few people anticipated China becoming a rival, for good reason. Friendship with the United States has not been a sufficient condition for economic growth. Indeed, there are plenty of cases where the countries the United States devoted resources and diplomatic attention, such as Iran, did not work out and some ended up as failed states or states hostile to the United States. On the other
hand, friendship with the United States has largely been a necessary condition for economic success, which is particularly striking in East Asia. The rivals and enemies of the United States have not done well for the simple reason that access to the United States has been crucial. The U.S. factor has interacted with other major factors at different times and places to produce different outcomes.

China’s rise seems to correlate with America’s relative decline but that correlation does not translate into causality. Debates over America’s relative decline dated before the start of China rising. The United States had to decline relatively in the 1950 and 1960s because its unique power position at the end of the Second World War was not sustainable or even desirable for an emerging world leader. Western Europe and Japan would recover and grow again, cutting into America’s relative power position. Historian Paul Kennedy published his famous book *The Rise and Fall of the Great Powers* in 1987, suggesting the United States was in decline, following the footsteps of the previous great powers that had inevitably overextended themselves. It is to be expected that late-developing countries may grow relatively faster than advanced countries if they do some of the right things required for economic growth. At the same time, not all developed countries have done poorly. Germany now has an even larger trade surplus and a larger current account surplus relative to the size of its economy than China’s.

America’s self image and world leadership role in the postwar era were also important. The United States aimed at creating an open and liberal international order. China changed its strategic orientation in the early 1970s and posed no serious security threat to the United States. The United States could not exclude China from the international system even if it could manage that unilaterally. Japan, Europe and other countries were interested in establishing political and economic relations with Beijing.

Despite earlier hopes, China has not converged with the United States politically even though there is a partial convergence in the economic, social and cultural realms. Figure 2 shows that the scores of political regimes have been sharply divergent between the two nations throughout this period. The figure is based on the widely used
database Polity IV. The database uses five categories on a scale of -10 to 10: full democracy (10), democracy (from 6 to 9), open anocracy (from 1 to 5), closed anocracy (from -5 to 0), autocracy (from -10 to -6) as well as failed/occupied or not included. Anocracy has a mixture of democratic and autocratic traits. China scored a -7 from 1975 to 2015 while the United States received the highest 10 in the same period. Figure 2 traces the political regime types back to 1800. From a longer historical lens, one should see that each individual country has followed its own political path. External factors, powerful though they may be at a particular point, are still external factors.

To understand the dynamic between the United States and China, we should put that relationship in a global context. Figure 3 shows the trend lines of rise and fall of different political regimes using the same Polity IV database. The figure shows a dramatic, continuous rise of democracy, despite periodic reversals. The end of the Cold War and Eastern Europe’s transition to democracy made many American thinkers believe liberal democracy had finally triumphed. Thus, China became the major holdout in the early 1990s and was subject to strong Western pressure for liberalization and democratic reform, without much success. China has actually backtracked in human rights and democracy in the past few years. Worldwide, authoritarianism is enjoying a mini-comeback. In fact, nationalism and populism are rising in the Western democracies as well, as highlighted in the Brexit vote in Great Britain and Donald Trump’s presidential election in the United States.

There is such a thing as the nation state, and nation states compete, with large consequences for security and prosperity. They compete not just for power and wealth but also for their political economy systems and deeply held values. The U.S. confidence in its model has been somewhat shaken. The American “establishment” remains confident and may even double down, but a large segment of the American public thinks otherwise.

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Figure 2 Political Regime of the United States and China, 1800-2015

By contrast, the Chinese government has become more confident in its own system and is beginning to promote its model overseas. China now rivals the United States in how the state and market work in the international system.\(^5\)

**A Micro-level Analysis**

My macro-level analysis above puts too much emphasis on the centrality of the state. In reality, as we all know, it is individuals who make decisions that aggregate to make the world we have. Structural factors such as power position in the system and regime differences do not fully determine what kind of strategies or policies a government adopts. While far weaker in economic power than China, Russia under Putin has been far more aggressive and adventurous, annexing Crimea, fighting in Syria and interfering in America’s electoral politics. While liberal and democratic, Germany now has far larger merchandise trade surplus compared to its economic size than China does.

One way to deal with the complexity in world affairs is to assume individuals are rational in that they seek to maximize their gains under conditions of scarcity. Individuals, however, can have different preferences. This is where combined knowledge of economics and political science helps us understand how economic policy is made and how that affects the global and bilateral political economy.

Trade disputes have become more frequent and serious in U.S.-China economic relations. Trade politics is easy to understand. Economic theories make clear one’s likely economic interests. The Heckscher-Ohlin model shows that a country exports products based on its abundant factor of production and imports products in its scarce factor. Building on the H-O model, the Stolper-Samuelson model suggests that the abundant factor supports free trade while the scarce factor prefers protection. The abundant factor would have a lower return if the domestic market is closed, consistent with the law of supply and demand. The model has been criticized by some scholars based on the observation that most trade has been conducted

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between countries similar in relative endowment. Thus, the Ricardo-Viner model instead offers that exporting industries prefer free trade while import-competing industries seek protection, assuming factor immobility. Political science offers theories of interest group, bureaucratic politics, institutions and ideas to show how distribution of interests leads to outcomes in a certain institutional setting. For example, the United States, which has abundant factors in capital and land, is predicted to have a powerful coalition for free trade while Japan, which has scarce factors in land and labor, would encounter stronger obstacles to free trade.

Trade politics boils down to the fact that economic exchange has an uneven impact on different domestic players, generating winners and losers who will want to fight it out politically. All politics is local, particularly in a democracy like the United States. We know that even if most people support the idea of free trade, they would still want exceptions for themselves, which would add up to an insurmountable block to free trade. The U.S. Congress can be unruly with special interests lobbying for advantageous policy choices for themselves. And losers tend to win politically because they have stronger incentives to fight than the rest of society. A classic example is the American import restrictions on raw sugar. The U.S. sugar industry, consisting of mainly sugarcane in Florida and sugar beets in Minnesota, has successfully lobbied Congress to restrict sugar imports despite much higher costs for consumers and food companies that use sugar. The United States struck a new deal on sugar with Mexico in early June 2017. Mexico agreed on a minimum price and quota on sugar exports to the United States. That triggered a fight between the food processing companies in the United States and the Trump administration.6 There will be a renewal of the Farm Bill in 2018. The two sides are already lobbying hard. I would not count out the sugar lobby.

China is not a democracy, but the relative endowment logic works in that country as well, although a strong state may ignore the interests of certain sectors to advance perceived national interests. China’s

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application to the GATT/WTO generated heated debates at home, with various sectors wanting exceptions. The Central Government had to make hard choices, concluding correctly that a WTO membership would further economic reform and facilitate economic growth. China has its own “electoral cycles” of the party congress every five years to reshuffle the party hierarchy, which impacts its foreign policy. The 19th Party Congress will be held in the fall of 2017. President Xi Jinping does not want to look weak before the meeting at which he is expected to place his supporters in key positions.

If trade politics is localized and losers fight hard to protect their interests, how do we explain the fact that free trade has been largely practiced so far? Put differently, how did the United States and the international community manage to overcome resistance to enjoy relatively free trade for such a long time? IPE scholars have offered two main explanations, namely hegemonic stability theory and “embedded liberalism.”

Charles Kindleberger argued that the Great Depression resulted from a leadership vacuum. Great Britain was willing but unable to provide leadership in the interwar period while the United States was able but unwilling. Having learned a hard lesson, the United States put its energy into constructing a liberal international order. The American project received bipartisan support for much of the postwar era.

One empirical prediction of the hegemonic stability theory is that if the hegemon is in decline, it may no longer be willing to shoulder the cost, thus allowing international cooperation to weaken. Liberal institutionalists pin their hope on international institutions that would give incentives to member states to continue cooperation. In retrospect, both schools belong to the “establishment” academic community, which takes as an article of faith that the United States is indispensable for international stability and cooperation.

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John G. Ruggie introduced the notion of embedded liberalism. According to this characterization, postwar liberalism incorporated international cooperation through intergovernmental organizations such as the International Monetary Fund (IMF) and domestic welfare measures to help cushion those who might lose from free trade competition, unlike *lassie faire* liberalism under British hegemony.10

As the world leader for the free world, the United States set the rules and maintained order. The United States also has some mechanisms, such as the fast track authority to allow the executive branch to strike free trade deals.

It is to be expected that other countries would adapt to U.S. hegemony and they often play different games than the United States. In some way, the U.S.-China economic frictions have followed a familiar path. The United States has adhered to a reciprocity principle and periodically criticized other countries such as Japan and Germany for free riding symbolized with their large trade surpluses against the United States. But trade tensions with China carry more weight because of its much bigger size, different political system, and growing security tensions with some of America’s close allies in the Asia Pacific region.

International institutions such as the World Trade Organization (WTO) are partly designed to prevent free riding through principles and rules applied to all. The WTO has a stronger enforcement mechanism than most other international organizations. It has been well understood that if any country feels it has not been treated fairly or has not had opportunities to address its grievances, it might withdraw from that international organization.

How did the previous U.S. administrations handle economic relations with China? They combined pro-active WTO dispute resolutions, domestic process, and a more strategic approach to bind China to the rules set by the United States and its allies such as the Trans-Pacific Partnership agreement (TPP). The Chinese government on its part

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combined adapting to the U.S.-led international order, fighting at the WTO to defend its interests and focusing on its economic growth.

Is China opposed to the international rules? It depends. As a case in point, China has rarely been sanctioned for refusing to implement WTO rulings, particularly in its disputes with the United States. By contrast, the United States has been the most sanctioned country in this regard. The WTO rulings typically do not lead to sanctions because the target countries normally implement the rulings. China has also succeeded in a few cases it has brought to the WTO against the United States.

China follows a state capitalist model and behaves differently from the United States. And it has grown rapidly, which naturally leads to frustration that the WTO process is inadequate for dealing with the China challenge. The United States has also used antidumping and countervailing measures against China more than any other country. According to Chad Brown of the Peterson Institute for International Economics, 9.2 percent of U.S. imports from China are subject to these measures while only 2.7 percent of imports from the rest of the world.\(^\text{11}\)

Thomas Piketty's widely-read book on the sharp inequality in income and wealth in developed countries reinforced already-existing research outputs on declining middle class and shrinking social mobility in the United States.\(^\text{12}\) China has also experienced increasing inequality as shown by a recent paper by Thomas Piketty, Li Yang, and Gabriel Zuckman. China is between the United States and Europe in the income equality area. The wealth gap is even bigger, which used to be much lower than that in France in 1978.\(^\text{13}\) Income and wealth inequality has caused severe social, economic and political problems in China as well. But as Branko Milanovic’s “elephant chart” shows, the middle class in developed countries has not fared as well as the


poor in some developing countries like China and the richest people in the developed world.\textsuperscript{14} Chinese workers have done relatively better than American workers.

However, is there a direct relationship between China’s rise and the American middle class’s demise? David Autor, David Dorn and Gordon Hanson have provided arguably the most widely used statistical studies in this regard. They have attributed a loss of 2.4 million jobs in the United States from 1999 to 2011 to increased imports from China. The pain has not been shared evenly. The China shock is felt hardest in the local labor markets with industries exposed to foreign competition.\textsuperscript{15} David Acemoglu et al have shown that U.S. manufacturing employment contracted between 2000 and 2007, which contributed to the slump in employment in the period, and that Chinese import competition cost the U.S. jobs in a range of 2.0-2.4 million.\textsuperscript{16} U.S.-China trade relations are reflective of a larger trend. Andrew Bernard, J. Bradford Jensen and Peter Schott have examined the role of international trade on U.S. manufacturing within and across industries from 1977 to 1997 and found that survival and growth are negatively related to industry exposure to low-wage country imports, that manufacturing activity shifts disproportionately to capital-intensive plants, and that skill intensity does not mitigate the effect of low-wage import competition.\textsuperscript{17} Michael Elsby, Bart Hobijn and Aysegul Sahin have also shown specifically that the labor-intensive components of the U.S. supply chains have been responsible for declining labor income share for the past 25 years.\textsuperscript{18} However, a greater challenge to the American manufacturing labor force is rapid


increase in productivity gains and automation rather than foreign competition. In fact, we read frequent reports that manufacturers often find a dearth of qualified workers.

The U.S. business community is also concerned about the investment environment and competition from China. The American Chamber of Commerce in China worries about different things from the U.S. manufacturing sector that competes with Chinese imports. AmCham China recently sent a delegation back to Washington DC to lobby for a tough stand on these issues. A member of the delegation urged the U.S. government “to wake up and take action” because this fight is about the “domination of the industries of the future.”\(^{19}\) From AmCham China’s perspective, even though they had lobbied hard to help China enter the World Trade Organization, China is now reversing to “reform and closing” rather than the “reform and opening” of its earlier stage. They worry China is following a “well-developed, long-term industrial strategy” to protect its domestic market, forcing foreign firms to share their advanced technology for a limited access to the Chinese market and then unleashing the Chinese firms to compete with foreign firms in the world market.

### The Trump Administration

Donald Trump won a surprising presidential victory in November 2016, largely thanks to rising populist emotions and America’s peculiar electoral college system. Trump’s “America first” slogan resonated with a large segment of the American population that resents the globalization blamed for economic dislocation and immigration. Trump’s severe criticism of China taking advantage of the United States and a promise to impose a 45 percent tariff on Chinese imports during the campaign was well known. Trump lost the popular vote but gained a small edge in Pennsylvania, Michigan and Wisconsin thanks to the U.S. electoral college system.

China has been relatively a winner in President Trump’s foreign policy so far. Trump withdrew from the TPP, which excluded China, and has not yet taken any major retaliatory trade measures against China so

far. Unlike the previous administrations, Trump has rarely uttered the word human rights, which delights Beijing. Trump and President Xi Jinping apparently hit it off at their Mar-a-Lago meeting in early April 2017. They agreed to address trade issues within 100 days. Trump made it known he would be willing to not pressure China on the trade front if Beijing could help resolve the security crisis over the North Korean nuclear and missile programs.

The United States government sent a delegation led by White House adviser Matter Pottinger to the Belt and Road Forum (BARF) in Beijing in May 2017, arguably the most important diplomatic event for the Chinese government in the year. Around the same time, the United States struck a trade deal with China. China would permit U.S. imports of beef no later than July 16 in exchange for Chinese cooked poultry exports to the United States. China would allow increased access for the China market by American financial firms. As part of the deal, the United States would recognize the importance of the Belt and Road initiative and send a delegation to the BARF conference in Beijing.

The trade-off between North Korea and the trade imbalance did not quite hold. By the time the two sides held its first Diplomatic and Security Dialogue in Washington, DC on June 21, there had already been sobering comments from the White House that China had not and probably could not deliver a solution to the North Korean crisis. Trump himself tweeted the day before the meeting that “while I greatly appreciate the efforts of President Xi & China to help with North Korea, it has not worked out. At least I know China tried.” At the same time, the United States has no good options. Even hawks do not seem to have the stomach for a war with North Korea and can only think of tightening sanctions. Since the United States has already maxed out on economic sanctions, it can only turn to China for some leverage. The Chinese government attributes the source of the tensions to those between North Korea and the United States and argues they do not have as much capacity as the United States says. But the United States argues China could still do more even if they

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recognize that might still not be enough.

After another successful ICBM test on July 29, 2017, which experts saw as capable of reaching much of the United States mainland, Trump slammed China in two tweets: “I am very disappointed in China. Our foolish past leaders have allowed them to make hundreds of billions of dollars a year in trade, yet”…”they do NOTHING for us with North Korea, just talk. We will no longer allow this to continue. China could easily solve this problem!” At the same time, it is recognized in the United States and elsewhere that China remains central in dealing with the North Korean situation because the United States does not have other good options. China supported a UN Security Council resolution for stronger sanctions against Pyongyang on August 5, 2017 although it also urged dialogues between the United States and North Korea.

Currently, the issue of steel and aluminum is on the table. The Trump administration is thinking of using Section 232 to appeal to national security reasons to restrict Chinese imports. They launched an investigation in May 2017. The United States has rarely used Section 232 because other countries can emulate and do the same. The U.S. has used it only 26 times since adoption in 1962, but ended the investigations with sanctions only twice, against oil imports from Libya and Iran in the early 1980s.

An IPE scholar or economist typically does not focus on a bilateral relationship. Trade and investment issues are global in nature. Due to existing measures against Chinese steel, China was only in tenth place in steel imports into the United States, trailing Canada, South Korea, Brazil, Mexico and four other countries. Chinese steel accounts for only one percent of American steel consumption.21 Chinese aluminum imports to the United States only accounted for 8.5 percent of foreign supplies by weight in 2016. By contrast, Canada, which does not impose a national security threat to the United States and has been tightly knitted in the U.S. National Defense Technology and Industrial Base, accounted for about half of foreign imports. Thus, a Washington

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Post editorial urged the government to better target China and avoid “catching Canada in a dragnet on aluminum.”

The challenge from China is the price. Steel and aluminum prices are set on the global market. China’s cheaper supplies have depressed the global prices, which puts pressure on the swelters. At the same time, the China price also meant higher prices of petroleum and raw materials until recently, boosting their national incomes, not only in developing countries in Africa and South America but also developed countries like Australia. Policymaking often lags behind market development. While the Trump administration is mulling over the steel tariff, steel prices have surged in recent months thanks to the Chinese government’s effort to curb some of its production capacity and because China’s demand for steel is seeing a rebound.

The Trump administration’s pending decision on steel and aluminum invited strong opposition from Germany and Canada, which export these products to the United States more than China. The Trump administration considered pressuring countries against China’s cheap steel production and exports at the G-20 summit on July 7-8, 2017 in Hamburg, Germany. But that approach apparently did not succeed. The United States was isolated when the other 19 participants affirmed support for the Paris Agreement on Climate Change and voiced opposition to trade protectionism.

Lack of support from traditional allies for its proposed pressure on China is predictable given the Trump administration’s roller-coaster performance. More importantly, Trump’s world view poses a severe challenge to the liberal international order. It would be difficult to rally allies or other countries to its cause if the Trump administration is trying to make the international order work for narrow American interests on a transaction basis.

China has taken advantage of the seeming vacuum created by the Trump administration and has championed the cause of openness and free trade, cynically as viewed by many observers. Despite much

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anticipation, the second Trump-Xi meeting on July 8 did not cause much controversy. The Chinese media portrayed the meeting as productive and reassuring to the world. The Chinese government predictably rejected U.S. demands for reduction in steel production at the trade talk at the end of the 100-day period, on July 19, 2017. The United States also asked China to reduce trade surplus and open its market for American agricultural products, financial services and data flow, to no avail. A previously scheduled news conference was cancelled.24

By the end of July, one reads media reports of a pending broad inquiry of Chinese trade practices, resorting to Section 301, which the United States used to use extensively against countries like Japan. The Trump administration reportedly decided in July not to impose tariffs on steel imports as it would impact other countries more than China.25 The Trump administration announced on August 12 that Trump would sign an executive memorandum on August 14 to start an investigation of China’s trade practices in intellectual property based on Section 301, timed after China had just agreed on a tougher UN Security Council resolution on North Korea. That decision could reinforce Beijing’s perception of Trump simply using China for short-term gains. The Chinese government’s initial reaction was mild. The Chinese Foreign Ministry spokeswoman said on August 14 that a trade war between two interdependent countries will “have no future and no winners.” She also rejected linkage between trade and the North Korean nuclear issue. The Chinese Ministry of Commerce spokesman said the next day that they urge the U.S. Trade Representative to act cautiously and that China would use all appropriate measures to defend its interests if the United States violates WTO rules. But Chinese official media commentary was stronger. A nationalist Chinese paper Global Times issued an editorial

on the same day saying China does not have to worry too much because the United States could not subdue smaller economies before the 1990s and China could retaliate in trade and other areas.26 A China Daily editorial on August 14 suggested Trump has asked too much from China on North Korea and warned that “things [regarding North Korea] will become even more difficult if Beijing and Washington are pitted against each other.”27 The U.S. 301 investigation could take a year to complete and could potentially be in violation of WTO rules, an important reason the United States has not used Section 301 since the WTO was created in the mid 1990s. If the United States adopts unilateral protectionist measures, China may well retaliate, inching the two largest economies toward a trade war. Because of a globalized production network, other countries may suffer as well.

Some analysts have predicted only symbolic measures from the Trump administration in the end. Indeed, the Commerce Department announced a preliminary ruling on Chinese aluminum foil imports on August 8, 2017, using the “routine” countervailing duties on four specific firms and the other Chinese exporting firms. A final decision will be made on October 23. The U.S. government did not use Section 232 or Section 301 that time. Trump did publicly sign an executive memorandum to launch a Section 301 investigation of China’s trade practices in intellectual property rights on August 14, but he did not dramatize the occasion and did not use strong language by his standard. On a practical level, the U.S. Trade Representative charged with the investigation will be hard pressed because some of the key positions in the agency have not been filled. To make things worse, the USTR began difficult renegotiation on the North American Free Trade Agreement two days later.

However, one cannot tell what the administration might do. President Trump, who has never stopped campaigning, is now doubling down to rally his base in the face of an all-time low sinking popularity rating and an expanding Russia investigation. He might return to his harsh

rhetoric on China and take action this time. The United States and China are entering a difficult and uncertain period, which would be unfortunate. American companies have a legitimate concern for their intellectual property rights, which are central to their competitiveness in the global market and to the future prosperity of the United States. Making the dispute more political than it normally is and tying it so tightly to security would make it much harder to achieve positive results.
Strategists in the United States approach selecting the appropriate instruments of statecraft to pursue an objective by and large using means held by the U.S. Government. The acronym DIME, for Diplomacy, Information, Military, and Economics, more often than not includes the array of tools the United States can use to influence other states and pursue its national interests. Especially since 9/11, many national security professionals expanded the DIME to include Legal and Financial instruments, creating the unwieldy term DIMEFIL.

The individual instruments under the economic basket of influence include trade or monetary policies, tariffs, embargoes, foreign assistance, sanctions or other instruments, such as access to SWIFT or U.S. dollar transactions basic to global commerce. The military tools may be operations, engagement, forward deployments, force, technology sales, or the actual size of the armed forces themselves.

Diplomacy encompasses activities conducted by Foreign Service Officers and Ambassadors overseas such as negotiations, representation at international fora, explanation of policies, and the like, to include other senior Executive or Legislative branch officials representing the country abroad. The information tool, perhaps most dramatically increasing in its use with advanced global and virtually instantaneous reach, includes a variety of communications such as public diplomacy, international fora, spokespersons, media or military statements, and communications resources. The information role in

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shaping the global environment for any country is crucial to how it views itself and others view a country. The strategist then decides a way to use any of these instruments, in concert or sequence with other tools, to meet the objectives, crafting a strategy to achieve the overall desired end states.

The overwhelming majority of national security strategy discussions in the United States or western Europe, however, focus on tools controlled by an institution or agency of the federal government. The government in a democracy does not have the legal or often moral power to deploy directly those non-governmental tools held by the public, particularly in the United States where the divide between government and the private sector historically illustrates the value of that private sector whose obligations are not to the nation but to their shareholders.

The preference of the “hidden hand of the marketplace” rejects the idea that the government should control economic assets, while other arguments warn of the danger that a government with too much power poses to citizenry. If the private sector, whether in education, health care, business, or some other sector, chooses to augment governmental policy, the limitations on government’s ability to order those parts of society is fairly stark and is well understood. The United States, in particular, does have a handful of organizations for coordination between the private and public sectors in international affairs, such as the Overseas Private Investment Corporation (OPIC) or the Export-Import Bank, but those institutions face significant public resistance for fear they distort the “hidden hand.”

**China and Instruments of Statecraft: Far More Sophistication**

China has available the same instruments to meet the goals it determines necessary for its national interests. A difference between China and most of the rest of the world is the centrality of the Communist Party over the past seventy years. The Party’s most fundamental goal is to retain power and it uses all instruments to

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1 While there is some applicability of the general tendencies to create national security strategy across democratic systems in the West, this analysis focuses primarily on the process within the United States.
advance national goals contingent upon the Party’s needs above anything else.

Mao Zedong, the “first generation” leader of the Party and the country, between declaring the People’s Republic in 1949 and his death twenty-seven years later, primarily used military tools to meet national security requirements. This China focused on eradicating a semi-colonial experience marked by foreign intervention and shaken by decades of war. For most of his leadership, Mao pressed domestic concerns as he worked to consolidate the Party’s control over all aspects of Chinese society. Foreign policy was important in the Maoist period, with the Korean War and armed conflict with the Soviet Union central examples of the use of the Chinese military instrument. There was ideological support to African and Southeast Asian states, but China was largely not focused on outside activities because of its weakness and desire to harden the Party’s centrality in the new era.

The policy shift known as the “Four Modernizations,” attributed largely to the Communist Party regime under “second generation” leader Deng Xiaoping, began in the late 1970s and appeared to represent a shift away from thirty years of central government control over all facets and instruments of Chinese society. The belief that China was abandoning its centrally-controlled economy implied that a model for security strategy would evolve with a seemingly more Western-like division between state and private sector tools of statecraft. The welcome for foreign investment and technology, whether from Taiwan, Japan, Korea, the United States, or Europe, allowed the development of large scale low-tech, labor-intensive industries, staffed by unskilled rural workers flooding to the cities for jobs to produce relatively cheap exports for foreign markets. China did engage in a number of reforms in the economy, labor migration, and other aspects of the society as the Four Modernizations suggested.² As noted by Richard McGregor, however:

[F]or all of the reforms of the past three decades, the Party has made sure it keeps a lock-hold on the state and three pillars of

² Ezra F. Vogel, *Deng Xiaoping and the Transformation of China* (Cambridge: Belknap/harvard, 2011), discusses these modernizations and provides some of the various internal discussions on this period.
its survival strategy: control of personnel, propaganda and the People’s Liberation Army.  

In the more recent era, it appears the assumptions regarding a lessening CCP control over the mechanisms of the economic were incorrect. Beijing, instead, is reconsolidating control over the instruments of statecraft to a degree which in the West would be much harder to effect. Further, China is frequently applying those means in ways that surprise Western analysts. This paper will examine this growing shift in national security strategy in China, which represents a significant departure from U.S. national security strategy.

The CCP membership remains obsessed with defending its interests, subordinating the Chinese people’s interests to the Party’s most crucial concern: retaining power. China itself has significantly broader interests than those any single Party can fulfill for the country, but the Party, Leninist–thus hierarchical–in nature, seeks to remain the deciding group in Chinese society, basking in its successes (raising four hundred million citizens from poverty to middle or upper class status) and trying to hide its many failures (the Great Leap Forward {1957-1960}, the Great Proletarian Cultural Revolution {1966-1976}, and the 1989 Tiananmen Square massacre).

China as a country, on the other hand, is arguably the most complex one in the world, with the overwhelming majority of its 1.5 billion population Han in ethnicity, yet a country with 56 minority groups over a vast area but with only 12 percent of the land arable. The transformation of China over the past forty years required tremendous natural resources, which China seeks to replace from abroad today while trying to avoid vulnerability to dependence on others in the future. Additionally, as China becomes a greater player in international trade, it seeks to protect its personnel around the world as it expands its interests. China’s foreign policy also includes taking what it deems its appropriate superpower role in the world.

That unparalleled position merits a wealthier and more respected

China able to accomplish its goals. The CCP believes it alone is best able to return and maintain China to its position as the Middle Kingdom. Its need for survival will better facilitate, it believes, national respect and China’s truest vital interest as the dominant culture on the planet.

China’s economic transformation allows for sustained increases in spending on virtually all aspects of its governmental power, viewed by many people at home and abroad as far more robust than anyone might have ever dreamed forty years ago when Mao Zedong died. The country’s economic growth gives Beijing sufficient revenue to fund a significant array of instruments and manners of deploying them to achieve its goals. China is simply more sophisticated in using what it has available than it has been over the past two hundred years, when global power shifted to the West. China is increasingly comfortable using instruments of statecraft, even non-traditional ones, to meet the ends the Party deems best for the Chinese nation.

At the same time, non-governmental sectors of China are also much stronger. Several examples come to mind for the sake of this paper. The nation’s vast population has the world’s largest fishing fleet, for example, to harvest the desired food prized for cultural reasons. That fishing fleet sails the same waters as do warships. Beijing also notes that millions of Chinese ethnic origin constitute a diaspora offering special ties to the motherland and raising the importance of that region in Chinese eyes.

The commercial ties between China and a number of other places around the globe has exploded over the past forty years. Nationalism, a somewhat squishy concept but one of the great prides of the Chinese nation, also represents a possible instrument. Private security firms, by definition non-governmental actors, play an increasing role as Beijing sees its citizens expand their participation around the world, coming up against potential threats to their safety. Trade, a fairly conventional state economic tool, actually straddles the divide between private and public instruments, illustrating the muddying of the waters Beijing creates with its willingness to use seemingly non-state, private sector companies to advance national goals with their wholehearted participation. Finally, what Evan Feigenbaum terms
“technonationalism,” to show the linkages between technological growth and a national pride, is employed by Beijing to advance national goals in the global arena to advance China. This manifests itself in advanced indigenous technology, which is not surprising but includes greater private sector investment in technology for national benefit as well as for corporate advancement.⁴

One might assume China would be more confident in its position globally, thus less prone to use as many instruments or pursue as many individual responses to foreign states’ actions. This has not been true as China increased its prowess. Instead, China’s leaders feel the need to respond to any policy, especially in Asia, threatening to undermine the Middle Kingdom’s return to greatness or to possibly allow nationalist views within China to coalesce into anti-regime positions. This response to perceived threats relates to China’s tendency to divide the world into China, its neighbors who traditionally paid homage to China, the rest of Asia such as India, and the remainder of the world. The ultimate aim for the CCP remains continuing its rule over China through any manner it can. It uses foreign policy goals as a method of advancing that cause.

One of the many goals the Party seeks to achieve, as noted, is eradicating the likelihood of anyone resurrecting the nineteenth century violations of its sovereignty characterizing the “Century of Humiliation.” The idea that foreigners could dictate China’s behavior remains anathema to Chinese officials and the population at large. The Chinese view that any possible threat to what the leadership in Zhongnanhai deems national interests requires the Party to thwart the other actor’s moves, no matter how large or small the perceived offense.

The Communist Party is hyper vigilant about its prerogatives and possible threats to its interests, pursuing virtually any avenue to remind its interlocutors of China’s national security interests. Unsurprisingly, it is proving somewhat more successful at crafting strategy because of the enhanced array of instruments available and

the ability to readily employ them with few of the domestic impediments confronting democratic societies. In particular, the CCP is comfortable wielding non-traditional instruments, which would be difficult to do in the West since these instruments are generally not state-controlled. This article will juxtapose China’s use of instruments in these instances while comparing with apparent limitations on Washington’s ability to craft a strategy, much less implement one, concluding with what these uses imply for the evolving Asia.

**China and Instruments of Statecraft**

The Communist Party has an ultimate goal of retaining power. Fears of legitimacy have increased as its policies shifted, beginning in the late 1970s, to a less ideologically pure basis. The need to find other sources of power to offer legitimacy has led to more emphasis on the Party’s foreign policy and a recognition of the role that nationalism plays in China today. This foreign policy extols China’s return to its traditional status as a great power, one to whom many other states defer, if not pay obeisance. Illustrating the role the Party plays in defending China’s territorial integrity and advancing foreign policy goals are many of the most central points that nationalists raise in China.

The People’s Liberation Army (PLA) modernization efforts began decades ago after the Vietnam debacle in 1979 but accelerated with the Taiwan Strait crises of 1995-1996. The PLA in the last twenty years has become more “informationalized” and leaner, reflecting its growing comfort with higher tech conditions that look increasingly like replicating the U.S. military.

The PLA much more recently has also begun a series of organizational reforms aimed at creating a more joint force that is also politically subservient to the Party. These steps do not increase the size of the PLA but aim to solidify its potency as an instrument for China’s objectives overseas. These changes result in part from a generation of China’s activities abroad, exposing the PLA and the Party leadership to

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different approaches to learning from peacekeeping operations, counter-piracy operations, and general study of how other professional forces operate. In short, China's expanded worldwide participation contributes to a revised structure and operation for the PLA to strengthen it.

Much attention goes to China’s increasing role in Africa and Latin America, two regions where China is involved in economic and resource diplomacy.⁶ Beijing’s increasing trade with both Latin America and Africa concentrates on ensuring access to natural resources and energy, but has seen substantial expansion in the past two decades, the period coinciding with greater use of non-traditional instruments to advance China’s agenda. In particular, China has become more comfortable with engaging as a determinant actor basing its strategies on using the accepted array of instruments of statecraft to meet its needs.

Two issues near the mainland illustrate how many instruments Beijing can use to achieve its aims. China’s declarations on Taiwan—a state with de facto independence from China since 1949 due to a foreign power’s intervention, and an uncomfortable reminder of an open wound from the Civil War—are important.⁷ Which instruments Beijing will use to force its demand that Taiwan reunify with the mainland remain an open question, but it has many tools available.

Similarly, China’s growing dominance in the South China Sea after creating artificial islands out of coral and sand means China’s military threats are potent. China ignores the declared interests of other neighbors by telling them they do not have legitimate claims to these same land formations, implying force will be more likely used than other means.

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⁷ “‘One China’ policy cannot be used for bargaining,” Global Times, 12 December 2016, retrieved at www.globaltimes.cn/content/1023185/shtml, is one of countless arguments Beijing utters to remind anyone that Taiwan is an internal matter closed to foreign interference.
The Party has cultivated other instruments over the past two generations, coincident with greater economic capability. Indeed, one economic tool the Party cannot use nearly as effectively as other states do is its currency, the renminbi. As a non-convertible currency, China cannot use it beyond its shores. Foreign assistance, which Beijing certainly employs, appears in the form of Chinese companies taking their own workers and technology to work in another country. This does allow China to put people to work abroad (increasingly with some risk), but this is not as liquid an asset for the PRC as it is for other countries. This is somewhat ironic since this particular means is so directly under the leadership’s control.

One of the constant uses of a tool in foreign policy is citing the visits by Japanese officials to the Yakasune Shrine in Tokyo. The historic animosity between Japan and China is firm and selective, since they hate each other for historic reasons yet have massive trade and investment ties. Even as China underwent urban rioting condemning the use of history in Japanese textbooks, trade between the states continued. At the same time, China galvanizes its population to protest Japanese decisions on school textbooks as a manner of illustrating the centrality of the historic tensions to the dynamics in East Asia. In particular, the tool appears through newspapers, such as the *Global Times*, which is associated with the Party but claims to be a non-governmental entity. *Global Times*’ views appear to many foreigners as a highly nationalist voice for the Party but one nominally more independent than the Party’s official paper, *China Daily*.

Less attention goes to those instruments China uses to achieve its foreign policy objectives. In particular, China willingly uses what appears to be unlimited means to pressure others to accept its position. While this is a completely intuitive statement, it smacks up against the realities of democratic politics, which pertain to most Western analysts where compromise is the norm. This stark difference illustrates a fascinating trend on China’s part: rather than being less likely to push its objectives harshly as China achieves greater status and power globally, it appears more willing to use all instruments at its behest to pursue its goals. China uses instruments which do not necessarily come immediately to mind for strategy-
making in the United States because they are not viewed as part of governmental activities.

Evan Feigenbaum, for example, argues that the linkages between the technological companies and their fields in China relate strongly to long-held technonationalism.\(^8\) The use of this sector to advance the nation’s interests coincides with the increase in China’s economic prowess and overall engagement globally.

As China’s new use of some instruments becomes more common, Gary Levesque points out it is an evolving form of statecraft, not a coincidental event process.\(^9\) He notes that Xi Jinping has charged China’s state owned enterprises (SOEs), ostensibly economic bodies within the Middle Kingdom, to “‘become important forces to implement’ the decisions of the Party to ‘enhance overall national power, economic and social development, and people’s wellbeing’.\(^{10}\) This may involve all sorts of Chinese corporations bleeding into disputes around the world, as well as into the United States itself.

Some of these tools become part of China’s “gray zone” activities, meaning its strategy uses non-traditional means to remain below the level of outright military conflict. The affected actions do not rise to the level of introducing state armed forces for declared war, but pose difficulties as the state employs with a variety of instruments—such as those discussed in this paper—that are more subtle and may be less directly under formal state control.

The Strategic and Economic Dialogues (SED) with the United States, for example, resulted from the need for the two biggest economies and potential threats to each other to have an on-going series of discussions about issues of mutual concern. While U.S. critics ask whether the Dialogues produce substance, the Party can point to Beijing’s participation in conversations between two uniquely powerful states to the exclusion of others, highlighting China’s return to superpower status on an equal footing with the United States.

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\(^8\) Feigenbaum, “The Deep Roots and Long Branches of Chinese Technonationalism.”


\(^{10}\) Ibid.
Without Beijing’s activities in most spheres of the world and its increasing focus as a recipient and provider of Foreign Direct Investment, justify this economic and strategic planned interaction.

China may use other, somewhat more subtle, means to get what it desires, two of which are threatening to mobilize the Chinese diaspora in various countries and possibly using the “private” security firms China now deploys with many of its businesses abroad. These two means illustrate that using some non-traditional instruments may be a tougher proposition than it originally appears.

The question of mobilizing the “overseas Chinese,” as they are known, has potential danger because it appeals to the Chinese view of itself as the Middle Kingdom, a civilization uniquely positioned between the Celestial Heavens above and the mere mortals below. As its international economic interests have grown, China has developed security companies to protect both Chinese citizens and companies venturing abroad. Beijing has long had an interesting relationship with overseas Chinese, some who left the mainland a millennium ago, but primarily emigrants who left the Chinese mainland during the declining years of the Qing Dynasty as the “Century of Humiliation” became more frustrating to many Chinese left behind.

The state is well aware than many descendents of the emigrants are now prosperous contributors to societies and economies globally, especially in Southeast Asia. The regime in recent years appeals to those voices to protect China’s interests, as true in South Korea with the THAAD decision, but it also recognizes that doing so has potential longer term dangers. It has also used the ethnic Chinese population to pressure their host nations to alter policy by economic means. Because ethnic Chinese own a significant portion of the economic wealth in a number of Southeast Asian states, for example, China pushes those people to withdraw economic support of a government opposing Beijing on policies. Similarly, the private security firms may protect Chinese nationals abroad while playing a less defined role

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when instability abroad affects Chinese businesses. Most interesting regarding these entities is the potential for their actions to conflict with local law enforcement operations abroad. Additionally, one must wonder whether the Chinese cultural self-importance will push private security firms to assume a position of being above the local law. It raises the question of whether China could adopt a view that it has extraterritorial rights overseas. That would be an irony, for China proclaims the centrality of respecting sovereignty in its foreign policy declarations. Recent indications of the Party’s desire to push influence in foreign firms also raises questions of whether the Communist leadership would similarly desire to disproportionately affect the decision-making within domestic companies.

Evan Feigenbaum argues that China’s use of these economic and associated instruments all too often appears coercive in nature, enmeshing political, economic, and other aspects of international relations to achieve the Party’s overall interests. Feigenbaum’s suggestion that China tends to coerce its relations is hard to ignore.

**THAAD and the Korean Peninsula Threat**

Over the past decade, the Democratic People’s Republic of Korea (DPRK) showed the world it had developed both indigenous nuclear weapons and intercontinental ballistic missile capabilities, threatening South Korea, Japan, and allegedly the United States. The United States has a bilateral defense treaty with South Korea, a recognition that only an armistice exists nearly sixty-five years after combat operations ceased in the Korean conflict. Washington and Seoul agreed in 2016 to deploy a Terminal High Altitude Area Defense (THAAD) system to protect South Korea from increasingly menacing DPRK threats. Beijing almost immediately objected to such a system, arguing that its deployment actually aims to stop Chinese missiles, thus undermining Beijing’s sovereignty, a concept central to the Communist Party’s views of its responsibilities, by providing

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surveillance and deterrent capabilities against China as well as North Korea. Beijing continues strongly arguing against such a deployment but Washington, Seoul, and Tokyo have cited the provocations of North Korean missiles as a more pressing danger.

Then South Korean president Park Gye-hye announced jointly with the Obama administration in 2016 and the system went operational in mid-2017. At the same time, the DPRK continued its march towards an inter-continental ballistic missile capability with tests in June and July of the same year. North Korea reacted forcefully by continuing missile tests and uttering flamboyant rhetoric about hitting the U.S. homeland as well as neighbors, even though this continued escalation only reinforced the decision to deploy THAAD in the eyes of many analysts.

China reacted with much public reaction and verbal fireworks from the Ministry of Foreign Affairs. China would not tolerate such a threat to its sovereignty. The irony of such a provocation receiving attention in China did not escape foreign attention but cuts to the heart of the Party’s persisting need to defend the integrity and sovereignty of China as a cornerstone of its rule over the country.

The nationalist newspaper, *The Global Times*, illustrated the use of instruments Beijing applies in spreading its influence. On 10 March 2017, the paper registered its distinct disappointment in South Koreans for even accepting, much less deploying, the basic technology for the THAAD system. Recognizing it was far less able to bully the United States than its Korean neighbor, the *Global Times* noted several steps China could take to affect South Korean popular opinion, hopefully forcing Seoul to reconsider the choice. These steps centered on what Beijing perceived as a South Korean dependence on China for economic prosperity. Beijing thus would take steps to undermine South Korean’s financial conditions, even if there were possibly longer term consequences for the two states’ bilateral relationship.

This attitude illustrates Beijing’s fundamental assumption about Beijing globally: it can pressure states because others will inevitably

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need China, with its vast population of potential consumers and possible investors, more than China will need them so those states will acquiesce to China’s demands. Additionally, China increasingly sees many of these states as potential buyers for its weapons and technology. This concept may appear simplistic but counters a quite different assumption in some quarters that global economic relationships, because they operate off of complementarity, will be seen as inevitably mutually beneficial to both sides.

China rejects the idea that its needs could possibly be equal or less than those of another state.

Employing economic instruments requires more than simply announcing displeasure, however. With China’s centralized state, the types of debates characterizing democratic regimes, ranging from Japan to Korea to western Europe to the United States, simply do not appear in the public sphere as the Party chooses policy objectives and the means by which to achieve them. Beijing makes a decision, then does not face virtually any public dissention or debate about either its merits or its overall goals. Democratic regimes, however, confront wide-ranging public policy discussions that often point out the opportunity costs of choosing one instrument over another, much less the overall national objectives any particular government or regime seek to achieve.

**Orchestrating Instruments**

In the THAAD case, Beijing almost immediately launched a concerted campaign to menace the South Korean regime through a range of policy instruments. The prospect of a Chinese tourist decline affected South Korean stocks in early March 2017 as the initial indications of a government-imposed tourist ban on travel groups was reported by Chinese media.¹⁵ U.S. diplomats noted in early April 2017 the use of a Chinese tourist boycott, through a group travel ban imposed by the CCP government, to intimidate Seoul. The *Japan Times* reported Korea receiving 40 percent fewer tourists from the mainland in March than

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had been true the prior month, dipping to 360,000 tourists from 600,000, within an overall drop of 11.2 percent in the tourism year over the past year.\textsuperscript{16} Korea felt effects in its airline, hotel, and shopping economies with China providing a major financial infusion into the economy under more normal circumstances.

The Lotte commercial chain, one of Korea’s most prominent, experienced a 40 percent drop in its duty free shops’ revenue as a result of this move by Beijing, affecting a duty free trade that had generated $8 billion in annual revenue.\textsuperscript{17} While the Korean owners attempted to find substitutes for Chinese patrons by encouraging customers from other regional states, the loss of Chinese tourists ripped a noticeable hole in the Korean economy. Not only were the Chinese important as visitors with renminbi to spend, but South Korea’s dangerous location during a period of higher tensions with its neighbor to the north further discouraged many visitors.

Additionally, the Lotte decision to offer one of its golf courses as the location for the THAAD deployment fueled fury within China, resulting in boycotts and the closure of 85 percent of the company’s stores in the PRC.\textsuperscript{18} This further encouraged other Chinese analysts and media to continue lambasting Seoul’s decision on the THAAD system, while convincing the government to employ additional instruments to leverage against Seoul’s sovereign decision to protect itself with the THAAD system. China saw no irony in this exercise against Korean sovereignty nor did it appear concerned when it cited “fire code violations” to coerce Korean enterprises in China to pressure Seoul on the THAAD deployment.\textsuperscript{19}

Even these seemingly small steps illustrate Beijing’s willingness to use any and all measures to oppose foreign policies with which it disagrees. Subsequent pressures resulted in China using similar steps against Korean car manufacturers, even at a time of growing demand

\textsuperscript{17} “South Korean Stocks Stumble on Reports of Chinese Tourism Ban.”
\textsuperscript{18} Ibid.
for automobiles in China, thus a government policy undermining the consumer desires that China so often seeks to satisfy as evidence of its competence.

It is not absolutely clear why new President Moon Jae-in initially softened Korea’s embrace of THAAD, although Beijing will believe its coercion proved an important element. The new South Korean president proclaimed strongly in August 2017, however, his determination to prevent war on the peninsula, reversing his initial skepticism by announcing he would add additional launchers in response to further menacing signs from Pyongyang as the summer progressed. China’s massive pressure, orchestrated and multi-faceted, clearly aimed to undermine Seoul’s decision to welcome the defense system at this juncture. Beijing vituperated his August reversal, ignoring the threats to the South Korean nation resulting from Beijing’s ally North Korea.

Other Uses of Non-Traditional Aspects in China’s Security Policy

The orchestration in the THAAD case is just one example of increasing Chinese international security activism. The government’s opposition to South Korea’s actions is reminiscent of the 2005 anti-Japanese activities in major Chinese cities to protest both the potential for Japan achieving a permanent Security Council seat and Tokyo’s seeming continuing resistance to fully acknowledge its wartime atrocities. China’s tools against Japan are far wider than protests on the Chinese mainland alone.

In the spring of 2005, the government in the leadership compound at Zhongnanhai appeared to stir anti-Japanese protests among various citizen groups but then withdrew its support when there was any possibility the protesters could redirect their ire against the regime in

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20 Chong Dong-woo, “South Korean President Moon: ‘We will prevent war at all cost’,” UPINews, 15 August 2017, retrieved at https://www.upi.com/Top_News/World-News/2017/08/15/South-Korean-President-Moon-We-will-prevent-war-at-all-cost/9841502819816/

Beijing.\textsuperscript{22}

China’s tools in trying to implement a strategy against Japan are varied and often coercive, as is true with many of Beijing’s strategies around the world. Beijing’s objective a decade ago was to force Japan to acknowledge its World War II atrocities, keeping it somewhat isolated from other states in the region except in economic terms.

At the same time, the CCP is reluctant to allow anti-Japanese protests to continue for too long. The line between anti-Japanese protests might blur to allow those to become anti-CCP protests, illustrating the vulnerability of the regime itself. Even with that danger to the CCP, citing the past Japanese atrocities continues, as a 2017 \textit{Xinhua} note in a YouTube documentary indicates.\textsuperscript{23}

The Party’s moves to encourage protests by raising issues to the public is a double-edged sword for China, offering a method for marshalling support through nationalism, but also posing the potential danger of turning on the regime if it proves unable to provide a suitable resolution to whatever issue is involved.

Galvanizing public opinion to raise the voices of aggrieved citizens is a far more subtle instrument of power than any democracy can employ, since the government in China (particularly in view of Xi Jinping’s efforts since 2012 to curb virtually any voices offering independent criticism or even evaluation of the Party’s rule) has shut down much of the even semi-independent press, foreign non-governmental institutions, and indigenous critics of China’s policies. The Party’s ability to lead public discussion, because of few challenges to its voice in the domestic context, mirrors the efforts to use nationalism as an instrument of statecraft when addressing its domestic audience. This use of nationalism characterizes the behavior of other authoritarian governments worldwide such as those in Russia, Africa, or Central Asian republics.

The regime also highlights Chinese nationalism, as the 2008 Olympics


\textsuperscript{23} Ibid.
so readily exemplified, as a manner of whipping up public support. Whether through stressing the sense of Han identity (as if other minorities were not part of China’s vast population), reminding citizens of why boycotts against other nationalities are important to meeting China’s needs (Japan in 2005 or Korea in 2017), or stressing the centrality of promoting China’s culture, the CCP uses these subtle moves as instruments to achieve its overall goal of presenting a China that will continue under CCP control.

Additionally, and more significantly, the role of Chinese fishermen is an effective element in China’s national security efforts. Commercial fishermen troll waters around the world, over-fishing many types of seafood prized in Asian diets. Fishermen operate as nominally private commerce, but in fact are so widely supported by provincial and national governments as to serve as an effective instrument of statecraft.\textsuperscript{24} During a 2004 visit to Qingdao, a city official told a visiting U.S. delegation, pointing at the dock area containing hundreds of fishing trawlers, that these represented a sizable instrument of power should the country need them.\textsuperscript{25}

Chinese fishermen have been an important element in the East and South China Sea struggles that have intensified over the past decade. Chinese fishermen on more than one occasion rammed Japanese and other foreign commercial and Coast Guard vessels and have made their presence a visible illustration of China’s interests.\textsuperscript{26} Chinese commercial and state vessels have enforced Beijing’s territorial claims against Korean, Japanese, Philippine, Vietnamese, Malaysian, Indonesian, Bruneian, Indian and U.S. craft.\textsuperscript{27}

\textsuperscript{24} As the \textit{Washington Post} noted in 2016, the fishermen are a highly unpredictable variable in the areas where they operate. Simon Denyer, “How China’s fishermen are fighting a covert war in the South China Sea,” \textit{Washington Post}, 12 April 2016, retrieved at https://www.washingtonpost.com/world/asia_pacific/fishing-fleet-puts-china-on-collision-course-with-neighbors-in-the-south-china-sea/2016/04/12/8a6a9e3c-ff13-11e5-8bb1-f124a43f84de_story.html?utm_term=.8005f1715438

\textsuperscript{25} Anecdote from Dr. Bernard D. Cole, Professor Emeritus, National Defense University

\textsuperscript{26} “Chinese fishing boat rams the Japanese Coast Guard ship,” 4 November 2010, retrieved at https://www.youtube.com/watch?v=Iv031K_IV4I

\textsuperscript{27} Gus Lubin, “Chinese Fishing Boat “Intentionally” rams South Korean Coast Guard, At least 1 Dead,” \textit{Business Insider}, 12 December 2010, retrieved at
Conclusions and Why It Matters

Effective strategy requires the willingness to use various instruments, while first defining precisely the ends desired. It also requires time to achieve ultimate objectives rather than necessarily short flashes that might temporarily appear as success. Additionally, however, a successful strategy requires an overall environment where an instrument can operate to satisfy domestic and international conditions.

Xi Jinping is reforming China into a modernizing nation under the hand of an increasingly centralized Party leadership. Xi’s initial term in office illustrates a willingness to exercise greater control over China’s definition of its interests, thus circumscribing them rather than overwhelming the capacities of China to address them. China today has a better grasp of its ends-ways-means equation, meaning that China is putting adequate means and effort against many, though not all, of its foreign policy ends. Whether it can continue doing so as its overseas efforts continue is a fascinating question.

China takes lessons about what we will and will not be able to do. As its military prowess grows, this takes on increased importance because both the Communist Party and the public appear to believe the United States is not able to achieve its national security objectives due to growing weakness. That weakness appears based on economic overextension and political paralysis. By many indications, too many people in China—including perhaps some in leadership positions—may assume the United States will choose not to defend its national interests through the use of all instruments of statecraft. That assumption is dangerous, but may also be correct.

Equally possibly, however, the Chinese calculation may mistake public and national government reticence to pursue peripheral national interests with an ironclad determination to protect truly vital ones. Beijing appears to believe the Obama rebalance, with its emphasis on using a range of national interests instead of primarily the military tool, is over. This would misunderstand a broader goal in the United States.

States of achieving national objectives through a wide array of steps taken in a measured, deliberate fashion to achieve strategic goals.

In short, Beijing can do more because it does not limit itself to actions taken exclusively by the elements of the Chinese government. The international community frequently criticizes China when it uses non-traditional instruments, but rarely manages to dissuade Beijing from its behavior. The recent Cambridge University Press controversy, where Beijing tried to coerce the removal of articles it deems inappropriate from the Chinese market, may indicate a crack in the wall of Chinese coercive success but likely is only a temporary pause as the CCP continues its efforts to maintain power by increasing both China's role globally and its domestic control.

Are these behaviors strictly Chinese? Do they result from the Communist Party’s authoritarian character? Do these behaviors indicate a regime unwilling to tolerate any other state defying its actions to the point that China will use absolutely every resource at its disposal? The answer to this last question appears to be yes, although Beijing seems inclined to use military action as a last resort. China does not hesitate to threaten the use of force, however, if it feels that will be a useful means at any particular moment.

Democracies, especially highly polarized ones like the United States at present, find strategy much harder to implement. It requires clear objectives upon which public opinion coalesces. For a highly divided society, even national security policy outcomes present a difficult target. If any single assumption is true for the United States, it is that Washington should assume global leadership requiring policy choices for a variety of locations and problems.

Because of domestic discord and dysfunctional government processes, however, U.S. policy has come to rely far too heavily on the military instrument around the globe, along with an almost constant threat of economic sanctions as a penalty for undesired behavior.

The body politic at home is fractured, making every policy decision—whether it affects the ends, the ways, the means, the objectives, or the consequences of strategy—confront national stalemate, a condition
virtually unknown to the newly confident Communist Party governing in China today. As Washington struggles to meet the seemingly incessant number of worldwide demands, it is prone to exercising fewer non-military resources. President Trump's decisions to withdraw from the Trans Pacific Partnership, to downplay the role of the State Department by under staffing ambassador and State positions in Asia, and to dramatically reduce the amount of foreign assistance the United States offers, are three traditional means of statecraft no longer fully used by to Washington as China expands its deployment of just those means.

China is not bound to succeed in all of its aspirations, but it is presenting more means to achieve its goals as Washington is decreasing the tools available to meet its objectives. This is a dramatically different set of circumstances than the United States has confronted over the many decades.

The central issue, however, is not the instruments but the clarity of vision China believes it has in making strategy because it can listen to so few voices of strong debate once a course has been set. China can choose its instruments because it is willing to put those into effect without much public dissent and it knows what it seeks to do. The Korean anti-missile case was clear and unequivocal: China sought to dissuade Seoul from deploying the THAAD system. China acted decisively but confronts apparent defeat of its quest to change Seoul’s policy, although providing the exact cause and effect is hard to argue convincingly.28

The question long-term is whether China will continue using these instruments as it becomes more involved and invested in the existing system of international relations. Some indications are that Beijing seeks to abandon what has been known as the Westphalian system in favor of something more China-centric. The irony is that as China is

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28 The June 2017 decision to slow down the THAAD deployment may have resulted from technical challenges the system confronted, the pressure placed on Korea by China through the ways and means cited in this article, or because the new South Korean president simply opposed the system. Beijing will decide its pressure was the primary and only important factor involved. President Moon’s subsequent choice to add four THAAD batteries ought to make Beijing reconsider its initial euphoria and reconsider its relationship with the volatile North Korean regime.
more integrated in the world that supports China’s economic growth and continued Party control, that puts China in an increasingly vulnerable position which may prevent it from behaving exclusively to China’s benefits. Time will tell whether China’s rulers prove able to reconsider their objectives or merely the means and ends to achieve those objectives.

Much discussion in the United States, on the other hand, assumes that strategies fail because a better way to use a tool must be available, while the reality may be that a series of mistaken assumptions undermine the strategy well before the ways or means ever become apparent in addressing any particular question.

The Party’s disposition to use any and all tools possible is a different approach to strategy-making. The rest of the world needs to recognize this difference in strategic analysis as well as the greater capability to execute the strategies than before.
Decoding Modern Chinese Foreign Policy through Ancient Philosophy and Applied Game Theory

Alicia Fawcett

“Is China deceiving the West, or is the West just deceiving itself?”

Who is winning in the Taiwan Strait? What is China’s strategy toward North Korea? Today, the American media space is increasingly dominated by anti-Chinese headlines, alleging either Chinese aggression or non-action. However, do these stories see the full picture? Is it truly Chinese aggression, or simply self-protection and a different diplomatic strategy?

American and Chinese military philosophies are fundamentally different, so much so that looking at Chinese decisions through a Western lens does little to reveal fundamental truths from behind the Great Wall. Since China embarked on the mission of national development in 1978, there has been a revived interest in Sun Tzu and other classical Chinese military thought in China. To see beyond the wall, we look at Sun Tzu and his famous Art of War, which has permeated Chinese military history for the last 2,500 years and continues to play a large role in strategic decision-making today.

By replacing the Western philosophies of Aristotle and Machiavelli with China’s own Confucius and Sun Tzu, we are given a new perspective on both Western and Chinese military styles. The West assumes that China measures its power strategy and model based on Western notions and concepts of war. However, while Western concepts of war are based on ideas developed during the Greek and Roman empires and echo strategies and logic from Aristotle and

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Machiavelli, Chinese concepts of war are based on philosophers such as Confucius and Sun Tzu, whose teachings hold several key differences in their approach to war. According to Sun Tzu, for example, it is in China’s best interest to avoid war altogether.

It is vital for the current U.S. administration to understand Chinese ancient philosophy when evaluating China’s diplomatic moves. For example, while the U.S. views the Taiwan Strait situation as China sparring for military power and capabilities, China, instead, views the situation in its favor when analyzing strategy, encirclement and terrain. The ancient game of weiqi can be used as a model for China’s encirclement strategy when looking at the string of pearls\(^1\) in the Indian Ocean and military action in the South China Sea.

Chinese foreign policy is directed by the concept of *shi*, present and future energies used for long-term strategic planning. Implementing ancient Chinese thought to game theory, we are able to understand that China will naturally strive to a state of perfect information, as told from Sun Tzu’s text, in understanding the opponent’s plan. Based on mutual interdependence, game theory helps isolate principles of abstract decision-making when the outcome of people’s choices depends on what others decide.

Applying Sun Tzu thought to game theory places a strong advantage on moving away from simultaneous games and shifting to sequential ones. Cyber hacking should not come as a mystery to the West, as the Chinese are striving for a state of perfect information. These key differences can be seen through Sun Tzu’s *The Art of War* and the popular Chinese strategic game similar to chess called *weiqi*. China’s objective of understanding the opponent thoroughly, otherwise known as cultural salience, is an important strategic advantage described in *The Art of War*. It is virtually impossible and extremely dangerous to play the game of weiqi with a chess mindset. Different from Western thought, Chinese thought stresses subtlety, indirection, and the patient accumulation of relative advantage.

\(^1\) The string of pearls is a theory in geopolitics used to describe and explain China’s presence and strategy in the Indian Ocean Region. This, along with the other items mentioned in the introduction, will be discussed again later in the paper.
The State of Modern Chinese Foreign Policy

The *Art of War*, written more than 2,500 years ago, is based on the process of diplomacy, where war is one method of diplomacy and also the last resort.

Sun Tzu thought is based on two concepts:

1) People’s fates are interdependent and this interdependence is characterized generally by conflicting goals.

2) As a consequence, war is not accidental but is the purposeful extension of a state’s policies and must be studied in a rational way.\(^2\)

Sun Tzu’s *Art of War* remains a pivotal text central to Chinese thought. As of now, Sun Tzu and Confucius are the only main ancient Chinese thinkers to have survived the fall of the Qing Dynasty, Cultural Revolution, and the new economic miracle to maintain their relevance. Today the Chinese Communist Party (CCP) still keeps both thinkers at the forefront of its hard and soft power efforts. Mao used Sun Tzu’s tradition of statecraft in Sino-American strategy by accomplishing long-term goals from a position of weakness. During the Cold War this weakness was The Soviet Union and today the weakness is economic dependency. Mao took Sun Tzu’s strategy of psychological elements even further: he applied ideology. This is where Lenin makes his greatest contribution. Therefore, core Chinese philosophical elements of Sun Tzu are rooted in ideology and are constantly adapting.

Ho Chi Minh and Vo Nguye’n Giap used Sun Tzu’s principles of indirect attack and psychological manipulation in combat against France and the United States during the Vietnam War.\(^3\) What distinguishes Sun Tzu’s strategy from a Western approach is the emphasis he places on psychological and environmental elements,


\(^3\) Ibid.
rather than a purely militaristic approach. In fact, Sun Tzu can be partly blamed for American's frustrations in the Asian wars of Vietnam and North Korea. Mao Zedong could also attribute more thanks to Sun Tzu thought than to Lenin.

Mao was a Sun Tzu disciple when he pursued contradictory strategies simultaneously through his foreign policy directives. Modern Chinese diplomatic strategy has been formed by 2,000 years of Sun Tzu influence, along with other military writings. Other influential ancient, cultural Chinese texts assisted in the construction of Mao's diplomatic thought: the rise and fall of China's imperial dynasties, Romance of the Three Kingdoms (Luo Guanzhong), Dream of the Red Chamber (Cao Xueqin), and other texts on warfare strategy.

In both theory and stratagem, Chinese and U.S. foreign policy are perceived in a dissimilar manner. Nixon's view of Chinese foreign policy is a great example of dissimilar perceptions. He saw China's strategy as "utilizing contradictions, dividing up enemies, and enchanting themselves." In reality, Chinese realpolitik is a strategic doctrine not found in the West and thus hard to understand from a Western point of view. Chinese realpolitik consists of an elaborate multilayered strategic process and ever changing flexibility. This contrasts to the all-or-nothing style found in American ideas of warfare. Also, Chinese realpolitik adds in pieces of celestial control. One may not upset the harmony of the universe through total mastery. Sun Tzu's war does not appeal to independent or individual heroism. Where the Western tradition prizes individual strength and courage, Chinese thought stresses subtlety, indirection, and the patient accumulation of relative advantage.

In some ways, Sun Tzu's idea of war resonates peace as opposed to the Western idea of taking out the enemy in order to achieve peace.

6 Henry Kissinger, *On China*.
8 Ibid.
Sun Tzu states, “If humane, he loves mankind, sympathizes with others, and appreciates their industry and toil.”

When viewing Chinese foreign policy in the context of Sino-American relations, one should be concerned with viewing the situational experience rather than the theoretical constructions.

Sun Tzu’s Art of Avoiding War

“Know the enemy and know yourself; a hundred battles you will never be in peril.” –Sun Tzu

Sun Tzu recognized the costs of war early on and urges the general to instead refocus on the importance of getting to know your enemy to defeat him without resorting to war. Sun Tzu proclaims, “The skillful strategist defeats the enemy without doing battle, captures the city without laying siege, overthrows the enemy state without protracted war.” Tactically, Sun Tzu advises the commander to induce his opponent into accomplishing the commander’s own aims or force him into a position so impossible he opts to surrender his army or state unharmed.

Sun Tzu makes his case that by avoiding war, you are actually obtaining a victory. War should only be viewed as a last resort and secondary choice. A winning side uses force to consolidate victory while a losing side uses force only as a gamble in a desperate attempt for survival, with neither of these strategies being the most productive. Self-knowledge is a basic, critical precondition in order to trek through the psychological complexities and desperation of war. Ultimately, to avoid a loss of life on both sides is the ultimate victory. Therefore, the commander should seek a position of such dominance that he could avoid the battle entirely. Tzu notes,

9 Nelson and Peebles, Classics of Eastern Thought.
11 Sun Tzu and Ralph D. Sawyer, The Art of War (History and Warfare), (The United States: Basic Books, 1994)
12 Kissinger, On China.
13 Ibid.
obtaining this type of victory is a lot more complicated, but possible by following his teachings.

**Diplomatic Games: Chess vs. Weiqi**

“Chess produces single-mindedness; weiqi generates strategic flexibility”
–Dr. Henry Kissinger

Cultural games are imperative in understanding how one’s cognitive reasoning and thinking are applied to the real world. Games assist a person’s intellectual development, formation and perception of the world. It is impossible to disassociate the dao of weiqi from Sun Tzu’s *Art of War* as the collective foundation for Chinese strategic thinking. Weiqi, also known as the Japanese game of go, is a perfect example of Chinese diplomatic bargaining, military strategy, culture, and philosophy. Weiqi facilitates development of interaction among politics, business and even in social relations. Sun Tzu game theory is the stratagem used when playing weiqi. One is simply able to apply Sun Tzu game theory and philosophy to a board of stones using *The Art of War’s* concepts of deception, stratagem, intelligence and deterrence.

In various ways, weiqi resembles the Chinese stratagem of war. Across history, the game has consistently been referred to in speeches, including from Mao and Deng Xiaoping, in relation to diplomacy. Historically, the game and strategy of weiqi has dominated the Asian region for centuries (over 4,000 years), originating in China and spreading over time to the educated circles of Northeast Asia. Addiction to weiqi was even noted by the ancient Chinese philosopher and Confucius disciple, Mencius (372-289 BC). Weiqi heavily dominated the intellectual circle during China’s imperial period. During this time, weiqi had moral, intellectual and educational purposes. In imperial China, a gentleman was required to master four arts: 1) playing the guqin (qin), a seven stringed zither, 2) writing calligraphy (shu), 3) demonstrating brush-painting (hua), and 4)

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15 Kissinger, *On China*.
16 Lai, “Learning From The Stones.”
18 Ibid.
playing the game of weiqi.\textsuperscript{19} The second artistic skill required the control of \textit{qi}, or dancing energy through the brush's tip. This \textit{qi} is the same \textit{qi} used in the game of weiqi.

\textit{Objective: Winning Territory}

The basic objective of the game of weiqi is to secure as much space (in this case territory) as possible. The game first begins with a blank board. The blankness of the board represents an open space for critical interaction and strategic creativity. The player who plays black begins the game. Once the stones are moved they stay in place unless captured and removed by the other player. As more stones are placed on the board, the game becomes more complicated. The competition over limited space (territory) leads to invasion, engagement, conformation, and fighting.\textsuperscript{20} In terms of international affairs, two countries compete for national interests in an area. Sun Tzu's thoughts and ideas are applied to the game in order to win territory. One must use deception, manipulation, vulnerability and patience when playing the game. As the game continues on, the board turns into a battlefield of multiple campaigns. A player's plans are now developed through the use of the \textit{shi} elements \textit{cheng} and \textit{qi} and long-term strategy takes precedence.

Strategic moves, diplomatic posturing and testing other's waters build the player's accumulation of information.\textsuperscript{21} Flexibility is essential; each move must respond according to the new situation created by the opponent player. In other words, best choice response must adjust to the game, which is being played purely in the present. Elements of deductive and inductive reasoning resonate to the initial moves from the beginning of the game. The complication of the game is that a player must use both deductive and sporadic response to an opponent player movement. An interesting factor of the game of weiqi is the relative ambiguity of offense and defense. Who is attacking who is all a matter of advantageous or disadvantageous perspective.

While players encircle each other to claim territory, they encounter a

\textsuperscript{19} Gosset, “WeiQi”.
\textsuperscript{20} Lai, “Learning From The Stones.”
\textsuperscript{21} Ibid.
unique situation that only exists in the game of weiqi. The ko is a life or death situation resulting in the equal encirclement of both players. In fighting for the ko, a player’s move elsewhere is always a threat to the opponent’s other battle group or territory.22 The opponent is then forced to respond to the threat, unwilling to let the player capture ko. The ko piece represents a bargaining gain, which is essential for survival.23 Since ko has no equivalent in Western thought, except as a bargaining chip, we need to apply ko to Sino-American relations in order to paint a clearer picture. The U.S. failure to get China to accept and apply the concept of human rights in order to have its most-favored nation status (MFN) trade status in the 1990’s is an example of ko competition.24

Weiqi is an example of how patient the Chinese are in playing long-term strategic games. Chinese long term plans consist of China reclaiming its Middle Kingdom status in 50 to 1000 years.25 Mao’s foreign policy vision for China lasts far after his death, therefore in some aspect, his strategic long-term planning of stones has been successful up until this time period. When viewing the end of a weiqi game, one notices the black and white colors as a mixture of struggles both hard and soft, normal and extraordinary. Additionally, one is able to notice that the irregular lines of color look like real nation-state borders.

*Concept of Encirclement*

The scattering of the stones reflects the conflicts around the earth. People have been fascinated by weiqi’s simplistic instruction yet complicated and infinite combination of outcomes. Since ancient times when weiqi was played, one has never seen two identical weiqi games. Skills and strategy are so vast and complex; it is virtually impossible to reproduce games. The stones’ actions are meant to flow similar to Sun Tzu’s concept of troops being like water. The stones also represent military affairs, which together create the mixed

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22 Lai, “Learning From The Stones.”
23 Ibid.
24 Ibid.
25 Ibid.
strategy elements of *shi*.\(^{26}\)

The game of *weiqi* translates to mean “the encirclement of territory.” In a *weiqi* game of diplomacy, one would refer to the player as a nation-state. The main objective of the game is to acquire the most territory and the state that accomplishes this is the one who wins the game. Deriving from the concept of *shi*, or potential energy, the game of *weiqi* requires one to mobilize troops to engage the enemy in extraordinary *qi* ways.\(^{27}\) The variable of *qi* is infinitely inexhaustible in variation. The board is constructed from the ancient belief of the world being flat and square and encompasses four corners, which represent the four seasons, indicating the cyclical change of time. The game pieces, stones, are round to represent mobility.\(^{28}\)

It is important to note that the stones have equal physical power, thus representing the relatively equal physical size of individuals. Each player (only two in the game) takes turns moving the black and white stones (yin and yang) in a tango flowing into each other’s territories like Sun Tzu’s water. The stones are not just game pieces in *weiqi*, they are tools of relativity beyond one’s imagination. Recent real world encirclement based on the game of *weiqi* include the string of pearls consisting of a network of Chinese military and commercial facilities and relationships along its sea lines of communication.\(^{29}\) The string of Chinese pearls stretches from the Chinese mainland to Port Sudan, running through the Strait of Mandeb, the Strait of Malacca, the Strait of Hormuz and the Lombok Strait. Other major maritime pearls are in the Maldives, Somalia, Pakistan, Sri Lanka and Bangladesh.\(^{30}\) Although this term has never been officially used by the Chinese government, the U.S. claims the string of pearls as a sign of untrustworthy motives.

Western chess and Chinese *weiqi* are perfect examples of ingrained cognitive construction of strategy. Chess is a power-based, all or nothing and unequal game. Each pawn is a representation of

\(^{26}\) Lai, “Learning From The Stones.”
\(^{27}\) Ibid.
\(^{28}\) Ibid.
\(^{30}\) Ibid.
hierarchal power ranking reflecting political or military personnel. The outcome of the board can be calculated by the gains in pieces and their respective strengths. In the game of weiqi, each piece has equal strength and power. The stones work collectively together in concert to fight battles.\textsuperscript{31}

The Greeks developed a Western way of war through the collision of solders on an open battlefield where one displayed heroism, courage, physical prowess, honor and fair play. This notion also rejected battlefield strategies of ambush, sneak attacks, decoys, and the involvement of noncombatants. Alexander the Great rejected deception. When he was advised to launch a surprise night attack against the Persians, he said, “The policy, which you are suggesting, is one of bandits and thieves, the only purpose of which is deception. I cannot allow my glory always to be diminished by Darius’ absence, or by narrow terrain, or by tricks of night. I am resolved to attack openly and by daylight. I choose to regret my good fortune rather than be ashamed of my victory.”\textsuperscript{32} Prominent Western war philosophers, such as European theorists Carl von Clausewitz and Antoine-Henri Jomini, treat war and politics as separate entities, with war seen as a universal concept. On the other hand, the Chinese use war strategies in order to conduct political behavior.

Former National Security advisor to President Jimmy Carter, Zbigniew Brzezninski, summed up the global power struggle using the game of chess in his infamous article “The Grand Chess Board” (1997), which states, “Eurasia is the chessboard on which the struggle for global primacy continues to be played.”\textsuperscript{33} But then we should ask, is Beijing also playing chess? Moving beyond Eurasia, China derives its own strategy from the game of weiqi played using the principles of military Sun Tzu. The Sun Tzu strategies of deception, perception, patience, spontaneity and flexibility gradually create favorable geo-political encirclement advantages. Therefore, while America views the Taiwan Strait situation in their favor based on military power and capabilities, China also views the situation in their own favor when analyzing

\textsuperscript{31} Lai, “Learning From The Stones.”
\textsuperscript{32} Ibid.
\textsuperscript{33} Anita Sengupta, Heartlands of Eurasia: The Geopolitics of Political Space (Plymouth: Lexington Books, 2009)
strategy, encirclement and terrain.

Concept of Shi

Fundamental to both military strategy and the games of war, is the underlying attitude towards nature, which is a powerful and respected element in everyday Chinese society. Nature gives people beauty but, most importantly, it sustains life. Elements of nature are seen in almost every literary poem, piece of literature and bamboo painting. In ancient Chinese thought, nature is mystical and exists as a celestial spirit that coordinates with harmony. The Sun Tzu concept of shi is one of these mystic elements used in Chinese diplomacy. The concept of shi has no Western counterpart and is only comparable to the notion of potential energy.  

34 Most popularly, the concept of shi (qi) is known in the practice of Tai Qi, a sport that specializes in defense training incorporating hard and soft martial arts techniques. The concept of energy in the West is viewed in the present tense. Shi directly means, “the power inherent in the particular arrangement of elements and its development tendency.”  

35 Shi takes the Western meaning of energy further by stating that one is able to predict future energy. By understanding future energy, one is able to manipulate the future. Beijing’s analysis of Sun Tzu’s concept of shi is through the potential energy of optimal energy and landscape (terrain, weather).  

36 Sun Tzu reveals that a general is able to harness shi in order to use it against the enemy. For example, a strategist is able to use shi if they do not think their enemy anticipates it. Another way to look at shi is by classifying it as uncommon, unusual or atypical.  

37 The opposite of shi in this case would be Sun Tzu’s cheng, meaning normal force. Sun Tzu writes, “In battle there are only the normal and extraordinary forces, but their combinations are limitless; no one can comprehend them.”  

38 In this case, by using extreme opposites, or yin and yang, and shi and

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34 Kissinger, *On China.*
35 Ibid.
36 Ibid.
38 Sun and Sawyer, *The Art of War.*

108 | Washington Journal of Modern China
chēng elements, one is able to confuse and outsmart the enemy. Sun Tzu suggests one must randomize between using shī and chēng in order to keep the enemy guessing. If successful strategy prevails it will leave your enemy guessing whether a situation is possible or feasible.

**Nature as the Beholder of Potential Energy**

This type of shī energy is also beheld through the interpretation of nature. Water is the Chinese epitome for the flowing blood of life. It is used in Chinese literature to explain most historical events as destined flexibility. Sun Tzu suggests that shī is akin to water flowing downhill, automatically finding the swiftest and easiest course. Nature holds shī and many events in nature are explained in terms of it. Militarily speaking, Sun Tzu compares the course of water to a successful and natural military stratagem:

Military tactics are like unto water; for water in its natural course runs away from high places and hastens downward. So in war, the way is to avoid what is strong and to strike at what is weak. Water shapes its course according to the nature of the ground over which it flows; the soldier works out his victory in relation to the foe whom he is facing. Therefore, just as water retains no constant shape, so in warfare there are no constant conditions...He who can modify his tactics in relation to his opponent, and thereby succeed intertwining, may be called a heaven-born captain.

Water rapidly changes, flowing each and every direction and its success, as understood by Sun Tzu, rests on adaptability in all situations. Just as water adapts itself in nature, so must one adapt when it comes to war. In Chinese, yīyǔ wéizhī is a concept of making the devious route the most direct. Therefore, one must often be flexible and adapt to his enemy’s tactics and environment.

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41. Sun and Sawyer, *The Art of War.*
42. Lai, “Learning From The Stones.”
Kissinger beautifully ties together holistic Sun Tzu thought by recapitulating:

A successful commander waits before charging headlong into battle. He shies away from an enemies’ strength; he sounds his time observing and cultivating changes in the strategic landscape. He studies the enemy’s preparations and his morale, husband’s resources and defines them carefully, and plays on his opponents psychological weakness until at least he perceives the opportune moment to strike the enemy at his weakest point. He then deploys his resources swiftly and suddenly, rushing downhill: along the path of least resistance, in an assertion of superiority that careful timing and preparation have rendered a fait accompli.43

Applying Sun Tzu to Game Theory

Sino-American relations are currently in an era of increasing distrust and imperfect information of each other's strategy.44 Amidst increasing wartime rhetoric in the American media, we must find a different diplomatic strategy that fosters diplomatic understanding rather than economic or military aggression. Sun Tzu strategy applied to game theory is, in essence, designed to minimize one’s losses, while still taking advantage of an unprepared and incapable enemy.45 Analyzing game theory with Sun Tzu characteristics as the changing independent variables stems from traditional Chinese militarily philosophy. In this perspective, game theory is evaluated with constructivist elements (philosophy, ideas and historical actions) derived from Chinese cultural salience.

Although the concept of game theory is seeded in Western roots by John von Neumann in 1944,46 Sun Tzu may have been the first to

43 Kissinger, *On China*.
understand its macro-level importance. Game theory is applicable to many fields of study, from business to political candidates and, in this case, military strategy. We are able to take Sun Tzu’s ideas of military strategy, add them to game theory and then evaluate the Chinese strategy in Sino-American relations. Sun Tzu’s advice in military strategy was adopted by Mao in his evaluation and approach to conflict management. Sun Tzu's game theory has also influenced most military strategists in the Asian region, most notably in the countries of Japan, Vietnam and North Korea. More specifically, game theory offers mathematical precision and allows us to use logical coherence of our ideas and apply them strategically.47

When analyzing Sino-American diplomatic relations, it is important to investigate China’s logical and tactical strategy through game theory. At the same time, applying principles of Sun Tzu to game theory exposes the transcendence of Chinese decision-making into logical, rational reasoning. Game theory, in a way, isolates these principles of abstract decision-making when the outcome of people’s choices depends on what others decide and when everyone is aware of their mutual interdependence.48 The Sino-American game in game theory is unique in the fact of its infinite and indefinite nature. In respect to this, the Sino-American game will never really end, as games are indefinitely repeated. Sun Tzu's characteristics of military philosophy should be considered the dependent variable when analyzing specific Sino-American games.

*Cultural Salience as Independent Variable*

Sun Tzu, in this case, is our focal point (independent variable), or cultural salience. He has been reverted back to in almost all eras of Chinese history. Sun Tzu's teachings accentuate the importance of cultural salience, or understanding the opponent thoroughly, as an important strategic advantage. Cultural salience is defined as the background knowledge that assists a person in making the best choice rationale, or best response to the opponent. In other words, past

48 Ibid.
behavior (history) can make equilibrium salient.\textsuperscript{49}

This salience is important in order to establish a focal point all other decisions can revolve around. David Lewis, a renowned economic analyst, states that almost everyone in the past has solved a problem a certain way based on some sort of cultural salience. The focal point of cultural salience should be viewed as an independent variable when analyzing how something has been solved in the past. Sun Tzu has been reverted back to in almost all eras of Chinese history, including today, for military and foreign policy analysis. Mr. Lewis expands on this idea of conventions in order to control our irrational behavior.\textsuperscript{50}

Convention is supported by the history of play and, since we are all irrational, conventions help us form beliefs about what the other players will do. Conventions help us determine our opponent’s beliefs, however, we must note that not all conventions are rational.\textsuperscript{51} Additionally, conventions are normative and are difficult to change, as we do not know that there is a better convention. When the majority of people would like to change regimes, they are unsure everyone else can. Overall, simplicity is cognitively salient.

\textit{Chinese Strategy as Inductive}

Whereas American strategy is deductive, Chinese strategy is inductive. American strategy in Sino-American relations formulates and derives the consequences of the assumed. Therefore, backwards deduction is also derived from the consequences of the assumed.\textsuperscript{52} Moreover, given the truth of the assumptions, a valid deduction guarantees the truth of the conclusion.\textsuperscript{53} Based on Western analysis and military strategy, the U.S. assumes China will act in a certain way based on a set of criteria. These criteria in the West are usually based on economic factors and military capabilities.

On the other hand, Chinese strategy is more inductive, in that it reasons backwards in time from the end of a problem or situation to

\textsuperscript{49} Dixit, Skeath, and Reiley, \textit{Games of Strategy}.
\textsuperscript{50} Ibid.
\textsuperscript{51} Ibid.
\textsuperscript{52} Ibid.
\textsuperscript{53} Ibid.
determine a sequence of optimal choices. Chinese analysts look backwards into events, from barbarian intrusion, concretely to the events of the Opium Wars, Indian border disputes and superpower meddling. Peering backwards, the Chinese realize that culture alone cannot sustain the great empire. Isolation was therefore not productive and more of a tragedy in barbarian management. The building up of Chinese military capabilities as offensive deterrence in response to the U.S. was derived from carefully constructed backwards inductive thinking. Overall, inductive thinking is a method that gives us a story of how the players will act, within a margin of flaw.\footnote{Dixit, Skeath, and Reiley, \textit{Games of Strategy}.}

We have a good reason to believe the conclusion from a premise, but the truth from conclusion is not guaranteed.\footnote{Ibid.} The story is therefore needed in order to determine the beliefs necessary to produce Nash Equilibrium, in other words, a military advantage. Sun Tzu did not quite grasp the concept of equilibrium, he was more of a yin-yang, zero-sum kind of guy.\footnote{Niou and Ordeshook, “A Game-Theoretic Interpretation of Sun Tzu’s The Art of War”: pp.161-174.} In Sun Tzu’s mind, opposites, not coordination, was the key to a successful victory.

\textit{Sun Tzu’s Two Types of Military Games}

Sun Tzu thought proposes two main types of games to be played: one of Imperfect Minimax and one of Mixed Strategies. The concept of war and diplomacy is a game of imperfect information. Although two sides vow to exchange information for cooperation and, perhaps, coordination, the games are never played without loopholes. This is especially important in the case of China and Sun Tzu’s strategy of confusing the enemy. Confusing the enemy is, in fact, a goal to provide the enemy with imperfect information so that one is able to conquer. In this case, we are able to differentiate perfect information when one person must choose first and the other person chooses second, after learning the choice of the first person.

During games of imperfect information, both people choose
simultaneously in ignorance of what the other will do. This is the case of Sino-American strategy and will be discussed further with incorporation of Sun Tzu’s concepts. In games of perfect information, the information of the decision-maker is under the notion of certainty, while in imperfect information the decision-maker is making the decision under a spell of uncertainty.\textsuperscript{57}

\textit{Imperfect Games}

Under games of imperfect information, the player must choose his or her best choice given the small amount of information available. Best choice response analysis allows the strategic player to find the best responses to each action of the other player, whether in simultaneous or sequential events.\textsuperscript{58} Each player finds his or her best response when no player has an incentive to change actions unilaterally. For, if there is Nash Equilibrium in the game, there must be a best response in the game.\textsuperscript{59}

In simultaneous games, the players have to make a decision at the right moment without knowing what the other player has done. These games heavily involve aspects of imperfect information. A profile strategy is a set of strategies, one for each player, that identifies a set of outcomes. Each action in equilibrium is the best response to the other player, assuming the other player will choose his or her best option.\textsuperscript{60} Best choice also allows the player to choose his or her dominate strategy, which is the optimal strategy.

The most rational design in games of imperfect information is for the player to free ride.\textsuperscript{61} This is parallel to Sun Tzu reasoning for the strategy of taking advantage of the enemy’s incapability or lack of information. Free riding is essentially Sun Tzu’s interpretation of perception, vulnerabilities and manipulation.

Mao used Sun Tzu game theory and evaluated each one of his options when deciding on encroachment with the United States. Mao

\textsuperscript{57} Dixit, Skeath, and Reiley, \textit{Games of Strategy}
\textsuperscript{58} Ibid.
\textsuperscript{59} Ibid.
\textsuperscript{60} Ibid.
\textsuperscript{61} Ibid.
comprehensively evaluated a way to free ride during the Cold War. Amidst an increasing military buildup on the borders with the Soviet Union, his best choice was to engage with the United States. However, like Sun Tzu’s principles of diplomacy, Mao was also never consistent. At other times, Mao can be seen using inductive irrational reasoning, for example, the decision to enter the third Vietnam War. Once again, Mao can be seen using irrational adductive behavior of randomized chance of nuclear war during the Cold War period.62

*Mixed Strategies*

By exposing choices, a general is able to develop a more favorable war strategy in perfect information. In modern Chinese strategy, one point of view would argue that the building of Chinese war capabilities is a prewar preparation with perhaps a randomized strategy of cheng and shi concepts. In this view, the Chinese would be basing their strategy on imperfect information in assuming the worst, perhaps in dealing with the Taiwan strait conflict or with the South China Sea disputes. Overall, the Chinese prepare for mixed strategies in imperfect games and naturally strive to reach perfect information by utilizing their advantages in technology.

Mixed strategies best expose Sun Tzu’s art of deception and premeditated enemy confusion, which are characterized by bouts of perfect and imperfect information. In most military games, possible equilibriums are rare and usually not obtainable, unless perhaps you are dealing with an organization such as the United Nations.63 Pure strategy is the object where players always choose one, optimal strategy by maxing the possibility of winning, mainly by making yourself unpredictable.64 However, it is not easy to be unpredictable. In a mixed strategy, a general should: 1) minimize one’s vulnerability to an equally strategic opponent and 2) take advantage of an opponent who errs.65

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63 Niou and Ordeshook, “A Game-Theoretic Interpretation of Sun Tzu’s The Art of War”: pp.161-174.  
64 Dixit, Skeath, and Reiley, *Games of Strategy*.  
65 Niou and Ordeshook, ‘A Game-Theoretic Interpretation of Sun Tzu’s The Art of War’): pp.161-174.
In mixed strategy, one must first take a finite number of pure strategies and administer one’s choices infinitely. Sun Tzu comments on the idea of being infinite, “When I have won a victory, I do not repeat my tactics but respond to circumstances in an infinite variety of ways.” Even after pure choices are revealed, an opponent cannot be certain that a choice that appears inferior in the short term is not part of a grander plan. They are, however, able to conclude the possibility that the enemy is able to infer a future choice based on previous actions.

The mixed strategy of a player is in the probability of actions. Therefore, one should avoid circular and unproductive reasoning through dominant choices. In the end the goal of a mixed strategy is to confuse the other player by employing a mixture or combination of strategies by a player. By mixing strategies, one is able to keep the enemy guessing. Time elements, or the discount factor, are important instruments to be applied in Sun Tzu game theory. When applying the discount factor, it is better not to make the first agreement. The more patient you are, the better outcomes and victories you will get.

Sun Tzu thought places a strong advantage on moving away from simultaneous games and shifting to sequential ones. Much of sequential advantage is found in the strategic analysis consisting of identifying dominate and dominated strategies. First, a general should find a strategy that should be avoided and, second, choose the strategy that is the most beneficial. This is turn helps avoid circular reasoning.

In practice, war is based on short-term sequential decisions. However, in Sun Tzu’s eyes, pure strategy sequential games are advantageous when the player reveals his strategy last. But this does not necessarily mean that the advantage belongs to the player who makes a second choice in a sequential game. Sun Tzu states:

66 Sun and Sawyer, The Art of War
68 Dixit, Skeath, and Reiley, Games of Strategy
69 Niou and Ordeshook, “A Game-Theoretic Interpretation of Sun Tzu’s The Art of War”: pp.161-174.
The ground is equally disadvantageous for both the enemy and ourselves. The nature of this ground is such that although the enemy holds out a bait, I do not go forth but entice him by marching off. When I have drawn out half his force, I can strike him advantageously.\(^{70}\)

No doubt, Sun Tzu argues that it is best to choose one’s strategy second. In the course of pre-meddling decisions of whether or not the Chinese would engage with the U.S., Mao sent off various signals and unexpected twists between Nixon and Kissinger before having the Pakistani Embassy send a signal of interest for Sino-American cooperation.\(^{71}\) One example of them being the initial signal of the opening of Sino-American relations is through ping-pong diplomacy, the invitation of American ping pong students to Beijing. Mao was using a combination of mixed strategies before making the first move.

Mixed Sun Tzu strategies rely on two combined tactical principles: the essence of *cheng* and *shi* (which were discussed earlier). By combing the use of *cheng* normal forces and *shi* extraordinary forces, one is able to confuse the enemy. These combinations allow for a general to pretend inferiority and encourage his enemy general’s ignorance.\(^{72}\) Strategies should be based on prewar preparation. Domestic power, recruiting skilled commanders, training troops and choosing whether or not to engage in war proceed sequentially.\(^{73}\) These elements are hardly visible beforehand and an enemy’s tactics eventually unfold sequentially. The success of battle techniques depends on the enemy’s preparation and tactics made with imperfect information. War is usually an element of imperfect information because choices are hidden from view.\(^{74}\)

*MiniMax*

MiniMax is the sub-strategy to mixed strategy games of minimizing

\(^{70}\) Sun and Sawyer, *The Art of War*.

\(^{71}\) Kissinger, *On China*.

\(^{72}\) Niou and Ordeshook, ‘A Game-Theoretic Interpretation of Sun Tzu’s The Art of War’: pp.161-174.

\(^{73}\) Ibid.

\(^{74}\) Ibid.
costs. The goal of minimizing costs should be one’s goal for winning a battle so as not to deplete resources in the case of future conflicts. On the max side, one should use tactics that maximize gains from victory. But overall, one should view war as a negative cost and avoid it completely: “To subdue the enemy without fighting is the acme of skill.” However, this is not always possible and therefore it is better to pick the smallest of the largest payoffs. In addition, one should use tactics that maximize the gains from victory.

The Art of War text does not gives us precise guidelines as to when a strategist should use MiniMax strategies or when one should apply a mixed strategy approach. However, we do know that as long as the game represents a zero-sum game, Sun Tzu provides us with the requisite tools for achieving victory over an opponent who fails to act accordingly. Nonetheless, looking backwards in Chinese history, mixed strategies seemingly take precedence over MiniMax games. The reason MinMax is considered a sub-strategy to the mixed strategy game is that pure MiniMax strategies cannot yield equilibrium and thus cannot terminate cyclical reasoning. It is more efficient, or pareto superior, to choose the option that minimizes the most costs.

According to Sun Tzu game theory, it is in China’s rational advantage to employ secret information agents in obtaining information in order to create an equilibrium of perfect information. The role of secret agent games allows the general to view its opponent’s choice and to go through the game as if it were sequential. China will naturally strive to get to a state of perfect information, otherwise known as understanding the opponent’s plan. Plans of action in turn lead to victory. This is made possible by use of technology through cyber hacking and cyber espionage. Vulnerability could be utilized as a MiniMax strategy according to Sun Tzu. By capitalizing on an...

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75 Dixit, Skeath, and Reiley, *Games of Strategy*.
76 Ibid.
77 Sun and Sawyer, *The Art of War*
78 Dixit, Skeath, and Reiley, *Games of Strategy*
80 Ibid.
81 Ibid.
82 Ibid.
opponent’s vulnerabilities, a general can gain a significant advantage. In a game of MiniMax, one must assume the enemy is intelligent and capable. Then, he should assume the worst from him, in that every action the enemy takes will be to take advantage of him. The Nixon Watergate Scandal, which led to the resignation of Nixon as president, was an opportune moment of U.S. weakness. Mao immediately capitalized on and used it to his advantage during the Second Vietnam War.\(^{83}\)

**Playing Weiqi With the Mindset of Chess**

The environmental design remains one of the most distinctive differences between chess and weiqi. Weiqi describes the patterns that Chinese use in measuring success. In chess, all of the pieces are lined up and exposed at the beginning of the game. These pieces represent the military resources and capabilities. Here, each player knows what the other one is up to so they can eliminate each other to death. In weiqi, the board begins blank with the other player understanding their military capabilities, which is in turn their strategy. As the game continues on, they identify when and how many fighting resources (stones) they need to place and where.\(^{84}\) In this case, weiqi exemplifies efficiently in its highest form through Sun Tzu’s economic principle of saving resources for future wars. For example, if they sense a losing battle during the game, they will stop committing resources (stones). At the same time, chess is a military strategy where everything is laid out in the beginning, while weiqi allows a player to decide if additional military resources can throw off the enemy sequentially.

Another difference between weiqi and chess is the contestation of perfect information. In weiqi, imperfect information solidifies the main advantage of the game. Chess, on the other hand, stresses perfect information as the main advantage. The focal point in chess where most of the game is played rests on a “central gravitational” point.\(^{85}\) Weiqi does not have a central point, with multiple battles being fought

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\(^{83}\) Henry Kissinger, *On China*.

\(^{84}\) Niou and Ordeshook, “A Game-Theoretic Interpretation of Sun Tzu’s The Art of War”: pp. 161-174.

\(^{85}\) Lai, “Learning From The Stones.”
in various areas around the board. The object in the game of chess is absolute, zero-sum victory and each player holds perfect information of their strategies. Absolute victory, in Sun Tzu’s terms, does not benefit the general. In weiqi, the victory happens between two mismatched players. The difference between the win and loss is usually marginal and by only a few points. Overall, the philosophy of weiqi lies in relative, not absolute, gain. Total annihilation of the enemy is not the objective. Weiqi focuses on a military strategy of creation rather than the American chess player’s goal of destruction and removal.

Western games of boxing (force on force) and American football are similar in showing the power of all-or-nothing force. The games of poker (bluffing) and soccer (strategic territorial encirclement to score) are more similar to the Chinese strategies of weiqi. Each cultural game shows examples of cognitive reasoning, which leads to one’s political and diplomatic decisions. It is virtually impossible and extremely dangerous to play the game of weiqi with a chess mindset.

The game of weiqi and applied Sun Tzu strategy are good examples of Chinese foreign policy in action. Through the games of mixed strategies and imperfect MiniMax we are able to tell the inductive strategies used in Chinese foreign policy and relate them to Sino-American relations. China’s recent military buildup is a form of a weiqi game played using Sun Tzu principles. Diplomatically, China will continue to isolate itself and work through problems using the art of weiqi. China will seek its objectives by careful study, calculation and patience. Furthermore, isolation will traditionally be upheld because of China’s ideological support from its legitimacy in economic growth and nationalism.

Weiqi teaches the art of strategic encirclement and the margin of advantage is slim and not always obvious. Since each game piece has equal weight and power on the board, by using stratagems the stones can conquer the opponent player. In this way, the Chinese could in fact be assessing a victory and America would not even know it. This

86 Lai, “Learning From The Stones.”
87 Ibid.
is why understanding each other’s perception is vital in Sino-American relations. If the U.S. were to understand this game of weiqi and the combined principles of Sun Tzu thought, peace and understanding will become the norm.

The U.S. government should take into account the Chinese foreign policy perspective and comprehension when evaluating Sino-American relations. Understanding another side breeds a degree of trust. Overall, it is only natural that the two should complement each other. Lastly, Sun Tzu suggests that if we only use material force, we miss a big part of diplomacy. Through reciprocal adaptation of Sun Tzu’s strategy in the nature of opposites, which clearly identifies the relations between China and America, there can be a mutual transformation of Sino-American relations.

Perhaps, collectively, the U.S. and China can together play an equally beneficial game of yin-yang weiqi in aspects of mutual balancing in areas of economics and military exchanges. Yin-yang power is defined by yang (upfront force) and yin (the behind-the-scenes wits). Future development of Sino-American relations could rest on a type of yin-yang coexistence of American power and Chinese strategy. Finally, at the end of a well-played game, the board will be filled with interlocking areas of strength. Sino-American co-existence could fill a board of these interlocking areas for mutual benefit.

Lai, “Learning From The Stones.”
Ibid.
Due to American uncertainty about China's trade practices, an increasingly antagonistic North Korea, and Chinese island building in the South China Sea, the relationship between the United States and China finds itself in a precarious, strained place. Though the media rarely address fears of war between the two powers directly, many who follow this relationship are apprehensive about its future and cognizant about the devastating possibilities. In *Destined for War*, Graham Allison addresses this fear and the seeming inevitability of conflict between a rising power and an established power.

Graham Allison is a well known scholar of international politics and was most recently the head of the Belfor Center for Science and International Affairs at Harvard University. Allison was heavily involved with U.S. defense policymaking during the Cold War and has advised many Secretaries of Defense, from Regan's presidency to Obama's. Allison coined the term Thucydides's Trap, a phrase that refers to a rising power causing fear in an established power which escalates towards war. Allison introduced this concept in 2015 in an article titled "Thucydides Trap: Are the U.S. and China Headed for War?" published in *The Atlantic*. In this book Allison expands his analysis of the history behind the Thucydides Trap and how we can use past examples to examine U.S.-China relations.

Allison's main argument in *Destined for War* is that war between a rising power and an established power is not inevitable, but avoidable. Allison believes the United States and China should draw wisdom from the few case studies that exemplify two such powers avoiding war. Certainly, these case studies do not have the exact circumstances in which the U.S. and China find themselves today, but there are still lessons to be learned from these histories. Allison supported this argument by finding sixteen case studies of rising
powers challenging established powers from the past five hundred years. These cases were researched extensively by the Thucydides's Trap Project, which Allison directed at Harvard. Twelve of the sixteen cases ended in war, while in four cases the competing powers avoided armed conflict. Two cases are scrutinized more than others: the devolution of relations between Great Britain and the German empire in the lead up to World War I and the strained relationship between the U.S. and the Soviet Union during the Cold War.

Part one gave a brief overview of China's development over the past century in order to explain why China is seen as the rising power. Part two reviews the original instance of the Thucydides Trap, in ancient Greece, and then the twelve case studies from recent history that ended in war. Part three analyses current trends in the U.S.-China relationship and finds similarities with the aforementioned case studies. Part four focuses on Allison's argument as to why war between the U.S. and China is not inevitable, but is something that can be avoided, with great effort. Particularly important are the "Twelve Clues for Peace" Allison finds in the four case studies that did not lead to war. The appendix contains additional analysis of the sixteen case studies and seven straw man arguments frequently levied by critics of Allison's concept of the Thucydides Trap.

There was a brief discussion on the development of nuclear weapons and how this may have ended Thucydides Trap, but I believe there could have been additional analysis. It may have been beneficial to review how India and China, two nuclear powers, have navigated their numerous border conflicts. China conducted its first nuclear test in 1964, while India completed its first test in 1974. The last time a border conflict between the two resulted in war was in 1962. While the dynamic between the two countries may not be that of a rising/established power conflict, it would have been interesting to examine how two nuclear powers avoid war despite occasional armed conflicts. Particularly as it would allow us to examine China's actions when faced with such a possibility.

One does not need to be a China scholar to understand this book and the intricacies of Allison's argument. I would recommend this book to those interested in either world history or international affairs.
case studies allowed Allison to use the historical record to analyze current events, making this book accessible, and interesting, to either scholar. With a focus on the familiar events of World War I and the Cold War, this book should be understood without difficulty, even by amateur historians.

Reviewed by Scarlette Li

The rise of China is a widespread topic of discussion not only in the media but also in academia. The question of whether China is a rising power seems to already be a closed case, with the focus no longer on if China will rise, but how. Two prominent contrasting works discussing China’s rise are Thomas J. Christensen’s The China Challenge: Shaping the Choices of a Rising Power and Graham T. Allison’s Destined for War: Can America and China Escape Thucydides’ Trap. Christensen argues that China’s rise will not undermine the United States’ status as a superpower. Allison, conversely, argues that war between the United States and China, an existing great power and a rising power, is not inevitable, but will still require great effort and cooperation to avoid.

Both Christensen and Allison’s arguments are built upon the assumption that China is a rising power and that its influence and economy will continue to grow. Michael Auslin’s argument in The End of the Asian Century, however, acknowledges the existence of the Asia Century but instead asserts that Asia’s rise is not sustainable as is if the region does not overcome five risk areas. The five risk areas are: (1) the end of the economic miracle and a failure to reform, which will threaten Asia’s growth, (2) the demographics issues of either having too many people or too few, (3) Asia’s unfinished political revolutions, (4) the lack of regional unity in Asia, and (5) the potential for armed conflict in the region.

Auslin argues that the “Asian Century” is ending because the various “risk regions” will cause conflict and instability within Asia. However, he does not spend much time explaining the assumptions his main argument seeks to invalidate. He does not define his idea of the “Asian Century” or present an interpretation of why Asia rose in the first place. Instead, Auslin starts the book by stating that many from banks and industrialists to scholars and politicians “predicted an era of
unparalleled Asian power, prosperity, and peace” (2). He follows this prediction by stating that “China’s economy has dramatically slowed, North Korea claims that it has a hydrogen bomb, and Thailand’s military has launched its second coup in a decade” (3). Auslin claims that because most of the world is focusing on Asia’s success, people often do not realize Asia is at risk of political upheaval, economic stagnation, social unrest, and even armed conflict. Within this context, he presents five “discrete yet related risk regions” that hinder Asia, especially China, from continuing the momentum of the “Asian Century.”

For the readers who are not familiar with the “Asian Century,” explaining how Asia rose in the first place would provide much clarity to Auslin’s overall argument. Auslin’s claims also would be more persuasive if he linked each of the five risk areas directly to the causes of Asia’s rise and prove that the engines fueling Asia’s rise are indeed breaking down. Moreover, Auslin could have further enhanced his analysis by clarifying which Asian countries played more prominent roles in the “Asian Century.” Surely, some countries contributed more to the rise than others.

Auslin’s book is an important read because he “offered a comprehensive view of the various major dangers Asia faces, or how they are intertwined,”(4) filling exactly what he stated was a gap in the existing literature. He addresses each country’s unique problems individually: from India and South Korea’s corruption plague to Vietnam and Indonesia’s lack of infrastructure development. Auslin states that “Asia incorporates nearly every type of government known to humanity” and that “there is no more diverse anthropological region on the globe than the Indo-Pacific” (116). Through addressing the variation of risks these Asian countries face, Auslin clearly conveys the range of diversity within the region. He also derives a unifying theme that these diverse countries share and presents it in the forms of risks threatening Asia’s continual rise.

Aside from the factual evidence that Auslin presents to support his argument, he also adds an informal personal touch to the book with certain parts of the book taking on the feel of an anecdotal travel diary. Auslin traveled to many of the historical and cultural sites
across Asia: from the tunnels of aggression between the two Koreas to the “inconspicuous” ASEAN headquarter in Indonesia. At many points of the book, Auslin also inserts words by officials or everyday people whom he chatted with during his travels: from a corporate security specialist in Shanghai to students in Jakarta and Kuala Lumpur. These travel stories provide insights into the Asian societies he presents and makes the book easier and more enjoyable to read.

This book offers a solid general overview of the economic, social, and political situations across Asian countries, including East Asia, India, Southeast Asian countries, and Australia. Auslin’s book is unlike many other books written on Asia because he examines many Asian countries that are often overlooked by other scholars. He not only researched these countries but also enriched his book with personal experience of his travels in Asia. This book is important because it presents copious insight on many understudied Asian countries and provides an interesting counterview of the common assumptions that people hold of Asia.

*Reviewed by Ariane C. Rosen*

Jimmy Carter was a peanut farmer and naval officer who became America’s 39th president (1977-1981), normalized diplomatic relations with the People’s Republic of China, and won the Nobel Peace Prize (2002) for his work promoting global human rights and finding peaceful solutions to international conflicts. His name is referenced in history books and discussions of the Cold War and U.S.-China relations, and he is thought of as a president, humanitarian, and global peace activist.

Carter is also the longest-retired president and has had an active public life post-presidency. In such a long life, with the presidency only constituting four of the years, there are countless stories to be told and lessons to share. Carter, himself, has written multiple books about his life (in addition to books on human rights, faith, and even fiction). His *An Hour Before Daylight* (2001) discusses his depression-era childhood, *The Virtues of Aging* (2011) touches on his life post-presidency, and his *Keeping the Faith* (1982) and *White House Diary* (2010) catalogue his tenure as president.

Carter’s latest book, *A Full Life: Reflections at Ninety*, looks back at his entire life. This is not a book written just after losing re-election, still smarting from the loss, or one written with future political gains in mind. Instead, this book is the culmination of a long life, with decades lived both before and after his presidency. It is a book about a president, yes, but it is, perhaps more importantly, a person’s own memories of his life and what within his ninety years holds value and is worth sharing.

The book is divided into eight chapters. “Archery and the Race Issue” looks at his childhood in rural Georgia. “Navy Years” includes his marriage to his wife and his experiences on naval battleships and submarines. “Back to Georgia” covers his time as a peanut farmer and his entry into politics. “Atlanta to Washington,” as the title suggests, follows Carter from his days as George’s governor through his presidential campaign. Carter spends three chapters on his time as president. “Life in the White House” focuses on the personal aspects of being the president and first family, while “Issues Mostly Resolved” and “Problems Still Pending” examine the key events, policies, and
issue areas Carter dealt with as president. His final chapter, “Back Home,” discusses his life after his presidency.

The anecdotes in the book are sometimes accompanied by paintings and poems done by Carter, highlighting areas of particular sentiment or importance to the author. The memoir is refreshingly candid, in a way not often found in books by former politicians. It does not shy away from self criticism or difficult topics, such as race, and provides insights into Carter’s personality, priorities, and character that goes far beyond the facts of his life one would find in a history book or biography.