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Claremont McKenna College

Disparities between American and Chinese Perceptions
on Chinese Foreign Policy

submitted to
Professor Jennifer Taw

by
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for
Senior Thesis
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Abstract

There has been a dangerous gap between American and Chinese perceptions of Chinese foreign policy, a gap contributing to acceptance of the Thucydides Trap. With the help of a theoretical framework and empirical evidence, this paper aims to summarize and understand the differences, in an effort to help overcome them and prevent a self-fulfilling prophecy. The author identifies five variables that shape perceptions and then categorizes Chinese foreign policy along several dimensions. Using the South China Sea and the Belt and Road Initiative as case studies, the author finds that US and Chinese interpretations of Chinese behavior along these dimensions are influenced by different variables. While the Chinese views are more affected by history, American perceptions are driven by considerations of power. The two countries understand both identity and norms differently, as well. By showing where the two countries' perceptions diverge, the author hopes to help reduce misunderstandings. The paper concludes with some practical recommendations along these lines.

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Chapter 1 – A Zero Sum Game?

The rise of China has been widely acknowledged after the 2008 Beijing Summer Olympics. Following the 2010 Shanghai EXPO, the major cities of China, along with the country, drew attention around the globe. The achievements are exemplified at both the state level and the individual level. At the state level, China's economy, diplomacy, and security have advanced significantly. China's overall GDP has been the second largest in the world since 2010.¹ According to some estimates, it became top foreign direct investment country in 2012 and has been the largest holder of U.S. sovereign debt for a long time.² In addition to economic progress, China has been tied to the world more closely diplomatically as well. As of August 2017, it had built different levels of partnership with 97 countries and regions.³ Its strategic relationships have covered every major region of the world. Security-wise, the People's Liberation Army's (PLA) modernization has also been expedited. Seven regional commands were evolved into five combat theaters; President Xi Jinping of China announced that the PLA would cut 300 thousand troops to condense the military apparatus in 2015; China's first aircraft carrier, *Liaoning*, became combat ready a year later.⁴ At the individual level, there are also tremendous improvements. China's GDP per capita increased from \$184 USD in 1979 to

¹ Justin McCurry and Julia Kollewe, "China Overtakes Japan as World's Second-largest Economy," The Guardian, February 14, 2011, accessed December 01, 2017, <https://www.theguardian.com/business/2011/feb/14/china-second-largest-economy>.

² There is huge disparity between different methods of calculation. According to Thomas Christensen, there are valid sources indicating that China is the largest FDI recipient in the world. Thomas J. Christensen, *The China Challenge: Shaping the Choices of a Rising Power* (New York: W.W. Norton & Company, 2016), 17.

³ "'Major-Country Diplomacy' Second Episode: *Zhong Xing Zhi Yuan*" [《大国外交》第二集：众行致远. 新华网], accessed October 30, 2017. http://www.xinhuanet.com/world/2017-08/29/c_1121565906.htm.

⁴ "Reform of China's Army Enters a New Phase," The Economist, August 03, 2017, accessed November 19, 2017, <https://www.economist.com/news/china/21725812-overhaul-says-lot-about-xi-jinpings-governing-style-reform-chinas-army-enters-new-phase>; "How Does China's First Aircraft Carrier Stack Up? | China Power Project," Center for Strategic and International Studies, August 09, 2017, accessed November 22, 2017, <https://chinapower.csis.org/aircraft-carrier/>.

\$8123.2 USD in 2016.⁵ Life expectancy of Chinese at birth prolonged for about 10 years during the same period.⁶ The number of Chinese tourists abroad reached a new high of 135 million in 2017.⁷ Having a huge population abroad, the Chinese government has been increasingly capable of protecting its citizens. In 2015, when Yemen's government fell into crisis with the Houthi rebels, the Chinese government sent its convoy to evacuate almost 600 Chinese citizens stranded there.⁸ Another 225 foreign nationals were picked up upon foreign governments' request. As Princeton University Professor Thomas Christensen contends, the rise of China in all dimensions is real.⁹

The rise of China has unsettled many scholars around the world, most notably in the U.S. As Harvard Professor Graham Allison argues, the rise of China presents the world a new challenge, that of Thucydides' Trap:

Thucydides' Trap refers to the natural, inevitable discomobulation that occurs when a rising power threatens to displace a ruling power. This can happen in any sphere. But its implications are most dangerous in international affairs... Today it has set the world's two biggest powers [the United States and China] on a path to a cataclysm nobody wants, but which they may prove unable to avoid.¹⁰

According to Allison, the Thucydides' Trap has an impressive predictive power. In the 16 cases he studied where rising powers posed strategic challenges to existing powers in the last 500

⁵ "GDP per Capita (current US\$)," The World Bank, accessed December 01, 2017, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

⁶ Although life expectancy increased significantly from 1965 to 1979, the disastrous Great Leap Forward and Cultural Revolution were the culprits for the significant loss of life during those years. That should not be compared with natural increase in life expectancy. "Life Expectancy at Birth, Total (years)," The World Bank, accessed December 01, 2017, <https://data.worldbank.org/indicator/SP.DYN.LE00.IN>.

⁷ Zigor Aldama, "How Surge in Mainland Chinese Tourists Is Changing the World," South China Morning Post, October 17, 2017, accessed April 18, 2018, <http://www.scmp.com/magazines/post-magazine/long-reads/article/2113116/how-chinese-tourists-are-changing-world>.

⁸ "Yemen Crisis: China Evacuates Citizens and Foreigners from Aden," BBC News, April 03, 2015, accessed November 23, 2017, <http://www.bbc.com/news/world-middle-east-32173811>.

⁹ Christensen, *The China Challenge: Shaping the Choices of a Rising Power*, 13.

¹⁰ Graham Allison, *Destined for War: Can America and China Escape Thucydides' Trap?* (Boston: Houghton Mifflin Harcourt, 2017), xvi.

years, 12 of them ended up with military conflicts.¹¹ This is not a comfortable ratio. Now as China becomes stronger in all dimensions, the current global hegemon, the United States, worries about China's rise—just as the U.S. worried about the rise of West Germany and Japan in the 1980s. However, China's growth has not been slowed by any serious challenges like the reunification of Germany or the crash of the Japanese yen that stalled those countries' quick approach to match the capacity of the United States. The structural conflict, with China's continuous rise, puts increasing pressure on the current global hegemon, the United States.

From Allison's perspective, the worry arises with a reason. The continuing rise of China seems to push China and the U.S. into the uncomfortable Thucydides' Trap. The "China threat" argument has permeated U.S. government and scholarly discussions, and the public imagination. Classic realism assumes that capability shapes intention.¹² As China gets stronger all around, realists assume that China will increase its influence in many spheres: maximizing territory, shaping the behaviors of foreign countries, and allocating the global division of labor.¹³ From the most imminent to the most distant, increasing Chinese capabilities will gradually dwarf the comparative advantages the U.S. has enjoyed. With the structural conflict in mind, as China's power expands in all dimensions, areas of conflicts of interests also expand. For America, the increasing feeling of threat seems legitimate under a zero-sum assumption. Nonetheless, the Thucydides' Trap cannot avoid the criticism that it is a self-fulfilling prophecy. The more the U.S. deems China's rise as an aggression, the more insecure it is. America's insecurity will naturally lead to its countermeasures to ensure its strategic advantage, which will put China in a

¹¹ *Ibid*, 42.

¹² Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America's World Role* (Princeton, NJ: Princeton University Press, 1999), 5.

¹³ Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 23-25.

position of improving its defense. This vicious spiral effect will push China and the U.S. closer and closer to war.

U.S. politicians and scholars certainly understand this danger. As Raymond Cohen argues, “Threat perception is the decisive intervening variable between action and reaction in the international crisis.”¹⁴ However, rational responses based on realistic threat assessments are more easily prescribed than achieved, not least because American perceptions of Chinese foreign policy are different from the Chinese perceptions. In most cases, the U.S. government claims that Chinese actions disrupt the global system or regional stability, whereas the Chinese government considers them benign or neutral. For instance, when Chinese officials sketch the future of the Belt and Road Initiative (BRI), they often highlight its economic benefits to “[enhance] connectivity and [unlock] Eurasia’s economic potential.”¹⁵ On the contrary, western scholars usually stress BRI’s strategic implications to create an alternative regional financial system, and counter America’s rebalance to Asia policy by changing its focus to the Eurasian landmass.¹⁶

At face value, it seems that the divergent interpretations of BRI are grounded in different assumptions. The American perception stems from realist assumptions; the Chinese perception comes from a liberal perspective. Nonetheless, the differences in the two perceptions may be due to either intentional or unintentional misrepresentation. Failing to identify the root of the competing representations of China’s intentions could result in even more deterioration in U.S.-China relations. Misperception could be wholly unintentional, as American experts who believe in the structural threat would feel increasingly threatened because of an increasing Chinese naval

¹⁴ Raymond Cohen, "Threat Perception in International Crisis," *Political Science Quarterly* 93, no. 1 (1978): 93, doi:10.2307/2149052.

¹⁵ Nadège Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative* (Seattle, WA: National Bureau of Asian Research, 2017), 109.

¹⁶ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 116

presence to safeguard Chinese investment abroad. Yet, it is also possible that the misrepresentation is intentional, as the American government tries to earn strategic advantages by manipulating the rhetoric of threat perception to influence Chinese policy.

Different perceptions or misperceptions have always existed, but the serious implications of such differences between two world powers make it incumbent upon us that we do what we can do to avoid the Thucydides' Trap. Otherwise, misperceptions, plus assumptions of a zero-sum structural challenge, could significantly degenerate the stability of the U.S.-China relations, and regional or even global peace. In the case of BRI, for example, America would question whether the Chinese state-owned enterprises (SOEs) are prioritized in BRI projects, and thus displacing American firms in the region.¹⁷ Consequently, the American government might seek to minimize the China challenge to itself by delaying or disrupting the full implementation of China's objectives. From the Chinese perspective, such actions would be extremely dangerous for China's objectives and the success of BRI. The Chinese government would likely implement countermeasures. This vicious cycle would make the Thucydides' Trap unavoidable.

BRI is only one of many examples where America and China appear to interpret China's actions differently. Its financing engine, the recently-established Asian Infrastructure Investment Bank (AIIB), is open to similar discrepancies in interpretation. And conflictual perceptions go well beyond the economic and financial sector. Security-wise, China's recent moves in the South China Sea, its military modernization, and the construction of its first military supply base in Djibouti all contribute to the same tensions. And, in the diplomatic field, as China assumes a larger role in global governance and participates more actively in multilateral institutions, the

¹⁷ Joshua P. Meltzer, "China's One Belt One Road Initiative: A View from the United States," Brookings, June 28, 2017, accessed November 30, 2017, <https://www.brookings.edu/research/chinas-one-belt-one-road-initiative-a-view-from-the-united-states/>.

U.S. likewise perceives a threat to its authority. The U.S. has summarized these behaviors as expansionist, accusing China of disturbing the existing international order. In contrast, China claims that its behaviors are legitimate and well within international norms, not to mention defensive in essence. With China's all around rise, misconceptions seem to permeate and reinforce the potential structural conflict between the two countries.

For any international observer of the great power dynamics, conflict avoidance is definitely a central field of focus. To search for answers, we must clearly identify where the problems lie. As discussed above, we must determine whether China and the U.S. truly hold different assumptions about Chinese foreign policy, where the difference in their perceptions lie, whether there exists any misperception, and, if there is, whether the misrepresentation is intentional or unintentional. The rest of the paper will focus on addressing the problem of perception and misperception of the Chinese foreign policy. Once we can identify what dictates American and Chinese perceptions, we can offer aspirational policy recommendations to improve U.S.-China relations. We can ensure that no misjudgment will amplify the structural conflict between China and America, and thus reduce the chance of undesirable outcomes of Thucydides' Trap. But more important, these policy recommendations could help build confidence, improve bilateral relations, and even achieve a positive sum result.

The second chapter introduces the theoretical background of perception and misperception in international politics, especially that of threat perception. Threat perception consists of two stages: observation and appraisal. In this theory chapter we mainly focus on the appraisal parts: how do countries consolidate their perceptions of Chinese foreign policy? Traditional security scholars would focus on two factors: capacity and intention. Our theoretical framework, based on up-to-date threat perception theories, will enlist five variables that

influence perceptions through either capacity or intention, or both. The five variables are rooted in disparities and changes in power, similarity and difference in identity, the change in norms or rules, historical experience, and (lack of) information. In the appraisal process, misperceptions happen frequently. Based on current literature, several heuristic filters are introduced that will later help us identify whether any misperception of either American or Chinese perceptions exists. The heuristic filters include *security dilemma*, *status dilemma*, *centralization*, *overestimation of one's importance*, *the influence of desires and fears*, and *cognitive dissonance*. Understanding the pattern of perceptions and misperceptions can help us assess the accuracy of American and Chinese perceptions.

The third chapter will be the model chapter, establishing the empirical evidence for analysis. The chapter is aimed at comparing and contrasting the specific Chinese actions in foreign policy, the American perception, and the Chinese perception. The first half of the chapter sets the tone, by giving the background of how China has climbed up the ladder of the global community, and what China and the U.S. think of China's rising. In the second half, the main comparative framework is laid out, comparing objective observations, the American perception, and the Chinese perception along the dimensions of China's bilateral relations, multilateral diplomacy, security, and economic engagement. In each dimension, the three views are systematically compared. The model not only aims to show the key differences between the American and Chinese perceptions of Chinese foreign policy, but also compares both perceptions with the objective narration. The former helps one to understand how the two nations understand the same incidents differently, thus showing the amount of disagreement between both nations. The latter contributes to understanding the accuracy of both perceptions, therefore discerning biases of both perceptions (either against or in favor of China). This chapter will lay

bare key differences that will be the empirical foundation of final analysis and aspirational policy prescriptions.

The fourth and fifth chapters will be devoted two cases studies: one on the South China Sea, and the other on the Belt and Road Initiative, both of which are in accordance with the three criteria of the observation stage of the perception theory. The reasons for presenting these two mini-studies are twofold. First, both cases are important in Chinese foreign policy and speak to several dimensions of foreign policy. Second, through the mini-studies, the model developed in Chapter Three can be applied and used to derive policy recommendations. These detailed accounts will contribute to specific measures to foster a better understanding of Chinese foreign policy for the U.S., as well as a better understanding of each other's perception between the two nations.

In the last chapter, the theoretical and empirical evidence drawn from Chapters 2 and 3 are combined, shedding light on the variables that dictate American and Chinese perceptions. The overall analysis will help answer several questions emerged in the introduction: Is American perception of Chinese foreign policy accurate? How threatening is China to the U.S.? Does the U.S. or China misperceive what China has been doing? Are misrepresentations intentional or unintentional? How have these perceptions and misperceptions changed the calculation of both nations? In short, what can China and the U.S. can do to improve bilateral relations and avoid the zero-sum fate of Thucydides' Trap?

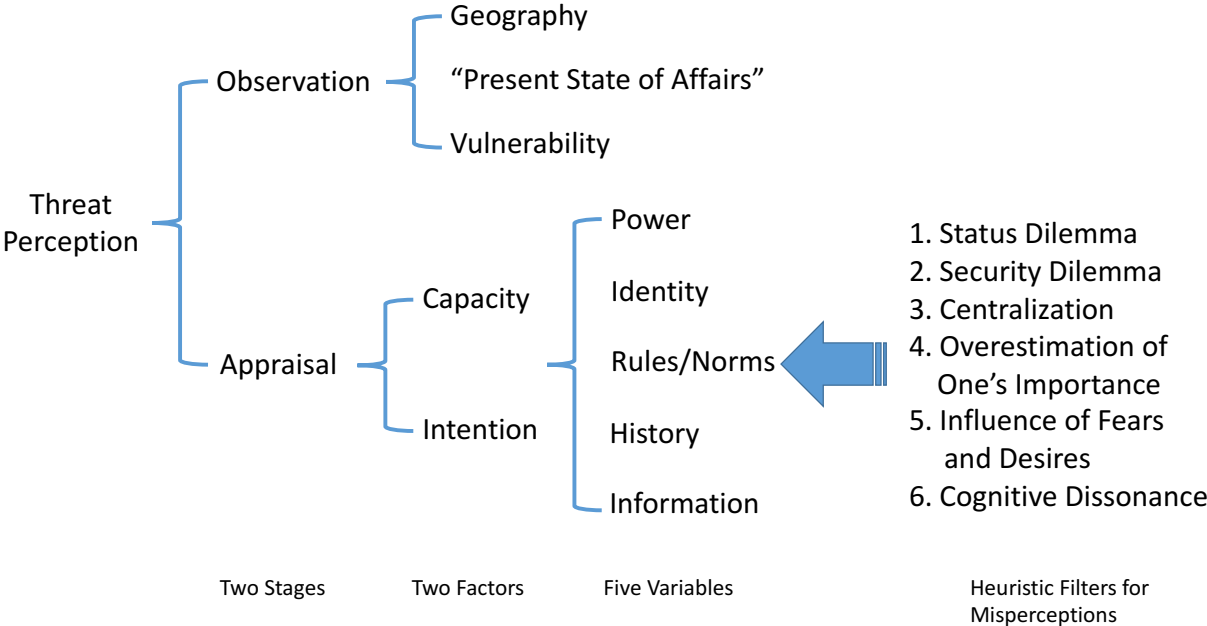
Chapter 2 – Laying the Theoretical Ground

Chapter 1 briefly introduced the case wherein America and China interpret the flagship of Chinese foreign policy, the Belt and Road Initiative (BRI), vastly differently. The Chinese government champions its creation as part of the regime's support for globalization, claiming that it will help connect the Eurasian landmass. In contrast, the American government pays the most attention to how BRI may provide China with strategic advantages over the U.S. and its allies, including justification for setting up a military base in Djibouti next to America's. The U.S. perceives China's allegedly benign initiatives as threats to American interests. Unfriendly reactions follow opposing interpretations: The U.S. government has overtly and covertly impeded its European allies from jumping on the bandwagon of Chinese economic integration and has criticized Chinese security and military actions for destabilizing Asia. Additionally, the disparities between Beijing's and Washington's perceptions is apparent across a range of foreign policies. China and the U.S. have dissimilar or totally distinct views on China's military buildup in the South China Sea, its restrained attitude towards denuclearization in North Korea, the *Liaoning* aircraft carrier's voyage to Western Pacific, and many other activities that China perceives as legitimate and defensive whereas the U.S. perceives them as threatening and expansionist. U.S.-China interactions are thus consistent with Raymond Cohen's previously mentioned observation: "Threat perception is the decisive intervening variable between action and reaction in international [politics]." ¹⁸ In order to analyze whether American and Chinese perceptions—and representations—of Chinese foreign policy are accurate, this chapter will introduce perception theories to provide a theoretical platform through which empirical evidence can be examined. By drawing from different authors, this chapter will present a two-stage

¹⁸ Cohen, "Threat Perception in International Crisis," 94.

framework where threat perceptions are determined by the influence of five major variables on the perception of capability and intention.

(Theoretical Framework Graph)



According to Raymond Cohen, the perception of threat involves two stages.¹⁹ The first stage is observation, when cues are received by people. Cues can be verbal or nonverbal, from presidential statements or newspaper articles, to military dispatches or withdrawal of ambassadors. The receiver’s selection of cues depends on three central criteria: geography, the “present state of affairs”, and sense of vulnerability. Observers interpret and try to rationalize the events happening around them every day. Geographical criterion means that when certain events happen in places with “immense strategic, historic, and sentimental importance,” observers are

¹⁹ *Ibid*, 95.

more likely to pick up on the cues.²⁰ The “present state of affairs” criterion refers to the fact that perceivers are apt to be drawn to events with ongoing mistrust and tension.²¹ A sense of vulnerability means that there are certain areas in which observers perceive stronger threats from opponents than others.²²

These criteria dominate which cues are perceived. Thus, the nationalization of Diaoyu/Senkaku islands by the Japanese government in 2014, Tsai Ing-wen’s election in Taiwan in 2016, the international tribunal ruling over the South China Sea dispute in 2016, and the Donglang/Doklam standoff near the China-India border in 2017 each touched a sensitive nerve for Beijing. Similarly, as previously mentioned, China’s military buildup in the South China Sea, its restrained attitude towards denuclearization in North Korea, and the *Liaoning* aircraft carrier’s voyage to Western Pacific all make the U.S. anxious.

The second stage of threat perception, as explained by Cohen, is appraisal, wherein people evaluate whether they are threatened or not. For the purposes of this paper, the center analysis of both the American and Chinese perceptions will be built around the appraisal stage. Complementary to Cohen is Janice G. Stein’s work, in which she argues that threat perception is a function of two factors, capacity and intention.²³ Capacity determines whether one actor has the ability to attack another, and intention represents whether one actor wants to attack another, but what’s at stake is the interplay between the variables. When one country possesses the intention but not the capacity to harm another, it is usually seen as a bluff. If the supreme leader of North Korea claimed it was about to launch a nuclear attack against its alleged enemies in the 1990s,

²⁰ *Ibid*, 96.

²¹ *Ibid*.

²² *Ibid*.

²³ Janice Gross Stein, "Threat Perception in International Relations," *Oxford Handbooks Online*, 2013, 2, doi:10.1093/oxfordhb/9780199760107.013.0012.

his provocation would more likely have been seen as verbal aggression. When one country has capacity, but not the intention, to attack another, different theoretical schools of thought diverge on the outcome. Classical realists who assume “capability shapes intention” would perceive a country with capacity as threatening. In comparison, liberals who focus more on analyzing the interests of actors and institutional influence, and constructivists who care more about self-conception and its offshoot self-fulfilling prophecies, argue that capacity is not the only factor of threat perception.²⁴ Nonetheless, when both factors are present in a country’s behavior, all schools agree that threat perception reaches its apex.

Capacity and intention are broad and lack enough nuances. Thus, it is worthwhile to consider the relevant variables introduced by realist, liberal and constructivist schools of thought, since these can permeate countries’ perceptions of other countries’ policies, as policymakers in each country have diverse backgrounds and assumptions. As mentioned above, based on the current literature, there are five explanatory variables influencing threat perception through their influence over a country’s capacity, intention, or both: the variables are rooted in disparities in power and changes in relative power, identity, and the change in rules or norms, historical experiences, and (lack of) information. Academics have offered explanations of threat perception that rely on each of these as the filter between observation and appraisal. Each of these contributes to perceptions of threat that are more or less consistent with reality. However, some empirical evidence has shown us a lack of full alignment between perceptions and reality, thus, in addition to the perceptions rooted in the five variables, there is also intentional signaling and misrepresentation mucking up the works. On the one hand, threats are often manipulated as a means of deterrence and defense; intentional misrepresentation may serve some signaling

²⁴ Robert Jervis, *Perception and Misperception in International Politics* (Princeton, NJ: Princeton University Press, 2017), xxvii; Zakaria, *From Wealth to Power: The Unusual Origins of America’s World Role*, 18.

functions, and thus, it is hard to change if a country deems this strategy useful. On the other hand, misperceptions do exist, and they should be corrected to reduce the communication failures between countries and protect bilateral relations. After describing each of the five variables below, they will be examined for misperceptions using several heuristic filters. These filters include the *security dilemma*, *status dilemma*, *centralization*, *overestimation of one's importance*, the *influence of fears and desires*, and *cognitive dissonance*.

The first major variable is power and its change in relation to that of other countries.²⁵ The power variable influence the level of threat perception through its impact on the capacity factor. Power is a relative concept. As a relative concept, one country's power can either force or persuade another country to act in the interest of the former. As argued by David L. Rousseau and Rocio Garcia-Retamero, "the perception of threat in intergroup conflict is a function of power asymmetries between groups."²⁶ When the latter country feels its position given certain issues has changed, its original goals have reset, or its preferences have been shaped even without much resistance, it feels the coercion and perceives whoever exerts this power as threatening. A classic example demonstrating how power determines threat perception would be the dynamics between American and Chinese military forces right after the foundation of the current People's Republic. When the Communist Party tried to defeat the fled Kuomintang in Taiwan in 1950, Washington decided to intervene for the interests of the capitalist bloc after taking into account the outbreak of the Korean War. With the introduction of the seventh fleet, the disadvantaged People's Liberation Army was not able to cross the Taiwan Strait. Originally set to reunify Taiwan immediately, China gave up its goal of reunification as China saw that the

²⁵ David L. Rousseau and Rocio Garcia-Retamero, "Identity, Power, and Threat Perception," *Journal of Conflict Resolution* 51, no. 5 (2007): 744, doi:10.1177/0022002707304813.

²⁶ *Ibid*, 744-746.

military power asymmetry between the U.S. and China was threatening to the Beijing government.

The power influence of threat perception is a reciprocal idea. The disappearance of power advantage generates the same feeling of a threat as the appearance or the use of power, and the unease now falls to the other side. When the weaker country becomes stronger, the existing greater power often realizes that their original power projection does not function in the same way as before. When a shift in the power dynamics between two countries sends the stronger country a signal that the weaker country has the momentum to overcome the originally stronger country, the stronger country is afraid of losing its superior power and considers the weaker country dangerous because it now challenges the existing regional or global leadership. In other words, the loss of relative advantage in terms of power, as well as the loss of hegemony, is itself upsetting. Consider the last example. When the seventh fleet was stationed in the Taiwan Strait in the 1950s, China could not harm any American battleship, let alone achieve unification. Presently, however, Chinese missiles are deployed along the coastline in Fujian, which is the part of the mainland right next to Taiwan, and are combat-ready to challenge perceived threatening actors. Although not directly endangering U.S. homeland security, decision-makers in Washington need to consider the risk of Chinese retaliation if they decide to intervene in another Taiwan Strait crisis. Furthermore, China's capability to retaliate through bilateral economic interdependence means that the repercussions from another intervention could go beyond military reaction. The joint aftermath translates into an effective deterrence that challenges American hegemony. The reciprocal characteristic of the power variable, thus, signifies that both expansion and contraction of a relative power gap can lead to threat perception. Although all schools of threat perception theory believe power matters, realist theorists often highlight the

predominant influence of power. For realists, a change in capacity by itself is significant enough, since an increase in power means an increase in the likelihood of aggressive intention.

However, constructivists such as Rousseau and Garcia-Retamero identified another variable—identity. Unlike the realist framework where power represents intention, the constructivist framework believes that identity, an explanatory variable independent of power, speaks to the intention factor of threat perception separately. Both social identity theory and self-categorization theory underscore the distinction between “us” and “them,” stressing the boundary between “the ingroup and the outgroup.”²⁷ This “us” versus “them” mentality is often built by fundamental characteristics of the institution and society, such as regime type, economic structure, and demographics.²⁸ Constructivists believe that “a shared sense of identity can reduce perceptions of intergroup threat.”²⁹ So, the more similar two countries are, the less likely the two perceive each other as a threat. For example, through a comparison between the U.S. and Japan, David Rousseau explains that the two countries’ identities are similar because they are both capitalist democracies, even though Japan is a nation-state and the U.S. is not. Their similarity predicts their close relations. In the case of China and the U.S., the two differ in most ways. China is a one-party authoritarian nation-state with a population comprised of more than 90 percent ethnic Han people. It champions state intervention in political, economic, societal and civil issues. In comparison, the U.S. is a bicameral federal capitalist democracy whose citizens come from diverse backgrounds. In international politics, the U.S. helped establish the post-WWII global order and has been the vested interest since then. China, on the other hand, is not among the traditional Western powers, and as a result, it hopes to modify the international

²⁷ *Ibid*, 747.

²⁸ *Ibid*, 750.

²⁹ *Ibid*, 744.

system in its favor. From this comparison, Beijing and Washington should have much less shared identity than that between Washington and Tokyo.

Rousseau and Garcia-Retamero argue that the power and identity variables do not merely produce an additive result. They find an interactive or multiplicative relationship between the two. Their experimental study has found a positive and statistically significant value for the interactive variable he creates. “Specific combinations of power and identity produced an increase in threat perception more than the simply additive impact of each independent variable.”³⁰ That means that, if the U.S. sees that China becomes increasingly powerful and that the identity disparity between China and itself is huge, the U.S. should feel much more threatened by China than the effect of only having either power increase or identity disparity. The constructivist multiplication effect, thus, can render stronger threat perception than what is likely under a realist paradigm under the same circumstance.

The third variable of threat perception, borrowing from Raymond Cohen’s threat perception framework, is the discomfort that comes when one country changes the rules of the game or does not abide by commonly-held norms, an argument that is consistent with the liberal focus of interests and institutions. Rules and norms define what a country can and cannot do given the current institutional framework either regionally or globally. The institutional framework can take explicit forms such as international laws or bilateral agreements, or implicit forms like traditions or tacit agreements. Whichever form they take, rules and norms function as a communication tool among state actors and coordinate each other’s behavior.³¹ In the practical world where coordination costs are high, countries abide by previously agreed-upon rules in order to manage their expectations of one another’s actions. Even for countries whose power and

³⁰ *Ibid*, 765.

³¹ Cohen, "Threat Perception in International Crisis," 106.

identity variables indicate that they have totally opposite interests, rules and norms ensure that they can maintain a peaceful coexistence. But when the norms or rules are broken, each country's expectation of the other has been distorted because countries do not know what to expect from others, and thus, they have to prepare for the worst outcome. Mutual trust falls because rules and norms that serve as constraints to all parties are missing, and threat perception heightens accordingly. During the Cold War, when the Soviet Union and the United States both had enormous power and shared no similarity in identity, the two could maintain peace largely thanks to the negotiated post-World War II order that resulted from the Yalta Conference. Although major parties involved were not happy about the concessions they had to make during negotiations, they nevertheless reached a balance that all parties agreed to. However, the Cuban Missile Crisis is an example of defection to the expectation of each other. No longer constrained by previous norms of avoiding the use of nuclear weapons, both the U.S. and the Soviet Union had to prepare for the worst, the precipitation of a potential nuclear-level confrontation. Fortunately, Gorbachev backtracked and honored the tacit agreement of the existing division of spheres of influence again. He communicated his re-addiction to the old rules successfully to Washington by shipping the nuclear weapons back to Moscow.

The change in rules and norms is often expressed through trespasses of existing rules or norms by a country. Unlike power and identity which are more objective, a change in rules or norms could be intentional or unintentional. When a country becomes increasingly powerful, it may give rise to distortion in its behaviors that violate some rules or norms. In this case, the change or violation is unintentional. Nonetheless, changing behaviors does not require a change in power or identity. By no longer abiding by certain rules or norms, countries often tend to signal others through their uncommon actions. When acting alone, a change in rules or norms

signals changes in a country's intention. From a pragmatic theoretical perspective, this variable should matter more as a policy tool in reducing tensions between the U.S. and China. Given the fact that the power gap between China and the U.S. has narrowed, and the disparity in their identities are huge, both the U.S. and China should be careful in their foreign policy. Similar to the case between the U.S. and the Soviet Union, the expectation of each other will drop significantly if one or the other fails to abide by existing rules or norms. Consequently, it is important for each to manage the threat perception of the other through clearly following rules and norms. The change in rules or norms should be an important variable over which both countries should have more control.

The fourth variable that influences threat perception is history. As Robert Jervis argues, people learn from history and form a picture based on what they learn because, "by making accessible insights derived from previous events, analogies provide a useful shortcut to rationality."³² In a rapidly changing world, central decision-makers need to filter noises in order to make judgments quickly. Cognitive consistency facilitates the consolidation of historical images despite limited cases studied, as "we tend to believe that countries we like do things we like, support goals we favor, and oppose countries that we oppose; [and] we tend to think that countries that our enemies make proposals that would harm us, work against the interests of our friends, and aid our opponents."³³ History shapes how people think, even when enough nuances are presented. Long-standing hostility between France and Germany between the eighteenth and twentieth centuries demonstrates how historical memory increases the perception of aggression between countries, despite the constant evolution of relations between those countries.

³² Jervis, *Perception and Misperception in International Politics*, 220.

³³ *Ibid*, 118, 236.

History influences threat perceptions not only through shaping people's thought processes but also by serving as a comparison between the past and the present. Through this latter form, the history variable interacts and even amplifies with the effects of power and the change in rules or norms variables. Decision-makers may compare the past and the present level of power. The interaction between the history variable and the change of rules or norms variable would derive decision-makers' expectation to foreign countries' future behaviors. Both comparison and expectation require a historical perspective of threat perception, which could significantly influence one's perception of others. In sum, history highly correlates with other variables and influences threat perception by itself as well as by its interacting with other variables. Sino-Japanese relations is a classic example of when history had a huge impact on threat perception. During "the century of humiliation," China first was defeated by Japan in the First Sino-Japanese war during 1894 to 1895. Since then, Japan has controlled a huge part of China during the first half of 20th century, including most famously, Manchuria. By leaving China a narrative of victimhood, China has been always highly alerted by any improvement of the Japanese military. Even today, whenever Shinzo Abe, the Japanese Prime Minister, pushes for pacifist constitution reform, China is extremely vocal and worries about the rise of revisionist power in Japan. Similarly, China's predominance over Japan during the medieval period made Japan extremely worried about China as China became stronger. Taking this all into account, historical interaction renders China and Japan with deep mistrust. Threat perception of each other based on the historical experience, as a result, is high.

The fifth and last variable of threat perception is information, or the lack of it. Information is important for estimating the capacity and intention of state actors. Rationalist accounts believe that incomplete information creates uncertainty, which leads to the rise of threat

perception. Some countries have incentives to hide information because they are afraid of an exhibition of weakness or a revelation of true intentions. Saddam Hussein was required by UN Resolution 687 to dismantle all his weapons of mass destruction. He carried out the Resolution as instructed, but he did not want to appear soft in front of Iran. So, he intentionally bluffed his neighbor at the international stage. Similarly, North Korea previously had incentives to hide its real nuclear capability, hoping that the U.S. could be deterred by its nuclear tests. In both cases, information was manipulated in order to achieve strategic ends. However, a lack of information heightens threat perception; deliberate misrepresentation, unfortunately, often results in the opposite result.

The five variables discussed above determine threat perception through affecting either the perception of a country's capacity, that of its intention, or both. Then, I am going to introduce common errors of perceptions based on the study of Janice G. Stein and Robert Jervis. These will serve as heuristic filters to examine the empirical evidences provided in the following chapters. The first heuristic filter for misperception, introduced by Stein, is the *status dilemma*. A *status dilemma* presents a scenario in which "two countries would be satisfied with their status if they had perfect information about each other's belief."³⁴ Because of incomplete information and uncertainty felt by the observer, the observer perceives a larger threat and prefers to take measures to protect itself. Stein further argues that a *status dilemma* often leads to the second common error, the *security dilemma*. A *security dilemma* happens when both countries are security seekers: when country A decides to take on defensive measures to safeguard its interests, country B finds A's defensive measures disturbing and takes on more.³⁵ A spiral effect of the *security dilemma* will then make both countries more insecure. Note, while the *status*

³⁴ Stein, "Threat Perception in International Relations," 6.

³⁵ *Ibid*, 5-6.

dilemma is solely associated with the information variable, the spiraling *security dilemma* can be applied to other variables as well, especially the power variable. The arms race of the Cold War is an example of the *security dilemma*.

In addition to Stein's *status* and *security dilemmas*, Robert Jervis also notes four common misperceptions. They are *centralization*, *overestimation of one's importance*, *the influence of desires and fears*, and *cognitive dissonance*. According to Jervis, *Centralization* refers to the misperception that one country will understand the "behavior of others as more centralized, planned, and coordinated than it is. This is a manifestation of the drive to squeeze complex and unrelated events into a coherent pattern."³⁶ Because decision-makers tend to overestimate how much foreign counterparts know about them and their government, they would more likely associate foreign actions with their domestic situation. Simultaneously, they often underappreciate how foreign governments need to consider other factors, including domestic factors of the foreign government and the influence of third parties. Consistent with this self-centered bias, countries tend to overestimate their importance as influences or targets in the decision of others.³⁷ Perceivers tend to believe that other countries inflict harm on them because of these countries' aggression and hostility. In reality, however, they often fail to understand that the actions of foreign countries are responses to perceivers. Both *centralization* and *overestimation of one's importance* highlight the self-bias of innocence.

To a certain degree, Jervis argues that the self-bias of innocence reflects the desires and fears of the perceiver because of human's nature of cognitive consistency and the centrality nature of perception. Cognitive consistency and centrality translate to the fact that perception is hard to change; once the threat is perceived, the perceiver may take a long time and a great

³⁶ Robert Jervis, *Perception and Misperception in International*, 319.

³⁷ *Ibid*, 343.

amount of efforts to reduce the perception of threat. Jervis summarized eight reasons or excuses why leaders often find it difficult to change perceptions.³⁸ People tend to overlook new information when it contradicts to their original perception.³⁹ It could take the form of a failure to notice the information or a purposeful misunderstanding of its original intent. If they do recognize the contradiction, people tend to question the validity of the information before accepting it, or question the source of the information.⁴⁰ When validity is no longer a problem, people prefer to describe the new information as unexplainable, or find competing evidence to support their old perceptions or undermine the new information.⁴¹ If the new information survive the examination of all previous excuses, then people will either split up the new information and discredit the false part, or build the new information into a larger picture that is disturbing.⁴² Either way, to discredit the new information that could potentially alter the old perception, people try to connect it with problematic arguments or perceptions. Cognitive consistency becomes a problem when the confirmation bias of perceivers becomes too strong. In such a case, when they face *cognitive dissonance* where perceivers fail to rationalize others' actions with their previous belief, they tend to reduce dissonance and achieve consistency by distorting or avoiding some information.⁴³ In addition, “desires and fears have the most impact when the perception matters least—the actor has no incentives to perceive accurately because the actor cannot act on what he believes will happen.”⁴⁴ All four misperceptions Jervis raises, under this circumstance, are likely to persist altogether.

³⁸ *Ibid*, 291-296.

³⁹ *Ibid*, 291.

⁴⁰ *Ibid*, 292.

⁴¹ *Ibid*, 293-295.

⁴² *Ibid*, 296.

⁴³ *Ibid*, 387.

⁴⁴ *Ibid*, 380.

With the five variables and six heuristic filters of misperception in mind, we are ready to look into empirical evidence of American and Chinese perceptions in the next Chapter, after which the theoretical framework will be applied to two case studies and the overall Chinese foreign policy.

Chapter 3 – The Model Chapter

The goal of this chapter is to compare and contrast the difference between three perspectives: the objective narration, the Chinese perception, and the American perception. The objective narration will outline major achievements in Chinese foreign policy. I will only discuss the concrete significance of these developments that can be verified. The Chinese perception will mostly cover how the Chinese government sees the development of Chinese foreign policy. Similarly, the sections on the American perception will give a nuanced illustration of how the United States views Chinese foreign policy. Because of the “revolving door” system of American politics, major U.S. scholars influence the U.S. perspective in ways that their Chinese counterparts do not. Therefore, the American sources analyzed here include not only government reports and presidential speeches, but also the opinions of major China experts in the United States. Some experts may have served in the government, or have had interactions with Washington for a significant amount of time; others simply are influential enough to swing how the field views U.S.-China relations.

This comparison will be carried out first holistically, and then in four dimensions. I will first give the background for each perspective and summarize major historical events that have led to the current perspective. Then the first dimension will cover the development of China’s bilateral relations with major countries and regions in the world, including its relations with the U.S., Russia, its neighbors, and major blocs of the world. The second dimension will be China’s multilateral relations and its role in regional and global institutions. The third dimension will focus on China’s development in the security arena, as well as its stances on major security issues in the region. The development of the People’s Liberation Army will also be discussed. The last dimension will focus on China’s economic engagement with the rest of the world, as

well as its flagship policies such as the Belt and Road Initiative (BRI). BRI, as well as with its financing sources, attracts the world's attention and receives different perceptions in the U.S. than it does in China. By comparing and contrasting the Chinese and American perceptions on Chinese foreign policy, as well as how each differs from a more objective description, this chapter will contribute to understanding where major disagreements are grounded and where policy recommendations are needed.

I. The Background

1. The Objective Narration

The foreign relations of the People's Republic of China had a rough start. The Cold War started as the young republic was founded. Due to the split in political ideology, China fell into the Soviet Union-led communist regime. It was thus disconnected from the first world. During the first thirty years of its development, China was mostly inward-looking and carried out several falsely directed campaigns. The Great Leap Forward and the Cultural Revolution attracted very few countries to befriend China. It was not until the end of the Cultural Revolution, the opening up and reform, the collapse of the Soviet bloc, and a series of domestic and international events that China started to emerge at the international stage. There are two major turning points for China's diplomacy: first, at the 1976th plenary meeting of the United Nations General Assembly on October 25, 1971, Resolution 2758 was passed to recognize the People's Republic as the only legitimate representatives of China. Second, the United States transferred its diplomatic recognition from the Republic of China government in Taipei to the People's Republic in Beijing. With both domestic reforms and diplomatic victories, China's foreign relations went into a stage of rapid development.

Despite the 1989 crackdown at the Tiananmen Square that endangered China's foreign relations briefly, its overall development has been vigorous. Today, more than 175 countries have diplomatic relations with China.⁴⁵ Furthermore, it has become highly active in regional and global institutions. After joining the World Trade Organization, China has become the largest exporter and the second largest importer in world trade (merchandise) by 2016.⁴⁶ As one of five permanent members of the United Nations Security Council, China has also participated in many peacekeeping missions abroad and led the Six-Party Talks to resolve the Korean nuclear crisis. In addition to its involvement in existing institutions, China has also led the creation of BRICS, the informal institution of emerging markets, and launched the Belt and Road Initiative, and its financing bank, the Asian Infrastructure Investment Bank.

Besides opportunities, China also faces regional and global economic and security challenges. Domestic economic pressure has heightened. After initial demographic dividends have almost been depleted, China needs to deepen its economic reform to search for new drivers. Internationally, the United States has backtracked on its leadership in global economic integration, as isolationism and protectionism have grown in other countries as well. In January 2017, U.S. President Donald Trump pulled out from the Trans-Pacific Partnership right after his inauguration.⁴⁷ Seven months later, he withdrew from the Paris Climate Agreement.⁴⁸ At the same time, China faced serious security challenges near its border. The nationalization of

⁴⁵ This number might be disputable as countries such as Palestine may or may not be counted as a sovereign country by different countries.

⁴⁶ "Trade Profile China," World Trade Organization, accessed March 23, 2018, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=CN>.

⁴⁷ "The United States Officially Withdraws from the Trans-Pacific Partnership," Office of the United States Trade Representative, January 2017, accessed March 23, 2018, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/january/US-Withdraws-From-TPP#>.

⁴⁸ Valerie Volcovici, "U.S. Submits Formal Notice of Withdrawal from Paris Climate Pact," Reuters, August 04, 2017, accessed March 23, 2018, <https://www.reuters.com/article/us-un-climate-usa-paris/u-s-submits-formal-notice-of-withdrawal-from-paris-climate-pact-idUSKBN1AK2FM>.

Diaoyu/Senkaku islands by the Japanese government in 2014, Tsai Ing-wen's election in Taiwan in 2016, the international tribunal ruling over the South China Sea dispute in 2016, and the Donglang/Doklam standoff near the China-India border in 2017 each touched a sensitive nerve. With rising tensions and committed security cooperation among the U.S., Japan, Australia, and India, Beijing could find itself entangled easily in conflicts with others. In sum, the historical events and the current international political environment provides China both challenges and opportunities.

2. The Chinese Perspective

To study the Chinese perspective of the Chinese foreign policy, it is important to look back far enough to include China's early contact with the West during the Qing dynasty. After the industrial revolution, the productivity of the western countries improved significantly; in comparison, the Qing dynasty dwarfed by more than half a century. Nonetheless, due to the isolationist policies Qing emperors conducted, Qing officials and elites were not aware of China's relative weak position to the West. It was not until the first Opium War when Qing China was defeated by Britain swiftly did the Qing court realize how far it was lagged behind. From 1839 to 1945, China experienced the darkest century according to the Chinese history textbook. Several wars broke out and China lost all except for the World War II; many unequal treaties were signed; war compensation was paid in silver and gold with a huge amount; several pieces of land were ceded to western imperialists. It was not until the victory of the World War II did China finally expel all foreign powers from its territory (except for Hong Kong and Macau).

The idea of "century of humiliation," despite its end in 1945, has been ingrained in Chinese elites and the public since then. The Communist government mobilized the victimhood

narrative and adopted a strategy of “active defense” to defend its sovereignty. In 1950, just a year after the foundation of the People’s Republic of China, Mao Zedong championed the “active defense” strategy and crossed the Yalu River when he believed that the U.S.-led UN force threatened the survival of the young republic. Again, in 1969, he carried out a preemptive strike over the disputed Zhenbao island near the Sino-Russian border. After the opening up and reform, the “active strategy,” though mentioned even less frequently, has persisted. With regard to the provocative behavior of Vietnam, the independence movement in Taiwan, and the islands dispute in East and South China Seas, the Chinese government continued taking actions to ensure that its positions in different issues were well-taken by its opponents.

After Deng Xiaoping’s opening up and reform in the late 1970s, China needed a more peaceful environment to catch up its economy. China has taken a more peaceful rhetoric that highlights how economic engagement can create mutually beneficial relations with the rest of the world. Deng Xiaoping, the chief designer of China’s economic revival, proposed a 24-character guiding principle for China’s foreign policy: “observe calmly, secure our position, cope with affairs calmly, hide our capacities and bide our time, be good at maintaining a low profile, and never claim leadership.”⁴⁹ Such a guiding principle carried on the low-key tradition of the Five Principles of Peaceful Coexistence proposed by China’s first Premier, Zhou Enlai. Although China’s economy has blossomed since then, senior Chinese officials periodically reaffirmed Beijing’s intention to stick to a peaceful rise. In 2005, Zheng Bijian, a senior Communist Party official, wrote in Foreign Affairs that “China does not seek hegemony or predominance in world

⁴⁹ Youyi Huang, "Context, Not History, Matters for Deng's Famous Phrase," Global Times, June 15, 2011, accessed March 23, 2018, <http://www.globaltimes.cn/content/661734.shtml>.

affairs.”⁵⁰ In 2011, Chinese State Councillor Dai Bingguo confirmed that “peaceful development is a strategic choice China has made.”⁵¹

Since Xi Jinping became the Secretary General of the Communist Party of China (CCP) after the 18th Party Congress in November 2012 and the President of People’s Republic of China in March 2013, he has been at the center of Chinese politics. Having “two centenary goals” and the mission of the great rejuvenation of the Chinese dream in mind, the Party leadership aims to “[take] into account both China’s domestic and international interests, [attach] importance to both development and security,” and “[pursue] major-country diplomacy with distinctive Chinese features.”⁵² Nowadays, Beijing emphasized the backwardness of the international system, arguing that the global order should be updated to ensure that it reflects the increasing weight of emerging market.⁵³ The current Chinese government, which seldom mentions Deng’s guiding principles, believes that “hide and bide” should not apply in the same way as before.⁵⁴ Beijing needs to take a larger responsibility in ensuring a peaceful global order that is up-to-date and reflects Beijing’s interests.

3. The American Perspective

⁵⁰ Bijian Zheng, "China's "Peaceful Rise" to Great-Power Status," *Foreign Affairs* 84, no. 5 (September 1, 2005): accessed March 23, 2018, <https://www.foreignaffairs.com/articles/asia/2005-09-01/chinas-peaceful-rise-great-power-status>.

⁵¹ Kurt M. Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs* 97, no. 2 (March 1, 2018): accessed March 23, 2018, <https://www.foreignaffairs.com/articles/united-states/2018-02-13/china-reckoning>.

⁵² Jiechi Yang, "Study and Implement General Secretary Xi Jinping's Thought on Diplomacy in a Deep-going Way and Keep Writing New Chapters of Major-Country Diplomacy with Distinctive Chinese Features," Ministry of Foreign Affairs of the People's Republic of China, July 17, 2017, accessed March 23, 2018, http://www.fmprc.gov.cn/mfa_eng/wjbxw/t1478497.shtml.

⁵³ *Xi Jinping: Selected Speeches at the G20 Hangzhou Summit* (Beijing, China: Foreign Languages Press, 2017), 101.

⁵⁴ Huang, "Context, Not History, Matters for Deng's Famous Phrase."

To start off the American perspective of the Chinese foreign policy, one should always remind oneself the assumptions that has made in the early stage of U.S-China engagement. After the normalization of U.S.-China relations, China has adopted a set of economic reforms, which liberated its economy in unprecedented ways. China pundits in America believed that, to make China a more advanced economy, the Chinese government would carry out more economic reforms, and further liberated both political and economic institutions.⁵⁵ Thus, Washington pursues a strategy of engagement in the hope that, by inviting China to the international community, the U.S. and the international community will be able to make China more liberal; China would be so interconnected with the West that backtracking would be not only unwelcome but also impossible. And such a result would strengthen the global order that was built by America.

The 1990 National Security Strategy (NSS), signed by U.S. President George H. W. Bush, openly showed Washington's willingness to adopt such an engagement policy. The 1990 NSS "described [China's] enhanced ties with the world as 'crucial to China's prospects for regaining the path of economic reform.'"⁵⁶ The Clinton Administration continued Bush's strategy to China and expanded it to the security dimension. The 1995 NSS said that the United States would "strongly promote China's participation in regional security mechanism to reassure its neighbors and assuage its own security concerns."⁵⁷ Increasing bilateral connections in all dimensions followed these statements, though economic and civil connections outpaced security engagement.

⁵⁵ Campbell and Ratner, "The China Reckoning: How Beijing Defied American Expectations."

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

After two decades of engagement, however, the United States does not see a politically, economically, and socially liberal China that is closer to what it expected. The current Chinese system, which disappoints the White House and the Capitol, is doing just fine in terms of economic growth. More than that, because China has become economically stronger, its political and military power also expands rapidly. Now China has the capacity to potentially challenge the international system established since the end of World War II. The pressure on Washington has grown significantly. In the most recent 2017 National Security Strategy, the U.S. admits that its China policy was not successful.

“For decades, U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others. China gathers and exploits data on an unrivaled scale and spreads features of its authoritarian system, including corruption and the use of surveillance. It is building the most capable and well-funded military in the world, after our own. Its nuclear arsenal is growing and diversifying. Part of China’s military modernization and economic expansion is due to its access to the U.S. innovation economy, including America’s world-class universities.”⁵⁸

The U.S. perceives Chinese foreign policy in all dimensions as a challenge to the U.S. interests, and considers many of China’s actions provocative. The report views China, along with Russia, a “strategic competitor” to the U.S., returning to a phrase that was only used during the early George W. Bush administration last time.

At the strategy level, the U.S. increasingly sees China as a challenger and threat. At the tactics level, the current U.S. government summarizes the actions of Chinese foreign policy into two categories: charm offensive, a term created by Council on Foreign Relations scholar Joshua

⁵⁸ The United States, The White House, *National Security Strategy of the United States of America*, December 18, 2017, 25, accessed March 10, 2018, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

Kurlantzick, and coercion.⁵⁹ According to the 2017 Annual Report to Congress of the U.S-China Economic and Security Review Commission, charm offensive is embodied by the Belt and Road Initiative through which China grows its influence overseas. Coercion is a more self-explanatory means that China used near its territory, such as using its coast guards to expel fishermen from its neighbor countries. Most recently, two scholars from the National Endowment for Democracy, Christopher Walker and Jessica Ludwig, coined the term sharp power to describe Chinese behaviors.⁶⁰ Inspired by the idea of soft power, sharp power referred to the reliance on “subversion, bullying and pressure, which combine to promote self-censorship.”⁶¹ They believed that China, with the help of sharp power, will compel behavior at home and manipulate opinion abroad. Harvard Professor Joseph Nye illustrated China’s employment of sharp power through China Radio International’s support of foreign radios to promote Chinese interests abroad.⁶²

Including key officials in the Trump administration, most scholars on China in the U.S. now possess a zero-sum assumption and call for a tougher U.S. stance on China. After two decades of waiting, they did not see the change from China that will make two countries’ interests align. Nonetheless, some scholars still believe that positive sum is likely to occur and is conducive to future U.S.-China relations. Although they believe that China does promote its influence abroad with unacceptable means, they are also worried about the backlash of shutting

⁵⁹ U.S.-China Economic and Security Review Commission, *2017 Report to Congress of the U.S.-China Economic and Security Review Commission*, 115th Cong., 1st sess., Cong. Rept., November 15, 2017, accessed March 10, 2018, https://www.uscc.gov/sites/default/files/annual_reports/2017_Executive_Summary_and_Recommendations_1.pdf.

⁶⁰ Christopher Walker and Jessica Ludwig, "The Meaning of Sharp Power," *Foreign Affairs*, January 04, 2018, accessed March 10, 2018, <https://www.foreignaffairs.com/articles/china/2017-11-16/meaning-sharp-power>.

⁶¹ Joseph S. Nye, Jr., "China's Soft and Sharp Power by Joseph S. Nye," *Project Syndicate*, January 04, 2018, accessed February 23, 2018, <https://www.project-syndicate.org/commentary/china-soft-and-sharp-power-by-joseph-s-nye-2018-01>; "What to Do about China's "Sharp Power"," *The Economist*, December 14, 2017, accessed February 23, 2018, <https://www.economist.com/news/leaders/21732524-china-manipulating-decision-makers-western-democracies-best-defence>.

⁶² Joseph S. Nye, Jr., "How Sharp Power Threatens Soft Power," *Foreign Affairs*, February 01, 2018, accessed February 23, 2018, <https://www.foreignaffairs.com/articles/china/2018-01-24/how-sharp-power-threatens-soft-power>.

down all Chinese soft power tools.⁶³ Michael Swaine, the China expert at the Carnegie Endowment for International Peace, also criticized an oversimplified argument that called China a threat.⁶⁴ To solve many critical issues such as climate change or North Korean nuclear crisis, they believe China and the U.S. have shared interests with fundamental significance. In the current administration, the chance is near zero that such a position will prevail in the American perspective.

II. Bilateral Relations

1. The Objective Narration

China's rise in all dimensions has received the world's attention. In many figures, China has quickly surpassed Japan and many traditional European countries and approached closely to the United States. The United States, as the single global power, bears the brunt of such a phenomenon. The Obama administration was fully aware of the importance of China's ascension. To many's surprise, President Hu Jintao and President Obama had their first meeting in China during Obama's first year in office in November 2009.⁶⁵ After President Xi of China took office, in June 2013, the American and Chinese presidents met at the Sunnylands estate in Southern California where China's proposal of building a "new model of major power relations" received some consensus from both sides.⁶⁶ The proposal contains three major parts: no conflict

⁶³ Joseph S. Nye, Jr., "China's Soft and Sharp Power by Joseph S. Nye;" *The Economist*, "What to Do about China's 'Sharp Power'."

⁶⁴ Michael D. Swaine, "No Collision Course," Carnegie Endowment for International Peace, June 30, 2017, accessed February 23, 2018, <http://carnegieendowment.org/2017/06/30/no-collision-course-pub-71417>.

⁶⁵ Cheng Li, "Assessing U.S.-China Relations under the Obama Administration," *Brookings*, September 05, 2016, accessed February 23, 2018, <https://www.brookings.edu/opinions/assessing-u-s-china-relations-under-the-obama-administration/>.

⁶⁶ Feng Ni, Jishe Fan, and Daming Diao, "Political Factors Shaping Sino-U.S. Relations," in *China-US Relations: Exploring a New Pathway to A Win-win Partnership* (2017), 54, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

or confrontation, mutual respect, and win-win cooperation. The communication between the U.S. and China increased significantly during the Obama-Xi period. Areas of collaboration expanded as well: trade, regional security, climate change, cybersecurity and so on.

During the Xi-Trump era, China's relations with the U.S. marked a diplomatically friendly yet practically unfriendly turn. In April 2017, U.S. President Donald Trump hosted his first meeting with his Chinese counterpart Xi Jinping. At the end of the meeting, they jointly declared to upgrade the strategic and economic dialogue during Obama's administration to a comprehensive dialogue that includes four pillars, including the diplomatic and security dialogue, the comprehensive economic dialogue, the law enforcement and cybersecurity dialogue, and social and cultural issues dialogue.⁶⁷ Despite initially cordial contacts between the two presidents, tensions have been on the rise, especially in trade. In the first two months of 2018, there have been several commercial acquisitions that were blocked by the U.S. governments. On January 2, 2018, the Committee on Foreign Investment in the United States blocked Ant Financial's acquisition of MoneyGram on national security grounds, giving a major blow to the internet giant Alibaba who owns Ant Financial. A month later on February 15, the Securities and Exchange Commission of the U.S. federal government halted the sale of the Chicago Stock Exchange to Chinese investors.⁶⁸ A week later, another Chinese acquisition of a U.S. semiconductor testing company was blocked.⁶⁹

⁶⁷ Nathan King, "US-China Comprehensive Dialogue and Its Four Pillars," CGTN America, November 07, 2017, accessed February 23, 2018, <https://america.cgtn.com/2017/11/07/us-china-comprehensive-dialogue-and-its-four-pillars>.

⁶⁸ John McCrank, "SEC Blocks Chicago Stock Exchange Sale to China-based Investors," Reuters, February 16, 2018, accessed February 23, 2018, <https://www.reuters.com/article/us-sec-chicagostockexchange/sec-blocks-chicago-stock-exchange-sale-to-china-based-investors-idUSKCN1G000H>.

⁶⁹ Alice Woodhouse and Ben Bland, "Subscribe to the FT to Read: Financial Times US Regulators Block China Semiconductor Deal," Financial Times, February 22, 2018, accessed March 23, 2018, <https://www.ft.com/content/b3bfe924-1854-11e8-9e9c-25c814761640>.

Sino-Russian relations, another major bilateral relationship that Beijing has devoted much energy to cultivate, have advanced significantly over the past two decades. There has been an increase in collaboration in many fields between the two countries. After the West sanctioned Russia for its annexation of Crimea and its involvement in the Ukraine crisis, China has been the major export destination for Russia's natural resources and an expanding source for capital inflow.⁷⁰ In reciprocity, China has been increasing its energy reliance on Russia. From 2013 to 2016, the share of Russian oil supply in the total Chinese oil import approximately doubled. Russia jumped from the fourth largest oil supplier to the largest one that tied with Saudi Arabia.⁷¹ The oil industry is just one industry among many that reflects the growing collaboration between Russia and China. During Chinese President Xi Jinping's trip to Russia in 2015, 32 cooperative documents were signed.⁷² Among them, there is a joint statement on coordination between China's Belt and Road Initiative and the Russian-led Eurasian Economic Union. Such a cooperation reflects a deep willingness between Moscow and Beijing to further their shared interests. Besides economic cooperation, diplomatic exchanges and military cooperation follow the tide as well. Diplomatically, Russian President Vladimir Putin met Xi at least five times in 2017.⁷³ Militarily, Russia resumed its sale of advanced weaponry to China after a decade of implicit arms embargo due to China's unlicensed copying. After Xi's

⁷⁰ Alexander Gabuev, *Friends with Benefit? Russian-Chinese Relations After the Ukraine Crisis*, Toward Asymmetric Interdependence (Moscow: Carnegie Moscow Center, 2017), accessed December 8, 2017, 29, http://carnegieendowment.org/files/CEIP_CP278_Gabuev_revised_FINAL.pdf.

⁷¹ Gabuev, *Friends with Benefit? Russian-Chinese Relations After the Ukraine Crisis*, 14.

⁷² Andrew Roth, "Russia And China Sign Cooperation Pacts", *The New York Times*, May 9, 2015, accessed December 9, 2017, https://www.nytimes.com/2015/05/09/world/europe/russia-and-china-sign-cooperation-pacts.html?_r=0.

⁷³ Rebecca Flood, "Russian and Chinese Leaders to Sit down for THIRD Time This Year to Sign \$10bn of Deals," *The Express*, July 03, 2017, accessed February 23, 2018, <https://www.express.co.uk/news/world/824292/Russia-China-Vladimir-Putin-Xi-Jinping-trade-deal-meeting-leaders>; "Xi Jinping Meets with President Vladimir Putin of Russia," BRICS 2017 China, September 5, 2017, accessed February 23, 2018, https://www.brics2017.org/English/Headlines/201709/t20170905_1912.html; "Xi-Putin Meet Highlights Value of China-Russia Ties," *Global Times*, November 11, 2017, , accessed February 23, 2018, <http://www.globaltimes.cn/content/1074641.shtml>.

inauguration, Russia has sold China S-400 Triumf surface-to-air missile system and 24 Sukoi Su-35 fighter jets. Both deals reached \$8 billion USD in total.⁷⁴ Such a close relationship corresponds with the elevation of Sino-Russia relations. In 2014, both governments decided to elevate their relations to the Comprehensive Strategic Partnership of Coordination, which is a rarely used term that describes the unprecedented level of cooperation between China and Russia so far.

In addition to the Sino-U.S. and Sino-Russia relations, China also focused heavily on developing its relations with neighboring countries. In Northeast Asia, China, South Korea and Japan held trilateral summits perennially. However, the summit was often interrupted and delayed by disagreements or tensions between two parties of the three. Territorial dispute between China and Japan on Diaoyu/Senkaku islands and that between South Korea and Japan on the Liancourt Rocks, comfort women issues between South Korea and Japan, and the deployment of THAAD all prohibit regional cooperation and coordination.

In Southeast Asia, China had closer relations with both ASEAN and its member countries. The 21st Century Maritime Silk Road was proposed by President Xi Jinping in Indonesia. China maintained an especially congenial relations with Cambodia, helping Cambodia build one of the largest hydroelectric power stations.⁷⁵ In exchange, Cambodia blocked an ASEAN statement that addressed ASEAN countries' concern over the South China Sea disputes. China offered similar assistance or economic cooperation package to other ASEAN countries. A prominent case is one in which, after Philippines president Rodrigo Duterte reversed his

⁷⁴ Charles Clover, "Russia Resumes Advanced Weapons Sales To China", *Financial Times*, November 3, 2016, accessed December 8, 2017, <https://www.ft.com/content/90b1ada2-a18e-11e6-86d5-4e36b35c3550>.

⁷⁵ "Chinese-built Biggest Dam in Cambodia to Start Operation in November," *China Daily*, September 25, 2017, , accessed February 23, 2018, http://www.chinadaily.com.cn/business/2017-09/25/content_32462600.htm.

predecessor's position on South China Sea dispute, China gave lavish assistance to Duterte for combating poverty and counterterrorism.

In South Asia, India and Pakistan are two important neighbors of China. China-Pakistan relations have been elevated to all-weather strategic partnership in 2005, a unique category in the Chinese foreign policy lexicon. The close relations between the two worries India significantly. As China started to develop its southwest border, India's worry continuously grew. On behalf of Bhutan, India finally initiated a military standoff between China and India in Donglang/Doklam region since June 2017. Although the standoff ended in August without turning into a hot conflict, tensions between the two countries have not subsided by much.

Last but not least, China developed different levels of strategic partnerships with major blocs or the world, including Europe, Africa, and Latin America. With notable progress, China has expanded its bilateral partnerships to 97 different countries and regions by August 2017.⁷⁶

2. The Chinese Perspective

Among all its bilateral relations, China deems its relations with great powers the most important ones. In the past half a decade, China has consolidated its guiding principle of foreign policy, which is the major-country diplomacy with Chinese characteristics. From this guiding principle, it has derived the new model (form) of major country relations between China and the United States. First raised in 2010, it was put forward by the State Conciliator of China, Dai Bingguo, during the second round of the China-US Strategic and Economic Dialogue.⁷⁷ In 2013,

⁷⁶ "'Major-Country Diplomacy' Second Episode: *Zhong Xing Zhi Yuan*" [《大国外交》第二集：众行致远. 新华网].

⁷⁷ "Dai Bingguo, "Adhere to the Path of Peaceful Development," Dec. 6, 2010," USC U.S.-China Institute, December 06, 2010, , accessed February 23, 2018, <https://china.usc.edu/dai-bingguo-“adhere-path-peaceful-development”-dec-6-2010>.

President Obama and President Xi agreed on collaboratively building this new model.⁷⁸

Gradually, China has expanded on this idea and consolidated it into the major-country diplomacy with Chinese characteristics. As of 2017, this term has fueled the narrative of each and every major document and speech conducted by the CCP leadership.

The proposal of the new model of major country relations between China and the U.S. renders Sino-U.S. relations as one of the most important bilateral relations in the world. The new model is alleged to abandon the traditional realist assumption of the balance of power between states. In his speech in Seattle in 2015, President Xi Jinping outlined four points that he deemed important for healthy Sino-U.S. relations.

First, we must read each other's strategy correctly. Building a new model of major country relationship with the United States that features **non-conflict, non-confrontation, mutual respect and win-win cooperation**⁷⁹ is the priority of China's foreign policy... Second, we must firmly advance win-win cooperation... Third, we must manage our differences properly and effectively... Fourth, we must foster friendly sentiments among our peoples...⁸⁰

For President Xi and the Chinese government, the top priority in advancing Sino-U.S. relations is risk control. The first and the third points call for effective communication; the second and the fourth points emphasize strengthening economic and cultural interdependence. Through forging effective communication and deep interdependence, the Chinese government aims to avoid escalating tensions. As President Xi said, “there is no such thing as the so-called Thucydides trap

⁷⁸ Richard C. Bush, "Obama and Xi at Sunnylands: A Good Start," Brookings, July 29, 2016, accessed February 23, 2018, <https://www.brookings.edu/blog/up-front/2013/06/10/obama-and-xi-at-sunnylands-a-good-start/>.

⁷⁹ This is also mentioned in Xi's congratulations letter to Trump's inauguration.

⁸⁰ "Full Text: President Xi's Speech on China-US Ties," China Daily, September 24, 2015, accessed February 23, 2018, http://www.chinadaily.com.cn/world/2015xivisit/2015-09/24/content_21964069_3.htm.

in the world. But should major countries time and again make the mistakes of strategic miscalculation, they might create such traps for themselves.”⁸¹

Beijing’s attitude towards Sino-U.S. relations is not consistent at the international and domestic levels. While Beijing tries to push the idea of building a new type of Sino-U.S. relations that benefit both globally, it constantly heeds the encroachment of democracy and liberal ideas from America domestically. Chinese domestic publications often warn its citizens that the U.S. constantly tries to westernize and fragmentize China.⁸² The Chinese government is fully aware of its ambivalence towards the U.S. Yet, it has not been able to avoid it due to the fact that both economic performance and ideological loyalty are important for the regime survival of the Communist Party.

Russia is another great power accepted by China. Unlike its relations with the U.S., China-Russia relations is the exemplar of the major-country diplomacy with Chinese characteristics. Both countries have seen each other as the priorities of foreign relations. That’s what both said; that’s also what both did. Russia is the first foreign country Xi visited after his inauguration in 2013; in the written statement prior to the trip, Xi said: “China will make developing relations with Russia a priority in its foreign policy orientation.”⁸³ In reciprocity, Russia invited Xi to visit Russian Defense Ministry, and Putin commented that the Russian-China relations is at “the best in their centuries-long history.”⁸⁴ The Chinese government

⁸¹ *Ibid.*

⁸² Minxin Pei, "Trump's Trade Rift with China Plants Seeds for Conflict," *Nikkei Asian Review*, February 01, 2018, accessed February 3, 2018, <https://asia.nikkei.com/magazine/20180201/Viewpoints/Minxin-Pei-Trump-s-trade-rift-with-China-plants-seeds-for-conflict>.

⁸³ David M. Herszenhorn and Chris Buckley, "Xi Jinping in Russia to Promote Cooperation," *The New York Times*, March 22, 2013, accessed February 23, 2018, <https://www.nytimes.com/2013/03/23/world/asia/xi-jinping-visits-russia-on-first-trip-abroad.html>.

⁸⁴ *Ibid.*; "Xi Jinping Visits Russian Defence Ministry," Ministry of Foreign Affairs of the People's Republic of China, March 24, 2013, accessed February 23, 2018, http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpcf1_665694/t1025197.shtml.

believes that Sino-Russian relations create a win-win situation that supersedes traditional western zero-sum theory of the balance of power. China's collaboration with Russia is "a ballast stone for world peace and stability."⁸⁵ Despite the close relationship, Fu Ying, the chair of the Foreign Affairs Committee of the National People's Congress of People's Republic of China, representing the Chinese government, openly stated in a Foreign Affairs article that it does not seek an alliance with the Kremlin, as the only objective for Sino-Russian relations for the Chinese government is to work on mutually beneficial fields.⁸⁶

Regarding China's relations with its neighboring countries, Xi Jinping, in his book *The Governance of China*, raised the concept of "friendship, equality, sincerity, reciprocity, and inclusiveness" to achieve win-win outcomes.⁸⁷ Despite the power asymmetry between China and its neighbors in favor of China, Xi rejects the notion that China should be the model for other states necessarily, and moreover, highlights China's non-interference in other countries' domestic affairs.⁸⁸ In a similar vein, China believes that, while promoting economically favorable conditions between China and other regions in the world, it should not sell its model abroad and involve itself with another hegemonic power.⁸⁹ With such a mindset, China has co-established the Shanghai Cooperation Organization, China-ASEAN cooperation mechanism, China-Arab Cooperation Forum, Forum on China-Africa Cooperation, China and Central and Eastern European Countries' Leaders Conference, China-Pacific Islands Forum, and China-CELAC Forum, covering all parts of the developing world.

⁸⁵ "China, Russia Pledge to Play Role of Ballast Stone for World Peace." China Daily. July 5, 2017. Accessed February 23, 2018. http://usa.chinadaily.com.cn/2017-07/05/content_30001645.htm

⁸⁶ Ying Fu, "How China Sees Russia", *Foreign Affairs*, January 2016, accessed December 8, 2017, <https://www.foreignaffairs.com/articles/china/2015-12-14/how-china-sees-russia>.

⁸⁷ Michael D. Swaine, "Xi Jinping on Chinese Foreign Relations: The Governance of China and Chinese Commentary," *China Leadership Monitor*, no. 48 (September 9, 2015): 2, <https://www.hoover.org/sites/default/files/research/docs/clm48ms.pdf>.

⁸⁸ *Ibid*, 6.

⁸⁹ *Ibid*, 7.

3. The American Perspective

American politicians and scholars have all recognized the rise of China. As the global center of power moved to Asia, China's rise attracted America's attention and touched Washington's nerve at the same time. The Obama administration started with a limited experience with China. Obama's first presidential trip to China is his first trip there ever. Despite having little knowledge about China, President Obama had a vision that "America should evolve from a leader into a partner globally."⁹⁰ Obama embodied the belief that the U.S. should give more attention to the rise of the emerging markets who could potentially change the global order. Thus, he often stated at the beginning of his two-term presidency that America welcomes the rise of China. His initial amiable posture gave the media a false impression that America was forming a G-2 with China, which upset both domestic political powers and American allies and partners in Asia-Pacific. The Trump administration has an "America First" policy that directly formulated a negative rhetoric for U.S.-China relations. However, the Trump administration does not have a coherent China attitude or China policy. In the economic dimension, President Trump accused that China has stolen millions of jobs from America in multiple occasions, yet he did not "blame" China for doing so.⁹¹ In the security dimension, President Trump swayed back and forth, sometimes appreciating China's help to solve the threat of North Korea, while other times criticizing China for not pressuring Pyongyang hard enough. Overall, the Trump administration has taken a tougher but inconsistent stance on China's foreign policy.

⁹⁰ Li, "Assessing U.S.-China Relations under the Obama Administration."

⁹¹ Veronica Stracqualursi, "10 times Trump Attacked China and Its Trade Relations with the US," ABC News, November 9, 2017, accessed February 23, 2018, <http://www.bing.com/cr?IG=3A0A95148BB745EFB30B21BF247ACED9&CID=30784AC7247F60D92E52411D25B56157&rd=1&h=wvjORtoYVsLx8K5nwtPqheIkVxWYqEp9N01z6nrE92Y&v=1&r=http://abcnews.go.com/Politics/10-times-trump-attacked-china-trade-relations-us/story?id=46572567&p=DevEx.LB.1,5073.1>.

The increasingly close relations between China and Russia worry many people in Washington and in the West in general. Studies from Washington and its related institutions highlight two features of Sino-Russian relations that the U.S. finds particularly threatening. For one, the U.S. believes that Sino-Russian relations have become asymmetrical, in favor of China. Alexander Gabuev, a scholar at Carnegie Moscow Center, the Russian branch of the Carnegie Endowment for International Peace, represents a group of scholars who views China as the only accessible and substantially large market for Russia after Moscow was sanctioned by the West. The lack of alternatives gives China a leg up in Sino-Russian relations that China could compel Russia in defending Beijing's interests.⁹² This is closely linked to the second concern of Washington: China and Russia are building a de facto anti-West alliance. In a Russia-China relations report compiled by the National Bureau of Asian Research, former Senior Director for Asia on the National Security Council Evan S. Medeiros and senior scholar at RAND Corporation Michael S. Chase identify China's motivations as "spanning Chinese perceptions, interests, and preferences about global security, economic, and diplomatic affairs."⁹³ Whether Russia is on board because of China or because of other reasons does not make a huge difference; the most recent 2017 National Security Strategy and 2018 National Defense Strategy name China and Russia as the largest threats to the United States, pointing out that the U.S. should be prepared to preserve its values and the international system from being subverted by Russia and China. There will be more discussion in the security section on how the U.S. specifically view China, in collaboration with Russia, threatening America's global security paradigm.

⁹² Gabuev, *Friends with Benefit? Russian-Chinese Relations After the Ukraine Crisis*, 29-31.

⁹³ Eugene Rumer, *Russia-China Relations: Assessing Common Ground And Strategic Fault Lines*, Russia's China Policy: This Bear Hug is Real (National Bureau for Asian Research, July 2017), accessed December 8, 2017, 4 http://carnegieendowment.org/files/SR66_Russia-ChinaRelations_July2017.pdf.

In terms of China's relations with its neighbors as well as major blocs of the world, the U.S. worries that China is shaping other countries' behavior through its different types of power, especially its economic power. Two examples will illustrate Washington's concern. The first case is the Philippines. Soon after assuming office, Philippines President Rodrigo Duterte made a diplomatic turn, pivoting away from America and getting closer to China. To solidify Duterte's rebalance to China, Beijing rewarded Manila extensively. During Duterte's state visit to China in October 2016, China granted the Philippines \$9 billion USD in credit, including \$6 billion USD in soft loans.⁹⁴ In addition, Xi and Duterte signed 13 bilateral cooperation documents, one of which promised to build a \$700 million USD steel plant in the Philippines.⁹⁵ China's economic partnership with Duterte reassured him that his rebalance will not have negative economic repercussion. A sustained China-Philippines friendship undermines America's strategic interests near a major point of contention, the South China Sea. The 2017 National Security Strategy warns that China is trying to "pull the region into its orbit through state-led investments and loans."⁹⁶ Another case is in a developed country, Greece. In June 2017, Greece blocked an EU criticism on China's human rights after a Chinese made a huge investment in Greece's port of Piraeus.⁹⁷ Such a series of incidents corroborates the fear of western governments, especially that of the American government, that China might be able to use its economic superiority to penetrate western democracies and force them to give in to China's influence. As written in the 2017 National Security Strategy, one of the priority action for America is to "help maintain the sovereignty [of different countries] as China increases its influence in the region."⁹⁸

⁹⁴ Anthony Fensom, "Duterte Gambles with the Philippines' Economy," *The Diplomat*, October 24, 2016, accessed December 8, 2017, <http://thediplomat.com/2016/10/duterte-gambles-with-the-philippines-economy/>.

⁹⁵ Prashanth Parameswaran, "The Limits of Duterte's US-China Rebalance," *The Diplomat*, October 24, 2016, accessed December 8, 2017, <http://thediplomat.com/2016/10/the-limits-of-dutertes-us-china-rebalance/>.

⁹⁶ The United States, The White House, *National Security Strategy of the United States of America*, 51.

⁹⁷ "What to Do about China's 'Sharp Power'." *The Economist*.

⁹⁸ The United States, The White House, *National Security Strategy of the United States of America*, 50.

III. Multilateral Diplomacy

1. The Objective Narration

China has been long interested in pursuing multilateral diplomacy. In the first ten years of the 21st century, China mostly joined international institutions and participated in newly founded regional institutions. China became an official World Trade Organization (WTO) member in 2001, and jointly started AESAN+3 and ASEAN+6. In the same year, China led the creation of the Shanghai Cooperation Organization with Russia, connecting countries in Central Asia. In 2006, the BRICs, an organization for emerging markets, was founded. Security-wise, China took the initiative in holding and maintaining the Six-Party Talks.

Starting in the second ten years, China's multilateral diplomacy began to enlarge its circle of influence. In October and November 2013, the Chinese government raised the idea of building "the Silk Road Economic Belt" (SREB) and the "21st Century Maritime Silk Road" (MSR), aspiring to connect East Asia, Southeast Asia, South Asia, the Middle East, Eurasia, and Europe. Together known as the "One Belt, One Road" (OBOR) strategy or the "Belt and Road Initiative" (BRI), the initiative shifted China's focus westward. Although the U.S. tried to dissuade its European and Asian partners and allies from joining the initiative, BRI was welcomed by European powers such as Britain, France, and Germany as they see the prosperity of Eurasia as the key to further their economic growth.⁹⁹

Beijing's initiative is well-equipped with funding sources. The creation of the Asian Infrastructure Investment Bank (AIIB) aimed at matching the function of the World Bank, the International Monetary Fund, and the Japanese-led Asian Development Bank as a multilateral

⁹⁹ Aaron Jed Rabena, "China's Counter-Pivot Response," *International Policy Digest*, May 11, 2015, accessed December 17, 2016, <https://intpolicydigest.org/2015/05/11/china-s-counter-pivot-response/>.

financing source.¹⁰⁰ Despite U.S. opposition, many U.S. allies like Australia, South Korea, Britain, and France joined the AIIB as founding members. China intends to perform massive infrastructure building, including 80,000 kilometers of high-speed rail links, “major expansion of road, oil and gas pipelines and digital cables, along with power production and energy grids.”¹⁰¹ The initial funding of the AIIB is supposed to surpass at least \$100 billion. Further, the Chinese government devoted enough money into other funds, with \$40 billion for Silk Road Fund, \$46 billion for the China-Pakistan economic corridor, and \$10 billion for the BRICS-led New Development Bank. The China Development Bank believes that the total spending for BRI should reach \$1 trillion.¹⁰²

In addition to founding new institutions, Chinese leaders hosted and appeared in the most important meetings and conferences around the world. In 2014, China hosted the 22nd APEC Economic Leaders’ Meeting in Beijing. In 2016, China hosted the G20 summit in Hangzhou. In 2017, President Xi Jinping gave a speech at the World Economic Forum in Davos. Later in the same year, China hosted the Belt and Road Forum for International Cooperation, discussing the possibility of pushing forward ideas that could propel global development. All of this progress has suggested that China has assumed an increasingly larger role in global governance. Compared to the first ten years of 21st century, the second ten years have become more economically focused.

2. The Chinese Perspective

¹⁰⁰ *Ibid.*

¹⁰¹ Peter Symonds, “One Belt, One Road: China’s Response to the US “Pivot”,” World Socialist Web Site, December 4, 2015, accessed December 17, 2016, <https://www.wsws.org/en/articles/2015/12/04/obor-d04.html>.

¹⁰² *Ibid.*

After more than four decades in the United Nations, two decades in the World Trade Organization, and a decade participating in the leaders' summits of G20, China believed that the American-built global governance system are "the world's only set of fairly mature multilateral governance regimes that covers all sovereign states."¹⁰³ However, China has several concerns over the system in which emerging markets are not proportionally represented, including the U.S. commitment in maintaining and continuously investing in such a regime to reflect the new interests. Simultaneously, China sees the concern from Washington where local politicians are worried that China will give up Deng Xiaoping's "hide and bide" and become assertive globally.¹⁰⁴

In light of the concerns of both Chinese and Americans, China champions "democratization in international relations based on national sovereignty."¹⁰⁵ Specifically, China adopts a three-step approach to global governance reform.¹⁰⁶ First, China believes that the existing system is beneficial to most of the countries in the world. Thus, China only reforms necessary parts that can make it fairer and more efficient. It does not aim for a revisionist outcome. Second, the reform will be based on the common standing of all entities involved. And thirdly, China will try to work closely with the United States to reform global institutions. As Chinese President Xi Jinping said at UN Office in Geneva in January 2017, the world has been deeply connected, and it should aim at building a community of common destiny.¹⁰⁷

¹⁰³ Wei Da and Wen Wang, "Towards Better Global Governance," in *China-US Relations: Exploring a New Pathway to A Win-win Partnership* (2017), 64, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

¹⁰⁴ Jisi Wang, Peng Yuan, and Minghao Zhao, "Overview," in *China-US Relations: Exploring a New Pathway to A Win-win Partnership* (2017), 10, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

¹⁰⁵ *Ibid*, 8.

¹⁰⁶ Da and Wang, "Towards Better Global Governance," 63.

¹⁰⁷ "Speech By President Xi Jinping At the United Nations Office at Geneva," Embassy of the People's Republic of China in the Republic of Iraq, January 18, 2017, accessed February 23, 2018, <http://iq.chineseembassy.org/eng/zygx/t1432869.htm>.

3. The American Perspective

Washington fully understands Beijing's desire to reform the structure of global institutions. It poses a welcoming posture to this inclination because it understands that when the U.S. and China work together, it is often much easier to reach an efficient outcome. However, Washington is very careful about how China promotes its interests. It is afraid that China would undermine U.S. interests in the process of reform. This worry has increased especially in the past few years because China took a stronger stance in its participation in multilateral institutions and global governance. Washington's concern is exacerbated by two factors of this participation. On the one hand, American experts on China believe that regional institutions such as the Asian Development Bank cannot match the rising capability of the Asian Infrastructure Investment Bank.¹⁰⁸ On the other hand, they believe that the picture that President Xi tries to show the global community does not match the reality.¹⁰⁹ On the economic front, China has become domestically protectionist and continues to put restrictions on global movements of capital and ideas. On the political front, China rejects the Hague ruling of the South China Sea dispute, discrediting the Hague court as a credible rule-based multilateral institutions. In addition, China disappointed Washington because China, as a permanent UN Security Council member, has vetoed and threatened to veto resolutions that it deemed harmful to its interests.¹¹⁰ Growing pessimism in the U.S. does not mean that American experts on China are discrediting China's global governance

¹⁰⁸ Michael Auslin, "President Xi's Power Grab Will Have Global Repercussions," *The Spectator*, February 28, 2018, accessed March 23, 2018, <https://blogs.spectator.co.uk/2018/02/president-xis-power-grab-will-have-global-repercussions/>.

¹⁰⁹ Melanie Hart, Elizabeth C. Economy, and Paul Gewirtz, "Asia-Pacific Security Issues in the U.S.-China Relationship," in *Joint US-China Think Tank Project on the Future of US-China Relations: An American Perspective* (2017), 51, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

¹¹⁰ Christensen, *The China Challenge: Shaping the Choices of a Rising Power*, 25.

efforts. After the U.S. pulled out from the Paris Climate Agreement, China's leadership in global climate and environment governance received a welcome from the United States. In this field, Beijing earned Washington's trust because Washington believes that Beijing's global and domestic environmental interests align almost perfectly.¹¹¹ Thus, Beijing's benign intention is taken well by Washington.

IV. Security and Military

1. The Objective Narration

The security environment around China has been complicated. There are several major issues at stake, including THAAD missile defense system in South Korea, the East and South China Seas dispute and defense, Taiwan, and Doklam/Donglang standoff with regard to India. Facing these security concerns, China has taken multiple steps in response. In November 2013, China unexpectedly declared an air defense identification zone (ADIZ), which overlaps with South Korea's and Japan's ADIZ. In late March 2014, the Chinese Coast Guard provoked negative reactions in the Philippines by harassing and attempting to block a Filipino ship bringing supplies and fresh troops to a Filipino Navy ship that had been grounded on the disputed Second Thomas Shoal in 1999 and had been occupied by Filipino Marines ever since. Islands reclamation and construction in the South China Sea have been continuing. Most constructions could serve both civil and military uses, including airports and warehouses. Most recently, however, China has set up jammers on some islands in the South China Sea for exclusive military use.¹¹² Similar construction has also happened near Sino-Indian border where

¹¹¹ Hart, Economy, and Gewirtz, "Asia-Pacific Security Issues in the U.S.-China Relationship," 49.

¹¹² David Brennan, "Beijing's South China Sea Military Bases Now Have Jammers That Can Block Radar and Communications, U.S. Officials Say," Newsweek, April 09, 2018, accessed February 23, 2018,

recently built roads enable China to project its power more rapidly and closer to its border. For THAAD and Taiwan issues, China has mixed security and economic responses. China has cut trade in both goods and services with South Korea and Taiwan after each became provocative to Beijing.¹¹³ Most recently, the Chinese battleships and airplanes conducted drills that encircled the Taiwan islands.¹¹⁴

The complex geopolitical situations around China means that China needs to put a lot of resources into building up its military and security paradigm. China's military spending has continued to grow over the past decades. In the last five years, average defense budget increase has been around 10 percent. In recent years, People's Liberation Army (PLA) has launched massive modernization programs. China's military upgrade has been across different arms of services. In the PLA Navy, the first aircraft carrier "Liaoning" was commissioned in 2012 and was combat-ready in 2016. In addition, new supply ships, naval training ships, and a new-generation destroyer were introduced in the past few years. In the PLA Air Force, J-20 stealth fighter jets have started to build up operational capability. J-15 carrier-based fighter jets are also in the process of training with "Liaoning." J-31 stealth fighter jets are also being built. H-6K bombers also conducted several long-range trips into the Pacific. In the PLA Rocket Force, the DF-21D anti-ship ballistic missile posed a serious danger to the navy of foreign forces. Nuclear modernization of China poses a greater deterrence to other nuclear powers.

<http://www.newsweek.com/beijings-south-china-sea-military-bases-now-have-jammers-can-block-american-877604>.

¹¹³ Ethan Meick and Nargiza Salidjanova, *China's Response to U.S.-South Korean Missile Defense System Deployment and Its Implications*, report, July 26, 2017, , accessed February 20, 2018,

https://www.uscc.gov/sites/default/files/Research/Report_China%27s%20Response%20to%20THAAD%20Deployment%20and%20its%20Implications.pdf.

¹¹⁴ "PLA Planes Fly around Taiwan Again," Taipei Times, December 19, 2017, accessed February 23, 2018, <http://www.taipeitimes.com/News/front/archives/2017/12/19/2003684229>.

2. The Chinese Perspective

China's national strategy is "to secure a peaceful environment for China's development and to maintain and promote world peace through its development."¹¹⁵ To achieve its stated goal, Beijing believes that military modernization and capacity building are necessary to protect its national interests, including "[maintaining] national sovereignty, security, unification, and territorial integrity; [addressing] military threats and emergencies; [safeguarding] the political system and the leadership of the Communist Party of China stipulated in the Constitution; [promoting] social stability and sustained economic development; and [contributing] to world peace."¹¹⁶

To serve China's national strategy and core interests, China's overall military and security strategy includes "guideline of active defense, and the principles of defense, self-defense, and retaliation as opposed to pre-emptive strikes," which dictate its policies and actions in the region.¹¹⁷ Facing the pressure of U.S. rebalance to Asia strategy, China tries to ensure its sphere of influence and protect its core interests. On the issue of Taiwan, Donglang, and the South China Sea, China is determined to protect its sovereignty. On the issue of the danger of THAAD and nuclear threat of North Korea, the Chinese government has opted for a more vocal than practical response.¹¹⁸ Both of them show that, despite its capacity building and determination, China understands that any form of military competition with the U.S. is not in the interest of China and prefers a stable Asia without military confrontation. China would prefer not to put itself in an arms race.¹¹⁹ Overall, the Chinese government has demonstrated a

¹¹⁵ Yunzhu Yao, et al., "China-U.S. Military Relations: Evolution, Prospect and Recommendations," in *China-US Relations: Exploring a New Pathway to A Win-win Partnership* (2017), 39, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

¹¹⁶ *Ibid*, 40

¹¹⁷ *Ibid*, 39

¹¹⁸ *Ibid*, 45

¹¹⁹ *Ibid*, 41

generally tough attitude regarding its security interests though there are many practical reservations.

3. The American Perspective

In the past half a decade, the American perception on Chinese security and military policy has worsened significantly. The 2014 Quadrennial Defense Review acknowledged that powerful military forces are emerging, highlighting China's continuing military modernization. The concern was "lack of transparency and openness from China's leaders regarding both military capabilities and intentions."¹²⁰ Since 2015, the "China threat" argument has become much stronger. The 2015 National Security Strategy has identified China's involvement in the East and South China Seas as a threat to American security interests. The "China threat" argument has also been revealed in the 2015 National Military Strategy and the 2016 Defense Posture Statement.¹²¹ Under the Trump Administration, the "China threat" argument looms even larger. In the 2017 National Security Strategy, China is said to be the most significant security challenge to the United States.¹²² In the 2018 National Defense Strategy, China is first mentioned as a "strategic competitor" to the United States and a "revisionist power."¹²³ In addition, the U.S. has viewed Chinese military and security buildups as coercive in nature by gaining "veto power of other nations' decision," "displacing the U.S. in the [Asia-Pacific] region, "[replacing] U.S. military hegemony" with its own.¹²⁴

¹²⁰ "2014 Quadrennial Defense Review Fact Sheet," U.S. Department of Defense, March 4, 2014, 4, accessed February 20, 2018,

https://www.defense.gov/Portals/1/Documents/pubs/20140302_FINAL_QDR_Fact_Sheet_v13_CLEAN.pdf.

¹²¹ Yunzhu Yao, *et al.*, "China-U.S. Military Relations: Evaluation, Prospect and Recommendations," 42.

¹²² The United States, The White House, *National Security Strategy of the United States of America*, 2.

¹²³ The United States, Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge*, January 19, 2018, 1-2, accessed March 13, 2018, <https://www.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

¹²⁴ *Ibid*, 1-3.

Regarding specific Chinese military and security actions in the Asia-Pacific, the U.S. deems them as signs of a fundamental disregard of U.S. interests in the region and a challenge to U.S. global military hegemony. These actions take a variety of forms.¹²⁵ The creation of the East China Sea ADIZ took the political form. Putting trade barriers against South Korea took the economic form. Building roads in China-India-Bhutan border and seizing the Scarborough Shoal took the physical form. Nonetheless, all these actions demonstrate an increasing amount of assertiveness of the Chinese government and the PLA.¹²⁶

A special report written by three U.S. military experts, namely David M. Finkelstein, Phillip C. Saunders, and Randall G. Schriver, reveals some common perceptions in the U.S. defense circles regarding China and its defense policy.¹²⁷ These typical perceptions include 1) that CCP believes that the U.S. is generally politically hostile towards the regime and hopes to adopt a containment strategy, 2) that the PLA assessment has indirectly pointed out that the U.S. has “dark motives” against the PLA, 3) that “China’s desire to counter U.S. capabilities... in the vicinity of the PRC” drives the PLA modernization and military policy, 4) that, fortunately, both the PLA and the U.S. military would love to reduce unnecessary confrontations when possible, and 5) that both believe direct military conflicts are more likely to happen in the sea.

IV. Economic Engagement

1. The Objective Narration

¹²⁵ Christensen, *The China Challenge: Shaping the Choices of a Rising Power*, 265-6.

¹²⁶ *Ibid.*

¹²⁷ David M. Finkelstein, Phillip C. Saunders, and Randall G. Schriver, "The Military and Defense Dimensions of United States Relations with China," in *Joint US-China Think Tank Project on the Future of US-China Relations: An American Perspective* (2017), 34-37, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

Since the opening up and reform, China gradually opened its door to the world by reforming its domestic and foreign economic policy. Most noticeable change is the economic reform. After the 18th National People's Congress in 2013, the world has been waiting for more economic reform as people have high expectation for President Xi and Premier Li Keqiang. For the past five years, China has pushed for domestic reforms in both trade and financial sectors. Most recently, at the 2018 Bo'ao Forum for Asia, President Xi announced several measures to liberalize Chinese economy, including lowering tariffs on imported vehicles and protecting intellectual property.¹²⁸ At the same time, however, there is still state interventions. The Chinese government has intervened in the rate of foreign exchange and controlled capital outflow.¹²⁹ Both liberal policies and statist measures have been implemented during Xi's era.

Despite how policies have developed, China's economic engagement with the rest of the world has always been increasing. In 2017, the total import and export value of China reached \$4.1 trillion USD.¹³⁰ During Xi's era, China's trade volume (two ways combined) has been around \$4 trillion USD.¹³¹ China and the U.S have been the largest trading partner of each other. By 2016, China-U.S. bilateral trade reached \$519.6 billion USD, a 40-fold increase compared to the start year of opening up and reform.¹³² Similarly, bilateral trade with the European Union,

¹²⁸ Everett Rosenfeld and Huileng Tan, "China's Xi Announces Plans to 'open' China, including Lowering Tariffs on Imported Autos," CNBC, April 9, 2018, accessed April 11, 2018, <https://www.cnbc.com/2018/04/09/chinese-president-xi-jinping-speaks-at-boao-forum-for-asia.html>.

¹²⁹ Scott Kennedy and Elizabeth C. Economy, "US-China Economic Relations: Toward a Genuine Win-Win Outcome," in *Joint US-China Think Tank Project on the Future of US-China Relations: An American Perspective* (2017), 11, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

¹³⁰ "Brief Statistics on China's Import & Export in December, 2017," Ministry of Commerce of the People's Republic of China, January 20, 2018, accessed April 1, 2018, <http://english.mofcom.gov.cn/article/statistic/BriefStatistics/201804/20180402733509.shtml>.

¹³¹ "China Trade Summary," World Bank, accessed April 15, 2018, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/LTST/Summary>.

¹³² "Brief Statistics on China's Import & Export in December, 2017," Ministry of Commerce of the People's Republic of China.

Russia, and major blocs of the world have also had a comparable increase. And China enjoyed a trade surplus in most of these relationships.

In addition to bilateral progress, the Chinese government has also promoted several multilateral mechanisms to globalize its economy, including both economic initiatives and multilateral institutions. Briefly introduced in the multilateral diplomacy dimension, China joined the WTO and the Asia-Pacific Economic Cooperation (APEC) in 2001, starting to participate in the global economic order and integrate into the world economy. As the Chinese economy grew rapidly, China co-initiated the BRICs (later BRICS) in 2006, and then put forward BRI and AIIB in 2013. In November 2017, the Regional Comprehensive Economic Partnership, which comprises ASEAN countries, China and five other regional countries, had its first Leaders' Summit, which is a serious step towards its conclusion of negotiations.¹³³ In these efforts, China has gone through a transition from a participant of the global economy to a leader in fewer than two decades.

China has also pushed for the internationalization of its currency, the Renminbi (RMB). When China first tried to add its currency to the Special Drawing Rights (SDR) basket in 2010, the International Monetary Fund (IMF) rejected its request.¹³⁴ After President Xi came into office, along with the Chinese government, he has launched a global campaign to reform the international monetary system. In 2015, the IMF finally accepted the RMB into the SDR basket and gave 10.92 percent of the weight to RMB.¹³⁵ The reassignment made the Chinese RMB the

¹³³ "RCEP Member Countries to Have Their First Summit Meeting This Month," Business Korea, November 07, 2017, accessed April 15, 2018, <http://www.businesskorea.co.kr/news/articleView.html?idxno=19749>.

¹³⁴ Hongying Wang, "China and the International Monetary System," Foreign Affairs, December 19, 2017, accessed April 15, 2018, <https://www.foreignaffairs.com/articles/asia/2017-12-19/china-and-international-monetary-system>.

¹³⁵ *Ibid.*

third largest currency in SDR, smaller than the U.S. dollar and the euro but larger than the yen and the British pound.

2. The Chinese Perspective

Peaceful development has been the central theme of Chinese foreign policy. To China, its peaceful development is the key to China's success in the past four decades. The Chinese government has tried to strive for economic globalization so that it could achieve a win-win situation. In many occasions, Chinese President Xi Jinping has stressed the importance of globalization. In September 2015, Xi delivered a speech in Seattle, addressing the importance of reinforcing win-win cooperation.¹³⁶ During the 2016 APEC Economic Leaders' Meeting in Hangzhou, he stressed the necessity to expedite the process of economic globalization.¹³⁷ At the 2017 Davos World Economic Forum, Xi said, "in the face of both opportunities and challenges of economic globalization, the right thing to do is to seize every opportunity, jointly meet challenges and chart the right course for economic globalization."¹³⁸ Xi's speeches meant that China's economic engagement with the rest of the world is of ultimate importance to China.

Having the determination in mind, the world now faces three critical issues according to President Xi, including first, a lack of robust driving forces for global growth, second, inadequate global economic governance, and third, uneven global development.¹³⁹ Existing global institutions and economic orders are not able to catch up with the changes in new industrial and economic landscape. The Chinese economic actions are attempts to solve these problems.

¹³⁶ "Full Text of Xis Speech on China-US Relations in Seattle," China.org, September 24, 2015, , accessed April 15, 2018, http://china.org.cn/xivisituz2015/2015-09/24/content_36666620.htm.

¹³⁷ "Full Text of Xi's Remarks at Session I of APEC Economic Leaders' Meeting," China Daily, November 12, 2017, accessed April 15, 2018, http://www.chinadaily.com.cn/china/2017-11/12/content_34425873.htm.

¹³⁸ "Full Text of Xi Jinping Keynote at the World Economic Forum," CGTN America, January 17, 2017, , accessed April 15, 2018, <https://america.cgtn.com/2017/01/17/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>.

¹³⁹ *Ibid.*

China's domestic economic reform strives for "a dynamic, innovation-drive growth model" in China; furthering bilateral trade creates a win-win situation; launching new economic initiatives as well as institutions and pushing for internationalization of RMB create a more equitable and inclusive global economic model.¹⁴⁰ With economic links, the world would be bounded closer and a community of common destiny would come to fruition.

China believes that its economic view will create a positive sum result that is better off for all than the zero sum game played by the Trump Administration. China believed that the rise of the emerging markets means that they received less representation of voices than what they should have received. To experts in China, the U.S. should be fully aware that post-World War II global economic order has favored itself the most, and it is time for China to correct it.¹⁴¹

3. The American Perspective

The U.S. believes that, after China's opening up and reform, it has achieved a certain level of economic reform and liberalization. America, China, and the rest of the world have benefited from it. However, the speed and extent of the reform have not met Washington's expectations. SOEs continued to receive subsidies from the government; exchange rate of currency has been intervened; capital flow is still controlled. Although China's reform is still undergoing and more liberal measures are said to unfold, many have called them "too little, too late."¹⁴² There is a stronger consensus in the U.S. that China should liberalize its economy more and closely follow its commitment to the rules of the WTO and its bilateral trade agreements

¹⁴⁰ *Ibid.*

¹⁴¹ Fan He, *et al.*, "The Future of Economic Cooperation and Conflicts between China and the United States," in *China-US Relations: Exploring a New Pathway to A Win-win Partnership* (2017), 21, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

¹⁴² Jane Cai, "Too Little, Too Late? Foreign Bankers Fall out of Love with China," *South China Morning Post*, March 04, 2018, accessed April 15, 2018, <http://www.scmp.com/news/china/economy/article/2135623/too-little-too-late-foreign-bankers-fall-out-love-china-beijing>.

with the United States. Otherwise, the U.S. should employ necessary measures to ensure that China follows those requirements, including shifting from a strategy of general cooperation to conditional or constrained cooperation, mostly in trade, investment and high-tech sectors.¹⁴³

In addition, as China became more technologically advanced, the U.S. and China have become more substitutive than complementary. The U.S. has been accusing that China has not been following the rules of the WTO and that China has been profiting from its violation. According to the 2017 National Security Strategy, China has stolen the intellectual property of the U.S. at a level of hundreds of billions dollars per year.¹⁴⁴ As two prominent American scholars, Scott Kennedy and Elizabeth Economy said, “what was once the ballast of the relationship has increasingly becoming a source of growing tensions. The two economies appear less complementary and increasingly competitive.”¹⁴⁵ The increasing sense of competitiveness and the growing sense of unfairness jointly produce a tougher stance on China.

On China’s multilateral cooperation and institutions, China believes that it has had strategic gains from its unfair trade practices and investment with Europe.¹⁴⁶ In a similar vein, China has also dominated its trade relationships with emerging markets and developing countries. The 2017 U.S. National Security Strategy called for providing alternatives of economic partners to these countries by promoting American goods and services.¹⁴⁷ Regarding China’s request to join the SDR basket, the U.S. believes that the Chinese fiscal and monetary

¹⁴³ Kennedy and Economy, "US-China Economic Relations: Toward a Genuine Win-Win Outcome," 14.

¹⁴⁴ The United States, The White House, *National Security Strategy of the United States of America*, 21.

¹⁴⁵ Kennedy and Economy, "US-China Economic Relations: Toward a Genuine Win-Win Outcome," 10.

¹⁴⁶ The United States, The White House, *National Security Strategy of the United States of America*, 47.

¹⁴⁷ *Ibid*, 53.

systems do not meet the standard to be included. Instead, it asks China to further its economic liberalization and reform.¹⁴⁸

¹⁴⁸ Paul Taylor, "China Knocking on Door of IMF's Major League, U.S. Wavers," Reuters, April 02, 2015, , accessed April 15, 2018, <https://www.reuters.com/article/us-china-imf-sdr-insight/china-knocking-on-door-of-imfs-major-league-u-s-wavers-idUSKBN0MT0LB20150402>.

Chapter 4 – The Case of the South China Sea

The last two chapters have set up the background to conduct a joint theoretical and empirical analysis of the Chinese and American perceptions on the Chinese foreign policy. In this chapter and next, two cases in different spheres of Chinese foreign policy will be examined. This chapter will focus on the case of the South China Sea. The next chapter will focus on the Belt and Road Initiative.

The South China Sea was selected as the first case because tensions between the American and Chinese perceptions involve multiple dimensions discussed in the last chapter. The South China Sea is a strategically crucial sea line of communication, connecting countries from the Middle East to Northeast Asia. Such a passage not only influences both China's and America's relations with regional countries but also determines the security paradigm in the region. The political wrestling between the U.S. and China in the South China Sea is a microcosm of that in the Asia-Pacific. Further, the Hague ruling over the case of *The Republic of the Philippines V. The People's Republic of China* reflects that the outcome of the South China Sea disputes sheds light on the effectiveness of current multilateral institutions and the development of future global governance. Existing international institutions are not able to bridge the gap between American and Chinese perceptions.

With the strategic importance of the South China Sea in mind, this chapter will first recount major steps China has taken since the South China Sea became contentious in the 2010s. Then both Chinese and American perceptions on Chinese rhetoric and action will be introduced, analyzed, and compared. I will single out reasons that led to different perceptions, examine whether misperceptions exist, and figure out how different perceptions undermine Sino-U.S. relations. Lastly, I will give my recommendations on what both countries can do to reduce

misperceptions and bridge the gap between different perceptions, which, in turn, will strengthen Sino-U.S. relations in a time of tension.

I. Unfolding China's Actions in the South China Sea

Historically, the South China Sea has been at the center of Sino-U.S. relations, with both direct and indirect conflict between the two countries. An example of direct tension was the Hainan Island incident. In 2001, a Chinese J-8II interceptor fighter collided with a U.S. EP-3 intelligence aircraft in the South China Sea, resulting in the death of the Chinese pilot and the forced landing of the American aircraft in Hainan, China. Tensions escalated until a letter was delivered from the U.S. ambassador in China to the Chinese foreign minister. The letter was written ambiguously, with the intention that either side could interpret in its own favor. Tensions gradually defused as the translation from English to Chinese gave enough leeway for both countries retain their diplomatic dignity.

More often, indirect conflict takes the form of tensions between China and U.S. security allies and partners in the region. Conflictual territorial claims over the South China Sea islands among neighboring countries have existed for a long time. Rich natural resources in the ocean and the waterway's strategic importance have contributed to tensions among these nations, since the South China Sea has proven reserve of seven billion barrels of oil and 900 trillion cubic feet of natural gas, and a third of global shipping goes through it.¹⁴⁹ Currently, six countries and regions, including China, Taiwan, Malaysia, Vietnam, the Philippines, and Brunei, hold sovereignty claims over the islands. Among all the islands and reefs, the Spratly Islands (Chinese

¹⁴⁹ Beina Xu, "South China Sea Tensions," Council on Foreign Relations, May 14, 2014, accessed April 05, 2018, <https://www.cfr.org/background/south-china-sea-tensions>; "How Much Trade Transits the South China Sea? | China Power Project." How Much Trade Transits the South China Sea? October 27, 2017. Accessed April 05, 2018. <https://chinapower.csis.org/much-trade-transits-south-china-sea/>.

name *Nansha*), Paracel Islands (*Xisha*), Pratas Islands (*Dongsha*), Macclesfield Bank (*Zhongsha*), and Scarborough Shoal (*Huangyan Dao*) are most contentious.

Long-standing conflicts reemerged and have been exacerbated gradually since 2011, when China believed an Indian vessel intruded into Chinese territory. In April 2012, the Philippine Navy detained some Chinese fishermen who were harvesting in disputed waters. In response, China took control and blocked the Scarborough Shoal's lagoon and prevented Philippine ships from resting. Three months later, China created a new city, *Sansha*, to govern the Paracel Islands, Macclesfield Bank, and the Spratly Islands.¹⁵⁰

In January 2013, the Philippines brought up a compulsory arbitration against China under the United Nations Convention on the Law of the Sea (UNCLOS). In the month after, China returned the Philippines' note verbale and expressed its non-acceptance and non-participation stance regarding the case.¹⁵¹ In December 2014, China published its Position Paper on the South China Sea arbitration. The Position Paper stated China's position that the Arbitral Tribunal did not have jurisdiction over the case brought by the Philippines because "the subject-matter is territorial sovereignty over several maritime features," which does not fall within the jurisdiction of the UNCLOS declaration filed by China.¹⁵² On July 12, 2016, the court ruled unanimously in favor of the Philippines. Two days later, the Chinese foreign ministry published another report rejecting the ruling of the tribunal court.

¹⁵⁰ Christensen, *The China Challenge: Shaping the Choices of a Rising Power*, 260.

¹⁵¹ People's Republic of China, Ministry of Foreign Affairs, *Summary of the Position Paper of the Government of the People's Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines*, December 7, 2014, accessed March 1, 2018, http://www.fmprc.gov.cn/nanhai/eng/snhwtlcwj_1/t1368898.htm.

¹⁵² People's Republic of China, Ministry of Foreign Affairs, *Ministry of Foreign Affairs of the People's Republic of China Is Authorized to Release the Position Paper of the Government of the People's Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines*, December 7, 2014, accessed March 1, 2018, http://www.fmprc.gov.cn/nanhai/eng/snhwtlcwj_1/t1368899.htm.

Despite China's rejection of the Hague ruling, China has continued its endeavors to solve maritime disputes through bilateral negotiations with other involved parties. In the initial aftermath of the Hague ruling, China prevented ASEAN countries from collectively criticizing China by selectively approaching some members of ASEAN to block the joint criticism. Two weeks after the Hague ruling, Cambodia stepped forward in an ASEAN meeting to block a joint statement criticizing China.¹⁵³ Later, China's rapprochement with the Philippines became evident when, as the 2017 ASEAN, the Philippines avoided mentioning China's reclamation and construction activities in the South China Sea.¹⁵⁴ In May 2017, China and ASEAN reached a framework for a code of conduct (COC) for the disputed South China Sea. This code of conduct is seen as a continuation of the 2002 Declaration on the Conduct of the Parties (DOC) in the South China Sea.¹⁵⁵

During Beijing's contact with Manila, two issues are especially important: island reclamation and island construction. Through negotiations, China agreed to Philippine's proposal that neither side reclaims more islands.¹⁵⁶ Nonetheless, new construction is not completely solved. In August 2017, China protested to the Philippines for new construction on a sandbar in the Spratly Islands. Three months later, Philippine President Duterte halted the construction.¹⁵⁷ In comparison, China continued its construction on Fiery Cross Reef (*Yongshu Jiao*) and showed

¹⁵³ Manuel Mogato, "ASEAN Deadlocked on South China Sea, Cambodia Blocks Statement," Reuters, July 26, 2016, accessed March 20, 2018, <https://www.reuters.com/article/us-southchinasea-ruling-asean/asean-deadlocked-on-south-china-sea-cambodia-blocks-statement-idUSKCN1050F6>.

¹⁵⁴ Ankit Panda, "China, ASEAN Come to Agreement on a Framework South China Sea Code of Conduct," The Diplomat, May 19, 2017, accessed March 20, 2018, <https://thediplomat.com/2017/05/china-asean-come-to-agreement-on-a-framework-south-china-sea-code-of-conduct/>.

¹⁵⁵ *Ibid.*

¹⁵⁶ "Philippines to Protest to China over Apparent Airbase on Manmade...", Reuters, January 09, 2018, accessed March 19, 2018, <https://www.reuters.com/article/us-southchinasea-philippines-china/philippines-to-protest-to-china-over-apparent-airbase-on-manmade-island-idUSKBN1EY0H8>.

¹⁵⁷ Norman P. Aquino, "Philippines Dismantles Spratly Islands Huts After China Protest," Bloomberg, November 08, 2017, accessed March 19, 2018, <https://www.bloomberg.com/news/articles/2017-11-08/philippines-dismantles-spratly-island-huts-after-beijing-protest>.

footage of its transformation on China Central Television, China's state-controlled television broadcaster.¹⁵⁸ Despite the Philippines' protest, the Chinese government claimed that the construction was intended to improve disaster prevention capability for civil use.¹⁵⁹

In addition to military buildups on maritime features, China has used its navy and air force for shows of force in the South China Sea and nearby waters. China's sole aircraft carrier *Liaoning* has conducted several drills in the South China Sea and sailed into the Western Pacific. The H-6K heavy bombers have taken similar trips and patrolled near disputed islands. In response to China's actions, and to ensure American interests, the U.S. Navy started the first freedom of navigation operations (FONOPs) in October 2015.¹⁶⁰ In 2016 and 2017, the U.S. conducted three and four U.S. FONOPs, respectively.¹⁶¹ Again, in January 2018, U.S. Destroyer *USS Hopper* conducted a FONOP within 12 nautical miles of Scarborough Shoal.¹⁶² This is the fifth FONOP since the Hague ruling rejected China's territorial claim over the man-made islands. In response, China has taken both diplomatic and security measures. Spokespersons of China's foreign ministry have repeatedly accused the U.S. of illegal entrance into Chinese waters and of threatening regional stability.¹⁶³ In addition, Chinese vessels shadowed the U.S. ships

¹⁵⁸ "Philippines to Protest to China over Apparent Airbase on Manmade...," Reuters, January 09, 2018, accessed March 19, 2018, <https://www.reuters.com/article/us-southchinasea-philippines-china/philippines-to-protest-to-china-over-apparent-airbase-on-manmade-island-idUSKBN1EY0H8>.

¹⁵⁹ *Ibid.*

¹⁶⁰ Cid Standifer, "A Brief History of U.S. Freedom of Navigation Operations in the South China Sea," USNI News, July 02, 2017, accessed March 20, 2018, <https://news.usni.org/2017/05/29/brief-history-us-freedom-navigation-operations-south-china-sea>.

¹⁶¹ Ankit Panda, "South China Sea: Fourth US FONOP in Five Months Suggests a New Operational Rhythm," The Diplomat, October 12, 2017, accessed March 19, 2018, <https://thediplomat.com/2017/10/south-china-sea-fourth-us-fonop-in-five-months-suggests-a-new-operational-rhythm/>.

¹⁶² Ankit Panda, "South China Sea: US Destroyer Conducts Freedom of Navigation Operations Near Scarborough Shoal," The Diplomat, January 22, 2018, accessed March 21, 2018, <https://thediplomat.com/2018/01/south-china-sea-us-destroyer-conducts-freedom-of-navigation-operations-near-scarborough-shoal/>.

¹⁶³ Ankit Panda, "How China Reacted to the Latest US South China Sea FONOP," The Diplomat, May 12, 2016, accessed March 20, 2018, <https://thediplomat.com/2016/05/how-china-reacted-to-the-latest-us-south-china-sea-fonop/>.

when they conducted FONOPs.¹⁶⁴ Overall, the PLA Navy and Air Force have increased their presence in the South China Sea.

II. Chinese and American Perceptions

Chinese Perception

The Chinese government believes that it has sovereignty rights, since ancient times, over the islands, shoals, and reefs in the South China Sea within the Nine-Dash Line. The Chinese people claim to be the first to “discover, name, explore and exploit the resources” of the South China Sea.¹⁶⁵ China thus argues it has legitimate reasons to build both civilian and military facilities on these maritime features, and send coast guard, air force, and navy personnel to patrol the water. For those maritime features claimed by China but not under Chinese control, China proposes that bilateral negotiations should be the means to solve the problem.¹⁶⁶ Beijing believes that non-regional parties should not be involved in regional issues as they may complicate the situation. Upholding a rule-based order in the South China Sea while hoping to address the issue bilaterally, China hopes that the U.S. would support the negotiation of COC.

In keeping with this, China believes that its non-acceptance and non-participation attitude towards the compulsory arbitration brought up by the Philippines is legitimate. Two reasons stand out, other than China’s preference for bilateral negotiations. On the one hand, China

¹⁶⁴ Cid Standifer, "A Brief History of U.S. Freedom of Navigation Operations in the South China Sea," USNI News, July 02, 2017, accessed March 20, 2018, <https://news.usni.org/2017/05/29/brief-history-us-freedom-navigation-operations-south-china-sea>.

¹⁶⁵ "Understanding China's Position on the South China Sea Disputes," Institute for Security and Development Policy, June 2016, accessed March 19, 2018, <http://isdp.eu/publication/understanding-chinas-position-south-china-sea-disputes/>.

¹⁶⁶ People's Republic of China, Ministry of Foreign Affairs, *Summary of the Position Paper of the Government of the People's Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines*, December 7, 2014, accessed March 1, 2018, http://www.fmprc.gov.cn/nanhai/eng/snhwtlcwj_1/t1368898.htm.

believes that the temporary Hague court under UNCLOS has no jurisdiction over the case because, in 2006, China turned in a statement opting out of compulsory arbitration in accordance with UNCLOS.¹⁶⁷ On the other hand, China sees UNCLOS as inapplicable to the behaviors about which the Philippines has concerns, since UNCLOS only has jurisdiction over limited issues, such as the exclusive economic zone, freedom of navigation, and environmental protection. China argues that the issues brought up by the Philippines involve delimitation that falls outside of the UNCLOS jurisdiction.¹⁶⁸ Thus, China rejects the Hague ruling as null and void.

The Chinese government hopes that the U.S. will honor its commitment not to take sides in territorial disputes. However, it feels that the U.S. presence near the South China Sea, such as the visit of the *USS Carl Vinson* to Vietnam and the troops stationed in the Philippines, supports the territorial claims of American allies and friends in the region by a show of force, and “drags China into a geopolitical competition.”¹⁶⁹ In regard to America’s FONOPs and other missions in the nearby waters, China deems U.S. actions a disturbance of regional peace and stability.¹⁷⁰ The Chinese government believes that the U.S. should help create a peaceful and congenial environment for China and other regional parties to solve their conflicts bilaterally, instead of raising tensions in the region by conducting provocative exercises, proposing joint patrolling with neighboring countries, or sailing within 12 nautical miles of China’s maritime holdings.

¹⁶⁷ *Ibid.*

¹⁶⁸ "Remarks by Foreign Ministry Spokesperson Hong Lei on the Philippines' Submission of a Memorial to the Arbitral Tribunal in Relation to Disputes with China in the South China Sea," Embassy of the People's Republic of China in Canada, April 1, 2014, accessed March 20, 2018, <http://ca.china-embassy.org/eng/zt/cpot/t1144136.htm>.

¹⁶⁹ Feng Zhu, Renwei Huang, and Bo Hu, "Competing Perspectives between China and the United States in the Asia-Pacific and the Path for Mitigation," in *China-US Relations: Exploring a New Pathway to A Win-win Partnership* (2017), 30-32, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>; Steven Stashwick, "China Dismissive of US Carrier Visit to Vietnam," *The Diplomat*, March 14, 2018, accessed March 21, 2018, <https://thediplomat.com/2018/03/china-dismissive-of-us-carrier-visit-to-vietnam/>.

¹⁷⁰ Stashwick, "China Dismissive of US Carrier Visit to Vietnam."

Although Chinese scholars believe that both Washington and Beijing share a common interest in sea lane safety and freedom of navigation, they do not think that the current US actions are de-escalating. Many prominent Chinese scholars warn of the possibility of “a shared worst outcome,” a direct military confrontation.¹⁷¹ A military engagement is not beneficial to either side. The U.S. should seek ways to reform the international order in order to include and collaborate with China in a time of rapid change.¹⁷²

In its 2017 Defense White Paper, China cited, “misunderstandings and lack of mutual trust” as impediments to regional countries working collaboratively.¹⁷³ Although traditional security concerns are hard to make a significant breakthrough, China identified several fields in non-traditional maritime security threats in which both should collaborate, including environmental disaster, piracy, smuggling, and drug trafficking, should be dealt with jointly by regional forces.

American Perception

Fundamental U.S. interests in the South China Sea are “the free flow of commerce, the maintenance of a rules-based order government by international laws and norms, and the ability of countries in the region to make their own strategic choices.”¹⁷⁴ As a maritime power with several territories in the Pacific, the United States sees itself inseparable from any issues in the Asia-Pacific. This, without any doubt, includes America’s participation in the issues regarding

¹⁷¹ Wang, Yuan, and Zhao, "Overview," 10-11.

¹⁷² *Ibid*, 12.

¹⁷³ People's Republic of China, Ministry of Foreign Affairs, *China's Policies on Asia-Pacific Security Cooperation*, January 11, 2017, accessed March 1, 2018, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1429771.shtml.

¹⁷⁴ Michael J. Green, Richard C. Bush, and Mira Rapp-Hooper, "Asia-Pacific Security Issues in the U.S.-China Relationship," in *Joint US-China Think Tank Project on the Future of US-China Relations: An American Perspective* (2017), 18, July 2017, <https://www.csis.org/analysis/joint-us-china-think-tank-project-future-us-china-relations>.

the South China Sea. A secure, stable, and open order is in America's interests.¹⁷⁵ American scholars often express their concern that, by claiming that Asian security should be decided by Asians, China tries to push the U.S. out of the South China Sea, which threatens U.S. interests in the region.¹⁷⁶

Regarding Chinese responses to the Philippines' behavior prior to the onset of the South China Sea case, Thomas Christensen, a Princeton professor and former Deputy Assistant Secretary of State for East Asian and Pacific Affairs saw China's actions as opportunistic, to the extent that it seems that "Beijing is waiting for provocations by others to legitimize Chinese actions that will consolidate control over the islands that China has claimed for decades but not administered in the past."¹⁷⁷ With regard to the Hague ruling under UNCLOS, although the U.S. is not a formal signatory, it treats UNCLOS an international law that binds signatories. As then-Assistant Secretary John Kirby said, "the United States expresses its hope and expectation that both parties will comply with their obligations."¹⁷⁸ With China's defiance over the Hague ruling, the U.S. believes that China is challenging the rules-based maritime order. Since 2015, U.S. Navy has conducted about a dozen FONOPs, signaling America's heightened alert to the openness and stability of the region.

Disagreement on international law has worried the U.S. because not only the U.S. believes that China's violation undermines the regional order, but also because current international laws, most importantly UNCLOS, cannot provide a guidance of action to which both countries agree. The U.S. worries about the recent construction on the Chinese-controlled

¹⁷⁵ *Ibid*, 25.

¹⁷⁶ *Ibid*, 20.

¹⁷⁷ Christensen, *The China Challenge: Shaping the Choices of a Rising Power*, 261.

¹⁷⁸ "US Statement on the Hague's Decision on South China Sea Arbitration," CGTN America, July 12, 2016, accessed March 05, 2018, <https://america.cgtn.com/2016/07/12/us-statement-on-the-hagues-decision-on-south-china-sea-arbitration>.

maritime features, as well as the PLA's patrols in the waters, some of which have tailgated U.S. FONOPs battleships. Washington views these actions destabilizing. Vice Admiral Phillip Sawyer of the U.S. Seventh Fleet said in early 2018 that the U.S. defense circles are concerned because they do not know what China is doing in the bases on those islands and reefs.¹⁷⁹ Yet, Washington sees these actions inherently dangerous because it could undermine the freedom of navigation and the safety of sea lines of communication in the South China Sea.¹⁸⁰

In addition to growing direct military competition in the region, the U.S. is also concerned about China's relations with other regional parties and about its major security allies' and friends' strength in the region. Washington worries that, while its interests are challenged by China, regional countries are not able to decide their fates on their own. This is reflected by Washington's determination to improve its security ties, most notably with the Philippines and Vietnam. In 2014, the U.S. and the Philippines signed the Enhanced Defense Cooperation Agreement that allows U.S. troops to return to the country.¹⁸¹ Prior to the accession of current Philippines President Duterte, the Philippines was the main intermediary through which the U.S. was involved in regional issues. After Duterte bandwagoned with China, however, Vietnam became the U.S.'s new regional partner. In early 2018, the *USS Carl Vinson* became the first American aircraft carrier to visit Vietnam since the Vietnam War.¹⁸² These actions signal to Beijing that Washington has growing concerns along several dimensions in the South China Sea.

¹⁷⁹ Steven Stashwick, "China Dismissive of US Carrier Visit to Vietnam," *The Diplomat*, March 14, 2018, accessed March 21, 2018, <https://thediplomat.com/2018/03/china-dismissive-of-us-carrier-visit-to-vietnam/>.

¹⁸⁰ Green, Bush, and Rapp-Hooper, "Asia-Pacific Security Issues in the U.S.-China Relationship," 24-37.

¹⁸¹ Ankit Panda, "US-Philippines Enhanced Defense Cooperation Agreement Bolsters 'Pivot to Asia'," *The Diplomat*, April 29, 2014, accessed March 1, 2017, <http://thediplomat.com/2014/04/us-philippines-enhanced-defense-cooperation-agreement-bolsters-pivot-to-asia>.

¹⁸² Steven Stashwick, "China Dismissive of US Carrier Visit to Vietnam," *The Diplomat*, March 14, 2018, accessed March 21, 2018, <https://thediplomat.com/2018/03/china-dismissive-of-us-carrier-visit-to-vietnam/>.

III. The Assessment of Perceptions and Misperceptions

Using the theoretical model that we developed in Chapter 2, we will look into whether Chinese perceptions and U.S. perceptions reflect a clear assessment of China's actions in the South China Sea. We find that the variables that govern either perception are different. Most notably, the history variable matters to China significantly while anything but history variable matters to the U.S. perception. We will also examine whether these perceptions might fall into different categories of misperceptions.

The history, power, and change of rules or norms variables dictate Chinese perceptions over its actions in the South China Sea. Since the foundation of the People's Republic of China, Beijing's maritime experience vis-a-vis the U.S. has not been a pleasant one. The U.S. seventh fleet once barricaded Beijing from crossing the Taiwan Strait and reunifying both sides of the strait. The Hainan Island incident refreshed Beijing's memory that Chinese naval and air forces have always been disadvantaged relative to the U.S. navy and air force. With such an impression, Beijing has been insecure about facing the security challenges in the South China Sea. Building up its strength with maritime features, and dispatching regular air force, naval, and coast guard patrols, serve two ends for Beijing. First, these actions showcase China's improved military capability. Second, they underscore Beijing's intention to safeguard sovereignty over the disputed islands and reefs in the South China Sea. China also perceives its rejection of the Hague ruling as legitimate, because it believes that its right of non-participation of compulsory arbitration over sovereignty issues was granted after it submitted its declaration to the United Nations. This action is consistent with the legitimate use of international laws to protect its own interests. Thus, it does not believe its rejection of the Hague ruling should be deemed a violation or a threat to a rules-based order.

American perceptions are mostly shaped by considerations of power, identity, change of norms, and information. The U.S. has witnessed a stronger Chinese presence in the South China Sea. Freedom of navigation was never an issue prior to China's military modernization. As the Chinese navy and air force become more capable, Washington has become concerned about its reduced military advantage. This is especially worrisome for military leaders and security analysts, as they deem capability more important than intention. However, even for diplomats who care more about intentions, China's statements, like "Asians decides Asian affairs," send a message that U.S. interests in the South China Sea are not primary. Further, China's non-participation and non-acceptance of the Hague ruling and heighten America's perception of threat, as this is a violation of existing norms and rules. China's rejection of the international ruling, despite China's belief that the Hague was incorrect, sends a signal to the U.S. that there would not be a lower bond that by which China will abide. In light of this, the U.S. is more likely to base its perception of the threat China poses on China's capability than its intentions. Last but not least, lack of transparency in recent construction on Chinese maritime features exacerbates tensions between the two countries: that new construction apparently could serve military purposes changes the U.S. perception.

Comparing Chinese and American perceptions, it seems that, while China deems its power not strong enough to safeguard its sovereignty claims, the U.S. sees China as powerful enough to undermine international—and American—freedom of navigation and the sea lines of communication. As security seekers, both the U.S. and China are vulnerable to the *security dilemma*. China's actions are defensive in Beijing's perspective. However, a different understanding of sovereignty the rights it generates gives rise to the *security dilemma*. The U.S. may find China's patrols, especially those that tailgated U.S. battleships, disturbing. However,

we have to understand that a fundamental difference between China and the U.S. is that “[China] is a land power developing its naval capabilities, [whereas America is] a maritime power coming onshore.”¹⁸³ The countries are seeing the same actions through different lenses. The current international law and institutions fail to resolve the security dilemma as both of them have incompatible views of UNCLOS and the Hague court. The current non-binding rules, thus, are unable to either restrain China’s action in the water or provide legal support for China’s action that convinces America.

In addition to *security dilemma*, another potential heuristic filter of misperception is the *influence of fears*. China’s capacity has increased significantly, though various American reports have exaggerated China’s increasing military capacity. The PLA’s rapid modernization generates fears in Washington’s inner circles, as the U.S. is afraid of losing global hegemony and being challenged regionally. Such fears also lead to *overestimating one’s importance*. A commonly held view in American defense circles is that many Chinese military actions in the South China Sea are targeted at the U.S., though China never explicitly stated in that way.¹⁸⁴ The reality is that China would strengthen its control over its claimed territory no matter who was involved in these disputed issues; its actions are not a response to the United States.

IV. Policy Recommendation

Based on the perceptions and misperceptions discussed earlier, several recommendations for either the U.S., China, or both are proposed here to ensure a stable South China Sea in the

¹⁸³ Zhu, Huang, and Hu, "Competing Perspectives between China and the United States in the Asia-Pacific and the Path for Mitigation," 34.

¹⁸⁴ Finkelstein, Saunders, and Schriver, "The Military and Defense Dimensions of United States Relations with China," 34-37.

near future. These policy recommendations are proposed as examples of how to reduce threat perception. Bear in mind that some of them may not be easily implemented.

1. Don't let defense leaders and security analysts dictate the South China Sea issues and solutions. Security experts generally focus more on capability than intention. As China's military capability increases, defense circles in America are generally likely to worry. Diplomats and politicians should lead the discussions on finding common ground and solutions to reduce South China Sea tensions. This is not a call to neglect security interests; a consistent perspective within either side is important.
2. The bilateral military and security dialogue should be improved both quantitatively and qualitatively. Lack of transparency often leads to a perceived threat, as has been true for the United States in this case. Both countries should continue the U.S.-China Diplomatic and Security Dialogue, and expand communications of military officials.
3. Both the U.S. and China should start to negotiate a code of conduct either formally or tacitly. As China increases its maritime missions, the two countries' navies will face each other more often. An agreed code of conduct will reduce the possibility of miscommunication that may lead to an escalation of tensions at the tactical level. This code must be more binding than the DOC or existing international laws. Both the U.S. and China should practice its use often once it is agreed upon. Such a code of conduct will also help to lower the risks brought by disagreements on interpretations of international law.
4. Beijing should stop using ambiguous language that may reinforce Washington's misperceptions. Language that may infringe U.S. interests should be avoided so long as

Chinese interests are not hurt. Legitimate U.S. interests should be recognized by China at appropriate times.

5. China should continue to carry out direct bilateral negotiations with ASEAN and regional countries to formulate a COC that does not seriously challenge the interests of the U.S. During the negotiations, China should not put the U.S. in a situation where the U.S. has to either uphold its allies' and friends' interests while contradicting China's interests or violate its security commitment. China should avoid posing such a hard binary choice for the U.S. The U.S., in turn, should encourage direct bilateral dialogue among involved parties and encourage a congenial environment for carrying out the conversation.
6. Both the U.S. and China should cooperate in non-traditional maritime challenges such as anti-piracy, environmental degradation, humanitarian assistance/disaster relief missions. These activities will help both navies to formulate shared identity in regional governance and reduce hostility.

As the Sino-U.S. Shanghai Communiqué said in 1972, "Neither the U.S. nor China should seek hegemony in the Asia-Pacific region, and each is opposed to efforts by any other country or group of countries to establish such hegemony."¹⁸⁵ Both the U.S. and China have realized that a stable South China Sea is vital for their interests. Each should give the other more space to maneuver and work on step-by-step measures to reduce risks of conflict. If the tension in the South China Sea can be reduced gradually, this will be a helpful precedent for resolving conflictual interests in broader issues and in other dimensions as well.

¹⁸⁵ Zhu, Huang, and Hu, "Competing Perspectives between China and the United States in the Asia-Pacific and the Path for Mitigation," 33.

Chapter 5 – The Case of the Belt and Road Initiative

The last chapter is devoted to a security case. This chapter will analyze a development case, the Belt and Road Initiative (BRI), which is China’s flagship policy since President Xi came into office. BRI is a useful case for several reasons. First, the size of BRI as a single and coherent foreign policy and initiative is unprecedented in Chinese history. Second, BRI is not only a development proposal, but its successful implementation also involves security and multilateral organizations dimensions. The creation of the Asian Infrastructure Investment Bank (AIIB), the major financing source for BRI, poses a challenge to the existing web of global development institutions. Security components that ensure Chinese investment and constructions abroad, including China’s military base in Djibouti, have also received wide global attention. Last but not least, BRI embodies the so-called Chinese philosophy for global governance and development. It is important to look into whether China’s philosophy accurately describes Chinese actions, and whether America’s concerns about China’s philosophy are legitimate.

This chapter begins with a roadmap of the development of BRI. Next, both Chinese and American perceptions will be outlined, followed by an analysis of major variables and heuristic factors that explain the consolidation of both perceptions and their differences. In the end, some aspirational policy recommendations are given based on the analysis of perception and misperception.

I. Unfolding China’s Belt and Road Initiative

Originally named the “One Belt, One Road” Initiative, BRI—comprised of “the Silk Road Economic Belt” and “the 21st Century Maritime Silk Road”—was put forward by Chinese President Xi Jinping in Astana, Kazakhstan, and Jakarta, Indonesia, in September and October

2013. BRI proposed five links that integrate the Eurasian landmass. They include policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people communication.¹⁸⁶ These links reflect Beijing's vision that combines both soft connections like policy cooperation and hard connections including transcontinental networks. These connections are divided mainly into six economic corridors: China-Mongolia-Russia Economic Corridor, New Eurasian Land Bridge Economic Corridor, China-Central Asia-West Asia Economic Corridor, China-Pakistan Economic Corridor, Bangladesh-China-India-Myanmar Economic Corridor, China-Indochina Peninsula Economic Corridor.¹⁸⁷ Soon after its announcement, BRI has reached the center of the Chinese government's work plan. According to a comprehensive study done by Nadège Rolland, a scholar at National Bureau of Asian Research,

[In a few months after the announcement of BRI, China] had rallied international support and begun to secure significant financial resources, created a central supervisory group, published a roadmap, mobilized the very best Chinese experts and intellectuals, embarked on an aggressive soft-power business representatives to sign hundreds of agreements and memoranda of understanding (MOU) promising more trade opportunities and Chinese investment in neighboring countries.¹⁸⁸

China has mobilized a huge amount of political, financial, technical, and human resources at different administrative levels to get BRI started.

A month after Xi's speeches in Jakarta, the Third Plenary Session of the 18th Central Committee of the Communist Party of China acknowledged its importance to the whole

¹⁸⁶ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 43.

¹⁸⁷ "The Belt and Road Initiative," Hong Kong Trade Development Council, September 13, 2017, accessed April 1, 2018, <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/obor/en/1/1X000000/1X0A36B7.htm>.

¹⁸⁸ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 44.

nation.¹⁸⁹ In February 2015, a central leading small group was created to advance the development of the Belt and Road.¹⁹⁰ In the month following, BRI appeared in the 2015 State Council's report presented to the National People's Congress during the "two sessions."¹⁹¹ In the report, BRI is said to be a top priority in the 13th Five-Year Plan (2016-2020). On March 28, 2015, a document named "Visions and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road (Visions and Actions)" was published.¹⁹² Beijing assigned different policy objectives to different industries and sectors of the society, making BRI more than a development initiative. During the 19th Party Congress in late 2017, BRI was enshrined into the constitution of the Communist Party of China, along with the superior leadership of Xi Jinping.¹⁹³

Most prominently, several financing institutions have been erected to support the flagship initiative. Officially launched in June 2015, AIIB gathered 57 founding countries, among which 18 are European nations.¹⁹⁴ Despite U.S. warnings, major European countries including Britain, France, Germany, and Italy became signatories at AIIB's opening ceremony.¹⁹⁵ In March 2017, another 13 countries and regions joined AIIB. As of March 2018, AIIB has 42 regional members, 22 non-regional members, and 20 perspective members located in all continents.¹⁹⁶ China committed \$100 billion and took 26 percent of voting power, enough to veto major decisions at

¹⁸⁹ "Chronology of China's "Belt and Road" Initiatives," Xinhua, February 5, 2015, accessed April 1, 2018, http://www.xinhuanet.com/english/china/2015-02/05/c_133972101.htm.

¹⁹⁰ "China Sets up Leading Team on Belt and Road Initiative," Xinhua, March 29, 2015, accessed April 1, 2018, http://www.xinhuanet.com/english/2015-03/29/c_134107435.htm.

¹⁹¹ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 50.

¹⁹² Ibid, 51.

¹⁹³ ""Belt and Road" Incorporated into CPC Constitution," Xinhua, October 24, 2017, accessed April 1, 2018, http://www.xinhuanet.com/english/2017-10/24/c_136702025.htm.

¹⁹⁴ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 57.

¹⁹⁵ Matthias Sobolewski and Jason Lange, "U.S. Urges Allies to Think Twice before Joining China-led Bank," Reuters, March 17, 2015, accessed April 1, 2018, <https://www.reuters.com/article/us-europe-asia-bank/u-s-urges-allies-to-think-twice-before-joining-china-led-bank-idUSKBN0MD0B320150317>.

¹⁹⁶ "Members and Prospective Members of the Bank," Asian Investment Infrastructure Bank, accessed April 1, 2018, <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.

AIIB but not sufficient to block specific lending decisions.¹⁹⁷ Besides AIIB, China also secured \$100 billion from the New Development Bank created by and for the BRICS countries. Apart from multilateral financing, China has also mobilized its domestic resources to support its flagship initiative. Drawing from its foreign reserve and its policy banks, China created the Silk Road Fund that will allegedly provide \$40 billion to profitable mid- and long-term projects.¹⁹⁸ China's policy banks—the Export-Import Bank of China and China Development Bank—will also invest in major projects abroad based on the necessity of development goals. According to a study by the American Enterprise Institute, China has reached more than \$138 billion USD in foreign investment, \$208 billion USD in construction projects overseas since 2014.¹⁹⁹

To China, efforts in multilateral diplomacy and security dimensions safeguard BRI's success. The Chinese government has launched a global campaign for BRI. Each year since 2014, one of BRI participants would host the annual international Silk Road Forum. Istanbul, Madrid, and Warsaw are the host countries for the years 2014 to 2016, respectively.²⁰⁰ In May 2017, an upgraded Belt and Road Forum for International Cooperation, attended by 29 heads of state or government, representatives of more than 70 international organizations, and delegates from more than 130 nations, was hosted in Beijing.²⁰¹ In addition, other international events such as Media Cooperation Forum on Belt and Road and the Silk Road International Film Festival have become channels through which BRI is promoted.²⁰²

¹⁹⁷ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 57.

¹⁹⁸ *Ibid.*, 58.

¹⁹⁹ Cecilia Joy Perez and Derek Scissors, "The Chinese State Funds Belt and Road but Does Not Have Trillions to Spare," American Enterprise Institute, March 28, 2018, accessed April 1, 2018, <https://www.aei.org/publication/the-chinese-state-funds-belt-and-road-but-does-not-have-trillions-to-spare/>.

²⁰⁰ Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 66.

²⁰¹ Wei Xu, "Outcomes Show Forum Was Successful," China Daily, May 18, 2017, accessed April 9, 2018, http://www.chinadaily.com.cn/china/2017-05/18/content_29393865.htm.

²⁰² Rolland, *Chinas Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, 69; "Silk Road Film Festival Features Cultural Diversity," Xinhua, September 19, 2016, accessed April 1, 2018, http://www.xinhuanet.com/english/2016-09/19/c_135697860.htm.

Security-wise, China has built up its naval base at Djibouti near the Djibouti City, and officially opened it on August 1, 2017. Located near the Gulf of Aden where the busiest maritime routes cross, the Djibouti base is said to be able to provide logistic support for the PLA Navy.²⁰³ Although this is the first Chinese naval base abroad, the PLA Navy has involved in escort missions in the Gulf of Aden for more than a decade. A strengthened PLA Navy presence in the Indian Ocean would protect Chinese investment and constructions along the 21st Maritime Silk Road.

II. Chinese and American Perceptions Compared

Chinese Perception

According to the “Visions and Actions,” the Belt and Road Initiative is inherently beneficial towards all countries involved.²⁰⁴ The Chinese government highlights BRI’s potential as a win-win cooperation. Infrastructure is fundamental towards the development of a region. For countries being landlocked in the center of Eurasia, BRI’s infrastructure building helps connect Asian, European, and African countries. With transportation, telecommunication, and energy integration, BRI will unleash the market potential of its participants. Natural resources from Central Asian countries will have a larger market once they are able to be transported to major sea lines of communication. As President Xi Jinping said at the World Economic Forum at Davos in 2017, “Chinese companies have made over 50 billion US dollars of investment and

²⁰³ Ben Blanchard, "China Grants Economic Aid to Djibouti, Site of Overseas Military Base," Reuters, November 23, 2017, accessed April 1, 2018, <https://www.reuters.com/article/us-china-djibouti/china-grants-economic-aid-to-djibouti-site-of-overseas-military-base-idUSKBN1DN126>.

²⁰⁴ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," National Development and Reform Commission (NDRC) People's Republic of China, March 28, 2015, accessed April 9, 2018, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

launched a number of major projects in the countries along the routes, spurring the economic development of these countries and creating many local jobs.”²⁰⁵

In addition, the Chinese government believes that the connectivity among BRI countries will “align and coordinate [their] development strategies.”²⁰⁶ For example, the existence of Eurasian Economic Union reflects that Russia has its development vision of Central Asian, Caucasian, and East European countries. With diplomatic efforts, the Chinese government was able to reach a “joint statement on cooperation in coordinating the development of the Silk Road Economic Belt and the Eurasian Economic Union” with Russia. The 2017 Belt and Road Forum served a similar purpose. According to China’s Minister of Foreign Affairs, Wang Yi, the Forum is a good chance to “pool more consensus,” “identify cooperation directions,” and “improve [a] supporting system [that is capable of effectively coordinating among BRI nations].”²⁰⁷ Beijing does not wish to promote BRI by sacrificing the interests of other countries and other policies. Instead, Beijing sees BRI being capable of aligning the interests of different countries.

That being said, Chinese officials do not believe that China is exerting its influence globally either by monopolizing the benefits or by exporting its political and economic model. Yang Jiechi, CCP’s Politburo member and China’s State Councilor, openly stated that “China does not intend to monopolize all the benefits or even take the lion's share, but will work with partner countries to make the pie bigger and divide it equitably.”²⁰⁸ To Beijing, a better way to characterize the relationship is that Beijing is trying to build a community of common destiny

²⁰⁵ Jinping Xi, "Jointly Shoulder Responsibility of Our Times, Promote Global Growth," Belt and Road Forum for International Cooperation, April 17, 2017, , accessed April 1, 2018, <http://www.beltandroadforum.org/english/n100/2017/0417/c25-194.html>.

²⁰⁶ *Ibid.*

²⁰⁷ "Ministry of Foreign Affairs Holds Briefing for Chinese and Foreign Media on President Xi Jinping's Attendance and Chairing of Related Events of the BRF," Belt and Road Forum for International Cooperation, April 25, 2017, accessed April 9, 2018, <http://www.beltandroadforum.org/english/n100/2017/0425/c22-214.html>.

²⁰⁸ "Building the Belt and Road for Win-win Development," Belt and Road Forum for International Cooperation, April 17, 2017, accessed April 9, 2018, <http://www.beltandroadforum.org/english/n100/2017/0417/c25-195.html>.

where the fate of all countries involved is associated with the success of BRI. As Shi Zhiqin, a Resident Scholar at Carnegie-Tsinghua Center for Global Policy, said, “the central principles [of] collaboration, building, and result-sharing... [demonstrate that] China is a responsible global player in the international society.”²⁰⁹

Taking a step forward, Beijing believes that BRI and its financing agencies are supplementary to the existing global order, and can co-exist with current institutions. On the one hand, China labels BRI as a proponent of globalization and free trade. According to the “Visions and Actions,” BRI “is designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation.”²¹⁰ On the other hand, the Chinese government views BRI and AIIB as a proper adjustment to inefficiencies in the existing institutions. From Chapter 3 we learned that the Chinese government considers the post-World War II institutions most comprehensive. Nonetheless, the Chinese government is not satisfied with the weight of representation for emerging markets in traditional institutions. At an informal meeting among BRICS leaders during the 2016 Hangzhou G20 Summit, President Xi believes that emerging markets should “actively promote reform in the governance structure of the International Monetary Fund and the World Bank, and increase the representation and voice of emerging markets and developing countries.”²¹¹

American Perception

²⁰⁹ "Carnegie Experts on the Belt and Road Initiative and Forum," Carnegie Endowment for International Peace, May 11, 2017, accessed April 1, 2018, <http://carnegieendowment.org/2017/05/11/carnegie-experts-on-belt-and-road-initiative-and-forum-pub-69935>.

²¹⁰ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," National Development and Reform Commission (NDRC) People's Republic of China.

²¹¹ *Xi Jinping: Selected Speeches at the G20 Hangzhou Summit*, 101.

The Chinese perception of BRI highlights the mutually beneficial nature of BRI. However, American experts generally hold a more pessimistic view towards the economic profit BRI could bring to other nations. In a most recent report published in March 2018, Derek Scissors and Cecilia Joy-Perez, two Chinese economy experts at the American Enterprise Institute, are two among many who share such a concern. They worry whether China's partners will benefit much from BRI projects, and whether China is able to carry out the Initiative in the long run. According to their estimation, "BRI is better understood as construction projects worth hundreds of billions of dollars taken on by state-owned enterprises (SOEs)."²¹² They believe that most BRI projects are construction projects rather than investment, in which Chinese money is used to hire Chinese contractors. They worry that these projects may not create as many jobs for local people as promised by the Chinese government. In addition, most money came out from Chinese state-owned enterprises (SOEs). The debt of the Chinese government and SOEs combined has accumulated to about 150% of Chinese GDP, which is not a stable level of government debt.²¹³ Nonetheless, other scholars, including Melanie Hart, Elizabeth C. Economy, and Paul Gewirtz, believe that BRI has the potential to change the Eurasian landmass, and that the U.S. should collaborate with China when possible.²¹⁴ The U.S. would marginalize itself economically if it chooses to totally disregard BRI. Otherwise, the U.S. may lose in the process of the change of the economic balance of power internationally, and undermine the leading position of the U.S. in the world economy.

²¹² Cecilia Joy Perez and Derek Scissors, "The Chinese State Funds Belt and Road but Does Not Have Trillions to Spare," American Enterprise Institute, March 28, 2018, accessed April 1, 2018, <https://www.aei.org/publication/the-chinese-state-funds-belt-and-road-but-does-not-have-trillions-to-spare/>.

²¹³ *Ibid.*

²¹⁴ Hart, Economy, and Gewirtz, "Asia-Pacific Security Issues in the U.S.-China Relationship," 51.

Toward whether BRI is able to achieve its stated goals, American attitudes are more varied, with some believing that it could be beneficial to the region while other saying that it stems from selfish ends. Despite different predictions of future outcomes, the American perception believes that China has largely downplayed the strategic and security gains China could harvest from BRI. Different analyses from the military, major think tanks, and the government hold a consensus view that, through BRI, China is able to stabilize its western provinces that are threatened by separatist powers, secure energy supply routes from Central Asian countries and Russia, establish a larger military presence abroad than before, cultivate a stronger than ever political influence to its partners, and pivot away from the pressure exerted by America's rebalance to Asia.²¹⁵ In fact, America's concerns over China's strategic and security gains in the region reflect a fundamental assumption that these gains undermine American hegemony and its relative advantage over China. As Ely Ratner, a China scholar at Council on Foreign Relations, argues, a stronger PLA presence in the region will weaken the determination of third parties in the region to cooperate with the U.S. on security matters.²¹⁶ American allies and partners would possibly choose to abandon the U.S. and bandwagon with China for fear that the U.S. may not honor its security commitment.

Besides a direct competition, Washington also showed its concern over the future of international institutions and norms. The Obama Administration overtly expressed its concern that BRI and AIIB may not meet environmental, labor and governance standards of existing

²¹⁵ 2017 congress report on China; Ely Ratner, "Geostrategic and Military Drivers and Implications of the Belt and Road Initiative," Council on Foreign Relations, January 25, 2018, accessed March 18, 2018, <https://www.cfr.org/report/geostrategic-and-military-drivers-and-implications-belt-and-road-initiative>; Joel Wuthnow, *Securing China's Belt and Road Initiative: Dimensions and Implications*, Institute for National Strategic Studies, U.S. National Defense University, January 25, 2018, accessed March 28, 2018, https://www.uscc.gov/sites/default/files/Wuthnow_USCC_Testimony_20180123.pdf;

Wuthnow, "Chinese Perspectives on the Belt Road Initiative: Strategic Rationales, Risks, and Implications."

²¹⁶ Ratner, "Geostrategic and Military Drivers and Implications of the Belt and Road Initiative."

Western-established institutions.²¹⁷ Deeply inside, Obama's worry indicated that, as a new institution, AIIB increases China's leadership status in the global institution system. China's power in international institutions grows despite whether AIIB challenges or supplements the existing system.²¹⁸ AIIB could gain power either by threatening to set up an alternative to the current system or by tightly connecting AIIB with the World Bank or the Asian Development Bank (ADB). With the potential decline in institutional power, the U.S. is worried that the application of rules and norms would also change in favor of China and against the interests of the United States. In the long run, it could challenge America's hegemonic power in the field of global institutions and order.

III. The Assessment of Perceptions and Misperceptions

The Chinese perception of the Belt and Road Initiative is largely benign and beneficial to its participants. From the Chinese perspective, BRI should not be deemed threatening to other countries mainly for two reasons based on our theoretical framework. First, BRI speaks to the identity variable that tries to align the interests of China and other countries. According to Rousseau's study, when countries are able to create a shared identity by having more similarity, they should find other countries less likely to have any intention to inflict harms on each other. The Chinese perception is largely founded on the concept of reciprocity and mutual benefits. By aligning Chinese interests with the interests of other participants, and tying all participants into the same boat of BRI, participants should not find reasons that China will set them up, and threat

²¹⁷ Thomas Wright, "A Special Argument: The U.S., U.K., and the AIIB," Brookings, July 29, 2016, accessed March 18, 2018, <https://www.brookings.edu/blog/order-from-chaos/2015/03/13/a-special-argument-the-u-s-u-k-and-the-aiib/>.

²¹⁸ John Ikenberry and Darren J. Lim, *China's Emerging Institutional Statecraft: The Asian Infrastructure Investment Bank and the Prospects for Counter-hegemony*, The Brookings Institution, April 2017, accessed April 1, 2018, <https://www.brookings.edu/wp-content/uploads/2017/04/chinas-emerging-institutional-statecraft.pdf>.

perception should be minimal. Second, China believes that BRI and its funding sources are not a change in rules or norms, and that they are able to coexist with current institutions including the International Monetary Fund (IMF), the World Bank, or the Asian Development Bank.

The American perception is mostly grounded in power and information variables. Although BRI and AIIB are not mature and large enough to compare with the combination of Western-led institutions, their successful initiation, as well as the participation of more than 80 countries, demonstrates China's leadership. Washington has witnessed the rise of Chinese leadership as a form of political power. Although this does not reveal whether American leadership subsides, the relative increase of Chinese power and the narrowing gap between American and Chinese power makes Washington nervous. The U.S. is no longer the only post-Cold War country that is able to set up ultra-regional institutions. In addition, the information variable, or the lack of it, increases the threat perception of the United States. Despite China's original intention—whether it aims merely for reciprocal economic gains, or whether it strives for the security and strategic gains—the U.S. is likely to consider China's taciturnity as a sign of hiding its true intention. Even if the Chinese government has a benign purpose initially, it could be misinterpreted, and thus, thwarted by the United States.

Given the analysis of American and Chinese perceptions, there could be several sources of misperception. For China, misperception may come from the fact that it fails to attract the U.S. through identity similarity. Although China's strategy of tying everyone in the same boat might be successful for participants, the U.S. is not officially a part of BRI or AIIB. The U.S. is not an in-group country with regard to China's position in BRI. Instead, it is an out-group country that is opposite to the position of China. China could have downplayed U.S. threat perception in the identity variable.

Another source of misperception comes from the lack of spheres of measure. We have seen that many American experts are not as optimistic about the economic success of BRI as their Chinese counterparts. “All BRI-related documents lack exact figures and detailed timeframes.”²¹⁹ Cognitive dissonance comes into play when there lack specific criteria and measures that both China and the U.S. agree on. The existing competitive mentality between the U.S. and China, which is the source for dissonance, would make the U.S. interpret Chinese actions negatively when their interpretation could go either way.

Last but not least, it is possible that the creation of BRI is due to careful consideration of the Chinese government to solve its development issues. Instead, the U.S. may overestimate its importance in pushing China westward. The rebalance to Asia policy may render China more determined in implementing BRI, but China’s Western Development strategy, along with the discussion of expanding it into the center of Eurasia, has long been part of the discussion of the Chinese government.

IV. Policy Recommendation

Based on the difference in American and Chinese perceptions and their assessments, several policy recommendations are listed below. Similar to the caveat in the last chapter, these policy recommendations aim to lower threat perception. They may face different levels of practical constraints when being implemented.

²¹⁹ "Carnegie Experts on the Belt and Road Initiative and Forum," Carnegie Endowment for International Peace, May 11, 2017, accessed April 1, 2018, <http://carnegieendowment.org/2017/05/11/carnegie-experts-on-belt-and-road-initiative-and-forum-pub-69935>.

1. Previously China has welcomed the U.S. to participate in BRI and AIIB.²²⁰ China should continue its efforts to invite the U.S. to join AIIB. In the short term, the likelihood for the U.S. to join is low. China should try to include the U.S. in subtler ways, such as involving the U.S. in some BRI projects, or establishing connection and coordination through future conferences like the Belt and Road Forum, which will reduce America's concerns over China's capacity in upholding environmental and labor standards. China should have incentives to ensure a congenial attitude of the U.S. towards its development strategy by trying to align the interests of both.
2. The Trump Administration has shown both interest and contempt in collaborating with China on regional development.²²¹ It is not very likely for the U.S. to replicate a similar initiative for Eurasia. If the U.S. government wants to put a check on the Chinese Initiative, it is easier to achieve it through having international organizations to supervise Chinese activities. The U.S. should encourage communication and collaboration between existing western-led institutions and Chinese-led AIIB. Existing institutions provide a more legitimate channel through which American interests are better preserved.
3. China should actively seek collaboration between AIIB and the World Bank, the IMF, or the ADB. This will also help to address America's concern that AIIB and BRI may not meet the standards of existing institutions. By truly integrating AIIB into existing global financing institutions, there will be less of a chance to change global rules or norms, which would partially lower Washington's threat perception.

²²⁰ Baijie An, "China Invites US to Join Belt and Road," The China Daily, April 26, 2017, accessed April 9, 2018, http://www.chinadaily.com.cn/world/2017-04/26/content_29086142.htm.

²²¹ "China Says Trump Open to Cooperating on Silk Road Projects," Bloomberg News, June 23, 2017, accessed April 9, 2018, <https://www.bloomberg.com/news/articles/2017-06-23/china-says-u-s-is-willing-to-work-on-belt-and-road-initiative>; "Australia, U.S., India and Japan in Talks to Establish Belt And...," Reuters, February 19, 2018, accessed April 18, 2018, <https://www.reuters.com/article/us-china-beltandroad-quad/australia-u-s-india-and-japan-in-talks-to-establish-belt-and-road-alternative-report-idUSKCN1G20WG>.

4. Both sides should jointly develop a specific set of criteria measuring the contribution of BRI. The U.S. should avoid languages that fully negate BRI's contribution. Washington should judge BRI based on Chinese actions and their results, instead of criticizing it at the forefront. The U.S. should understand that such a huge initiative will certainly have geopolitical impacts. Yet, if economic development never occurs, strategic and security gains would never materialize.
5. There will be an increasing amount of interactions between the U.S. Navy and the PLA Navy near the Gulf of Aden. Both navies should seek opportunities in operational and training cooperation under the permit of the 2000 National Defense Authorization Act of the United States.

Unlike the security realm, development strategy is much easier to build a positive sum game where both the U.S. and China could achieve a win-win scenario. What is at the center of current contention is how the U.S. and China should share the benefits of a globalized world economy. Both countries should avoid giving each other incorrect and unnecessary signals that distort the perception of each other. Instead, both countries should try to build confidence through existing institutions and other mechanisms that can align the interests of both.

Chapter 6 – A Solution to U.S.-China Conundrum

After examining the two case studies of the Belt and Road Initiative and the South China Sea, we have seen different variables that dictate American and Chinese perceptions of Chinese foreign policy. Zooming out from specific cases, I will combine the theoretical framework from Chapter 2 and the empirical evidence from Chapter 3, and conduct a holistic analysis of the American and Chinese perceptions of the Chinese foreign policy across dimensions. In this concluding chapter, first, I will explain what variables have influenced the Chinese and American perceptions and how. Then, I will compare the differences between both perceptions and give out aspirational policy recommendations that could lower threat perceptions and potentially contribute to more congenial U.S.-China relations.

I. The Assessment of the Chinese Perception

The Chinese perception of its foreign policy is dictated by power, identity, change of rules or norms, and history. Information certainly does not influence China's perception of its own foreign policy as they are fully aware of all information that led to its foreign policy. Among the four variables that matter, history is the most one. Traditionally, the Chinese perception of its foreign policy is deemed as a proper response to its historical experience. In the Chinese background section in Chapter 3, we have seen that China has often used the victimhood narrative. Thus, the history variable has a huge impact on the Chinese perception of the Chinese foreign policy across dimensions. The Chinese perceive that the historical experience has put China in an unfavorable position in its foreign relations. The Chinese foreign policy should aim to address such an unbalanced situation. Consistent with our findings in the case of the South China Sea, we have seen that China has mobilized its historical narration in defending its

territorial claims and building up capacity to protect its claims facing different security challenges. During the Donglang/Doklam standoff near the Sino-Indian-Bhutanese border, Beijing has repeatedly claimed that Donglang/Doklam, along with many other contentious territories in the region like South Tibet (more commonly known as Arunachal Pradesh), is part of China. Beijing deems its road construction appropriate under its sovereignty claims. In addition to the security dimension, the multilateral diplomacy dimension is also heavily influenced by the history variable. As the Chinese economy grows, Beijing believes that existing global institutions underappreciate the contribution of the Chinese economy and fail to reflect the interests of emerging markets. History, thus, not only shapes how the Chinese government thinks of its foreign policy, but also serves as a comparison between past and present.

Besides the history variable, both the power and the identity variables are also important for China. Furthermore, there is a pattern that the power variable is more important for China when analyzing Sino-U.S. relations, while the identity variable is more important for China's relations with less powerful countries. Although China acknowledges that its power has been increasing, China still deems itself much less powerful than the United States. China believes that its military actions are defensive in nature and its institution-building activities are not able to replace existing global institutions. Therefore, threat level of its foreign policy should not be very high, especially to the United States. At the same time, the Chinese perception also mobilized the identity variable in China's relations with other countries. I use the word "mobilize" to characterize its perception because China deliberately highlights the similarities between China and other nations while hiding their power gaps. In most of the other bilateral relations, China has called for equality among major countries, between developed and developing nations, and between big countries and small countries. Nonetheless, objectively

speaking, for most Chinese bilateral relations other than Sino-U.S. relations, power asymmetry exists and is largely in favor of China. In this case, the Chinese perception deliberately overemphasizes the identity variable and understates the power variable. In sum, in terms of Sino-U.S. relations, the Chinese perception gives more weight to the power variable in explaining why its actions are legitimate. In terms of other bilateral relations, the Chinese perception is more identity-driven.

This general pattern, however, has an exception, which is in the security dimension. The Chinese perception of its security policy is largely dictated by the power variable despite how small the other country is. The East China Sea ADIZ is adjacent to South Korea and Japan. The South China Sea territorial disputes are with Vietnam, the Philippines, and so on. The road construction in Donglang is near the border with Bhutan and India. Although one could argue that the United States is better friends with these countries than with China, these countries are smaller and less powerful than China. Facing them, China continues to build up its military and security capabilities and hope to outrun their military capabilities more. This strategy is very likely to fall into the *security dilemma*.

Last but not least, according to the Chinese perception of the change of rules or norms variable, its threat level should not be high as well. In the security arena, its rejection of the Hague ruling has legal grounds. In multilateral diplomacy and economic development arenas, it believes that its institutions and initiatives are complementary to the existing global order. BRICS protects the interests of emerging markets. BRI promotes the interests of a region neglected by the U.S. and Europe. AIIB provides extra funding that addresses the lack of funding in the region. Thus, China argues these actions should not be deemed as a subversion to existing global order.

II. The Assessment of the American Perception

The American perception of the Chinese foreign policy is shaped by power, identity, the change of rules or norms, and information variables. The power variable is the most important variable for the U.S. perception, as it runs through all dimensions. Because China's power has increased all-around, the threat perception of the U.S. is high. Regarding its bilateral relations, the U.S. sees China becoming more and more capable to shape the decision-making of foreign countries through a combination of coercion and charm offensive. This reflects that the American perception focuses more on the power asymmetry between China and other nations. Regarding Chinese foreign policy in security and economic arenas, Washington views that Beijing's policies directly challenge the interests of the U.S. and American hegemony in the region. Under such a zero-sum perspective, any Chinese action, from islands reclamation in the South China Sea to credit loans to the Philippines, would be deemed challenging to the U.S.

The identity variable has also had a huge impact on the American perception. Historically, China and the U.S. belong to the communist and capitalist blocs, respectively. As of today, although the Communist blocs collapsed almost three decades ago and China is not a true communist regime, there is a strong attitude in the U.S. that the U.S. and China do not share a single identity, or, that they do not have enough characteristics in common to form a very close relationship. This is demonstrated by the fact that the general public in the U.S. fears the creation of a G-2 between the U.S. and China, which is also shared by the scholar field, the White House, the Capitol, and the Pentagon. Most recently, while China and Russia had a good relationship and both of them are listed as the largest threat to the U.S., China is increasingly characterized as the enemy of America instead of by a more neutral term. In addition, China has not fully

complied with the rules of the WTO, nor has it abided by the Hague ruling under UNCLOS. The U.S. also believes that two countries are not bounded by the shared interests and identity because China has not fully accepted the post-World War II global order.

The change of rules or norms variable also explains some of U.S. threat perception of Chinese foreign policy. Because China has not abided by rules of existing rules of major traditional multilateral institutions, the U.S. deems the Chinese-led multilateral institutions and initiatives an institutional challenge to the existing rules or norms. The U.S. perceives that, by establishing new organizations, China became more provocative to the existing global order because it has made the transition from implicitly violating existing rules or norms to explicitly setting up and institutionalizing alternative rules or norms. Such a change stirs up the American perception of Chinese efforts in multilateral diplomacy and global governance.

The combined effect of the power, identity, and the change of rules or norms variables makes it more formidable than simply the addition of the influence of all three. Because of low transparency of the Chinese government, the lack of information even pushes the American threat perception of China even higher. The U.S. perception, however, could potentially fall into a few heuristic filters of misperceptions.

Across dimensions, we can see that the American perception is mostly rooted in the power variable. Overemphasis on the power variable often leads to the danger of the *security dilemma*. If Washington only focuses on the rise of Chinese power and the reduction of the difference between American and Chinese power, that means that the structural threat of Thucydides' Trap could be true. As the power variable has an almost disproportionately important weight in the function of the American threat perception, the threat of Thucydides' Trap depends not only on the level of China's power but also on whether the power variable will

continue to dictate the American perception. To escape from Thucydides' Trap, on the one hand, the U.S. should take efforts to look beyond the power variable. The U.S. President and his cabinet should not be filled only with people who believe that capability shapes intention. China, on the other hand, should incentivize the U.S. to look at other variables by promoting opportunities for collaboration.

Additionally, the American perception could potentially face the problem of *cognitive dissonance*. China has been historically part of the communist regime and currently in a good relationship with Russia, cognitive consistency should make the U.S. suspicious to any Chinese actions. What's more dangerous, *cognitive consistency* could carry out to all dimensions. Even when China has benign intentions, the U.S. may not be able to fully understand its goodwill.

III. Policy Prescriptions by Dimensions

As we have analyzed both the Chinese and American perceptions of the Chinese foreign policy, I will now provide solutions to major differences of both perceptions and their misperceptions by bilateral relations, multilateral diplomacy, security and military, and economic cooperation dimensions. I will give out several measures to lower threat perception of each other by providing confidence-building measures as well as crisis management mechanisms. Note, these policy prescriptions are provided as direct responses to my comparison and analysis that are based on the theoretical framework. None of these policies are easier to be done than said, as a lot of them face serious practical constraints. Nonetheless, if they could be implemented at some point, threat perception would be reduced by much. Thus, my focus in this section would be to inform readers what type of policies would reduce threat perceptions instead of what policies are most practical and easiest to implement.

Bilateral Relations

In China's bilateral relations with foreign countries, the major difference between the American and Chinese perceptions is that, while China uses the power variable to explain its bilateral relations with stronger countries and the identity variable to explain its relations with weaker countries, the U.S. puts its full attention on China's capacity. Given the difference, there are several ways to bring the expectation the American and Chinese perceptions together.

1. In terms of U.S.-China relations, both countries should continue to deepen their commitments of major dialogue and communications mechanisms, including the four dialogues that President Trump and President Xi agreed on. Given that Sino-U.S. relations are facing escalated tensions, both the U.S. and China should ensure that timely communications through both formal and informal channels are always open.
2. In terms of Sino-Russian relations, the U.S. should comprehend the Chinese perspective that a Sino-Russian alliance is unlikely to happen. Although certain rhetoric is employed by the U.S. to achieve its strategic ends, the U.S. should understand putting Russia and China in the same category is inaccurate. During the process of policy-making, U.S. officials should remind themselves of not treating China and Russia with the same measures.
3. In terms of China's relations with its neighbors and other developing countries, China should understand that the concerns of the United States. China should practice what it preaches and publicize what it has achieved. China should come up with a clear standard of its bilateral cooperation with these countries. Such a standard will provide more information to the rest of the world and score higher transparency.

Multilateral Diplomacy

In the multilateral diplomacy dimension, the center of bilateral tensions is the change of rules or norms. The Chinese government believes that the BRICS, BRI, and AIIB are all additions to the existing global orders. Each of them speaks to a region or a group of countries whose interests were not properly represented in global institutions before. The BRICS represents the interests of emerging markets. BRI and AIIB promote economic integration and development to the Eurasian landmass where, to the west, there is the European Union, and to the east, there is NAFTA. The United States, however, believes that the China-led initiatives and institutions lower the standard of traditional multilateral institutions and even endanger core American interests. Given the problem, several policy recommendations are given below.

1. Since China acknowledges that post-World War II global institutions are still the best institutions. Both China and the United States should facilitate global governance under the system of the United Nations, the World Bank, the International Monetary Fund, and so on. Both countries should aim to protect and strengthen the traditional institutions. These institutions should continue to serve as the authority of international political, economic and security decision-making.
2. New-coming regional and global institutions should be encouraged by the United States so long as it put all participants on an equal footing and does not violate core interests of traditional institutions. The U.S. should not deliberately hinder the efforts of emerging markets who strive to gain an appropriate representation in global institutions as their economies grow.

3. China should provide more opportunities and mechanisms through which the U.S. government or American organizations could either participate in or gain information about ongoing activities in China-led initiatives and institutions. China should be incentivized to provide necessary information in order to cancel out American concerns.
4. Both the U.S. and China should cooperate at combating climate change, containing piracy activities, protecting environment and biodiversity, conducting humanitarian assistance and disaster relief, and other global governance activities. In these fields, both countries have shared interests, and both have the responsibility to uphold these initiatives as the largest and second-largest economies and polities in the world. These initiatives will help formulate shared identity in global governance and reduce hostility.

Security and Military

Unlike in other dimensions, both the U.S. and China focused a lot on the power and information variables in the perception framework. The danger of *security* and *status dilemmas* is imminent. To lower the threat perceptions and the risks of military confrontation, several measures are provided to achieve this end.

1. Both the Chinese and American governments should be aware of the danger of *security* and *status dilemmas*. Two lessons should be drawn from the dilemmas. First, military leaders should not dictate the policy-making procedure of each government. This is especially important for the U.S. government as there have been several retired generals serving in the current administration. Second, both American and Chinese decision-makers should always remember the shared stakes both countries have in global

governance and a healthy world economy in addition to the security interests they have. Focusing excessively on security would result in the danger of *security dilemma*.

2. Direct Military and security dialogues at between both governments should continue to open. At the same time, more direct military-to-military hotline at lower level should be created under the legal permission of both countries.
3. Since both countries agree that future military encounters are more likely to happen on the sea, both should start to establish a framework that allows future bilateral negotiations on a bilateral naval code of conduct that provides necessary guidance to future maritime encounters. Such a code of conduct helps to align the expectations of each other.
4. In the most militarily hotly contested region, including the South China Sea and the Korean peninsula, both countries should understand the concerns of each other. Although both countries have vastly different interests, both should be self-restrained and understand that any defensive actions could be perceived offensively by the other.
5. Both the U.S. and China should cooperate to face non-traditional maritime challenges such as anti-piracy, environmental degradation, humanitarian assistance/disaster relief missions across different oceans. Joint drills should be carried out when permissible. These activities will help both navies to formulate shared identity in peacekeeping missions around the world.

Economic Engagement

China believes that it shares the same identity and interests as a supporter of liberal global economic order. However, the U.S. does not see it the same way as China does.

Apparently, there is a difference between how the U.S. and China think whether they have a

shared identity institutional-wise. For China, the shared identity means that both the U.S. and China could be better off by exploiting comparative advantages. Therefore, a win-win situation should come with economic cooperation. For the U.S., a shared identity as supporters of global free trade is more pertinent to the institutional arrangement. Especially after President Trump came into office, the U.S. has become much more dissatisfied with China's domestic economic and institutional reform. In January 2018, the U.S. trade representative even vocally stated that having China joined WTO in 2001 is a mistake.²²² In a few months, the U.S. and China have started a trade war. Such a difference could not be solved in a day. In order to ease tensions and achieve a win-win situation that is acceptable to both, below are some solutions.

1. In line with President Xi Jinping's speech at 2018 Bo'ao Asia Forum, China should continue to liberalize its economy by lower tariffs in accordance with WTO, allowing foreign capital to enter Chinese markets that do not endanger national security, and enforcing the protection of property rights.
2. The Trump Administration should restrain itself from developing limited trade conflicts into an all-out economic war. Such a result may resonate with domestic political supporters in the short run. Nonetheless, the long run costs are not bearable for either the United States or China.
3. Both countries should continue to use official dialogues developed during the Xi-Trump meeting at Mar-a-Lago in April 2017. The comprehensive economic dialogue should serve a more important role than what it is. Both countries should continue to send delegates to each other's in order to achieve timely communications.

²²² Shawn Donnan, "Subscribe to the FT to Read: Financial Times US Says China WTO Membership Was a Mistake," Financial Times, January 19, 2018, accessed April 23, 2018, <https://www.ft.com/content/edb346ec-fd3a-11e7-9b32-d7d59aace167>.

4. Both countries should seek economic cooperation outside China and the United States.

Economic cooperation at the international level could certainly help lower bilateral economic tensions. Diplomatically, China should continue to invite the United States to join AIIB. Practically, China should try to invite some major American firms to participate and bid in some BRI projects. Both will help to show an open attitude of China to the United States.

To reiterate, all these policy suggestions above are simplistic compared to real situations. However, they serve as examples of what types of policies are able to lower threat perception and understand the perspective of each other better for both the United States and China. Admittedly, the gap between the American and Chinese perceptions is large, and U.S.-China relations is currently on a trajectory that is likely to worsen in the imminent future. Nonetheless, the policymakers in both countries should strive to create necessary conditions to implement appropriate policies to bring in the gap and form better U.S.-China relations. Only in doing so, a more harmonious global society would ever be possible to come into realization.

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