

The Sway of Strategic Cooperation and Deterrence on U.S.-China Relations

Emi MIFUNE

Abstract

This article discusses U.S.-China relations and the regional order in the Asia-Pacific region under Xi Jinping's regime with his slogan "China Dream" (the "Great Renewal of Chinese Nation"). This paper will be split into three sections. The first section investigates the fundamental principles of Xi Jinping's foreign policy – the China Dream and the New Model of Major-Country Relations with the United States – and discusses how the New Model of Major-Country Relations with the United States is different from the so-called Group of Two (G2). The second section discusses America's Rebalancing to Asia (or Pivot to Asia) Strategy and how it became the premise of Xi Jinping's New Model of Major-Country Relations with the United States. It also discusses the mutual distrust and alarm the U.S. and China bear toward each other. Further, this section will argue that while both the Rebalancing Strategy of the Obama administration's Asia-focused policy and the Xi Jinping administration's U.S.-focused New Model of Major-Country Relations policy are based on the strategy of realism, and while China's hardline foreign policy is causing tension in Asia, the U.S.-China relationship is one of two nations pursuing collaborations in favor of confrontation and conflict. The third section examines how the deepening of the economic interdependence between the two nations has made it no longer possible to argue that the U.S.-China relation is a zero sum game. Lastly, this paper views how the new energy foreign policies of both the U.S. and China will further strengthen their relationship.

Keywords

China Dream, New Model of Major-Country Relations with the United States, America's Rebalancing to Asia Strategy, Pivot, U.S.-China Relations, Xi Jinping's regime

Introduction

This article discusses U.S.-China relations and the regional order in the Asia-Pacific region under Xi Jinping's regime with his slogan "China Dream" (the "Great Renewal of Chinese Nation"). Xi Jinping became the General Secretary of the Chinese Communist Party in November 2012, and after assuming office of President of the People's Republic of China in March 2013, he launched his foreign diplomacy in earnest.¹ China's fundamental foreign policy under Xi Jinping's regime is comprised of five major points: 1) create foreign policy based on the Great Renewal of the Chinese Nation, a core principle of the China Dream; 2) construct a New Model of Major-Country Relations with the United States and promote relations with other major countries; 3) preserve friendship and cooperation with neighboring and developing countries; 4) strengthen mid- and long-term diplomacy strategy planning and preserve core interests; and 5) achieve unified, centralized leadership of diplomatic maneuvers of the Chinese Communist Party Central Committee (CCPCC).² Despite its amicable intentions, China's foreign policy draws a hard line with its neighboring countries over conflicts regarding its core interests, such as territorial disputes over the Senkaku Islands and Spratly Islands.

For China, a country that views domestic economic development and social stability as its most important issues, the primary mission of its foreign diplomacy and national defense is to create a stable international environment in the surrounding region.³ The United States, separated from China by the Pacific Ocean, is neither China's neighbor nor an Asian nation. Even so, China's policy towards the U.S. is most important among its international strategies, and thusly embodies that importance.⁴ For China to determine the prospects of its relations with the U.S., it must inspect how America has changed its strategy and policy towards China. Furthermore, China must consider U.S. national security strategy and policy adjustments, since America's plan towards China is influenced by its global and national security strategy.⁵ The United States is an actor with important influence on China wherever China deploys its foreign policy in the surrounding

¹ Emi Mifune, "Xi Takes 'Chinese Dream' to Foreign Diplomacy Arena," *The Asahi Shimbun: Asia & Japan Watch* (April 23, 2013), at <http://ajw.asahi.com/article/forum/politics_and_economy/AJ201304230106> (searched date: 23 April 2013).

² Yang Jiechi, "Innovation of Chinese Diplomatic Theory and Practice under the New Circumstances," *Qiushi*, Issue 16 (August 2013): 8-10.

³ Wang Yizhou, *Quanqiu zhenzhi he Zhongguo waijiao [Global Politics and China's Foreign Policy]* (Beijing: World Affairs Press, 2003), 285.

⁴ Yang Jiemian, *Houmengzhanqi de zhongmei guanxi [China-U.S. Relations in the Post-Cold War Era]*, (Shanghai People's Publishing House, 2000), 69.

⁵ Liu Jianfei, "Zhanlue Jiyuqi he zhongmei guanxi" [Strategic Chance and China-U.S. Relations], *Liaowang Xinwen Zhoukan [Outlook Weekly]*, Third Period (2003): 56-57.

region, be it East Asia,⁶ South Asia,⁷ Central Asia,⁸ or Southeast Asia. Therefore, this chapter considers China's foreign policy towards the U.S. and the idea of order in the Asia-Pacific where America is the primary factor influencing China's regional foreign policy and the formation of that regional order.

In the first year since Xi Jinping's foreign policy was initiated, the basic framework of the U.S.-China bilateral relationship was to "cooperate" wherever the two nations could, and to "manage/control" wherever they could not, all the while remaining "cautious" of each other. Even though Xi Jinping's foreign policy towards the U.S is hardline, he is not looking for conflict. Since the Obama administration's foreign policy towards China has been fairly soft compared to its predecessors, the U.S.-China relation has remained relatively stable even though China has pursued a hardline policy towards its neighbors with regards to territorial disputes. While America stresses the importance of its alliances with other countries, it is also steadily building its "New Relationship" with China, which is causing concern among America's friends and allies such as Japan, India, the Philippines and Vietnam, all of which refuse China's hegemony in Asia.

To show how the U.S. and China, with mutual distrust and precaution, have begun exploring a framework for a new order in the Asia-Pacific region where power is in transition, this paper will be split into three sections.

The first section investigates the fundamental principles of Xi Jinping's foreign policy – the China Dream and the New Model of Major-Country Relations with the United States – and discusses how the New Model of Major-Country Relations with the United States is different from the so-called Group of Two (G2).

The second section discusses America's Rebalancing to Asia (or Pivot to Asia) Strategy and how it became the premise of Xi Jinping's New Model of Major-Country Relations with the United States. It also discusses the mutual distrust and alarm the U.S. and China bear toward each other. Further, this section will argue that while both the Rebalancing Strategy of the Obama administration's Asia-focused policy and the Xi Jinping administration's U.S.-focused New Model of Major-Country Relations policy are based on the strategy of realism, and

⁶ Emi Mifune, "Japan's Policy toward China," in Takashi Inoguchi and G. John Ikenberry, eds., *The Troubled Triangle: Economic and Security Concerns for United States, Japan and China* (New York: Macmillan, May 2013), 213-245; Emi Mifune, "Japan's Perspectives toward Rising China," in Herbert S. Yee, ed., *China's Rise - Threat or Opportunity?* (NY: Routledge Security in Asia, 2013), 124-133.

⁷ Emi Mifune, "Japan-India-U.S. Relations and Rising China," in Takenori Horimoto and Lalima Varma, eds., *India-Japan Relations in Emerging Asia* (New Delhi: Manohar, 2013), 93-112.

⁸ Emi Mifune, "China's Moves in Central Asia a Cause for Concern," at <http://ajw.asahi.com/article/forum/politics_and_economy/east_asia/AJ201310220045>; Emi Mifune, "China's Policy toward Central Asia," in Srikanth Kondapalli and Emi Mifune, eds., *China and Its Neighbors* (New Delhi: Pentagon Press, 2010), 220-242.

while China's hardline foreign policy is causing tension in Asia, the U.S.-China relationship is one of two nations pursuing collaboration in favor of confrontation and conflict.

The third section examines how the deepening of the economic interdependence between the two nations has made it no longer possible to argue that the U.S.-China relation is a zero sum game. Lastly, this paper views how the new energy foreign policies of both the U.S. and China will further strengthen their relationship.

1. The China Dream and New Model of Major-Country Relations with the U.S.

1) China Dream

Ever since Xi Jinping succeeded Hu Jintao to the post of General Secretary of the Chinese Communist Party, the China Dream has been voiced vigorously. The China Dream is "the Road toward the Great Renewal of Chinese Nation."⁹ While not specifically defined, the anthem of Great Renewal of Chinese Nation exists as a political slogan of the CCP and the People's Liberation Army (PLA), which calls for increasing China's wealth and military strength.

The Central Foreign Affairs Leading Group of CCP makes decisions on important issues regarding foreign policy and national security. The head of this group is the president of PRC, second-in-command is the vice president of PRC, while third-in-command is the state councilor responsible for foreign policy. Within the administration, Xi Jinping, Li Yuanchao and Yang Jiechi are the three men in the top three posts that formulate China's foreign policy. In a paper published in *Quishi*, a CCP journal on theoretical studies, Yang Jiechi stressed that they will devise a foreign policy based on the important ideology of China Dream.¹⁰ He argues in his paper that the vision of China Dream not only encourages determination and conviction in the Great Renewal of Chinese Nation among the Chinese people on a massive scale, but it simultaneously strengthens China's influence and affinity with other countries, increases China's position and voice in international relations at the working level, and fully embodies the organic connections and strong unification of domestic and foreign policies.¹¹

With these aspirations in mind, China proposed a mechanism to realize the

⁹ "Xi Pledges 'Great Renewal of Chinese Nation,'" Xinhua Net (November 29, 2012), at <news.xinhuanet.com/english/china/2012-11/29/c_132008231.htm> (searched date: December 1 2012).

¹⁰ Yang Jiechi, *op.cit.*, 8-9.

¹¹ *Ibid.*, 9.

China Dream of the Great Renewal of Chinese Nation: it was the New Model of Major-Country Relations with the United States.

2) New Model of Major-Country Relations with the United States

While on a visit to the United States as vice president of the PRC, Xi Jinping proposed the original idea of the New Model of Major-Country Relations in talks with President Obama on February 15, 2012.¹² While this idea is also used with Russia and the EU, its central focus is on the U.S.-China relationship.¹³ According to State Councilor Yang Jiechi, the top foreign policy official under Xi Jinping, the connotations of New Model of Major-Country Relations are: 1) no conflict or confrontation, 2) mutual respect, and 3) win-win.¹⁴

Part of the background giving rise to the New Model of Major-Country Relations is the debate on “Power Transition Theory” regarding China’s ascent to power. This theory, as propounded by international policy scholar A.F.K. Organski, states that during the process of an emerging nation’s rise to power, while that nation wants to expand its share, nations with dominant power begin to feel threatened and, since their primary interest is to suppress expansion of the emerging nation’s influence, there exists the inevitability of an outbreak of a war of hegemony. Organski asserts that since an emerging nation – that is, a nation gaining power – dissatisfied with the current balance of power, will be forced to challenge the current dominant power as part of the process of expanding their influence, the emerging nation is more aggressive than the dominant nation and is therefore more likely to cause a war.¹⁵ On the other hand, the “Power Differential Theory” as suggested by Dale C. Copeland and others argues that a weakening dominant nation is more likely to start war.¹⁶ According to Edward Hallett Carr’s *The Twenty Years’ Crisis*, the most serious war is waged to strengthen a nation’s military power, and most wars are waged to prevent other countries from gaining more military power. In other words, a nation that is building a solid power position is more likely to start a war so that it can become even more powerful, while a weakening nation is motivated to start a war to prevent its enemy nations from gaining more power and to prevent deterioration of its relative power position.¹⁷

¹² Qu Xing, “What Kind of ‘A New Model of Major Country Relationship China Needs?’” *Xinhua Monthly*, Issue 13 (July 2013): 3.

¹³ Qu Xing, *ibid.*, 4.

¹⁴ Yang Jiechi, *op.cit.*, 9.

¹⁵ A.F.K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958); A.F.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980).

¹⁶ Dale C. Copeland, *The Origins of Major War (Cornell Studies in Security Affairs)* (New York: Cornell University Press, 2001).

¹⁷ Edward Hallett Carr, *The Twenty Years’ Crisis, 1919-1939: An Introduction to the Study of International Relations* (New York: Harper and Row, 1964), 111.

According to Qu Xing, a principal figure at the China Institute of International Studies, the three main points of the New Model of Major-Country Relations with the United States are: 1) seek a win-win relationship rather than viewing the relationship between major nations in power transition as a zero-sum game; 2) expand cooperation between the U.S. and China; and 3) control differences, or prevent the uncontrollable.¹⁸ Therefore, the strategic nature of the New Model of Major-Country Relations with the United States is utterly different from that of the New Model of Major-Country Relations with Russia and the EU. The New Model of Major-Country Relations with the United States is a strategy to prevent the U.S. and China from heading into a new cold war.

Ever since Xi Jinping said, “I stated that the vast Pacific Ocean has enough space for the two large countries of China and the United States”¹⁹ at a summit meeting with President Obama in June 2013 at Sunnylands Retreat in California, Chinese authorities at each level have continued to say that the New Model of Major-Country Relations is mutually understood by the U.S. and China; however, the U.S. does not share the same understanding as China regarding China’s core interests. When U.S. National Security Advisor Susan E. Rice said, “We (U.S. and China) seek to operationalize a new model of major power relations” in her talk entitled “America’s Future in Asia” in 2013,²⁰ Asian nations, including Japan, became concerned. Because her speech was given three days before the day China set its “air defense identification zone,” her remarks carried even more symbolic weight, as if the U.S. approved of the New Model of Major-Country Relations. Reviews of the subsequent comments made by the Obama administration and media reports suggest that it is likely that Rice, not an expert on Asia, used the term New Model of Major-Country Relations without fully understanding its meaning.

What then does New Model of Major-Country Relations mean in regards to the formation of order in the Asia-Pacific region? According to Xi Jinping’s comments in a press conference with U.S. Vice President Joe Biden who visited China on December 4, 2013, it means to respect mutual “core interests” and major interests, and to handle sensitive issues and differences in an appropriate

¹⁸ Qu Xing, *op. cit.*, 4.

¹⁹ The White House Office of the Press Secretary, “Remarks by President Obama and President Xi Jinping of the People’s Republic of China Before Bilateral Meeting” (June 7, 2013), at <<http://www.whitehouse.gov/the-press-office/2013/06/07/remarks-president-obama-and-president-xi-jinping-peoples-republic-china>> (searched date: 8 June 2013).

²⁰ The White House Office of the Press Secretary, “National Security Advisor Rice on U.S.-Asia Relationship,” remarks as prepared for delivery at Georgetown University, Gaston Hall, in Washington, DC (November 20, 2013), at <<http://iipdigital.usembassy.gov/st/english/texttrans/2013/11/20131120287258.html?CP.rss=true#axzz2IEoZCXFq>> (searched date: 12 November 2013).

manner. According to China's Peaceful Development (Chinese White Paper) by the Information Office of the State Council of the People's Republic of China, China is firm in upholding its "core interests": 1) state sovereignty, 2) national security, 3) territorial integrity, 4) national reunification, 5) China's political system established by the Constitution and overall social stability, 6) and the basic safeguards for ensuring sustainable economic and social development.²¹

In other words, China wants the U.S. to respect China's position regarding their territorial disputes. China has stated its fundamental principle in this matter using twelve Chinese characters, "主權屬我，擱置爭議，共同開發" (zhuquan shu wo, gezhi zhenyi, gongtong kaifa) – acknowledge China's sovereignty, set aside disputes and pursue joint development. By stressing the New Model of Major-Country Relations, China's true intent is to take a tough stance until its neighboring countries shelve the territorial disputes and begin joint development. China does not want America to interfere in its territorial issues with its neighbors.

The premise of U.S.-China foreign policy strategy is based on realism to maximize the balance of power to each country's advantage. China does not aspire to become the strongest nation in the world. The goal of the China Dream is to become a dominant, major power in line with the United States. China wants to become the regional hegemon in Asia. It wants to shift the current balance of power in Asia to its advantage. In other words, the New Model of Major-Country Relations for which China is aiming under Xi Jinping's regime, where the China Dream is the Great Renewal of the Chinese Nation, was proposed as a strategic tool for pursuing relative power that maximizes its share of the balance of power within the international system in Asia. This maximization of the balance of power is relative rather than absolute.

3) China Seeks Bipolar System Unlike G2

Some mass media reports do not make any distinction between "G2" and the New Model of Major-Country Relations. Some of the Asian nations that reject China's hegemony are concerned that Xi Jinping's China has begun seeking a G2 system in which the world would be controlled by the U.S. and China.

In the midst of multi-polarized global politics, there has been global debate over the benefits and shortcoming of a U.S.-China joint control system, such as a G2 system or "Chimerika"; however, China has rejected the idea of a G2 system. It is an entirely different concept from the New Model of Major-Country Relations with the United States. G2 is also unlike a U.S.-China bipolar system, which Chinese realists such as Yan Xuetong, Director of the Institute of

²¹ Information Office of the State Council of the People's Republic of China, "China's Peaceful Development," white paper (September 2011).

International Studies in Tsinghua University, contend. Yan Xuetong argues that Xi Jinping's foreign policy is completely different from Hu Jintao's foreign policy. In his *Inertia of History: China and the World in the Next Ten Years*,²² Yan Xuetong considers changes in international relations ten years from now and predicts that if China's total national power exceeds 50% more than that of the U.S., the world will move from unipolar domination by the U.S. to bipolar domination by the U.S. and China. Predicting that Xi Jinping's foreign policy will prioritize national security interests over economic interests, Yan Xuetong argues that U.S.-China bipolar domination is a mutual non-aggression mechanism that prevents conflict between the U.S. and China based on the New Model of Major-Country Relations with the United States, which pursues "cooperation without trust." This differs from the G2 notion, which contends that the U.S. and China will lead the world.²³

C. Fred Bergsten, director of the Peterson Institute for International Economics, put forth the idea of a G2 in 2004 where the two countries would form a system in which they would cooperate on equal footing, both taking leadership roles in global governance. Bergsten touched upon this concept again in his paper published in the summer of 2008.²⁴ He argued that while it would be insensitive for the U.S. and Chinese governments to publicly use the term "G2" out of consideration of the positions of other major countries, the U.S. must make China its priority partner in managing today's global economy. He further said that forming a G2 is the only way to fully obtain China's cooperation and the U.S.' involvement to create the true leadership so desperately needed by the world. Furthermore, Bergsten mentioned that after he expressed the idea of a G2 in late 2004, Robert Bruce Zoellick initiated dialogues with high-ranking Chinese officials, and Henry M. Paulson expanded those dialogues into what is now known as the U.S.-China Strategic Economic Dialogue with leaders from ten or more different ministries and agencies of both countries participating. These dialogues have put into place a framework primed for a G2, and a pattern of cooperation on issues such as the environment and international finance is taking shape. Bergsten also argued that it is not enough for China to be recognized merely as a "responsible stakeholder." China must be recognized, and be accorded full rights, as a true leadership partner.

Niall Ferguson, an economist at Harvard University, introduced the concept of "Chimerika" in the March 4, 2007 edition of the Sunday Telegram. According to

²² Yan Xuetong, *Inertia of History: China and the World in the Next Ten Years* (Beijing: China Citic Press, July 2013).

²³ Yan Xuetong stated in an interview, "If G2 means that two major countries lead the world, then both U.S. and China would not agree." (*Nihon Keizai Shimbun*, June 6, 2013).

²⁴ C. Fred Bergsten, "How to Manage China's Challenge to the Global Economy, Rush Transcript," *Federal News Service* (June 19, 2008); C. Fred Bergsten, "A Partnership of Equals," *Foreign Affairs*, 87-4 (Jul/Aug2008): 57-69.

Ferguson, Chimerika is a symbolic interest community comprised of the U.S., the world's largest consumer nation, and China, the world's largest savings nation, which together will influence the global economy.

As the terms "G2" and "Chimerika" were being introduced in the media, the terms themselves took on a life of their own and their definitions became altogether different from their original meaning. Bergsten argued that a G2 would be effective only in the field of economics and that it would not necessarily be effective in other areas. He also said that in the international economic order led by the U.S. where American interests such as exchange rates and trade are at stake, the U.S. would be an effective leader by involving China. The media, however, views a G2 as a U.S.-China bipolar system or U.S.-China joint control system.

There are many in China who criticize that a G2 is unrealistic, such as Huang Ping, Director General, Institute of American Studies of the Chinese Academy of Social Sciences (CASS).²⁵ There are some in China who say that U.S.-China joint control would be based on a bipolar world, and that since a G2 would relegate any other power to a sub-partner position, Russia would fear this as being anti-Russian.²⁶ Others have been critical of a G2, including Dennis Wilder, Senior Director for Asian Affairs on the National Security Council during the Bush administration, saying that it would damage U.S. relations with other Asian allies and friends, such as Japan and India. Elizabeth Economy and Adam Segal on the Council on Foreign Relations also disapproved of a G2 as an unrealistic mirage.²⁷

The idea of a G2 has raised concerns that the U.S. and China might divide the Pacific. Admiral Timothy J. Keating gave testimony at a hearing of the Senate Armed Services Committee on March 11, 2008 that during his visit to China in May 2007, a top Chinese naval official half-jested that the Pacific should be divided and controlled by the U.S. and China by placing Hawaii as its base. That August, The Washington Times and others reported Keating's testimony as a statement given by American military personnel. Admiral Keating rejected the Chinese official's suggestion but it was reported in the U.S. that some U.S. government representatives, including its information agency, had taken a forward-looking attitude toward the proposal. There are some who voice concern regarding China's ambition for a U.S.-China-divided Pacific.

As debates over a G2 have mounted, on May 19, 2009, U.S. Secretary of State Hillary Clinton pronounced that the U.S. would not give the Pacific to another

²⁵ Huang Ping, "Zhongguo yinzai G20 jiaogouxia banyan geng zhongyao de guoji jiese" [China Plays a More Important International Role under the G20], at <http://www.china.com.cn/international/txt/2009-03/19/content_17466322.htm> (searched date: 20 March 2009).

²⁶ Zhou Xinyu, "'Zhongmeigongzhilun' bianxinji" [Change of 'U.S.-China Condominium Theory'], *Guoji xianqu daobao* [International Herald Leader] (May 26, 2009).

²⁷ Elizabeth C. Economy and Adam Segal, "The G2 Mirage: Why the United States and China Are Not Ready to Upgrade Ties," *Foreign Affairs*, 88-3 (May/June 2009): 14-23.

nation. The next day, Wen Jiabao stated in a press conference at the China-EU summit in the Czech Republic, “Some say that world affairs will be managed solely by China and the U.S. I think that view is baseless and wrong.” Wen continued, “China is committed to an independent foreign policy of peace and pursues a mutually-beneficial strategy of opening up.” He added, “China stands ready to develop friendly relations and cooperation with all countries and it will never seek hegemony.” He also said, “It is impossible for a couple of countries or a group of big powers to resolve all global issues. Multi-polarization and multilateralism represent the larger trend and the will of the people.”²⁸ Wen Jiabao again ruled out the idea of a G2 notion in his talks with President Obama during his visit to China on November 18, 2009.

China is taking a negative position regarding a G2 because it presumably does not want to bear excessive responsibility on important issues such as climate control, proliferation of weapons of mass destruction, marine issues and cyber security. By denying a G2 and proposing a New Major Country Relationship, China is asking the U.S. to respect China as an equal nation rather than as a partner supporting the international agenda led by the U.S., and to accept China’s personally-defined national interests.

2. China Watchful of America’s Rebalancing to Asia Strategy

1) Evaluating the China Threat and America’s Rebalancing to Asia Policy

President Obama stated in a speech in November 2009 in Tokyo:

The national security and economic growth of one country need not come at the expense of another. I know there are many who question how the United States perceives China’s emergence. But as I have said, in an interconnected world, power does not need to be a zero-sum game, and nations need not fear the success of another. Cultivating spheres of cooperation – not competing spheres of influence – will lead to progress in the Asia-Pacific.²⁹

²⁸ *Global Times* (May 22, 2009).

²⁹ The White House Office of the Press Secretary, “Remarks by President Barack Obama at Suntory Hall,” at Suntory Hall in Tokyo, Japan (November 14, 2009), at <<http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-suntory-hall>> (Searched date: 15 November, 2009).

He also affirmed, "...the United States does not seek to contain China, nor does a deeper relationship with China mean a weakening of our bilateral alliances."³⁰ Obama welcomed China's rising power, saying, "...the rise of a strong, prosperous China can be a source of strength for the community of nations."³¹ Later, Obama and Hu Jintao announced in a joint statement in Beijing, "The two countries believe that to nurture and deepen bilateral strategic trust is essential to U.S.-China relations in the new era."³²

While the U.S. was focused on its war on terrorism, China emerged and the importance of Asia in the global economy soared. U.S. influence in the Asia-Pacific, on the other hand, relatively declined. The Obama administration named the U.S. a "Pacific country," subsequently deepening and expanding its involvement, and intensifying its presence in the area.³³ The Obama administration views the maintenance of its position as a Pacific country as a long-term national interest, stating five keys to its Asia-Pacific policy:

- (1) the U.S.' alliances with Japan, the Republic of Korea (ROK), Australia, the Philippines and Thailand, remain the foundation for our strategic engagement in the region, and the Obama administration is committed to strengthening and modernizing our alliances to address both continuing and emerging challenges;
- (2) the Obama administration is committed to broadening our relations with growing powers like Indonesia, Malaysia, Mongolia, New Zealand, Singapore, Vietnam and most notably India;
- (3) an important component of our efforts in the Asia-Pacific is an approach to China that is grounded in reality, focused on results, and true to our principles and interests;
- (4) the Obama administration is committed to enhancing engagement in Asia-Pacific multilateral organizations;
- (5) the Obama administration is pursuing an aggressive economic and trade agenda in Asia.³⁴

On January 5, 2012, the Obama administration announced its guideline that will become America's national defense strategy for the next 10 years, Sustaining

³⁰ *Ibid.*

³¹ *Ibid.*

³² The White House Office of the Press Secretary, "U.S.-China Joint Statement" (November 17, 2009), at <<http://www.whitehouse.gov/the-press-office/us-china-joint-statement>>

³³ Hillary Clinton, "America's Pacific Century," *Foreign Policy* (October 11, 2011).

³⁴ Committee on Foreign Affairs, Asia Overview: Protecting American Interests in China and Asia in U.S. House Committee on Foreign Affairs, 112-15 (Washington, DC: U.S. Government Printing Office, March 31, 2011), at <<http://www.gpo.gov/fdsys/pkg/CHRG-112hhr65495/html/CHRG-112hhr65495.htm>>

U.S. Global Leadership: Priorities for 21st Century Defense.³⁵ This new strategy positions China and Iran as enemy nations, and stresses the implementation of the Joint Operational Access Concept as a deterrent against attack within the Anti-Access/Area Denial (A2AD) environment, all the while reducing national defense expenditures and increasing American forces in the Asia-Pacific region. With an eye toward China's A2AD, this guideline focuses on Air-Sea-Battle (ASB), cyberspace and aerospace strategies, rather than using conventional large-scale armies and navies.

Three weeks after the Obama administration's announcement, Defense Secretary Leon E. Panetta announced an outline of the national defense budget based on the new defense strategy.³⁶ Although the Obama administration is prioritizing recovery of the domestic economy with the intention of trimming its \$487B budget over the next ten years and \$259B budget over the next five years, it will continue to put importance on the Asia-Pacific region.

The concept behind these American strategies is "tailored deterrence," as described in the *Quadrennial Defense Review 2010* (QDR2010).³⁷ This tailored deterrence concept has come into favor since the shift from nuclear deterrence was planned in QDR2006. This type of deterrence is intended to form a "deterrence net against potential enemies" by strengthening the architecture that maintains U.S. hegemony in the region through bolstering relations with American allies and friends as each builds up its own national power, including defense (security) capabilities, and sharing the burden of deterrence with them. In other words, proceeding with its offensive strategy, America will beef up its regional deterrence architecture³⁸ in an effort to halt China as it simultaneously creates a Chinese deterrence net to strengthen that very architecture.

Reports relating to security from the Obama administration over the last three years show that the national security issues of instability within the global commons and increased challenges for America as it deals with a vulnerable nation have classified China as a concern. An example of instability within the global commons is China's increased investment in A2AD to blunt the U.S. military's power projection in cyberspace and aerospace. According to Director of National Intelligence James R. Clapper's Worldwide Threat Assessment report

³⁵ U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* (Washington, DC: U.S. Department of Defense, January 2012).

³⁶ U.S. Department of Defense, *Defense Budget Priorities and Choices* (Washington, DC: U.S. Department of Defense, January 2012).

³⁷ U.S. Department of Defense, *Quadrennial Defense Review Report* (Washington, DC: U.S. Department of Defense, February 2010).

³⁸ Ballistic Missile Defense Review Report stated notion of "regional missile deterrence architecture." This was published at the same time as QDR which suggested "regional deterrence architecture."

delivered to the Senate Select Committee on Intelligence at the start of 2012, China and Russia are seen as the greatest cyber threats.³⁹ Examples of increased challenges with vulnerable nations are the conflicts in the South China Sea and the Senkaku Island issues. At a hearing of the House Armed Services Committee in March 2012, U.S. Navy Admiral Robert F. Willard gave testimony that the Chinese military has continued to challenge the U.S. and its allies in the Asia-Pacific maritime, cyber and space domains.⁴⁰

Watching China make such moves, the U.S. is forming mid- and long-term strategies against China. The major goals of America's China policy are to prevent and deter, and prepare, which China views as aggressive. It should be noted that at a press conference announcing QDR2010, the then-defense secretary Robert Gates had already stated that the concept of ASB, long-range attack capability, and space and cyber domains were of concern.⁴¹

2) China and U.S.-China Relations in a Changing World

Ever since President Obama, on a visit to Japan in November 2009, declared the "rebalancing to Asia" (pivot to Asia) strategy, China has been concerned with the influence of that strategy. China is a strategic nation, one that is based on realism, just like the U.S., and it tries to balance its power with other nations based on those nations' strategies against China.

Ma Xiao Jun and Gao Zugui, professors at the International Institute for Strategic Studies of the Central Party School of the Chinese Communist Party Central Committee, stated in *Dangdai Zushi* [Contemporary World], the journal of the International Liaison Department of the Chinese Communist Party Central Committee, that the U.S. rebalancing strategy has further complicated the international environment between China and its neighbors, and has put pressure on the maintenance of stability and protection of interests in the region.⁴² Traditionally, China has ignored international laws in territorial disputes, forced change by pushing the comparative advantage of its military strength, and has endeavored to maintain stability and protect its interests. Now, however, because of the American rebalancing strategy, China must strive for restrictive cooperation.

Cheng Xiangyang, Deputy Director of the Institute of World Political Studies of

³⁹ James R. Clapper, "Worldwide Threat Assessment of the U.S. Intelligence Community," (Washington, DC: Office of the Director of National Intelligence, January 31, 2012).

⁴⁰ House Armed Services Committee, Statement of Admiral Robert F. Willard, U.S. Navy, Commander, U.S. Pacific Command, before the House Armed Services Committee on U.S. Pacific Command Posture (Washington, DC, March 1, 2012).

⁴¹ "DoD News Briefing with Secretary Gates and Adm. Mullen from the Pentagon."

⁴² Ma Xia jun and Gao Zugui, "Shijie bianju zhong de zhongguo guoji zhanlue" [Chinese International Strategy under the World Fluid Situation], *Dangdai Shijie* [Contemporary World] First Period (2012): 13-15.

the China Institute of Contemporary International Relations, shared his prospect for international affairs in 2012 by writing in Xinhua's *Liaowang Xinwen Zhoukan* [Outlook Weekly] that one factor that could shock the harmonized and stable order in the Asia-Pacific is America's plan to maintain its hegemony in the region under the slogan of "America's Pacific Century."⁴³ In other words, China believes that as order is being formed in the region, the U.S. is simultaneously reviving its presence and attempting to weaken China's influence.

Chinese Army Major General Peng Guangqian, a renowned military expert in China, argues that the U.S. rebalancing policy focuses on building a strategic deterrence system against China. He contends that America's strategy in Asia to contain China as a potential enemy consists of six systems: 1) an ASB campaign system, where China is presumed to be the main target, the Western Pacific is the main combat area, and the forces used to stop China's A2AD are mainly air and naval; 2) a military alliance system, which sets two major strategic points, Japan in the north and Australia in south, as it deepens both the U.S.-Japan and U.S.-Korea alliances to integrate them as a trilateral alliance, and later incorporating India, Vietnam and the Philippines to create a smaller, Asian version of NATO; 3) a military base system built along a line of islands in the Western Pacific; 4) a political infiltration system with Western values as its core; 5) an economic deterrence system based on the Trans-Pacific Strategic Economic Partnership Agreement (TPP) that excludes China and establishes U.S. hegemony; and 6) a "forward-deployed diplomacy" aimed at disrupting and provoking the break-up of friendly relations between China and its neighbors.⁴⁴

Peng Guangqian has offered the following two points about the goal of America's strategic shift of focus in East Asia. The first point is that it aims to maintain prodigious power able to take military action against China at any time, continuing America's militaristic and overbearing attitude toward China while also excluding it, as it is America's largest strategic rival and a threat to its hegemony. The second point is that it aims to create the atmosphere of a "China threat," to strengthen control over the vast no-man's-land in the Asia-Pacific between China and the U.S. and prevent the decline of American authority. Furthermore, it hopes to expand U.S. power in South and Southeast Asia, solidify American leadership in the Asia-Pacific, and preserve its long-term hegemony in the region.⁴⁵

According to *the 2012 Blue Book of Asia Pacific*⁴⁶ by the Chinese Academy of

⁴³ Cheng Xiangyang, "Yuanzhan 2012 Guoji xinzhi zouxiang" [Prospects on International Affairs in 2012], *Liaowang Xinwen Zhoukan*, Second Period (January 2012): 61.

⁴⁴ Peng Guangqian, "Zhongmei guanxi fashen zhibian junshi chongtu bingfei bukeneng" [Qualitative Changes of China-U.S. Relations May Cause Military Collision], at <http://www.xinhupo.com/html/2011/zjgd_1227/3315.html> (searched date: 20 January 2012).

⁴⁵ Peng Guangqian, *op. cit.*

⁴⁶ Institute of Asia-Pacific Studies of Chinese Academy of Social Sciences, *Blue Book of*

Social Science, the U.S. rebalancing strategy has the twin goals of maintaining its cooperation with China and containing China. The publication also says that the reasons why the U.S. chose a rebalancing strategy when faced with a rising China was to prevent a China-led political and economic order in future Asia, to establish America's position of leadership in the formation of order in Asia, and to incorporate China within this order.⁴⁷ It also pointed out that, under the American rebalancing strategy, the world's major powers are all rebuilding their strategies for Asia where China inhabits the core. Furthermore, it continues to explain that China's peripheral environment has become ever more complicated by the U.S. rebalancing strategy that has brought new challenges to China, so China must come up with new strategic ideas to respond to these changes and trials.⁴⁸

With the above in mind, it is worth noting the public announcements of defense expenditures for 2012. While major powers cut their defense expenditures due to the stagnant global economy, in 2012 China's expenditures exceeded the \$100B mark for the first time.⁴⁹ This figure is roughly 1.85 times Japan's defense costs, ranking second in the world, right behind the U.S. for the third year in a row. Some say China's actual defense expenditures were two to three times as much. In other words, it can be deduced that China's message to the world was that it exceeded the \$100B mark for the first time. Given that the real and published amounts were incongruous, they could have easily reported only the smaller amount, but the fact that they chose to disclose their large spending suggests their intention of being aggressive in the future. The Washington Post estimates that China's defense expenditures in 2015 will exceed the total defense costs of its neighboring twelve countries and expressed concern for security in Asia-Pacific.⁵⁰ Such arguments about China being a threat will most likely become more prevalent going forward.

3. Deepened U.S.-China Interdependency and Change in Regional Order

1) Mutual Restraint in the U.S.-China Economic Relationship

According to an announcement by the U.S. Treasury, the amount of U.S. Treasury

Asia-Pacific (2012): Annual Report on Development of Asia-Pacific (Beijing: Social Sciences Academic Press, 2012).

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*

⁴⁹ "2012nian zhongguo guofangyusuan 6702.74 yiyuan bi shangnian zeng 11.2%" [China Raises Defense Budget 11.2% to 670 Billion Yuan in 2012], *Xinhua Net*, at <http://news.xinhuanet.com/politics/2012lh/2012-03/04/c_131444992.htm> (searched date: 5 March 2012).

⁵⁰ Keith B. Richburg, "China's Military Spending to Top \$100 billion in 2012," *The Washington Post* (March 4, 2012).

bonds owned by foreign countries totaled U.S.\$5716.9B as of November 2013.⁵¹ China was the largest creditor nation with holdings of U.S.\$1316.7B, and it has been the top holder of U.S. Treasury bonds since September 2008. After China joined the World Trade Organization in 2001, its foreign currency reserve has expanded, and at the same time, it has significantly expanded its share of U.S. Treasury bonds among foreign holders. China's 5.9% share (excluding Hong Kong) among foreign holders at the end of 2000 grew to 23% by November 2013.⁵² The trend of overseas investors, mainly by Japan and China, has had an important influence on the increase in bond issues that are part of the U.S. economic stimulus. The U.S. economy cannot recover as long as the position of country with the most U.S. Treasury bonds is held by a perceived enemy.

On the other hand, there are some in China who argue that China should reduce its U.S. Treasury bond holdings. However, China manages most of the world's largest foreign currency reserve in U.S. dollars. A sharp fall in the dollar would lead to a drop in asset value. If the rate for the RMB against the dollar increases, there will be less incentive for China to buy U.S. Treasury bonds. In other words, because of its financial struggles, the U.S. government wants China to continue buying U.S. Treasury bonds, and thus cannot be too assertive in asking the Chinese government to revalue the RMB. Furthermore, as long as China continues to be the largest holder of U.S. Treasury bonds, they will be able to seek concessions from the United States. If China ever decides to leave its position as largest holder, Japan will move into that position.⁵³

Reviewing the transitions in U.S.-China trade, in 1980 U.S. imports from China were U.S.\$983M (Chinese data) and U.S. \$1.164B (U.S. data); however, in 2012 these numbers grew to U.S.\$351.796B (Chinese data) and U.S.\$425.579B (U.S. data). In 1980, exports from China to the U.S. were U.S.\$3.83B (Chinese data) and U.S.\$3.755B (U.S. data). In 2012, exports expanded to \$132.886B (Chinese data) and U.S.\$110.484B (U.S. data). As of November 2013, the U.S. year-to-date total trade with China was 14.5% of the total trade amount, second only to Mexico.⁵⁴

The U.S.-China economic relationship is not a simple one where China

⁵¹ U.S. Department of the Treasury, "Major Foreign Holders of Treasury Securities" (Washington, DC: May 15, 2014), at <<http://www.treasury.gov/ticdata/Publish/mfh.txt>> (searched date: 17 January 2014).

⁵² *Ibid.*

⁵³ As of November 2013, Japan holds \$1186.4B of the U.S. bonds, sharing 20.8% of the total overseas share. They are followed by China, which holds \$1316.7B. This is far more than the \$290.9B (5.1% of the total amount) held by the Caribbean Banking Centers (Bahama, Bermuda, Cayman Islands) which rank third.

⁵⁴ U.S. Census Bureau, "Top Trading Partners - November 2013," at <<http://www.census.gov/foreign-trade/Press-Release/2013pr/11/>> (searched date: 17 January 2014).

exports to the U.S. and then uses the profits to purchase U.S. Treasury bonds. The Chinese economy has already become intertwined with that of the U.S., and economic development in China cannot escape the influence of the U.S. economic situation. The American economy needs China's support to recover. Huge foreign demand and government-led public investments are what is driving China's economic growth. In other words, its economic growth is being pulled along by China's expanding trade surplus with the United States. This has created a middle class in China and their affluence has become the key to expanding domestic demand. Furthermore, the expanding trade surplus is increasing profits, and it is this money that China is lending to the U.S..

As an investment target for China's huge foreign currency reserve, the rate of return for the euro and yen is too low. The scale and liquidity of assets of other countries do not allow for sufficient management. If China spreads its investment risk among other countries, the U.S. dollar will drop dramatically, thus also causing a huge decline in Chinese assets. If countries including China do not buy U.S. Treasury bonds, the Federal Reserve Board (FRB) itself will buy them, which may lead to inflation and a steep drop in the value of the dollar. Therefore, after the shock caused by the collapse of Lehman Brothers in 2008, the U.S. government issued a large amount of government bonds to stimulate the economy; China was the major buyer of these bonds. China must support the U.S. in this economic crisis lest its own economy suffer.

The economy and finance of the U.S. and China are mutually intertwined and in the near term neither can escape from the other's bonds. In a joint announcement in November 2009, the U.S. and China reconfirmed that they will not target each other with their strategic nuclear weapons, a promise made back on June 27, 1998. The deepening economic and financial relationship between the two countries has built a mutually-bound relationship structure without the need for Mutual Assured Destruction (MAD) using strategic nuclear weapons.

2) China as an Important Economic Partner

This expansion of the economic relationship is changing the awareness of China in the United States. Figures One and Two show the results of an opinion poll published by the Ministry of Foreign Affairs of Japan in December 2013. The survey was conducted by telephone on 1,000 general respondents 18 years of age and older and on 201 respondents in various leadership positions (bureaucrats, politicians, business people and members of academia, the media, religious groups and labor relations). The level of confidence was 95% and the sampling error was

±3% in the former group and ±7% in the latter group.⁵⁵

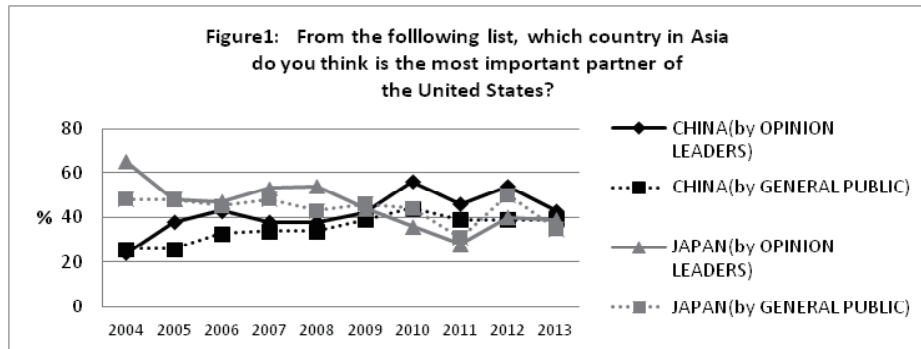


Figure 1: Which country in Asia do you think is the most important partner of the United States?

Source: Ministry of Foreign Affairs of Japan, “2013 Opinion Poll on How Americans Perceive Japan,” at <<http://www.mofa.go.jp/mofaj/files/000022800.pdf>> (see attached Excel file).

Figure 1 shows a shift in the American response rate for China and Japan when respondents were asked which Asia-Pacific country they considered the most important of the United States from the following list (Japan, China, Australia, South Korea, India, Russia, Other, None).⁵⁶ The 2013 survey showed 35% of the general respondents answered Japan, while 39% answered China, giving China the top spot for four years consecutively. When the same question was asked of opinion leaders, 39% answered Japan, while 43% answered China.

Figure 2 shows the responses given when respondents were asked why they chose China as the most important partner to the United States. The response rate for “Trade/Economy relations with U.S.” showed a steep increase compared to previous years, with 80% of the general group choosing this response (as compared to 41% in 2012 and 43% in 2011) and 78% of the opinion leader group (as compared to 37% in 2012 and 43% in 2011). Americans see China as an important trade and economic partner. The response rate for “Political Relations with China” was 11% for the general group and 26% for the opinion leader group. Among those who responded that Japan is the most important partner for the America region, 48% came from the general group and 61% were of the opinion leader group. Compared to these figures, the percentage of people who said political relations with China were an important factor was low.

⁵⁵ Ministry of Foreign Affairs of Japan, “The 2013 Opinion Poll on How Americans Perceive Japan (Summary of the Result)” (in Japanese) (December 19, 2013), at <http://www.mofa.go.jp/mofaj/press/release/press4_000456.html>

⁵⁶ Korea was one of the options only during 2011 to 2013. In the opinion leaders’ responses, it was 8% in 2011, 1% in 2012, and 14% in 2013, respectively. In the general responses, it was 7% in 2011, 1% in 2012, and 7% in 2013, respectively.

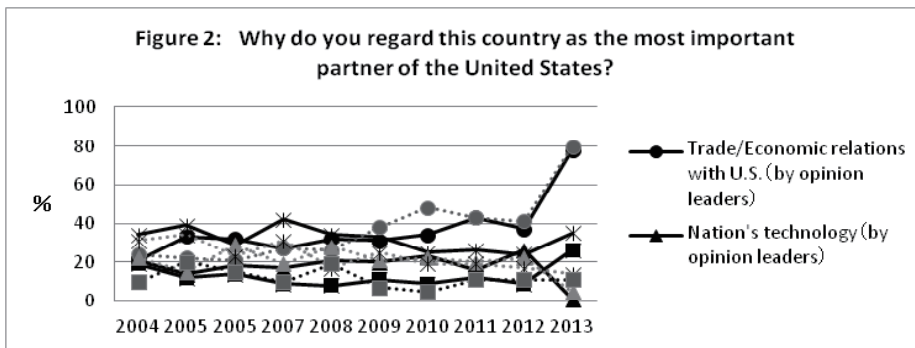


Figure 2: Reasons Why China is the Most Important Partner of the United States
 Source: Ministry of Foreign Affairs of Japan (See Figure 1; see attached Excel file).

3) America Reluctant to Be Involved

The same survey asked if the U.S. should maintain its current Treaty of Mutual Cooperation and Security between Japan and the United States of America.⁵⁷ Of the general group, 67% said yes, while 77% of the opinion leader group said yes. Figure Three shows a sharp downward shift in Yes response rates. From this, it can be supposed that Americans are willing to cooperate in strengthening the alliance with Japan but are reluctant to become involved in any conflict between Japan and China over the recent Senkaku Islands issue.

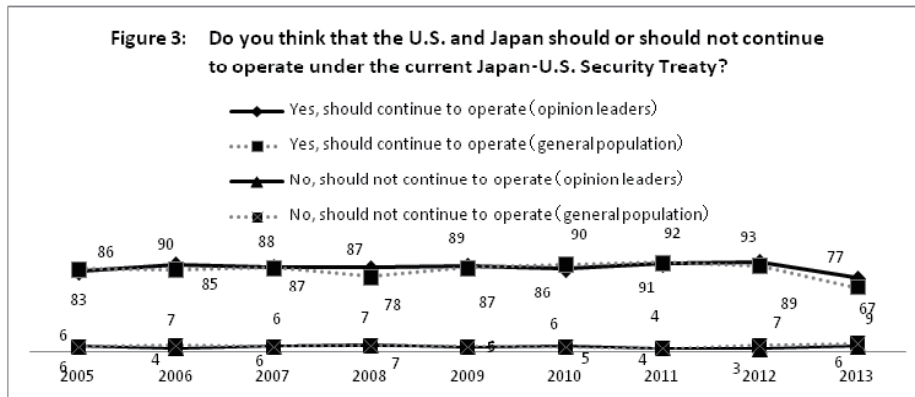


Figure 3: Should or Should not the U.S. continue to operate under the current Japan-U.S. Security Treaty between Japan and the United States of America?
 Source: Ministry of Foreign Affairs of Japan (See Figure 1; see attached Excel file).

Americans generally to see the Senkaku Islands issue as a conflict between Japan and China over a group of small rocky islets in the East China Sea. They tend to overlook the two most important points behind China’s argument: 1)

⁵⁷ Ministry of Foreign Affairs of Japan, *op. cit.*

potential of expansion into all of Okinawa Prefecture; and 2) the maritime strategic goal of controlling the gateway to the Pacific. Considering China's long-term maritime strategic goal of expanding its maritime hegemony to the whole Western Pacific, the Senkaku Islands issue, similar to the Taiwan integration issue, becomes a strategic point for China, desperate to secure a gateway to the Pacific so as to grasp maritime hegemony in the Western Pacific.

4) Shale Gas Revolution and Expansion of U.S.-China Relations

China's energy policy is one of the factors strengthening the U.S.-China relationship. The shale gas revolution in the U.S. will deepen China's dependency on the U.S.. As China becomes more dependent on oil and natural gas imports, it shares the same goal as America of supplying safe, cheap and clean energy. It must share investment, regulation and technology, and expand exchange among industries. This means that U.S.-China cooperation will expand not only to trade in energy resources, but also to climate change issues and economic and financial areas. Furthermore, regarding all of this, China's rights and interests are closely related to the power struggle within the CCP.

According to *World Energy Outlook 2013* published by the International Energy Agency (IEA), non-conventional shale gas development will bring an about-face to the global energy picture, and that the U.S. will surpass Saudi Arabia to become the largest oil-producing country by 2017. The IEA also predicts that within the next three years the U.S. will become the largest gas-producing country, surpassing Russia.⁵⁸ The shale gas revolution is putting an end to the theories of America's demise as the U.S. moves to take over leadership of the world's energy economy.

China's energy policy must take China-U.S. interdependency to a deeper level. China says it will extract 6.5 billion cubic meters of shale gas in 2015. Estimates put China's shale gas reserve at 31.6 trillion cubic meters, roughly 1.7 times the size of America's reserve, but China will need a higher level of technology to develop it on its own. China's production target of 6.5 billion cubic meters represents a very small percentage of China's consumption of natural gas; however, unlike in the U.S., the shale stratum in China is several thousand meters deep, which will make it difficult for them to reach their target given their current technology. To develop that shale gas, China absolutely must cooperate with the United States.

⁵⁸ International Energy Agency, *World Energy Outlook 2013* (London: IEA, November 12, 2013).

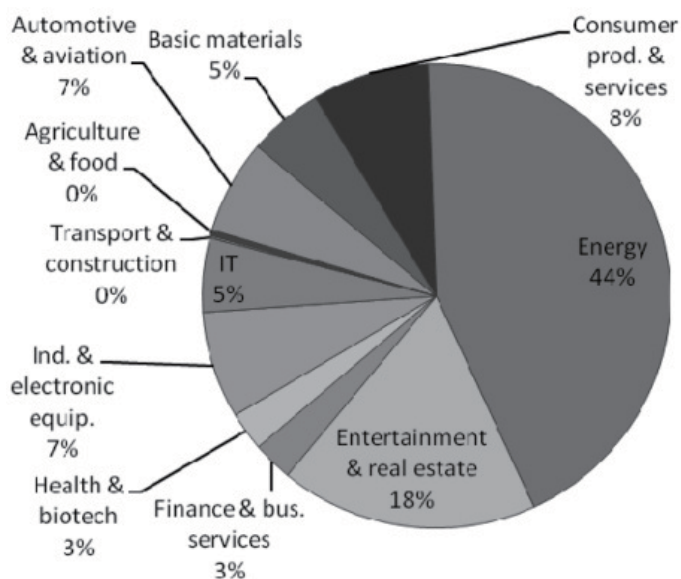


Figure 4: Cumulative Chinese FDI in the United States, by Sector, 2000-2013 Q2 (total deal value \$27.9 billion)

Source: The U.S.-China Economic and Security Review Commission, “Report to Congress of the U.S.-China Economic and Security Review Commission” (November 20, 2013), at <http://origin.www.uscc.gov/sites/default/files/annual_reports/2013%20Report%20to%20Congress.pdf>

Under Xi Jinping’s America policy, bolstering the relationship in the energy realm continues to be an important issue between the U.S. and China. When Prime Minister Li Keqiang met with Vice President Joe Biden on December 5, 2013, they agreed to strengthen their cooperation regarding climate change and energy. They also confirmed their desire to begin real negotiations toward concluding U.S.-China investment agreements to secure an open and fair investing environment. The Chinese need technological help from America to develop their shale gas venture, and they are also considering importing shale gas from the U.S. According to the 2013 Report to Congress of the U.S.-China Economic and Security Review Commission submitted to Congress in November by the U.S.-China Economic and Security Review Commission, a congressional advisory committee, 44% of China’s foreign direct investment (FDI) in the U.S. during the period from 2000 to the first half of 2013 was in the area of energy (see Figure 4).⁵⁹ This can be read that China is investing heavily in the U.S. to acquire high-level shale gas extraction technology.

⁵⁹ The U.S.-China Economic and Security Review Commission, *U.S.CC 2013 Annual Report* (Washington, DC: U.S. Government Printing Office, November 20, 2013), at <http://origin.www.uscc.gov/sites/default/files/annual_reports/Complete%202013%20Annual%20Report.PDF>

China's decision to liberalize energy prices is also ultimately playing a large role in its shift toward clean energy and may provide an opportunity to extend the areas of cooperation between the U.S. and China to the issue of climate change. In the Third Plenary Session of the 18th Central Committee of the CCP in November 2013, the CCP implemented price reforms in the areas of oil and natural gas, as well as a policy for introducing market principles.⁶⁰ Going forward, China will incorporate the development of shale gas as a national strategic emerging industry, and will intensify its fiscal support of shale gas exploration and development. The decision to liberalize energy prices will force Chinese companies to realize they will no longer be able to wantonly and inefficiently consume cheap energy. It will also quickly promote the need for improving their energy consumption efficiency.

Furthermore, realignment of vested-interest groups in the natural resources sector in 2013 brought immense profits from investments in America to Xi Jinping's ruling circle. This will make China's cooperative diplomacy with the U.S. regarding energy resource policy all the more important. For Xi Jinping, one of the keys to realigning the power base within the CCP is change in the vested-interest structure derived from the development of shale gas in China. The leadership wants to lead shale gas development themselves, and wants to reel in vested-interests in oil and natural gas. In 2013, Zhou Yongkang (ranking ninth in the 17th Standing Committee of the Political Bureau of CCPC during the Hu Jintao period) and other oil clique magnates were being ousted one after the other. Three factors figured into Zhou Yongkang's fall: 1) removal of Jiang Zemin and his group's influence; 2) Xi Jinping's public security sector power grab; and 3) political jockeying to exclude the oil clique. Zhou Yongkang, who supported Bo Xilai, the former leader of Chongqing City,⁶¹ was the oil clique and public security boss. In September 2013, just prior to Zhou Yongkang's ouster toward the end of that year, Jiang Jiemin, Yongkang's close aide and former ministerial-level director of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), and more than 200 others, including those in charge of CNPC asset management, were arrested or questioned. The SASAC controls China's major state-owned companies and as such is in a position to protect the vested interests of the oil clique. Jiang Jiemin was a magnate and former president of China's largest state-owned oil company, China National

⁶⁰ "Shouquan fabu: zhonggong zhongyang guanyu quanmian shenhua gaige ruogan zhongda wenti de jue ding" [Authorized Release: Chinese Communist Party Central Committee's Decision on Important Issues about Entirely Deepening Reform], *Xinhua Net* (November 15, 2013), at <news.xinhuanet.com/politics/2013-11/15/c_118164235.htm> (searched date: 16 November 2013).

⁶¹ When reporting on ousted Zhou Yongkang on December 9, 2013, *The Oriental Daily News* reported that Zhou Yongkang was attempting to oust Xi Jinping by using Anti-Japanese sentiment.

Petroleum Corporation (CNPC). He was ousted on “suspicion of serious violations of discipline.”

For the Xi Jinping leadership, the revolution in shale gas is an essential factor in realigning the power base within the CCP. They want to take the lead in gaining vested interest in the natural resources sector.

Conclusion

Three points can be drawn from the observations discussed in this chapter on how China, an emerging power in the Asia-Pacific, and the United States, with its reconsidered role in the region, are trying to form a relationship.

First, while the U.S. and China have begun seeking their way toward framing a New Major-Country Relationship, the two nations are unable to share their understanding of what a New Major-Country Relationship means. While one basic principle for both sides of their relationship is “cooperation,” another is “deterrence.” America is trying to deter China, which is pushing its hardline foreign policy on its neighbors. China is attempting to deter U.S. intervention. The two nations are swaying between “cooperation” and “deterrence” as they are trying to build a New Relationship to manage their points of contention. The U.S. wants the New Major-Country Relationship to be a mechanism for deterring and managing China’s hardline foreign policy, and for forcing China to participate in regional and global issues. China, on the other hand, wants the New Major-Country Relationship to be a mechanism for deterring the U.S. from intervening in its core interests and domestic affairs. As a result, America and China are unable to share a common understanding of the New Model of Major-Country Relations.

Second, a basic premise of the current foreign policy strategies of the U.S. and China is based on the realism of maximizing national interests and maximizing the balance of power to each nation’s best advantage. Such a mutual strategy is creating instability in the Asia-Pacific regional order. China is not aiming to become the world’s strongest superpower. Its China Dream is to become a dominant major power that can stand shoulder to shoulder with the U.S. within the international system. China wants to become a regional hegemon; it wants to change the current distribution of power in Asia, and change it so the balance is in China’s favor. In other words, the New Model of Major-Country Relations that China wants as part of the China Dream that is the Great Renewal of Chinese Nation being put forth by Xi Jinping is to pursue the expansion of its relative power that would maximize its share of the balance of power within the international system of Asia. This maximization of the balance of power is maximization of “relative” power rather than “absolute” power. What this goal of

China maximizing its “relative” power means is the relative decrease of American influence in Asia. But America is not a country that will sit idly by and let this happen.

Since both countries base their foreign policy strategy on realism, one cannot argue U.S.-China relations under Xi Jinping’s regime from the viewpoint of liberalism or social constructivism. Liberalists point to international institutions or interdependence as mechanisms for bringing nations toward cooperation; however, these have never constrained U.S. or Chinese actions because they act based on realism. Rather, both countries use international institutions and interdependence to maximize their own national interests. There are no international systems or regimes that can keep their actions in check in Asia or in the world. For both the U.S. and China, international institutions and interdependence are simply means of expressing how high each country’s own international status is and to show off to the world the balance of power between them.

There is also a limit to arguing the U.S.-China relationship from the viewpoint of social constructivism. The holism of social constructivism analyzes the international structure as one unit, thus international factors are always given priority over domestic ones, but this underestimates one extremely important factor: domestic politics that determine foreign policy can affect international relationships. Furthermore, by overvaluing the norm, it is easy to overlook aspects determined by the distribution of power among countries. Additionally, the degree of influence that non-material factors such as norms and identities can have on foreign policy is quite different by country. For example, while Europe and Japan tend to be largely influenced by international norms, the U.S. and China are generally not. The social constructivist would argue that international norms take precedence over domestic ones. Although this can be proven in European countries and Japan, in the U.S. and China, national interests are given priority over international norms.

Third, “cooperation” and “deterrence” are fundamental to the U.S.-China relationship, but “containment” is not. There is no country that can contain China, considering its economic strength, military power, geography, population and land area. Even if an anti-China alliance were to be created, it would be very unlikely that it would be able to contain a China that is attempting to change the current state of things. Furthermore, since the U.S. and China have deepened their mutual economic dependency, any conflict between them will damage the economies of both countries. The intertwining of their economies and finance is deepening the economic dependency that is mutually binding their interests. This is causing Americans to become increasingly aware that China is their important partner in Asia and thus it is possible that America’s role as the offshore-balancer in Asia may gradually diminish.

Therefore, as discussed in the three points above, the U.S.-China relationship under Xi Jinping's administration is swaying between strategic cooperation and deterrence, and instability rises in the Asia-Pacific region.

About the Author

Emi MIFUNE is a professor of International Relations at the Faculty of Law, Komazawa University. She received her PhD in 2000 from the Graduate School of Gakushuin University, her MA in International Relations from Graduate School of Boston University, her MA in Politics from Gakushuin University, her Bachelor of Arts from Waseda University. Before joining Komazawa University, she taught at the Department of International Relations, Chubu University. Her research interests include Chinese Diplomacy and its foreign policy. Her recent publications are: "Japan's policy toward China" in Takashi Inoguchi and G. John Ikenberry (eds.), *The Troubled Triangle: Economic and Security Concerns for United States, Japan and China*, (Macmillan, 2013), pp.213-245; "Japan-India-U. S. Relations and Rising China" in Takenori Horimoto and Lalima Varma (eds.), *India-Japan Relations in Emerging Asia* (Manohar, 2013), pp.93-112; "Japan's Perspectives toward Rising China" in Herbert S. Yee (ed.) *China's Rise: Threat or Opportunity?* (Routledge, 2013), pp.124-133; "Meaning of China's 'Silence (Special Features in Ukraine Crisis)'," *Diplomacy* (Jiji Press Ltd), Vol. 25, May 2014, pp.46-51; "Chinese Views of India and of Japan-India Relations", *Contemporary India Forum Quarterly Review* (The Japan- India Association), Vol.21, April 2014, pp.12-17.

Address: Faculty of Law, Komazawa University, 1-23-1, Komazawa, Setagaya-ku, Tokyo, 154-8525, Japan

Email: emifune@komazawa-u.ac.jp