

‘China’s Response to the US Asia-Pacific “Rebalance” and Its Implications for Sino-US
Relations.’

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Dedication

The author wishes to dedicate this Thesis to his parents, Stuart and Christine Adamson.

Their support has been unwavering and inspirational.

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Abstract of Thesis

‘China’s Response to the US Asia-Pacific “Rebalance” and Its Implications for Sino-US Relations.’

The rise of nationalism and the proliferation of foreign policy actors in China has contributed to increasing levels of distrust between China and the Asia-Pacific region, and contributed to a significant decline in the stability of the US-China relationship. The overblown reaction from China’s civil society to the US’ strategic “rebalance” to the Asia-Pacific, initiated in November 2011, demonstrates that Beijing’s traditional foreign policy pragmatism is being threatened by hostile factions in China’s society. This is further evidenced by China’s provocative actions in the East China and South China Seas, which have led to heightened regional tensions. Calls for a more confrontational Chinese foreign policy among China’s civil society have been exacerbated by a more diffuse foreign policy decisionmaking structure which Beijing now struggles to manage. While official rhetoric toward the rebalance has been characterized largely by restraint, the elites are being forced to cater to a nationalist civil society with greater freedom to pursue self-interested policies independent of central control.

Crucially, however, caution and restraint remains essential for ongoing Chinese Communist Party (CCP) legitimacy. As a result, stability with the US and with its regional partners still forms the core of Beijing’s policy. While China’s rhetoric, and to some extents its actions, has become more forceful, a conflict on its periphery would pose enormous challenges which could overwhelm the Party and potentially cause internal implosion. In order to maintain CCP rule, Beijing may be forced to rein in overtly competitive elements within China, even if this comes at significant cost to its legitimacy.

As a result, the ebb and flow of Chinese policy, including in its relations with the US, is likely to continue as the leadership struggles to accommodate new and divergent interests within its civil society. Beijing must take steps to restructure its poorly managed bureaucracy, particularly its maritime agencies, to ensure it can rein in competing interests which threaten its ability to preserve stability. For Xi Jinping, China's new leader, balancing China's nationalist factions against the continuing need for stability may define his tenure. It will also play a central role in stabilizing US-China relations, which are increasingly characterized by distrust.

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Chapter 1: Introduction

1.1 Research topic

In November 2011, Washington announced a significant shift in its foreign policy: a greater focus on the Asia-Pacific over the coming decades. This shift, entitled the “rebalance,” would establish new or develop upon existing diplomatic, military and economic policies in the Asia-Pacific region. This paper will analyze China’s reaction to Washington’s rebalance, in the context of its implications for Sino-US relations. The analysis will cover official and unofficial Chinese responses to Washington’s rebalance, and scrutinize their implications for Sino-US relations.

1.2 Goal of the research

The research aims to establish a causal relation between Chinese responses and themes prevalent in Chinese foreign policy, so as to provide a framework for assessing current relations between China and the US, as well as prospects for future ties. While this research is aimed primarily at US policymakers, the assessment will also highlight prospects for regional stability. After all, stability in the Asia-Pacific is one of the core motivations for the rebalance, highlighting the heavily integrated relationship between the US and the region. The conclusions of this paper should provide Washington policymakers with a more thorough understanding of the state of Sino-US relations, and prospects for stability in the Asia-Pacific, with a view to peacefully managing China’s rise and shaping an international order that continues to serve US interests.

1.3 Structure

I will first establish the context of the paper by briefly analyzing the historical relationship of China and the US. This section will highlight the two countries' ongoing rhetoric which, for two decades, has emphasized bilateral stability and increased dialogue and has been characterized largely by Chinese restraint. Nevertheless, the relationship is extremely complex, and draws on historical and modern antagonisms leading to long-held mutual distrust and fragile stability in bilateral ties.

The next section details the practical implications of Washington's rebalance. This includes military, diplomatic and economic developments which represent a strengthening of long-term US policy in Asia which helped establish it as the preeminent power in the Asia-Pacific since 1945.

I will then outline my hypothesis. This states that while Beijing continues to prioritize stability in its relations with the US and with the region in order to maintain economic growth and sustain Chinese Communist Party (CCP) legitimacy, its foreign policy is becoming increasingly erratic as a variety of recent structural factors have emerged. These include a more diffuse foreign policy structure that allows for greater freedom for actors to voice their opinions and actively influence, both directly and indirectly, the foreign policy process. Moreover, this development is combining with an emerging nationalist undercurrent in civil society that calls for a more confrontational Chinese approach to foreign affairs. These actors are operating with greater freedom from Beijing's watch than ever before. Accordingly, the stability of Sino-US relations is now under greater threat, although China's leaders remain aware of the consequences of a severe deterioration in regional stability. As a consequence, I expect official responses to

the rebalance to be generally muted, although Beijing may pursue certain policies which invite competition and criticism with the US. Unofficial responses from China's civil society will be more critical and highlight the growing contradiction between Beijing's international policy and the wishes of its people.

I will then highlight in detail China's responses to the rebalance. Official responses from Beijing, including public statements on the rebalance will be analyzed, as will its policy reactions. The second half of this chapter will assess responses from China's civil society, including the media, the public, commercial actors, and other non-bureaucratic players.

The next section shall analyze the implications of China's reactions and its inferences for US policymakers. I shall assess if China's reactions are consistent with my hypothesis and draw conclusions from these findings on that basis.

The final section shall offer a series of policy recommendations to US policymakers that will explore methods to reduce the strategic distrust that has traditionally characterized Sino-US relations, as well as measures to improve regional security and avoid rapid deteriorations in Asia-Pacific security.

Chapter 2: US-China Relations – Historical Background

In recent years, leaders in both Washington and Beijing have been increasingly prone to emphasizing their belief in the vital nature of their two countries emerging bilateral relationship. President Obama, shortly after taking office in 2009, stated that the relationship between the United States and China is likely to define the stability of the international order for much of the 21st century.¹ Xi Jinping, China's newly crowned President and General Secretary of the Communist Party, called, on his visit to Washington last spring, for a "new type of great power relationship for the 21st century."² Former President Hu Jintao stated, in his final report to the 18th Party Congress in November 2012, that "countries should establish a new type of global development partnership that is more equitable and balanced,"³ a clear reference to his country's relationship with the United States.

At the root of their concern lies a precedent that has repeated itself throughout history: the rise of a great power to challenge the dominance of an existing hegemon. As former Secretary of State Hillary Clinton acknowledged, "the United States and China are trying to do something that is historically unprecedented, to write a new answer to the age-

¹ "We can't predict with certainty what the future will bring, but we can be certain about the issues that will define our times. And we also know this: The relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world. That really must underpin our partnership. That is the responsibility that together we bear"; Kevin Hechtkopf, 'Text: Obama's speech on US-China relations,' *CBS News*, July 27, 2009, (http://www.cbsnews.com/8301-503544_162-5190916-503544.html)

² Chris Buckley, Doug Palmer, 'China seeks 'great power relationship' with US, but warns against meddling in Taiwan, Tibet,' *Reuters*, 15 February, 2012, (<http://news.nationalpost.com/2012/02/15/china-seeks-great-power-relationship-with-u-s-but-warns-against-meddling-in-tibet-taiwan/>)

³ 'Hu's report at 18th Party Congress', November 8, 2012, (<http://www.wantchinatimes.com/UploadFiles/Hu%20Jintao's%20report%20at%2018th%20Party%20Congress.pdf>)

old question of what happens when an established power and a rising power meet.”⁴ Confronting an issue that has grown inexorably and intangibly over the past decade remains a painful process. Both countries acknowledge the strategic importance of bilateral stability. But profound underlying tensions exist that have led leading scholars to assert the tragic inevitability of conflict. In this view, the notion that interdependence will serve as an ultimate guarantee to the emerging distrust evident in the Sino-US relationship is refuted.⁵

In China’s case, it remains deeply suspicious of America, the West, and its neighbors. China’s leaders are motivated by a historic sense of victimization that began with the failures of the Qing dynasty (1644-1911), and continued through the Chinese Republic (1911-1949), as a weak and divided China was unable to resist the pressures of foreign powers who sought territorial concessions as their prize.⁶ This is compounded by geography, with China bordering 14 countries, of whom a great many are prior subjects of conflict, and several of whom remain locked in disputes with China over territory, be it over land or sea.

⁴ ‘Travel Diary: Secretary Clinton in China,’ May 04, 2012, *US Department of State*, (http://blogs.state.gov/index.php/site/entry/travel_diary_secretary_clinton_in_china)

⁵ Among American scholars to adopt this pessimistic view, realist Aaron Friedberg is the most prominent. Friedberg uses history as his guide: “At the turn of the twentieth century, many observers in both Britain and Germany predicted that the two powers would be drawn together ineluctably by their growing economic links and societal connections, by a recognition of the underlying compatibility of their strategic interests, and by the eventual convergence of their domestic political concerns. Such hopes were eventually borne out of course, but only after the passage of another half century and two horrific wars. There is every reason to hope that US-China relations will follow a smoother and more peaceful course. But neither history nor theory can provide any assurances that it will be so”; Aaron Friedberg, ‘The Future of U.S.-China relations: Is Conflict Inevitable?’, *International Security*, Vol. 30, No. 2 (2005), 45

⁶ As David Gompert and Philip Saunders explain, both the Qing Dynasty and the Chinese Republic’s failures to modernize the country’s economy and military left the country incapable of resistance from foreign invaders, leading to the loss of territories such as Hong Kong, Macao, Taiwan and parts of Manchuria:

Reinforcing these fears, Beijing observes Washington's continued desire to underpin Asia-Pacific and global security through both soft and military power. American ambitions as a Pacific power stand in contrast to an increasingly vociferous nationalist Chinese faction who aim to restore the "Sinocentric order" in Asia, a period which saw China as the preeminent power in Asia before Japanese imperialism arrived in the late 19th century.⁷ Core Chinese interests such as the reunification of Taiwan with the mainland are perceived to have been stymied by US presence, the absence of which would have allowed China to solve the Taiwan question long ago.⁸ China is particularly wary of American intervention in any conflict initiated by China on its periphery.

Underpinning these anxieties is Chinese leaders inherent fear of Western attempts to destabilize China's unitary political system, again leaning on the pages of history. They are profoundly aware of US attempts to shape China's political, cultural and social evolution throughout the past two centuries: beginning in the mid-19th century with the arrival of America's Christian missionaries, and particularly evident during the years of the Chinese Republic and the early reform era of Deng Xiaoping; the US has consistently displayed a paternalist desire to imprint liberal values, cultures and systems on China.⁹ Today, China's leaders fear that the US once again aims to undermine and eventually

'David Gompert and Philip Saunders, 'Paradox of power: Sino-American strategic restraint in an age of vulnerability,' (National Defense University Press, 2011), 39-40

⁷ David Shambaugh, 'Introduction,' in David Shambaugh (ed.), *Tangled Titans: The United States and China*, (Rowman and Littlefield, 2013) 9

⁸ David Gompert, Philip Saunders, 'Paradox of power: Sino-American strategic restraint in an age of vulnerability,' 45-6

⁹ David Shambaugh, 'Introduction,' in David Shambaugh (ed.), *Tangled Titans: The United States and China*, 6-7: Shambaugh deems this ambition "China's 150 year search for wealth and power," in which foreign countries are judged in their contribution or impediment to China's grand national mission.

abolish China's Communist Party system, not by military means, but via "peaceful evolution." For China's elites, events such as the Tiananmen uprising in 1989 and the fall of the Soviet Union were the culmination of Western attempts to ideologically subvert peoples operating under alternative systems of governance.¹⁰ Moreover, America's historically revisionist tendencies, in both the economic and military realms have consistently alarmed Beijing. From Panama to Haiti to Kosovo to Iraq, and through international capitalism and free trade, China sees a power with "potent ideological weapons."¹¹

The belief that democracy and other systems of governance are incompatible remains pervasive on both sides of the Pacific. At the root of US' concerns lie China's long-term ambitions. These fears have become increasingly magnified as China's economic and diplomatic power has swelled, while its authoritarian political system has remained frustratingly opaque. The murky nature of the Communist system is mirrored in the opacity of China's grand strategy: leaders deny any ambitions of regional or even global hegemony; nevertheless, they are open about China's "historic mission," the most central component of which involves the reunification with China of its sovereignty claims.¹²

¹⁰ Damien Ma, 'After 20 years of 'Peaceful Evolution,' China faces another historic moment,' *The Atlantic*, (<http://www.theatlantic.com/international/archive/2012/01/after-20-years-of-peaceful-evolution-china-faces-another-historic-moment/251764/> , January 23, 2012)

¹¹ Andrew Nathan, Andrew Scobell, 'How China sees America: The sum of Beijing's Fears,' *Foreign Affairs*, 91:5, (September/October 2012), 39-40

¹² This concept has been repeated explicitly by Hu and continued under Xi Jinping. For example, in his speech to the 18th Party Congress, Hu noted that, "We must become firmer in our conviction...to accomplish the three historic tasks of advancing modernization, reunifying the country and upholding world peace": 'Hu's report at 18th Party Congress', November 8, 2012,

Analysts have long debated the meaning of Deng Xiaoping's *Tao Guang Yang Hui* strategy, which has often been translated as, "hide your capabilities, bide your time," and sometimes as "keep a low profile, get things done."¹³ China's leaders often point to Deng's assertion that "China should never seek hegemony"¹⁴ as proof that Deng did not envisage a revisionist China in the future. In order to assuage these concerns, China's leaders eventually began to espouse the principle of "Peaceful Rise" (and, later, "Peaceful Development"), which emphasized China's goal of national prosperity. This would be achieved through greater participation in the international system, without being accomplished at the expense of international stability.¹⁵

This was intended to both ease Western fears over China's motives and simultaneously signal to the US that it was ready to become the "responsible stakeholder" that the George W. Bush administration called for.¹⁶ Washington has repeatedly sought greater Chinese participation in the region's and global multilateral institutions in order to ease its fears and more closely align China's interests with those of the developed world. But China's leaders have traditionally focused on their considerable domestic concerns, on

(<http://www.wantchinatimes.com/UploadFiles/Hu%20Jintao's%20report%20at%2018th%20Party%20Congress.pdf>), 54

¹³ The meaning of the term is discussed in detail in: Dingding Chen, Jianwei Wang, 'Lying low no more? China's thinking on the Tao Guang Yang Hui strategy', *China: An International Journal*, 9:2, (2011)

¹⁴ Dingding Chen, Jianwei Wang, 'Lying low no more? China's thinking on the Tao Guang Yang Hui strategy', 198

¹⁵ This process began in the early 2000s: Bonnie Glaser, Evan Medeiros, 'The changing ecology of foreign policy-making in China: The ascension and demise of the theory of "Peaceful Rise,"' *China Quarterly*, 190, (2007), 295

¹⁶ Robert Zoellick, Deputy Secretary of State under George W. Bush encouraged China to actively embrace a positive role in the international order, in the interests of mutual benefit and cooperation: Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' Rowman and Littlefield, (2008), 148

the assumption that global responsibilities could hold back its key tasks of economic and social development.¹⁷

In that context, Washington disputes the nature and logic behind China's rapid military modernization. China maintains that the use of force and aggression runs counter to its nature, portraying itself as defensive-minded even in conflict. Echoing the ancient Confucian tradition which preached non-violent solutions to problems of statecraft, Chinese leaders seek to depict its foreign policy as inherently pacifist.¹⁸ But year-on-year military budget increases have alarmed critics in Washington who question the need for China to increase its military capabilities. China defended its latest military budget increase, as has been the case in the past, by arguing that strengthening its own defenses consolidated the security of the Asia-Pacific region as well as its own.¹⁹ Observers in Washington suspect that the logic might be rather more sinister. They might point to China's National Defense White paper, released in 2010, which noted that the "PLA has made profound preparations for military struggle," citing its increased capacity to "win local wars."²⁰ China, in increasing its security for purely defensive reasons – if that indeed is the reason – has created a classical "security dilemma" in which the US, China's

¹⁷ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 149

¹⁸ Andrew Scobell, 'China and Strategic Culture,' *Strategic Studies Institute*, (2002), (<http://www.strategicstudiesinstitute.army.mil/pdffiles/pub60.pdf>), v-vi

¹⁹ Spokeswoman Fu Ying, at National Party Congress: "China's inability to ensure its own security would not be good news for the world. Our strengthening of our defense is to defend ourselves, to defend security and peace, and not to threaten other countries."
'China defends massive growth in military spending,' *Associated Press*, March 4, 2013, (<http://news.yahoo.com/china-defends-massive-growth-military-spending-040444417.html>)

²⁰ China's National Defense in 2010, *Information Office of the State Council of the PRC*, March 31, 2011, (http://merln.ndu.edu/whitepapers/China_English2010.pdf), 7

neighbors and the international community worry that it merely masks long term offensive intentions.²¹

Chinese actions and rhetoric in the South China and East China Seas over the past 18 months have also raised American concerns over its strategic objectives. For example, Beijing has imbued its sovereignty claims in the South China Sea with a nationalist streak, again by appealing to history and leading to increasingly vocal public demand for action. These tensions have been exacerbated by a proliferation of Chinese naval actors operating in disputed areas without centralized control, aiming to increase their power and influence but causing widespread anxiety.²² An increasingly nationalist public is raising the possibility of China's foreign policy being hijacked by public and state actors whose voice is becoming gradually heard in China's modern, progressively diverse political system. China's leaders are reaping the dubious rewards of using nationalism to bolster their legitimacy, following the breakdown of public confidence that culminated in the Tiananmen massacre. These nationalistic elements have their historical roots in Sun Yat-Sen's revolutionaries of the early 20th century, who argued that zero-sum competition was an intrinsic principle of the international order.²³

The unpredictable nature of Chinese policy, which has often ebbed and flowed, has partly contributed to American anxieties. Between 2009 and 2010, China asserted a more aggressive regional foreign policy. Among a host of poorly received actions included the

²¹ David Shambaugh, 'Introduction,' in David Shambaugh (ed.), *Tangled Titans: The United States and China*, 12

²² 'Stirring up the South China Sea' (1), *International Crisis Group*, Asia Report No. 223, 23 April 2012, Summary

²³ Jacqueline Newmyer Deal, 'China's nationalist heritage,' *The National Interest*, Jan/Feb 2013, 45-6

harassment of US ships in international waters, rebuking the US and Korea for conducting naval exercises in international waters off its coast, and failing to exert the expected leverage over North Korea on its nuclear issue.²⁴ These actions were attributed to China's growing confidence in international relations as its power capabilities increased.²⁵ The notion that China did not aim to exert its increased power and leverage on the region seemed to be folly, and hawkish Washington theorists appeared vindicated. But others have argued that these were actions emanating not from revisionist ambitions, but from the leadership's deep insecurities, which has led to support for more nationalist actions and rhetoric by the nation's elite.²⁶

In late 2011, the Obama administration reacted to these developments by initiating a significant policy shift. In a bid to counterbalance the emergence of a more assertive Chinese foreign policy – either perceived or reality –, or perhaps merely as a recognition of the changing dynamics of the modern security environment, Washington announced its rebalance to the Asia-Pacific region. The shift would establish or draw on existing

²⁴ Thomas Christensen, 'The Advantages of an Assertive China: Responding to Beijing's abrasive foreign policy,' 90:2, March/April 2011, 54-7; This issue is also analyzed by Robert Ross who also notes Beijing's resistance at the Copenhagen Climate Change Conference in 2009; its angry reaction to US arms sales to Taiwan in 2010; and its reproach of Japan in 2010 for detaining a Chinese captain who had rammed a Japanese fishing boat in disputed waters: Robert Ross, 'The Problem with the Pivot,' *Foreign Affairs*, 91: 6, (November/December 2012), 70-71

²⁵ Robert Ross, 'The Problem with the Pivot,' 71

²⁶ Robert Ross, 'The Problem with the Pivot,' 72

American policies in the region in order to position the US to confront the challenges of the 21st century. Adjustments in US diplomatic, economic and military policies would constitute a significant modification in Washington's Asia policy.

Chapter 3: Practical Realities of the Rebalance

In November 2011, then Secretary of State Hillary Clinton wrote, in an article entitled ‘America’s Pacific Century,’ that “as the war in Iraq winds down and America begins to withdraw forces from Afghanistan, the United States stands at a pivot point...One of the most important tasks of American statecraft over the next decade will be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in the Asia-Pacific region.”²⁷

The article articulated a series of policy decisions to make what would be quickly termed the “Pivot,” and later the “rebalance,”²⁸ a reality: Updating America’s Asian alliances to suit the challenges of “a changing world”; building new partnerships, with China, India and others, as part of a more comprehensive US engagement in the region; forging and maintaining a new regional architecture through strong multilateral institutions, with America at its fulcrum and with an emphasis on increased economic interdependence; and strengthening the US’ regional force posture to allow for a more politically stable regional presence.²⁹ The implication of this policy change is a shift in attention to Asia

²⁷ Hillary Clinton, ‘America’s Pacific Century,’ *Foreign Policy*, (November 2011), 189, (Accessed at http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0,0.)

²⁸ According to *The Diplomat*, the Administration began replacing the term “pivot” with the more inoffensive phrase “rebalance” in early 2012, in order to emphasize continuity of American policy in Asia and ease Chinese fears of a significant shift in military policy: Richard Weitz, ‘Pivot out, re-balance in,’ *The Diplomat*, May 3, 2012, (<http://thediplomat.com/2012/05/03/pivot-out-rebalance-in/>)

²⁹ Hillary Clinton, ‘America’s Pacific Century,’ ((Accessed at http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0,0.)

from both the Middle East, and also Europe. The Administration argues it is simply refocusing its goals to suit the realities of the post-Cold War order.³⁰

In essence, America seeks to promote a stable international order in Asia, founded on the principles and values on which the US had helped to shape the 20th century in Europe and the Western world. Diplomatic and economic engagement therefore forms the cornerstone of the rebalance. Washington aims to provide its existing partners with assurances that it will be able to provide security guarantees in the event of regional conflict. Moreover, the US wishes to extend its hand to those not traditionally considered its allies, while establishing the mechanisms to ensure institutional stability becomes the norm. As Clinton notes, “our challenge is to build a web of partnerships and institutions across the Pacific that is as durable and as consistent with American values as the web we have built across the Atlantic.”³¹ Strategic or military engagement comes as a security guarantee that Washington hopes will simply underpin the soft power that it hopes to exercise. It is also a deterrent against nations seeking to initiate a conflict in the region.

Secretary Clinton’s policy declaration was followed by a series of announcements and diplomatic exchanges that would accentuate the Administration’s commitment to the “Pivot.” Most visibly, in mid-November, President Obama became the first American Head of State to attend the ASEAN East Asia Summit, underscoring the increased emphasis on

³⁰ This argument has been made by countless Administration officials. For example, Secretary of Defense Leon Panetta recently stated that “the global center of gravity is slowly shifting toward the Asia Pacific, tying America’s future prosperity and security ever more closely with the region.” Leon Panetta, ‘America’s Pacific Rebalance,’ December 31, 2012, (<http://www.project-syndicate.org/commentary/renewing-the-us-commitment-to-the-asia-pacific-region-by-leon-e--panetta>)

³¹ Hillary, ‘America’s Pacific Century,’ http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0.1,

the region's multilateral architecture.³² The President also hosted the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii in the same month, where he and Secretary Clinton espoused the utility of the proposed Trans Pacific Partnership (TPP), a new economic free trade agreement involving the US and prospective Pacific partners.³³ The President's Asia tour in November 2012 saw him engage a non-traditional partner, in a visit to Cambodia, while reinforcing Washington's longstanding commitment to Thailand in a visit to Bangkok, and again taking in the East Asia Summit. Most sensationallly, he was welcomed to Myanmar by President Thein Sein and dissident Aung San Suu Kyi, as the White House seeks to capitalize on the country's transition to democracy.³⁴

This process, however, runs far deeper than just the President. Immediately following her announcement in November 2011, Secretary Clinton visited Thailand, made an historic visit to Myanmar (which helped pave the way for President Obama's momentous visit twelve months later), and reaffirmed the US-Philippines Mutual Defense Treaty on its 60th anniversary.³⁵ In July 2012, she participated in a marathon Asia tour which included visits to Japan, Mongolia, Vietnam, Laos and Cambodia, and attendance at regional conferences including the ASEAN Regional Forum (ARF), the US-ASEAN

³² 'Fact Sheet: East Asia Summit,' *Office of the Press Secretary, The White House*, November 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/11/19/fact-sheet-east-asia-summit>

³³ Bonnie Glaser, Brittany Billingsley, 'US pivot leaves China off balance,' *Comparative Connections*, 13:3, January 2012, 29

³⁴ 'President Obama's Asia Trip 2012,' *The White House*, <http://www.whitehouse.gov/issues/foreign-policy/asia-trip-2012>

³⁵ Bonnie Glaser, Brittany Billingsley, 'US pivot leaves China off balance,' 29

Business Forum and the East-Asia Summit Foreign Ministers Meeting.³⁶ The following November she engaged in further diplomatic courtship of the region. She joined the President in Thailand, Myanmar and Cambodia; accompanied Secretary of Defense Leon Panetta in Perth to discuss security cooperation with Australia; and met with the Prime Minister and government officials in Singapore.³⁷ Panetta, for his part, was also visible. In July 2012, he attended the Shangri-La Dialogue in Singapore, a regional forum for defense issues on a trip that also took in Vietnam and India.³⁸ In November 2102 he visited Australia, Thailand, and Cambodia as well as taking in the ASEAN Defense Ministers Meeting.³⁹ He has also visited and reaffirmed defense cooperation with traditional allies such as Japan and New Zealand, and prospective partners including China.⁴⁰

The Department of Defense's January 2012 White paper, entitled 'Sustaining US Global Leadership: Priorities for 21st Century Defense,' more coherently detailed America's new commitment to the Asia-Pacific region. It described the how the US' economic and security interests had become inextricably linked with "developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean and South

³⁶ Victoria Nuland, 'Secretary of State Hillary Rodham Clinton's Travel to France, Japan, Mongolia, Vietnam, Laos, Cambodia, Egypt and Israel,' *US Department of State*, July 5, 2012, (<http://www.state.gov/r/pa/prs/ps/2012/07/194568.htm>)

³⁷ 'Secretary Clinton: Travel to Australia, Singapore, Thailand, Burma, and Cambodia,' *US Department of State*, November 11, 2012, (<http://www.state.gov/secretary/trvl/2012/200372.htm>)

³⁸ 'Remarks by Secretary Panetta at the Shangri-La Dialogue in Singapore,' *US Department of Defense*, June 2, 2012, (<http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5049>)

³⁹ Elke Larsen, Alexandra Sander, 'Secretary of Defense Leon Panetta Visits Australia, Thailand and Cambodia,' *CSIS*, (<http://csis.org/publication/secretary-defense-leon-panetta-visits-australia-thailand-and-cambodia>)

⁴⁰ Karen Parrish, 'Panetta Lists Goals for Asia Trip, Assesses Mideast,' *Department of Defense*, September 16, 2012, (<http://www.defense.gov/news/newsarticle.aspx?id=117874>)

Asia.”⁴¹ The “rebalance” must emphasize existing alliances while expanding cooperative relationships with emerging partners,⁴² echoing the position of Secretary Clinton. The report also recognized the impact that the rise of China is set to have on the region’s balance of power. The sustained presence of America and moreover, its ongoing relationship with China, is therefore crucial in defining the future of the international order. This also necessitates a greater level of Chinese transparency over its strategic intentions.⁴³ Moreover, it detailed the US military’s renewed efforts to deter “potential” adversaries through power projection in areas where its “access and freedom to operate are challenged.”⁴⁴ This was a clear reference to China’s increasing anti-access/area denial capabilities, which have been developed to disrupt enemy operations in event of a conflict. Specifically, the Pentagon has directed its forces to implement its new “Air-Sea Battle Concept,” which hopes to integrate better capabilities to ensure victory in the context of anti-access/area denial threats.⁴⁵

The most visible elements of the rebalance include a more deepened strategic cooperation with Australia realized militarily through a new rotational deployment of an eventual 2,500 US marines in the country, the majority stationed in Darwin, Australia. US

⁴¹ ‘Sustaining US Global Leadership: Priorities for 21st Century Defense,’ *Department of Defense*, January 2012, (http://www.defense.gov/news/Defense_Strategic_Guidance.pdf), 2

⁴² ‘Sustaining US Global Leadership: Priorities for 21st Century Defense,’ 2

⁴³ ‘Sustaining US Global Leadership: Priorities for 21st Century Defense,’ 2

⁴⁴ ‘Sustaining US Global Leadership: Priorities for 21st Century Defense,’ 4-5

⁴⁵ ‘Joint-Operational Access Concept,’ *Department of Defense*, January 17, 2012, (http://www.defense.gov/pubs/pdfs/JOAC_Jan%202012_Signed.pdf)

forces will also be afforded greater access to Australian air bases in Northern Australia.⁴⁶ The Department of Defense has also announced a decision to deploy four littoral combat ships to Singapore, to better able US forces to train and integrate with partner militaries.⁴⁷ At the Shangri-La Dialogue, Panetta enunciated the finer details: the “vast majority of America’s rebalance,” he said, “comes in non-military areas like trade and development.” Nevertheless, Panetta referenced deepened military engagement with traditional partners, evidenced by the new naval deployments in Australia and Singapore. Moreover, the US had come to agreements with Japan, to upgrade US Air Force capabilities and redistribute forces in Okinawa; and with South Korea to continue to upgrade US capabilities on the Korean Peninsula. He also espoused greater military cooperation with Indonesia, Malaysia, India, Vietnam, New Zealand, and finally China. Perhaps most significantly, he announced that by 2020, the US Navy would reposition itself for a 60/40 percent split of its forces in favor of the Pacific Ocean, upgraded from the current 50/50 split between the Pacific and Atlantic Oceans.⁴⁸ The message was clear: the US will continue to underwrite the security of the region and maintain its historic role as the preeminent power in the Asia-Pacific.

However, significant doubts have emerged as to the viability of the rebalance in light of ongoing budgetary concerns motivated by the “sequester,” a series of budget cuts designed to control the fiscal deficit. The White House’s ‘Office of Management and

⁴⁶ ‘Remarks by President Obama and Prime Minister Gillard of Australia in Joint Press Conference,’ *The White House*, November 16, 2011, (<http://www.whitehouse.gov/the-press-office/2011/11/16/remarks-president-obama-and-prime-minister-gillard-australia-joint-press>)

⁴⁷ ‘Joint Statement from Secretary Panetta and Singapore Minister for Defence Ng,’ *US Department of Defense*, April 4, 2012, (<http://www.defense.gov/releases/release.aspx?releaseid=15160>)

⁴⁸ ‘Remarks by Secretary Panetta at the Shangri-La Dialogue in Singapore,’ *US Department of Defense*, June 2, 2012, (<http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5049>)

Budget' estimates that mandatory cuts to defense programs could rise to 13 percent for non-exempt programs, as part of an overall \$85 billion savings plan.⁴⁹ These cuts, which have loomed large over Washington throughout the period since the rebalance was announced, place the wisdom or even the viability of the policy shift while the US economy continues to falter. Outgoing Secretary of Defense warned that the sequestration posed "the most serious readiness crisis that the country is going to confront in over a decade."⁵⁰ Deputy Secretary of Defense Ash Carter refuted this notion, arguing that the Defense Department would preserve programs dedicated to executing the Asia-Pacific shift, while streamlining other areas: "The rebalance will continue, and in fact gain momentum... wherever we have flexibility we are favoring and protecting the rebalance."⁵¹ Moreover, as Carter also pointed out, the cuts are set to be reviewed again in October 2013, where he expects Congress to fix the budgetary crisis: "The turmoil and gridlock will end

⁴⁹ Jeffrey Zients, 'Letter to the Speaker of the House of Representatives,' March 1, 2013, attached to: 'OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013,' *Executive Office of the President – Office of Management and Budget*, March 1, 2013, (http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy13ombjcssequestrationreport.pdf)

⁵⁰ Elizabeth Bumiller, 'Panetta Warns of Dire Consequences to Military from Budget Cuts,' *The New York Times*, February 6, 2013, (http://www.nytimes.com/2013/02/07/us/politics/panetta-warns-of-dire-consequences-to-military-from-cuts.html?_r=0); Other officials have also publicly voiced their concerns. For example, Navy Admiral Samuel Locklear stated that budget uncertainties have "limited our flexibility to manage and have the potential to undermine our strategic rebalance momentum, as our ability to operate and maintain our force is at increased risk." Donna Miles, 'Locklear: Budget Uncertainty Threatens Asia-Pacific Rebalance,' *US Department of Defense*, March 5, 2013, (<http://www.defense.gov/news/newsarticle.aspx?id=119447>)

⁵¹ 'The US Defense Rebalance to Asia: Speech by Deputy Secretary of Defense Ashton B. Carter, Center for Strategic and International Studies, Washington, D.C.,' *US Department of Defense*, April 8, 2013, (<http://www.defense.gov/speeches/speech.aspx?speechid=1765>); In the same speech, Carter also emphasized the impact that the drawdowns in Iraq and, particularly, Afghanistan will have in offsetting any potentially negative effects from the sequester: "In reality, the Asia-pacific region will soon see more of our Army, Marine Corps, and Special Operations Forces, now that they are coming home to the Pacific from Iraq and Afghanistan."

[in October] and the US can get back to normal budgeting.”⁵² But the assumption that Congress will be able to agree a compromise may appear fanciful given the legislative’s repeated failures over the past few years to conclude a bipartisan solution to the budget crisis.

As these cuts begin to take effect, Washington’s ability to initiate the rebalance will be affected practically, through loss of programs. Perhaps more importantly, it could negatively impact on the perception of its allies and prospective regional partners, who may fear the US’ capability to underwrite their security. States such as Cambodia and Myanmar, in particular, may lean back towards China undercutting Washington’s attempt to renew ties. For China, it could reinforce perceptions of US decline and even motivate a more assertive Chinese foreign policy, potentially echoing Beijing’s actions in 2009-10.

⁵² ‘The US Defense Rebalance to Asia: Speech by Deputy Secretary of Defense Ashton B. Carter, Center for Strategic and International Studies, Washington, D.C,’ *US Department of Defense*, (<http://www.defense.gov/speeches/speech.aspx?speechid=1765>)

Chapter 4: Hypothesis

In 1997, Robert Ross wrote that “the most striking aspect of Chinese foreign policy [was] its efforts to promote stability.”⁵³ Driven by the pragmatic policies of reformer Deng Xiaoping, and having witnessed the damage to China’s reputation following Tiananmen, China subjugated its foreign policy to economic and social interests and gradually integrated itself into the international system. Isolated but detrimental foreign policy decisions during the 1990s and early 2000s did periodically harm China’s international image and prestige, but they were not evidence of systematic efforts to alter the region’s status quo. Overall, China’s leaders’ foreign policy looked to avoid confrontation with the international community as it began to develop its economy and sustain its legitimacy.⁵⁴ It preached diplomatic caution with the US and advocated its theory of “Peaceful Rise” to ease concerns among the international community that its emergence as a major power would be accompanied by heightened stability and to assuage suggestions of sinister intent.

Beginning in 2009, however, China began to conduct more assertive foreign policies which concerned both the region and the United States, the preeminent power in the region. This new approach appeared to confound the traditionally held notion that the leadership used foreign policy as an engine for economic growth. Within months, “China had managed to undo much of what it had gained through years of talk about its ‘peaceful rise.’”⁵⁵

⁵³ Robert Ross, ‘China II: Beijing as a Conservative Power,’ *Foreign Affairs*, 76: 2, (March/April 1997), 33

⁵⁴ Robert Sutter, ‘*Chinese Foreign Relations: Power and Policy since the Cold War*,’ 3

⁵⁵ Robert Ross, ‘The Problem with the Pivot,’ 71

Washington itself reacted calmly to these actions, witnessing the worried reactions by China's neighbors.⁵⁶ Beijing's actions unnerved the international community and pushed many of the region's key actors toward the embrace of a willing US. By November 2011, US officials began to announce a shift in diplomatic and military emphasis toward the Asia-Pacific region. Secretary of State Hillary Clinton's announced Washington's policy shift away from Europe and the Middle East and toward the Asia-Pacific and embarked on an Asia-Pacific tour. Her actions were accompanied by various public statements from President Obama and members of the Obama administration that emphasized a renewed focus by the US on the Asia-Pacific region.⁵⁷

My hypothesis supposes that China's reactions to the US rebalance will evidence a recent shift in China's foreign policy that is increasingly erratic and less manageable. China's leaders remain aware that a stable international environment is essential to its continued modernization, and therefore the legitimacy of China's one-party rule, which they strive to protect. They continue to place a high priority on stability in Asia and in its relations with the US. However, a number of domestic and international elements have emerged that are hijacking their efforts to promote stability and threaten CCP legitimacy. China's leaders must now contend with a rising nationalist undercurrent in its society that

⁵⁶ Robert Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War*, 149

⁵⁷ For example, on a visit to Australia in November 2011, President Obama stated: "I am making it clear that the United States is stepping up its commitment to the entire Asia Pacific": 'Remarks by President Obama and Prime Minister Gillard of Australia in Joint Press Conference,' *The White House*, November 16, 2011, (<http://www.whitehouse.gov/the-press-office/2011/11/16/remarks-president-obama-and-prime-minister-gillard-australia-joint-press>); the President also stated, in November 2011, that "Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress": 'Fact sheet: The Fiscal Year 2014 Federal Budget and the Asia-Pacific,' *The White House*, April 12, 2013, (http://www.whitehouse.gov/sites/default/files/docs/asia_pacific_rebalance_factsheet_20130412.pdf);

promotes a more confrontational approach in China's foreign affairs. The increasing independence of civilian and military figures to voice their opinions, both officially and unofficially, highlights Beijing's tolerance of more diverse views. However, these views are increasingly inciting nationalist public opinion. For example, defense of China's maritime territorial claims has "become a focus of nationalistic zeal."⁵⁸ The fundamental importance attributed to sovereignty claims extends beyond islands in the South China Sea, with the issue of the reunification of Taiwan the most emotional. Moreover, a range of domestic players are now acting with greater independence from Beijing than ever before as China's foreign policy structure has become more complex. These include domestic enterprises, pursuing commercial goals independent of central control, as well as bureaucratic actors, for example maritime agencies, operating under loose direction from Beijing. I will argue that, as a result, the stability of the Asia-Pacific and the Sino-US relationship is now under significant threat.

However, while these factors are significantly affecting the leadership's efforts to conduct pragmatic foreign policy, the consequences of a substantial deterioration in China's regional environment is such that China's leaders would be forced to rein in competing interests in a crisis, even if these came at some cost to its legitimacy. These include practical solutions such as streamlining its bureaucracies to provide the leadership with greater control in times of both stability and crisis, and developing better communication between Beijing and local governments. It could also include tightened control of certain media outlets and a more coherent enunciation of key policies. In times of

⁵⁸ Ronald O'Rourke, 'Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress,' *Congressional Research Service*, April 9, 2013,

heightened tensions, Beijing has occasionally issued orders to its official media to adopt a more moderate tone. This was evident, for example, following strains over sovereignty claims in the South China Sea, in 2011, when the *People's Daily* ran an article devoted to prospects for joint development of resources in the disputed waters.⁵⁹ In the past, Beijing has also asked scholars and retired military officials to tone down overtly assertive analysis in times of visible strain.⁶⁰ Nationalism has been used as a tool to entrench party legitimacy, often restrained in times of crisis. As a result, however, the leadership's ability to manage competing interests in times of escalation is increasingly fraught with danger. If left to further decay, it could see events shift beyond Beijing's control and precipitate disaster.

I therefore expect China's official reaction to be muted, in keeping with efforts to promote diplomatic stability with the US. However, the leadership may also pursue more independent economic and political strategies which symbolize its emerging role as a powerful political player, and decreasing economic dependence on traditional partners including the US. China's unofficial response is likely to be more critical and will emphasize the emerging role that a number of different actors are playing in China's foreign policy. This will include actions by different players directly and indirectly impacting the foreign policy process independent or beyond the control of China's leaders.

I will identify four key factors which influence China's contemporary foreign policy and will form the reasoning behind this hypothesis: economics and Sino-US

(<http://www.fas.org/sgp/crs/row/R42784.pdf>), 14

⁵⁹ 'Stirring up the South China Sea' (1), *International Crisis Group*, 28

⁶⁰ 'Stirring up the South China Sea' (1), *International Crisis Group*, 33

stability; stability on China's periphery and in the Asia-Pacific region; the role of nationalism in China; and China's increasingly diverse foreign policy structure. The third and fourth factors, in particular, illustrate Beijing's reduced stranglehold on the foreign policy decisionmaking process foreign policy and present a significant threat to CCP legitimacy and to regional stability.

4.1 Determinants

4.1.1 Economic development and Sino-US stability

Stability in its relations with the United States and the international community is essential to ensuring ongoing economic development. China relies heavily on a healthy regional and global economy which welcomes investment, technology and expertise into its borders and ensures perpetual growth.⁶¹ Since 1978, Beijing has understood that a conservative approach to international affairs was a prerequisite for the advanced industrial economies to participate in its growing economy.⁶² As the country has become increasingly integrated, welcoming international investment and extraordinary export growth, this has become progressively more important. China has opened up its economy to foreign trade, while restructuring its internal economic policies, leading to a more than ten-fold increase in GDP since 1978.⁶³ Overall, while key sovereignty issues such as Taiwan and Tibet might be

⁶¹ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 2

⁶² Robert Ross, 'China II: Beijing as a Conservative Power,' 42

⁶³ 'The World Factbook: China,' CIA, (<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>)

considered political ‘red lines’ for the Chinese government, economic interests continue to be the driver in its foreign affairs.⁶⁴

China’s leaders must continually modernize in order to ensure the Party’s survival. A key facet of CCP rule, beginning with Deng’s “opening up” reform era, and particularly since 1989, has been its adaptability. This approach was heavily influenced by three key events: unprecedented public dissidence onset by a variety of domestic structural weaknesses, which culminated in the 1989 student protests in Tiananmen; the international community’s horrified response to the ensuing repression by Beijing of its citizens which briefly isolated China from the international community; and the fall of the Soviet Union in 1991 which threatened the legitimacy of Communist rule in China and elsewhere.⁶⁵ These events convinced China’s leaders that an ideological, elitist, economically weak and internationally isolated China was a recipe for failure.⁶⁶ In order to maintain the CCP’s ongoing legitimacy and stranglehold on power, it began to adjust, above all following the mantra of ‘Tao Guang Yang Hui.’ As Deng Xiaoping noted in 1992, China “[would] only become a big political power if [it] keeps a low profile and works hard for some years.”⁶⁷ China’s leaders began to adopt a policy which emphasized caution and greater international

⁶⁴ ‘China’s new leadership: Approaches to international affairs,’ *Chatham House*, 7 March, 2013, <http://www.chathamhouse.org/sites/default/files/public/Research/Asia/070313summary.pdf>, 3

⁶⁵ Following Tiananmen and the end of the Cold War, the upsurge in China-US relations arisen from Deng’s reform process and the continued utility of the partnership in the face of a common enemy, the Soviet Union, was annihilated. Suddenly, in the eyes of the US, China “morphed into an atavistic dictatorship” whose values, norms and systems were entirely alien to those of its own: ‘Andrew Nathan, Andrew Scobell, ‘How China sees America: The sum of Beijing’s Fears,’ 42

⁶⁶ David Shambaugh, ‘*China’s Communist Party: Atrophy and Adaptation*,’ University of California Press, (2008), 4

⁶⁷ Dingding Chen, Jianwei Wang, ‘Lying low no more? China’s thinking on the Tao Guang Yang Hui strategy,’ 197

integration, correctly asserting that the enormous opportunities China presented would precipitate the return of foreign investment.⁶⁸

With the US, China has attempted to promote stability and cooperation and manage differences as a means to avoid confrontation and precipitate economic growth. By the late 1990s, the US and China had established a modus operandi for relations to manage their respective interests, even with respect to Taiwan, so as to avoid undermining economic cooperation.⁶⁹ In particular, China has sought to better institutionalize its relationship, in order to avoid confusion and miscommunication over its intentions. The extent of dialogue now operational embraces over 100 dialogue mechanisms between the sides.⁷⁰ These dialogues are aimed at reducing American distrust over China's strategic intentions and creating a healthier working relationship.

In times of crisis, China has often taken steps to regain lost ground in the Sino-US relationship. For example, in 1995-96, China withdrew its ambassador from Washington over a diplomatic dispute. Over a period of months and amid a rapidly deteriorating Pacific security environment, China suspended dialogue with Taiwan and famously staged nuclear tests in the Taiwan Strait.⁷¹ These actions greatly alarmed leaders in Washington and around the world, particularly those on China's periphery. As tensions eased gradually, however, China's leaders attempted to reduce US fears of its intentions, reassuring American leaders at the US-China Summits of 1997 and 1998 and toning down its

⁶⁸ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 134

⁶⁹ Robert Ross, 'Why our hardliners are wrong,' *The National Interest*, 49, (Fall 1997), 51

⁷⁰ Susan Lawrence, David McDonald, 'US-China relations: Policy Issues,' *Congressional Research Service*, August 2, 2012, (<http://www.fas.org/sgp/crs/row/R41108.pdf>), 4

provocative actions.⁷² China has also taken steps in the past to repair Sino-US relations in periods of decay. For example, the George W. Bush administration pre-9/11 placed Sino-US relations below those of Washington's Pacific allies, leading Chinese officials to seek common ground with Washington counterparts and avoid deteriorated relations.⁷³

Again, following China's assertive foreign policy in 2009-10, China worked to repair relations with the US. Prior to President Hu's visit to Washington in early 2011, China worked to engender a more positive atmosphere to ensure the visit was productive and beneficial.⁷⁴ Just as after Tiananmen, and again after the Taiwan Strait crisis, pragmatism overcame exuberance. While popular narrative, particularly in the media, caricatures America's decline against China's astonishing rise, the Chinese leadership holds a more sober assessment of China's global position and the enormous challenges they face.⁷⁵ This sober position demands a measure of stability with the advanced and developing economies, and is evidenced by China's increasingly diversified international economic policies and its cautious approach to US-China relations. Overall, institutional mechanisms have been established which provide forums for differences to be discussed and competitive elements managed.⁷⁶

⁷¹ Nancy Bernkopf Tucker, 'China-Taiwan: US Debates and Policy Choices,' *Survival*, 40:4, (Winter 1998-99), 150

⁷² Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 133

⁷³ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 145

⁷⁴ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 150

⁷⁵ Thomas Christensen, 'The Advantages of an Assertive China: Responding to Beijing's abrasive foreign policy,' 60

⁷⁶ David Shambaugh, 'Introduction,' in David Shambaugh (ed.), *Tangled Titans: The United States and China*, 21

China has also begun to adopt a more diverse approach to economic modernization in the face of mounting domestic challenges. Hu Jintao outlined in his speech to the 18th Party Congress in 2012 that the “whole party must more purposefully make promoting economic development [its] top priority.”⁷⁷ Vice Minister of Commerce Fu Ziying noted in 2011 that China’s GDP per capita was just one-tenth of the United States.⁷⁸ Ongoing rhetoric which stresses the importance of economic development is testament to the issues that China’s leaders understand they must address.

Recognizing the many challenges its growth has wrought, such as rising energy insecurity, it has widened its diplomatic initiatives beyond the United States and the advanced industrial economies.⁷⁹ For example, China has now surpassed the US as Africa’s largest trading partner, with bilateral trade reaching \$160 billion by 2011.⁸⁰ The leadership has been proactive in opening itself up to new markets to ensure ongoing development and the growth of its soft power. This modernization has led to conflicts, such as disputes with the US and the West over issues including Intellectual Property rights, currency valuations and financial reforms.⁸¹ China has also come under scrutiny for some of its initiatives in Africa and elsewhere, with accusations of resource exploitation and neo-

⁷⁷ Hu’s report at 18th Party Congress’, November 8, 2012, <http://www.wantchinatimes.com/UploadFiles/Hu%20Jintao's%20report%20at%2018th%20Party%20Congress.pdf>, 8

⁷⁸ ‘Chinese minister rejects charge of neocolonialism in Africa,’ *Voice of America*, April 18, 2011, (<http://www.voanews.com/content/chinese-minister-rejects-charge-of-neocolonialism-in-africa-120237594/167344.html>)

⁷⁹ ‘China’s new leadership: Approaches to international affairs,’ *Chatham House*, 4

⁸⁰ David Smith, ‘China’s booming trade with Africa helps tone its diplomatic muscle,’ *The Guardian*, 22 March, 2012, (<http://www.guardian.co.uk/world/2012/mar/22/chinas-booming-trade-africa-diplomatic>)

⁸¹ Xuetong Yan, ‘The instability of China-US relations,’ *The Chinese Journal of International Politics*, 3:3, (2010), 273

colonialism. These are issues that are likely to persist as China develops an economy in an ongoing transition.

4.1.2. Stability on its periphery and in the Asia-Pacific

Beijing has prioritized a stable external environment to ensure it can continue to focus on domestic growth and stability.⁸² Conflict on its periphery poses enormous problems for the CCP for which Beijing believes the costs demonstrably outweigh the benefits. For example, since China's leaders assume that the US would intervene in any armed conflict with Taiwan,⁸³ they have, at least since the election of Ma-Ying-jeou, promoted the "peaceful development" of cross-strait relations,⁸⁴ leading to arguably the two countries' most stable relationship in decades. On key issues such as the Korea Peninsula, a stable environment would reduce the risk of potentially devastating confrontation with the US,⁸⁵ with Beijing tending to exert pressure on Pyongyang in times of obvious escalation.

The limited real value of many of China's disputed territories, from the Senkakus to the Spratlys, is dwarfed by the negative consequences of an armed escalation between China and a fellow claimant. To be sure, the resource potential, though unconfirmed, offers rewards such as oil and gas reserves and fish stocks. In the South China Sea, Chinese

⁸² 'Annual Report to Congress: Military and security developments involving the People's Republic of China 2012,' *Office of the Secretary of Defense*, May 2012, (http://www.defense.gov/pubs/pdfs/2012_CMPR_Final.pdf), iv

⁸³ Keith Crane, Roger Cliff, Evan Medeiros, James Mulvenon, William Overholt, 'Modernizing China's Military: Opportunities and Constraints,' *RAND*, (2005), (http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG260-1.pdf), 194

⁸⁴ David Brown, 'China-Taiwan relations: Toward a crucial election,' *Comparative Connections*, 13:3, January 2012, 74

⁸⁵ Wu Xinbo, 'China and the United States: Core interests, common interests, and partnership,' *USIP*, Special Report 277, 3

estimates have put potential oil reserve estimates at over 200 billion barrels. More realistic assessments, by the US Energy Information Administration (EIA), however, estimates closer to 28 billion barrels, although the EIA also estimates that the area may hold up to 900 trillion cubic feet of natural gas reserves.⁸⁶ But these resources do not necessarily fall in disputed areas. In the case of petroleum, the majority of reserves lie near the coastal waters of neighboring states, rather than adjacent to the China's territorial claims such as the Spratly Islands. In the East China Sea, where the Senkaku Islands are located, no significant reserves are located.⁸⁷

The emotional value of these islands is of course significant and in many cases outweighs the practical benefits.⁸⁸ But any escalation could provoke a damaging conflict between China and its neighbors, inviting American intervention and the cataclysmic possibility of full-scale war. The only possible exception is Taiwan – long referred to as a “core interest” –, but China's diplomatic approach to Taiwan in recent years appears to evidence a belief that an armed attempt to alter the status quo offers terrible consequences. Meanwhile, the military also lack the capabilities to execute many of these missions in the

⁸⁶ ‘Q & A: South China Sea Dispute,’ *BBC News*, 22 January 2013, (www.bbc.co.uk/news/world-asia-pacific-13748349)

⁸⁷ M Taylor Fravel, “International Relations Theory and China's rise: Assessing China's Potential for Territorial Expansion,” *International Studies Review*, 12:4, (2010), 514

⁸⁸ As Michael Swaine notes, “the intensity of the Chinese response to sovereignty-related challenges or issues is reinforced by the emotional association of these issues with the violations of China's sovereignty that occurred during China's ‘Century of Humiliation’ at the hands of foreigners (extending from the mid-19th to the mid-20th centuries)”: Michael Swaine, ‘China's Maritime Disputes in the East and South China Seas: Testimony at the U.S.-China Economic and Security Review Commission,’ *Carnegie Endowment for Peace*, April 4, 2013, (<http://carnegieendowment.org/2013/04/04/maritime-disputes-must-be-carefully-managed/fea#>); The emotional attachment to sovereignty disputes is consistent with many of these claims, and with many parties. For example, as Min Gyo Koo notes, the intangible value associated with the Senkaku's for both Japan and China extends “beyond material significance, because giving way on the island issue would be considered as undermining their regional superpower status”: Min Gyo Yook, ‘Island

face of possible foreign intervention.⁸⁹ China may have made significant advances in its efforts to acquire capabilities capable of deterring a US intervention over Taiwan or elsewhere, but this process is far from complete.

In China's relations with its neighbors, it has often come to the realization that assertive regional policies merely served to heighten their concerns over China's strategic intentions. Precipitous Chinese actions such as those during the Taiwan Strait Crisis in 1995-1996 caused genuine anxiety among China's neighbors. Accordingly, it embarked on an effort to increase its image which involved increased regional engagement and confidence-building measures, for example through active participation in the region's multilateral forums.⁹⁰ By 2002-3, it had articulated its theory of "Peaceful Rise" to counteract the emergence of the "China Threat" theory that could derail the CCP's long-term planning.

China's primary interest in regional stability has led to moderate cooperation with the US. For example, China's interest in stability has seen it cooperate with the US over North Korea's nuclear ambitions. However, Beijing's primary interest in stability has often conflicted with the US' motivations of non-proliferation and human rights.⁹¹ Following Indo-Pakistani nuclear crises of 1998, Washington collaborated with Beijing to quell a

Disputes and Maritime Regime Building in East Asia: between a Rock and a Hard Place,' Springer, (2010), 105

⁸⁹ M Taylor Fravel, "International Relations Theory and China's rise: Assessing China's Potential for Territorial Expansion,' 509-526

⁹⁰ Bonnie Glaser, Evan Medeiros, "The changing ecology of foreign policy-making in China: The ascension and demise of the theory of "Peaceful Rise,"" 293

⁹¹ Dick Nanto, Mark Manyin, 'China-North Korea relations,' *Congressional Research Service*, December 28, 2010, (<http://www.fas.org/sgp/crs/row/R41043.pdf>), summary

potentially devastating arms race on the sub-continent.⁹² China has continued to retain an economic relationship with Tehran, but has also supported sanctions through the UN Security Council and has reduced its dependence on Iranian oil at American request.⁹³ Nevertheless, while the US continues to encourage China to use its leverage more positively in the international arena, its policies continue to be governed by domestic socio-economic interests rather than a desire to play a lead role in the international system.

4.1.3 Nationalism

It has been argued that China's aggressive policies between 2009-10 were the result of misplaced confidence in its own capabilities, contrasting favorably with rapid American decline which began with the financial crisis in 2008.⁹⁴ Certainly, since 2008, a growing perception has developed which emphasizes a shift in the balance of power from the West to the East.⁹⁵ Chinese commentary has often emphasized that the US' decline is inevitable as China and the developing economies begin to offer an alternative to the 'Western

⁹² David Lampton, *Same bed, different dreams: Managing US-China relations, 1989-2000*, University of California Press, (2001), 70

⁹³ Rick Gladstone, 'US exempts Singapore and China on Iran oil,' *New York Times*, June 28, 2012, (http://www.nytimes.com/2012/06/29/world/us-exempts-china-and-singapore-from-sanctions-on-iranian-oil.html?_r=0)

⁹⁴ Joseph Nye, 'The Obama-Hu Jintao meeting this week,' *Huffington Post*, January 17, 2011, (http://www.huffingtonpost.com/joseph-nye/the-obamahu-jintao-summit_b_810088.html); The theme of American decline is certainly common in China. For example, US analysis reported that the theme of US decline at the Shangri-La Dialogue in 2012 was "pervasive": Ralph Cossa, Brad Glosserman, 'Regional Overview: US rebalances as others squabble,' *Comparative Connections*, 14:2, 8

⁹⁵ China's new leadership: Approaches to international affairs,' (<http://www.chathamhouse.org/sites/default/files/public/Research/Asia/070313summary.pdf>), 4; This is also explicitly recognized by the US, for example, Secretary Clinton argued that the "the future of politics will be decided in Asia:" Hillary Clinton, 'America's Pacific Century,' 1 (Accessed at http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0,0)

model.’⁹⁶ But these actions may be better explained by an increasingly nationalist public and growing domestic instability.

China’s economy has continued to grow since the 2008 global financial crisis. But this growth hides mounting economic problems. Prime Minister Wen Jiabao estimated China’s unemployed numbered as high as 200 million in 2010, with inflation growing as a result of the government’s stimulus plan to sustain growth.⁹⁷ Chinese citizens are showing their increased tendency to display their displeasure with the Party as result of these social and economic problems. With modern communications allowing citizens to organize this disapproval, the leadership has been forced to mollify an increasingly uneasy public by resorting to nationalism.⁹⁸

Appeals to nationalism have helped legitimate the party’s ambitions in the eyes of its people. The party has often repeated China’s task of “national rejuvenation” which involves returning China to its “desired end state.”⁹⁹ Reinforcing “popular visions of grandeur”¹⁰⁰ among the Chinese people has had two effects. First, China’s current rise under the CCP is seen in the context of its glorious past, and the country’s “Sinocentric order,” where the CCP is helping to restore former glories. It also legitimates China’s actions in resolving its sovereignty debates, the most crucial being the reunification of Taiwan. Moreover, China’s narrative depicts the US as imperialists whose greed echoes

⁹⁶ Kenneth Lieberthal, Wang Jisi, ‘Addressing US-China Strategic Distrust,’ *Brookings Institution*, China Center Monograph Series, No. 4, (March 2012), vii

⁹⁷ Robert Ross, ‘Chinese Nationalism and Its Discontents,’ *The National Interest*, 116, (Nov/Dec 2011), 46-47

⁹⁸ Robert Ross, ‘Chinese Nationalism and Its Discontents,’ 47-48

⁹⁹ Jacqueline Newmyer Deal, ‘China’s nationalist heritage,’ 44

¹⁰⁰ John Lewis, Litai Xue, *Imagined Enemies: China prepares for uncertain war*, Stanford University Press, (2006), 2

that of historic enemies such as Japan.¹⁰¹ China's leaders therefore pledge to defend the country from the aggression of imperialist powers who aim to stymie the country's rise and plunder its resources.

The importance which China places on sovereignty issues conflicts with its attempts to maintain regional stability.¹⁰² China's leaders have long talked of the inevitability of Taiwanese reunification, often by emphasizing historical and cultural ties.¹⁰³ Moreover, as part of their attempts to create a narrative for their rule, China's leaders have also established a culture in which their actions are portrayed in the collective. Their actions are seen as the will of the people, not of the elites.¹⁰⁴ As a result, the realization of the reunification of Taiwan is a common goal of the Chinese people. The patriotic fervor that now engulfs sizeable portions of Chinese society merely serves to inflame the issue. An attempt by China to alter the status quo over Taiwan (or an attempt to suppress a Taiwanese uprising) could invite disastrous consequences, including a potential conflict with the United States. In the South China Sea, China faces disputes with a number of countries, claiming sovereignty over territories and waters which offer the promise of energy and marine resources. In the East China Sea, China quarrels with Japan over tiny

¹⁰¹ Yoichi Kato, 'Interview/Wang Jisi: China deserves more respect as a first-class power,' *Asahi Shimbun*, October 5, 2012, (<http://ajw.asahi.com/article/views/opinion/AJ201210050003>)

¹⁰² As M Taylor Fravel notes, since World War Two, China has participated in more sovereignty disputes than other country, although it has settled many of these disputes by compromising over land. Moreover, it has generally not seized land it did not control prior to any hostilities: M Taylor Fravel, 'International Relations Theory and China's rise: Assessing China's Potential for Territorial Expansion,' 507

¹⁰³ For example, Hu Jintao: "To resolve the Taiwan question and achieve the complete reunification of Taiwan is an irresistible historical process...form[ing] a community of common destiny bound by blood ties": 'Hu's report at 18th Party Congress', November 8, 2012, (<http://www.wantchinatimes.com/UploadFiles/Hu%20Jintao's%20report%20at%2018th%20Party%20Congress.pdf>)

¹⁰⁴ Jacqueline Newmyer Deal, 'China's nationalist heritage,' 50-1

islets that hold significant emotional value for both sides and the potential for resource exploitation.

China's sovereignty disputes present the real possibility of diplomatic or even armed escalation, potentially leading to a crisis that could destroy the stability of the party, the country, and the region. Evidence of Chinese nationalism is now increasingly widespread.¹⁰⁵ Analysis of these disputes often calls into question the assumption of simple cost-benefit calculations governing Chinese policy. In the case of Taiwan, in particular, China's leaders argue that they understand the gravity of inviting conflict, but they nevertheless "feel compelled towards an endgame that could ruin their fondest aspirations."¹⁰⁶

Overall, since 1979, China and its foreign policy has become less radical, less personalized and less ideological; while becoming increasingly pragmatic and refined.¹⁰⁷ The prioritization by China since 1979 on economic growth has allowed Communism to decline as an ideological justification for government policies. Unfortunately, while Communist ideology has declined, domestic instability has risen. The CCP has promoted patriotism and nationalism as a means for entrenching its own popularity in the absence of ideological unity,¹⁰⁸ and in the face of growing domestic instability.

¹⁰⁵ For example, inflamed by tensions over the disputed Senkaku/Diaoyu Islands, large public protests have occurred, such as one held in Beijing in September, 2012, on the anniversary of an incident that led to the Japanese invasion of China in 1931. Anti-Japanese sentiments are an example of the simmering unrest which has been provoked by China's leaders appeals to history: Junko Ogura, Jethro Mullen, 'Fresh anti-Japanese protests in China on symbolic anniversary,' *CNN*, September 19, 2012, (<http://www.cnn.com/2012/09/18/world/asia/china-japan-islands-dispute>)

¹⁰⁶ John Lewis, Litai Xue, *Imagined Enemies: China prepares for uncertain war*, ' 3

¹⁰⁷ Yufan Hao, 'Domestic Chinese Influences on US-China Relations,' David Shambaugh (ed.), *Tangled Titans: The United States and China*, (Rowman and Littlefield, 2013), 126

¹⁰⁸ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' 3

4.1.4 Proliferation of Foreign Policy Actors

In the past, foreign policy was explicitly forbidden as a topic of debate. Now the government is more tolerant of public and elite criticism, allowing it to better gauge domestic sentiment on key issues.¹⁰⁹ The media, the military, government agencies, commercial enterprise and the scholarly community are all now afforded greater freedom to present their opinion in the public domain. As the charismatic authority of previous leaders such as Mao Zedong and Deng Xiaoping has been replaced with a style of “collective leadership,” China’s leaders have afforded these domains greater freedom.¹¹⁰ Civilian and military scholars now present their views in the media on issues of foreign policy, helping to shape the political environment. Scholars in the national security apparatus frequently adopt more hawkish outlooks on China’s development, while academics’ usually hold more pacific views on prospects of global stability and cooperation.¹¹¹ Nevertheless, a number of high-profile academics have joined retired PLA officials in calling for a more assertive approach to China’s sovereignty claims, fuelling nationalist sentiment and emotionalizing these issues.¹¹²

Media outlets often provide harsh assessments of foreign powers international policies, and often support a more confrontational Chinese stance, especially on issues of

¹⁰⁹ Yufan Hao, ‘Domestic Chinese Influences on US-China Relations,’ David Shambaugh (ed.), *Tangled Titans: The United States and China*,’ 131-132

¹¹⁰ Yufan Hao, ‘Domestic Chinese Influences on US-China Relations,’ David Shambaugh (ed.), *Tangled Titans: The United States and China*,’ 138

¹¹¹ Yufan Hao, ‘Domestic Chinese Influences on US-China Relations,’ David Shambaugh (ed.), *Tangled Titans: The United States and China*,’ 136-7

¹¹² ‘Stirring up the South China Sea,’ (1), International Crisis Group, 11

sovereignty. In tensions with Japan and the Philippines, for example, China's patriotic media has helped cultivate an atmosphere of hostility and supported a combative stance.¹¹³ The CCP continues to provide certain guidelines for media outlets over what issues should be covered, but these are less rigorously defined and enforced. As the age of mass media has emerged, the public domain has become a more diverse environment where competing opinions are heard. Nevertheless, Beijing is also careful to protect its monopoly of power in major foreign policy decisions and affords less freedom to the media to contest highly sensitive issues.¹¹⁴

Public opinion is also playing a progressively greater role in foreign policy. China's leaders are under increasing pressure from the public to act more forcefully in issues of foreign policy as patriotism has swelled. Criticism from the public, especially on the internet, very often focuses on the need for China's leaders to act with less timidity in international affairs.¹¹⁵ Debates on the margins of foreign policy often focus on the degree to which China ought to interact in the international system.

For example, many voices from the public, and within the system, believe that the West's demands for China to be a more visible and responsible international actor are attempts to constrain China's development. Others believe that China should adopt a more

¹¹³ Robert Sutter, Chin-Hao Huang, 'China-South East Asia Relations: China Gains and Advances in the South China Sea,' *Comparative Connections*, 14:3, (2013), 69

¹¹⁴ Yufan Hao, 'Domestic Chinese Influences on US-China Relations,' David Shambaugh (ed.), *Tangled Titans: The United States and China*, 133-138

¹¹⁵ Robert Sutter, 'China's self-absorbed nationalism,' *The Diplomat*, August 31, 2012, (<http://thediplomat.com/2012/08/31/chinas-self-absorbed-nationalism/>), 1; This argument is also made by Jakobson and Knox, who note that "criticism of Chinese leaders for bowing to international demands is incessant on the internet": Linda Jakobson and Dean Knox, 'New Foreign Policy Actors in China,' *SIPRI*, Policy Paper 26, (September 2010)

a proactive international role to help China shape the values and norms which govern the international order.¹¹⁶

Evidence now suggests that the leadership is increasingly inclined to account for different voices within China's political system, including various actors within different government agencies whose views influence decisionmaking and occasionally force adjustments in government policy.

For example, the emergence of the term "Peaceful Development" to describe its foreign policy outlook arose from a debate within the Chinese foreign policy community over the utility of the original term "Peaceful Rise." It was felt that the West would emphasize the term "rise" and therefore the new term (though not concept) was developed and adopted by the leadership.¹¹⁷ This development also emphasizes that in certain circumstances the leadership is attentive to the concerns of the international community, especially if it is unlikely to hurt its legitimacy.¹¹⁸

In addition, domestic actors are inadvertently complicating the leadership's ability to conduct sound foreign policy that ensures the execution of its core interests. China's bulging industries are increasingly pursuing their own commercial interests independent of government control. Unintentionally or insensitively they are forcing government officials

¹¹⁶ Linda Jakobson and Dean Knox, 'New Foreign Policy Actors in China,' vii

¹¹⁷ Bonnie Glaser, Evan Medeiros, 'The changing ecology of foreign policy-making in China: The ascension and demise of the theory of "Peaceful Rise,"' 307

¹¹⁸ In this instance, the term "Peaceful Development" plays upon the notion of China as predominantly Confucian, and therefore conforms to Beijing's image-building.

to confront issues such as human rights and energy security for which the enterprises are responsible.¹¹⁹

Poor bureaucratic coordination means that the party now struggles to restrain competing factions within its bureaucracy from acting upon their interests. This is especially true in the maritime sphere, where maritime authorities are provoking foreign ships operating in contested waters.¹²⁰ Moreover, semi-autonomous local governments near the South China Sea are expanding their economic activities in the disputed waters, particularly in the fishing and tourism industries, causing diplomatic unrest with neighboring countries.¹²¹

Finally, while Nationalism has replaced Communism as the dominant ethos for ideological legitimacy, the latter does still play a role, albeit reduced, in party decision-making. The country's constitution states that the "realization of Communism is...[the] highest ultimate goal."¹²² Accordingly, the party is often subjected to criticism from remaining members of its Marxist core, as they move away from their roots.¹²³ The treatment dealt to disgraced politician Bo Xilai was seen by some as the leadership's attempts to restrain leftist ideological politics from regaining popularity. Bo Xilai, was

¹¹⁹ Linda Jakobson and Dean Knox, 'New Foreign Policy Actors in China', vi

¹²⁰ Terry McCarthy, 'China's aggressive stance reveals lack of coordination,' *Yale Global*, 5 December 2012, (<http://yaleglobal.yale.edu/content/chinas-aggressive-stance-reveals-lack-coordination>)

¹²¹ 'Stirring up the South China Sea,' (1), International Crisis Group, 10; As the report explains, provincial governors enjoy the same level of authority as ministers, including direct command of all provincial-level police, with this freedom to operate frequently causing diplomatic disputes which the central government must then resolve.

¹²² Susan Lawrence, Michael Martin, 'Understanding China's political system,' *Congressional Research Service*, January 31, 2013, (<http://www.fas.org/sgp/crs/row/R41007.pdf>.) 7

¹²³ Susan Lawrence, Michael Martin, 'Understanding China's political system,' 7

Party Chief of Chongqing and tipped for the Politburo in 2012 before he was removed from office.¹²⁴

¹²⁴ Bo Xilai, was Party Chief of Chongqing and tipped for the Politburo in 2012. His campaign to revive traditional Communist values has been seen to have contributed to his downfall and removal from the top echelons of power: Chris Buckley, 'In China's Chongqing, dismay over downfall of Bo Xilai,' *Reuters*, March 16, 2012, (<http://www.reuters.com/article/2012/03/16/us-china-chongqing-idUSBRE82FOH120120316>)

Chapter 5: China's Reaction to the Rebalance

5.1 Definitions of 'Official and 'Unofficial'

In this essay, the reactions of a range of Chinese foreign policy actors are analyzed, and broadly divided into two different categories:

Official: This includes briefings, speeches and comments from both high-level and low-level members of the Chinese government, the Chinese Communist Party and the *People's Liberation Army* (PLA), speaking in an official capacity. In particular, the research draws heavily on statements of government officials from the *Ministry of Foreign Affairs* (MFA) and the *Ministry of Defense* (MND), both of whom have regularly provided their views in various forums. Statements from prominent government ministers speaking for, or as a member of, the leadership are also analyzed. Articles published on official government websites are also considered official, for example, articles published on the official website of the MFA.

Most significantly, the actions of the Chinese government, the Chinese Communist Party and the PLA following the rebalance are considered to fall within the parameters of China's official response. These are official policy responses taken by the leadership and high-level bureaucrats acting under the control of the central government. Bureaucrats operating at a regional level, operating under sometimes loose control from Beijing, are also considered. These include China's maritime agencies (often referred to as the 'Nine

dragons'¹²⁵) and other bureaucratic players, such as provincial government officials, acting in an official capacity, but increasingly independent of the control of the central authorities.

Unofficial: This section includes commentary and reaction from China's civil society, including the media, commercial enterprises and public opinion. This category includes articles, editorials and opinions from more closely regulated media such as the *People's Daily*, as well as more independent news outlets such as the *Global Times* and *China Daily* operating with greater autonomy.¹²⁶ It also includes analysis by China's growing academic community, including civilian scholars and former government and former military officials now operating in an unofficial capacity. Finally, it includes public opinion, such as the reaction conveyed by China's "netizens" on the internet.

5.2 Official response

5.2.1 Initial response

Immediate response to the rebalancing announcement was greeted with a predictably low key official response. American analysts noted the authorities' "largely muted and restrained...at times even conciliatory responses given to very specific and sometimes

¹²⁵ The International Crisis Group's report on the South China Sea notes that the number of government actors exceeds the popular myth of the 'Nine dragons in the sea,' listing 11 ministerial level maritime government agencies. Of these the most prominent are the 'Bureau of Fisheries,' 'China Marine Surveillance,' local governments and the PLA Navy': 'Stirring up the South China Sea,' (1), International Crisis Group,' 8

¹²⁶ Michael Swaine, in an article which documented initial Chinese responses to the rebalance, categorized articles from the *People's Daily* as "quasi-authoritative" since "although indirect and implicit, they are intended to convey the view of an important PRC organization": Michael Swaine, 'Chinese leadership and elite responses to the US-Pacific Pivot,' *China Leadership Monitor*, 38: 5, (Summer 2012), 1; For the purposes of this study, I consider media articles to be 'unofficial,' including those published in the *People's Daily*. (The only exception is statements and comments from government officials recorded by China's state-run press agency, *Xinhua*.) While many views expressed in these articles may convey the government's position, they are not written by or in the name of government or party officials. As such I do not consider them explicit government or party responses to the rebalance.

provocative questions on the pivot.”¹²⁷ Comments from officials have often been made by low-level bureaucrats in response to media questions, rather than senior officials. This created a distinctly understated reaction from China’s authorities.¹²⁸

More negative official rhetoric often focused on the intentions of the US as it aims to enhance its regional presence as part of the rebalance. Then Vice Foreign Minister Cui Tiankai, writing on the Ministry of Foreign Affairs website in mid-2012, questioned the wisdom of the policy shift: “What is the motive behind all of these moves? What signals do they want to send to China and the region?” The US, he argued, must ensure “that there is no gap between its policy statements and its true intentions.”¹²⁹

In an attempt to assuage concerns among China’s elites that the rebalance is aimed at confronting China’s rise, the US has made substantial efforts to downplay the military significance of the rebalance. Instead, Washington has emphasized America’s increased diplomatic focus in the Asia-Pacific as the primary aspect of the strategic shift and stressed the opportunities for greater regional cooperation, including between China and the US.¹³⁰

¹²⁷ Michael Swaine, ‘Chinese leadership and elite responses to the US-Pacific Pivot,’; Bonnie Glaser and Brittany Billingsley also noted “the generally muted and restrained” official response to the announcement, ‘Bonnie Glaser, Brittany Billingsley, ‘US pivot leaves China off balance,’ 30

¹²⁸ Michael Swaine, ‘Chinese leadership and elite responses to the US-Pacific Pivot,’ 5

¹²⁹ Bonnie Glaser and Brittany Billingsley, ‘US-China relations: Creating a new type of major power relations,’ *Comparative Connections*, 14:3 (January 2013), 25

¹³⁰ For example, then Secretary of Defense Leon Panetta, in an address to a Chinese military academy, in September 2012, stated his belief that Washington’s increased engagement would promote regional stability and Sino-US cooperation: “Our rebalance to the Asia-Pacific region is not an attempt to contain China. It is an attempt to engage China and expand its role in the Asia-Pacific. It’s about creating a new model in the relationship of our two Pacific powers. It’s about renewing and revitalizing our role in a part of the world that is rapidly becoming more critical to our economic, diplomatic, and security interests. And as I’ve made clear, essential to all of these goals – essential to these goals is a constructive military-to-military relationship with China”: ‘Speech to the PLA Engineering Academy of Armed Forces by Secretary of Defense Leon Panetta,’ September 19, 2012, *Department of Defense*, (<http://www.defense.gov/speeches/speech.aspx?speechid=1723>)

China has begun to react more positively as the US has invested significant diplomatic capital in underscoring its stated ambition to create more robust stability in the region, rather than undercut China as it continues its development. Overall, official rhetoric often expressed China's insistence that the two countries could work together to strengthen stability in the region. For example, a spokesman for China's Foreign Ministry highlighted China's respect for the American presence in the region, and its interests therein, as part of China's aspiration for regional cooperation.¹³¹

Nonetheless, while Chinese officials have responded modestly, a number of government actions in the intervening period have provided Washington with a clearer view of China's leaders' views.

5.2.2 Washington's alliance building and military partnerships

General responses to Washington's alliance building and strengthened military partnerships were often muted. More negative statements involved actions which threatened China's core interests. For example, Washington's decision to strengthen its military alliance with Australia, including via the strategic deployment of US marines near the South China Sea, was met with a more robust response from the Chinese Foreign Ministry. A representative stated in late 2011, that "it may not be quite appropriate to intensify and expand military alliances, and may not be in the interests of countries within this region. China believes that peaceful development and cooperation are the trends of our times and is the mainstream of

¹³¹ 'China hopes US plays constructive role in Asia-Pacific,' Xinhua, May 31, 2012, (http://news.xinhuanet.com/english/china/2012-05/31/c_131623832.htm)

the foreign policy of countries within this region.”¹³² A Ministry of Defense spokesman also stated that Washington’s alliances in the region were “an expression of a Cold War mentality.”¹³³

But in his speech at the Shangri-La Dialogue in Singapore in June 2012, then Secretary of Defense Leon Panetta insisted that the rebalance was not conceived as a challenge to China and instead was entirely compatible with China’s growth and development.”¹³⁴ Obama’s National Security Adviser Thomas Donilon recently stated that “we do not want [China and the US’] relationship to become defined by rivalry and confrontation,” emphasizing the rebalance’s ambition to stimulate greater bilateral engagement.¹³⁵ In response, Chinese officials have welcomed American attempts to downplay the significance of the rebalance in terms of an overarching US containment policy. The Ministry of Foreign Affairs welcomed Donilon’s comments, stating that China also wished for “enhanced cooperation and coordination” with the US.¹³⁶

¹³² Ben Packham, ‘China reproaches Australia over strengthened US defence ties,’ *The Australian*, <http://www.theaustralian.com.au/national-affairs/obama-in-australia/our-indispensable-alliance-barack-obama/story-fnb0o39u-1226197460882>

¹³³ Michael Swaine, ‘Chinese leadership and elite responses to the US-Pacific Pivot,’ 9

¹³⁴ Leon Panetta, Shangri-La Dialogue, June 2, 2012, “Some view the increased emphasis by the United States on the Asia-Pacific region as some kind of challenge to China. I reject that view entirely. Our effort to renew and intensify our involvement in Asia is fully compatible -- fully compatible -- with the development and growth of China. Indeed, increased U.S. involvement in this region will benefit China as it advances our shared security and prosperity for the future”: ‘Speech at the Shangri La Security Dialogue by Secretary of Defense Leon Panetta,’ *US Department of Defense*, June 2, 2012, (<http://www.defense.gov/speeches/speech.aspx?speechid=1681>)

¹³⁵ ‘Remarks by Tom Donilon, National Security Advisory to the President: “The United States and the Asia-Pacific in 2013,”’ *The White House*, March 11, 2013, (<http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>)

¹³⁶ ‘Zhang Yuwei, “New phase” for China-US ties: Obama’s security adviser,’ *Xinhua*, (http://news.xinhuanet.com/english/china/2013-03/13/c_132229593.htm)

Statements also emphasized China's wish that the US focus on reestablishing order in its finances in order to ensure global growth and avoid potential competition.¹³⁷ American and Western financial problems since the economic crisis have raised questions over the viability of the rebalance, and been exacerbated by Washington's squabbles over the deficit plan that raised the specter of the 'fiscal cliff.' As a result, debates over whether Washington will have the resources to fund the increased military and diplomatic presence in the long term have emerged.¹³⁸

5.2.3 China, the US and Sovereignty

China has continued to emphasize the necessity and legality of achieving its sovereignty claims. Its leaders have openly acknowledged that resolving its sovereignty debates is a precursor to continuing on its path of "peaceful development."¹³⁹ This notion may appear contradictory, since its fellow claimants often consider China's actions to undermine stability and increase mutual antagonisms. But Beijing believes that, in resolving its sovereignty disputes, it is simply restoring the status quo by procuring what has always

¹³⁷ For example, Wang Qishan stated at the Asia-Pacific Economic Cooperation (APEC) meeting that the world's economic crisis was "chronic" and "the US and China should make a positive contribution to the world through their own steady development": Siobhan Mulcahy, 'China's top finance minister issues economic warning to US and other countries,' November 21, 2011, (<http://voices.yahoo.com/chinas-top-finance-minister-issues-economic-warning-10493829.html>)

¹³⁸ Bonnie Glaser and Brittany Billingsley, 'US-China relations: Creating a new type of major power relations,' 26

¹³⁹ Vice Foreign Minister Zhang Zhijun, "Only when China's sovereignty, security and development interests are fully secured could China truly make steady progress along the path of peaceful development": 'Speech by Vice Foreign Minister Zhang Zhijun: Stay committed to Peaceful Development and 'win-win' cooperation,' *Ministry of Foreign Affairs of the PRC*, ' 28 December, 2012, (<http://www.fmprc.gov.cn/eng/zxxx/t1001499.htm>)

belonged to China.¹⁴⁰ But for the international community, China's actions in the South China and East China Seas in 2012 confounded Beijing's notion that it conducts its foreign policy on a purely holistic basis and underscored rising concerns over nationalism.

Beijing has not openly acknowledged China's sovereignty interests in the East China and South China Seas as "core interests."¹⁴¹ This term is usually associated with what Beijing considers its *national* sovereign interests: Taiwan, Tibet and Xinjiang. For these contingencies, Beijing's stance is uncompromising, retaining the right to use force if necessary to preserve these interests.¹⁴² Nevertheless, Beijing remains highly sensitive to its claims in the East China and South China Seas, and appears to attribute significant importance to their resolution. As Bonnie Glaser stated at a Congressional hearing last year, China's actions in the South China Sea are "evidence of a top leadership decision to escalate China's coercive diplomacy."¹⁴³ This saw tensions rise with Japan, the Philippines, Vietnam and others, and pushed China's neighbors toward the US. For example, Prime Minister Yoshihiko Noda argued in November 2012 that "with the

¹⁴⁰ As Vice Foreign Minister Zhang Zhijun noted, "What China upholds is its legitimate rights and interests. It guards over what has always been its own": 'Speech by Vice Foreign Minister Zhang Zhijun: Stay committed to Peaceful Development and 'win-win' cooperation,' (<http://www.fmprc.gov.cn/eng/zxxx/t1001499.htm>)

¹⁴¹ Wang Jisi, 'China's search for a Grand Strategy: A rising power finds its way,' 90: 2, *Foreign Affairs*, (March/April 2011), 71; However, Bonnie Glaser noted that, in 2010, China did refer to its sovereignty claims in the South China Sea as a core interest, but quickly backed away from the assertion: Bonnie Glaser, 'Armed Clash in the South China Sea,' *Council on Foreign Relations*, Contingency Planning Memorandum No. 14, (<http://www.cfr.org/east-asia/armed-clash-south-china-sea/p27883>)

¹⁴² 'Stirring up the South China Sea,' (1), International Crisis Group, 4

¹⁴³ Robert Sutter, Chin-Hao Huang, 'China-South East Asia Relations: China Gains and Advances in the South China Sea,' 72

increasing severity of the security environment in East Asia, the importance of the Japan-US alliance is increasing.”¹⁴⁴

Perceptions in China grew that the US was trying to interfere. Prime Minister Wen Jiabao’s asserted that the disputes “ought to be resolved...by the sovereign countries directly involved. Outside forces should not...interfere.”¹⁴⁵ Accordingly, the US took steps to reassure China. At the East Asia Summit last November, the President’s message on the South China Sea “appeared deliberately designed to avoid emboldening US partners.”¹⁴⁶ Washington advocated that its strengthened alliances did not mean that they took sides, while its security guarantees did not mean these countries should use US support to advance its own interests nor guarantee intervention. Deputy National Security Adviser Ben Rhodes told reporters that Obama had appealed for calm at the summit and warned of the dangers of escalation. Rhodes’ statement did not explicitly back the US’ allies in the disputes.¹⁴⁷ The US also refrained from proposing mediation. In the past, Beijing has flatly dismissed American offers of mediation. For instance, Secretary Clinton’s offer of trilateral talks between the US, China and Japan in September 2010 were rejected as the Foreign Ministry iterated China’s belief that settlement of sovereignty disputes were uniquely the business of the claimants.¹⁴⁸

¹⁴⁴ Jeff Mason, James Pomfret, ‘Obama urges restraint in tense Asian disputes,’ *Reuters*, November 20, 2012, (<http://www.reuters.com/article/2012/11/20/us-asia-summit-idUSBRE8AJ08520121120>)

¹⁴⁵ Bonnie Glaser, Brittany Billingsley, ‘US pivot leaves China off balance,’ 31

¹⁴⁶ Bonnie Glaser, Brittany Billingsley, ‘Strains increase amid leadership transitions,’ 30

¹⁴⁷ According to Reuters, Rhodes’ comments “appeared carefully calibrated not to offend” claimants: Jeff Mason, James Pomfret, ‘Obama urges restraint in tense Asian disputes,’ (<http://www.reuters.com/article/2012/11/20/us-asia-summit-idUSBRE8AJ08520121120>)

¹⁴⁸ Foreign Ministry spokesman Ma Zhaoxu stated that, “the territorial dispute between China and Japan over the Diaoyu Islands is the business of the two nations only”: ‘China shuns US mediation in its island dispute

But Congress' decision to affirm the scope of the US-Japan Security Treaty included the Senkaku islands reinforced negative Chinese perceptions, and rather undercut Obama's attempts to restrain American involvement.¹⁴⁹ The Foreign Ministry, unsurprisingly, outlined its firm opposition and urged Congress to "discard the Cold War mentality...and earnestly respect China's core interests." Moreover, the US "should not undermine any third party's interests, including those of China and even less should it interfere in the territorial disputes between other countries."¹⁵⁰

However, China's relations with Taiwan were not adversely affected by the rebalance and their relationship appears relatively stable for the time being. Beijing's recent policy of engagement with Taiwan has created the possibility of a peaceful resolution to the dispute, although how this is to be achieved remains uncertain.¹⁵¹ This policy is predicated on the assumption of US intervention in any conflict over Taiwan, based on the "US commitment to assisting Taiwan in maintaining its defensive capability" and traditional US support for peaceful cross-Strait relations.¹⁵² Nevertheless, criticism of US involvement in

with Japan,' November 3, 2010,
(<http://www.cnn.com/2010/WORLD/asiapcf/11/03/china.japan.disputed.islands/index.html>)

¹⁴⁹ In December 2012, the US Senate passed legislation which stated that any armed attack on the disputed Senkaku/Diaoyu Islands would fall under the provisions of the US-Japan Treaty of Mutual Cooperation and Security, in effect since 1960: 'US Senate approves amendment backing Japan,' December 1, 2012, *Associated Press*, (<http://www.google.com/hostednews/afp/article/ALeqM5jNDidM9BkSaz1871COcNg-IBrE3w?docId=CNG.ddc4e13a1b0d951ba1830e997de86759.51>)

¹⁵⁰ 'For. Ministry spokesperson Hua Chunying's remarks on the China-related content of the 2013 National Defense Authorization Act approved by the US Congress,' December 23, 2012,
(<http://www.fmprc.gov.cn/eng/xwfw/s2510/t1000424.shtml>)

¹⁵¹ Richard C. Bush, *Uncharted Strait: The Future of China-Taiwan Relations*, Brookings: Washington DC, (2013), 7

¹⁵² The US State Department advocates that, "the United States does not support Taiwan independence. Maintaining strong, unofficial relations with Taiwan is a major U.S. goal, in line with the U.S. desire to further peace and stability in Asia. The 1979 Taiwan Relations Act provides the legal basis for the unofficial relationship between the U.S. and Taiwan, and enshrines the U.S. commitment to assisting Taiwan in maintaining its defensive capability. The United States insists on the peaceful resolution of cross-

China's sovereignty disputes with Japan and the Philippines highlight China's sensitivity to third-party involvement in its sovereign affairs. This would be significantly magnified if the US attempted to mediate in the event of a deterioration of China-Taiwan relations. One need only look to Beijing's vocal condemnation of US arms sales to Taiwan in 2011¹⁵³ for confirmation of the resistance which China exerts over Taiwan.

Recent actions by the Xi Jinping administration have also offered points of optimism. For example, Xi has taken some measures to repair some of the damage wrought in relations with Japan. For example, Liu Yuan, a senior PLA officer close to Xi Jinping, stated that "the friendship between Japan and China is everlasting" amid a series of conciliatory commentaries aimed at reducing tensions between China and its neighbors.¹⁵⁴ This was seemingly reinforced when General Luo Yuan, a retired PLA officer renowned for his hawkish views, was dropped from the government's leading military advisory body by the new leadership.¹⁵⁵ Nevertheless, these need to be accompanied by more concrete measures if ties are to be repaired.

5.2.4 The South China Sea and Maritime Conduct

China's leaders have adopted a coercive and intimidating policy in the South China Sea which has inflamed both the US and China's neighbors. The Obama administration has

Strait differences and encourages dialogue to help advance such an outcome": 'U.S. Relations With Taiwan,' *U.S. Department of State*, February 25, 2013, (<http://www.state.gov/r/pa/ei/bgn/35855.htm>)

¹⁵³ Robert Sutter, 'Chinese Foreign Relations: Power and Policy since the Cold War,' , 149

¹⁵⁴ David Lague, 'Under Xi, China seeks to cool island row with Japan,' *Reuters*, March 17, 2013, (<http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>)

¹⁵⁵ David Lague, 'Under Xi, China seeks to cool island row with Japan,' (<http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>)

repeatedly affirmed that it does not take sides in China's sovereignty disputes, but it has also underscored the importance it attributes to issues relating to freedom of navigation, maritime security and the maintenance of regional stability.¹⁵⁶ China contends that it has the right to regulate military activities within its Exclusive Economic Zone (EEZ).

Accordingly, American ships in China's EEZ are frequently intercepted by Chinese naval and maritime security forces. US naval operations in the South China Sea have often clashed in the past with Chinese vessels, and an armed escalation of hostilities between the two countries' in China's EEZ now represents a dangerous contingency.¹⁵⁷ From Washington's perspective, the PLA Navy, and in particular, China's maritime security forces', efforts to control its maritime waters conflicts with American freedom-of-access and threatens its vast commercial interests.¹⁵⁸ The US and Washington have so far failed to establish an agreement similar to the 'Incidents at Sea' (INCSEA) agreement founded by the US and the Soviet Union during the Cold War,¹⁵⁹ which could reduce incidents between the two countries' navies. Such an agreement would not, however, address US naval forces clashing with China's maritime security agencies.

Secretary Clinton has pushed, however, for China to work with ASEAN to establish a Code of Conduct to establish "clear procedures for addressing disagreements" between

¹⁵⁶ For example, Hillary Clinton stated at the ASEAN Foreign Ministers Meeting in July 2012, that "The United States has no territorial claims there and we do not take sides in disputes about territorial or maritime boundaries. But we do have an interest in freedom of navigation, the maintenance of peace and stability, respect for international law and unimpeded lawful commerce in the South China Sea" 'US pushes Beijing over South China Sea rules,' *CBS News*, July 12, 2012, (http://www.cbsnews.com/8301-202_162-57470886/u.s-pushes-beijing-over-south-china-sea-rules/)

¹⁵⁷ Bonnie Glaser, 'Armed Clash in the South China Sea,' (<http://www.cfr.org/east-asia/armed-clash-south-china-sea/p27883>)

¹⁵⁸ Kenneth Liberthal, Wang Jisi, 'Addressing US-China Strategic Distrust,' ix

parties in the South China Sea.¹⁶⁰ China has responded by stating that it had agreed, through the ‘2002 Declaration on the Conduct of the Parties in the South China Sea,’ to eventually move toward such an agreement.¹⁶¹ In a potentially significant development, Indonesia’s foreign minister announced in April 2013 that ASEAN had scheduled a meeting to accelerate the conclusion of a new Code of Conduct. The move was reportedly proposed by China.¹⁶²

Meanwhile, China’s weak bureaucratic coordination is complicating Beijing’s ability to conduct coherent foreign policy, as the resulting use of coercion antagonizes China’s neighbors. This was embodied by China’s provincial maritime authorities operating in the South China Sea. Poor management of maritime agencies has allowed actors, often with nationalistic outlooks, to advance their agendas beyond top-level control. For example, a law passed by the Hainan provincial government authorized Chinese Coast Guards to board foreign ships in waters claimed by China as their own.¹⁶³ No central government approval is understood to have been sought prior to passage of the law.¹⁶⁴ This

¹⁵⁹ Bonnie Glaser, ‘Armed Clash in the South China Sea,’ (<http://www.cfr.org/east-asia/armed-clash-south-china-sea/p27883>)

¹⁶⁰ ‘US pushes Beijing over South China Sea rules,’ *CBS News*, July 12, 2012, (http://www.cbsnews.com/8301-202_162-57470886/u.s-pushes-beijing-over-south-china-sea-rules/)

¹⁶¹ ‘Foreign Minister Yang Jiechi on the South China Sea Issue,’ 12 July, 2012, *Ministry of Foreign Affairs of the PRC*, (<http://www.fmprc.gov.cn/eng/zxxx/t950626.htm>)

¹⁶² ‘ASEAN, China to meet on maritime code of conduct,’ *Channel News Asia*, April 11, 2013, (<http://www.channelnewsasia.com/news/asiapacific/asean-china-to-meet-on-maritime-code-of-635652.html>)

¹⁶³ Terry McCarthy, ‘China’s aggressive stance reveals lack of coordination,’ (<http://yaleglobal.yale.edu/content/chinas-aggressive-stance-reveals-lack-coordination>)

¹⁶⁴ According to Linda Jakobson, an unnamed Ministry of Foreign Affairs official confirmed in an interview that no government approval was pursued by the Hainan provincial government. Jakobson asserts that “the senior leadership was caught unaware by [a] decision taken at a lower level”: Linda Jakobson, ‘China’s Foreign Policy Dilemma,’ *Lowy Institute for International Policy*, February 5, 2013, (<http://www.lowyinstitute.org/publications/chinas-foreign-policy-dilemma>)

example also highlights the lack of legal clarity associated with China's maritime claims, which Beijing argues are based on the UN Convention on the Law of the Seas (UNCLOS): the '9-dash line' depicts China's claims in the South China Sea and encompasses a vast majority of the waters.¹⁶⁵ As noted earlier, an escalation between provincial maritime authorities and American naval vessels could lead to armed escalation. Such an escalation could be beyond Leadership control. Beijing has also fanned the flames by enacting controversial policies which heighten tensions and increase legal ambiguities. For example, in November 2012, the Ministry of Public Security issued new passports complete with maps depicting disputed islands as Chinese territory.¹⁶⁶

Provincial government agencies are also causing diplomatic unrest through the pursuit of their own commercial interests. Domestic actors with often limited foreign policy experience are now pursuing their own interests by expanding their economic activities in disputed areas as part of "their single-minded focus on economic growth."¹⁶⁷ For example, the Hainan government continues to promote tourism on the contested Spratly Islands, including organizing group tours to the islands and hosting a sailing competition to the islands.¹⁶⁸ Evidence suggests, however, that Beijing twice granted permission to Hainan province to engage in tourism activity on the disputed Parcel

¹⁶⁵ 'Stirring up the South China Sea' (1), *International Crisis Group*, Summary

¹⁶⁶ Linda Jakobson, 'China's Foreign Policy Dilemma,' (<http://www.lowyinstitute.org/publications/chinas-foreign-policy-dilemma>)

¹⁶⁷ 'Stirring up the South China Sea' (1), *International Crisis Group*, Executive Summary

¹⁶⁸ 'Stirring up the South China Sea' (1), *International Crisis Group*, 24

Islands, before later suspending approval following international protest.¹⁶⁹ These actions have concerned China's neighbors and increased the potential of inadvertent escalation.¹⁷⁰

Significantly, the new Xi Jinping administration announced a decision to combine four maritime agencies under the command of the National Oceanographic Administration, in a move aimed at managing unrestrained actions by agencies in the South China Sea acting independent of government control.¹⁷¹ The administration will operate under the direction of the 'Maritime Police bureau' which reports to the Ministry of National Security.¹⁷² This move may help Beijing to better coordinate the actions of its various maritime agencies, and issue more streamlined maritime policy. It won't, however, preclude China's local governments' from pursuing provocative legislation independent of Beijing.

5.2.5 Stability and regional integration

China responded to the rebalance by engaging the region's multilateral institutions, but not in the manner which Washington hoped. China's actions at the ASEAN Foreign Ministers meeting in July 2012 and the East Asia Summit in November were perhaps the most telling displays of negative Chinese multilateral influence. At the July meeting, the participants

¹⁶⁹ The International Crisis Group asserts that, "Beijing's decision to...twice grant[] permission to engage in tourism development on the Paracels suggests that it sees tourism as a relatively low-key and gradual way to assert sovereignty": 'Stirring up the South China Sea' (1), *International Crisis Group*, 24-25

¹⁷⁰ As the International Crisis Group note, these moves initiated by the Hainan government led to a formal protest from Vietnam: 'Stirring up the South China Sea' (1), *International Crisis Group*, 24

¹⁷¹ David Lague, 'Under Xi, China seeks to cool island row with Japan,' (<http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>)

¹⁷² 'China to restructure oceanic administration, enhance maritime law enforcement,' *Xinhua*, March 10, 2013, (http://news.xinhuanet.com/english/china/2013-03/10/c_132221768.htm)

failed to issue a communiqué for the first time in its 45 year history, with Cambodia, who led the summit, appearing to defer to Chinese pressure. China seemed to exert its considerable influence on Cambodia to ensure the concerns of ASEAN members (an organization that does not contain China) over South China Sea tensions were not raised in a multilateral forum. The reputations of both Cambodia and China “took a beating as a result.”¹⁷³ At its root lies China’s insistence that its sovereignty disputes should be resolved bilaterally.

At the East Asia Summit in November 2012, China appeared to repeat the trick. The Philippines issued a formal complaint against Cambodia, again the host, asserting that it had actively attempted to stifle discussion on South China Sea issues.¹⁷⁴ Cambodian President Hun Sen publicly issued a statement arguing that ASEAN had agreed that sovereignty disputes should not be internationalized in a multilateral forum, which both the Philippines and Singapore subsequently denied.¹⁷⁵ Then Chinese Premier Wen Jiabao was said to have told the meeting that “we do not want to bring the disputes to an occasion like this.”¹⁷⁶ China has also warned claimants that they could suffer penalties if they continue to adopt what it perceives as a hostile approach to resolving disputes. China’s economic power provides it with enormous leverage over its neighbors. For example, with Sino-Philippine trade reaching \$30 billion in 2011, the Chinese Ambassador to ASEAN warned

¹⁷³ Ralph Cossa, Brad Glosserman, ‘Regional Overview: US rebalances as others squabble,’ 2

¹⁷⁴ Jeff Mason, James Pomfret, ‘Obama urges restraint in tense Asian disputes,’ *Reuters*, November 20, 2012, (<http://www.reuters.com/article/2012/11/20/us-asia-summit-idUSBRE8AJ08520121120>)

¹⁷⁵ ‘Sea tensions erupt at Asia summit,’ *Wall Street Journal*, November 20, 2012 (<http://online.wsj.com/article/SB10001424127887323353204578130053270040868.html>)

¹⁷⁶ Jeff Mason, James Pomfret, ‘Obama urges restraint in tense Asian disputes,’ (<http://www.reuters.com/article/2012/11/20/us-asia-summit-idUSBRE8AJ08520121120>)

the Filipino government that sanctions would be likely following growing tensions over the disputed Huangyan Island.¹⁷⁷

Reacting to Washington's decision to push the Trans-Pacific Partnership (TPP) as a tool for economic integration, the Ministry of Foreign Affairs spokesperson was quoted as stating that China holds "an open attitude towards all cooperative initiatives conducive to the economic integration and common prosperity in the Asia-Pacific."¹⁷⁸ However, China has also responded by pushing its own regional economic initiatives which exclude the US. At the ASEAN Plus Three summit held in November, Premier Wen Jiabao publicly pledged to support the Regional Comprehensive Economic Partnership (RCEP), a rival to the TPP which currently envisages a free trade agreement between ASEAN and six other Asia-Pacific countries.¹⁷⁹ The RCEP will not be bound by the strict provisions which are set to govern the TPP, such as labor and environmental standards. The RCEP thus provides an alternative for Pacific countries who might not be able to meet the requirements for TPP entry., although membership of the RCEP does not preclude entrance into the TPP should states meet the regulations.¹⁸⁰ China also pushed on with its plans for a trilateral free trade agreement with South Korea and Japan, first proposed in 2002, despite diplomatic tensions.

¹⁷⁷ Chinese Ambassador to ASEAN Tong Xiaolong: "if the Huangyan Island situation keeps developing, bilateral ties, including the trade relationship, will surely be affected"; Li Jiabao, 'China-Philippines trade may be affected – experts,' *China Daily*, May 14, 2012, (http://usa.chinadaily.com.cn/china/2012-05/14/content_15282715.htm)

¹⁷⁸ Bonnie Glaser, Brittany Billingsley, 'US pivot leaves China off balance,' 30

¹⁷⁹ Qin Jize, Li Xiaokun, Li Jiabao, 'Beijing supports Asian free-trade area,' *China Daily*, November 20, 2012, (http://www.chinadaily.com.cn/china/2012-11/20/content_15942795.htm)

¹⁸⁰ The CSIS report notes that "the RCEP anticipates the bare minimum of trade liberalization. Its numerous flexibility caveats ensure that no member has to adopt trade policies with which it disagrees": Murray Hiebert, Liam Hanlon, 'ASEAN Partners Launch Regional Comprehensive Economic Partnership,' *CSIS*, December 7, 2012, (<http://csis.org/publication/asean-and-partners-launch-regional-comprehensive-economic-partnership>)

These negotiations got underway in March 2013 and if successful would mean a pact which would account for 20 percent of global GDP.¹⁸¹

5.2.6 China's role as a responsible international actor

Secretary Clinton argued in November 2011 that greater regional stability can be achieved if both China and the US “meet our respective global responsibilities and obligations”; for as Clinton notes, “one of [the US'] top priorities [is] to encourage China's active efforts in global problem-solving.”¹⁸² A significant ambition of the rebalance is therefore to engage China and the region in “shaping and participating in a rules-based regional and global order.”¹⁸³ This involves China becoming a responsible actor who abides by the standards set by the US and the international community.

China's response to the US rapprochement with Myanmar provided evidence that China may take a more active role in regional stability. Invited in by the Myanmar government and the country's separatist movement, the Kachin Independence Organization (KIO), as a mediator, it played a positive role in fomenting dialogue between the two quarrelling parties. China's careful mediation was seen as a key factor in easing tensions and strengthening trust and communication between the two parties. This marked the first instance in which China had intervened publicly in a dispute between a

¹⁸¹ ‘China, Japan, South Korea open free trade talks,’ *Business Standard*, March 26, 2013, (http://www.business-standard.com/article/international/china-japan-south-korea-open-free-trade-talks-113032600156_1.html)

¹⁸² Hillary Clinton, ‘America's Pacific Century,’ (http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0,2), 3

¹⁸³ Hillary Clinton, ‘America's Pacific Century,’ (http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0,2), 3

government and a separatist group of another nation.¹⁸⁴ The move is understood to have been greeted by analysts in Washington as a potential indicator of China's transition to a "responsible great power" by acting to promote regional stability.¹⁸⁵

In other areas, China's actions have emphasized that this process remains in its infancy. Notably, the US has become increasingly concerned with China's actions in the cyber security realm. National Security Adviser Donilon recently highlighted the issue as a "growing challenge" following a US private security firm report which accused China of conducting attacks through an unofficial military unit in Shanghai. In response, Foreign Minister Yang counseled the US to end its "irresponsible rebuke[s] [and] criticism" of China.¹⁸⁶ Regarding international efforts to pressure North Korea over its nuclear program, Secretary of State John Kerry argued in April 2013 that "China needs to become more engaged in this effort," citing China's continued close ties with North Korea.¹⁸⁷ China did support increased UN sanctions following Pyongyang's nuclear test and strong rhetoric against the US and South Korea, in February 2013. Beijing has also emphasized the need to reinvigorate the '6-Party talks.'¹⁸⁸

¹⁸⁴ Yun Sun, 'China's Intervention in the Myanmar-Kachin Peace Talks,' *Brookings*, Asia-Pacific Bulletin No. 200, February 20, 2013, (<http://www.brookings.edu/research/articles/2013/02/20-china-myanmar-sun>)

¹⁸⁵ Yun Sun, 'China's Intervention in the Myanmar-Kachin Peace Talks,' (<http://www.brookings.edu/research/articles/2013/02/20-china-myanmar-sun>)

¹⁸⁶ Zhang Yuwei, 'China remains pillar of US policy on Asia,' *China Daily*, 12 March 2013, (http://usa.chinadaily.com.cn/epaper/2013-03/12/content_16301727.htm)

¹⁸⁷ Secretary Kerry: "China is the lifeline to North Korea. Everybody knows that China provides the vast majority of fuel to North Korea. China is their biggest trading party, their food donor, and so forth." 'Kerry: China must do more to resolve North Korean missile crisis,' *NBC News*, April 15, 2013, (<http://worldnews.nbcnews.com/news/2013/04/15/17757742-kerry-china-must-do-more-to-resolve-north-korean-missile-crisis?lite>)

¹⁸⁸ Chinese Ambassador to the UN Li Baodong: "The top priority now is to defuse the tension, bring down the heat and focus on the diplomatic track": 'UN Strengthens Sanctions Against North Korea,' *Wall Street*

5.3 Unofficial Reaction: The Media, Academia, Commerce, and the Public

Reaction from unofficial quarters has been vociferous, with an increasingly nationalist civil society now allowed greater freedom to voice their opinions in the public domain. Despite persistent assurances from US officials, media and scholarly commentary over Washington's intentions, commentary has often focused on America's increased presence in the Asia-Pacific as part of an overall containment strategy in the face of China's rise. Visits by US officials to the region were portrayed as attempts to counter China's expanding sphere of influence.¹⁸⁹

5.3.1 Washington's military and alliance building

The US' military and alliance building were poorly received among the media and academics alike. For example, the marine rotation in Darwin and the redeployment of US forces in key areas, have been frequently cited as evidence of an attempt to assert US power. Major General Luo Yuan argued, in *The People's Daily* that the US was positioning its forces on China's periphery in a clear attempt to contain China.¹⁹⁰ Prominent scholar Zhou Fangyin argued that the US was using China's dispute with Japan to contain China's rise, strengthen its military presence and maintain its supremacy in the Asia-Pacific.¹⁹¹

Journal, March 7, 2013,
(<http://online.wsj.com/article/SB10001424127887324128504578346181542545790.html>)

¹⁸⁹ Ralph Cossa, Brad Glosserman, 'Regional Overview: US rebalances as others squabble,' 9

¹⁹⁰ 'PLA Researcher says US aims to encircle China,' November 28, 2011, *Reuters*,
(<http://www.reuters.com/article/2011/11/28/us-china-usa-pla-idUSTRE7AR07Q20111128>)

¹⁹¹ Zhou Fangyin, 'Friendly advice to Japan, US,' *China Daily*, 27 September, 2012,
(http://www.chinadaily.com.cn/cndy/2012-09/27/content_15785954.htm)

Michael Swaine noted the criticism that was received following US exercises with the Philippines military which was attributed as a sign that the US was using its alliance to strengthen control of the region.¹⁹² On Washington's breakthrough with Myanmar, one analyst argued that Washington "was pressuring [its] government to reform its current political system [and] speed up the process of democratization."¹⁹³ The US' 'air-sea battle concept' has also come in for criticism, and is "clearly targeted at China's challenge to US military strategy."¹⁹⁴ Overall, as Robert Manning, a Washington-based expert, noted, Chinese analysis has "overstate[d] the amount of change in US policy [and] the impact of the policy," noting America's longstanding presence in the region and historic ties with Asian partners.¹⁹⁵

However, more balanced coverage has also been evident. An article in late 2012, published in the *People's Daily*, suggested that China should treat the rebalance "rationally" since the move was intended "for a purpose of prevention and deterrence, rather than taking China as a rival." Moreover, the US was "bound to pay more attention to and focus on strengthening exchanges and cooperation with...China" as part of its strategy to increase economic ties with the region.¹⁹⁶ Xu Hui, of the National Defense University, preached caution, stating that the military aspect of the rebalance was not groundbreaking:

¹⁹² Michael Swaine, 'Chinese leadership and elite responses to the US-Pacific Pivot,' 11

¹⁹³ Zhou Fangyin, 'Short-term success won't prove enough to achieve US aims in Asia-Pacific,' *Global Times*, February 6, 2012, (<http://www.globaltimes.cn/content/760597.shtml>)

¹⁹⁴ Li Xiaokun, Li Lianxing, 'US military base in Australia shows "Cold War mentality,' *China Daily*, December 1, 2011, (<http://www.chinadailyapac.com/article/us-military-base-australia-shows-cold-war-mentality>)

¹⁹⁵ Robert Manning, 'Beijing misreads US rebalancing in Asia,' *Global Times*, February 7, 2012, (<http://www.globaltimes.cn/content/760808.shtml>)

“Most of these movements are not entirely news – they’ve been under negotiation for years.”¹⁹⁷

Finally, the appointment of John Kerry as Secretary of State was also greeted with enthusiasm and a potential building block for cooperation. Kerry replaced Hillary Clinton, who has been depicted as a discordant figure whose actions are partly responsible for rising mutual suspicion. A Global Times editorial stated that “many people dislike [her]...she has brought new and extremely profound mutual distrust” between the two countries.¹⁹⁸ But the *People’s Daily* asserted that Kerry’s diplomatic emphasis on cooperation over confrontation could ease relations. The editorial cited Kerry’s comment that he was not convinced that increasing the US military presence in the Asia-Pacific was necessary.¹⁹⁹

5.3.2 China’s sovereignty disputes

Analysis has frequently alleged that Washington has attempted to exploit tensions among China and its neighbors for its own gain. In this narrative, Washington sees Asia’s sovereignty disputes as a strategic opportunity. Wu Xinbo noted that the US’ “hands-on” approach to China’s sovereignty disputes had backfired while inflating its allies’

¹⁹⁶ ‘Treat US’ strategy of rebalance in Asia-Pacific rationally,’ *People’s Daily Online*, December 20, 2012, (<http://english.people.com.cn/90883/8065858.html>)

¹⁹⁷ Hui cites the relocation of US army bases in Japan and South Korea as examples: Xu Hui, National Defense University Professor in Ma Liyao, ‘US beefs up Asia-Pacific army bases,’ *China Daily*, November 30, 2011, (<http://www.chinadailyapac.com/article/us-beefs-asia-pacific-army-bases>)

¹⁹⁸ Andrew Quinn, Chris Buckley ‘China warns US not to take sides in sea disputes,’ *Reuters*, September 4, 2012, (<http://www.reuters.com/article/2012/09/04/us-china-usa-clinton-idUSBRE8820CI20120904>)

¹⁹⁹ ‘How will John Kerry deal with China,’ *People’s Daily*, February 04, 2013, (<http://english.peopledaily.com.cn/90883/8119685.html>)

expectations.²⁰⁰ For Wu, Zhou Fangyin and others, the US would be wise to refrain from taking sides in the disputes, echoing official discourse which stressed bilateral resolutions to China's disputes. For some, the US has been constrained by the reckless actions of its allies. Yang Yi, former Director of the Institute for Strategic Studies, argued that Washington's policies in the Asia-Pacific had become hijacked by its allies in East Asia.²⁰¹

Analysis also argued that America's allies do not want to be seen to be favoring the US for fear of disconcerting China. As the *People's Daily* noted, "the last thing countries in this region want to see is that they are forced to choose" between the two countries.²⁰² Nevertheless, Wang Jisi, China's most prominent scholar on Sino-US relations, exercised an element of caution. He iterated that while the US may have exploited China's sovereignty disputes for geopolitical considerations, "I cannot accept the argument that the United States is ultimately responsible for our problems. To blame the Americans would not solve our disputes."²⁰³

Chinese commentaries also began to express more positive views of the rebalance as Washington appeared to adopt a more conciliatory strategy toward Beijing, in an effort to deescalate tensions between China and its neighbors. For example, following President Obama's efforts to reduce tensions at the East Asia Summit last November, many

²⁰⁰ Wu Xinbo 'Beijing's wish list: A wiser China policy in President Obama's second term,' *Brookings*, December 2012, (<http://www.brookings.edu/research/opinions/2012/12/11-china-obama-wu>)

²⁰¹ Chen Weihua, 'US must assure China of its strategic intentions,' *China Daily*, March 1, 2013, (http://www.chinadaily.com.cn/china/2013-03/01/content_16265551.htm)

²⁰² Ding Gang, 'US unlikely to play dominant role in resolving South China Sea issue (2),' *People's Daily*, January 19, 2012, (<http://english.peopledaily.com.cn/102774/7709936.html>)

²⁰³ Yoichi Kato, 'Interview/Wang Jisi: China deserves more respect as a first-class power,' *Asahi Shimbun*, October 5, 2012, (<http://ajw.asahi.com/article/views/opinion/AJ201210050003>)

unofficial commentaries reacted positively. They noted the muted criticism from the White House over China's actions in its sovereignty disputes.²⁰⁴ Some Chinese specialists reported an atmosphere of triumph, with Beijing able to assert its sovereignty claims in the East China and South China Seas and invite only a meek response from the US in turn.²⁰⁵

5.3.3 Regional Integration

Media and scholarly analysis centered on the rebalance as an agent for increased antagonism, reducing the potential for cooperation and inflaming a security dilemma. Each American action since the announcement has been identified as a function of competition with China.²⁰⁶ Wu Xinbo noted in late 2012 that the rebalance had “brought more geopolitical and security pressure on China and intensified the competition between Beijing and Washington in the region.”²⁰⁷ Yao Yunzho, of the Academy of Military Science, echoed this sentiment in an article in the *China Daily*. Arguing that the rebalance was executed in the wake of China's rise and its military modernization, she noted that Washington's move had created a decline in mutual trust and was forcing China's

²⁰⁴ Robert Sutter, Chin-Hao Huang, ‘China-South East Asia Relations: China Gains and Advances in the South China Sea,’ 72

²⁰⁵ Robert Sutter, Chin-Hao Huang, ‘China-South East Asia Relations: China Gains and Advances in the South China Sea,’ 71

²⁰⁶ Ralph Cossa, Brad Glosserman, ‘Regional Overview: US rebalances as others squabble,’ 9

²⁰⁷ Wu Xinbo, ‘Not backing down: China responds to the US rebalance in Asia,’ *Global Asia*, 7:24, (2012), (http://www.globalasia.org/V7N4_Winter_2012/Wu_Xinbo.html); In another article, Wu also noted the “legacy of growing mutual suspicion and rising competition” which had led to a deterioration of Sino-US relations by the end of President Obama's first term: Wu Xinbo, ‘Beijing's wish list: A wiser China policy in President Obama's second term,’ (<http://www.brookings.edu/research/opinions/2012/12/11-china-obama-wu>)

neighbors to choose sides, harming regional cooperation.²⁰⁸ Some analysis also suggested that the US rebalance pushed China to devote more consideration to the Asia-Pacific region, in a bid to maintain its influence. For example, Wu Xinbo cited China's increased participation in regional organizations, for example in influencing Cambodia at ASEAN, as evidence of this greater priority.²⁰⁹

Wangi Jisi argued that Washington's move had deepened suspicions of US intentions among both the Chinese leadership and the general public and that China "deserve[d] more respect."²¹⁰ Such criticism has been typical of analysis which has condemned Washington's stated ambition of increased regional cooperation and suggested that the rebalance has merely exacerbated regional tensions. In this view, the containment strategy echoes America's Cold War diplomacy and is outdated. Washington's presence is neither desired nor deemed necessary by China nor indeed the region. As one article articulated, "the surrounding countries of the South China Sea no longer need the attendance of 'Uncle Sam.'"²¹¹

Washington's efforts to plug the TPP were also met with lukewarm responses. Given that the proposed partnership does not, at present, include China, this was hardly surprising. A general theme has focused on the TPP as an instrument to contain China's rise. A recent *China Daily* article argued that the TPP amounted to little more than an

²⁰⁸ Yao Yunzhu, 'Security situation serious,' *China Daily*, September 30, 2012, (http://usa.chinadaily.com.cn/opinion/2012-08/30/content_15718644.htm)

²⁰⁹ Wu Xinbo, 'Not backing down: China responds to the US rebalance in Asia,' (http://www.globalasia.org/V7N4_Winter_2012/Wu_Xinbo.html)

²¹⁰ Yoichi Kato, 'Interview/Wang Jisi: China deserves more respect as a first-class power,' (<http://ajw.asahi.com/article/views/opinion/AJ201210050003>)

²¹¹ Ding Gang, 'US unlikely to play dominant role in resolving South China Sea issue,' (<http://english.peopledaily.com.cn/102774/7709936.html>)

attempt to create an agreement to marginalize China and the developing economies, since none of the emerging BRIC [Brazil-Russia-India-China] group were current negotiating partners.²¹² Zhou Fangyin wrote that the TPP had disrupted the development of economic cooperation and “weakened the driving forces for regional cooperation in East Asia.”²¹³

²¹² Amitendu Palit, ‘TPP may drive BRICS into action,’ *China Daily*, September 6, 2012, (http://www.chinadaily.com.cn/opinion/2012-09/06/content_15737332.htm)

²¹³ Zhou Fangyin, ‘Short-term success won’t prove enough to achieve US aims in Asia-Pacific,’ *Global Times*, February 6, 2012, (<http://www.globaltimes.cn/content/760597.shtml>)

Chapter 6: Implications

6.1 Economic growth still demands overall stability with the US and its neighbors, but Beijing is finding it increasingly difficult to subjugate its foreign policy to economics

Official discourse regarding the rebalance underlined the importance Chinese leaders place on diplomatic relations with the US, with most public statements refusing to outwardly criticize Washington for its new policy direction. This included conciliatory statements which emphasized the potential for cooperation as a result of the US' greater attention to the region. Even the military aspects of Washington's rebalance were met with relatively gentle rebukes, although the limited alteration of US policy in this regard is likely to have been an important factor. Accordingly, increased US presence in the region has been grudgingly accepted in official circles, although this acceptance is conditional; Washington must fulfill a role which does not actively undermine China's vital interests and contributes to regional cooperation.²¹⁴

Beijing has been most vocal in its opposition to any US involvement in its sovereignty disputes. This has included visibly resisting Washington's efforts to push for multilateral resolutions to its sovereignty disputes, including using its diplomatic and economic leverage to exert pressure on various members of ASEAN. Other negative public statements questioned the motives of Washington's rebalance, inferring that the rebalance was an attempt to contain China's rise. Washington went to great lengths to reassure China over its long-term intentions via the rebalance, and to some extent this began to filter

²¹⁴ Michael Swaine, 'Chinese leadership and elite responses to the US-Pacific Pivot, 5

through and tone down original concerns. Nevertheless, issues of mutual distrust now exist that must be managed by the two countries, with each increasingly suspicious of the other's intentions. As if to underline to this, China's latest defense White paper, (issued by the Information Office of the State Council in April 2013, and entitled 'The Diversified Employment of China's Armed Forces,') criticized Washington's Asia-Pacific strategy. "Some country" it argued, "has strengthened its military alliances, expanded its military presence in the region, and frequently makes the situation there tenses."²¹⁵ This was no less than a thinly-veiled jibe at Washington.

China's economic policies following the rebalance underscored the leadership's ongoing commitment to economic progress. For example, Beijing promoted the RCEP and the trilateral free-trade agreement with South Korea and Japan to hedge against the TPP. The meeting, which took place in late March 2013,²¹⁶ is significant because it follows a highly emotional clash with Japan that threatened to derail China's "peaceful development." Reports have suggested, accordingly, that Xi is seeking to cool down its dispute with Japan and repair ties.²¹⁷ These developments appeared tentative evidence that the leadership may prioritize economic pragmatism over domestic political concerns. Certainly, in general statements to the public, the leadership has continued to highlight the importance of economic growth to the sustainability of the party. Much of party rhetoric

²¹⁵ 'The Diversified Employment of the China's Armed Forces,' *Ministry of National Defense, Peoples Republic of China*, April 16, 2013, (http://eng.mod.gov.cn/TopNews/2013-04/16/content_4442750.htm)

²¹⁶ Three days of talks took place in Seoul, South Korea, between 26-28 March, 2013. Reports noted that the meeting was mainly "procedural," with the three sides setting the agenda for future negotiations: 'China, Japan, South Korea conclude first round trade talks,' *South China Morning Post*, March 29, 2013, (<http://www.scmp.com/news/china/article/1201948/china-japan-s-korea-conclude-first-round-trade-talks>)

²¹⁷ David Lague, 'Under Xi, China seeks to cool island row with Japan,' *Reuters*, March 17, 2013, (<http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>)

centers on the need to continuously realign policy to ensure ongoing social transformation through sound fiscal policy. The damage to China's relationship with Japan is not irreparable since both countries need each other economically. China's economic priorities may ensure a fragile equilibrium in much of its foreign policy. Unfortunately, however, in April 2013, a South Korean government official confirmed that a trilateral meeting between the countries scheduled for May 2013, was likely to be postponed with no date yet fixed as a replacement. Reports suggested that China requested to suspend the talks because of its ongoing sovereignty dispute with Japan,²¹⁸ casting doubt over the immediate future of the FTA and the potential to repair Sino-Japanese ties.

Increasingly, Beijing is adopting a two-track policy in an attempt to satisfy its economic ambitions and the expectations of its increasingly nationalist society. Beijing understands it can allow tensions to rise with its neighbors so long as these remain at a relatively low-level. For most states in the Asia-Pacific, trade and investment links with China constitute an essential element of their livelihoods, with most unwilling to jeopardize these ties by siding with the US.²¹⁹ China's neighbors do not want to pick a fight with China if they can avoid it. Therefore, China's leaders can accept elevated hostilities with neighbors – in particular, Japan – as long as these are managed and economic ties are not seriously threatened. Nevertheless, Beijing has punished smaller countries that have not fallen into line. The Philippines, for example, have sought American diplomatic assistance

²¹⁸ The summit would have brought together South Korean President Park Geun-hye, Chinese Premier [Li Keqiang](#) and Japanese Prime Minister Shinzo Abe: 'China asks to postpone Japan, Korea Summit,' *The Wall Street Journal*, April 18, 2013, (<http://online.wsj.com/article/SB10001424127887324493704578430201541017478.html>)

²¹⁹ 'Strategic Comments: US rebalance: potential and limits in South East Asia,' *International Institute for Strategic Studies*, 18:49, (December 2012), (<http://www.iiss.org/publications/strategic-comments/past-issues/volume-18-2012/december/us-rebalance-potential-and-limits-in-southeast-asia/>)

in resolving their sovereignty disputes with China, and they have paid for their criticism in economic terms. Chinese media reported in September that Philippine banana exports had declined 40 percent and air traffic between the two countries had significantly reduced, following tightened quarantine regulations and a travel suspension introduced by the Chinese government.²²⁰ This illustrates that China's leaders are prepared to withstand *minor* economic damage to protect its image among its nationalist citizens.

Finally, China is pursuing economic policies aimed at reducing its dependence on the US and marginalizing Washington's influence in the region, which could invite competition. China is seeking to exploit the increasing opportunities that the world's developing and Asian economies present and reduce its dependence on the Western economies. Conclusion of the RCEP and the proposed trilateral FTA could change the economic landscape at precisely the time when the US seeks to shape the Asian economic order and reap its economic potential.²²¹ As both China and the US promote rival economic integration mechanisms, antagonisms may develop, as the countries seek to shape the regional and global architecture.²²² China's diversification into Africa, for example, has invited criticism of regional exploitation. Similarly, while RCEP and TPP membership are not mutually exclusive entities, the lenient provisions set by the RCEP contrast with the

²²⁰ 'Philippine trade to China falls after Huangyan Island dispute,' *CCTV News*, October 24, 2012, (<http://english.cntv.cn/program/newshour/20121024/105420.shtml>)

²²¹ Hillary Clinton stated, in November 2011, that "harnessing Asia's growth and dynamism is central to American economic and strategic interests and a key priority for President Obama. Open markets in Asia provide the United States with unprecedented opportunities for investment, trade, and access to cutting-edge technology. Our economic recovery at home will depend on exports and the ability of American firms to tap into the vast and growing consumer base of Asia. Hillary Clinton, 'America's Pacific Century,' (http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century.) 1

²²² Beginda Pakpahan, 'Will RCEP compete with the TPP?' *East Asia Forum*, November 28, 2012, (<http://www.eastasiaforum.org/2012/11/28/will-rcep-compete-with-the-tpp/>)

TPP's strict provisions and could promote friction between the two superpowers as they promulgate conflicting economic models. Australian Prime Minister Julia Gillard argued that the TPP and the RCEP were "two paths to the same destination."²²³ But the divergent standards that the two partnerships embody could provoke divisions and force countries to choose between one or the other.

6.2 The leadership must cater to a significant nationalist undercurrent in society, exacerbated by China's more diffuse foreign policy structure

China's leaders have continued to stress the importance of realizing the nation's "historic mission." The task is uniquely the will of the party and of the people. Xi Jinping's speech at the National People's Congress in March stressed that "to realize the Chinese dream of great rejuvenation of the Chinese nation...we must spread the Chinese spirit...[with] the spirit of patriotism at its core."²²⁴ The leadership's decision to systematically escalate tensions in the East China and South China Seas point to a more concerted effort to realize this aspiration. The issue has now become a nationalist issue for all claimants, with each government facing domestic pressure to defend their claims and increasing the chance of escalation.²²⁵ Moreover, China repeatedly warned against US interference, and accused the

²²³ 'Murray Hiebert, Liam Hanlon, 'ASEAN Partners Launch Regional Comprehensive Economic Partnership,' December 7, 2012, (<http://csis.org/publication/asean-and-partners-launch-regional-comprehensive-economic-partnership>)

²²⁴ 'President vows to press ahead with "Chinese dream",' *Xinhua*, March 17, 2013, (http://news.xinhuanet.com/english/china/2013-03/17/c_132239786.htm)

²²⁵ 'Stirring up the South China Sea (II): Regional Responses,' *International Crisis Group*, Asia Report No. 229, 24 July, 2012, Executive Summary: The ICG report notes that the increased emphasis on nationalism is likely to make de-escalation more difficult, while restricting the potential for cooperation over the use of shared resources, such as fish stocks.

US of using the disputes to strengthen its regional military presence. This raised the temperature of regional tensions and invited a backlash from the Chinese media and public.

Beijing's discourse was also representative of traditional narratives which depict foreign powers' 'zero-sum' attitudes towards international politics. China's foreign policy rhetoric often applies a moralizing tone which infers that US (and its allies) actions run contrary to Chinese and regional approaches to international affairs. Beijing has infused its political rhetoric with a Confucian streak, contrasting this against characterizations of foreign powers, such as Japan and the US, who are depicted as militaristic and expansionist.²²⁶ This reinforces the CCP's image as a defender against foreign aggression and a pioneer in adopting alternative solutions to the Western model. This culture of victimization has instilled a common desire to stand up to the actions of China's imperial neighbors and reestablish itself as a powerful global actor. This was prominently displayed through public hysteria toward Japan over the Senkaku Islands, with unprecedented vitriol directed at its neighbor.

The leadership's inability to manage its growing bureaucracy has presented significant challenges. China has also been unable to control its provincial governments from enacting legislation and pursuing policies in the South China Sea which provoke its neighbors. Poor bureaucratic coordination means that local governments frequently fail to notify or deliberately avoid consulting the central government on sensitive issues. Furthermore, the new Leadership currently lacks the authority to reverse high-profile patriotic legislation by local governments, since such moves could alienate China's rising

²²⁶ Andrew Scobell, 'China and Strategic Culture,' *Strategic Studies Institute*, (2002), (<http://www.strategicstudiesinstitute.army.mil/pdffiles/pub60.pdf>), vi

nationalist movement. This was evidenced in its refusal to retract the Hainan provincial government's maritime law to allow boarding of military ships in contested waters.²²⁷

The conduct of China's maritime agencies, in particular, was stark evidence of competing factions operating beyond the jurisdiction of the central government, creating profound tensions. As American scholar Terry McCarthy notes, China's assertive maritime policies may be owed simply to weak bureaucratic coordination and in-fighting, rather than a sinister plan hatched by Beijing's elites.²²⁸ Belligerent actions have caused concern among China's neighbors and the US, and have potentially disastrous consequences. Most notably, this could arise from an escalation between a Chinese vessel and a foreign ship. But actions by local agencies, such as local tourism boards, have provoked angry responses from foreign governments. The lack of legal clarity for actors in these waters is also exacerbated by ill-advised and sporadic central government policies. Most notably, the decision to issue passports depicting disputed islands as China's territory increases legal ambiguities, while raising regional tensions and amplifying nationalistic fervor among all parties.

China's leaders are aware that their decisionmaking can significantly affect party credibility. As a result they are increasingly constrained when dealing with international crises.²²⁹ This is particularly the case when confronting emotional issues of sovereignty or

²²⁷ As Linda Jakobson argues, the new Leadership lacks the confidence to retract key decisions which might affect its legitimacy: "Only a senior leader with solid authority would be in a position to publicly retract the new policies after the fact": Linda Jakobson, 'China's Foreign Policy Dilemma,' *Lowy Institute for International Policy*, February 5, 2013, (<http://www.lowyinstitute.org/publications/chinas-foreign-policy-dilemma>)

²²⁸ Terry McCarthy, 'China's aggressive stance reveals lack of coordination,' *Yale Global*, 5 December 2012, <http://yaleglobal.yale.edu/content/chinas-aggressive-stance-reveals-lack-coordination>

²²⁹ Linda Jakobson and Dean Knox, 'New Foreign Policy Actors in China,' vii

when dealing with historical rivals such as Japan or the US. The leadership's decision to escalate disputes in the East China and South China Seas, and its strong rhetoric against US interference in its disputes, seems to evidence an awareness that they must cater to the views of an increasingly nationalist civil society.

6.3 China's civil society is now afforded greater independence than ever before

Meanwhile, military and foreign policy analysts are now being afforded greater freedom to voice their opposition in the public square. These voices increasingly propagate a forceful Chinese approach to international affairs and criticize China's rivals. Prominent academics and military officials have been vocal of their criticism of the rebalance in the media, asserting familiar themes of US Cold War-style containment and anti-American and anti-Japanese rhetoric. They have also vociferously defended the legality of the nation's sovereignty claims and promulgated greater Chinese assertiveness in foreign affairs. These experts are increasingly counseled for their knowledge on foreign policy issues, while their views help to influence public opinion on policy debates.²³⁰ PLA Generals, in particular, offer hardline assessments on China's foreign policy, and tend to drown out more moderate views from other sections of society.²³¹ These uncompromising approaches are now generally well received.

²³⁰ Yufan Hao, 'Domestic Chinese Influences on US-China Relations,' in David Shambaugh (ed.), 'Tangled Titans,' 135-6

²³¹ Shen Dingli, of Fudan University argues that, "ambitious generals are well heard domestically and...moderate views are overwhelmed": David Lague, 'Under Xi, China seeks to cool row with Japan over islands,' *Reuters*, March 16, 2013, (<http://www.reuters.com/article/2013/03/16/us-china-japan-military-idUSBRE92F0EH20130316>)

The nation's media is also operating with greater freedom and has helped to cultivate an atmosphere of distrust between the US and China following the rebalance. They are routinely critical of the US and its allies' actions and contend that Washington is actively seeking to scupper China's "historic mission." Newspapers such as the *Global Times*, in particular, serve as a sounding board for government views but have more freedom to espouse populist notions which shape public opinion.²³² The *People's Daily*, as the official government mouthpiece, is more moderate but has also voiced opposition to Washington's rebalance, for example, by publishing the views of hawkish military officials who propagate the importance of military modernization and a confrontational approach to foreign affairs. In the South China Sea, the media has consistently called for an unyielding defense of what it deems China's inherent territory.²³³

Each action by US officials has been labeled as an attempt to constrain China's rise by the media and foreign policy experts. But the rebalance is in many ways not a new phenomenon. It may be seen as an expression of Washington policy that began under President Clinton and accelerated under George W. Bush. Robert Ross recently traced the military origins of the rebalance back to 1997, with the redeployment of the US' first submarine from Europe to Guam, while in 2005 the Pentagon also decided to deploy 60 percent of its submarines in Asia.²³⁴ In 2003, the Bush administration designated Thailand and Philippines non-NATO allies and developed closer military and intelligence

²³² An article in *Foreign Policy* stated that, while subject to censorship from the CCP, the *Global Times* "exudes an air of anti-authoritarianism" and presents China as a "besieged underdog," appealing to a widening nationalist audience: Christina Larson, 'China's Fox News', *Foreign Policy*, October 31, 2012, (http://www.foreignpolicy.com/articles/2011/10/31/global_times_china_fox_news?page=0.1)

²³³ David Lague, 'Under Xi, China seeks to cool island row with Japan,' *Reuters*, March 17, 2013, (<http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>)

cooperation as part of its broader fight against terrorism. President George W. Bush was also responsible for pioneering Washington's transformed relationship with India, recognizing its rising status in the region through a ten-year defense cooperation agreement signed in 2005.²³⁵ As Robert Manning noted in an article published in the *Global Times*, Chinese analysis of the rebalance has "overstate[d] the amount of change in US policy, the impact of the policy, and often mistakes cause and effect."²³⁶ This analysis has exacerbated fears in China that the rebalance is a sea-change in American policy and unnecessarily raised the level of instability in US-China relations.

The negative reaction of China's civil society to the rebalance illustrates the burgeoning freedom which China's leaders are affording to the country's civil society. These voices now have greater freedom to present their views in the public domain, and call for a more forceful Chinese foreign policy. Moreover, they have emerged as a result of Beijing's efforts to entrench CCP power and legitimacy.

6.4 Prospects for regional integration and China's role as a responsible international actor

The escalation of sovereignty disputes in the East China and, in particular, the South China Sea, has indirectly stunted Washington's efforts to create an Atlantic-style institutional framework in Asia. ASEAN's reputation has suffered as China has worked to divide it and

²³⁴ Robert Ross, 'The Problem with the Pivot,' 76-77

²³⁵ Alan Kronstadt, 'US-India bilateral agreements in 2005,' *Congressional Research Service*, September 8, 2005, (<http://fpc.state.gov/documents/organization/53616.pdf>)

²³⁶ Robert Manning, 'Beijing misreads US rebalancing in Asia,' *Global Times*, February 7, 2012, (<http://www.globaltimes.cn/content/760808.shtml>)

prevent the organization from establishing itself as the premier forum for regional cooperation. These actions have put a strain on US efforts to create the institutional framework it believes is essential to maintaining regional stability. Washington aims for a diplomatic solution to China's sovereignty disputes. Despite its provocative policies, so too does Beijing. However, where the two sides do disagree is how and where the disputes should be resolved.²³⁷

China has been adamant that its disputes must be negotiated bilaterally between the two countries. China's leaders believe, with some justification, that they are better able to exert their diplomatic and economic influence over their neighbors in a bilateral setting. Claimants such as Vietnam and the Philippines have far weaker positions in bilateral negotiations with China, since they are subject to China's growing soft power. The price that the Philippines have paid in trade is a good example. In effect, China appears to be putting off a negotiated resolution to allow it to make incremental gains via unilateral actions that enhance its position in the disputes.²³⁸ This practice echoes the mantra of Sun Tzu's "win-without-fighting" ethos, which seeks a gradual erosion of opposition influence, counter-balancing the region via China's vast economic power,²³⁹ and is present in China's policy toward Taiwan and perhaps even the region as a whole.

Washington, on the other hand, has continued to push for a multilateral solution. Moreover, realizing that they have a stronger hand in a multilateral forum and with external

²³⁷ Ralf Emmers, 'US rebalancing strategy and the South China Sea disputes,' *RSIS*, 165, (2012), (<http://www.rsis.edu.sg/publications/Perspective/RSIS1652012.pdf>)

²³⁸ Ronald O'Rourke, 'Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress', *Congressional Research Service*, (<http://www.fas.org/sgp/crs/row/R42784.pdf>), summary

support, Vietnam and the Philippines are actively engaging both the US and ASEAN.²⁴⁰ China pushed back vociferously, working actively to exploit weaknesses in ASEAN, an institution that remains weakened by competing factions with divergent interests. China is even understood to have offered rewards to countries who do not side with rival claimants.²⁴¹

Moreover, China's refusal to engage the US and ASEAN over these disputes also prevents Washington from establishing a norm in which sovereignty disputes are resolved in a multilateral setting. Washington aims to create a set of norms and values which will precipitate regional stability and cooperation. China has begun to exercise its leverage over its neighbors in a manner incompatible with this ambition. President Obama's pragmatic approach at the East Asia Summit was well received by Chinese policymakers and analysts, as he underscored the US' neutrality in the disputes. Nevertheless, China maintains that the US has emboldened China's allies by reaffirming Washington's security commitments to the region. This impression was reinforced by Congress' decision to confirm the scope of the US' security treaty with Philippines applied to the South China Sea disputes. Washington's security treaty with Japan also provides that territories under the administration of Japan are guaranteed by US forces, although this stipulation was endorsed back in 1972.²⁴²

²³⁹ Aaron Friedberg, 'Bucking Beijing: An Alternative US-China Policy,' *Foreign Affairs*, 91:5, (September/October 2012), 50

²⁴⁰ 'Stirring up the South China Sea (II): Regional Responses,' *International Crisis Group*, Executive Summary

²⁴¹ 'Stirring up the South China Sea (II): Regional Responses,' *International Crisis Group*, Executive Summary

²⁴² Mark Manyin, 'Senkaku (Diaoyu/Diaoyutai) Islands Dispute: US Treaty Obligations,' *Congressional Research Service*, January 22, 2013, (<http://www.fas.org/sgp/crs/row/R42761.pdf>)

On the other hand, the RCEP, despite its potential flaws, does offer an opportunity to realize a more integrated China with the region and enhance ASEAN's position in the regional institutional framework. The organization's central role in the partnership should help to harmonize economic differences between ASEAN members and place the organization at the center of regional integration.²⁴³ However, this integration may come at the expense of Washington. In effect, China engaging ASEAN via the RCEP will augment the organization's prestige. But it may also bring its sphere of influence closer to Beijing and potentially even redefine its *raison d'être*. By creating a new set of norms modeled on its interests, China may create an environment where US presence is unnecessary or even unwelcome. In reality, this policy direction dates back at least a decade.²⁴⁴

Finally, China's mediation in talks between the Myanmar government and Burmese separatists represented a break from tradition and slim evidence that China may be ready to embrace a greater role as a responsible international actor. As Yun Sun highlighted, China has never before played such a role between an internal government and a rebel group. This move is significant because, as Lonnie Henley, a Lecturer at the George Washington University, notes, China does not want to be seen to be violating its own norm of prohibiting external interference in internal affairs.²⁴⁵ The move was particularly interesting, however, because it involved Myanmar, a traditionally Chinese sphere of

²⁴³ 'Murray Hiebert, Liam Hanlon, 'ASEAN Partners Launch Regional Comprehensive Economic Partnership,' December 7, 2012, (<http://csis.org/publication/asean-and-partners-launch-regional-comprehensive-economic-partnership>)

²⁴⁴ Evan Medeiros, in 2005, identified China's efforts to greater engage the Asia-Pacific region, citing for example, its improved diplomatic relationship with India, and increased trade and military ties with countries such as Indonesia and the Philippines in: Evan Medeiros, 'Strategic Hedging and the future of Asia-Pacific stability,' *The Washington Quarterly*, 29:1, (2005), 155-6

influence prior to its rapprochement with the US. Henley argues that Beijing's response to improved US-Myanmar ties was to act like a responsible great power, even if such a move was purely out of self-interest in resolving a mounting political concern on its periphery.²⁴⁶

On the other hand, Washington has failed to exert the required leverage on North Korea, despite its close ties. The Obama administration could not expect the rebalance to have a significant effect on China's international actions in such a short period of times, China has continued to resist pressure from the US to play a more forceful role in pressuring North Korean elites. Party credibility could be threatened if it is seen to be adopting policies which are interpreted as pandering to Western demands.²⁴⁷ Nevertheless, increased sanctions in February 2013 following provocative actions from Pyongyang highlight that it will intervene if it feels a problem on its periphery has escalated.

Washington also continues to press China on issues of cyber security, currency manipulation and Intellectual Property, with this emerging criticism emphasizing that Beijing has a long way to come before it can be deemed a responsible actor in the eyes of the US and the West.

6.5 The new Xi Jinping Leadership: an opportunity to restore ties?

The new Leadership must grasp the opportunity to embrace a more conciliatory policy towards the US and its allies. Xi's insistence that reforms must take place within the party,

²⁴⁵ Interview with Lonnie Henley, Lecturer at the George Washington University, February 20, 2012, Washington, D.C.

²⁴⁶ Interview with Lonnie Henley, Lecturer at the George Washington University, February 20, 2012, Washington, D.C.

particularly on issues of corruption, is evidence that mismanagement could threaten the legitimacy of Communist rule.²⁴⁸

Fortunately, small seeds of optimism have emerged during Xi's short tenure. Xi Jinping's decision to combine four maritime agencies under the command of the National Oceanographic Administration is a welcome move aimed at managing tensions in the South China Sea. However, as Yun Sun notes, bureaucratic coordination must be improved at all levels in maritime security, with further measures therefore necessary.²⁴⁹ Containing the divergent interests of myriad actors in the South China Sea threatens to overwhelm Beijing.

More moderate rhetoric from China's new leaders appears to be calibrated at reducing tensions with Japan and other claimants. Given the very public anti-Japanese protests which took place in 2012, and the escalation of coercion in the South China Sea by the leadership, tensions have begun to mount that run the risk of spiraling out of control. General Liu Yuan warned that, while China must retain the right to defend itself, "many people do not know what a war is like...[it] is actually very cruel and costly."²⁵⁰ Moreover, China resuming talks with Japan and South Korea over its proposed trilateral free trade agreement also represents a positive step forward in resuming productive Sino-Japanese

²⁴⁷ According to Thomas Christiansen, actions by Beijing which may benefit international stability, such as robust stances toward Iran and North Korea are portrayed as accommodations to the West: Thomas Christiansen, 'The Advantages of an Assertive China: Responding to Beijing's abrasive foreign policy,' 62

²⁴⁸ In his inauguration speech at the National People's Congress, March 17, 2013, Xi stated that, "much reform is needed in the public services, healthcare, education, and other areas": 'President Xi Jinping's speech, "The China dream, the People's Dream",' *China Elections and Governance*, March 21, 2013, (<http://chinaelectionsblog.net/?p=21282>)

²⁴⁹ David Lague, 'Under Xi, China seeks to cool island row with Japan,' *Reuters*, March 17, 2013, <http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>

ties. As an article in the *Global Times* noted, the resumption of talks indicates that the parties may be ready to set aside political disputes in favor of economic gains.²⁵¹ The appointment of Wang Yi as China's Foreign Minister was also portrayed as a move designed to repair relations with Japan. Yang previously lived and worked in Japan and has a sound diplomatic reputation.²⁵²

The postponement of the trilateral summit between China, Japan and South Korea was a setback, however, with Beijing seemingly scaling back its attempts to repair ties as sovereignty disputes continue to loom large. Criticism of the US in the White paper was also unfortunately timed. The release, in April 2013, of China's White paper, 'The Diversified Employment of China's Armed Forces,' also dealt a setback to hopes of healing ties between Tokyo and Beijing. In it, China criticized Japan "for making trouble over the issue of the Diaoyu [Senkaku] Islands" and asserted that "some neighboring countries are taking actions that complicate or exacerbate" disputes in the East China and South China Seas.²⁵³ These developments place fresh diplomatic strain on Sino-Japanese relations, and reignite the debate over Beijing's preoccupation with China's nationalist undercurrents. Japanese Prime Minister Shinzo Abe's warning to Beijing in late April 2013, regarding potential Chinese landings on disputed islands, highlighted that tensions remain high. Abe asserted that if there is "an intrusion into [Japan's] territory...we will

²⁵⁰ David Lague, 'Under Xi, China seeks to cool island row with Japan,' *Reuters*, March 17, 2013, <http://www.reuters.com/article/2013/03/17/us-china-japan-military-idUSBRE92F0EH20130317>

²⁵¹ Song Shengxia, 'China, Japan, South Korea begin FTA talks,' *Global Times*, March 27, 2013, <http://www.globaltimes.cn/NEWS/tabid/99/ID/770932/China-Japan-and-SKorea-begin-FTA-talks.aspx>

²⁵² 'China's new diplomats signal thaw with Japan, keeping US at bay,' *Terra*, March 20, 2013, http://news.terra.com/chinas-new-diplomats-signal-thaw-with-japan-keeping-us-at-bay_927d50b8a148d310VgnCLD2000000dc6eb0aRCRD.html

deal with it strongly,” as a number of Chinese government ships and Japanese fishing boats were seen near the Senkaku Islands.²⁵⁴ This development underscores the importance of both sides managing the disputes and discouraging provocative actions by toning down nationalist rhetoric. Abe’s strongly worded message, and the actions of Japanese activists, illustrate that it is not just China whose actions are provoking hostilities.

Interestingly, Xi Jinping has been seen to derive his popularity from a strong endorsement of Chinese militarism.²⁵⁵ Overall, however, it appears that he has called for a more cautious policy with the US and in its maritime disputes while his leadership finds its feet. As Yun Sun argues, “the new leaders are trying to figure out their relations with the US and their foreign policy” which means foreign policy restraint in the short term. Whether this policy becomes a permanent feature of the new regime’s foreign policy remains to be seen, and may depend also on the regime’s ability to control the nationalist factions within its civil society. Xi’s task is to maintain a balance between satisfying the country’s nationalistic factions and preserving overall stability in China’s foreign affairs.²⁵⁶ This is a tricky prospect, to say the least, but essential to regional stability.

²⁵³ ‘The Diversified Employment of the China’s Armed Forces,’ *Ministry of National Defense, Peoples Republic of China*, April 16, 2013, (http://eng.mod.gov.cn/TopNews/2013-04/16/content_4442750.htm)

²⁵⁴ The BBC reported up to eight Chinese government ships and ten Japanese fishing boats. The increase in Chinese ships near the islands was, according to China’s State Oceanographic Administration, to confront several Japanese vessels carrying Japanese activists near the islands.: ‘Japan PM Abe warns China of force over islands landing,’ *BBC News*, April 23, 2013, (<http://www.bbc.co.uk/news/world-asia-22260140>)

²⁵⁵ Cheng Li, ‘Memo to the President: China in revolution and war,’ *Brookings*., January 17, 2013, (<http://www.brookings.edu/research/papers/2013/01/china-in-revolution-and-war>), 1

²⁵⁶ ‘China’s new diplomats signal thaw with Japan, keeping US at bay,’ *terra*, March 20, 2013, (<http://news.terra.com/chinas-new-diplomats-signal-thaw-with-japan-keeping-us-at-bay.927d50b8a148d310VgnCLD2000000dc6eb0aRCRD.html>)

6. 6 Conclusion

The rise of nationalism and the proliferation of foreign policy actors in China has contributed to increasing levels of distrust between China and the Asia-Pacific region, and contributed to a significant decline in the stability of the US-China relationship. The overblown reaction from China's civil society to Washington's rebalance demonstrates that Beijing's pragmatism is being threatened by hostile factions in China's society, themselves a product of the leadership's insecurities. Calls for action over China's sovereignty disputes grow louder as support for a confrontational Chinese foreign policy rises. While China's official rhetoric toward the rebalance has been characterized largely by restraint, the elites are being forced to cater to a nationalist civil society who have greater freedom to pursue provocative policies which inflame regional tensions.

In particular, the leadership is finding it progressively tougher to rein in a variety of actors whose ambitions run counter to traditional Chinese reform-era pragmatism. China's weak bureaucratic coordination in the South China Sea threatens devastating conflict, as nationalist government agencies take advantage of legal ambiguities to advance their interests. Alleged cyber security violations and resistance in tackling major issues of international concern have also raised doubts over China's potential as a responsible international actor. Beijing's efforts to entrench its legitimacy in the absence of an overarching Communist ideology has coincided with a more fluid foreign policy process which Beijing now struggles to control.

Caution and restraint remains essential for ongoing CCP legitimacy. As a result, stability with the US and with its regional partners still forms the core of Leadership policy, but it is finding it progressively more challenging to accomplish this task. Beijing's mature

diplomatic response to the US rebalance was a graphic illustration of the importance it retains in the Sino-US relationship. While Beijing has made significant strides in diversifying its economy and reducing its dependence on the US and the advanced industrial economies, its economy remains highly integrated with these parties. Total US-China trade, for example, reached \$503 billion in 2011, from \$5 billion in 1981.²⁵⁷ With Japan, the benefits of trade and investment are enormous and outweigh the limited gains of the Senkakus and short-term advantages associated with standing up to its longstanding rival. Meanwhile, the RCEP evidences China's recognition that it must diversify its economic model, encouraging regional integration and further raising the costs of instability. It highlights Beijing's commitment to innovation, constantly seeking new methods to ensure economic growth. However, these policies often invite competition with the US who complain about China's ambiguous commitment to good governance and economic standards. Moreover, China's steadily reducing economic dependence on the West will mean, in the long term, that China's policies may not place as much emphasis on stability with the world's great powers. This process, however, may take many years.

While China's rhetoric, and to some extents its actions, has become more forceful, a conflict on its periphery would pose enormous challenges which could overwhelm the Party and potentially cause internal implosion. For example, a conflict with Taiwan would almost inevitably invite American intervention and would slash China's chances of becoming a great power.²⁵⁸ China's rise may have been stratospheric, but it has a long path

²⁵⁷ Wayne Morrison, 'China-US trade issues,' *Congressional Research Service*, May 21, 2012, (<http://www.fas.org/sgp/crs/row/RL33536.pdf>)

²⁵⁸ John Lewis, Litai Xue, '*Imagined Enemies: China prepares for uncertain war*,' 3

to follow to be considered an equal to the US in economic and particularly social terms, underscored in the leadership's discourse. As noted earlier, with the possible exception of Taiwan, the benefits of aggression or expansion in Asia remain unclear. In China's visible disputes in the East China and South China Sea, the resource potential is still uncertain.

China has therefore adopted an incremental approach in the East China and South China Seas aimed at utilizing the waters' potential while managing potential escalation. These resources, such as energy and fisheries, could prove highly useful as China's resource demands continue to grow. Beijing must also protect China's trade routes to preserve trade and ensure uninterrupted development, inviting competition with US naval presence in China's surrounding waters.²⁵⁹ These actions illustrate Beijing's awareness that it must diversify it is to satisfy its aspirations for growth. These efforts have caused tensions but Beijing has generally been careful to ensure strains have been kept at a manageable level. The same is true in a naval conflict with the US over freedom-of-access. China has made significant strides in modernizing its navy to operate as an anti-access force, to deny US intervention in conflict, for example over Taiwan.²⁶⁰ But US naval forces remain formidable and, in conjunction with each sides' nuclear deterrents, would precipitate exorbitant costs. By the same token, China's leaders aim to manage tensions on the Korean Peninsula and Iran, but are happy to allow Washington to take the lead as it continues to prioritize internal development over a role as a responsible international actor.

²⁵⁹ As Justin Logan notes, China feels that the US' proposed increased naval presence could threaten its supply lines, despite Secretary Panetta's assertion that it was to confront the two countries' common challenges: Justin Logan, 'China, America and the Pivot to Asia,' *Cato Institute: Policy Analysis*, 717, January 8, 2013, (<http://www.cato.org/sites/cato.org/files/pubs/pdf/pa717.pdf>), 9-10

²⁶⁰ Ronald O'Rourke, 'China naval modernization: Implications for US Navy capabilities - Background and Issues for Congress,' *Congressional Research Service*, March 21, 2013, (<http://www.fas.org/sgp/crs/row/RL33153.pdf>)

Nonetheless, China's leaders are beginning to lose their monopoly on foreign policy decisionmaking, threatening Beijing's ability to manage regional tensions. The new leadership must take steps to restructure its poorly managed bureaucracy, particularly its maritime agencies, to ensure it can rein in erratic and often plainly hostile actions by government actors acting in their own narrow interests. In that context, the reshuffling of its maritime agencies under one umbrella organization is a significant step, although significantly more must be done. In the same manner, China's leaders must provide better oversight of bureaucratic and commercial actors who are acting independent of top-level control and indirectly causing tensions in the region and in China's relations with the US. This ranges from maritime tensions to international disputes over intellectual property. Another important step must be to issue clearer guidelines for regional governments, and if necessary overrule local legislation or local government's commercial policies. While this may prove unpopular, Beijing must adopt a proactive stance if it is to maintain stability in its relations with the US and neighboring countries. Finally, Beijing must take steps to repair relations with its neighbors and tone down provocative actions over its sovereignty claims. This will not be easy, with Beijing under enormous pressure from nationalist factions within its society, and facing provocations from its neighbors.

As a result, the ebb and flow of Chinese policy, including in its relations with the US, is likely to continue as the leadership struggles to control its malfunctioning bureaucracy and accommodate new and divergent interests within its civil society. But the future of the CCP ultimately depends on preserving overall stability in foreign affairs. Maintaining this stability may come at some cost to the leadership's legitimacy, as it comes under increasing pressure from multiple factions who favor a confrontational stance in

foreign affairs. But the costs associated with such a strategy, while potentially significant, are outweighed by the potential for catastrophe emanating from further escalation of its policies. Moreover, China's "win without fighting" strategy may invite criticism from the West, but helps China achieve many of its goals without recourse to military conflict.

Xi Jinping's new leadership offers the potential of a return to a more practical foreign policy which serves the interests of both China and the US. Xi's challenge is to manage competing interests within China's system which threaten stability. His task has been made more difficult following the previous administration's assertive policies which catered to the country's emerging nationalist undercurrent, and China's poor bureaucratic coordination. But the early signs are encouraging. His decision to cool down tensions with Japan, including by relaunching free trade talks, was, hopefully, a recognition that economics trump historical antagonisms. Unfortunately, however, the dispute over the Senkaku Islands continues to simmer. Restructuring China's maritime bureaucracy was also a wise move aimed at managing insensitive actors operating in disputed waters, but more needs to be done. For Xi, balancing China's nationalist factions against the continuing need for stability may define his tenure. It will also play a central role in stabilizing US-China relations, which are increasingly characterized by distrust.

Chapter 7: Recommendations for US Policymakers

7.1 Focus on rebuilding the US economy and safeguarding domestic growth

President Obama's most significant task in his second term is to rebuild America's economy. In particular, the credibility of the rebalance will be jeopardized if the US cannot rein in its budget deficit.²⁶¹ The 2010 National Security Strategy stated that the US was "rebuild[ing] [the] economy upon which our leadership depends."²⁶² Unfortunately, America's economy is still precariously placed, and resulted in chaotic disagreement that culminated in the 'Fiscal Cliff.' The US economy is showing signs of recovery. But the durability of America's alliances rests on convincing its allies that it has the resources to implement the rebalance. Undersecretary of Defense Ash Carter stated that his department is "watching every dollar, every ship and every aircraft to implement the rebalance successfully."²⁶³ But cost-cutting is only a short-term solution. As an article in the *Global Times* noted, "if the US cannot solve its own problems, its strategy will be unsustainable."²⁶⁴

Washington has committed to the rebalance, in part, because it aims to share in the enormous economic potential of the Asia-Pacific, embodied visibly by the proposed TPP. As US national Security Advisor Tom Donilon stated, over the next five years almost half

²⁶¹ Kenneth Lieberthal, Jonathan Pollack, 'Establishing credibility and trust: The next President must manage America's most important relationship,' *Brookings*, March 16, 2012, (<http://www.brookings.edu/research/papers/2012/03/16-china-lieberthal-pollack>)

²⁶² 'National Security Strategy 2010,' *The White House*, May 2010, (http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf), 3

²⁶³ Cheryl Pellerin, 'Carter Details Services' Roles in Asia-Pacific Rebalance,' *Department of Defense*, April 9, 2013, (<http://www.defense.gov/news/newsarticle.aspx?id=119730>)

of all growth outside the US will take place in Asia.²⁶⁵ However, the driving force of the rebalance is Washington's ambition to continue to underwrite regional security. If the US is seen as weak at home, it will be perceived as weak abroad and may mean that countries begin to lean toward China as a reactionary hedging strategy. It may also encourage China to act more assertively in the region, echoing what many perceive to be a driver for its forceful actions in 2009-10.

7.2 Candid and open discussion with Beijing

Washington has taken great care to reassure China's leaders that its rebalance was not aimed at containing China. They have pointed to America's longstanding presence²⁶⁶ in the region while emphasizing the US' commitment to preserving regional security and promoting development throughout the Asia-Pacific. China's leaders became more receptive as Washington offered continued reassurances that the rebalance was neither a containment strategy, nor a sea change in military policy. Unfortunately, significant damage was wrought in the interim. This is surprising given the network of dialogue that currently exists between the two countries which ought to have prevented significant misunderstanding.

²⁶⁴ Zhou Fangyin, 'Short-term success won't prove enough to achieve US aims in Asia-Pacific,' (<http://www.globaltimes.cn/content/760597.shtml>)

²⁶⁵ Philip Kurata, 'US rebalances strategic focus toward Asia-Pacific,' *US Embassy*, 13 March, 2013, (<http://iipdigital.usembassy.gov/st/english/article/2013/03/20130313144068.html#axzz2PFGlydG5>)

²⁶⁶ Secretary Clinton herself acknowledged this fact: "Our treaty alliances with Japan, South Korea, Australia, the Philippines, and Thailand are the fulcrum for our strategic turn to the Asia-Pacific. They have underwritten regional peace and security for more than half a century, shaping the environment for the region's remarkable economic ascent."²⁶⁶ Hillary, 'America's Pacific Century,' (http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0.1), 2

In that respect, it may not be about mechanisms of dialogue, but more about issues of clarity and openness. In order to decrease Chinese suspicions, the US must be more open about its intentions and more candid about its views. The US is pursuing a policy of diplomatic engagement with China, through advanced bilateral dialogue and confidence building, while simultaneously pursuing policies that hedge against China's rise.²⁶⁷ This raises unrealistic beliefs of the quality of Sino-US relations, which in reality are more unstable. As Aaron Friedberg notes, US officials tend to exaggerate accomplishments in relations while understating differences.²⁶⁸ A wiser policy from the Obama administration would be to articulate more clearly and more openly its motivations, ahead of time, rather than engage China in dialogue only to pursue alternative or opposing policies in practice. This could also encourage Beijing to be more open about its sentiments, and more importantly, its intentions, and potentially reducing mutual distrust.

7.3 Support maritime risk-reduction measures

Regional tensions have been exacerbated by an absence of maritime risk-reduction mechanisms that would help avoid escalation and provide greater legal clarity over issues such as freedom of navigation. The US has still not ratified the UN Convention on the Law of the Sea (UNCLOS), a convention that governs maritime code of conduct, despite a

²⁶⁷ As Kenneth Lieberthal and Jonathan Pollack note, “the Obama administration has increasingly elaborated a two-track policy in Asia: advancing bilateral relations and high-level contacts with China whenever possible, while expressly pursuing apparently China-focused political, economic, and security ties with other Asian countries that are themselves viewing China's power ascendance with growing concern”: Kenneth Lieberthal, Jonathan Pollack, ‘Establishing credibility and trust: The next President must manage America's most important relationship,’ (<http://www.brookings.edu/research/papers/2012/03/16-china-lieberthal-pollack>)

²⁶⁸ Aaron Friedberg, ‘Bucking Beijing: An Alternative US-China Policy,’ 55

commitment to do so. As noted earlier, China and the US have also failed to establish a bilateral INCSEA-type agreement between the two countries' navies. The latter agreement contributed to a significant reduction in incidents between the Soviet Union and the US during the Cold War, greatly reducing incidents of miscommunication.²⁶⁹

Significantly, however, an INCSEA-type agreement would not be sufficient, on its own, to manage the potential for miscommunication. The bulk of harassment by Chinese vessels in disputed waters is conducted by non-military actors, via China's maritime agencies and civilian ships.²⁷⁰ Therefore, Washington should also encourage Beijing to make further reforms to its maritime bureaucracy to provide greater oversight to its maritime activities, and take steps to improve its communication with local governments. Washington should also continue to push for a new Code of Conduct in the South China Sea, to be agreed within ASEAN, to establish procedures for disagreements with parties. In addition, the US should also press Beijing to tone down nationalist rhetoric and actions on its claims in the East China and South China Sea. Justifying China's position on appeals to history has impaired legal clarity over acceptable codes of conduct and given Chinese vessels the freedom to act aggressively.²⁷¹ Reducing the chance of miscommunication between Chinese and foreign vessels operating in disputed waters is essential to avoiding unwanted escalation which could prove catastrophic for all parties.

²⁶⁹ The INCSEA Agreement entered into force in 1972. US Secretary of the Navy, John Lehman, in 1985, stated that, as a result of the agreement, the regularity of incidents between the Soviet Union and the US was "way down from what it was in the 60s and 70s": 'INCSEA Agreement,' *US Department of State*, (<http://www.state.gov/t/isn/4791.htm>)

²⁷⁰ Pete Pedrozo, 'The U.S-China Incidents at Sea Agreement: A Recipe for Disaster,' *Journal of National Security, Law and Policy*, 6: 207, (2012), (At: http://jnslp.com/wp-content/uploads/2012/08/07_Pedrozo-Master.pdf), 209

²⁷¹ 'Stirring up the South China Sea' (1), *International Crisis Group*, Executive Summary

7.4 Consider relaxing the requirements of the Trans-Pacific Partnership (TPP)

The TPP's strict provisions of entry are such that China appears to be excluded from entry for the foreseeable future. The levels of transparency, and labor and environmental standards required are well beyond China's current level.²⁷² This has invited criticism that the TPP is a tool aimed at constraining China's rise. The US Trade Representative recently stated that the US is open to any Asia-Pacific country who wishes to join, provided these standards are met.²⁷³ Indeed, in April 2013, the US and Japan struck an agreement which smoothed the path for Tokyo to join the talks.²⁷⁴

Nevertheless, a regional economic partnership in Asia that does not include China is likely to cause regional friction and potentially harm economic integration. China has already responded by pushing its own partnership, the Regional Cooperative Economic Partnership (RCEP), which demands very little in standards and excludes the US. Washington's ambitions via the TPP are to reap the benefits of Asia's economic potential, and compel China to establish standards of economic liberalization and good governance that will promote financial integration mutually beneficial for all. But the bar has been set too high: as a result, any partnership is likely to exclude the region's second biggest economy and as a result, is unlikely to compel China to accelerate its economic

²⁷² 'Kenneth Lieberthal, Jonathan Pollack, 'Establishing credibility and trust: The next President must manage America's most important relationship,' (<http://www.brookings.edu/research/papers/2012/03/16-china-lieberthal-pollack>)

²⁷³ Katie Holliday, 'China must meet 'high standards' to join TPP: US Trade Rep,' *CNBC*, March 20, 2013, (<http://www.cnn.com/id/100575526>)

²⁷⁴ Kaori Kaneko, Doug Palmer, 'Japan, U.S. agree on Tokyo joining Trans-Pacific trade talks,' *Reuters*, April 12, 2013, (<http://www.reuters.com/article/2013/04/12/us-trade-asiapacific-japan-idUSBRE93B09R20130412>)

development to meet the standards expected by the US. It may also increase suspicion that the rebalance is aimed at confronting China's rise.

Trade and investment standards are a significant source of instability in Sino-US relations. Washington should not abandon its efforts to advance China's economic model to suit US interests. A compromise somewhere between the current high standards of the TPP, and those of the RCEP, could prove beneficial for all. Relaxing these requirements may also compel other countries including India to join, and create what would prove a formidable partnership more sustainable than the RCEP.

7. 5 Promote the resolution of sovereignty disputes in multilateral forums

This constitutes a reaffirmation of US rebalance policy which stresses greater regional integration and a more robust regional multilateral framework. Washington has stressed its neutrality in the sovereignty disputes while emphasizing its belief that they must be resolved multilaterally. Washington's neutrality was well received by China's leaders, but China has continued to push back against a new multilateral resolution. Beijing believes that it can reach a more favorable solution by pushing for bilateral negotiations, where it can exert its economic and diplomatic leverage over lesser countries such as Vietnam. It has therefore worked to create divisions within ASEAN and prevent its members from establishing a united front.

The resolution of these disputes in a multilateral setting, via ASEAN, will serve Washington's interests in two ways: first, it will promote regional integration by establishing ASEAN as the premier forum for regional dispute resolution. As Secretary Clinton noted, "in multilateral settings, responsible behavior is rewarded with legitimacy

and respect.”²⁷⁵ By the same token, Chinese attempts to denigrate regional integration will be looked upon unfavorably by China’s neighbors and may push them closer to the US. A good example was the harm inflicted on China’s reputation following its coercing of Cambodia at ASEAN. Second, any multilateral resolution is likely to be fairer and more durable, as each claimant is afforded a voice. This should promote greater stability in the long term.

7.6 Encourage the peaceful resolution of the Taiwan debate

As Jiang Zemin stated in 1997, “the Taiwan question is the most important and sensitive question in China-US relations.”²⁷⁶ Washington’s longstanding support for Taiwan has helped preserve Asia-Pacific stability. Unfortunately, however it provides a great source of instability in Washington’s relationship with Beijing. Moreover, a China-Taiwan military conflict would be catastrophic for both the US and China, potentially escalating to full-scale war. China has modernized its military largely on the premise of achieving a decisive victory in a Taiwan conflict. It has publicly stated that it would strike back hard on any Taiwanese moves toward independence.²⁷⁷ But no party can afford to allow this scenario unfold, least of all the US.

²⁷⁵ Hillary Clinton, ‘America’s Pacific Century,’ http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=0,3

²⁷⁶ Wu Xinbo, ‘China and the United States: Core interests, common interests, and partnership,’ *USIP*, Special Report 277, 2

²⁷⁷ China’s 2004 National Defense White paper stated that, “the Chinese people and armed forces will resolutely and thoroughly crush [any uprising] at any cost”: John Lewis, Litai Xue, ‘*Imagined Enemies: China prepares for uncertain war*,’ 3

Washington should, under no circumstances, remove its security guarantees to Taiwan lest it embolden China to act militarily to change the status quo. But the US must more actively encourage the development of cross-Strait relations with a view to moving toward an eventual solution. If China and Taiwan could resolve their dispute – this might even involve some form of unification – then the greatest impediment to Sino-US relations would be removed and China’s most significant sovereignty issue would be resolved.²⁷⁸

7.7 Refrain from publicly lecturing China, focus on enhancing trust

Washington should refrain from overt criticism of China’s internal affairs, such as China’s human rights record, and concentrate on areas of cooperation to enhance mutual trust. Washington regularly flags Chinese violations causing unease among China’s elites. In the wake of Washington’s ‘Magnitsky Act’, which censured Russia’s human rights record, Moscow has complained about the US’ “double standards” on issues of human rights. They have legitimately argued that the US does not extend this policy to other states it considers its allies, such as Bahrain.²⁷⁹ Similar legislation by Congress would inflame tensions and arouse suspicions already evident that the US is trying to ideologically subvert China. The same is true of the administration, who often flag Beijing’s failings in this realm. In fact, significant capital and energy has been invested in improving China’s social record.

²⁷⁸ Wu Xinbo, ‘US Security Policy in Asai: Implications for China-US relations,’ *Brookings*, September 2000, (<http://www.brookings.edu/research/papers/2000/09/northeastasia-xinbo>)

²⁷⁹ Fred Weir, ‘So many nyets: Why the chasm between US, Russia is so hard to bridge,’ *Christian Science Monitor*, February 21, 2013, (<http://www.csmonitor.com/World/Europe/2013/0221/So-many-nyets-Why-the-chasm-between-US-Russia-is-so-hard-to-bridge>)

Unfortunately, these effects have mostly been felt on the margins of China's system, and led to only modest improvements in human rights conditions.²⁸⁰

A wiser policy would be to focus on enhancing trust between the two countries which focuses on the importance by seeking to work together to combat the myriad problems which the two countries commonly face. Washington should not give up on the long-held aspiration for China to become a beacon of democracy in Asia. But this process evidently takes time, and public rebukes merely serve to widen the gap of goodwill. The US may also find that China is more receptive on issues of potential cooperation, such as Iran and North Korea, as a result.

²⁸⁰ Thomas Lum, 'Human rights in China and US policy,' *Congressional Research Service*, July 18, 2011, (<http://www.fas.org/sgp/crs/row/RL34729.pdf>), summary

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