



Managing Insecurities Across the Pacific

As the United States Refocuses on Asia, it Must Address
China's Increasing Suspicions and Its Own Economic Insecurity

Nina Hachigian February 2012



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Introduction and summary

President Barack Obama signaled to the world last year that 2012 marks the beginning of a new chapter for the United States in its long history of involvement in Asia and the Pacific. Each day of the president's trip to the region in November illustrated America's renewed focus. Here was President Obama hosting Asian nations in Hawaii to sign trade deals, there he was in Australia giving a major speech to Parliament and announcing a new basing arrangement, and there he was in Bali, Indonesia, attending the East Asia summit, the first U.S. president ever to do so.

Taken together, these steps spoke to the American public about a new chapter in our foreign policy now unfolding after a decade of preoccupation with wars in the Middle East. This story tells of progress, not retrenchment; hope, not fear; opportunity, not threat. The future is in Asia, and America is going to be a part of it. A rebalancing toward America's Pacific priorities is long overdue.

This shift, however, is also intensifying insecurities in Asia's biggest economic power, China. Each of President Obama's appearances, as well as the many other Asia initiatives announced alongside by members of his administration, confirmed for many observers in China the deep and pervasive, though inaccurate, conviction that America wants to check China's economic growth, contain its geopolitical ambitions, and keep it down.

Containment has not been the policy of any U.S. president since relations with China were normalized 40 years ago, and it is not the policy of the Obama administration. President Obama was right when he said that we do not fear China. But there are many workers across our nation who do feel they are slipping behind because of China's success, and some politicians who would like to play on American fears about the future by presenting a simple narrative about China instead of doing the hard work of getting our own economic house in order.

Americans should also not forget: many in China do fear us. A variety of factors feed these insecurities in China. Many in the country's various policy circles

believe that, because of the very structure of the international system, a dominant power like the United States will feel threatened by China's increasing strength and will, inevitably, seek to keep it down. Lingering feelings of insecurity from the "century of humiliation," when China was exploited by Western powers, is another source of suspicion. Militarily, America's capacity dwarfs China's.

The unelected leaders of China stoke these fears and insecurities to build feelings of binding nationalism, to remind their citizens that the Chinese Communist Party ended China's chaos and exploitation, and sometimes to redirect scrutiny away from their own conduct. The meme of American containment is reinforced continually in the state-run media.

Concern about U.S. intentions is more understandable in the context of Chinese preoccupation with numerous, massive domestic challenges, any one of which could develop into a major calamity. Among them:

- Endemic corruption
- A dramatic shortage of clean water
- Debilitating air pollution in many cities
- A collapsing real estate bubble
- Growing wealth inequality
- A huge, internal migrant population
- A future aging crisis that has been called a "demographic tsunami"

China's leaders also sit atop an ultimately flawed political system that for many reasons—including central government's inability to keep careful track of what the provincial and local governments are doing—makes it difficult to respond to growing local protests related to many of these problems. China's leaders, in short, do not perceive China as the invincible giant that many Americans see. They see potential chaos around every corner.

While America's domestic challenges are less daunting, many Americans are nonetheless feeling insecure about their own economic futures amid today's slow-moving recovery. The specter of China's rapid growth throws America's troubles into sharp relief. To cope with our own economic problems we must keep the pressure on Beijing to play by the rules, but we must also find a political consensus at home for needed investments in America's economy. To build a prosperous middle class, we need to invest in the crown jewel of the American economy—innovation— as well as infrastructure, education and other programs. These steps

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will rebuild our nation's global competitive edge and prepare the United States to thrive in a century with a larger number of prospering nations on the world stage.

China is not the only country that is growing more competitive in the global economy. India, Brazil, Indonesia, and others are also gaining strength. No matter how level the playing field is, America cannot be successful if its team is not in shape.

The United States clearly has to up its game. America needs investments in primary education—especially in math and science—R&D spending, infrastructure, and green energy, among other areas. The good news is that the need for these investments becomes more clear by the day and many of our policymakers are focused on the problem. The bad news is that many conservatives continue to advocate for cuts in these very areas.

Until America is back on track, continued economic insecurity in our country will lead many Americans to see China as more of a predatory, unstoppable economic engine than it is. This misperception will combine with China's insecurity about American intentions, causing, in turn, more Chinese to see America as a predatory, unstoppable political and military machine that wants to contain it. This dangerous dynamic will make for a more tense and less productive U.S.-China relationship.

So in addition to investing at home, the United States needs to continue managing heightened suspicions of U.S. intentions in China. This is wise policy for several reasons. First of all, perceived U.S. aggression strengthens nationalist hardliners in China. The United States should not give this political faction any assistance in the power struggle as China undergoes its once-a-decade leadership transition.

Moreover, America needs China's assistance on some key economic and national security challenges. Increasing mistrust and uncertainty only make these challenges more difficult. Rebalancing the global economy and developing clean energy are joint projects. And U.S. officials have been somewhat pleased with Chinese cooperation on Iran, for example, because even though Beijing has resisted stronger U.N. sanctions, it has not expanded major energy investments in Iran and has recently cut oil imports. North Korea's nuclear program is a shared challenge, and no solution to climate change is possible without China's full participation.

With China's next likely president, Vice President Xi Jinping, set to visit Washington later this month, the Obama administration and congressional leaders will have the opportunity to demonstrate that the United States welcomes a prosperous

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China. Indeed, a growing China is far better for the United States than a failing one, especially given a global economy struggling to get back on its feet.

At the same time, of course, U.S. officials must raise the many concerns Americans have about Chinese behavior including unfair trading practices, cyberespionage, and human rights abuses. What is best for the United States, and China, is a prosperous China that follows international norms and rules.

This report sets out a path for managing insecurities across the Pacific. First, the paper will trace a brief history of U.S.-China relations over the past two years, then explore the reasons for suspicions of U.S. intentions in China, then briefly examine some U.S. concerns about China before presenting some concrete policy proposals to manage the U.S. -China relationship. Briefly, among other steps, this report recommends that the United States:

- Continue to ramp up in Asia but assure China about the importance of the U.S.-China relationship and the desire for the United States to see a prosperous China
- Grow military-to-military contacts and channels between the United States and China
- Make progress on cybersecurity, with common rules of the road for criminal hacking and other egregious conduct where the two sides see eye-to-eye, so that this subject can begin to be broached
- Continue not to take a position on the underlying territorial claims in the South China Sea while advocating for a peaceful process consistent with international law to resolve them
- Ensure that U.S. allies in Asia invest adequately in their own defense
- Be acutely aware of triggering a self-perpetuating cycle of mutually escalating defense spending when broadening military posture in the Asia-Pacific region
- Better publicize the mutually beneficial cooperation taking place between the United States and China
- Continue to ramp up student exchanges and tourism in the United States to increase cross-cultural understanding and, in the case of tourism, to create American jobs

- Keep the pressure on China to move to more a domestic consumption-led growth economic model and abide by international trade rules to create a level-playing field
- Encourage Chinese foreign direct investment that does not trigger national security concerns to create American jobs

Finally, U.S. investments in its own future will allow America to continue to thrive alongside a more prosperous China.

Above all, Americans should not lose sight of the big picture. China is here to stay. Its civilization has been around for thousands of years and whether it continues to grow stronger, or stumbles from its many internal problems, it will keep on being there, right across the Pacific. America has to play the long game when it comes to China. As part of America's important and enduring role in the region, we have to get China policy right, not just for this month or year, but for this decade and century. We will be rivals and partners for the foreseeable future. In this way the U.S.-China relationship is more like an acrimonious marriage than it is like a one-off boxing match. We are interdependent, mutually mistrustful, and stuck with one another for good.

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The road to 2012

Chinese suspicions of U.S. intent are longstanding and certainly did not begin with the Obama administration. But a brief review of the past two years of the U.S.-China relationship is useful to put the current dynamics into context.

President Obama came into office in 2009 perhaps more willing than any modern U.S. president to work with China on a series of world crises raging at the time, not the least of which was the continuing threat of global financial meltdown. He avoided making fiery pledges during the campaign to “get tough” on China, as had his three predecessors, because the Obama team realized the next president could not tackle the financial crisis, or three other pressing global challenges—nuclear proliferation, pandemic diseases, and global warming—without Beijing.

Once in office the Obama administration quickly established a mechanism, the Strategic and Economic Dialogue, or S&ED, to discuss both strategic and economic issues with Beijing at a high-level. However quixotic, the media chatter about a new “Group of 2” captured the sense of possibility at the time.

America’s outstretched hand was met with suspicion in Beijing. A number of Chinese analysts surmised that the request to contribute to the global good was just another way to drain China’s resources. Tsinghua University professor Yan Xuetong [explains](#) that the “Chinese mainstream” believes that “international calls for China to take on more international responsibilities is a conspiracy by Western countries intended to exhaust our economic resources by saddling it with more obligations abroad.”

China Institutes of Contemporary International Relations scholar Yuan Peng spied a similar motive. He wrote in the journal *Survival* that asking China to work together on global issues was just another way for the United States to get China to do exactly what it wanted.

Many Chinese also doubted the sincerity of the United States offer of collaboration when after about a year in office, President Obama angered China by making

a “180-degree-about-turn” (in the words of the online editor of the People’s Daily) by meeting with the Dali Lama, selling a large arms package to Taiwan, and calling for appreciation of China’s currency. Scholar Yuan Peng summed up this view when he wrote:

In Beijing, it looks as if the United States is ‘breaking the bridge’ of bilateral comity now that the financial storm is coming to its end. China, instead of being regarded as a genuine partner, is once again viewed apprehensively as a ‘threat’ or ‘challenger.’ Many Chinese scholars suggest the government give up the illusion of U.S. partnership and face squarely the profound and inevitable strategic competition.

Indeed, against the backdrop of a financial crisis that was battering the United States and Europe, Beijing was feeling its own strength. Both western and Chinese observers agree that nationalism is on the rise in China, especially among the younger generation, and a chorus of analysts and netizens argued that China should be more “bold and assertive” in its dealings with the outside world.

China steps out

Whatever Beijing’s precise collection of motives, in 2009 and 2010 China made a series of surprisingly aggressive moves. Taken together, they seemed to signal a new resolve to assert Chinese interests more forcefully.

First were a series of dangerous encounters between U.S. naval vessels and Chinese fishing boats. In one the Pentagon claimed Chinese boats “shadowed and aggressively maneuvered in dangerously close proximity” to the USS Impeccable, a surveillance ship, and some U.S. analysts surmised that the Chinese central leadership had endorsed the actions.

For the first time Beijing also declared that the petroleum-rich South China Sea was a “core national interest,” language earlier reserved only for China’s non-negotiable territorial claims of Taiwan, Tibet, and Xinjiang. Beijing also refused to condemn North Korea’s sinking of a South Korean boat, the *Cheonan*, which killed 46 South Korean sailors.

Beijing also adopted a series of new policies to implement its “indigenous innovation” strategy that gave government procurement preference to local companies

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and to those that develop and register their technology in China. This was one in a set of policies designed to allow China to move up the value-added economic chain by owning and creating its own technology and pushing for global acceptance of Chinese technology standards.

And also for the first time, Chinese interests suddenly cut off shipments of vital rare earth elements to Japan while wrestling with Tokyo about the fate of a Chinese fishing boat captain who had clashed with the Japanese Coast Guard in waters near the Senkaku-Diaoyutai disputed island territories in the East China Sea.

China played down each of these incidents, explaining them away as misunderstandings, misinterpretations or, often, reactions to U.S. actions. The maritime encounters happened because the United States was breaking “international and Chinese laws,” for example. And the rare-earths cutoff was just a coincidental implementation of a policy to restrict the exports of these elements for environmental reasons.

Nonetheless, these incidents rattled neighbors, alarmed Washington, and confirmed for a segment of U.S. policy elites what they had believed about China all along: Beijing’s rulers only understand raw power politics, so if America shows any sign of accommodation, China will take quick advantage. Even those with a more complex view of Chinese foreign policy were concerned that Beijing seemed to be developing an inaccurate view of American resolve.

Drawing lines

As a consequence, the Obama administration began to draw some clear lines to ensure that Beijing understood the United States would defend its interests and its allies. The most dramatic example was in Hanoi, at a July 2010 meeting of the Association of Southeast Asian Nations, where Secretary of State Hillary Clinton and other members of ASEAN delivered the forceful and united message that a multilateral process to resolve territorial disputes over areas in the South China Sea was preferable to Beijing’s bilateral approach.

A few months later the United States reassured Japan that the disputed Diaoyu/Senkaku Islands in the East China Sea between China and Japan fall within the scope of the Japan-U.S. Security Treaty, and that the United States would meet its commitment to defend Japan.

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At the same time the United States did not let this spiral of mutual maneuvering get out of control, showing moderation, for example, when responding to North Korea's attacks on South Korea. In recognition of China's historic sensitivities, President Obama first sent the aircraft carrier USS George Washington into the Sea of Japan, not the Yellow Sea where the *Cheonan* incident had taken place.

These responses to Beijing's heavy-handedness were combined with active bilateral diplomacy to ensure the relationship remained stable. Nevertheless, in China, many saw these U.S. responses as unprovoked and threatening actions.

In January 2011 Chinese President Hu visited Washington and the two countries attempted to put the recent past behind them and make a fresh start. Before the visit Beijing had used its leverage with Pyongyang to bring an end to North Korea's streak of provocative behavior. In Washington, amid all the bells and whistles of a state visit, Presidents Obama and Hu made a series of pledges to create 235,000 U.S. jobs, through airplane purchases from The Boeing Co. worth \$19 billion, contracts for General Electric Co., and a joint venture between Honeywell International Inc. and Haier Group, a Chinese appliance maker.

Then in May the countries held the third round of the U.S.-China Strategic and Economic Dialogue, which resulted in a wealth of steps to broaden cooperation in law enforcement, energy, health, counterterrorism, and other areas. Since then, China has appeared to be attempting to make progress on a few issues that matter greatly to the United States, including intellectual-property rights protection.

At the Joint Commission on Commerce and Trade meeting this November, for example, China announced that it would begin to include intellectual-property rights enforcement as one of the criteria in performance evaluations for provincial and local officials. This is significant, according to U.S. industry players, because the promises Beijing has made in the past on this issue have been routinely unfulfilled at the provincial and local level.

These small steps, however, were not enough to prevent the mood in Washington from souring. As 2011 wore on, a lack of significant progress on currency and market access in China, the escalating political rhetoric of the presidential campaign season, a flurry of reports on massive cyberindustrial espionage emanating from China, and the passage of currency legislation by the Senate with strong, bipartisan support, spoke to a growing uneasiness about China in Washington.

Meanwhile, the Obama administration was getting ready to deliver on a priority it maintained from its early days in office (when Secretary of State Clinton traveled East on her first trip) to rebalance U.S. diplomacy toward Asia. That was possible because, at last, the decade-long U.S. military presence in Iraq was drawing to a close, and U.S. armed forces had eliminated Osama bin Laden and much of the rest of Al Qaeda's top leadership.

With Baghdad in the rear view mirror and Afghanistan drawdowns on the calendar, the time was ripe for the United States to refocus on Asia—a region of opportunity, with half the world's population, the most dynamic economies, and a promising source of U.S. jobs.

The Asia extravaganza

In the fall of 2011, Washington rolled out an ambitious and multifaceted series of Asian initiatives, all well coordinated, carefully timed, and cleanly executed. Secretary of State Clinton previewed the strategy in a detailed article entitled “America’s Pacific Century:”

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.

The Asia-Pacific overdrive began with a second major package of arms sales to Taiwan. Combined with the earlier one, it accounts for the largest sales to Taiwan in any two-year period in 30 years, though some in Congress did not consider it adequate. Beijing reacted mildly, compared to years past, canceling only a few joint events. Among other explanations, Chinese analysts suggest that those arms sales might have strengthened the hand of the current Taiwanese president, who was then facing a re-election battle and who has supported greater connectivity with mainland China, governing over the most stable period of cross-Taiwan Strait relations in decades.

Next, on November 9 the Department of Defense unveiled its new “AirSea Battle Concept.” While the briefers took care to note that this new initiative, which will better integrate U.S. Air Force and U.S. Navy operations, was not explicitly aimed at China, the country does fit the description of an actor that could use newly developed “anti-access and area-denial” technologies to restrict U.S. “freedom of access in the global commons.”

President Obama embarked on his trip to Asia two days later. He first stopped in Hawaii where the United States hosted the Asia-Pacific Economic Cooperation summit for the first time in 18 years. Leaders from the 21 countries, which together account for half of world trade, agreed to slash tariffs on environmental goods and services, despite China’s earlier public insistence that the cuts were too ambitious.

On the sidelines of that meeting, the countries of the Trans-Pacific Partnership welcomed Japan's announcement that it would join the trade negotiations. The group announced a framework for negotiating a future trade agreement with strong environmental, intellectual property, labor, and other standards—standards that the region's largest economy and trading partner, China, could clearly not currently meet.

President Obama then traveled to Australia where he announced that a small contingent of U.S. marines would be stationed at Australian bases—the first sustained U.S. military presence in Australia ever. He gave a major speech to the Australian parliament where he announced his “deliberate and strategic decision” that “as a Pacific nation, the United States will play a larger and long-term role in shaping this region and its future, by upholding core principles and in close partnership with our allies and friends.” He went on to assure that:

Reductions in U.S. defense spending will not—I repeat, will not—come at the expense of the Asia Pacific... we will allocate the resources necessary to maintain our strong military presence in this region. We will preserve our unique ability to project power and deter threats to peace. We will keep our commitments, including our treaty obligations to allies like Australia. And we will constantly strengthen our capabilities to meet the needs of the 21st century. Our enduring interests in the region demand our enduring presence in the region. The United States is a Pacific power, and we are here to stay.

He explained that the United States will “continue our effort to build a cooperative relationship with China” and that the United States welcomes “the rise of a peaceful and prosperous China.” He concluded by observing, “History is on the side of the free—free societies, free governments, free economies, free people.”

While the president was in Australia, Secretary of State Clinton was in the Philippines. There—aboard an American destroyer, the USS Fitzgerald—she signed “The Manila Declaration,” commemorating the 60th anniversary of the allies' Mutual Defense Treaty. In her remarks she referred (perhaps inadvertently) to the South China Sea as the “West Philippine Sea,” the term her hosts use for the body of water contested by China and others. From there she flew to Thailand to offer a \$10 million aid package for the victims of the historic floods there.

President Obama next traveled to Bali, Indonesia where he became the first American president to attend the East Asia Summit, a forum where in meetings

past, China only had Japan to contend with for leadership. Before the gathering China publically stated that the South China Sea dispute did not belong on the East Asia Summit agenda. But at the meeting Singapore's Prime Minister Lee Hsien Loong broached the topic of the maritime disputes, followed by six other countries' leaders who raised similar concerns. Only after the Southeast Asian leaders had spoken did President Obama address and reinforce their opinions that a multilateral process would be superior to Beijing's one-on-one approach.

Eventually all but 2 of the 18 countries present discussed the topic. For his part, China's premier Wen Jiabao warned the United States not to meddle: "It ought to be resolved through friendly consultations and discussions by countries directly involved. Outside forces should not, under any pretext, get involved."

The trip concluded with a surprising announcement that Secretary Clinton would travel to Myanmar, or Burma, a country bordering and friendly to China, becoming the first U.S. Secretary of State to visit there in over 50 years. Secretary Clinton began talks with the new government about reestablishing relations, which has since commenced, in conjunction with its increasing political liberalization and respect for human rights. While on her trip, Secretary Clinton made a reference to China when she cautioned against seeking development assistance from "donors who are more interested in extracting your resources than in building your capacity."

All of these initiatives are sensible foreign policy. These actions serve to reassure U.S. allies and partners in Asia and the Pacific, who have their own insecurities, that America is there to stay and that they can count on American leadership and support for democracy.

Taken together, these steps spoke to the American public about a new chapter in our foreign policy now unfolding after a decade of preoccupation with wars in the Middle East. This story tells of progress, not retrenchment; hope, not fear; opportunity, not threat. The future is in Asia, and America is going to be a part of it. This rebalancing toward America's Pacific priorities is long overdue.

Moreover, these steps were not designed with the goal of antagonizing Beijing. The Trans Pacific Partnership (which was started by Asian nations in 2005) pushes a trade agenda with a group of countries that can and want to meet high trade standards—making it far more palatable to the American people and U.S. lawmakers. It does not seek to keep China out, but instead will create a regional consensus about trade standards, thus challenging China to improve its own conduct to join.

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Similarly, the new basing arrangement in Australia is part of America's already substantial forward-deployed Pacific presence, the aim of which is to continue to maintain stability, deter aggression by all, and secure the high seas as a global commons under international law. Australia is a logical location for stationing marines, in a new, more flexible basing strategy, especially given the difficulty of implementing a sustainable arrangement with Japan. Soldiers there can also be available for regional disaster relief and security threats like piracy and terrorism. Opening talks with Myanmar's leaders was not a policy directed at China, but at encouraging the Myanmar's new government to take further positive steps in political liberalization and human rights and to end any arms cooperation with North Korea. But this is not how Beijing viewed these U.S. actions.

Suspicion in Beijing

In China the Obama administration's Asia activity was instead read by many as a forceful and deliberate confirmation of what a large number of Chinese already believed—that America wants to keep China weak, encircle it, shape its rise, and sap its strength. Moreover, these new initiatives come at a particularly sensitive time in the Chinese political calendar as Beijing is entering a period of intense focus on the transition of its top leaders, discussed further below.

Chinese officials see the Trans Pacific Partnership, or TPP, as an effort to exclude China from a regional trade arrangement in which it rightfully belongs. Chinese analysts even suggest that keeping China out of the TPP is evidence of “Washington's objective to dominate the region,” and another method by which to “contain” China.

The *Global Times* newspaper, which is on the nationalist end of the spectrum of Chinese government-controlled media, wondered aloud whether the AirSea Battle concept is a sign of a Cold War strategy. Moreover, U.S. involvement in the South China Sea dispute, even as a neutral party, is seen by many in China as an unwelcome attempt to insert American fingers where they do not belong. As Foreign Ministry spokesperson Liu Weimin explained, “outside intervention will only complicate the South China Sea issue.”

China's Defense Ministry described the decision to station U.S. marines in Australia as an expression of a “Cold War mentality,” and “not helpful in building mutual trust and cooperation among regional countries.” Later in a commentary in the Liberation Army Daily, the official People's Liberation Army newspaper, Major General Luo Yuan, known for his hawkish views, stated that the United States is “laying out forces across the Asia-Pacific region in advance to contain the rise of China.” He said Washington's assertions that the military refocus is not directed at China are “simply making their real intent all the more obvious... Who can believe that you are not directing this at China?”

But suspicions about U.S. intentions are not found only among the very nationalistic of China's ruling elite. In a private conversation a Chinese newspaper editor explained that it is a "mainstream" view now in China that the United States is trying to contain the country. And as China scholar Michael Chase describes, while these concerns and suspicions have long been pervasive among Chinese analysts, they have "intensified."

Case in point: Zhongnan University's Liu Jianhua and Yu Shuihuan argue that the South China Sea dispute and regional concerns about China's growing maritime power have provided "excellent opportunities" for the United States to draw these countries in to "encircle" China. And as University of Alberta political scientist Wenran Jiang explains:

[F]or those Chinese who are suspicious of U.S. intentions, conspiracy is always in play. They see a declining superpower using economic, military, and diplomatic means in an unrelenting effort to prevent China's rise. Talk of human rights and democracy is nothing but a smoke screen for demonizing China. Arms sales to Taiwan, Tibetan activism, and 'color revolutions' of various kinds are all sponsored by the United States and other Western powers, and are aimed at weakening China.

Similarly, the Chinese government saw awarding the Nobel Prize to Liu Xiaobo, a jailed Chinese writer, as an attempt by the West to embarrass China. Also, as an editorial in People's Daily online described, "many ordinary Chinese citizens view the U.S. demands to reevaluate their currency as an attempt to contain China and limit China's growth." As China expert and former senior director for Asia at the National Security Council, Kenneth Lieberthal, sums it up, "The president's Asia-wide strategy and some of the rhetoric accompanying it played directly into the perception of many Chinese that all American actions are a conspiracy to hold down or actually disrupt China's rise."

There are a variety of explanations for these dark characterizations of U.S. motives. Though a variety of schools of thought on international affairs compete for influence in China, many of its pundits and policymakers subscribe to a fairly unreconstructed school of realism that holds that because international relations is fundamentally anarchic, a dominant power will inevitably feel threatened by a rising power and will seek to defeat it before it has grown too strong. There is considerable debate in China about America's intentions, but, as Chase points out, "Even many of the more sophisticated analyses of U.S. policy toward China tend

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to portray Washington as increasingly concerned about the possibility that China's rise will challenge its predominant position." Lingering feelings of insecurity from the "century of humiliation," where China was exploited by Western powers, is another source of suspicion.

China's leaders stoke these fears and insecurities. Recently, President Hu warned that the West was trying to undermine China through culture. "We must clearly see that international hostile forces are intensifying the strategic plot of westernizing and dividing China, and ideological and cultural fields are the focal areas of their long-term infiltration," he said. Leaders question U.S. intentions to build feelings of binding nationalism, to remind their citizens that the Chinese Communist Party ended China's chaos and exploitation, and to redirect scrutiny away from their own conduct. The meme of American containment is reinforced continually in the state-run media.

These predilections toward suspicion are sustained in part by some basic facts that promote the Chinese feeling of vulnerability about activities that are occurring, after all, in its backyard. First of all, China has no formal military alliances except a fractious and militarily useless one with North Korea. China has plenty of friends and conducts joint military exercises with many countries, but has nothing like the dozens and dozens of formal treaty relationships pledging joint defense that the United States boasts.

Second, while the Chinese military is modernizing quickly, the People's Liberation Army has little operational experience, having not fought a battle since 1988, when it engaged in a limited naval clash with Vietnam. The U.S. military is vastly more capable and well-financed than China's by any estimates, and has had considerable combat experience since 1988—Desert Storm, Kosovo, Operation Iraqi Freedom, and the war in Afghanistan, among many other smaller deployments.

Third, China's booming economy is not enough to guarantee smooth political relationships in the region. China is the largest trading partner of just about every country in Asia, but border concerns with India, South Korea, Myanmar, and Russia continue to smolder. Instability in Pakistan, Central Asia, and North Korea make the neighborhood difficult.

Moreover, China has numerous, massive, preoccupying domestic challenges, any one of which could develop into a major calamity. Among them:

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- Endemic corruption
- A dramatic shortage of clean water
- Debilitating air pollution in many cities
- A collapsing real estate bubble
- Growing wealth inequality
- A huge, internal migrant population
- A future aging crisis that has been called a “demographic tsunami”

It also has an ultimately flawed political system that for many reasons, including the inability of the central government to keep careful track of what the provincial and local governments are doing, makes it difficult to respond to growing local protests related to many of these problems. As Susan Shirk writes in *China: Fragile Superpower*, China is a “brittle, authoritarian regime that fears its own citizens and can only bend so far to accommodate the demands of foreign governments.” China’s leaders do not perceive China as the invincible giant that many Americans see.

Because of these deeply held suspicions and vulnerabilities, no matter how many times Secretary Clinton says “A thriving China is good for America,” and President Obama says “We welcome a rising, peaceful China,” a sizeable segment of Chinese watch U.S. actions and do not believe these amicable words.

The view from Washington

Chinese observers are right that the U.S. rebalancing toward Asia is partly responsive to a growing China. A central motivation is to pursue economic opportunity in Asia, generated in considerable measure by China's growing economy. The United States's Asia-Pacific policy is also designed to encourage constructive behavior on the part of China, as well as others in the region, that maintains the peace and security in Asia that has allowed nations in the region to grow and prosper over the past 40 years. In addition, America wants to preserve its strategic space in the region because of its many interests there, including trade and nontraditional security threats.

Washington is taking prudent risk-management steps because, as is always the realist rub in international relations, it cannot now know what a China of the future, which could be more powerful, will decide to do. The United States and China do not have shared values or history that allow Washington to overlook that uncertainty as it currently is doing with Europe and Japan. These nations' more transparent political processes are also more reassuring about their future intentions than is China's opaque one.

Moreover, the current economic trajectories of these nations do not suggest their influence will grow markedly in the decades to come. China, however, for all its economic challenges and its demographic destiny, is still likely to match the U.S. economy in size sometime this century.

Nevertheless, U.S. strategy for the past 40 years has not been to contain China, nor should or could it be. U.S. leaders are sincere when they say they want a prosperous China—a struggling China would be a disaster for the United States. America wants China to reform its economic and trade practices in a variety of ways, but it remains an important market for U.S. exporters. A major slowdown in the Chinese economy would do real harm to the United States and others as China is one of the few reliable pockets of strong growth in the global economy today.

Further, containment is not remotely possible when every country in Asia, and most around the globe, wants to improve relations with China. A prosperous China is in its neighbors' best interests, too, despite various disputes.

The United States obviously shares this interest in a prosperous, peaceful, and rule-abiding China. There is some cause for optimism about China's relationship to the international system, built by America and its friends after World War II. While Beijing continues to shirk some international rules and obligations, its overall trajectory on joining the international system has largely been moving in a positive direction. China's transformation on the international stage over the past 40 years has been profound, moving from a hostile, aggressive "rogue" state outside the international system to a full, active, and sometimes constructive participant in global institutions. It has gone from being an unabashed proliferator to a staunch defender of the nuclear nonproliferation regime. Beijing is an active member of the Group of 20 leading developed and developing nations.

Like all nations, China primarily wants to use the international system to benefit itself, but at least it is using the system. China has not tried to destroy international institutions from within, but rather has chosen to engage with them, shape them, and master them in order to further its own interests. That said, China has not taken consistent and significant steps to improve the institutions and rules of the international system, and it continues to avoid responsibilities the United States thinks it should shoulder. Rarely, and only with reluctance, is China a leader on global problems.

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Managing China's insecurity

The official reaction in Beijing to the United States's re-focus on Asia has been relatively muted due in part to careful communications by U.S. diplomats with China's leadership about the context and motivations for these activities and in part because of a desire not to stir up a major controversy with the United States during the sensitive period of a leadership succession.

As the renewed U.S. strategy in the Asia Pacific continues to unfold, however, the United States needs to continue to manage heightened suspicions in China and, where possible, temper Chinese anxiety. Why? Because the costs to the United States in taking hostile steps or even in using more hostile rhetoric, such as that employed by many conservatives, would be profoundly counterproductive.

First, perceived U.S. aggression strengthens nationalist hardliners in China. The United States should not give this political faction any succor as China undergoes its once-a-decade leadership transition. In 2012 seven of the nine members of China's supreme governing council, the Politburo Standing Committee, are expected to retire, including President Hu Jintao and Premier Wen Jiabao. While Vice President Xi Jinping is almost certain to become China's next president, the identity of the other members of the Standing Committee as well as the wider Politburo are not yet finalized.

Thus, fierce jockeying is underway and there is great political pressure on China's leaders not to appear to be backing down in the face of U.S. demands. (See "China's Forthcoming Political Transition" for a detailed look at the jockeying for power in China today.)

Already, in response to the U.S. outreach in the Asia-Pacific, some influential Chinese scholars are now calling on China to develop real military alliances, including with Russia. While this is highly unlikely, it shows how quickly U.S. actions can give a platform to unconstructive voices in China. In a year when party officials are

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jockeying for top slots, the last thing the United States should do is strengthen the hand of the People’s Liberation Army and give ammunition to the political opponents of officials who believe in a strong relationship with the United States.

Also, perceptions that the United States is pushing its luck will create resentment that will be unleashed when we least want it and in ways we may not anticipate. Our relationship with China is what international relations theorists call “a repeated game.” We have to deal with China every day on a hundred issues and will do so for the foreseeable future. We do not want a China that is licking its wounds and waiting for a chance to get back at us.

To the degree that the United States needs to take actions that directly punish China for its bad behavior, as in the trade realm, Washington should attempt to keep pushing forward with cooperation in other parts of the relationship and contain the competition. Indeed, we actually need a degree of trust in the relationship so we can work with China in order to reach our own goals. If “strategic trust” is an elusive goal, then at least “tactical trust” is necessary to achieve mutual goals.

In the economic realm, for example, the United States and China might need to coordinate actions related to the Euro crisis down the road (though China has not stepped forward with support thus far). Also, China’s supportive policy environment and lower costs make the country an ideal location for clean energy deployment, and some U.S. companies such as Duke Energy are using China as a testing ground to test and deploy new technologies that would take much longer to get off the ground in the United States. Over the past few years China has been one of the only places where U.S. engineers could gain experience constructing new nuclear-reactor technologies such as the Westinghouse AP1000.

Washington also needs China’s assistance on some key national security challenges. Increasing mistrust and uncertainty in the relationship only makes these challenges more difficult. U.S. officials have been moderately pleased with Chinese cooperation on Iran because even though Beijing is not yet supporting stronger U.N. sanctions, China has not expanded major energy investments in Iran and has recently cut oil imports. While a stable Middle East is a shared goal, this restraint is nonetheless significant for a country with the exploding need for energy that China has, and it is a choice that Beijing can easily reverse.

While Bard College professor Walter Russell Mead’s suggestion that Beijing might align with al Qaeda seems misplaced given Chinese concerns about their Uigher

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minority in Xinjiang province adjacent to Pakistan and central Asia, it is not crazy to think Beijing could decide to be less cooperative on an issue such as North Korea's nuclear program, on which it has somewhat different priorities than those of the United States.

Our own insecurity

Americans are feeling insecure about their own economic future as the economy recovers at a slow pace. For some, these concerns are informing a false sense that China's rise portends or is causing U.S. decline. They are also driving an increasing focus on China's unfair actions in the trade realm. These violations do need serious attention and redress on the part of the administration and they are getting it.

The more critical question, however, is how the United States will retool its own economy to thrive in a future world with a greater number of large economies, including China, Brazil, India, Indonesia, and others. No matter how level the playing field is, the United States cannot be successful if its economic team is not in shape.

The United States clearly has to up its game. We've done it before and we can do it again. The good news is that the debate about what to do has finally begun in earnest. Rebuilding a strong and growing middle class means we must preserve and improve our ability to innovate. That means investments in improving primary education—especially math and science— R&D spending, infrastructure, and green energy, among other areas. The bad news is that many conservatives have advocated for cuts in these very areas.

Until America is back on track, continued economic insecurity in our country will lead many Americans to see China as more of a predatory, unstoppable economic engine than it actually is. This misperception will combine with China's insecurity about American intentions, causing, in turn, more Chinese to see America as a predatory, unstoppable political and military machine that wants to contain it. This dangerous dynamic will make for a more tense and less productive U.S.-China relationship.

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What to do?

For reasons discussed above, many in China, for the foreseeable future, will continue to read the steps the United States takes to ensure a stable, peaceful Asia-Pacific conducive to U.S. interests as elements of a containment strategy. Though this dynamic may be unavoidable for now, Washington can and should mitigate Beijing's suspicions by setting them in a broader context of mature, broad, steady relations, or as the official language describes the relationship, "positive, cooperative, and comprehensive."

As China scholar Kenneth Lieberthal explains,

The Obama administration does not seek to confront China across the board. Rather, it has adopted a two-pronged approach: to reaffirm and strengthen cooperative ties with China; and to establish a strong and credible American presence across Asia to both encourage constructive Chinese behavior and to provide confidence to other countries in the region that they need not yield to potential Chinese regional hegemony.

Assurances about the desire for collaboration with a rising China are important even if many or most Chinese do not entirely believe them. At minimum, they provide a counternarrative that could help keep suspicions in check. Thus, it was appropriate for U.S. Under Secretary of Defense for Policy Michele Flournoy to describe the Australia basing decision at a press conference following a meeting with the deputy chief of the People's Liberation Army General Staff in this way:

We assured General Ma and his delegation that the United States does not seek to contain China. We do not view China as an adversary. That these posture changes were first and foremost about strengthening our alliance with Australia... and ensuring that we remain present in the region in a way that is relevant to the kinds of, particularly non-traditional challenges that we face.

Likewise, Tom Donilon, President Obama’s national security advisor, emphasized during the November trip, “This has nothing to do with isolating or containing anybody.”

That said, U.S. officials must continue to raise issues of human rights and political reform in China both in private and in public. While for some Chinese these entreaties may feed the narrative of the United States wanting to undermine China, they are so important to the United States and such a constant in the relationship that any damage they do are outweighed by their benefits. In fact, what is best for the United States and China is a prosperous China that follows international norms and rules, including those regarding human rights.

U.S. officials and so-called “track 2” discussants—independent policy experts who are not affiliated with the government—should also continue conversations with their Chinese counterparts about why the dire predictions of realism—that a dominant power will, inevitably, seek to weaken a rising one—are not convincing in today’s world. Pivotal powers have far more incentives to cooperate and fewer to fight than in the centuries past from which realism gains its insights.

For starters, both the United States and China are nuclear powers and, alone, these weapons pose an overwhelming deterrent to direct military confrontation. Commodities markets also make conquering for land economically pointless, and it would be nearly impossible to occupy a country and make its “knowledge workers” productive at the same time.

Further, the more the United States, China, and other nations cooperate on life-or-death matters of security—among them terrorism, pathogens, and disastrous weather events due to global warming—the higher and more evident the costs of aiming at each other become. This “security interdependence” among big powers is genuinely new.

Economic interdependence has grown far deeper, too. Britain and Germany traded heavily before plunging into World War I, but they did not own major pieces of each other’s economies as America and China do today. Interdependence is no guarantee that peace will prevail, but mutual, deep dependence linked to prosperity raises the stakes of any contest.

Perceptions are likewise important. While the Obama administration’s Asia-Pacific initiatives were masterfully executed, the image of the U.S. Secretary of State on the

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deck of a U.S. warship in Manila Bay could have been somewhat toned down and just as effectively reassured Filipinos of the U.S. security commitment to them.

It is also imperative that the United States and China grow their military-to-military contacts. This is where suspicions on both sides run deepest and where worst-case scenarios are daily bread and butter. What is needed to supplement the various formal policy talks that exist, and the new Strategic Security Dialogue where military and civilians discuss the hardest issues in the relationship, are more programs to create personal relationships between uniformed officers.

Coming together on policy is important for long-term stability and trust, but amicable relationships are a quicker way to ensure a baseline of stability. Unfortunately, this is much easier said than done. There is strong resistance on the Chinese side to developing personal relationships because it leaves individuals who are contacted by U.S. officials vulnerable to the charge of being overly sympathetic to America. It is still worth trying.

The United States and China also need to make some modicum of visible progress on cybersecurity. Because of the massive volume of industrial espionage that Chinese actors are clearly engaged in—though cyberexperts point out that many cyberattacks also originate elsewhere but traverse Chinese servers on their way to their target—the cybersecurity issue is uniting groups in the United States who are frustrated with China on economic grounds with those concerned about China’s military advances.

Chinese officials categorically deny all involvement in cyberespionage and explain that China is also a victim, but suspicious emails of apparent Chinese origin are so commonplace in the U.S. policy community that these denials, even if sincere, are not credible. At the very least, the two sides need to begin the task of helping to develop common rules of the road on criminal hacking and other egregious conduct on which they see eye-to-eye, so that this subject can begin to be broached. It is far too serious to ignore and too politically potent to address only behind closed doors.

The Obama administration should continue its efforts to increase U.S. resiliency to cyberincidents, reduce cyberthreats, and share information among the many U.S. stakeholders on this issue.

Washington must be very careful not to get drawn into a conflict with China over territorial disputes in the South China Sea. It is appropriate to support a peace-

ful, multilateral process for territorial disputes guided by international law, but as Secretary Clinton has made clear, that is as far as the U.S. interest extends. America does not and should not take a position on the underlying substantive claims.

As important as it is to assure U.S. allies in Asia that America is not leaving Asia, there is a line to walk in not creating a long-term set of Asian free riders. In Europe the United States footed defense bills for decades and now Europeans are unwilling to invest in their defense at rates Washington thinks are prudent. Washington has to encourage Asian allies to also invest in their own defense.

In general, when broadening or deepening its military posture in the Asia-Pacific, the United States needs to be acutely aware of the classic security dilemma, a self-reinforcing feedback loop that develops where one side's defensive buildup is read by the other as an increase in offensive capabilities and requires a response. China, for example, considers its anti-access/area-denial capacities to be defensive in nature, but the United States has sought to defend against them in ways the People's Liberation Army sees as offensive. The People's Liberation Army will now, in turn, respond and a spiral of escalation could result.

The United States has to be incredibly rigorous about sorting out the defense investments needed to protect U.S. interests from those generated by corporate and government concerns in search of a new enemy to justify larger contracts and budgets. Also, as Professor Shirk suggests “[W]e should avoid saber rattling. Quiet strength is the best formula for a reigning power to handle the rise of a new power. The less we say about how strong we are—provoking prickly reactions within the rising power—the better.” Moreover, as Michael Swaine of the Carnegie Endowment for International Peace notes:

China's future strategic orientation is susceptible to outside influence, not fixed in stone... Instead of more tough talk and increased defense spending, the United States and its allies in Asia need to grasp the malleable nature of China's strategic intentions and shape a 'mixed' regional approach focused more on creating incentives to cooperate than on neutralizing every possible Chinese military capability of concern to U.S. defense analysts.

As mentioned above, mutually beneficial cooperation is actually happening in the U.S.-China relationship in areas such as clean energy, health, and law enforcement. Local, provincial leaders, mayors, and governors in both countries are in frequent contact. These small steps need to be identified and publicized so officials as well

as the Chinese and American public can better appreciate the downsides of letting acrimony and confrontation rule the day. As of now, very few officials and analysts have the vantage point to appreciate the full breadth of the relationship. The State Department could take the lead in compiling a list of working groups and their most recent accomplishments for publication on its own and various other websites.

The State Department should also consider offering regular conference call briefings by a variety of U.S. government officials with key foreign policy experts in academia and the media, especially with those beyond the Washington beltway, to explain China initiatives and progress, or lack thereof.

Ramping up student exchanges, as the State Department also plans to do, does not help with suspicions in the short term, but it is critical for our future bilateral relationship. Americans and Chinese who spend time in each other's countries are likely to have a more balanced and less suspicious view of the other. Another way to increase cross-cultural understanding is to allow more Chinese tourism in the United States. That could also create U.S. jobs.

The United States has to continue to press China to keep moving to a more domestic consumption-led growth model. It also must keep up the pressure when it comes to unfair trading practices while keeping in mind that constant finger pointing at China can lead to resentment by the Chinese public that makes it more difficult for leaders to act. The main focus should continue to be to make existing bilateral and multilateral forums pay dividends, explaining to the Chinese that if results are not adequate, the United States will take action.

This means taking China to task through the bilateral Joint Commission on Commerce and Trade, the U.S.-China Strategic and Economic Dialogue and, where appropriate, using existing U.S. trade remedies and the World Trade Organization. The Obama administration is currently weighing the pros and cons of bringing a case to the WTO over its undervalued currency, for example.

The United States should also continue to use the Group of 20 as a forum where it can make common cause with other countries with economies that are suffering from some of China's policies, such as China's very slow transition from an export-led growth model to more domestic consumption. America would do well to make its case through and with others, as well as directly.

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Trade disputes notwithstanding, Washington should continue to invite Chinese foreign direct investment that does not trigger national security concerns in order to create American jobs. The United States might lose out to other countries in securing these funds if its policies are not sufficiently clear and welcoming. One area that might benefit from Chinese investment is improving U.S. infrastructure.

Ultimately, though, it will be U.S. investments in its own stronger future, in education and innovation as well as infrastructure that will allow our economy to thrive and our middle class to prosper once more. Ironically, China is taking a page from America's playbook, as a recent CAP report details:

China is now investing in many of the building blocks of innovation-driven economic growth that the United States has all but abandoned over the past several decades. Pick your sector and you'll find China will soon rival the United States in public investments in basic science and education, research and development, or R&D, infrastructure development, and workforce training. What's more, China's leaders have crafted coherent policies and programs in support of domestic manufacturing and services for export abroad and to ensure Chinese companies have the prime positions in China's rapidly growing domestic economy.

The United States needs to renew its commitment to sparking innovation, the crown jewel of the U.S. economy, to rebuild a prosperous middle class underpinned by investments in economic competitiveness. This will be a political challenge. A modest change in the filibuster rules of the Senate would restore the possibility that legislation could move forward with a majority vote. In some cases China's own innovation policies, such as privileging its homegrown technology, will also pose a hurdle.

But it is these investments that will allow the United States to continue to thrive alongside a more prosperous China. Just as important, the economic success that these investments will bring will allow Americans to believe that such a bright future is possible. A confident United States will be best able to negotiate the contours of this new chapter in our nation's foreign policy.

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Conclusion: The big picture

Above all, Americans should not lose sight of the big picture. China is here to stay. Its civilization has been around for thousands of years and will keep on being there, right across the Pacific. Whether it continues to grow stronger, or stumbles from its many internal problems, it is not going anywhere. The United States has to play the long game when it comes to China.

There will be no “final win.” As part of America’s important and enduring role in the Asia-Pacific, we have to get China policy right not just for this month or year, but also for this decade and century. We will be rivals and partners for the foreseeable future. In this way, the U.S.-China relationship is more like an acrimonious marriage than it is like a one-off boxing match. We are interdependent, mutually mistrustful, and stuck with one another for good.

About the author

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Endnotes

See online version at http://www.americanprogress.org/issues/2012/02/china_paranoid.html for hyperlinks to sources in this report.

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