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The Long Game: Chinese Grand Strategy after the Cold War

A dissertation presented

by Rushabh Doshi

to

the Department of Government

in partial fulfillment of the requirements

for the degree

of Doctor of Philosophy

in the subject of

Government

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The Long Game: Chinese Grand Strategy after the Cold War

Abstract

Does China have a grand strategy? If it has one, what is it, what shapes it, and how does it influence Chinese behavior? This dissertation defines grand strategy as the integration of political, military, and economic instruments to achieve security. It uses authoritative Mandarin-language texts and competitive theory testing across all three of these instruments to argue that China has had a grand strategy since the end of the Cold War.

In the process, this dissertation makes three contributions. First, it reviews the two-hundred-year history of the term grand strategy and offers a unifying definition and social-scientific approach to studying it. Second, it describes how rising powers create regional hegemony and why they adjust their grand strategies. Third, it explains several important puzzles in China's military, political, and economic behavior. These include why China delayed investment in the capabilities needed to retake Taiwan; why it joined and stalled institutions before creating its own redundant organizations; and why it pursued trade, investment, and financial policies that contradicted its economic interests.

The dissertation's core argument is that after the Cold War, China sought to "blunt" American power and subsequently to "build" a constraining regional order. Which strategy it emphasized has depended its (1) perceptions of American threat, and (2) perceptions of relative American power. In the early 1990s – when the *perceived U.S. threat* increased after Tiananmen sanctions, Gulf War dominance, and the Soviet collapse – China pursued a

coordinated *blunting* strategy. China used anti-access/area-denial capabilities to keep U.S. carriers at bay at the military level; pursued permanent normal trade relations and WTO membership to insulate itself from U.S. leverage at the economic level; and joined regional institutions to reassure wary neighbors and prevent unilateral U.S. rule at the political level. After the 2008 Global Financial Crisis, the *perceived relative power gap* with the United States shrank, and China shifted to a maximalist *building* strategy to constrain its neighbors across all three policy domains. It pursued power projection capabilities to intervene in the region; used economic instruments to create leverage over neighbors; and built international institutions to set regional rules.

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INTRODUCTION

This introduction summarizes the dissertation and its chapters. It outlines the questions that motivate the project: namely, what is grand strategy, does China have one – and if so, what is it, what variables shape it, and how does it account for puzzling variation in Chinese military, economic, and political behavior? In answering these questions, the dissertation shows why rising powers adjust their grand strategies and the ways in which those strategies can be used to achieve regional hegemony. In summarizing the dissertation's arguments, this chapter discusses *blunting* and *building* grand strategies, shows that these strategies are reflected in core Chinese texts, and demonstrates how they also explain puzzling variation in Chinese behavior better than prevailing political science explanations.

"We're a nation of specialties. We tend to think a problem is either economic or political or military....It is hard for us to understand we have to be able to do military and political and economic...all simultaneously."

- Henry Kissinger, 1958

In mid-1973, China's cosmopolitan premier, Zhou Enlai, met with an American delegation. Zhou was one of the "founding fathers" of modern China, instrumental to the rise of the Chinese Communist Party (CCP) and the moderation of China's foreign policy, as well as the mentor to reformers like Deng Xiaoping. Upon meeting the delegation, the premier called upon the youngest member to step forward and then posed a question to her: "Do you think China will ever become an aggressive or expansionist power?" This was a year of profound optimism in Sino-American relations, following on the heels of historic rapprochement between Beijing and Washington. The young, optimistic American responded, "No." But the Premier shot back immediately: "Don't count on that. It is possible. But if China were to embark on such a path, you must oppose it." Stopping for emphasis, he continued, "And you must tell those Chinese that Zhou Enlai told you to do so!"[1]

It is clear today that China has not followed in the bloody footsteps of the last century's rising powers. But that even Zhou Enlai did not take his country's moderation for granted

[1] Harold Karan Jacobson and Michel Oksenberg, *China's Participation in the IMF, the World Bank, and GATT: Toward a Global Economic Order* (Ann Arbor: University of Michigan Press, 1990), 139.

provides a cautionary note. China's avoidance of German or Japanese forms of expansionism is sometimes taken as a sign that the country itself has modest geopolitical ambitions and no "grand design" guiding its foreign affairs. Instead, the implicit assumption of many is that China's military modernization, economic statecraft, and institutional activism are ad hoc, or at the very least, devoid of any coordination or overarching strategic intentionality. This is an incredibly important assumption, one that guides American foreign policy and academic lines of inquiry. But is it right?

This dissertation subjects that assumption to scrutiny. It asks whether China has a grand strategy; if it has one, what is it, what is it shaped by, and how does it account for puzzling variation in Chinese military, economic, and political behavior?

The project defines grand strategy as a state's theory of how it can best achieve security for itself that is intentional, coordinated, and implemented across military, economic, and political means. Many social scientists are skeptical that such high-level coordination materializes and therefore rarely study grand strategy in a social-scientific way. And yet, even if grand strategies are uncommon, when they do exist they are nevertheless consequential. Prior to the Second World War, Nazi Germany wielded a grand strategy that combined economic coercion against neighbors to disincentive anti-German balancing with targeted military buildups and ideological alignments with fascist states.[2] For its part, the United States pursued a Cold War grand strategy that at times sought to address Soviet power through military investments, aid disbursements like the Marshall Plan, and international institutions including GATT and NATO. Whether China similarly integrates its military, economic, and political statecraft to achieve specific security-minded objectives is an important and unresolved question.

[2] On Nazi Germany's trade policy, see Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkely: University of California Press, 1945).

In answering that question, this dissertation seeks to make three contributions.

1. **Grand Strategy:** The first contribution this dissertation makes is to survey the two-hundred-year history of the term "grand strategy" and offer a unifying definition and social-scientific approach to studying it. Presently, across disciplines such as diplomatic history, political science, strategic studies, military science, and public policy, there is no consensus definition of grand strategy and no clear agenda for studying it empirically.

2. **Rising Powers and Regional Hegemony:** The second contribution this dissertation makes is to explain how rising powers create regional hegemony. It highlights the role institutional and economic instruments play in this process, which is often thought of in narrow military terms. While some theories show how economic and institutional tools help hegemons enhance their power and autonomy, none discuss how rising powers can wield them for the same order-building purposes. In discussing this process, the dissertation also seeks to explain grand strategic adjustment; specifically, when and why rising states shift their strategies from periods of partnership with the hegemon to quiet rivalry and then to outright competition.

3. **Puzzling Chinese Behavior:** The third contribution this dissertation makes is to explain several important puzzles in China's military, political, and economic behavior. These include why China delayed investment in the power projection and amphibious capabilities needed to retake Taiwan; why it joined and stalled institutions before creating and investing heavily in its own redundant organizations; why it was willing to pay heavily for permanent MFN trade status after ignoring it for a decade; and why it pursued trade, investment, and financial policies that contradicted its economic interests.

This dissertation argues that the answers to broader puzzles about the behavior of rising powers – and to narrower ones about China's puzzling military, economic, and institutional behavior – together flow from the country's grand strategy.

THE CROWE MEMORANDUM

The challenge of divining a strategy from a competitor's seemingly disjointed behavior is not a new one. In the years before the First World War, British diplomat Eyre Crowe wrote an important "Memorandum on the Present State of British Relations with France and Germany" that attempted to explain the puzzling behavior of a rising Germany.[3] Crowe was a keen observer of Anglo-German relations with a passion and perspective for the subject informed by his own heritage. Born in Leipzig and educated in Berlin and Düsseldorf, Crowe was half German and joined the British Foreign Office at the age of twenty-one. During World War I, his British and German families were literally at war with one another – his British nephew perished at sea while his German cousin rose to become Chief of the German Naval Staff.

The Crowe memorandum, written in 1907, sought to systematically analyze the wide, complex, and seemingly random range of German foreign behavior and determine its motivations. In order to "formulate and accept a theory that will fit all the ascertained facts of German foreign policy," Crowe argued, "the choice must lie between…two hypotheses."[4]

His first hypothesis was that Germany had a grand strategy to displace British primacy, or what Crowe calls a "conscious-design scheme." This explanation was in part based in a structural understanding of Anglo-German relations, and Crowe explicitly states that "the

[3] I thank Aaron Friedberg for suggesting the Crowe memorandum's relevance to grand strategy. For the full text, as well as the responses to it within the British Foreign Office, see Eyre Crowe, "Memorandum on the Present State of British Relations with France and Germany," in *British Documents on the Origins of the War, 1898–1914*, ed. G.P. Gooch and Harold Temperley (London: His Majesty's Stationary Office, 1926), 397–420.

[4] Crowe, 417.

antagonism" between them may be "deeply rooted in the relative position of the two countries."[5] Crowe continues by noting that "on this view of the case, it would have to be assumed that Germany is deliberately following a policy which is essentially opposed to vital British interests" and is "consciously aiming at the establishment of a German hegemony, at first in Europe, and eventually in the world."[6] In essence, Germany had a grand strategy to supplant Great Britain that was driven by structural anxieties.

But as Crowe admits, "There is…perhaps another way of looking at the problem."[7] This leads to a second hypothesis, which Crowe calls the "semi-independent evolution" scheme, in which German behavior is disjointed and lacking any grand strategy that connects it together. As Crowe argues, it may be that "the great German design is in reality no more than the expression of a vague, confused, and unpractical statesmanship, not fully realizing its own drift." In this view, "Germany does not really know what she is driving at, and that all her excursions and alarums, all her underhand intrigues do not contribute to the steady working out of a well conceived and relentlessly followed system of policy, because they do not really form part of any such system."[8]

For students of Chinese foreign policy, the Crowe memorandum and its two hypotheses for German behavior have an uncanny similarity to contemporary debates about China's intentions and strategy. Henry Kissinger quotes from it in *On China*. Max Baucus, former U.S. Ambassador to China, frequently mentioned the memo to his Chinese interlocutors as a roundabout way of inquiring about Chinese strategy.[9]

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[5] Crowe, 414.

[6] Crowe, 414.

[7] Crowe, 415.

[8] Crowe, 415.

[9] Gideon Rachman, *Easternization: Asia's Rise and America's Decline from Obama to Trump and Beyond* (New York: Other Press, 2017), 48.

What makes the Crowe memorandum so striking is that the very question Crowe grappled with a century ago – whether a rival rising power has a grand strategy guiding its seemingly disparate behavior – is profoundly relevant to American concerns about China today.

As with the Crowe memorandum a century ago, views about whether a Chinese "grand design" exists are contested. Indeed, there is no consistent answer among China scholars as to whether China has a grand strategy. Thomas Christensen argued in 2001 that "many of the means to reach the regime's domestic and international security goals are so fraught with complexity, and sometimes contradiction, that a single, integrated grand plan is almost certainly lacking, even in the innermost circles of the Chinese leadership compound."[10] In contrast, Avery Goldstein argued in 2005 that China does have a grand strategy, and that Beijing "aims to engineer China's rise to great power status within the constraints of a unipolar international system" through great power partnerships and responsible international behavior that together avoid "triggering a counterbalancing reaction" that would encircle China.[11] More recently, Nadège Rolland argued in 2017 that China's Belt and Road Initiative itself "is a grand strategy, coordinating and giving direction to a large array of national resources to achieve a political objective," which she argues is the dream of national rejuvenation.[12] Angela Stanzel, meanwhile, suggests "China has yet to formulate a true 'grand strategy' and the question is whether it wants to do so at all."[13] Similarly, Michael Swaine expresses skepticism that China has a grand strategy at all, and questions whether it seeks to build order and displace the United States:

> Another hugely distorted notion is the now all-too-common assumption that China seeks to eject the United States from Asia and subjugate the region. In fact, no conclusive evidence exists of such Chinese goals. Those who assert it base their arguments either on

[10] Thomas Christensen, "China," in *Strategic Asia 2001–02: Power and Purpose* (Seattle: National Bureau of Asian Research, 2001), 21.

[11] Avery Goldstein, *Rising to the Challenge China's Grand Strategy and International Security* (Stanford: Stanford University Press, 2005), 12.

[12] Angela Stanzel et al., "Grand Designs: Does China Have a 'Grand Strategy'" (European Council on Foreign Relations, October 18, 2017), https://www.ecfr.eu/publications/summary/grands_designs_does_china_have_a_grand_strategy#.

[13] Stanzel et al.

> wild extrapolations from individual actions (such as the extension of Chinese influence in the South China Sea), statements by decidedly not authoritative Chinese observers, or problematic realist-based assumptions about the supposedly open-ended power maximization behavior of large nations. Beijing might eventually adopt such disastrous goals if the Sino-U.S. relationship deteriorates sufficiently, but to assume they already exist is reckless and irresponsible.[14]

Even from this brief review, it should be clear that not only do scholars disagree over whether a grand strategy exists, they likewise lack a common definition of the term, which further complicates the matter.

Like their Western counterparts, Chinese scholars also exhibit a range of views on whether China has a grand strategy. The most high-profile writing on the subject comes from Professor Wang Jisi, former Dean of Peking University's School of International Relations. In 2008, Wang wrote that he does "not deny the importance of a 'grand strategy,' but at present there is no strategy that we could come up with by racking our brains that would be able to cover all the aspects of our national interests."[15] Three years later he was somewhat less sure, writing that "whether China has any such strategy today is open to debate," especially because in his view, "the Chinese government has yet to disclose any document that comprehensively expounds the country's strategic goals and the ways to achieve them."[16] Wang argues one reason he is unsure whether there is a grand strategy is "the variety of views among Chinese political elites [which] complicates efforts to devise any such grand strategy based on political consensus."[17] In contrast, scholars like Chen Dingding argue that China does in fact have a grand strategy.

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[14] Michael Swaine, "The U.S. Can't Afford to Demonize China," *Foreign Policy*, June 29, 2018, https://foreignpolicy.com/2018/06/29/the-u-s-cant-afford-to-demonize-china/.

[15] Quoted in Robert Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 3rd ed. (Lanham: Rowman & Littlefield, 2012), 9–10. See Zhao Lingmin, "Optimistic View of Sino-U.S. Relations - Exclusive Interview with Professor Wang J isi," Nanfeng Chuang, October 8, 2008, 50-53

[16] Wang Jisi, "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way," *Foreign Affairs* 90, no. 2 (2011): 68.

[17] Wang Jisi, 71–72.

SUMMARY AND STRUCTURE

The analytical challenge that these prominent Western and Chinese scholars face is not so different from the one that motivated Crowe more than a century ago, and it is the same one that motivates this dissertation. Importantly, this project not only investigates *whether* China has a grand strategy, but also (1) *what* that strategy is, (2) *which* variables shape it, (3) and *how* that strategy explains certain policy-relevant puzzles in Chinese military, economic, and political behavior.

Argument in Brief

Grand strategy is defined here as a state's theory of how it can best achieve security for itself that is coordinated across military, economic, and political means. Crowe argues that a "grand design" can be divined from texts and behavior. This dissertation builds on that foundation but argues that the existence of a grand strategy is demonstrated through evidence of grand strategic concepts, as reflected in authoritative texts; grand strategic capabilities, as reflected in the existence of coordinating security institutions; and grand strategic conduct, as reflected in puzzling behavior more consistent with grand strategic concepts than other theories. When all three are present, a grand strategy exists.

The bar to a grand strategy's existence is high, and most states are unable to field one. While not all states have grand strategies at all times, I argue that China has had one throughout the post-Cold War, and that it is profoundly shaped by structural factors and its fear of the United States. As scholars such as John Mearsheimer note, rising powers like China often face the threat of an encircling coalition in their region comprised of wary neighbors and an outside power, and a key objective of rising powers is to prevent such coalitions from emerging. At the same time, rising powers also wish to achieve regional hegemony and construct a regional order conducive to their interests – that is, to construct and sit atop a regional hierarchy that combines constraining leverage over neighbors with legitimate authority.

To achieve security and construct hegemony in America's shadow, China has pursued a grand strategy that seeks to reduce U.S. leverage over China and to eventually gather constraining leverage over Beijing's neighbors. These efforts have in large part been sequenced. China's strategies have been initially to *blunt* American power and weaken U.S. hegemony in Asia and then to *build* its own regional hegemony. Which strategy it has pursued has depended on two variables: its perception of American power and threat, or more precisely, on its *perceived relative power gap* with the United States and on the *perceived threat* posed by the United States.

In the early 1990s, the *perceived threat* posed by the United States increased following the trifecta of Tiananmen sanctions, Gulf War dominance, and the Soviet collapse. As a result, China pursued a *blunting* strategy to reduce U.S. constraining leverage over China and avoided overt competition which, given the power differential, would be futile and counterproductive. China used anti-access/area-denial military capabilities to keep U.S. carriers at bay at the military level; pursued permanent normal trade relations with the United States as well as WTO membership to insulate itself from U.S. sanctions at the economic level; and joined international institutions to both prevent unilateral U.S. rule-setting and reassure wary neighbors that it was a cooperative actor at the political level.

After the 2008 Global Financial Crisis, the *perceived relative power gap* with the United States shrank, and China shifted to a maximalist *building* strategy to constrain its neighbors across all three policy domains. It pursued power projection to intervene in the region; built international institutions to set regional rules; and used economic concessions and coercion to tie down neighbors.

Key Questions

The argument above is made using authoritative Mandarin-language sources, an analysis of Chinese national security institutions, and a social-scientific analysis of Chinese economic,

military, and international institutional behavior after the Cold War. It focuses on answering four broad questions related to grand strategy, international relations theory, and specific Chinese behavior.

1) **Question 1: Defining Grand Strategy**
    - What is grand strategy, why does it change, and how can it be studied in a consistent, social-scientific way?
2) **Question 2: Chinese Grand Strategy**
    - Does China have a grand strategy, and if so, what is the content of that grand strategy?
3) **Question 3: Explaining Variation in Strategy**
    - Using grand strategic adjustment as a dependent variable, what explains variation in Chinese grand strategy?
4) **Question 4: Explaining Variation in Behavior**
    - Finally, using grand strategic adjustment as an independent variable, can shifts in China's grand strategy account for simultaneous shifts and puzzling variation in Chinese military, economic, and international institutional behavior better than existing political science theories?

Project Structure

The preceding questions are answered across five dissertation chapters, each of which is summarized below.

1) **Chapter 1 – History, Definition, and Theory of Grand Strategy:** This chapter reviews the two-hundred-year history of grand strategy as a concept. First, it focuses on how it should be defined and puts forward criteria for identifying the existence of grand strategy based on grand strategic concepts, capabilities, and conduct. Second, it examines how rising power grand strategies can be typologized.

Third, it theorizes which variables cause grand strategic adjustment for rising powers and which research methods are most useful in studying Chinese grand strategy. This chapter is intended to answer Question 1.

2) **Chapter 2 – China's Post-Cold War Grand Strategy**: This chapter uses Chinese textual sources to demonstrate that China has a grand strategy based on the criteria listed in Chapter 1. Using authoritative Party texts, it specifies China's grand strategic concepts and establishes that changes in perceptions of American power and threat shift grand strategic concepts, resulting in strategic adjustment. It also discusses China's grand strategic capability through a brief analysis of China's national security institutions. This chapter is intended to answer Questions 2 and 3.

3) **Chapter 3, 4, and 5 – China's Military, International Institutional, and Economic Behavior**: These three chapters will link (a) shifts in Chinese perceptions of American power and threat to (b) shifts in China's grand strategy and in turn to (c) corresponding shifts and puzzling variation in China's military, institutional, and economic strategy and behavior. They will answer Question 2 by showing that Chinese behavior in these three domains is consistent with the observable implications of Chinese grand strategy. They will answer Question 3 by showing how shifts in perceptions of American power and threat affect China's military, economic, and international institutional strategies. Finally, they will answer Question 4 by showing how China's grand strategy better accounts for variation in Chinese military, institutional, and economic behavior than prevailing political science explanations.

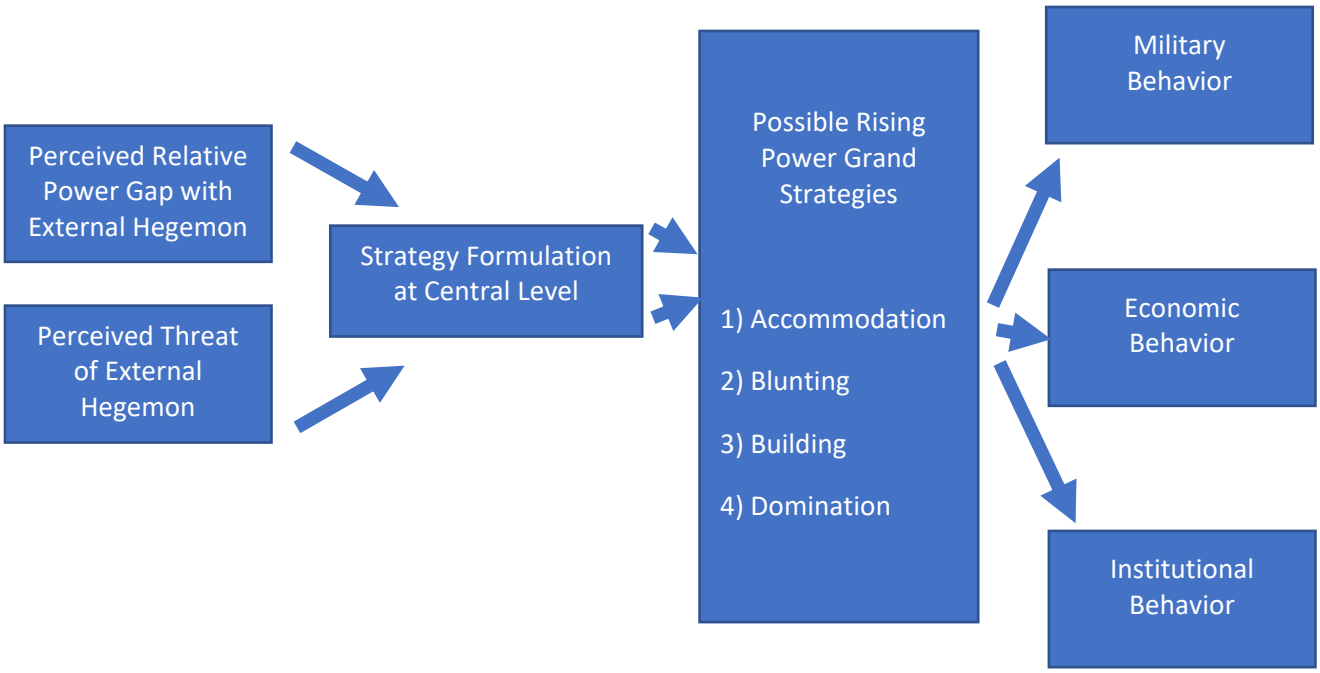


Figure 1: Variables Influence Grand Strategy; Grand Strategy Influences Behavior

The succeeding sections of the introduction now turn to summarize each of the dissertation's main chapters.

DEFINING, STUDYING, AND THEORIZING GRAND STRATEGY

We now turn to the question of how to define grand strategy, how to study it, and how to construct theories of its content and adjustment, all of which is the focus of Chapter 1.

Defining Grand Strategy

Grand strategy, or what Crowe called a "grand design," is often a muddled concept. Scholars either use it without supplying a definition or alternatively put forward an idiosyncratic one that does not engage with the definitions of other authors and that is conveniently fitted to the subject of their study. As Avery Goldstein notes, very few authors have dealt with grand

strategy "as a general concept or theorized about its meaning and significance."[18] As a result, across disciplines as wide as diplomatic history, political science, strategic studies, military science, and public policy there is no clear definition of grand strategy and no clear agenda for studying it empirically. The first chapter of this project considers alternative definitions, puts forward criteria for adjudicating between them, and attempts to produce conceptual synthesis of the term that renders it more appropriate for social science research methods. The essence of that argument is summarized here.

Most definitions of grand strategy fall into one of three categories. The first category – which I call *specific definitions* – essentially restricts grand strategy to a focus only on military means, an approach supported by Barry Posen and Robert Art, but which is so narrow that it essentially converts "grand strategy" into "military strategy." A second category – which I call *broad definitions* – effectively expands the term so broadly that it becomes the use of any means to accomplish any ends, an approach supported by authors like John Lewis Gaddis and Hal Brands, but one that is difficult to differentiate from the term strategy and harder still to study empirically. A third category, which I endorse and defend, argues that grand strategy is an *integrated security theory*. In this view, a grand strategy is intentional; it is a state's theory of how it can achieve security for itself that is intentional, coordinated, and implemented across multiple means of statecraft, which can be categorized broadly as military, economic, and political. This definition also captures the question at the center of making judgments about a rival state's behavior, and the question that was indeed at the heart of Crowe's memo: is seemingly disparate military, economic, and political behavior *intentional* and *coordinated* in a particular way to achieve security?

This definition of grand strategy rests on the definition of the word security, which is admittedly broad. Borrowing from Barry Posen, the term is meant here as a combination of

[18] Goldstein, *Rising to the Challenge China's Grand Strategy and International Security*, 17.

sovereignty, safety, territorial integrity, and power position which in turn is often "the necessary means to the first three." When scholars have written about grand strategy, these are indeed the ends they have primarily had in mind, and they are therefore appropriate to use as the ends of this term.

In sum, grand strategy is an integrated theory of how to accomplish security-related ends across military, economic, and political means.

Studying Grand Strategy

When looking at the wide-ranging, complex, and seemingly random behavior of a state, how do we know whether a grand strategy exists? This is not a new question, and indeed, the very approach that Crowe used a century ago to identify "grand designs" remains relevant even now. As Crowe argued then, German strategic intentions could "be deduced from her history, from the utterances and known designs of her rulers and statesmen" and from "ascertained facts of German behavior" – that is, from careful and methodical analysis of authoritative *texts* and state *behavior*. To Crowe's focus on texts and behavior, we might add one more factor – national security *institutions*. Pulling these research methods together yields a focus on three elements.

- First, we look at g*rand strategic concepts*. Does the state have theories of ends, ways, and means that are meant to produce state security, and that provide a coordinating vision by specifying the role of each instrument? These theories can be ascertained from systematic analysis of authoritative foreign policy texts such as decision-making documents and leadership memoirs.
- Second, we look at *grand strategic capability*. Does the state have coordinating national security institutions that can pull together diverse instruments of statecraft and that are independent enough from society to allow strategic theories and national interests rather than parochial ones to drive foreign policy behavior?

- Third, we look at *grand strategic conduct*. Is a state's military, economic, and political behavior broadly consistent with grand strategic concepts? This can be ascertained by asking whether shifts in grand strategic concepts are accompanied by roughly synchronous shifts in behavior across multiple instruments of statecraft. It can also be ascertained by finding puzzles in military, economic, and political behavior that prevailing theories cannot explain and that grand strategic concepts uniquely can.

In sum then, to determine whether a state has a grand strategy we look at concepts, capability, and conduct through the lens of texts, institutions, and behavior.

In addition, we are not only interested in the content of grand strategy, but also grand strategic adjustment – that is, changes in grand strategy as well as the variables that trigger them. To study strategic adjustment, we look at shifts in concepts and conduct especially.

Finally, it is important to note as an analytic caveat that *not all* rising powers have grand strategies because few have the grand strategic concepts, capability, and conduct to achieve them.

Theorizing Grand Strategy

In order to more precisely study rising power grand strategies, it is useful to typologize them and to offer variables that might trigger shifts between them. That effort first requires a definition of rising powers. This dissertation defines rising powers with a mixture of perceptual and material attributes. Rising powers see themselves, and believe that both their neighbors and external great powers also see them, as "potential hegemons" of a given region on path to perhaps become eventual regional hegemons. A potential hegemon, as John Mearsheimer defines it, is a state with "so much potential power that it stands a good chance of dominating

and controlling all of the other great powers in its region of the world" and "excellent prospects of defeating each opponent alone."[19]

Rising power grand strategies are rooted in security threats that are structural attributes of their rise. Rising powers wish to increase their influence over their region but also fear that their rise will attract the attention of a more powerful external hegemon or trigger regional balancing and encirclement. For a rising power then, the security threat is three-fold: (1) the independent military, political, and economic leverage of a more powerful external hegemon that wishes to prevent the rising power from achieving regional hegemony; (2) the possibility of encirclement by a hostile balancing coalition comprised of wary neighbors and an external hegemon; and (3) the possibility of disorder within the region that leads to the production of security externalities (e.g., terrorism, refugees, etc.) that adversely impact the rising power or invite outside intervention.

The strategies of rising powers in solving these problems are fundamentally shaped by two variables: (1) the size of the *perceived relative power gap* with an external hegemon; and (2) the *perceived threat* from the external hegemon. Conceptual distinctions between power and threat are fraught, but here I mean *perceived relative power gap* to apply to an external power's perceived capacity to harm the interests of a rising power and *perceived threat* to apply to the external power's perceived willingness to actually use that capacity to cause harm. Both variables are measured as high or low. Admittedly, this is a low level of granularity, but it is appropriate because, as Daniel Drezner and others argue, grand strategic adjustment "is like trying to make an aircraft carrier do a U-turn: it happens slowly at best. The tyranny of the status quo often renders grand strategy a constant rather than a variable."[20] Sharp and often discontinuous events are most effectively able to sustainably alter the assumptions upon which

[19] John Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001), 44. Mearsheimer's definition places greater emphasis on military power, but here I do not.

[20] Daniel Drezner, "Does Obama Have a Grand Strategy? Why We Need Doctrines in Uncertain Times," *Foreign Affairs* 90, no. 4 (2011): 59.

grand strategy rests – measuring perceptions as "high" or "low" maximizes variation along each variable since minor adjustments are unlikely to dramatically alter grand strategy.

When these two variables interact, they produce a typology of rising power grand strategies (Table 1). Admittedly, while the scheme was arrived at deductively through a consideration of the structurally-rooted security threats of rising powers, I have not yet determined how well this scheme travels beyond China by applying it to other great powers, but I suspect it also explains Indian grand strategy (with China serving as the external great power threatening India).

Perceived Threat from External Hegemon	Perceived Relative Power Gap with External Hegemon: *High*	Perceived Relative Power Gap with External Hegemon: *Low*
High	Blunting	Building
Low	Accommodation	Dominance

Table 1: Grand Strategies of Rising Powers

When the *perceived relative power gap* is high and the *perceived threat* is low, a rising power tends to *accommodate* an external hegemon within the region on many issues even if its preferences within the region differ from those of the external hegemon. Chinese grand strategy in the 1980s may fall into this category.

When the *perceived relative power gap* is high and the *perceived threat* is also high, a rising power will pursue a *blunting* strategy. A state pursuing blunting is unwilling to fully accommodate the external hegemon because its intentions are perceived as hostile. At the same time, a rising state is unwilling to overtly confront the external hegemon for fear that it will

deploy its superior leverage in response and for fear that overt confrontation will frighten the rising state's neighbors, who may then join a countervailing balancing coalition with the external power. The rising state responds by using "weapons of the weak" to undermine the external state's ability to use leverage against the rising state and to organize a coalition. Chinese grand strategy after the Cold War and until the Global Financial Crisis may fall into this category.

When the perceived *relative power gap* is low and the *perceived threat* remains high, a rising power begins to pursue a *building* grand strategy. This involves efforts by the rising state to more proactively shape regional order by building constraining leverage over its neighbors with a balanced mixture of consensual and coercive instruments and seeking legitimate authority. By doing so, the rising power reduces the influence of the external hegemon, reduces the probability of a countervailing balancing coalition, and increases its ability to shape the region to its interests. The rising power is willing to pursue this more assertive and risky means of order-building because it is less concerned about the leverage of the external state over it and less concerned about the ability of the external state to rally a coalition than under blunting scenarios; nevertheless, it cannot discount these possibilities entirely. Chinese grand strategy after the Global Financial Crisis may fall into this category.

When the *perceived relative power gap* is low and the *perceived threat* is low, the rising power has almost total freedom to *dominate* its region without fear of an external hegemon's constraining leverage and without fear that a balancing coalition will involve the external hegemon. The rising power continues to build regional order – that is, to construct constraining leverage over its neighbors and to gain legitimate authority – but the balance shifts more towards coercion than consensual tools. Chinese grand strategy after a Sino-American grand bargain may fall within this category.

CHINA'S GRAND STRATEGIC CONCEPTS AND CAPABILITIES

Authoritative Chinese texts demonstrate quite clearly that China's grand strategy changed in response to the trifecta of Tiananmen, the Gulf War, and the Soviet collapse and again following the Global Financial Crisis. These arguments, which are the focus of Chapter 2, are summarized here.

Blunting After the Trifecta

Before the Tiananmen Square Massacre, the Soviet Union was the largest security threat to China. As Deng Xiaoping argued in an enlarged Central Military Commission meeting in 1985, "In view of the threat of Soviet hegemonism, over the years we formed a strategic 'line' of defense -- a 'line' stretching from Japan to Europe to the United States."[21] In practical terms, China considered the West its partner in resisting Soviet hegemonism. By the mid-1980s, China began to pursue what Deng called an "independent foreign policy of peace" seeking formal equidistance between the superpowers. In reality however, Chinese military planning focused on the Soviet Union and Sino-American military, economic, and political cooperation remained widespread and deep.

All of this changed after the Tiananmen Square Massacre, which threatened the Communist Party's hold on power and resulted in U.S. sanctions and the end of most military cooperation. Evidence that China began to see the United States as its primary threat is explicit in authoritative documents. Deng's own public comments about the United States changed dramatically. Throughout most of the 1980s, as his Selected Works make clear, Deng would occasionally chide the United States for democratic arrogance or for interference in Taiwan, yet he did not refer to the United States as a threat. After 1989, he was vehement in his denunciations of the United States: "The Western countries are staging a third world war

[21] *Deng Xiaoping Selected Works [邓小平文选]*, vol. 3 (Beijing: People's Press [人民出版社], 1993), 127–28.

without gun smoke," Deng warned in November 1989.[22] Not only was the U.S. responsible, but according to Deng, its objectives were hostile: "In inciting unrest in many countries, they are actually playing power politics and seeking hegemony. They are trying to bring into their sphere of influence countries that heretofore they have not been able to control. Once this point is made clear, it will help us understand the nature of the problem and learn from experience."[23]

These views persisted not only in high-level speeches but also in addresses to the entire foreign policy apparatus to set the line in China's foreign policy, such as the Ambassadorial Conference held every six years or so. For example, four years after Tiananmen, at China's 8th Ambassadorial Conference in 1993, Jiang Zemin offered a sentiment that departed dramatically from earlier Ambassadorial Conference addresses delivered in 1986 and even during the height of Tiananmen in 1989. "From now on and for a relatively long period of time," he made clear to the entire foreign policy establishment, "the United States will be our main diplomatic adversary [对手]."[24] Similar declarations appeared under Jiang's successor, Hu Jintao, who in leaked Party documents from the 17th Party Congress also defined the United States as both China's chief adversary and competitor.

China's grand strategy for dealing with the United States while protecting its regional interests was inaugurated by Deng Xiaoping in the years after Tiananmen. It was in this period that Deng suggested a strategy designed to reduce the risk of American-led balancing or containment and thus secure conditions for China's development. It was encapsulated in a memorable 24-character admonition: "observe calmly, secure our position, cope with affairs calmly, hide our capabilities and bide our time, maintain a low profile, never claim leadership,

[22] *Deng Xiaoping Selected Works [邓小平文选]*, 3:324–27. (Nov 23, 1989)

[23] *Deng Xiaoping Selected Works [邓小平文选]*, 3:347–49. (Dec 1, 1989)

[24] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, vol. 1 (Beijing: People's Press [人民出版社}, 2006), 311–17.

and accomplish something."[25] This was a conscious strategy of non-assertiveness, the core component of which was to hide one's capabilities and bide time, or Tao Guang Yang Hui [韬光养晦]. China did not pursue regional-building enterprises that might unsettle the United States: it did not build a blue-water navy, launch international institutions, or unveil massive economic schemes. Instead, it focused on non-assertively blunting the foundations of U.S. power over China. In a 1992 speech clarifying the concept, Deng Xiaoping declared that only by following Tao Guang Yang Hui "for some years" would China be able to become "a relatively major political power," and linked military and other forms of restraint to the concept.[26] His successors, including both Jiang Zemin and Hu Jintao, on multiple occasions publicly committed to the doctrine as the essential diplomatic guidelines (外交方针) under which the entire foreign policy apparatus was to work and, like Deng, declared repeatedly that adherence to the concept was determined by China's relative power. Tao Guang Yang Hui was a high-level organizing principle for all of Chinese foreign policy behavior with implications for military, economic, and political behavior – in that way, it functioned as a grand strategic concept.

Building After the Financial Crisis

The Global Financial Crisis of 2008 served as a major shock to Chinese perceptions of the United States. In countless official documents, including Ministry of Defense white papers, diplomatic addresses, and Party Congress documents, China essentially declared that the Global Financial Crisis had accelerated the approach of multipolarity – a euphemism for evaluations of reduced U.S. power. As the *perceived relative power gap* fell, Chinese foreign policy scholars

[25] 冷静观察，站稳脚跟，沉着应付，韬光养晦，善于守拙，绝不当头 [Lengjing guancha, zhanwen jiaogen, chenzhuo yingu, taoguang yanghui, shanyu shouzhuo, juebu dangtou]

[26] Leng Rong [冷溶] and Wang Zuoling [汪作玲], eds., *Deng Xiaoping Nianpu [邓小平年谱]*, vol. 2 (Beijing: China Central Document Press [中央文献出版社], 2006), 1346. Full quote, "我们再韬光养晦地干些年，才能真正形成一个较大的政治力量，中国 在国际上发言的分量就会不同。有能力的时候，要搞高科技国 防尖端武器."

advocated for revising or jettisoning Tao Guang Yang Hui. These debates were not necessarily official, but they were vast and largely unified in the necessity of changing the guiding doctrine, and they thus laid the groundwork for the official adjustment that came in 2009 during President Hu Jintao's 11th Ambassadorial Conference. In an address before the entire foreign policy apparatus, Hu declared that China needed to modify Tao Guang Yang Hui and more "actively" or "vigorously" strive for "accomplishing something."[27] This seemingly mundane semantic shift was momentous: Deng's guiding doctrine had been consensus for nearly twenty years, and even a slight modification at such a high-profile forum was a major sign that China was changing its grand strategy. China subsequently began investing far more in blue-water naval capabilities; began creating its own international institutions; and launched massive economic schemes like the Belt and Road – none of which would have been justifiable under Tao Guang Yang Hui.

That this revision in China's grand strategic guideline was intended to be part of an effort to build regional order has gradually become clearer. In several major Party speeches, White Papers, and other authoritative foreign policy documents, China began to put forward a vision for a "Community of Common Destiny" which initiatives such as Belt and Road, AIIB, and China's own power projection navy were intended to help achieve. The "community" also pairs Chinese beneficence with calls for abrogating U.S. alliances, strongly suggesting it is viewed as a framework for inaugurating a Chinese-led order where external great powers have far less constraining leverage.

Grand Strategic Capabilities

[27] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, vol. 3 (Beijing: People's Press [人民出版社], 2016), 234–46.

The discussion above summarizes some of the evidence that China's top Party leaders and institutionalized foreign policy documents shared a grand strategic concept – one that took as its *end* dealing with the United States and securing regional hegemony; that had as its *way* a strategy of conscious blunting and subsequent strategy of building; and saw as its *means* the political, economic, and military instruments under China's control. That strategy was also was influenced by China's *perceived relative power gap* with the United States and the *perceived threat* emanating from it.

A concept alone is not enough for a grand strategy to exist: China also needed national security institutions capable of translating high-level guidance into coordinated foreign policy action – all without being ensnared in parochial domestic or bureaucratic interest group politics. There is strong evidence that China has such institutions and that these institutions generally (though not always) are able to manage narrower interests. These are also discussed in Chapter 2.

Perhaps the chief coordinating institution for China's foreign policy is the Communist Party itself. The highly hierarchical institution also reaches into every part of the state, and when authoritative lines (路线) or guidelines (方针) are promulgated by the Party, they then flow into every ministry. These lines and guidelines function as organizing principles for foreign policy, and the Party not only sets them but also pushes them throughout the state.

Foreign policy behavior is not only coordinated through guidelines, but also through tight centralization. All major foreign policy decision-making is made at the level of the Party General Secretary; the Politburo Standing Committee of generally seven to nine Party members; and the Foreign Affairs Leading Small Group. These extremely small institutions have authority over all agencies and ministries and the military, and in that way, they are able to coordinate multiple instruments of statecraft. Moreover, very little autonomy is delegated to lower-level

officials, who are clearly instructed to follow Party guidelines and severely cautioned against improvisation.

The idea that adjustments in Chinese grand strategy are made at the highest level is explicitly confirmed by several senior leaders in their speeches to the foreign policy apparatus. In an address before the 6th Chinese Ambassadorial Conference, then Premier Zhao Ziyang declared that foreign policy "must be highly centralized" and that all adjustment "must be decided by the Politburo Standing Committee." To the assembled diplomats, he declared that they could "offer suggestions, but they must of course act in accordance with the decisions of the central government. What is most important now is to understand and implement the general intention of the central government and carry out the work."[28] At the 8th Annual Chinese Ambassadorial Conference, President Jiang made the same point. "In external work, the guidelines and policies formulated by the Central Government should be implemented with determination and unswervingly; there cannot be the slightest bit of ambiguity about this."[29] Indeed, "diplomacy is highly centralized and unified," he declared, and must take place "under the guidance of the central government's diplomatic guiding principle [外交方针]" – a reference in part to Tao Guang Yang Hui, which is generally discussed in official texts as China's diplomatic guiding principle.[30] Jiang warned that because "diplomacy is no small matter" that "diplomatic authority is limited" for members of China's foreign policy apparatus, and that all officials must "resolutely carry out the central government's diplomatic guiding principles [外交方针]" and cannot "go their own separate ways."[31] Similar admonitions appear repeatedly in

[28] Zhao Ziyiang Volume 3 p. 218

[29] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 1:315.

[30] Jiang Zemin [江泽民], 1:315.

[31] Jiang Zemin [江泽民], 1:315.

senior-level speeches, and the memoirs of diplomats and military officials strongly suggest extreme deference to central level dictates.

A final consideration is whether China's foreign policy is executed with relative autonomy from society or from the parochial interests of bureaucratic or domestic-political actors. The Party generally has the ability to pursue a grand strategy even when competing public or parochial interests might be opposed to such efforts. With respect to public opinion, foreign policy in China – like in other countries – generally receives less attention than other domestic issues with the exception of sensitive issues like Taiwan. Moreover, the Party's ability to prevent collective action and censor information reduce the effect of public opinion on foreign policy, and even nationalists are sometimes subject to heavy censorship and detention. With respect to parochial economic or bureaucratic interests, the Party's penetration of all state institutions and civil society offer it greater insulation from not only society but also from vested interests than most other states. This is not to say that major decisions are always made in deference to grand strategy, but rather that major decisions involving military investments, international institutions, or the strategic use of economic tools generally are.

In sum, China's highly centralized foreign policy decision-making apparatus, and the use of top-level guiding principles to shape the behavior of relevant agencies and ministries – in part through the Communist Party itself – provides the country with an unusual ability to coordinate grand strategic behavior.

We now turn to an exploration of Chinese military, institutional, and economic conduct.

CHINA'S MILITARY CONDUCT

If China's *perceived relative power gap* with the United States and *perceived threat* from the United States shape its grand strategy, then we should expect changes in those variables to coincide with changes in grand strategy and in turn catalyze changes in its military

strategy and military behavior. Demonstrating this is the focus of Chapter 3, which is summarized here.

When China's *perceived threat* from the United States increased following the trifecta of Tiananmen Square sanctions, the Gulf War, and the Soviet collapse, it led China to pursue a *blunting* strategy that was reflected in its military procurement priorities. China began to emphasize asymmetric anti-access/area-denial weaponry and consciously deprioritized other weapons that would be more vulnerable and less useful against the United States, especially those involved in power projection. Then, as China's perception of the *relative power gap* with the United States fell beginning with U.S. setbacks in Iraq, the Russian invasion of Georgia, and especially the 2008 Global Financial Crisis, China consciously began to invest more in power projection capabilities.

China's grand strategy and variables such as the *perceived relative power gap* and the *perceived threat* offer the best explanation for the variation in its military behavior. Indeed, they better explain variation in China's military investments than other explanations drawn from political science, such as theories of diffusion, adoption-capacity theory, bureaucratic politics, or a focus on contingencies with neighbors. We turn now to a discussion first of Chinese military texts and then Chinese military investments.

Chinese Military Texts

Authoritative Chinese doctrinal texts and memoirs of top military and political leaders reveal that a shift in China's strategy occurred in the early 1990s. Prior to that, throughout most of the 1980s, the Soviet Union constituted an existential threat to China that occupied the full attention of its defense planners. By the late 1980s, a gradual decrease in tension led Chinese leaders to turn their attention more concretely to local wars. In 1985, for instance, Deng Xiaoping officially changed China's strategic outlook and declared that there was no longer a

threat of imminent ground or nuclear war with the Soviet Union. Following this change in strategic thinking, and as part of a more gradual focus on naval affairs and maritime territorial conflicts, the Chinese navy shifted its strategy in 1986 from "Coastal Defense" to "Offshore Defense."

This emerging trajectory in Chinese security policy was not to last, and the trifecta of Tiananmen Square Massacre, the Gulf War, and the Soviet collapse shocked China. Together, these events – which occurred only a few short years from each other – triggered a more concerted effort to focus on PLA modernization, one that was apparently oriented more towards coping with the American challenge. Had the events of 1989 and 1990 not occurred, and had the subsequent decade turned out differently, it is possible China would have pursued a naval and air structure focused on sea control, power projection, and amphibious operations – one consistent with its emerging naval strategy in 1986. It instead pursued one largely focused on denial, consistent with blunting.

Strong evidence of this account can be found in authoritative writings by Chinese leaders who sat on the country's Central Military Commission (CMC), its highest military policy body. In this regard, the biographies, memoirs, and essays of vice chairmen of that body – such as Liu Huaqing, Zhang Zhen, Chi Haotian, Zhang Wannian – all state that a major change in Chinese strategy occurred in the late early 1980s and 1990s due directly to the collapse of the Soviet Union, the demonstration of U.S. high-technology warfare in the Gulf War, and the Tiananmen Square massacre – and that these incidents culminated in high-level meetings to shift Chinese strategy. From 1991 to 1992, the CMC held several meetings to discuss appropriate revisions to China's military strategy due to the growing risk of U.S.-led high technology warfare, with Deng Xiaoping himself backing the findings and President Jiang Zemin intimately involved – including by spending an entire two days at one military study session. These efforts culminated in the rollout of a new military strategy in China's 1993 Military Strategy Guidelines (军事战略方针) meant to institutionalize and promulgate a new strategy focused on asymmetric "assassin's

mace" or "shashoujian" (杀手锏) weapons aimed at the United States. Indeed, Deng Xiaoping himself called for the development of "shashoujian" weapons in the early 1990s within the context of "overcoming the advantages of a superior enemy," and Jiang Zemin took "direct supervision" over the development of these capabilities according to former CMC members. This strategic focus was consistently reiterated in subsequent CMC meetings and five-year plans for weapons development, with CMC vice chairmen suggesting that asymmetric "shashoujian" capabilities would constitute "a trick or shrewd chess move" against high-technology opponents and would provide "strong deterrent power" in "the main direction of military struggle," a reference to the United States. These views resurfaced frequently following repeated demonstrations of U.S. power in the Taiwan Strait, Balkans, and Middle East.

Building asymmetric weapons was expensive, and doing so well required reductions in more conventional capabilities, including those related to power projection. China's highest leaders – including Jiang Zemin – emphasized focusing on shashoujian weapons and not on comprehensive modernization, urging the military to "separate the primary from the secondary," to "catch up in some places but not in others," to "do some things but not all things," and most importantly "whatever the enemy is afraid of, we develop that." These principles were intended to guide military investment, and they were reiterated repeatedly by China's leader as well as members of the CMC from 1993 through to the early 2000s.

In the mid-2000s, following U.S. setbacks in Iraq, Russia's invasion of Georgia, and especially the 2008 Global Financial Crisis, China's military strategy changed again. The admonition to "catch up in some places but not in others" disappeared as top political figures and Central Military Commission leaders actively pursued the goal of comprehensive modernization and power projection. The changes came in part as China grew confident that its collection of mines, missiles, and submarines would significantly complicate U.S. intervention in

Asia, allowing China the freedom to invest in platforms that – while substantially vulnerable to the United States – would nonetheless allow for power projection and amphibious warfare.

Chinese Military Investments

The shift in China's military strategy was matched by its choices in military investment, especially naval investments.

First, one of the most defining decisions for China's force structure was whether to pursue a traditional carrier-based navy, as most naval powers like the United States and even India have done. Although fifteen countries have operated aircraft carriers over the last few decades, China has until recently not joined those ranks because doing so would not have been useful against American capabilities. How can this be explained? Some argue that China could not have acquired carriers, but the reality is that Chinese officials could have built light carriers or purchased and refitted them. Others suggest that the bureaucratic maneuvering of submariners, and not some overarching strategy, scuttled carrier investments, but prominent carrier supporters were at the highest levels of Chinese government and in command of the Chinese navy and could have overruled objections from submariners. Still others might suggest that carriers would not be useful in conflicts with neighbors, but doctrinal authoritative sources make clear China saw carriers as extremely useful if not necessary for these contingencies. The likely reason China did not pursue a carrier, as primary sources suggest, is that it was of limited utility in denial operations against the United States relative to other expensive platforms, especially submarines, and was therefore not an acquisition priority during China's blunting strategy. By the late 2000's, with perceptions of American power falling after the Global Financial Crisis, China embarked on a building strategy. It not only refitted an old Soviet carrier which it launched in 2012, but perhaps more tellingly, began making long-term investments in creating a four-carrier navy – starting construction on two additional carriers as well as a nuclear-powered carrier as well.

Second, an analysis of Chinese surface vessels strongly suggests that China initially prioritized anti-surface warfare – a denial capability – over other capabilities important for sea control, escort operations, and amphibious operations. Specifically, China's high-end and low-end platforms all have highly advanced anti-surface warfare capabilities (ASuW) but rather weak anti-submarine (ASW) and anti-air (AAW) capabilities. Similarly, China went nearly two decades without any significant improvement in mine countermeasure (MCM) capabilities and with only limited improvements in the kinds of amphibious warfare (AMW) capabilities vital to scenarios in Taiwan or in the East and South China Seas. This is challenging to explain. Some might suggest that these capabilities were difficult to acquire; that is true in some cases. But expanding the marines and building transport craft is not prohibitively complex, and more sophisticated anti-air, anti-submarine, and mine countermeasure capabilities were already fielded by other developing countries and could even have been acquired from Russia during the 1990s. Others might explain China's delay in pursuing these capabilities as a product of bureaucratic politics, but there is no clear bureaucratic stakeholder that would benefit from the prioritization of anti-surface warfare over all these other diverse capabilities. Finally, for those who would argue that China's force structure is designed to address local contingencies, the PLAN's relative neglect of ASW, AAW, MCM, and AMW capabilities essential for sea control and amphibious operations is hard to explain, especially since China admits these capabilities are necessary and has overinvested in ASuW capabilities of limited utility in conflicts with neighbors. Instead, as Chinese authors readily note, these anti-surface capabilities are important for deterring or complicating American carrier-based intervention in East Asia. And yet, after the 2008 Global Financial Crisis, patterns in Chinese naval investment sharply shifted. China not only created and expanded a marine corps, it also began building large numbers of Landing Platform Docks, investing heavily in MCM capabilities, and began investing in substantially more advanced ASW and AAW capabilities for its destroyers and frigates.

Third, China has overinvested in denial platforms, especially submarines, mines, and missiles: it has spent handsomely to acquire the world's largest submarine fleet, which it operates in a much smaller area than most modern navies; it has the world's largest stockpile of sea mines and continues to grow it by investing heavily in smart mine warfare; and it has innovated an entirely new class of denial weapon (the ASBM) while equipping virtually every platform with anti-ship cruise missiles. All of this constitutes overinvestment relative to what diffusion-based theories would predict and is difficult for adoption-capacity theories to explain. These capabilities, which China began developing after it revised its military strategy in 1993, do not allow China to control islands or recapture Taiwan, even when viewed as part of a combined operation with China's limited amphibious and sea control capabilities. Again, the best explanation instead is that China has focused on those capabilities that would deny the United States the ability to operate within the region, and this explanation is explicitly confirmed in Chinese doctrinal publications. After the Global Financial Crisis, China continued investments in these capabilities but unmistakably dedicated a large and growing share of resources to power projection and amphibious warfare – a shift in its overall naval orientation away from denial towards control.

In sum, in the 1990s and early 2000s, it was clear that several of the most significant and capital-intensive decisions in Chinese force structure were consistent with an anti-access/area-denial *blunting* strategy even though China had the resources and ability to invest in a different kind of navy, as India and others did. In the late 2000s and 2010s, it began constructing a comprehensive navy capable of power projection and sea control and more suitable to *building* regional order. Together, these choices go a long way to establishing that shifts in perception of American power and threat changed Chinese grand strategy and in turn reshaped China's military investments.

CHINA'S INTERNATIONAL INSTITUTIONAL CONDUCT

China's *perceived relative power gap* with the United States and *perceived threat* from the United States should not only shape its military strategy, but its political efforts – specifically, its participation in international institutions and multilateralism. Demonstrating this is the focus of Chapter 4, which is summarized here.

The behavioral puzzles at the heart of this chapter are four-fold: (1) why did China suddenly join institutions in the early 1990s; (2) why did it sabotage the regional institutions it joined in that period; (3) why did it create and elevate regional institutions that were redundant after the Global Financial Crisis; and (4) why did invest in the institutionalization of Chinese-built organizations after previously stalling alternative institutional efforts. Prevailing realist, liberal, and social theories of international institutions are unable to account for these puzzles, but explanations rooted in grand strategy can.

In the early 1990s, as China's perception of American threat rose, China worked to join and undermine U.S. institutions through a blunting strategy: that is, it joined institutions like APEC and ARF and created the SCO in part to reassure neighbors and thereby neutralize U.S.-led encirclement. Concerned that the United States might use institutions like APEC and ARF to build a U.S.-led regional order threatening to China, another component of Beijing's blunting strategy was to work for years to undermine them in part by thwarting institutionalization. It also committed to the SCO's institutionalization as way of blunting American organizing precepts for the region just as concerns about U.S. influence grew following the U.S. invasion of Afghanistan. This explains the first two puzzles listed above: China joined and stalled institutions to reduce U.S. influence in Asian affairs, and it also suggests an answer to the third and fourth – that China backed institutions it could influence.

After the Global Financial Crisis, China felt that American power was waning and that it would be able to build regional order without facing overwhelming U.S. opposition. It used institution-building to (1) claim regional leadership in part through public goods provision, (2)

set rules and norms, and (3) constrain its neighbors. This strategy took place through the construction of AIIB in the economic domain and the elevation of CICA in the security domain, and Beijing worked hard to institutionalize both – with AIIB serving as the most institutionalized Chinese organization ever. This explains the third and fourth puzzles: China built institutions – even redundant ones – and invested heavily in them because it could control them and shape regional order.

Chinese Institutional Texts

In response to the Tiananmen Square sanctions, the demonstrations of U.S. power in the Persian Gulf, and the Soviet collapse, Chinese officials began to see multilateralism as both an instrument of U.S. power and a way to protect China from the growing threat of American hegemony. In the 1980s, China had not participated extensively in regional multilateral institutions; by the early 1990s, it saw them as an indispensable part of its security strategy.

Chinese texts make clear that a new institutional security strategy was the direct result of the Cold War's conclusion. One of China's first diplomats formally involved in regional multilateralism, Wang Yusheng, served as China's first APEC ambassador. In his recollection of this period, Wang links Chinese multilateralism directly to the post-Cold War. Indeed, he argues it was "only the end of the Cold War" that gave rise to China's focus on regional institutions and that was why "around the beginning of the 1990s, China began to take part in some regional mechanisms."[32] The decision was clearly linked to the shifts of the late 1980s and early 1990s, and followed an internal policy debate. As Wang recounts, "After the collapse of the Soviet Union, after the end of the Cold War, China went through several years of 'calm observation' and careful analysis and study." After this study, Wang argues that Chinese leaders determined that

[32] Wu Jiao, "The Multilateral Path," *China Daily*, June 1, 2011, http://www.chinadaily.com.cn/china/cd30thanniversary/2011-06/01/content_12620510.htm.

"China needed to, and had the capability to, make a certain contribution" to multilateral institutions.[33]

The first way institutions were to be used was to *blunt* American power through constraining its hegemonic prerogatives. The context for these decisions, as Wang notes in his memoir, was the United States' growing threat. Wang notes China's fear that the United States would use institutions to push for liberal trade, liberal political values, and an Asian NATO – fearing these outcomes, Wang set out to oppose institutionalization at every step and sabotage APEC. Zhang Yunling, a scholar intimately involved in establishing China's multilateral strategy, likewise argues that China could use institutions "to work with others to restrain U.S. hegemonic behavior" and had elevated certain institutions like the SCO "that are designed to limit U.S. influence."[34] Similarly, Chinese institutionalist scholar Wang Yizhou made the link between multilateralism and American power explicit: "To be clear, an important reason why China now increasingly values multilateral diplomacy is U.S. hegemonic behavior after the Cold War and its superpower position."[35] At the official level, Vice Foreign Minister Wang Yi gave a 2004 speech entitled "Facilitating the Development of Multilateralism and Promoting World Multipolarization" that implicitly argued that multilateralism could be used to constrain the United States.

A second aspect of China's institutional blunting strategy was not only to sabotage U.S.-led institutions and constrain U.S. freedom of maneuver, but also to use participation within them to reassure China's neighbors and reduce the risk that the United States would be able to pull together a successful balancing coalition. This fear grew in the early 1990s and led to a growing focus within the Chinese government on the so-called "China threat theory," a

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[33] Wu Jiao.

[34] Zhang Yunling and Tang Shiping, "China's Regional Strategy," in *Power Shift: China and Asia's New Dynamics* (University of California Press, 2005), 54,56.

[35]Wang Yizhou, *Quanqiu Zhengzhi He Zhongguo Waijiao [Global Politics and China's Foreign Policy]* (Beijing: Shiji Zhishi Chubanshe, 2003), 274. [add]

euphemism for supposedly unreasonable fears that China might pursue hegemony, and a focus on alleviating Asian anxieties through "neighborhood diplomacy" (周边外交). Indeed, neighborhood diplomacy received considerable attention in Jiang's 14th Party Congress address, the first after Tiananmen. In a memo to the Ministry of Foreign Affairs, Zhang Yunling is unambiguous that this encirclement is China's most grave threat. "In the future, the *greatest challenge* to China's security," he argues, "is how to deal with and address the comprehensive changes in its relationships [with neighbors] caused by the rise in its own power." If this challenge is mishandled, Zhang fears that China will "push itself into a circle of hostility," and "*the most dangerous situation* is the formation of many countries united together to counter China, to carry out the encirclement and containment of China."[36] Zhang writes that multilateralism would solve this problem and allow China to "demonstrate its benign intentions by exercising self-restraint and displaying a willingness to be restrained."[37] Participants on the Track II circuit came to similar conclusions about Chinese intentions. As Susan Shirk argues based on her Track II dialogues focused on institutions and Asian security in the early 1990s, "Although China has a number of reasons for its more positive attitude toward regional security cooperation, the main one is to reduce regional fears about what the Chinese term 'the so-called China threat.'[38] She continues, "Chinese officials and diplomats spend much of their time these days trying to debunk the notion of the "China threat."[39]Authoritative CCP publications on Chinese regional strategy likewise indicate that multilateralism was instrumental, and emphasize that not only did China engage in self-constraint (自我约束) but that it also pursued a

[36] Zhang Yunling Dangdai Yatai 11

[37] Zhang Yunling and Tang Shiping, "China's Regional Strategy," 52.

[38] Susan Shirk, "Chinese Views on Asia-Pacific Regional Securitiy Cooperation," *NBR Analysis* 5, no. 5 (1994): 8.

[39] Shirk, 9.

policy of "accepting constraint" (接受约束) in order to address the "China threat theory" and reassure neighbors.[40]

After the 2008 Global Financial Crisis, China's view on institutions changed. No longer was it necessary to join and sabotage institutions that the United States had sought to lead – that goal had been accomplished. The new task was to build Chinese institutions as instruments for setting regional rules favorable to Chinese order-building. Chinese diplomats and scholars involved with these new initiatives, such as the Asia Infrastructure and Investment Bank (AIIB) and the elevation of the Conference on Interaction and Confidence-Building Measures in Asia (CICA), expressly link these efforts to reassessments of U.S. power. This diplomatic activism was described as a revision to Tao Guang Yang Hui, an emphasis on more "actively" and "vigorously" getting things done, and as part of an effort to create a "community of common destiny" that is implicitly Chinese-led and explicitly free from U.S. alliances. This framing of China's diplomatic initiatives became more prominent during Hu Jintao's 2009 Ambassadorial Conference address; Xi Jinping's 2013 and 2014 conferences on peripheral diplomacy and foreign affairs respectively; in unprecedented state white papers on Chinese security cooperation; and in Xi Jinping's own 2017 Party Congress address.

Chinese Institutional Behavior

A review of five major Chinese institutional involvements provides puzzles that only China's grand strategy, and specifically its pursuit of blunting and then building strategies, can explain.

First, China's earliest major regional multilateral commitment was to APEC. In the wake of the Cold War, and amid growing concerns in Beijing about the power and threat posed by the

[40] 在和平,发展,合作的旗帜下：中国战略机遇期的对外战略纵论 252, Quoted in Suisheng Zhao, "China and East Asian Regional Cooperation: Institution-Building Efforts, Strategic Calculations, and Preference for Informal Approach," in *China and East Asian Strategic Dynamics: The Shaping of a New Regional Order*, ed. Mingjiang Li and Dongmin Lee (Rowman & Littlefield, 2011), 152.

United States, China began to pursue a blunting strategy through APEC. As China's chief APEC diplomat Wang Yusheng makes clear, China feared that the organization – which it perceived as U.S.-led – would ultimately become an instrument of American hegemony in Asia, serving to promote economic liberalization, human rights, and a U.S.-led multilateral security structure – in short, a tool to establish an American regional order detrimental to China's interests. Acting under central level guidance, Wang followed a blunting strategy, seeking to stall APEC by opposing its institutionalization and successfully promoting an "APEC Approach" that prohibited it in the future. Wang, together with other Chinese diplomats, also worked to wield the organization to inoculate itself against American power (especially economic sanctions), all while simultaneously using the unique platform it offered to reassure China's neighbors that Beijing was not a threat. Realist, liberal, and social explanations cannot account for China's decision to join the institution and then reduce its functional capabilities, but grand strategic explanations can.

Second, at roughly the same time China was pursuing blunting in APEC, it was also pursuing it in ASEAN-related institutions such as the ASEAN Regional Forum (ARF). China's participation in these institutions is difficult to explain from a liberal perspective, especially because the institutions lack the ability to monitor military modernization, settle disputes, or criticize members. Like APEC, China saw the institution as a potential instrument of containment and American hegemony, with prominent multilateralists like Zhang Yunling stating that the ARF could be used to "counter China's rising power."[41] In light of these fears, China undermined the mechanisms that would make ARF effective: it opposed blueprints to institutionalize ARF; opposed ARF's role in mediation or fact-finding; opposed regularized intersessional meetings; opposed the creation of a secretariat, etc. Even so, it used the organization's confidence-building measures to critique U.S. alliances and introduced provisions

[41] Zhang Yunling 11

that would uniquely constrain U.S. exercises. In joining the institution, Chinese diplomats nonetheless believed (rightly) that they could reassure ASEAN states, and they used the platform to make economic and political concessions. China's decision to join but oppose the function of the ARF is understandable when considered in light of a blunting strategy.

Third, China and Russia together with five Central Asian states founded the Shanghai Cooperation Organization in 2001. This institution was also part of China's blunting strategy; and although it demonstrates proactive institutionalism, it is important to note that it has not truly been "built," with the institution's main organ, which focuses on counterterrorism (the Regional Counter-Terrorism Structure) receiving an extraordinarily low level of funding. Since the SCO has not been engineered to serve a counter-terror or economic role, liberal explanations fall short in explaining it; instead, the platform is best thought of as a placeholder to prevent U.S. expansion in Central Asia and to reduce the probability that Central Asian states join the United States in encircling China. Records of meetings between Chinese generals and Vladimir Putin make clear these goals, as do SCO statements and coordinating actions that expelled U.S. forces from Central Asia, jointly criticized U.S. influence in the region, demanded a timetable for U.S. withdrawal, provided alternative election monitoring services, and condemned Color Revolutions – all while serving as a platform for reassuring Central Asia through economic and political concessions.

The fourth and fifth cases – AIIB and CICA respectively – concern China's institutional involvements after the 2008 Global Financial Crisis, which ushered a dramatic change in its institutional policy.

AIIB represents a marked departure from China's previous opposition to institutionalization within ASEAN, the ARF, and even the SCO. AIIB is the first major Chinese-led financial institution, "marks China's emergence as an institution-builder," and signifies the

shift from institutional blunting to building in Chinese grand strategy.[42] The bank's existence is puzzling to explain since it represents a departure from Chinese opposition to institutionalization and since it is redundant – other multilateral development banks exist, and China's own state development banks are larger than the World Bank itself – but grand strategic explanations provide a useful explanation. The proposal to launch AIIB came from a highly-influential government-run think tank after the Global Financial Crisis and official writings and speeches declare it as part of China's effort to "provide more international public goods" and link neighbors to China's own economy. China's initial preferences and negotiating positions on institutionalization strongly suggest it wanted the bank as a tool that it could dominate and use to advance its political goals, as well as initiatives like Belt and Road. A nakedly political bank, however, would not be viewed as legitimate by China's own neighbors. Instead, the result was a bargain: China accepted diminished direct political control and greater institutionalization in exchange for legitimacy; Asian states in turn offered legitimacy in exchange for institutionalization, some checks on direct Chinese political control over the bank, and economic benefits. Although the bank is a not a complete tool of Chinese political purposes, it nonetheless can be directed by Beijing to act politically and can serve as a political instrument – indeed, development banks like the Inter-American Development Bank and Asian Development Bank have occasionally served the political aims of their founders even if such service was tempered by inclusive institutionalization. More broadly, and consistent with studies of U.S. hegemonic institution-building AIIB also helps China build order by (1) signaling Chinese leadership through public goods provision; (2) setting rules and norms through reports, indices, conditionality, and other bank functions; and (3) allowing China to constrain its neighbors through the possibility of loan denial.

[42] Jeffrey D. Wilson, "What Does China Want from the Asia Infrastructure Investment Bank?," Indo-Pacific Insights Series (Perth USAsia Centre, May 2017), 4.

Fifth, if AIIB represents a Chinese effort at economic institution-building, then CICA represents a similar effort at the security level. Alternative regional security organizations exist, so it is puzzling why China chose CICA to lead, institutionalize, and embed at the center of discussions about Asian architecture. The reason why makes more sense from a grand strategic perspective. The previously ignored pan-Asian regional organization does not involve the United States or Japan – a rarity in Asian multilateralism – and therefore offers an ideal platform for China to put forward its own security architecture free from the constraining influences of U.S. allies. And as Amitav Acharya observes, initiatives like CICA as well as AIIB "represent the first serious efforts by China to take the initiative and lead in Asian regionalism" since previously "most Asian regional institutions were proposed either by the Association of Southeast Asian Nations (ASEAN), or by other Western powers."[43] Indeed, official Chinese state documents suggest three paths to an Asian security architecture: ASEAN, U.S. alliances, and Chinese-led initiatives like CICA. China assumed the chairmanship of the organization in 2014, and in the speech inaugurating China's leadership, President Xi Jinping explicitly criticized U.S. alliances and advocated making CICA "a security dialogue and cooperation platform that covers the whole of Asia" and the main instrument for exploring "the establishment of a regional security cooperation architecture."[44] To that end, China worked to improve CICA's institutionalization by dramatically increasing the frequency of its high-level meetings; improving the capacity of its secretariat through the kinds of crisis management and emergency mechanisms it opposed in APEC and the ARF; and through creating a variety of CICA ministerials and sub-institutions. CICA provides a number of concrete benefits to China as it seeks to assert its own vision of Asia's regional security architecture. It helps China build a regional order in Asia by (1) promoting Chinese leadership and legitimacy over the debate on Asian regionalism; (2) enabling

[43] Amitav Acharya, "'Alternative' Regional Institutions in Asia? A Cautionary Note," *Georgetown Journal of International Affairs* 2, no. 1 (2015): 3.

[44] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation" (May 21, 2014), http://www.s-cica.org/page.php?page_id=711&lang=1.

China to institutionalize the "community of common destiny" through rules and norms and offer "public security goods" as well; and finally, to (3) provide China with the means to constrain U.S. alliances, which has been a Chinese effort in the institution dating back to 2010 according to leaked Sino-Russian collaborative documents.

CHINA'S ECONOMIC CONDUCT

If China's *perceived relative power gap* with the United States and *perceived threat* from the United States shape its grand strategy, then we should expect changes in those variables to coincide with changes in grand strategy and in turn catalyze changes in its economic strategy and economic behavior. Demonstrating this is the focus of Chapter 5, which is summarized here.

Most forms of economic leverage can be placed into three broad categories adapted and expanded from Susan Strange's approach to economic power: (1) *relational leverage*, which focuses on the manipulation of asymmetric flows in a bilateral relationship, (2) *structural leverage*, which focuses on the manipulation of the international system within which all economic activity takes place (e.g., through secondary sanctions or access to shipping insurance markets), and (3) *domestic-political leverage*, which involves targeted economic inducements or sanctions to domestic-political actors to reshape a state's governance. Across these categories, states can pursue *blunting strategies* to enhance their autonomy from the economic leverage of others and *building* strategies to enhance their economic leverage over others.[45]

In the 1980s, China pursued closer economic ties with the United States and became increasingly dependent on Western technology, investment, managerial experience, and global

[45] This approach is adapted from Susan Strange's two-dimensional approach to economic power. See Susan Strange, *States and Markets*, 2nd ed. (New York: Pinter Publishers, 1994), 24–29.

economic institutions.[46] Despite occasional tensions over Taiwan, Beijing was relatively unconcerned about the strategic implications of its growing dependence on the United States given the shared cooperation against the Soviet threat and did not even seek to make its most-favored nation (MFN) status permanent.

The traumatic trifecta of the Tiananmen Square Massacre, the Gulf War, and the Soviet collapse changed that by increasing the *perceived threat* from the United States. Washington's use of sanctions, its threats to revoke MFN status (which would cripple China's economy), and its use of Section 301 trade tariffs against China raised new concerns in Beijing about its vulnerability to U.S. relational leverage, and blunting these became the focus of Chinese efforts. China not only focused on breaking economic sanctions, it also sought to secure MFN on a permanent basis, known as permanent normal trading relations (PNTR). The goal was not to limit China's dependence on the United States but to reduce the discretionary exercise of U.S. power. It pushed for PNTR bilaterally and by leveraging negotiations in APEC and WTO as well; it also pushed for WTO membership hoping it would further tie Washington's – a belief President Trump has now proven was misguided.

China's economic strategy changed again after the 2008 Global Financial Crisis, which led Beijing to revise downward its perception of *the relative power gap* with the United States and to grow confident about its own ability to set the terms of global economic statecraft. China in this third phrase has shifted away from the second phase's narrower concern with *blunting* American bilateral economic leverage; Beijing began to feel emboldened to *build* alternative arrangements, both to accumulate constraining leverage over its neighbors in Asia (often subsumed under the Community of Common Destiny concept) and to take on American structural power in international by building financial power. Accordingly, China has focused on

[46] Harold K. Jacobson and Michel Oksenberg, *China's Participation in the IMF, the World Bank, and GATT* (Ann Arbor: University of Michigan Press, 1990).

building leverage through (1) the cultivation and manipulation of asymmetric trade, (2) infrastructure investment and financing, and (3) the promotion of an Asian RMB zone as well as financial alternatives to dollar-based systems.

Chinese Economic Texts

Beginning in the late 1970s, top Chinese leaders including Deng had focused on MFN but never thought to push to make it permanent. After the traumatic events of the late 1980s and 1990s, Party documents make clear how much everything changed in economic strategy. Afterward, as Party sources show, Chinese elites began to fear their dependence on the United States; grew to see MFN annual renewal as a form of enduring U.S. leverage over China; and chose to pursue a non-confrontational strategy to neutralize that form of leverage through PNTR and WTO membership – thereby tying U.S. hands in the bilateral economic relationship without reducing the economic benefits of integration.

The Tiananmen sanctions began this process by shocking the Chinese elite. Qian Qichen describes the international sanctions and isolation following Tiananmen Square as "the most difficult time" during his ten years as foreign minister.[47] Similarly, as Li Peng notes in his memoirs, the sanctions on China were akin to the Soviet Union's withdrawal of experts in the 1960s and "affected China's economic development, causing the speed to slow down a bit."[48] Li Peng's memoirs discuss several high-level Party meetings were held to assess the seriousness of U.S. sanctions and MFN revocation – which were seen as dangerous despite Deng's bluster that they were trivial – and to come up with strategies to deal with them.[49] Indeed, as He Xin, a prominent foreign policy adviser to Deng Xiaoping, Jiang Zemin, and Li Peng said in 1993, "The

[47] Qian Qichen, *Ten Episodes in China's Diplomacy*, English (New York: HarperCollins, 2006), 127.

[48] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, vol. 1 (Beijing: Xinhua Publishing House [新华出版社], 2008), 209–10.

[49] Li Peng [李鹏], *Market and Regulation: Li Peng Economic Diary [市场与调控: 李鹏经济日记]*, vol. 2 (Beijing: Xinhua Publishing House [新华出版社], 2007), 926. (1992)

issue of MFN status between China and the United States is a central issue that will determine the rotation of world history."[50] Virtually all Party officials believed MFN revocation or linkage to human rights – as President Clinton had proposed – was not simply about punishment but about containment. Party documents and memoirs involving Jiang Zemin, Premiers Li Peng and Zhu Rongji, as well as top diplomats like Qian Qichen and Li Zhaoxing are unanimous on this point.[51] For example, Li Zhaoxing linked MFN as novel containment tool of the post-Cold War: "After the disintegration of the Soviet Union, some members of the U.S. Congress acting out of ideological bias used MFN as a weapon to counter China."[52] This was a form of enduring leverage because "China had to beg the United States. China must be obedient, otherwise it will be punished by the United States Congress." He asked, "Why did the United States use MFN status to criticize China and coerce China? If this is not hegemonism then what is?"[53]

Despite concerns about dependence on the United States, officials knew China could pursue decoupling if it hoped to develop. As Jiang made clear in his 1993 Ambassadorial Conference address to the foreign policy apparatus, "Whether Sino-US relations can be stabilized often affects everything. The United States is still our principal export market and an important source for our imported capital, technology, and advanced management experience. Protecting and developing Sino-U.S. relations is of strategic importance to China."[54] The goal had to be to repair ties, and in so doing, end the sanctions, make MFN permanent, join the WTO – and thereby reduce U.S. discretion over the economic relationship. Jiang believed that "the United States out of consideration for its…fundamental economic interests will have to focus on

[50] He Xin [何新], *Selected Works of Hexin on Political Economy [何新政治经济论文集]* (Beijing: Heilong Jiang Education Publishing House [黑龙江教育出版社], 1995).

[51] Li Zhaoxing 034-035; Qian Qichen 308-309

[52] Li Zhaoxing [李肇星], *Shuo Bu Jin De Wai Jiao [说不尽的外交]* (Beijing: CITIC Publishing House [中信出版社], 2014), 47.

[53] Li Zhaoxing [李肇星], 47–48.

[54] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 1:312.

our country's vast market,"[55] and China could therefore leverage ties with the U.S. business community to get these concessions. Chinese leaders even decided to use multilateral forums, such as APEC and the WTO, to push for PNTR – and were eventually successful in securing MFN and joining the WTO.

After the 2008 Global Financial Crisis, top Chinese texts evince a shift away from *blunting* American power to *building* constraining economic leverage within the region, which accompanied Hu's revision of Tao Guang Yang Hui and his stressing of "Actively Accomplish Something." Hu's 2009 speech elevated peripheral diplomacy, stressing that after the crisis "our country's influence on the periphery has been further expanded."[56] Hu declared that China "must *more actively* participate in the formulation of international rules" and institutions, anticipating the eventual creation of AIIB and leadership of CICA. On financial issues, he declared China "must *more actively* promote the reform of the international economic and financial system," which that year led to new efforts to promote monetary diversification away from the dollar as well as parallel financial structures and the promotion of an RMB zone. Finally, he proposed robust infrastructure investment as a part of Chinas' economic strategy. "In particular," and anticipating the later Belt and Road Initiative, Hu declared that, "we must actively participate in and vigorously promote the construction of surrounding highways, railways, communications, and energy channels in the periphery to form a network of interconnected and interoperable infrastructure around China."[57] In short, trade, infrastructure, and monetary diversification were all core elements of China's more active economic strategy. These instruments were folded into the concept of a Community of Common Destiny, which in its 2011 debut stressed the importance of "mutual dependence" as well as "intertwined" and

[55] Jiang 312

[56] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:234.

[57] Hu Jintao [胡锦涛], 3:241.

"interconnected" interests, which in practical terms effectively would mean asymmetric dependence on China given its size. These themes fund even greater expression in President Xi's 2013 Work Forum on Peripheral Diplomacy, his 2014 Central Foreign Affairs Work Forum, and his 2017 speech at the BRI Forum – all of which stressed trade and infrastructure (e.g., BRI and AIIB) as part of China's effort to build a Community of Common Destiny. Efforts this ambitious to shape regional economic order has not been undertaken by China prior to 2008.

Chinese Economic Behavior

China's blunting and building strategies can be seen not only in its leadership texts but also in its behavior. Admittedly, not all Chinese activities in the economic realm were undertaken solely for strategic interests. In some cases, the two motivations run parallel; in others, China's economic activities had real economic costs that suggest strategic motivations were the driver.

First, China's pursuit of MFN and PNTR was motivated by a desire both to protect China's economy but also to neutralize U.S. leverage over China. As the textual evidence shows, Chinese leaders clearly saw MFN's annual renewal as a form of U.S. containment and strategized how to end it. The effort took ten years and constant top-level attention and was the clear focus of China's economic policy during this period.

The second, third, and fourth cases discuss China's focus on economic building through trade, infrastructure, and finance.

The second case is China's cultivation or exploitation of asymmetric trade relations with its neighbors. China's famously generous trade agreement with Taiwan, especially through the Economic Cooperation Framework Agreement (ECFA) is a key example. After the crisis, as Taiwan's economy struggled to recover, Beijing cut tariffs on 539 categories of Taiwanese exports worth $13.8 billion annually while Taipei only cut tariffs on 267 categories of Chinese exports worth $2.9 billion; it also made its concessions immediately while allowing Taiwan to

phase its concessions over time.[58] As Wen Jiabao admitted, China "will let the people in Taiwan benefit more from the ECFA….that is because we are brothers."[59] Similarly generous agreements were signed with the Maldives, which sits astride sea lanes that Beijing fears are vulnerable to Indian or American interference. When European tariffs increased on fish exports from the Maldives, the island country's top export, China promptly offered to import the fish instead, which would provide significant relief to the island's economy.[60] In addition to cultivating asymmetric dependence, China also exploited it. Since the Global Financial Crisis, China has wielded that leverage against Japan over the East China Sea, Norway over the Nobel Prize, Taiwan over its elections, the Philippines over the South China Sea, Mongolia over a Dalai Lama visit, and South Korea over THAAD, among other cases.[61] These efforts have accompanied a change in China's domestic discourse on the appropriateness of economic coercion that also followed the crisis.[62] Finally, aside from bilateral leverage, China has sought to reorganize multilateral trade I n Asia. After Washington pushed TPP, China backed RCEP as its alternative template for regional integration; after Washington withdrew from TPP, China saw RCEP as something it could lead, that would enhance China's economic and political position within the region, and that would further make China essential to Asian economies – thereby offering it bilateral and structural leverage across the region.

The third case is infrastructure investment. BRI in particular creates several forms of leverage. On the relational side, it creates leverage over loan repayment as well as maintenance and connectivity that produces greater trade asymmetries. For example, Pakistan, Sri Lanka,

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[58] Ibid.

[59] Wen Jiaboa, "Wen Zongli da zhongwai jizhe wen [Premier Wen Answer's Foreign Reporters' Questions]," Ningbo.gov.cn, http://www.nbfao.gov.cn/News_view.aspx?ContentId=2070&CategoryId=46.

[60] https://asia.nikkei.com/Economy/China-Maldives-trade-pact-catches-India-off-guard

[61] Peter Harrell, Elizabeth Rosenberg, and Eduardo Saravalle, "China's Use of Coercive Economic Measures" (Washington, DC: Center for a New American Security, 2018).

[62] James Reilly, "China's Unilateral Sanctions," *The Washington Quarterly* 35, no. 4 (2012): 121–33.

and the Maldives are already struggling to pay back loans to China; with the latter two countries having offered a port and islands respectively for loan forgiveness. With respect to trade, Xi has discussed how infrastructure investment and AIIB would "speed up the connection of infrastructure between China and our neighboring countries" and "create a closer network of common interests, and better integrate China's interests with [neighbors], so that they can benefit from China's development," though this would presumably also strengthen China's economic leverage. On the structural side, BRI gives Beijing operational control over the ports that function as choke points in maritime trade as well as the ability to set standards that might make it hard for Asian economies to diversify to other powers. For example, Beijing operates Sri Lanka's port of Columbo through which more than thirty percent of India's maritime trade is processed, offering a possible veto point over it that is difficult to adjust. Countries whose ports are operated by Beijing may similarly have less ability to set the agenda in their bilateral ties with Beijing. Finally, on the domestic-political side, BRI creates opportunities for bribery and domestic-political meddling. China Harbor has directly paid members of Sri Lanka's Rajapaksa government; other Chinese SOEs have been found guilty of bribery in Bangladesh and Malaysia, and are suspected of directly paying the ruling family in the Maldives. In some cases, this has pulled countries like Sri Lanka, Bangladesh, and the Maldives away from India. Finally, on the military side, as senior PLA officials have acknowledged, BRI creates the possibility of access and bases for Chinese naval vessels and many port projects are dual-use.

Fourth, China has sought to build alternatives to dollar infrastructure to reduce its vulnerability to U.S. sanctions as well as to promote and create an RMB zone in Asia that would offer it financial leverage over its neighbors. China has sought to create a regional currency zone and promoted its own currency within Asia ever since the Financial Crisis, often through swap agreements and new renminbi infrastructure. By 2015, the RMB constituted 30% of all transactions between China and an Asian state, which made it the main currency in regional

trade with China – outstripping the dollar, the yen, and the euro.[63] If much of Asia becomes an effective renminbi zone in the next decade or more – a stated Chinese objective – then some of the instruments of American financial power could be wielded by China against its neighbors. Those neighbors would need access to the renminbi system, payments infrastructure like CIPS, and Chinese banks – all of which China can control. In addition, China has built institutions to bypass the dollar and weaken its position. Top Chinese leaders including have supported monetary diversification away from the U.S. dollar at multilateral forums like the G20, encouraging adoption of SDR and reduction in central bank holding of dollars. Moreover, after the West cut Iran off from SWIFT, China launched the China Interbank Payments System (CIPS) that creates a messaging system parallel to that run by SWIFT's, providing China a way to avoid reliance on the Western-dominated system. In addition, almost immediately after the crisis, China pursued an alternative credit rating agency to challenge the dominance of the "Big Three" U.S. raters, which were seen after the Global Financial Crisis as having the power to shape capital flows and precipitate currency crises, as in Europe.

CONCLUSION

This introduction shows that grand strategy is defined as the coordination of multiple instruments of statecraft in service of a state's security theory, and that for rising powers, the end of grand strategy is regional hegemony. Rising power grand strategies are, at least in China's case, shaped by concerns about the power and threat of external hegemons. For China, as concerns about American threat rose, its leaders pursued a long-term strategy of non-assertiveness designed to blunt American power through anti-access/area-denial military investments; through joining regional institutions to reassure neighbors and contest unilateral U.S. rule-setting; and through efforts to insulate itself from American economic statecraft

[63] James Kynge, "Renminbi Tops Currency Usage Table for China's Trade with Asia," *Financial Times*, May 27, 2015, https://www.ft.com/content/1e44915c-048d-11e5-adaf-00144feabdc0.

through the WTO. Then, as China reduced its estimate of U.S. power after the Global Financial Crisis, it pursued a more assertive strategy for building regional order. This involved pursuing a navy with power projection and amphibious warfare capabilities; creating its own international institutions and using them to set Asia's economic and security rules; and wielding economic tools to tie down neighbors through concessionary trade and infrastructure and alternative financial infrastructure. In short, China has shifted from a grand strategy focused on reducing constraining American leverage over China to one that allows it to build constraining leverage over its neighbors.

CHAPTER 1: GRAND STRATEGIC DEFINITIONS, THEORY, AND METHODS

This chapter defines grand strategy as a state's theory of how to achieve security that is intentional, coordinated, and implemented across military, political, and economic instruments. It argues that this definition is the best foundation for social-scientific research on grand strategy and that grand strategy's existence can be identified by focusing on grand strategic concepts (in texts), capabilities (in institutions), and conduct (in behavior). The chapter also links the concept to the literature on rising powers by putting forward a typology of rising power grand strategies. It demonstrates that selection of a rising power grand strategy depends on (1) the *perceived threat* posed by the hegemon and (2) the *perceived relative power gap* with the hegemon. Finally, the chapter shows that close review of authoritative Chinese texts and a social-scientific analysis of Chinese behavior can together be used to answer the dissertation's core questions.

INTRODUCTION

Grand strategy matters because it is useful to policymakers and essential to good statecraft. But what is it? This chapter argues that grand strategy is an *integrated security theory*. In the familiar military framework of ends, ways, and means, grand strategy is a theory or *way* of coordinating multiple *means* of statecraft – military, economic, political – in order to achieve the *end* goal of security.

As a theory, grand strategy helps make the world sensible. Hal Brands notes that grand strategy **"**provides statesmen with the 'heuristic power' needed to address the day-to-day demands of global diplomacy," that is, to make sense of a complex world.[1] It is also a "reductionist discipline" because "it impels leaders to impose a sense of order on a stubbornly complex international environment. Officials who are doing grand strategy do not view world events purely on their own terms; they interpret these events through the prism of the priorities they have set and the chief threats they perceive."[2]

[1] Hal Brands, *What Good Is Grand Strategy? Power and Purpose in American Statecraft from Harry S. Truman to George W. Bush* (Ithaca: Cornell University Press, 2014), 6.
[2] Brands, 11.

This chapter places security threats at the center of grand strategy and critiques other competing definitions, especially narrow military-focused ones and broad inclusive ones. It argues that military-focused definitions of grand strategy overlook the fact that multiple non-military means can be used to achieve security; similarly, broad and inclusive definitions argue that grand strategy is the use of all means to achieve all possible ends, but fail to realize that grand strategy is fundamentally about the end of security. In contrast, this dissertation argues that grand strategy is the use of wide-ranging means to achieve security. In China's case, high-level officials believe that the primary security threat is American power in Asia and the end of Chinese grand strategy is to achieve security by addressing it. The means include military, economic, and political tools. The strategy itself – the *way* these tools are used – has been first to blunt American power when China's *perceived threat* from the United States was high; and then to displace American power with a Chinese-led order when China's *perceived relative power gap* with the United States was low. Together, these two approaches have constituted China's post-Cold War grand strategy.

Grand strategy can be useful to states like China that are dealing with prominent security threats by helping them address a number of fundamental challenges in the international system: (1) scarcity – an inevitable gap between limited resources and myriad goals and threats, (2) complexity – diverse and multifaceted developments that could drive policymaking to confusion and incoherence, and (3) competition – opposing states or groups whose strengths and weaknesses call for purposeful thinking and that are the sources of security threats. Not all governments handle the scarcity, complexity, and competition of the international system well, but without grand strategy, they cannot handle it at all. Indeed, states without a grand strategy have more ad hoc policies in their military, economic, and political domains driven by reactivity as well as parochial and vested interests, and these instruments are not coordinated in pursuit of any national-security objective.

To clarify what is meant by the term grand strategy, this chapter is divided into three sections. The first defines grand strategy, discusses the historical evolution of the term, and then adjudicates among competing definitions. It also discusses how to study grand strategy and argues its existence is demonstrated through evidence of grand strategic *concepts*, as reflected in authoritative texts; grand strategic *capabilities*, as reflected in the existence of coordinating security institutions that can overcome parochial interests to pursue national ones; and grand strategic *conduct*, as reflected in puzzling behavior more consistent with grand strategic concepts than other theories. The second section focuses on theorizing rising power grand strategies by offering a typology of rising power grand strategies and underscoring the key independent variables that cause grand strategic adjustment. For a rising power, these independent variables are (1) the *perceived threat* from the hegemon and (2) the *perceived relative power gap* with the hegemon, and when they change (often through sharp discontinuities), they trigger strategic adjustment. The third section of this chapter discusses the research methods used to study China's grand strategy. These include (1) authoritative Mandarin-language textual sources, and (2) a social-scientific study of Chinese military, economic, and institutional behavior rooted in counterfactual reasoning and hypothesis testing.

After discussing what grand strategy is and how it can studied, this dissertation will build on the foundation established here in subsequent chapters. These chapters will extract Chinese grand strategy from textual sources and then analyze Chinese military, political, and economic texts and behavior.

DEFINING GRAND STRATEGY

We begin first with definitions: how should we define grand strategy? This section discusses the difficulty of finding a definition of grand strategy, puts forward a set of criteria that can be used to adjudicate between competing definitions, charts the historical evolution of the term, and then ultimately defends one approach while critiquing others.

Definitional Difficulties

Grand strategy is a term that is frequently used but rarely defined. It is perhaps "one of the most slippery and widely abused terms in the foreign policy lexicon."[3] In modern writings, grand strategy is misused in two ways. In the first case, authors offer no definition of grand strategy at all. In the second, authors do produce a definition, but they put forward an idiosyncratic one that does not engage with the definitions of other authors and that is conveniently fitted to the subject of their study. In contrast, as Avery Goldstein notes, very few authors have dealt with grand strategy "as a general concept or theorized about its meaning and significance."[4] The result is that – across disciplines as wide as diplomatic history, political science, strategic studies, military science, and public policy – there is no clear definition of grand strategy and no clear agenda for studying it empirically.

This lack of clarity poses a serious problem for scholarly and policy writing. As Hal Brands argues, contradictory definitions of grand strategy leave us with discussions that "are often confused or superficial" and that "muddle or obscure more than they illuminate."[5] If grand strategy is to become a stable concept with academic utility and broad policy application, it will require more authors to debate its definition and to survey its wide-ranging literature in search of conceptual synthesis. That task is the focus of this section, which engages with past views and puts forward a unique definition of grand strategy. Without a consensus definition, no social-scientific agenda can be readily constructed around grand strategy.

Defining grand strategy begins first with the acknowledgment that there already several dozen competing definitions of the term. It is neither efficient nor analytically necessary to discuss each definition in isolation; instead, a better approach is to typologize contemporary

[3] Brands, vii.

[4] Goldstein, *Rising to the Challenge China's Grand Strategy and International Security*, 17.

[5] Brands, *What Good Is Grand Strategy?*, vii.

definitions of grand strategy and then adjudicate among the categories of that typology. The most efficient typology will categorize definitions not on their random or arbitrary analytical appendages (i.e. is grand strategy for large states or small states; is it a wartime or peacetime construct?), but instead on the major differences at the very center of the term. In this case, major differences in definitions of grand strategy emerge from the word strategy itself – which is a way of combining ends, ways, and means. Competing definitions of grand strategy can be reduced to questions of the *scope* of these terms – that is, to questions of how inclusively or how narrowly each definition approaches the ends and means of grand strategy.

Using this approach, almost all contemporary definitions fall in one of three categories. The first category – which I call *specific definitions*– essentially restricts grand strategy to a focus only on military means, an approach supported by Barry Posen and Robert Art. A second category – which I call *broad definitions* – effectively expands the term so broadly that it becomes the use of any means to accomplish any ends, an approach supported by authors like John Lewis Gaddis and Hal Brands. A third category, which I endorse and defend, argues that grand strategy is an *integrated security theory*. In this view, a grand strategy is a state's theory of how it can achieve security for itself that is intentional, coordinated, and implemented across multiple means of statecraft, which can be categorized broadly as military, economic, and political.

This definition raises yet another question: what does it mean for a state to pursue security? Barry Posen offers a four-part definition that we may apply here: "Security has traditionally encompassed the preservation of sovereignty, safety, territorial integrity, and power position – the last being the necessary means to the first three."[6] He defines these in the following way:

> Sovereignty is a nation state's ability to make its own national decisions in its own way. Territorial integrity is largely self-explanatory, though neighboring states often dispute where precisely a boundary is to be drawn. Power position is the sum total of a state's

[6] Barry R. Posen, *Restraint: A New Foundation for U.S. Grand Strategy* (Ithaca: Cornell University Press, 2014), 1.

> capabilities relative to other states, which permits the state to defend sovereignty, territorial integrity, and safety against threats by other states....[7]

When scholars have written about grand strategy, as we will see, these are indeed the ends they have primarily had in mind, and they are therefore appropriate to use as the ends of this term. A grand strategy, then, is an integrated theory of how to accomplish these security ends across military, economic, and political means.

Defining grand strategy as an "integrated security theory" brings it into conflict with the first and second definitions discussed previously. Unlike *specific definitions,* the third definition (i.e., the definition offered here) argues that grand strategy's means extend beyond military considerations; unlike *broad definitions,* the third definition argues that grand strategy's ends are not open-ended but security-related.

The existence of multiple definitions of grand strategy within this typology raises a question: how do we adjudicate among them? The process of adjudicating among competing definitions constitutes what David Baldwin called "conceptual analysis" in his study of the term interdependence, and it is based on the idea that scholars are not "free to define terms arbitrarily, without explanation or justification."[8] Although some may find conceptual analysis tedious, Felix Oppenheim explains why it is quite necessary: "the elucidation of the language of political science is by no means an idle exercise in semantics, but in many instances a most effective way to solve substantive problems of political research."[9] Socrates apocryphally puts this point in somewhat more majestic terms: "The beginning of wisdom is the definition of terms." The term grand strategy has largely escaped such scholarly scrutiny, hindering a focus on substantive research problems. Drawing from criteria offered by Thomas Malthus, Felix

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[7] Posen, 3.

[8] David Baldwin, "Interdependence and Power: A Conceptual Analysis," *International Organization* 34, no. 4 (1980): 472–73.

[9] Baldwin, 472–73.

Oppenheim, David Baldwin, and others, I argue for a four-fold approach to selecting a definition for grand strategy.

First, the definition of grand strategy should reflect the *historical evolution* of the term. This involves identifying whether a teleological assumption can be made about the term's evolving meaning – that is, has the term been converging over time to a particular meaning. Second, the use of grand strategy as a scholarly term requires it be understood in its broader *academic context*, which in this case is security and strategic studies. Third, the term grand strategy should be *conceptually unique* from other important terms, such as foreign policy or strategy, otherwise there is no point to using it at all. Fourth, the term's definition should be a *baseline* that lies underneath its most common uses and avoids ad hoc addendums that are unnecessary or contradictory. It should, in other words, be an intersection of prevailing definitions rather than their union.

I argue that a definition of grand strategy as an *integrated security theory* best satisfies these criteria. In the two succeeding sections, I do this in two ways. First, I trace the historical evolution of the term grand strategy. Second, I show how defining grand strategy as an *integrated security theory* best tracks the term's historical evolution, adheres to its academic context, demonstrates conceptual uniqueness, and constitutes a useful baseline definition while *specific definitions* and *broad definitions* fail to meet these criteria.

Historical Evolution of the Term

The evolution of the term grand strategy over the last two hundred years exhibits a clear pattern from a focus on narrow military means to broader integrated means, all while continuing to treat the fundamental end of grand strategy as security. Grand strategy first emerged as a term associated with military strategy and troop formations. But as strategists and scholars watched the emergence of the modern industrial state and its widening range of capabilities and instruments – and as they reflected on the widening nature of great power

competition following the First and Second World Wars – they broadened their conception of the means of grand strategy from military to other tools, even as they continued to see it essentially as practical theory of how to achieve security.

The history of grand strategy must begin with a discussion of the word strategy itself, which began as a military term. This word has a puzzling history lineage, as early as three hundred years ago, it did not really exist – even though the Greeks had used it in antiquity. For the Greeks, *strategia* referring to "the means by which the general may defend his own lands and defeat his enemies" and *taktike* was concerned with the "the science which enables one to organize and maneuver a body of armed men in an orderly manner."[10] This conceptual framework and its now familiar relationship between strategy and tactics (i.e., strategy directs tactics) was then forgotten until a French soldier and scholar translated an old Byzantine military treatise in the eighteenth century. Soon after, the word strategy spread in French circles and then migrated to German and English ones. It was eventually summarized and modified by the famous Prussian general and military theorist Carl Von Clausewitz in the nineteenth century: "Tactics is the art of using troops in battle; strategy is the art of using battles to win the war."

The martial origins of the word strategy directly affected the evolution of the term grand strategy, and the earliest renderings of that term focused on military matters rather than on broader questions of statecraft. Grand strategy emerged in French writings as a shorthand for Napoleonic generalship and generally referred to the maneuver of troops, the identification of advantageous troop positions, as well as the exploitation of decisive or weak points in the map or in enemy formations.[11]

[10] Quoted in Beatrice Heuser, *The Evolution of Strategy: Thinking War from Antiquity to the Present* (Cambridge: Cambridge University Press, 2010), 4.

[11] Lukas Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)" (University of Reading, 2014), 40–60. Lukas notes other definitions also persisted, but these were not widespread. Some Civil War

This narrow Napoleonic conception of grand strategy did not last, and in the wake of Alfred Thayer Mahan and Julian Corbett's prominent writings on naval strategy in the late nineteenth century, the term grand strategy gradually evolved into a more modern form. Mahan and Corbett wrote at a time of dramatically increasing commerce and interdependence, and the growing prominence of these economic factors in statecraft led them to expand the definition of strategy by (1) focusing not only on military but also non-military and especially economic instruments of statecraft, and (2) by adhering to Clausewitzian theorizing and considering not only victory and defeat but how best to achieve the ultimate *ends* of war itself.[12] Both of these features are clear in Corbett's definition of grand strategy, which included military, economic, and political means: "Grand strategy…. looks on war as a continuation of foreign policy. It regards the *object* of the war and the *means* of attaining it. It handles *all the national resources* together, Navy, Army, Diplomacy and Finance."[13] Through their consideration of such matters as maritime commerce, interdependence, interdiction, and economic strength, Mahan and Corbett drew inspiration from the changing role of the state and thus arrived at a view of strategy that was much broader than the Napoleonic version.

The broadening of grand strategy continued into the twentieth century with two of its most prominent scholars, John Fuller and Basil Liddell Hart. As they grappled with the horrors of World War I, these authors built upon the wider approach to strategic studies that Mahan and Corbett pioneered and decisively shifted the term in a modern direction. First, Fuller and Hart departed from the Napoleonic focus on military instruments and, like Corbett, saw grand strategy as integrated across multiple means of statecraft. Fuller explicitly argued against a

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writings refer to grand strategy as the use of military means to achieve political objectives, and others refer to the importance of coordination across theaters, but in at least the French, British, and American literature, the most common definition appears to be Napoleonic.

[12] Jon Tetsuro Sumida, *Inventing Grand Strategy and Teaching Command* (Baltimore: Johns Hopkins University Press, 2005).

[13] Julian S. Corbett, "Lectures on Naval Strategy," n.d., 117, CBT/31, Julian Stafford Corbett Papers, National Maritime Museum. Quoted also in Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)," 80.

military-focused definition, writing that "grand strategy is not concerned only with the application of military force, but with many other national activities, such as economic pressure, financial disorganisation, propaganda" and others.[14] Similarly, Liddell Hart saw grand strategy as coordinating and directing "all the resources of a nation, or band of nations, towards the attainment of the political object of the war," especially if that object could be obtained without waging war at all.[15] Second, Fuller and Hart took a Napoleonic concept that was explicitly about war and adapted it for peacetime competition as well, thereby widening the ends of grand strategy to something akin to security. For example, Fuller wrote that "paradoxical as it may seem, the resting time of the grand strategist is during war, for it is during peace that he works and labours."[16] Similarly, although Liddell Hart saw grand strategy through the lens of war, he also argued it would be useful in deterring conflict during peacetime. In this way, both authors carved out a space for a more modern definition of grand strategy, expanding the means of the term to include all major instruments of statecraft and widening the ends of it beyond victory in warfare to success in peacetime security competition.

The final bridge from scholars like Fuller and Hart to a modern view of grand strategy was built by Edward Meade Earle. His most prominent works, which were written during and after the Second World War, established a clearer and more analytic definition of grand strategy than his predecessors. Indeed, as historian Williamson Murray notes, "grand strategy as a topic for rigorous historical examination first appears in serious form in Edward Meade Earl's classic *Makers of Modern Strategy*."[17] Earle's definitions shared many features of those from predecessors like Fuller, Hart, and Corbett. First, like them, he argued for a view of strategy that

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[14] Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)," 102.

[15] William C. Martel, *Grand Strategy in Theory and Practice: The Need for an Effective American Foreign Policy* (Cambridge: Cambridge University Press, 2015), 26–27.

[16] Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)," 10.

[17] Williamson Murray, "Thoughts on Grand Strategy," in *The Shaping of Grand Strategy: Policy, Diplomacy, and War*, ed. Williamson Murray, Richard Hart Sinnreich, and James Lacey (Cambridge: Cambridge University Press, 2011), 7.

included a variety of means beyond military force. Second, he also saw grand strategy as applicable both to war and peacetime, but he was much more forceful on this point than Fuller and Hart, who often focused on wartime grand strategy. Earle recognized that these two characteristics – wider means and a focus on wartime and peacetime – expanded the term grand strategy beyond its military roots, but he thought such expansion was warranted in light of the changing nature of the nation-state: "[A]s war and society have become more complicated," he observed, "strategy has of necessity required increasing consideration of nonmilitary factors, economic, psychological, moral, political, and technological. Strategy, therefore, is not merely a concept of wartime, but is an inherent element of statecraft at all times."[18] In addition, Earle made clear that grand strategy sat above policy and was indeed "the highest type of strategy." In his words, it "integrates the policies and armaments of the nation [so] that the resort to war is either rendered unnecessary or is undertaken with the maximum chance of victory." Importantly, Earle's notion differs from his predecessors in that he did not specify what the narrow ends of grand strategy should be, as Corbett, Fuller, and Hart did at various times; instead, he explicitly viewed the end of grand strategy as security. This allowed for a more universal definition of grand strategy with wider applicability, and one that is essentially identical to the view of grand strategy as an "integrated security theory" offered by this dissertation.

This dissertation essentially argues that, in order to conduct social-scientific research on grand strategy, scholars should readopt Earle's approach to the term. Making that argument of course requires explaining the merits of Earle's definition and the flaws in alternative *specific* and *broad* definitions, and doing so is the focus of the next section.

[18] Quoted in Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)," 145.

Adjudicating Between Competing Definitions

This section demonstrates evaluates competing definitions on the four criteria mentioned earlier, that is, that the definition should reflect the term's historical evolution, academic context, conceptual uniqueness, and baseline meaning. It first shows how the "integrated security theory" approach (i.e., Earle's approach) to grand strategy is consistent with these criteria; it then examines the *specific* and *broad* definitions according to these same criteria and finds them deficient.

We begin with the *integrated security theory* approach to grand strategy. With respect to the first criterion, if we synthesize all the preceding lines of thought on the *historical evolution* of grand strategy from some of its most prominent initial theorists, we find general consensus on a few key points: (1) that grand strategy's ultimate objective has become something akin to security, not only in wartime but also in peacetime, and (2) the belief that grand strategy involves coordinating multiple means of statecraft, of which the military is only one. These elements are the core of the "integrated security theory" definition of grand strategy.

Second, because many authors have adopted a view of grand strategy in line with the *integrated security theory* approach, this definition also comports with contemporary *scholarly usage* and fulfills the second definitional criterion. Following Earle, John Collins was one of the first contemporary authors to write on grand strategy, which he argued was "the art and science of employing national power under all circumstances" including "bluff, negotiation, economic skullduggery, and psychological warfare" to achieve "national security interests and objectives."[19] Edward Luttwak, who helped popularize the term during the Cold War, wrote that "grand strategy will require coordinated action in diplomacy, propaganda, secret operations, and the entire economic sphere, as well as in military policy" to achieve national security.[20] Barry Posen initially defined grand strategy as "the collection of military, economic, and political

[19] John M. Collins, *Grand Strategy: Principles and Practices* (Annapolis: Naval Institute Press, 1973), 15.

[20] Edward Luttwak, *Strategy: The Logic of War and Peace* (Cambridge: Harvard University Press, 2001), 260.

means and ends with which a state attempts to achieve security," and "a state's theory of how it can best 'cause' security for itself."[21] Richard Rosencrance stated that grand strategy involved "all the resources at the disposal of the nation (not just the military ones), and it attempts to array them effectively to achieve security in both peace and war."[22] Thomas Christensen wrote that grand strategy is "the full package of domestic and international policies designed to increase national power and security" ranging from "military expenditures and security alliances, to less frequently discussed policies, such as long-term investment in domestic industrialization and foreign aid to nations with common security concerns."[23] Many of the most prominent writers on grand strategy have implicitly adopted the "integrated security theory" approach, which fulfills the second criterion.

The third criterion is *conceptual uniqueness,* and the "integrated security theory" approach is indeed analytically distinct from other terms. Opponents – including Bernard Brodie some seventy years ago and Robert Art more recently – suggest grand strategy is no different from the term foreign policy and therefore ought not be used.[24] But Hal Brands convincingly addresses these arguments. Foreign policy may be a set of actions – "the sum total of a government's interactions with the outside world" – but grand strategy provides the "conceptual logic" between ends, ways, and means that directs those disparate actions towards a focused objective.[25] In this way, "grand strategy shapes a countries foreign policy."[26] In addition, foreign policy generally involves myriad and even conflict ends beyond security, from joining the

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[21] Barry R. Posen, *The Sources of Military Doctrine: France, Britain, and Germany Between the World Wars* (Ithaca: Cornell University Press, 1984), 7, 13.

[22] Richard Rosencrance and Arthur A. Stein, "Beyond Realism: The Study of Grand Strategy," in *The Domestic Bases of Grand Strategy*, ed. Richard Rosencrance and Arthur A. Stein (Ithaca: Cornell University Press, 1993), 4.

[23] Thomas Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947-1948* (Princeton: Princeton University Press, 1996), 7.

[24] Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)," 149. Robert Art, *A Grand Strategy for America* (Ithaca: Cornell University Press, 2003), 2.

[25] Martel, *Grand Strategy in Theory and Practice*, 340.

[26] Martel, 340.

European Union to negotiating extradition treaties, whereas grand strategy is more narrowly about security.

Fourth, the definition of grand strategy as an *integrated security theory* is the *minimum baseline* concept for grand strategy. Indeed, it avoids many other definitional appendages that many scholars add to the term. These appendages blur the definition of grand strategy in many cases and are often not well justified. For example, some scholars believe that grand strategy must occur on a global scale, but there is no reason why a state's security interests cannot be achieved on a regional one.[27] Other scholars say that grand strategy only involves "great states and great states alone," but it should be clear that even smaller states could fit the definition of grand strategy offered above.[28] Some say that grand strategy is a wartime concept while others argue that it is a peacetime concept; in reality, grand strategy can exist in both periods. Some say it is long-term, but there is no reason why a grand strategy could not exist for a shorter horizon. Finally, a large number of definitions of grand strategy are prescriptive in that they offer addendums that are not part of the core concept of grand strategy, but are instead part of what the author believes is *good* grand strategy. None of these appendages should be considered core parts of the definition of grand strategy.

From the preceding discussion, then, it should be clear that the definition of grand strategy as an *integrated security theory* can sustain scrutiny. What about the two remaining definitions? We first turn to *specific definitions* before dealing with *general definitions*.

Some scholars advocate *specific definitions* of grand strategy focused on military means of statecraft. Authors like Robert Art argue that grand strategy "prescribes how a nation should wield its military instrument to realize its foreign policy goals."[29] Similarly, despite once arguing for a broad view of grand strategy, Posen now argues for a narrower military definition: "Grand

[27] Martel, 34.

[28] Murray, "Thoughts on Grand Strategy," 1.

[29] Art, *A Grand Strategy for America*, 2.

strategy focuses on military threats, because these are the most dangerous, and military remedies because these are the most costly."[30] As we will see, this approach dramatically circumscribes our ability to investigate the important issues that surround grand strategy, and it does not form an enduring foundation for social-scientific research.

Military-centric approaches to the means of grand strategy are inconsistent with our four criteria. First, they are outside the *historical evolution* of the term. Although grand strategy was once concerned primarily with military questions, the term has clearly evolved to consider more than military means. Even in the 1940s, Earle argued that military-focused definitions of grand strategy already ignore "what has become the universal usage" of the term, which was broader and considered multiple instruments.[31] Second, with respect to *scholarly context*, most of the pioneering authors on grand strategy – Corbett, Fuller, Hart, Earle – believed the term properly pertained to coordinating multiple instruments of statecraft. Many contemporary authors share this view as well, and those defending a purely military approach are rather scarce. Third, specific definitions are not *conceptually unique* and appear very similar to the term "military strategy," therefore providing nothing analytically new or useful. Defenders of the term might point out differences: military strategy focuses on using military tools to achieve military ends while grand strategy focuses on using military tools to achieve a variety of broader policy ends. For example, Robert Art suggests these ends might include preserving "an open international economic order" and fostering "respect for human rights abroad."[32] These kinds of ends are exceedingly difficult to sensibly discuss if one only refers to military instruments and ignores economic or ideational factors relevant to them. What this means then is that defenders of a military approach to grand strategy either have a term that is essentially equivalent to military

[30] Posen, *Restraint*, 1.

[31] Quoted in Milevski, "The Modern Evolution of Grand Strategic Thought (Unpublished Dissertation)," 145.

[32] Art, *A Grand Strategy for America*, 7.

strategy or a term that includes a broad array of ends but that cannot be used to properly discuss them – neither of which is helpful.

A final defense of a military-centric definition of grand strategy comes from Barry Posen. Posen accepts that military definitions do not account for "the full complexity of international politics" and "the plausible interconnections" among military, economic, or political issues.[33] He argues instead, however, that "the real world of strategy" is one of "scarcity and high cost," and because military threats are the most dangerous and the most costly, states with scarce time and resources prioritize them in strategy.[34] Posen is right that strategy involves scarcity and threat prioritization –this is why definitions of grand strategy should hold national security as its ultimate end. But the fact that military threats are grave and military remedies are expensive is not a reason to focus exclusively on military means; in fact, in a situation of scarcity, strategy often requires the use of less expensive economic or political instruments (e.g., sanctions) to achieve security-related objectives, and his narrower approach prevents their due consideration. In sum, military-focused *specific definitions* do not offer a useful foundation for social-scientific research into grand strategy and should not be the starting point of such a research agenda.

We now turn to *broad definitions* of grand strategy, the only other remaining candidate. These definitions acknowledge that grand strategy involves multiple means of statecraft – not just military means – but nevertheless leave grand strategy's ultimate end undefined and open-ended. Paul Kennedy, for example, defines grand strategy as the degree to which states "bring together all of the elements, both military and non-military, for the preservation and enhancement of the nation's long-term (that is, in wartime and peacetime) best interests."[35] Scholars like Stephen Biddle, Peter Feaver, and Avery Goldstein agree that grand strategy is

[33] Posen, *Restraint*, 3.

[34] Posen, 3.

[35] Paul Kennedy, "Grand Strategy in War and Peace: Towards a Broader Definition," in *Grand Strategies in War and Peace*, ed. Paul Kennedy (New Haven: Yale University Press, 1991), 5.

coordinated across multiple means of statecraft, but they define its ends respectively as "a states' ultimate objective," its "national interest," or its 'international goals."[36] Gaddis has perhaps the broadest definition, which is that "grand strategy is the calculated relationship of means to large ends" and that it is about "how one uses whatever one has to get wherever it is one wants to go."[37]

These definitions suffer from a few shortcomings on the major criterion for judging definitions. First, broad definitions ignore the fact that throughout the term's *historical evolution* - from its Napoleonic origins through its maritime evolution and into the postwar work of Hart and Earle – grand strategy has always dealt with matters of war or peacetime competition. Even Gaddis implicitly admitted that grand strategy is about security when he claimed that "in the absence of sufficiently grave threats to concentrate our minds, there are insufficient incentives to think in these [grand strategic] terms."[38] Second, a broad and overly inclusive definition of grand strategy's ends appears to defy *scholarly context*. Grand strategy is a term that has emerged from strategic and security studies, and even those authors listed above who defined its ends expansively implicitly treat security as the ultimate end of grand strategy in their case studies. Moreover, authors like Barry Posen, Edward Luttwak, and Colin Dueck, among others, have noted, "it seems reasonable to suggest that grand strategy only exists when there is the possibility of the use of force internationally."[39] All of this suggests scholars implicitly use the "integrated security theory" definition advocated here. Third, broad definitions of grand strategy lack any *conceptual uniqueness*. When Gaddis states that "Grand

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[36] Stephen D. Biddle, *American Grand Strategy After 9/11: An Assessment* (Carlisle: Strategic Studies Institute, 2005), 1; Peter Feaver, "What Is Grand Strategy and Why Do We Need It?," *Foreign Policy*, April 9, 2009; Goldstein, *Rising to the Challenge China's Grand Strategy and International Security*, 19.

[37] John Gaddis, "What Is Grand Strategy?" (February 26, 2009), http://www.duke.edu/web/agsp/grandstrategypaper.pdf.

[38] Gaddis.

[39] Colin Dueck, *Reluctant Crusaders: Power, Culture, and Change in American Grand Strategy* (Princeton: Princeton University Press, 2009), 10.

strategy need not apply only to war and statecraft: it's potentially applicable to any endeavor in which means must be deployed in the pursuit of large ends," his definition which he admits applies to individuals and corporations as well as to states is probably better termed *strategy* rather than *grand strategy*.[40] In addition, as Colin Dueck has written, the "danger with too general a definition of grand strategy" is that if it "is used to refer to the pursuit of all national ends in international relations by all available means, it is difficult to see what distinguishes grand strategy from foreign policy in general."[41] In addition, a broad definition can collapse into nothing. A multi-pronged or coordinated plan to join the EU or to secure international climate relief assistance is not a grand strategy – it may simply be an economic strategy or, on the narrower side, a strategy to join the EU or to secure funds. For all these reasons, broad definitions do not offer a unifying starting point for a research agenda focused on grand strategy.

Finally, there is a separate set of arguments by authors who are less concerned with the definition of grand strategy and more interested in whether it matters at all, and it is worthy briefly considering their arguments here. Richard Betts has famously suggested that strategy is an "illusion" while David Edelstein and Ronald Krebs have called it a "delusion."[42] These critiques are often understood as suggesting that grand strategy does not exist, but this is a misreading; they are better understood as arguing that *good* grand strategy rarely exists because all strategy is hard. For Richard Betts, strategy's difficulty emerges from a variety of epistemological and organizational limits. He argues that the difficulty of predicting future events makes it impossible to adequately formulate and compare strategies *ex ante* and that operational, bureaucratic, and democratic frictions make it difficult to implement them *ex post*.

[40] Gaddis, "What Is Grand Strategy?"

[41] Dueck, *Reluctant Crusaders*, 10.

[42] Richard Betts, "Is Strategy an Illusion," *International Security* 25, no. 2 (2000): 5–50; David M. Edelstein and Ronald R. Krebs, "Delusions of Grand Strategy: The Problem With Washington's Planning Obsession," *Foreign Affairs* 94, no. 6 (2015): 109–16.

Edelstein and Krebs agree and add their belief that strategy is itself a harmful exercise since the strategic planning leads analysts to search for threats and dangerously overstate their significance, creating an exaggerated sense of insecurity. These critiques are well-reasoned, but if anything, they highlight the value of studying grand strategy rather than serving to dismiss its relevance. Even if grand strategy is ineffective and does not always achieve its own goals, it is still consequential. It is by no means irrelevant for world politics that so many government leaders – ranging from Adolf Hitler during the interwar period to Harry Truman in the post-war struggle with communism – buy into the "illusion" of grand strategy and seek to coordinate multiple means of statecraft, even if their preferred outcomes are elusive. Moreover, if the very exercise of strategic planning can exaggerate threats and lead to conflict, this only underscores the importance of understanding its origins, shifts, implications, and shortcomings. For example, it is possible that in China's case, the process of strategic planning may have exacerbated concerns about the United States and led to the formulation and implementation of what may well prove to be an inefficient strategic solution. That is an argument for studying it, and we now turn to how grand strategy can be studied scientifically.

Studying Grand Strategy

How do we know whether a state has a grand strategy, that is, an "integrated security theory?" As Barry Posen notes, "A grand strategy is not a rule book; it is a set of concepts and arguments that need to be revisited regularly. Sometimes nation-states write their grand strategies down in one place, sometimes they do not."[43] To identify a grand strategy, we look for "a coherent body of thought and action" sometimes spread across multiple texts and multiple domains of policymaking and all directed towards achieving national security.[44]

We can extract a set of necessary criteria for identifying grand strategy from our definition of the term. This approach to grand strategy is binary – either a state fulfills these

[43] Posen, *Restraint*, 1.

[44] Brands, *What Good Is Grand Strategy?*, 6.

criteria and has a grand strategy or it does not. In general, for a state to have a grand strategy, it must have grand strategic concepts, capability, and conduct.

First, we look at *grand strategic concepts*. Does the state have theories of ends, ways, and means that are meant to produce state security, and that provide a coordinating vision by specifying the role of each instrument? These theories can be ascertained from systematic analysis of authoritative foreign policy texts such as decision-making documents and memoirs.

Second, we look at *grand strategic capability*. Does the state have coordinating national security institutions that can pull together diverse instruments of statecraft and that are independent enough from society to allow strategic theories rather than parochial interests to drive foreign policy behavior?

Third, we look at *grand strategic conduct*. Is a state's military, economic, and political behavior broadly consistent with grand strategic concepts? This can be ascertained by asking whether shifts in grand strategic concepts are accompanied by roughly synchronous shifts in behavior across multiple instruments of statecraft. It can also be ascertained by finding puzzles in military, economic, and political behavior that prevailing theories cannot explain and that grand strategic concepts uniquely can. We can then break these three categories down focused research questions.

IDENTIFYING GRAND STRATEGY: KEY QUESTIONS	
Concepts (Texts)	**1. Ends**: Is there a consistent view on which security threats, of all those a country faces, are most significant or fundamental?
	2. Ways: Is there a consistent set of ideas about how to address those significant or fundamental threats in core texts?
	3. Means: Is there a theory of what role each of the major means of statecraft plays in addressing a given security threat in core texts?
Capability (Institutions)	**4. Coordination:** Do we see evidence that policymakers have bureaucratic institutions they can use to coordinate policy?
	5. Autonomy: Do foreign policy institutions and the broader state have a degree of autonomy from the society and various domestic forces that might supersede grand strategy?
Conduct (Behavior)	**6. Variation Within Means:** Does our theory of a given state's grand strategy explain variation in behavior in specific policy domains better than prevailing theories of state behavior in those domains?
	7. Variation Across Means: Does our theory of a given state's grand strategy apply not to one but multiple policy domains, such as military, economic, and political policy?
	8. Synchronized Variation: When grand strategy changes, do we see changes in behavior synchronized across each of the three means of statecraft?

Table 2: Questions for Identifying Grand Strategy

A grand strategy can be said to exist if the preceding questions can be answered affirmatively. In sum then, to determine whether a state has a grand strategy, we look at concepts, capability, and conduct through the lens of texts, institutions, and behavior. In short, we need a state to have concepts about what its predominant security threats are and a sense of

how to address them; have the capability to coordinate multiple means to address them; and finally, to act in a way consistent with our theory of the state's grand strategy.

These criteria very rarely manifest themselves in reality. Given these constraints, we could strongly expect grand strategy to be rare and outright impossible in most cases. For this reason, its very existence in a given case is notable. In the case of this dissertation, the argument is that China has had a grand strategy since the early late 1980s and early 1990s. The alternative hypothesis is that it has not had a grand strategy since then, and this hypothesis is in fact highly plausible given the abundance of criteria outlined above that must be fulfilled for a grand strategy to be said to exist.

The criteria above not only assist in identifying whether a grand strategy exists, but also in determining the content of that grand strategy. For example, in investigating what China views as its primary threat, how it writes about its military or economic tools, and what behavior it undertakes, we can better determine what China's grand strategy is. To more systematically undertake such efforts, we now turn to how we can categorize the content of rising power grand strategies.

THEORIZING RISING POWER GRAND STRATEGIES

Now that we have a definition of grand strategy as an *integrated security theory* and an approach to studying it empirically, the next few questions are theoretical: (1) how do we typologize rising power grand strategies, (2) how do we explain shifts in rising power grand strategies?

Grand Strategic Typologies and Shifts

It would be tautological to derive arguments about China's behavior from the very empirical evidence (i.e., texts and behavior) upon which it is tested. A better approach is to make arguments about China's behavior that are rooted in existing political science theory. To that end, this dissertation uses existing theory to make an argument both about the content of China's grand strategy as well as the factors that cause it to change.

When crafting an argument about the content of China's grand strategy, it is helpful begin with a consideration of what kinds of grand strategies have been discussed in previous literature. Colin Dueck effectively summarizes the various typologies of grand strategic content:

> There are a number of strategic typologies already in existence. Edward Luttwak contrasts "expansionist" strategies with "status quo" strategies. Charles Kupchan offers a slightly more refined typology, distinguishing between "compellent," "deterrent," and "accommodationist" strategies. Alastair Iain Johnston points out that states can follow defensive ends by aggressive means, and vice versa; he therefore leaves political ends out of his typology, but creates three categories of grand strategy otherwise similar to those of Kupchan: "accommodationist," "defensive," and "expansionist."[45]

In addition to these typologies are a few others. For example, Peter Layton suggests grand strategies can be "risk-averse" or "opportunistic.[46]

These prevailing typologies might be suitable for some research questions, but they should not necessarily be adopted in all studies of grand strategy. First, these typologies are too broad to work with a definition of grand strategy that emphasizes not only military means but also economic and political ones. A state that builds up deterrent capabilities against an adversary may be said to have a deterrent grand strategy, but what if that state – as a way of achieving security – chooses to also accommodate its adversary on economic issues all while compelling a neighboring state through political means not to join its adversary's balancing coalition? It then becomes difficult to say whether this is a deterrent, compellent, or accommodationist grand strategy. What this suggests is that states are unlikely to neatly fit into one of these grand strategies when we consider multiple means of statecraft. Second, the grand strategies discussed in this typology are strategies *towards a given adversary* and not generally, with the possible exception of Luttwak's, about other plausible state security objectives. For example, states may consider a terrorist group their primary threat, or they may believe their

[45] Dueck, *Reluctant Crusaders*, 11–12.

[46] Peter Layton, "The Idea of Grand Strategy," *The RUSI Journal* 157, no. 4 (2012): 56–61.

security is tied to achieving regional hegemony or building liberal order. The broad prevailing typologies discussed so far do not necessarily address these kinds of ends.

One solution to this problem is to avoid striving to find a universal typology for all grand strategies. Instead, it is best to recognize, as Dueck does, that any number could plausibly be constructed: "It is not difficult to imagine a number of dimensions along which we might categorize grand strategies: conflictual as opposed to cooperative, realist as opposed to idealist, unilateral as opposed to multilateral, and so on."[47] A typology of grand strategic content will, in other words, be dependent on a given research question and the most likely security threat. Dueck offers a suggestion on where to start: "Whenever attempting to explain the grand strategy of any country, it is always useful to begin with its position in the international system….because it constitutes a powerful, generalizable influence on any country's grand strategy."[48] For this reason, the specific typology of grand strategy employed here will be rooted in China's structural position as a rising power and the role of international relations theory in understanding the demands and concerns of that position. This assumption *is not* an assumption that China has a grand strategy, and indeed the null hypothesis remains that it does not. It is an assumption that, if China has a grand strategy, it is most likely to be focused on its position as a rising power. Importantly, this is an assumption that is then verified empirically in the empirical chapters.

In thinking about the grand strategies of rising powers, it becomes clear that the existing literature on power transition, though abundant, is not particularly useful for establishing a typology for a variety of reasons.[49]

First, with respect to the *structural* literature on rising powers, especially the literature on "long cycles" of rising and falling great powers, the elevation of systemic factors required

[47] Dueck, *Reluctant Crusaders*, 12.

[48] Dueck, 20.

[49] Many of these reasons are discussed in Michael A. Glosny, "The Grand Strategies of Rising Powers: Reassurance, Coercion, and Balancing Responses" (Dissertation, Massachusetts Institute of Technology, 2012), 19–20.

assumptions that made rising power strategies less relevant to theory. Specifically, because structure generally dictated strategy in this literature, there was little exploration of variation in rising power strategies given the fundamental assumptions of reduced agency within a structural theory.[50] This not only makes typologies of rising power strategies difficult, it is also a bit unrealistic. Strategy is not necessarily endogenous to material factors because structure must be perceived. Perceptions of material factors, as well as of the intentions of other states, together create the possibility of strategic choice (and strategic error). This dissertation puts forward a theory that is fundamentally perceptual, arguing *not* that shifts in the actual balance of power but shifts in how it is perceived and how the intentions of established powers are perceived affect strategy.

Second, with respect to more *historical and policy-focused* work on power transition, scholars working in these fields have emphasized strategies through which established powers manage rising ones rather than the strategies through which rising powers manage relations with established powers. Agency is, in other words, too often given to the established powers.[51]

Third, with respect to *formal work* that models strategic interaction between rising and established powers, as Michael Glosny notes, the focus has often been about the offers made by the dominant power to appease the rising power.[52] Most of this kind of work on strategic interaction indeed focuses on the difficulty of credible commitments from the perspective of the established power – that is, established powers will eventually choose to fight today because they cannot be assured a rising power's claims will not expand tomorrow. And yet, this perspective ignores the agency of rising powers, who in this literature are circumscribed to

[50] George Modelski, Long Cycles in World Politics (Seattle: University of Washington Press, 1987); Charles F. Doran and Wes Parsons, "War and the Cycle of Relative Power," American Political Science Review, Vol. 74 (December 1980), pp. 947-65; and Robert Gilpin, War and Change in World Politics (New York: Cambridge University Press, 1981), Jack S. Levy, "Theories of General War," World Politics, Vol. 37, No. 3 (April 1985), pp. 344-374.

[51] Randall Schweller, "Managing the Rise of Great Powers: History and Theory," in Alastair lain Johnston and Robert S. Ross, eds., Engaging China: Managing a Rising Power (New York: Routledge, 1999), pp. 1-31.

[52] "Uncertainty, Shifting Power, and Appeasement," American Political Science Review, Vol. 90, No. 4 (December 1996).

reactivity rather than a proactive exercise of agency. Moreover, the literature on credible commitment problems in power transitions also focuses on the important question of *when* war occurs to the detriment of the equally important question of *how* peacetime competition unfolds. Rising powers have a number of techniques they can use to delay – or even prevent – the day of reckoning when an established power chooses to fight. Much competition between rising and established happens in peacetime, especially as both sides try to erode the bargaining position of the other – and formal approaches in their pursuit of parsimony downplay some of the ways in which that process unfolds. Indeed, in the nuclear era where great power military conflict is potentially costlier than ever, the need to understand the strategic competition that occurs before conflict and under the threshold of war is especially important.

This leads to a fourth problem with existing literature: preceding approaches to power transition not only insufficiently consider the richness of peacetime competition, they also do not consider the wide variety of non-military tools central to it – especially economic and political ones – that form the background of power transitions. This is a point that John Mearsheimer himself hints at, even though his own work highlights military instruments, when he writes that "states employ a variety of means – economic, diplomatic, and military – to shift the balance of power in their favor." Given these four limitations on the power transition literature, how do we make sense of rising power grand strategies?

To construct a typology of rising power grand strategies, it is useful to start with a definition of rising powers and a theory of the fundamental security threats they face. This dissertation views rising powers with a mixture of psychological and material attributes. Rising powers are states that believe themselves to be the "potential hegemons" of a given region and that believe their neighbors and external great powers also see them as "potential hegemons."[53] John Mearsheimer describes a potential hegemon:

[53] Michael Glosny also uses a perceptual definition of rising powers, but his differs in several respects.

> A potential hegemon is more than just the most powerful state in the [regional] system. It is a great power with…so much potential power that it stands a good chance of dominating and controlling all of the other great powers in its region of the world. A potential hegemon need not have the wherewithal to fight all of its rivals at once, but it must have excellent prospects of defeating each opponent alone, and good prospects of defeating some of them in tandem.[54]

When this material definition is combined with its perceptual attributes, we arrive at the following definition: rising powers are states that believe their growing power could enable them to dominate their region and also believe that both their neighbors and external great powers share this view. In practical terms, although there is rarely a disconnect between this perceptual definition and a purely material one, there are instances when a power does not recognize that it is rising or when it believes that it is rising even while others disagree.[55] This is also why the present definition emphasizes second-order beliefs (i.e., the beliefs the rising power has above the beliefs of other), because inter-subjective beliefs about whether a country is a rising power are not necessary for it to act like one, but second-order beliefs are.

States that believe they are rising also believe they are likely to face threats that are fundamental to nature of their rise. Rising powers wish to increase their influence over their region – that is, to create to create hierarchical order through the possession of constraining leverage and legitimate authority over their neighbors. Order is not the same as power; order is the conversion of power (e.g., a large economy) into constraining leverage (e.g., asymmetric interdependence through structured trade or infrastructure projects) combined with legitimate authority that together allow the ordering state to set rules. Rising powers do not always pursue this for fear that their rise and the process of order-building will attract the attention of a more powerful external hegemon or trigger regional balancing. For a rising power then, the security threat is three-fold: (1) the independent military, political, and economic leverage of the more

[54] Mearsheimer, *The Tragedy of Great Power Politics*, 44. Mearsheimer's definition places greater emphasis on military power, but here I do not.

[55] Fareed Zakaria, *From Wealth to Power: The Unusual Origin of America's World Role* (Princeton: Princeton University Press, 1998).

powerful external hegemon that wishes to prevent the rising power from achieving regional hegemony; (2) the possibility of encirclement by a hostile balancing coalition comprised of wary neighbors, and perhaps, an external hegemon as well; and (3) the possibility of disorder within the region that leads to the production of security externalities (e.g., terrorism, refugees, etc.) that adversely impact the rising power or invite outside intervention or, alternatively, the existence of an opposing order that infringes on the rising power's interests.

I propose that rising power grand strategies should be typologized around this fundamental three-pronged problem. It is important to note as an analytic caveat that *not all* rising powers have grand strategies, so this typology applies only to those rising states that are able to construct one.

Sometimes rising powers are willing to make others suspicious or hostile in pursuit of order-building; other times, they are afraid of appearing threatening. This fact informs the typology of grand strategies offered below. The typology begins with the notion that rising powers need ways to both deal with external great powers and to exercise control over their own regions. In some cases, these objectives come into conflict. Strategies to coerce regional neighbors into submission create an opening for external great powers; similarly, strategies to reassure regional neighbors might reduce a rising power's ability to deal with an external great power and reduce a rising power's interests in shaping regional affairs. The strategies of rising powers in solving this dilemma are fundamentally shaped by two variables: (1) the size of the *perceived relative power gap* with an external hegemon; (2) the *perceived threat* from the external hegemon. Conceptual distinctions between power and threat are fraught, but here I mean perceived relative power gap to apply to an external power's perceived capacity to harm the interests of a rising power and perceived threat to apply to its perceived willingness to actually use that power to cause harm. Both variables are measured as high or low. Importantly, perception intervenes between material factors and behavior, and it is in and around perception

where strategy is formed – this is why material capabilities do not strictly dictate strategy, contrary to what much of the rising power literature suggests.

		Perceived Relative Power Gap With External Hegemon	
		High	*Low*
Perceived External Threat from External Hegemon	*High*	Blunting	Building
	Low	Accommodation	Dominance

Table 3: Grand Strategies of Rising Powers

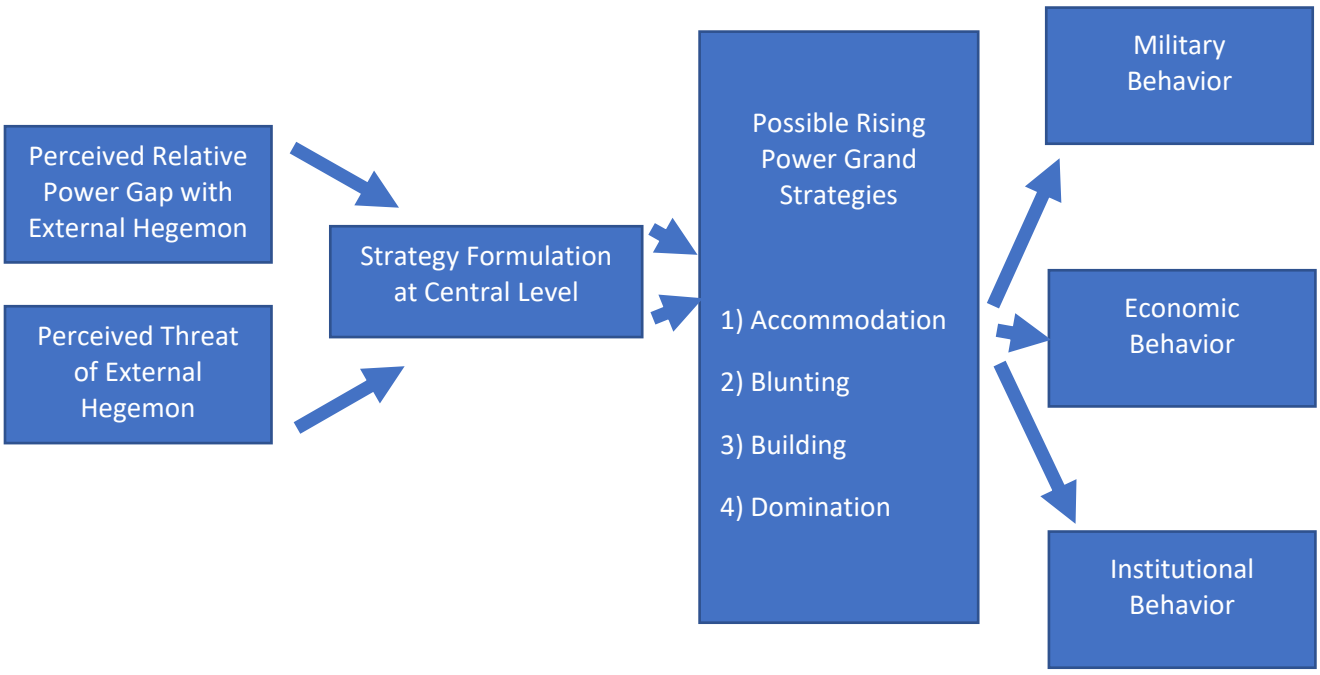


Figure 2: Variables Influence Grand Strategy; Grand Strategy Influences Behavior

Does this theory assume that rising powers are generally revisionist rather than status quo? The answer depends on how one defines these terms, which are not very useful in the first place. If a state has alternative preferences for regional order, but does not act to pursue them, does that make it revisionist or status quo? This dissertation makes the fairly modest assumption that most states have their own thoughts about how regional affairs should be ordered and that they would act to realize them if the costs were low; indeed, when the costs are low, there is what we could call "hegemonic drift" towards order-building in one's neighborhood. For example, as Fareed Zakaria notes, even when the United States refused to act as a great power abroad in the 19th century, it nonetheless "drifted" towards exercising hegemony in the Western hemisphere. In this way, the key question is not whether rising states are dissatisfied (i.e., have alternative preferences) but instead whether, when, and how they choose to act on them. This dissertation argues that the choice to "revise" order is based on perceptions of relative power and threat vis-à-vis an external hegemon. For example, when rising powers are not threatened by an external hegemon, they will accommodate it and its order-building preferences if they perceive the hegemon is powerful; alternatively, they may begin to supply order and eventually claim hegemony if the hegemon is not powerful because a major constraint to order-building has been removed. When a hegemon is threatening, rising powers may seek to blunt it if it is powerful so that they are less at risk and may seek to go beyond blunting to actually revising the order through competitive order-building if the relative power gap is perceived as small. Below, this logic is explained in greater detail with examples.

First, when an external hegemon is perceived as significantly more powerful but not perceived as threatening, then a rising power tends to *accommodate* it within the region on many issues even if its preferences within the region differ from that of the external hegemon. This accommodation can be motivated by fear that the external hegemon may become concerned about the rising power's growing power and influence and choose to intervene or, alternatively, by shared interests in deterring another more threatening external hegemon. A

rising power pursuing a grand strategy of accommodation will alter its military, economic, and institutional statecraft to avoid confrontation with the external hegemon. With respect to military behavior, a rising power pursuing accommodation may cooperate with the external power or may grant it military facilities or not oppose its military facilities in neighboring states. With respect to economic behavior, the rising state will be unlikely to oppose economic agreements between the external hegemon and the rising power's neighbors and join multilateral economic initiatives supported by the external hegemon. With respect to institutions, it will attempt to incorporate the external hegemon into regional or at the very least not oppose the external hegemon's participation, and it may even join regional groupings established by the external hegemon. One possible example of such a grand strategy might be India's accommodation of the United States in South Asia. India perceives the United States as powerful but not particularly threatening, and its accommodation is driven by its primary security threats – China and Pakistan. Another example may be China's policy towards the United States in the 1980s – although China was technically not a potential hegemon during this time.

Second, when an external hegemon is perceived as significantly more powerful than the rising power and is also perceived as threatening, then the rising power will pursue a *blunting* strategy. A state pursuing blunting is unwilling to fully accommodate the external hegemon because its intentions are perceived as hostile. At the same time, a rising state is unwilling to overtly confront it for fear that the external hegemon will deploy its superior leverage in response and for fear that overt confrontation will frighten the rising state's neighbors, who may then join a countervailing balancing coalition with the external power. The rising state responds by using great power equivalents of "weapons of the weak" to undermine the external state's ability to use leverage against the rising state and to organize a coalition. In military terms, it might pursue defensive capabilities or anti-access/area-denial weapons that help deter external intervention and increase the ability of the rising state to maintain its autonomy – all while

eschewing capabilities that would trigger the external state's alarm or frighten the rising state's neighbors. In economic terms, the rising state may seek way to protect itself from the external state's use of economic statecraft against the rising state. In institutional terms, it may seek to find ways to reduce the influence of the external state in regional forums by joining the external state's institutions and slowing them down. This dissertation argues that China pursued a version of this strategy throughout the 1990s until roughly 2008.

Third, when an external hegemon is only slightly more powerful than the rising power but remains threatening, then the rising power begins to pursue a *building* grand strategy. This involves efforts by the rising state to more proactively shape regional order with a mixture of consensual and coercive instruments, all for the end goals of increasing its own influence, reducing the influence of the external hegemon, and reducing the probability of a countervailing balancing coalition. The rising power is willing to pursue more risky means of statecraft because it is less concerned about the leverage of the external state and the external state's ability to rally a coalition, but it cannot discount these possibilities entirely. With respect to military means, this grand strategy involves pursuing tools that will allow for the control of air, sea, and land as well as the use of military coercion against its neighbors and other regional states. With respect to economic means, it means the deliberate cultivation of asymmetric economic tools to constrain its neighbors, though in many cases these are consensual agreements that appear as signs of beneficence. With respect to institutional means, it involves establishing new or alternative regional institutions and sidelining those that include the external hegemon. All of this allows the rising state to create its own form of order in the region through many of the supposedly liberal, order-building mechanisms that John Ikenberry suggests are pursued by hegemons to secure the consent of weaker states and avoid balancing. I argue that this strategy has been pursued by China from 2008 onward.

Fourth, when an external hegemon is only slightly more powerful than the rising power and is not threatening, then the rising power has greater freedom to dominate its region without

fear that a balancing coalition will involve the external hegemon. The rising power may still pursue a variant of the building strategy, but where building often involves a mixture of consensual tools (especially through concessions) and coercion, a dominance strategy tips the balance away from consensual tools and implicit threats of coercion to the explicit use of coercion. In military terms, this may involve the more frequent use of coercive military power; in economic terms it may involve extraction rather the cultivation of asymmetric economic interdependence; in institutional terms it may mean the creation of rules and norms to "lock-in" the rising state's interests and the undermining of all institutions not dominated by the rising power. An example of a dominance grand strategy may be that of the United States in Latin America during the late 19th and early 20th centuries, when European relative power was low and when European threats in Latin America were generally not taken seriously.

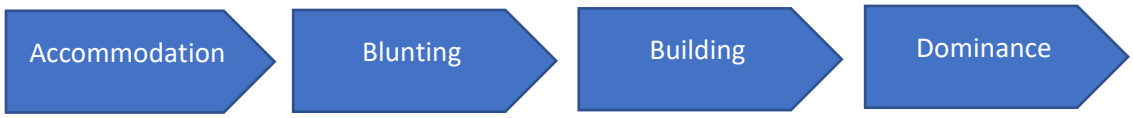


Figure 3: Strategic Evolution from Accommodation to Dominance

These four strategies need not occur sequentially from accommodation to blunting to building and then to dominance. For example, a blunting state may move down to accommodation if rapprochement is reached with the external hegemon and the perception of threat falls; similarly, an accommodating state may move swiftly to dominance if a non-threatening hegemon loses the latent capacity to contain the rising power. In practice though, it seems likelier that these strategies do appear in sequence. Early, when rising powers are first growing, they may accommodate a rising power that they perceive as non-threatening but rather powerful. As the rising power continues to grow, the hegemon may become concerned, and the rising power may pursue blunting since it perceives the established power as threatening. As the

rising power continues to develop and neutralize the constraining leverage of an external hegemon, the power gap narrows and frees the rising power to build competing reginal order. Eventually, if conflict does not break out, the external hegemon may acquiesce – thereby, allowing the rising power to pursue dominance.

Grand Strategic Adjustment

The preceding typology sets up an additional question: how easily do grand strategies change from one of these ideal-types to another? As Daniel Drezner argues, grand strategic adjustment "is like trying to make an aircraft carrier do a U-turn: it happens slowly at best. The tyranny of the status quo often renders grand strategy a constant rather than a variable."[56] This dissertation shares the view that grand strategic adjustment is difficult and rare, but argues that it does indeed happen. For a rising power, it argues that changes in perceptions of relative power and threat can cause a grand strategic adjustment. It measures these perceptions as either "high" or "low" in order to maximize variation along each of them since minor adjustments are unlikely to dramatically alter grand strategy.

How then do we detect changes in perception of power and threat? As with research into grand strategy, a large amount of research into perceptions of power and threat suggest that they are rather "sticky."[57] David Welch argues that stickiness in foreign policy and in perception is tied to psychological and organizational factors. Research in psychology suggests that "people do not readily alter their beliefs about the world and do not easily confront their own mistakes," and that "once they are committed to a particular perspective, judgment, or course of action, it is difficult to get them to change their mind."[58] Organizational research, especially "resource

[56] Drezner, Foreign Affairs, 59

[57] Aaron Friedberg, The Wear Titan, Britain and the Experience of Relative Decline, 1895-1905 (Princeton, NJ: Princeton University Press, 1988); Wohlforth, "The Perception of Power;" William C. Wohlforth, The Elusive Balance: Power and Perceptions during the Cold War (Ithaca, NY: Cornell University Press, 1993); and Thomas J. Christensen, "Perceptions and Alliance in Europe, 1865-1940," International Organization, Vol. 51, No. 1 (Winter 1997), pp. 65-97.

[58] David A. Welch, *Painful Choices: A Theory of Foreign Policy Change* (Princeton: Princeton University Press, 2005), 37.

constraints, transaction costs, internal politics, and the domestic environment in which organizations operate," combined with formal rules and standard-operating-procedures together help explain "why decision makers will typically feel pressure not to deviate radically from the status quo."[59]

In short then, attempting to identify significant changes in perception of power and threat is best accomplished by looking for discontinuities that can break through inertia. Michael Glosny suggests that "perceptions of shifts in power are driven more by events, especially shocks, than statistical measures" or objective material capabilities.[60] For these reasons, and despite the fact that a variety of factors undoubtedly shape perceptions of power and threat, I argue that shocks are one of the only factors salient enough to cause a change in perceptions of power and threat to move between high and low. This dissertation thus attempts to locate changes in perception of power and threat in authoritative texts by comparing descriptions of power and threat before and after foreign policy shocks, such as the Tiananmen Square Massacre, the Gulf War, the Soviet Collapse, and the Global Financial Crisis.

There are several alternative explanations for grand strategic adjustment that this dissertation will also consider aside from perceptions of power and threat. First, grand strategic adjustment may be the result of changes in top-level leaders, especially the president. As Goldman, Rhodes, and Trubowitz write, in the face of various biases towards strategic constancy, "it has been suggested that innovation like that involved in strategic adjustment is most likely to occur…through a generational change in leadership."[61] If this theory is accurate, we should expect to see changes in grand strategy roughly coincide with changes in China's paramount leadership. Second, grand strategic adjustment may be the result of domestic pressures, and in China's case in particular, variation in the strength of Chinese nationalism. If

[59] Welch, 31–33.

[60] Glosny, "The Grand Strategies of Rising Powers: Reassurance, Coercion, and Balancing Responses," 27.

[61] Glosny, 13.

this theory is accurate, then we may expect variation in Chinese grand strategy to coincide with variation in Chinese nationalism. And of course, a third competing argument is that there is no variation at all.

RESEARCH METHODS

To study Chinese grand strategy, this dissertation focuses on answering four questions focused on the definition of grand strategy and then the *content,* the *determinants,* and the *explanatory utility* of grand strategy.

1) **Question 1: Defining Grand Strategy:** What is grand strategy, why does it change, and how can it be studied in a consistent, social-scientific way?
2) **Question 2: Chinese Grand Strategy**: Does China have a grand strategy, and if so, what is the content of that grand strategy?
3) **Question 3: Explaining Variation in Strategy:** Using grand strategic adjustment as a dependent variable, what explains variation in Chinese grand strategy? This question focuses on the determinants of Chinese grand strategy.
4) **Question 4: Explaining Variation in Behavior**: Finally, using grand strategic adjustment as an independent variable, can shifts in China's grand strategy in turn account for simultaneous shifts and puzzling variation in Chinese military, economic, and international institutional behavior better than existing political science theories? This question focuses on the explanatory utility of Chinese grand strategy.

These questions are answered using (1) an analysis of authoritative Mandarin-language textual sources and (2) a social-scientific approach to Chinese military, economic, and international institutional behavior. In this section, I discuss each of these two research methods and demonstrate the ways in which they can be used to answer the dissertation's second, third, and fourth questions: that is, how to identify the content of Chinese grand strategy; how to

determine which variables cause it to change; and how to determine how grand strategy in turn explains puzzling state behavior.

Textual Methods

The first research method is to consult a wide variety of Chinese texts, including high-level memoirs, doctrinal manuals, archival documents, official speeches, and classified Chinese sources. To properly adjudicate between competing sources, a textual approach to Chinese grand strategy relies on establishing a hierarchy of open source and classified Chinese sources in order of authoritativeness, all of which is described in greater detail in the next chapter. Leader-level memoirs, doctrinal texts, archival sources, official speeches, classified materials, and essays by senior leaders are preferred and generally considered of greater credibility than more frequently-cited but often less reliable sources like Chinese journal articles and think tank reports. Leader-level speeches and Party sources (e.g., Party Congress work reports) are generally considered the most reflective of Chinese thinking given that these are often meant to capture the "line" on key issues, which in turn structure state policy.

These sources can assist in answering the dissertation's core questions. With regard to Question 2, which focuses on the *content* of Chinese grand strategy, a systematic analysis of key texts can help provide a theory of China's grand strategy. Although states rarely author explicit grand strategies, if national security decision-makers have an implicit or explicit theory of how a state can best achieve security for itself, then that theory should surface in the texts they author, which together serve as a loose proxy for an explicit plan.

With respect to Question 3, which seeks to understand the *determinants* of shifts in Chinese grand strategy, the very same sources that can be used to specify the content of Chinese grand strategy can also be used to identify periods when the content of that grand strategy changed, as well as some of the stated reasons for that adjustment. This kind of analysis helps link China's changing perceptions of American power and threat (independent variables) to grand strategic adjustment (a dependent variable).

Finally, Question 4 focuses on whether grand strategy and strategic adjustment (independent variables here) have *explanatory utility* in accounting for variation in Chinese behavior (dependent variable here). Chinese textual sources can provide insight into why we see puzzling variation by providing possible explanations for specific Chinese policies.

This then raises the question of what kinds of authoritative materials are most useful. First, with respect to military matters, this dissertation consults Chinese-language doctrinal texts from the 1980s onward with an eye towards comparing various editions to trace changes in military doctrine. It also consults memoirs, essay compilations, records of daily activities, and official biographies of all vice-chairman of the Central Military Commission from the 1980s onward that have been published – including Ye Jianying, Liu Huaqing, Zhang Zhen, Zhang Wannian, and Chi Haotian. In addition, leader-level compendiums on military matters have been published for leaders like Deng Xiaoping, Jiang Zemin, and Xi Jinping, and these are also helpful. Finally, several pseudo-doctrinal publications as well as histories from the Academy of Military Sciences, the National Defense University, other military think tanks, and a variety of military-affiliated presses are also cited.

Second, with respect to international institutions, this dissertation's arguments are drawn from memoirs, essay compilations, and documents from foreign affairs ministers and relevant state councilors with responsibility for foreign affairs, including Wu Xueqian, Qian Qichen, Tang Jiaxuan, Li Zhaoxing, Yang Jiechi, and Dai Bingguo. The dissertation also draws carefully from the views of other less senior diplomats and officials closely involved with these institutions as well as academics who are known to have shaped Chinese foreign policy, especially with respect to international institutions, such as Zhang Yunling, Qing Yaqing, and Wang Yizhou. In addition, the statements and publications of various international organizations are particularly useful.

Third, with respect to Chinese international economic behavior, this dissertation relies on works by Zhu Rongji and Li Peng to recreate some aspects of economic decision-making. It also

quotes senior officials within the Ministry of Finance and Commerce (MOFCOM) and the People's Bank of China (PBOC), as well as leader-level and diplomatic accounts and speeches.

Finally, certain high-level Chinese texts not only assist in understanding particular behavior within military, political, and economic domains, but also in better understanding higher-level questions of grand strategy. For example, this dissertation draws from many of the official materials of China's paramount leaders – including the selected works of Deng, Jiang, and Hu, and Xi – as well as records of their daily activities.

To supplement all of the materials above, the dissertation occasionally consults works by academics who are considered to be representative of various strains of elite foreign policy opinion (e.g., Wang Jisi, Yan Xuetong, and Jin Canrong) as well as works by authors at a variety of think tanks (CICIR, CASS, etc.).

The dissertation gleans insights from these texts in three ways. First, it involves process tracing around key transition points, especially those involving the United States, such as the Gulf War, Taiwan Straits Crisis, and Global Financial Crisis and the related response in Chinese strategic writings. These assist in answering Question 3 by providing a textual foundation to the core independent variables (changing perceptions of American and threat) and to the core dependent variables (grand strategic adjustment). Second, these materials are used to recreate the decision-making around certain key choices in Chinese foreign policy (e.g., delayed acquisition of a carrier, formation of the Shanghai Cooperation Organization). This provides traction on Question 4 by revealing how grand strategy and grand strategic adjustment in turn explain certain puzzling Chinese behavior. Finally, (3) this dissertation submits digital texts to various quantitative text analysis efforts to determine the frequency of certain phrases (e.g., multipolarity, China Threat Theory, etc.), thereby establishing the content of Chinese strategy and demonstrating quantitatively that shifts in certain key phrases can be taken as a proxy for a shift in strategy.

Together, the materials and methods listed above can provide a foundation of authoritative texts from which China's grand strategy can be deduced and variation in specific Chinese behavior can be explained.

Behavioral Methods

The second research method analyzes Chinese behavior and uses a combination of counterfactual reasoning and competitive hypothesis testing to answer the questions listed previously – as well as to explain puzzling variation in Chinese military, economic, and institutional behavior from the late 1980s to the present. For each of these three domains, the dissertation analyzes whether political science theories are able to account for unique patterns in Chinese behavior and notes the ways in which they may fall short. It then offers a better explanation for variation framed around Chinese grand strategy.

In totality, a focus on Chinese behavior is meant to help answer the dissertation's core questions in several ways: it helps demonstrate that the theorized *content* of Chinese grand strategy is correct (Question 2); it explain the *determinants* of that strategy by establishing a link between shifts in American power and threat, concurrent changes in grand strategy, and the ensuing and synchronous shifts in Chinese behavior (Question 3); finally, it shows the *explanatory utility* of grand strategic approaches, especially if they can better account for Chinese military, economic, and institutional behavior than prevailing political science theories (Question 4). We now discuss each of these three questions in greater detail.

Question 2 focuses on the *content* of Chinese grand strategy, and behavioral methods can help reveal whether the theory about the content of Chinese strategy is correct. The theory should generate observable implications for China's behavior that can be compared with its actual behavior, which in turn helps confirm the theory if they are congruent and disprove it if they are not. Moreover, another important objective is to show coordination across military, economic, and institutional behavior. This is done not only through references to authoritative textual sources that provide evidence of such coordination, as described above, but also through a

counterfactual approach focused on behavior: if China has a grand strategy, then we would expect adjustment in that strategy to generate roughly synchronous changes in military, economic, and political behavior.

Question 3 focuses on the *determinants* of grand strategy. Behavioral methods can help reveal whether the independent variables (perception of U.S. power and threat) affect the dependent variable (shifts in grand strategy). If they do, then after major events in which China's perception of U.S. power and threat changed, we would see changes in Chinese military, economic, and institutional behavior. If we find such shifts, it is evidence in favor of the independent variables as being important determinants of Chinese grand strategy.

Finally, Question 4 focuses on the *explanatory utility* of grand strategy in accounting for puzzling Chinese behavior. By using competitive theory testing and counterfactual reasoning – supplemented with Chinese textual insight into specific decisions – we can test prevailing political science theories against grand strategic theories to determine which best explain variation in China's behavior.

CONCLUSION

This chapter offered a definition of grand strategy as an *integrated security theory* that coordinates a variety of means – economic, political, and military – for the purpose achieving security. It offered a way to identify grand strategy (using concepts, conduct, and capability) and linked the term to the literature on rising powers by putting forward a typology of rising power grand strategies and arguing that the question of which strategy is selected is shaped by two variables: the perception of the (1) relative power and (2) threat posed by the established power. Finally, the chapter discussed how close study of authoritative Chinese texts and a social-scientific analysis of Chinese behavior could be used to answer the dissertation's core questions.

The subsequent chapters of this dissertation apply the definitional, theoretical, and methodological foundation established here to Chinese foreign policy after the Cold War.

Together, they demonstrate that China has sought to cope with the security threat posed by the United States by seeking to supplant American hegemony, first blunting American power and then by build its own regional order by integrating economic, military, and political means.

CHAPTER 2: CHINESE GRAND STRATEGIC CONCEPTS IN PARTY TEXTS

This chapter focuses on grand strategic concepts and capabilities through authoritative Party sources. It shows that Cold War's conclusion increased the *perceived threat* posed by the United States and altered the ends, ways, and means of China's grand strategy. Chinese leaders saw dealing with the U.S. threat as the end of their strategy; adopted *blunting* through Tao Guang Yang Hui as the way of achieving that end; and planned how to coordinate multiple means of statecraft in its pursuit. After the Global Financial Crisis, China's multipolarity discourse shows that leaders saw the *perceived relative power gap* with the United States fall. They refocused the ends of Chinese strategy from the United States to the China's neighbors; adopted a building strategy by departing from Deng's guidelines and adopting "Actively Accomplishing Something" and "Striving for Achievement" instead; and discussed the respective role of military, political, and economic means. The chapter also argues the China likely has the ability to coordinate grand strategy as well as autonomy from vested interest to implement.

I looked forward to the end of the Cold War, but now I feel disappointed. It seems that one Cold War has come to an end but that two others have already begun.

Deng Xiapoing, 1989

INTRODUCTION

This chapter investigates whether China has a grand strategy identifiable in texts of paramount authoritativeness. As the previous chapter established, the question of whether a state has a grand strategy is not an entirely new one, and a consideration of grand strategic concepts, capabilities, and conduct can help answer it. This chapter focuses primarily on grand strategic concepts and then engages in a brief discussion about Chinese grand strategic capabilities, and for that reason, it explores Chinese texts and national security institutions. It draws from an original and fully digitized two-million word full-text database of the Party's most regularly published core documents comprised of official leader anthologies and official compilations of Party documents published between Party Congresses.

This chapter argues that Chinese texts – especially authoritative Party texts – demonstrate concepts consistent with grand strategies of blunting and building. It shows that in the wake of the Cold War, Chinese leaders clearly saw U.S. power as more threatening than they

had in the years immediately prior and deliberately altered Chinese strategy based on this assessment of U.S. threat. During this period, Deng Xiaoping put forward a "strategic guideline" (战略方针) known as "Tao Guang Yang Hui," or "hiding capabilities and biding time" in many Western translations, that not only sought to avoid provoking American-led encirclement and containment by keeping a low profile but also sought to minimize external U.S.-led pressures on China itself. This strategy is consistent with that of *blunting*. As subsequent chapters discuss in greater detail, as part of it, China used anti-access/area-denial military capabilities to keep U.S. carriers at bay at the military level; pursued permanent normal trade relations and WTO membership to insulate itself from U.S. sanctions at the economic level; and joined international institutions to both prevent unilateral U.S. rule-setting and reassure wary neighbors that it was a cooperative actor at the political level.

Chinese assessments of American power and threat – despite occasional fluctuations – remained relatively stable throughout this period until the Global Financial Crisis of 2008, at which point high-level Party documents establish conclusively that perceptions of American power had fallen dramatically. In the wake of that event, China officially revised the strategic guidelines of "Tao Guang Yang Hui" under Hu Jintao by stressing "Actively Accomplishing Something" in a major speech at the 11th Ambassadorial Conference and emphasized that this modification in strategic guidelines had military, economic, and political implications for greater Chinese activism within the region consistent with a *building* strategy. A few years later, at the 2013 Work Forum on Peripheral Diplomacy, Xi Jinping further revised Hu's guideline and stressed "striving for achievement," accentuating the departure from Deng's *blunting* to the new strategy of *building* a community of common destiny, a phrase first used under Hu and – as documents suggest – a euphemism for Beijing's vision of regional order. In sum, these documents strongly indicate the presence of grand strategic concepts. Consistent with this strategy, subsequent chapters show that Beijing pursued power projection to intervene in the region at the military level; built international institutions to set regional rules at the political

level; and used concessionary trade and investment while building a renminbi zone in part to tie constrain neighbors at the economic level.

Finally, after an exhaustive review of Chinese grand strategic concepts, the chapter provides a short case for why China has grand strategic capabilities. Indeed, it is highly plausible China's Communist Party is an important – if not *the* important – institution in grand strategy. To wield a grand strategy, I argue that state foreign policy institutions must be capable of (1) coordinating multiple instruments of statecraft and (2) exercising autonomy by overcoming parochial interests that would interfere with national grand strategic objectives. In China's case, the Party essentially sits above the state, allowing the General Secretary, the Politburo Standing Committee, and the Foreign Affairs Leading Small Group to coordinate military, political, and economic instruments of state. At the same time, the Party penetrates every level of the state, ensuring that Party-defined ideological principles like the line, guideline, and policy (路线，方针，政策) are adhered to as well. Together, the Party can suppress parochial interests – whether they be domestic-political, bureaucratic, inter-service, etc. – perhaps not in all cases, but likely in the most important and costly cases involving major military investments, decisions to join or create institutions, and major economic initiatives. China's control over media and its suppression of dissent, including even nationalist speech, suggests a limited role for public opinion – thereby enhancing foreign policy autonomy.

This chapter proceeds as follows. First, it discusses the empirical and theoretical approach. Second, it considers grand strategic blunting. In the blunting section, it uses authoritative Party documents not only to establish the content of grand strategic blunting, but also to show that variation in perceptions of American threat explain strategic adjustment. Third, it considers grand strategic building. In this section, the chapter links perceptions of American power to strategic adjustment after the Global Financial Crisis and demonstrates authoritative concepts consistent with building. In the fourth and final section, it considers Chinese grand strategic capabilities.

EMPIRICAL AND THEORETICAL STRATEGY

[NOTE: Kevin Rudd has a good way of explaining Chinese source work. https://asiasociety.org/policy-institute/kevin-rudd-xi-jinping-china-and-global-order]

The introductory chapter laid out that there is presently no scholarly or policy consensus on whether China has a grand strategy and what that strategy might be. As stated previously, noted Chinese scholar Wang Jisi is skeptical that grand strategy exists in China and goes so far as to suggest that "the variety of views among Chinese political elites complicates efforts to devise any such grand strategy based on political consensus."[1] The question, however, is not whether China has a unified strategy document, or whether lower-level officials are unified in their views of grand strategy – no such document is public, and in no system are all officials in agreement. The key question is instead whether China's paramount leader, and perhaps also its senior Party leadership, agrees on the ends, ways, and means of China's grand strategy. These leaders set the line, guidelines, and policies on important issues through highly authoritative Party documents and speeches. Although none of these constitutes a grand strategic document on its own, they do reveal consistent grand strategic concepts when they are taken together.

Research Method

Which documents form the foundation of an inquiry into Chinese grand strategy? As discussed in the previous chapter, a textual approach to Chinese grand strategy relies on establishing a hierarchy of open source and classified Chinese sources in order of authoritativeness and drawing from them accordingly. Leader-level memoirs, doctrinal texts, archival sources, official speeches, classified materials, and essays by senior leaders are preferred and generally considered of greater credibility than more frequently-cited but often less reliable sources like Chinese journal articles and think tank reports.

[1] Wang Jisi, "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way," 71–72.

This raises an important question: how does a scholar differentiate among authoritative sources? It helps that not all authoritative materials are of the same kind, allowing for us to divide them into a variety of categories. Some from the People's Liberation Army Press – such as memoirs of Vice Chairmen of the Central Military Commission – are useful for military matters. Others, such as memoirs of diplomats published by the World Knowledge Press, tend to be related to the Foreign Ministry. Notably, material in these functional categories is summarized here but explored in greater depth in subsequent chapters that have narrower functional focuses. Because this chapter seeks to demonstrate the existence of guiding grand strategic principles that sit at a level above these functional categories, I consider here Party and leader-level documents when possible rather than authoritative documents that come lower-down in the Party-state hierarchy, such as ministries.

This chapter relies on an original database of authoritative Party documents totaling over two million words. The core of this database includes two major regularly-published Party document compilations: (1) official publications of selected works of all major leaders after Mao (e.g., 邓小平文选) as well as (2) compilations of Party documents published in three volumes between Party Congresses (e.g., 十八大以来文献汇编). These sources are used to establish longitudinal comparisons because they are regularly published and exhibit some consistency in document selection. In addition, a number of other sources that are not regularly published were also consulted on a case-by-case basis. Most of these are drawn from other thematic Party compilations published by the Central Documentation Press (such as Deng's writings on military strategy); in addition, state white papers, minister remarks, Party media, functional sources from ministries or ministry presses, and academic and think tank commentary are also consulted when revealing – though these sources are not party of the Party database. Several leaked documents are also included as well.

Finally, it is worth considering whether these documents exhibit bias. For example, authoritative Party sources published by official presses are edited and manipulated in ways that

leaked documents are not. First, to the extent they demonstrate bias, they would be *less* likely to contain authoritative explications of China's efforts to blunt American power or build regional power since these are goals China does not generally emphasize. China often screens its publications for terms likely to be picked up by Western observers; for example, following Trump's trade war with China in part over China's support for the industrial policy initiative Made in China 2025, the Propaganda Ministry ordered the term no longer be used and its mentions in Xinhua promptly plummeted. Phrases like "Tao Guang Yang Hui" are similarly considered sensitive.[2] Second, although some might suggest that the texts may play to nationalist audiences, that this assumption is misguided. These texts are not widely read and are unlikely to overstate perceptions of U.S. threat or statements of Chinese ambition; indeed, relatively to China's far more forceful think tank commentary, these documents are rather understated. Third, leaked documents appear to be much more frank about the U.S. threat and about Chinese ambitions than officially published ones. For all these reasons, the official Party documents that form the core of this chapter pose a hard test for detecting Chinese strategy. Even so, because they play a useful coordinating role within the Party-state apparatus, the "signal" of Chinese strategy can still be detected through the "noise" of official edits, especially when the documents are compared *longitudinally over time*. For example, one can look at differences in Party Congress work reports, Ambassadorial Conference addresses, Central Foreign Affairs Work Forums – as well as in key concepts like the strategic guideline [战略方针] or the assessment of multipolarity [多极化] – to detect shifts in strategy.

Below, I discuss the hierarchy of documentary evidence consulted.

Hierarchy of Documents for Insight into the Party's Foreign Policy Judgments

[2] https://chinadigitaltimes.net/2018/06/minitrue-on-u-s-china-trade-tensions/

Leader Speeches	Party Congress Reports Major Internal Foreign Policy Addresses Other Internal Leader Party Speeches
External-Facing Foreign Policy Documents	Addresses to Foreign Audiences by Leaders or Senior Officials Government White Papers
Party Media on Party Judgements	Renmin Ribao Commentaries Qiushi and Xuexi Shibao Articles
Functional Sources	Ministry Documents Material from Ministry Publishing Presses
Think Tank and Academic Commentary	Comments from Well-Connected Scholars Comments from Government-Affiliated Programs

Table 4: Hierarchy of Primary Sources

Leader-Level Speeches

Party and leader-level documents are ranked in order of authoritativeness based in part on their audience and purpose.

The first category are *leader-level Party addresses* that are intended to set the line, guideline, and policy on major issues before key Party institutions. The most authoritative of these are Party Congress Political Reports, which are delivered by the General Secretary at the Party Congress, which is itself held every five years. This gathering is the highest body within the Communist Party, and the 30,000-word Political Reports delivered there set the line on all major policy issues, including foreign policy. The speeches often begin with a quick but telling survey of the Party consensus on international trends. Of lesser but similar importance are those addresses by top leaders to major Party institutions below the Party Congress, such as those to the two hundred or so members of the Central Committee. These occur annually and are known as plenums.

Following major addresses to Party institutions come *major foreign policy addresses*, the second category of authoritative leader-level documents. These addresses can be to Party or state institutions. They include the Ambassadorial Conferences, which are held on average every six or so years; the Central Foreign Affairs Work Conferences, which have only been held five

times (1976, 1991, 2006, 2014, and 2018); and major foreign policy conclaves and symposiums, such as the Peripheral Work Conference held in 2013. Because these kinds of speeches are made infrequently and are often made in front of much of the foreign policy apparatus, they are particularly important, and a review of them shows that they are often used to announce shifts in foreign policy or to grapple with new or changing circumstances. The judgments in these speeches are often explicitly rooted in Party consensus at the level of the Central Committee, Politburo, or even Politburo Standing Committee. Another category of foreign policy speeches are those regularly made by leaders to key institutions such as the Central Military Commission or the Ministry of Foreign Affairs, often to crystalize or convey a Party consensus.

A final category of leader-level speeches are those made to non-foreign policy bodies, both Party and state. To a surprising degree, many of these kinds of speeches discuss foreign policy in some detail and can be seen as attempts to disseminate or reinforce the Party consensus on international politics and Chinese strategy.

External-Facing Foreign Policy Sources

The preceding speeches are generally for internal audiences and rarely released to the public unless in the form of compendiums of a leader's major works, usually long after they have left power. In contrast, leaders give a number of addresses or publish a variety of white papers that are intended for external audiences around the world. These can include speeches to the United Nations or in neighboring capitals as well as important papers released by state ministries. Although these are authoritative in the sense that they are released by high-level Chinese institutions after close consideration and deliberation, they are also undoubtedly intended to shape external views. For that reason, they can be useful, but in some cases, they are not necessarily the best indicator of Chinese internal thinking. For example, in my review of speeches by Presidents Jiang and Hu, I consistently found – often in the same year and sometimes even in the same month – more confident assessments that the world was moving towards multipolarity before external audiences and far more restrained assessments before

internal audiences. Even so, these are among the most useful documents that we have for gauging Chinese strategy.

Media

The CCP often uses authoritative Party media to disseminate its judgments on key issues. These include daily newspapers such as the Party newspaper *Renmin Ribao* as well as prominent Party magazines such as *Qiushi* and *Xuexi Shibao*. These venues are not only used to highlight Party views, they are also sometimes used to give voice to Party debates. For that reason, it is of particular importance to pay attention to the author – when possible – and publication date of articles.

Functional Sources

As discussed previously, a wide variety of authoritative documents are released by ministries, the military, and their associated publishing houses. Memoirs or selected works of top officials, as well as ministry or service newspapers, can be useful in understanding the guidelines or policies for key state organs. They can at times be used to infer the higher-level grand strategies set by the Party. These are used primarily in Chapters 3-5.

Think Tank Commentary

A number of professors, research scholars, former officials, and think tank analysts are also regularly cited by scholars of Chinese foreign policy. In most cases, however, these sources *should not* be considered authoritative statements of Chinese policy. In general, these bodies are allowed if not encouraged to have a diversity of views and to serve as arenas for debate, admittedly within certain limited boundaries, and for that reason it is usually quite unlikely that any one scholar's opinion can be considered an authoritative representation of Party views.

That said, there are ways such sources can be used fruitfully. First, some of these individuals are known top foreign policy advisors in certain periods, so while their views might not be as authoritative as those made at a major Party conclave, they can provide context for decisions that were made. Second, some of these individuals work at university centers funded

with certain functional or regional priorities under the academic *jidi* system while others work at think tanks associated with certain ministries. In some cases, these affiliations can shed light the rationale for past policy. Third, some scholars have been asked to work on major projects for the Politburo, which convenes a "study session" every month on major issues of Party interest. Academics may spend months if not years preparing for these sessions, and following their presentations, are sometimes given tasks to continue their research (e.g., the rising power [大国崛起] series). These writings may not be authoritative statements of Party consensus, but they suggest areas of Party interest or concern. Finally, the most useful application of the think tank commentary is in getting a sense of trends in debate, but again, this is not necessarily reflective of an authoritative Party line.

Given space limitations, this chapter will largely rely upon leader-level speeches, the most authoritative of the sources mentioned above, supplemented by other less authoritative sources. In doing so, it builds on an original library of Chinese leader-level speeches pieced together from leader memoirs, compendiums, chronicles and related sources published by the Communist Party's official presses.

Grand Strategic Criteria

Having discussed what sources will be used, the next question is how to use them to answer key questions, including whether China has a grand strategy, what variables shape it, and what its content might be.

If China has a grand strategy, we should see grand strategic concepts (texts), grand strategic capabilities (institutions), and grand strategic conduct (behavior). From these three categories, the previous chapter extracted eight questions that could be used to identify the existence of a Chinese grand strategy. This chapter focuses primarily on grand strategic concepts (Questions 1-3) and also briefly considers in its final section grand strategic capabilities (Questions 4-5). Subsequent chapters focus on grand strategic conduct (Questions 6-8).

IDENTIFYING GRAND STRATEGY: KEY QUESTIONS	
Concepts (Texts)	**1. Ends**: Is there a consistent view on which security threats, of all those a country faces, are most significant or fundamental?
	2. Ways: Is there a consistent set of ideas about how to address those significant or fundamental threats in core texts?
	3. Means: Is there a theory of what role each of the major means of statecraft plays in addressing a given security threat in core texts?
Capability (Institutions)	**4. Coordination:** Do we see evidence that policymakers have bureaucratic institutions they can use to coordinate policy?
	5. Autonomy: Do foreign policy institutions and the broader state have a degree of autonomy from the society and various domestic forces that might supersede grand strategy?
Conduct (Behavior)	**6. Variation Within Means:** Does our theory of a given state's grand strategy explain variation in behavior in specific policy domains better than prevailing theories of state behavior in those domains?
	7. Variation Across Means: Does our theory of a given state's grand strategy apply not to one but multiple policy domains, such as military, economic, and political policy?
	8. Synchronized Variation: When grand strategy changes, do we see changes in behavior synchronized across each of the three means of statecraft?

Table 5: Questions for Identifying Grand Strategy

With respect to grand strategic concepts, this chapter draws from the introductory chapter and breaks grand strategy into a series of three smaller concepts: grand strategic ends, grand strategic ways, and grand strategic means. It then asks whether the texts reveal a consensus, set at the top of the Party hierarchy, on what these grand strategic ends, ways, and

means are and whether they change following shifts in the independent variables of *perceived threat* and the *perceived relative power gap*.

First, on the subject of ends, the chapter asks whether there is consistent view on which security threats, of all those a country faces, are most significant or fundamental. It shows that following the trifecta of the Tiananmen Square Massacre, the Soviet Collapse, and the end of the Cold War, authoritative Chinese texts and China's own paramount leaders consistently and explicitly argued that the United States is China's most significant and fundamental security threat.

Second, on the subject of ways, it asks whether there is a consistent set of ideas about how to address those significant or fundamental threats in core texts. It finds that, until the Global Financial Crisis, Chinese analysts adhered to Deng's admonition Tao Guang Yang Hui (韬光养晦) and maintained a low profile to avoid antagonizing the United States. Explications of this view suggested that China believed it should blunt American power to make it less threatening to China without overtly confronting American hegemony. After the Global Financial Crisis, Chinese texts demonstrated growing confidence that the country could sustain a more confrontational strategy intended to shape and influence China's home region. Leaders began to emphasize "Actively Accomplish Something" (有所作为) and "Striving For Achievement" (奋发有为). Explications of these latter concepts suggest China's interest in building an alternative regional order sensitive to China's interests.

Third, on the subject of means, the chapter asks whether authoritative texts put forward a theory of what role each of the major means of statecraft should play in addressing a given security threat. It shows that, although no one document conclusively lays out the role of each instrument in the country's security strategy, authoritative Party texts and speeches from paramount leaders taken together do lay out the role of a variety of instruments of statecraft within China's grand strategy.

In the final section, the chapter considers institutions and the fourth and fifth questions listed in Table 1 above.

The fourth question focuses on institutional coordination, specifically whether policymakers have bureaucratic institutions they can use to coordinate policy. This section argues that they do. It proposes that Chinese foreign policy decision-making is highly centralized in a handful of bodies with authority over multiple instruments. These include two Party-dominated institutions – the Politburo Standing Committee and the Foreign Affairs Leading Small Group – which have the authority to coordinate multiple instruments of statecraft. These institutions are informed by a variety of groups that are believed to be tasked with formulating long-term strategy. Within the Party, these include the Central Policy Research Office of the CCP Central Committee. Implementation occurs through Party institutions such as the Politburo Standing Committee, the Foreign Affairs Leading Small Group, and the Central Military Commission; it can also occur through the State Council's Foreign Affairs Office.

The fifth area of inquiry is institutional autonomy, specifically whether foreign policy institutions and the broader state have a degree of autonomy from society and various domestic forces that might supersede grand strategy. The chapter proposes that the Party generally has the ability to pursue a grand strategy even when competing public or parochial interests might be opposed to such efforts. With respect to public opinion, foreign policy in China – like in other countries – generally receives less attention than other domestic issues. Moreover, the Party's ability to prevent collective action and censor information reduces the effect of public opinion on foreign policy. With respect to parochial economic or bureaucratic interests, the Party's penetration of all state institutions and civil society offers it greater insulation from public opinion or vested interests than most other states.

We now review the evidence for Chinese grand strategic concepts, beginning first the argument that these texts reveal a blunting strategy and then with the argument that they subsequently reveal a building strategy.

BLUNTING AMERICAN POWER: 1989-2008

This section demonstrates that changes in perception of American power (the independent variable) explains China's strategic adjustment (the dependent variable). It demonstrates that a rather sudden and discontinuous change in the perception of American threat arose following the Tiananmen Square Massacre, the Gulf War, and the Soviet collapse and that, together, these three events precipitated a marked shift in authoritative Chinese texts on questions related to Chinese strategy. These texts began to voice sometimes strident concerns about American power and, taken together, advocated for a blunting strategy focused on weakening U.S. constraining leverage over China. This section is structured in four parts that survey how texts demonstrate (1) a shift in perceived U.S. threat, (2) grand strategic ends focused on surviving the U.S. threat, (3) grand strategic ways designed around Deng's admonition, and (4) grand strategic means situated within blunting strategies.

A Shift in the Perceived U.S. Threat

Before the United States rose to become China's top threat, the Soviet Union was a greater concern. Indeed, following the Sino-Soviet split in the 1960s, China began to see the Soviet Union as an existential threat. In a speech discussing Sino-Soviet ties, Deng discussed the changing history of China's chief security threats. "Where have the threats come from in recent decades?" he began, and noted that after independence "at that time, the threat came from the United States." But "starting from the mid-1960s," China's relations with the Soviet Union "deteriorated to the point where they were practically broken off." Indeed, Deng argued, "in the 1960s the Soviet Union strengthened its military presence all along the borders between China and the Soviet Union and Mongolia. The number of missiles was increased to one third of the Soviet Union's total, and troops were increased to one million, including those sent to Mongolia." In light of the massive concentration of conventional and nuclear forces on China's border, Deng asked rhetorically, "Where was the threat coming from? Naturally, China drew its

conclusions."[3] Indeed, by the late 1960s and early 1970s, the Soviet Union had emerged as China's primary security threat; meanwhile, the United States and China steadily drew closer together politically, economically, and militarily. As Deng Xiaoping argued in an enlarged CMC meeting in 1985, "In view of the threat of Soviet hegemonism, over the years we formed a strategic 'line' of defense -- a 'line' stretching from Japan to Europe to the United States."[4] In practical terms, China considered the West its partner in resisting Soviet hegemonism.

As ties with the Soviet Union began to gradually improve in the late 1980s, Deng declared that China would pursue an "independent foreign policy of peace" and seek equidistance between the two powers. Despite this new public stance, China continued to cooperate closely with the United States, including on security and military matters, and its military and other doctrinal texts still focused primarily on the possibility of war with the Soviet Union.[5] Practically speaking, the Soviet Union remained a more proximate and imminent threat than did the United States, and ties with the United States remained far closer than they did with the Soviet Union. When the American journalist Mike Wallace asked Deng why China's ties with capitalist America were still superior to its ties with Soviet communists during an interview, Deng did not dispute the claim despite China's new formal equidistance. Instead, he justified the state of affairs by arguing that "China does not regard social systems as a criterion in its approach to problems" but focused instead on the "context of their specific conditions."[6] China in effect still leaned towards the U.S. side.

All of this changed abruptly in the late 1980s and early 1990s following the trifecta of Tiananmen Square sanctions in 1989, the Gulf War in 1990, and the Soviet collapse in 1991. In

[3] *Deng Xiaoping Selected Works [邓小平文选]*, 3:294.

[4] *Deng Xiaoping Selected Works [邓小平文选]*, 3:127–28.

[5] See 1987 Zhan Yixue

[6] *Deng Xiaoping Selected Works [邓小平文选]*, 3:168.

short order, the United States replaced the Soviet Union as China's primary threat; with that adjustment, a new Chinese grand strategy emerged for the post-Cold War era.

Evidence that the United States began to be seen as China's primary threat is explicit in authoritative documents. Deng's own public comments about the United States changed dramatically. Throughout most of the 1980s, as a review of his Selected Works makes clear, Deng would occasionally chide the United States for democratic arrogance or for interference in Taiwan, yet he did not refer to the United States as a threat. After 1989, he was vehement in his denunciations of the United States.

In a private talk in September 1989 with several members of the CCP Central Committee that was later published, Deng declared that there was now "no doubt that the imperialists want socialist countries to change their nature. The problem now is not whether the banner of the Soviet Union will fall -- there is bound to be unrest there -- but whether the banner of China will fall."[7] The sentiment became a common feature of Deng's remarks, even his public ones. "The West really wants unrest in China," Deng declared later that month, "It wants turmoil not only in China but also in the Soviet Union and Eastern Europe. The United States and some other Western countries are trying to bring about a peaceful evolution towards capitalism in socialist countries." This threat to China was a form of warfare. "The United States has coined an expression: waging a world war without gunsmoke. We should be on guard against this. Capitalists want to defeat socialists in the long run. In the past they used weapons, atomic bombs and hydrogen bombs, but they were opposed by the peoples of the world. So now they are trying peaceful evolution."[8] In a meeting with Richard Nixon to reset ties after Tiananmen, Deng nonetheless declared that the "United States was deeply involved" in "the recent disturbances and the counter-revolutionary rebellion" of the students, and though he softened

[7] *Deng Xiaoping Selected Works [邓小平文选]*, 3:320.

[8] *Deng Xiaoping Selected Works [邓小平文选]*, 3:324–27.

his criticism at least in front of Nixon and claimed he was "not saying that governments of Western countries are trying to overthrow the socialist system in China," he went on to declare that "at least some Westerners are trying to" do so. His restraint in remarks with Nixon was absent from his other speeches, in which Deng continued to claim that the United States was seeking China's collapse.[9] "I looked forward to the end of the Cold War, but now I feel disappointed," Deng lamented, "It seems that one Cold War has come to an end but that two others have already begun." In Deng's view, one of these was directed against developing countries; the other was against China and socialism: "The Western countries are staging a third world war without gunsmoke," Deng warned in November 1989.[10] In a talk with a visiting Japanese delegation, Deng elaborated on these views further. "The international climate was also partly responsible for the recent [Tiananmen] incident. Western countries, particularly the United States, set all their propaganda machines in motion to fan the flames, to encourage and support the so-called democrats or opposition in China, who were in fact the scum of the Chinese nation. That is how the turmoil came about." Not only was the U.S. responsible, but its objectives were hostile: "In inciting unrest in many countries, they are actually playing power politics and seeking hegemony. They are trying to bring into their sphere of influence countries that heretofore they have not been able to control. Once this point is made clear, it will help us understand the nature of the problem and learn from experience."[11]

Deng had unparalleled control over foreign policy during this period, and his judgment that the United States was now more threatening to China after Tiananmen and the Soviet collapse was an official judgment. Ultimately, as this and subsequent chapters show, authoritative Chinese texts reveal a rather sharp change in views of China's security

[9] *Deng Xiaoping Selected Works [邓小平文选]*, 3:330–33.

[10] *Deng Xiaoping Selected Works [邓小平文选]*, 3:344–46.

[11] *Deng Xiaoping Selected Works [邓小平文选]*, 3:347–49.

environment following the traumatic trifecta of the late 1980s and early 1990s, and this produced a focus on surviving the U.S. threat.

Ends – Surviving U.S. Threat

As the 1990s began, China increasingly saw the United States as its chief threat. Indeed, as the writings of Deng's successors make clear, the idea that his views were a temporary product of tensions related to Tiananmen, the Soviet collapse, or the Gulf War does not withstand scrutiny; indeed, the view that the United States was China's primary threat was affirmed for nearly two decades in high-level Party sources.

In 1993, during China's 8th Ambassadorial Conference – an extremely important address held every six years or so before the foreign policy apparatus to reiterate or alter major judgments on foreign policy – Jiang Zemin outlined a sentiment that departed dramatically from earlier Ambassadorial speeches delivered in 1986 by Zhao Ziyang and Hu Yaobang. "From now on and for a relatively long period of time, the United States will be our main diplomatic adversary [对手].... The status and role of the United States in today's world determines that it is the main adversary of our international dealings," Jiang argued.[12] The United States, he clarified, had hostile intentions:

> "The U.S. policy on China has always been two-sided. The peaceful evolution of our country is a long-term strategic goal for some in the United States. In essence, they are reluctant to see China's reunification, development, and strengthening. They will continue to keep pressure on our country on issues of human rights, trade, arms sales, Taiwan and the Dalai Lama. The United States is domineering in its dealings with our country and possesses the posture of hegemonism and power politics.[13]

And yet, Jiang argued before the assembled diplomats, there was another side to U.S. policy towards China. "On the other hand, the United States out of consideration for its own

[12] The term 对手 connotes an adversarial, oppositional, or rivalrous relationship in contrast a more neutral term like interlocutor.

[13] For Jiang's 8th Ambassadorial Conference address, see Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 1:311–17.

global strategy and its fundamental economic interests, will have to focus on our country's vast market and has no choice but to seek cooperation with us in international affairs." In other words, Washington "needs to maintain normal relations with us."[14] Even so, China could not adopt an overtly confrontational strategy because, as Jiang observed, "The United States is our principal export market and an important source for our imported capital, technology, and advanced management experience." Instead, "protecting and developing Sino-U.S. relations was of strategic significance" to China. By cooperating with the United States in some areas and avoiding confrontation, China could minimize U.S. antipathy, continue to develop economically, and increase its relative power.

Five years later, at the Ninth Ambassadorial Conference in 1998, Jiang continued to emphasize the U.S. threat. "Some in the United States and the other Western countries," he declared, "will not give up their political plot to westernize and divide our country. It doesn't matter whether it is adopting a 'containment policy' or a so-called 'engagement policy,' all of which may vary in 10,000 different ways without ultimately departing from their central aim [万变不离其宗], which is to try with ulterior motives [企图] to change our country's socialist system and finally bring our country into the Western capitalist system."[15] "This struggle is long-term and complex," Jiang declared, and "in this regard, we must always keep a clear head and must never lose our vigilance. Some of our neighboring great powers also want to contain us in different ways."[16] Jiang then offered the diplomats an official review of Sino-American relations, with the emphasis being on the hostility and threat posed by the United States:

> In November and December 1989, former U.S. Secretary of State and the president's National Security Adviser Brent Scowcroft visited China successively, and comrade Deng Xiaoping met with them both and put forward a wholesale plan for restoring Sino-U.S. relations. This plan ultimately found its realization in my [Jiang's] state visit to the

[14] Jiang Zemin [江泽民], 1:312.

[15] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, vol. 2 (Beijing: People's Press [人民出版社}, 2006), 197.

[16] Jiang Zemin [江泽民], 2:197.

> United States. At the time, the visit received the approval of the American side, but then the United States changes its mind and went back on its word. Because of the drastic changes in Eastern Europe, some in the United States pinned their hopes on us "changing." In 1991, there was a serious flood in East China, and some in the United States set their minds on us having chaos. In December of that year when the Soviet Union dissolved, some in the United States thought we should 'collapse.' In 1992, the United States sold Taiwan F-16 fighter jets, in 1995 they permitted leaders of Taiwan to visit the United States. Some in the United States with respect to the so-called "post-Deng China" made all kinds of speculation and put pressure on us in an attempt to overwhelm us and put us down.[17]

Although relations improved in the 1990s, Jiang emphasized his skepticism in his Ambassadorial Conference address. "When I was in New York with Clinton, he clearly told me that the U.S. policy on China is neither isolation nor deterrence nor confrontation, but full engagement," Jiang stated. But Jiang then told the diplomats that he did not believe these assurances: "we must realize that the U.S. policy on China is still two-sided. The attempt by the U.S. anti-China forces to evolve us will not change."[18] Moreover, Jiang argued that "the United States is trying to construct a unipolar world…and dominate international affairs" and that, instead of declining, "for a long time, the United States will maintain significant advantages in politics, economics, science and technology, and military affairs."[19]

In a speech to the Central Military Commission roughly ten years after Tiananmen, Jiang emphasized that these themes had not diminished in salience. "After undergoing drastic changes in Eastern Europe, the dissolution of the Soviet Union, and the end of bipolarity in the late 1980s and early 1990s," he remarked, "setbacks in the development of worldwide socialism caused us to face unprecedented pressure." In particular, "hostile international forces have threatened to bury communism in the world, arguing that China will follow the footsteps of the Soviet Union and Eastern European countries and will soon collapse. They have exerted comprehensive pressure on China and openly support our domestic anti-communist, anti-

[17] Jiang Zemin [江泽民], 2:202–3.

[18] Jiang Zemin [江泽民], 2:203.

[19] Jiang Zemin [江泽民], 2:196.

socialist forces, and separatist forces as they engage in sabotage and subversion." Quoting a line about battle by Li He, a Tang Dynasty poet favored by Mao, Jiang declared "Black clouds loom heavy over the city, and the city is on the verge of caving in." Hostile foreign forces, he continued were "intensifying all kinds of infiltration and destruction activities aimed at the westernization and splitting-up of our country, and continuing to use so-called 'human rights,' 'democracy,' 'religion,' the Dalai Lama, Taiwan, economic and trade instruments, and arms sales all to stir up trouble." In summing up the situation, he declared that "China's security and social and political stability are facing serious threats" from the United States.[20]

In another CMC speech two years later, Jiang was more explicit that the cause of China's troubles was the United States. Indeed, rocky relations with the United States were perceived to have begun after the end of the Cold War: "After the end of the Cold War, Sino-American relations have continuously been very unsteady, sometimes good and sometimes bad."[21]

Jiang's successor, President Hu Jintao, continued to stress the U.S. threat. In speeches to the Foreign Ministry in 2003, Hu argued that although "the United States and other large Western countries need to seek China's cooperation on major international and regional issues, we must also recognize the grim reality that Western hostile forces are still implementing Westernization and splittist political designs on China."[22]

According to leaked files prepared for the 16th Party Congress the previous year, Hu Jintao – and other top Chinese elites and Politburo Standing Committee members – were at times even more blunt. In those documents, Hu identified the United States as "the main line [i.e., the central thread] in China's foreign policy strategy." He also argued that the United States sought to encircle China:

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[20] Jiang Zemin [江泽民], 2:451.

[21] Jiang Zemin [江泽民], 2:353.

[22] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, vol. 2 (Beijing: People's Press [人民出版社], 2016), 91.

> Many people in the United States have always regarded China as a latent strategic opponent, and from a geopolitical perspective have adopted a two-faced engagement and containment approach.…The United States has strengthened its military deployments in the Asia-Pacific region, strengthened the US-Japan military alliance, strengthened strategic cooperation with India, improved relations with Vietnam, wooed Pakistan, established a pro-American government in Afghanistan, increased arms sales to Taiwan, and so on. They have extended outposts and placed pressure points on us from the east, south, and west. This makes a great change in our geopolitical environment.[23]

In those same files, Premier Wen Jiabao saw the United States as seeking to contain China.

> The United States is trying to preserve its status as the world's sole superpower and will not allow any country the chance to pose a challenge to it. The US will maintain its global strategy based in Europe and Asia, and the focus will be on containing Russia and China and controlling Europe and Japan. The core of American foreign policy toward China is still to 'engage and contain.' Some conservative forces in the US are sticking stubbornly to their cold war thinking, stressing that the rise of China must harm American interests. The US military is planning to move the focus of military planning from Europe to the Asia-Pacific region. The US will continue to exert pressure [on us] on Taiwan, human rights, security, and economics and trade.[24]

Other prominent figures, like Jiang Zemin's right-hand advisor Zeng Qinghong, declared similarly that "the Americans constantly worry that a strong China will threaten their position of primacy. So the US wants both to dominate China's market and to find every possible way to contain its development."[25] Even Li Ruihan, another Standing Committee member who had been a supporter of modest political liberalization, saw U.S. intentions as hostile.

> To tell the truth, the United States is very clear about our power. It knows that China today is not a direct threat to the United States. But as for America's long-term development strategy, when it looks at our latent developmental strength, if the Chinese economy keeps developing for a few more decades, it will be big enough to be able to balance with them. So they want to contain us, they want to implement a carrot-and-stick policy. It's useless for us to use a lot of words to refute their 'China threat theory.' The Americans won't listen to you.[26]

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[23] Zong Hairen [宗海仁], *China's New Leaders: The Fourth Generation [中國掌權者: 第四代]* (New York: Mirror Books [明鏡出版社], 2002), 76–78.

[24] Zong Hairen [宗海仁], 168. For a good translation for many of the quotes in Zong Hairen's compliation of leaked documents, see Andrew Nathan and Bruce Gilley, *China's New Rulers: The Secret Files* (New York: New York Review of Books, 2002), 207–9.

[25] Zong Hairen [宗海仁], *China's New Leaders: The Fourth Generation [中國掌權者: 第四代]*, 322–26.

[26] Zong Hairen [宗海仁], 125.

In an exhaustive review of the leaked documents, Andrew Nathan and Bruce Gilley conclude that "managing relations with the United States is seen as a looming threat."[27]

In 2006, Hu Jintao hosted the Central Foreign Affairs Working Conference – only the third time in the entire PRC's history that this kind of meeting had been convened. At it, he emphasized the U.S. threat and discussed China's fear of encirclement by the United States in concert with its allies: "the United States and other Western countries have vigorously promoted the establishment of a 'democratic nations alliance,'" he warned.[28] Later, repeating language from previous General Secretaries in similar settings, Hu stressed that "the United States remains the main opponent/adversary that we need to deal with internationally."

Together, all of these accounts – which consistently label the United States as China's chief opponent, define it explicitly as China's main threat, and raise concerns about the need to manage U.S. ties – clearly demonstrate that it was the focus of Chinese strategic planning. We now turn to the *ways* those plans sought to avoid U.S. containment.

Ways – Deng's "Tao Guang Yang Hui"

After the Cold War, China's foreign policy adjusted. That adjustment began with Deng Xiaoping's articulation of what became an authoritative if somewhat elusive Chinese phrase intended to reduce the risk of American-led balancing or containment and thus secure conditions for China's development. It was encapsulated in a memorable 24-character admonition: "observe calmly, secure our position, cope with affairs calmly, hide our capabilities and bide our time, maintain a low profile, never claim leadership, and accomplish something."[29] This was a conscious strategy of non-assertiveness. China did not pursue regional-building

[27] Nathan and Gilley, *China's New Rulers: The Secret Files*, 207–9.

[28] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:503–4.

[29] 冷静观察，站稳脚跟，沉着应付，韬光养晦，善于守拙，绝不当头 as quoted in Renmin Ribao

enterprises that might unsettle the United States: it did not build a blue-water navy, launch major international institutions, or unveil massive economic schemes. Instead, it focused on non-assertively blunting the foundations of U.S. power over China. In line with the central arguments of this dissertation, China's selection of this strategy occurred after its *perceived threat* from the United States increased and while its *perceived relative power gap* with the United States remained high.

The notion that Deng's phrase is an articulation of China's post-Cold War grand strategy is admittedly a controversial claim. Analysis of authoritative texts, however, strongly supports this interpretation.

It is unambiguously the case that the strategic guideline Tao Guang Yang Hui appeared following the traumatic trifecta of Tiananmen, the Gulf War, and the Soviet collapse. A typical summary of its history can be found in articles in Party newspapers like the *People's Daily,* which states that the doctrine was "put forward by Deng Xiaoping during the 'special period' of drastic changes in Eastern Europe and the disintegration of the socialist camp there in the late 1980s and early 1990s. At that time, China faced questions about 'what to do' and 'in what direction to go' as well as others that it urgently needed to answer, and Deng Xiaoping put forward a series of important thoughts/ideology and countermeasures.[30] Another People's Daily article says the same, dating the concept after Tiananmen: "At the beginning of the Cold War's conclusion when China was sanctioned by Western countries, Comrade Deng Xiaoping put forward" the Tao Guang Yang Hui "strategic guideline."[31] This is a point repeatedly made not

[30] Xiao Feng [肖枫], "Is Comrade Deng Xiaoping's 'Tao Guang Yang Hui' Thiking an 'Expedient Measure'? [邓小平同志的'韬光养晦'思想是'权宜之计'吗?]," *Beijing Daily [北京日报]*, April 6, 2010, http://dangshi.people.com.cn/GB/138903/141370/11297254.html; Zhang Xiangyi [张湘忆], "Observe Calmly, Calmly Cope with the Situation, Tao Guang Yang Hui, Do Not Take Leadership, Accomplish Something [冷静观察、沉着应付、韬光养晦、决不当头、有所作为]," *People's Daily Online [人民网]*, October 28, 2012, http://theory.people.com.cn/n/2012/1028/c350803-19412863.html.

[31] Zhu Weilie [朱威烈], "Tao Guang Yang Hui: A Commonsense Concept in the Global Cultural Mainstream [韬光养晦：世界主流文明的共有观念]," *People's Dailiy Online [人民网]*, April 28, 2011, http://world.people.com.cn/GB/12439957.html. Zhu Weilie is a Professor at Shanghai International Studies University.

only in the People's Daily, but explicitly made by Hu Jintao, Liu Huaqing, and many others in their own remarks.[32] Indeed, the earliest reference to Tao Guang Yang Hui's core tenets came after the Tiananmen Square massacre. As Deng noted in a 1989 speech to the CCP Central Committee: "In short, my views about the international situation can be summed up in three sentences. First, we should observe the situation coolly. Second, we should hold our ground. Third, we should act calmly. Don't be impatient; it is no good to be impatient. We should be calm, calm and again calm, and quietly immerse ourselves in practical work to accomplish something -- something for China."[33] Together, these constitute four of the key portions of what eventually became Deng's admonition of Tao Guang Yang Hui. As Cheng Dingding and Wang Jianwei note in an analysis of this speech by Deng, "Although Deng did not use the precise TGYH [Tao Guang Yang Hui] phrase, the spirit of TGYH was clear in his talks."[34]

As time passed, Deng gave several speeches elucidating Tao Guang Yang Hui and placing it at the center of China's foreign policy in language that strongly suggested that the concept was intended to encourage Chinese self-restraint at a time when its relative power was low. For example, in a speech summarized in Deng Xiaoping's official chronicles, Deng declared Tao Guang Yao Hui was the central component of his strategic vision for China's foreign policy and shaped by perceptions of China's relative power: "Only by following Tao Guang Yang Hui for some years can we truly become a relatively major political power, and then when China speaks on the international stage it will make a difference. Once we have the capability, then we will build sophisticated high-tech weapons."[35] Here, Deng links China's limited diplomatic activism

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[32] For example, see Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]* (Beijing: Revolutionary Army Press [解放军出版社], 2004), 601.

[33] *Deng Xiaoping Selected Works [邓小平文选]*, 3:321.

[34] Chen Dingding and Wang Jianwei, "Lying Low No More?: China's New Thinking on the Tao Guang Yang Hui Strategy," *China: An International Journal* 9, no. 2 (September 2011): 197.

[35] Leng Rong [冷溶] and Wang Zuoling [汪作玲], *Deng Xiaoping Nianpu [邓小平年谱]*, 2:1346. Full quote, "我们再韬光养晦地干些年，才能真正形成一个较大的政治力量，中国 在国际上发言的分量就会不同。有能力的时候，要搞高科技国 防尖端武器."

and delayed military investment to his "Tao Guang Yang Hui" strategy, and specifically, to China's temporary weakness.

Tao Guang Yang Hui continued to be China's official strategy even as top leadership changed. Not long after taking power, Jiang Zemin gave a speech on resisting "Peaceful Evolution" at an expanded meeting of the Politburo Standing Committee in 1991 that reinforced Tao Guang Yang Hui. "Under the current international situation of constant changes, we must stick to carrying out Comrade Deng Xiaoping's strategic guideline of 'observe calmly, stabilize our position, cope calmly, Tao Guang Yang Hui, and be good at defending yourself.'"[36] Jiang declared. "Practice has shown that this is the right guideline. Implementing this guideline is by no means an indication of weakness or that we are giving in, let alone abandoning our principles," he caveated, "instead, it is a realization that we face a complex international structure and we cannot cultivate enemies everywhere." Similarly, a few years later at a gathering of ambassadors that was smaller than the more significant (and infrequent) ambassadorial conferences, Jiang reiterated these views: "We must implement Comrade Deng Xiaoping's policy of Tao Guang Yang Hui and never taking leadership - this is without doubt" and stressed that "We cannot go beyond our reality in trying to do things" on the international stage.[37]

In a major foreign affairs address delivered by President Jiang Zemin in 1998 to the 9th Foreign Ambassadorial Conference, he continued to commit China to Deng's foreign policy because China was weaker than its competitors.

> "At this important historical period at the turn of the century, we must unswervingly implement Deng Xiaoping's diplomatic thinking….first, we should continue to adhere to the "zhanlue fangzhen" [strategic guideline] of 'calmly observe, calmly deal with the situation, never take leadership, and get something done. [冷静观察、沉着应付、绝不当头、有所作为的战略方针].' We should hide our capabilities and bide our time, drawn in

[36] Jiang Zemin [江泽民], "Jiang Zemin Discusses Opposing Peaceful Evolution [江泽民论反和平演变]," (July 31, 1991), http://www.360doc.com/content/09/0203/23/97184_2452974.shtml.

[37] Jiang Zemin [江泽民], *Jiang Zemin on Socialism with Chinese Characteristics (Special Excerpts) 江泽民论有中国特色社会主义 【专题摘编】* (Beijing: 中央文献出版社, 2002), 529–30.

> our claws, preserve ourselves, and consciously plan our development [韬光养晦，收敛锋芒，保存自己，徐图发展]. *The contrast between our country's conditions and international conditions determines that we must do this*."[38]

In previous addresses, Jiang had stated that China's strategy should be long-term, and his remarks on Tao Guang Yang Hui seem consistent with this view: "In dealing with international relations and carrying out international struggle, there is a question of the relationship between long-term and short-term interests….Sometimes there is a conflict between these short-term and long-term interests, and we will not hesitate to subordinate short-term interests to long-term interests."[39] An important component of this strategy was to increase China's autonomy. In a speech before the Central Military Commission in 1993 that announced China's new military strategic guidelines, Jiang elaborated on the "strategic guidance" the Party put forward to the foreign policy apparatus and argued for blunting the power of a hegemon to increase China's freedom of maneuver. "One of the important issues in our strategic guidance is to make good use of contradictions, flexibility, and initiative," Jiang declared, "In the struggle against hegemonism and power politics….We use all possible contradictions to expand our freedom of maneuver."[40]

Jiang's successor, Hu Jintao, likewise continued to emphasize Tao Guang Yang Hui in multiple speeches. For example, in a major 2003 speech to the Foreign Ministry, he dedicated an entire section to speaking about its fundamental importance. "We must correctly handle the relationship between Tao Guang Yang Hui and accomplishing something," he declared. This concept, along with "observing calmly, calmly coping with challenges, not leading, making a difference," Hu reminded his audience, "is a high-level summary of Comrade Deng Xiaoping's series of important strategic policies for China's diplomacy after the sudden change of

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[38] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:202.

[39] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 1:289. Or page 315?

[40] Jiang Zemin [江泽民], 1:289.

international politics in the late 1980s and early 1990s." Following this guideline meant providing China time to develop through non-confrontation, and he warned the assembled foreign policy apparatus that China must not "delay the overall situation by sinking into the whirlpool of international conflict." He concluded that "we must adhere to this principle [Tao Guang Yang Hui] without wavering." Indeed, that decision was based on the perception of China's relative power. As Hu argues, "Considering the current situation and development trend of China's national conditions, as well as its comparison with international power, this is a long-term strategic policy."[41]

Similarly, in leaked documents prepared for the sixteenth Party Congress, Hu made clear that China's restraint was influenced by its power. "'Holding back differences' [存异] is in the common interest of both China and the United States," Hu stated, but this was only because China was weak. "With the development of China's economy and the enhancement of our comprehensive national strength," Hu stressed, "we will be more flexible and confident in handling Sino-US relations."[42]

In the 2006 Central Foreign Affairs Working Conference, which was a meeting so significant it had previously only ever been held twice before, Hu laid out in significant length and detail China's foreign policy strategy. Here again, Tao Guang Yang Hui was given a major place. China must "adhere to the strategic guideline of Tao Guang Yang Hui and getting something done," he said, and he further made clear that "this principle cannot be forgotten at any time." And yet, in the same section, he warned that China's growth might create new attention. "Now, some countries are optimistic about us and hope that we can play a greater role and bear more responsibilities….For this reason, we must keep a clear head, we cannot let our minds get heated because we are living a little better. We must insist on not speaking too much

[41] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:97.

[42] Zong Hairen [宗海仁], *China's New Leaders: The Fourth Generation [中國掌權者: 第四代]*, 78.

and not doing too much, and even if our country develops further, we must insist on this point."[43] This was a conscious strategy of non-assertiveness contingent on China's own limited relative capabilities. To the extent China would try to "get something done," it would be focused primarily on blunting external capabilities. On this, Hu is explicit: "We must place the basis for 'getting something done' on the maintenance and development of our interests, on improving our strength…and reducing and eliminating external resistance and pressures." This was an explicit prioritization. Elsewhere, he puts forward a clear articulation of blunting: "it must be seen that the more developed a country is, the more likely it is to encounter external resistance and risky challenges….it is necessary to use various contradictions to check external hostile forces' strategic containment of China and to minimize the strategic pressure of external forces on China."[44] Hu further argues that Tao Guang Yang Hui also required compromise on major interests. "In particular," Hu continues, "we must pay attention to differentiating and grasping core interests, important interests, and general interests. We must prioritize, focus, and do what we can….For issues that do not impede the overall situation, we must embody mutual understanding and mutual accommodation so that we can concentrate our efforts on safeguarding and developing longer-term and more important national interests."[45] As part of Tao Guang Yang Hui, China would not pursue the kind of coercion or order-building that might otherwise allow it to achieve its interests.

From the preceding leader-level excerpts, it should be clear that Tao Guang Yang Hui was a Chinese grand strategy to make China less threatening and to avoid encirclement that was based on China's relative power vis-à-vis the United States. A few scholars disagree with this view: some perhaps for genuine reasons, and others perhaps for political ones. Disagreements

[43] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:519.

[44] Hu Jintao Volume 2 510

[45] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:519.

take two forms. Their arguments take two forms: first that the phrase does not refer to temporary strategy based on China's power; second, that it is unrelated to the United States.

With respect to the first argument, a few Chinese authors argue that Tao Guang Yang Hui is not a tactical or time-bound instrumental strategy but rather a permanent one. This debate emerges from the mixed uses of Tao Guang Yang Hui in China's own strategic and classical canon. In many cases, the use of the phrases "Tao Guang" and "Yang Hui" whether separately or whether combined into one idiom generally referred to the decision of hermits to retire into seclusion to develop themselves morally or intellectually. "Based on the usages of 'Tao Guang Yang Hui' by our forefathers," argues Yang Wengchang, a retired Vice Minister of the Ministry of Foreign Affairs in a prominent essay excerpted later the Western-facing propaganda outlet *China Daily,* "the term described a low-key lifestyle" and strategic reflection and was not an "expedient tactic." [46] In this view, he argues, Tao Guang Yang Hui "can apply to both good times and bad times" and whether one is weak or strong since it is not determined by external factors or variables. And yet, another strain of literature from which Tao Guang Yang Hui is evidently derived is far more tactical and clearly situates Tao Guang Yang Hui as an instrumental strategy affixed to questions of power and threat. In this view, Tao Guang Yang Hui was a phrase that draws from the contest between Goujian and Helu, where one leader famously waited ten years to get his revenge, which created the idiom "for a gentleman's revenge, ten years is not too long to wait" [君子报仇，十年不晚]. Even if linking Tao Guang Yang Hui to this story is erroneous, the ultimate provenance of the phrase is not the sole arbiter of its current political meaning. Indeed, as the preceding excerpts from leader-level speech demonstrate, Deng, Jiang, and Hu all made clear that Tao Guang Yang Hui was a strategy China had to adhere to given its material inferiority relative to the "international standards" and the

[46] Yang Wenchang, "My Views About 'Tao Guang Yang Hui,'" *Foreign Affairs Journal*, no. 102 (2011); Yang Wenchang, "Diplomatic Words of Wisdom," *China Daily*, October 29, 2011, http://usa.chinadaily.com.cn/opinion/2011-10/29/content_13999715.htm.

international balances of power [力量对比], conceptual stand-ins for the West and Western hegemony respectively. The fact that the comparison with international power distributions determines the utility of Tao Guang Hui strongly implies it is not a permanent grand strategy but an instrumental one, contrary Yang Wengchang's statement.

Second, some skeptics agree that the strategy is instrumental and conditional rather than permanent, but take issue with the notion it is focused on the United States or constitutes some broader organizing principle. As Michael Swaine argues when discussing Tao Guang Yang Hui:

> This concept is often misinterpreted in the West to mean that China should keep a low profile and bide its time until it is ready to challenge U.S. global predominance. In truth, the concept is most closely associated with diplomatic (not military) strategy and is usually viewed by Chinese analysts as an admonition for China to remain modest and low-key while building a positive image internationally and achieving specific (albeit limited) gains, in order to avoid suspicions, challenges, or commitments that might undermine Beijing's long-standing emphasis on domestic development.[47]

Swaine is right to argue that observers should see Tao Guang Yang Hui as a defensive rather than offensive strategy. Although the concept is intended to allow China to rise without generating a countervailing balancing coalition, it is still fundamentally about putting off conflict with the United States. First, again, virtually all Chinese leaders who have elaborated upon it have made clear that it is China's power, implicitly relative to the United States, that sets the conditions for how long Tao Guang Yang Hui should be followed. The empirical record shows that Tao Guang Yang Hui appeared as the American threat grew following the Soviet collapse and that it was officially revised for the first time after the Global Financial Crisis, when unipolarity appeared to Chinese analysts to be on the wane. All of this indicates that adherence to the strategy is determined by the *perceived relative power gap* with the United States. Second, contrary to Swaine's argument that Tao Guang Yang Hui is a diplomatic principle, Chinese leaders make quite clear that Tao Guang Yang Hui is not merely a "diplomatic guideline" (外交方针) but a much broader "strategic guideline" (战略方针) that sits above all

[47] Michael D. Swaine, "Perceptions of an Assertive China," *China Leadership Monitor*, no. 32 (2010): 7.

levels of statecraft. Third, a number of China's own prominent think tank scholars and commentators share a more cynical view of Tao Guang Yang Hui than Swaine. For example, Professor Yan Xuetong – one of China's more hawkish yet connected scholars – parses many of the admonition's phrases and argues that they are fundamentally focused on the United States threat:

> The phrases 'undertaking no leadership' and 'raising no banner' suggest that China will not challenge American global leadership to avoid a zero sum game between China's national rejuvenation efforts and America's unchallenged global dominance since the end of the Cold War. This will help prevent the United States from focusing on containing the rise of China as a global superpower.[48]

Yan further argues that many of the protestations that Dai Bingguo and others have made about the phrase's true meaning are "for the sake of reducing the negative connotation of 'keeping a low profile'" and should not be seen as sincere. [49]

In sum, Tao Guang Yang Hui has been an organizing principle for China's grand strategy. Its arrival closely followed an increase in China's *perceived threat* from the United States and the country's adherence to it was explicitly justified as conditional on the *perceived relative power gap* with the United States. In authoritative texts, such as the Party newspapers that disseminate ideological doctrine as well as the leader-level speeches that set it, the 24-character admonition has been labeled as a "strategic guideline" (战略方针) and not only a "diplomatic guidelines" (外交方针), which elevates it above mere policy in Party terminology and gives the phrase a high degree of authority.[50] Finally, in several speeches, the strategy is explained as an effort to reduce the risk of confrontation with the United States and China's own neighbors

[48] The Chinese Journal of International Politics, 2014, Vol. 7, No. 2 155-156

[49] The Chinese Journal of International Politics, 2014, Vol. 7, No. 2 156

[50] For example, even Central Party textbooks refer to the concept this way. See Zhang Xiangyi [张湘忆], "Observe Calmly, Calmly Cope with the Situation, Tao Guang Yang Hui, Do Not Take Leadership, Accomplish Something [冷静观察、沉着应付、韬光养晦、决不当头、有所作为]."

while simultaneously limiting external pressures on China and expanding China's freedom of maneuver – which is consistent with blunting.

Means – Instruments for Blunting

If Tao Guang Yang Hui is effectively a grand strategy, it should have implications for a variety of instruments of Chinese statecraft. Politically and economically, the strategy meant low-key approaches to relations with other states and avoiding claims of leadership [决不当头], which meant China refrained from launching new institutions or new economic initiatives. As discussed earlier, Jiang and Hu described the strategy as involving a reduction in external constraints, consistent with blunting. Indeed, contrary to Swaine, this logic is clearest at the military level. Deng himself linked the concept to delaying certain PLA investments. So did a variety of Vice Chairmen of the Central Military Commission. For example, at a Central Military Commission meeting convened to study the Kosovo War, Vice Chairman Zhang Wannian argued that the U.S. strikes proved its hegemonic ambitions and then asked rhetorically "what should the PLA do" given "the rise of military interventionism" by the United States. Citing Jiang's instructions, his answer was that "our approach is Tao Guang Yang Hui." He elaborated that, "As a military, this means….vigorously developing 'shashoujian' equipment, [and following the principle of] 'whatever the enemy is most afraid of, we develop that.'"[51] As discussed in Chapter 3, "shashoujian" or "Assassin's Mace" weapons refer to the kind of asymmetric and anti-access approaches that became essential to Chinese blunting, and this strategy was itself discussed as part of the larger strategic guidelines of Tao Guang Yang Hui. All of these instruments and their roles within Tao Guang Yang Hui are discussed in greater detail in Chapters 3-5.

[51] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, vol. 2 (Beijing: Revolutionary Army Press [解放军出版社], 2011), 419.

BUILDING REGIONAL ORDER: 2008-2008

After the U.S. setbacks in Iraq, Washington's quiescence in the face of Russia's invasion of Georgia, and most significantly, the 2008 Global Financial Crisis, China assumed a new strategy. Departing from Deng's dictum, China felt confident enough in no longer simply blunting American power but in building the foundations for regional order in Asia under new strategic guidelines that emphasized "Actively Accomplishing Something" [积极有所作为] under Hu and then "Striving for Achievement" [奋发有为] under Xi. In its conduct, as subsequent chapters show, China went from pursuing asymmetric capabilities to pursuing power projection; from joining and stalling regional institutions to building its own; and from focusing on mitigating trade interdependence with the United States to developing asymmetric trade, infrastructure, and financial interdependence in part to constrain its neighbors.

The discussion of building is structured in four parts that survey how texts demonstrate (1) a decrease in the *perceived relative power gap* with the United States as reflected in China's multipolarity discourse coincided with (2) a change in grand strategic ends, which shifted from a focus on the United States to a more specific focus on "peripheral diplomacy" and the construction of a regional "Community of Common Destiny." These shifts were accompanied by (3) a departure from Deng's grand strategic ways as well as a (4) a shift in grand strategic means from those suitable to blunting to those suitable for building strategies.

A Shift in Perceived U.S. Power

After the 2008 Global Financial Crisis, Chinese views of American power shifted profoundly. This shift is captured in a variety of authoritative sources, but a particularly important one is China's discourse on multipolarity (多极化), which often appears in the same context as a discussion of the "international balance of forces" (国际力量对比). There is considerable textual evidence that Chinese analysts view multipolarity – as well as the "balance

of forces" – as a euphemism for American decline rather than as a general statement on the balance of power among great powers. For that reason, authoritative assessments of multipolarity and the "balance of forces" are good indicators of assessments of U.S. relative power. Moreover, Chinese texts make clear that judgments about Chinese strategy, including how long to observe Tao Guang Yang Hui, are explicitly tied to concepts like "multipolarity" and the "balance of forces." For these reasons, we see that significant shifts in China's multipolarity discourse are generally associated with shifts in China's strategy. To make that case, this section of the chapter reviews nearly every reference to multipolarity in Party Congress reports, in the speeches of leaders as contained within their selected works, and in the three-volume compilations of CCP documents published between Party Congresses and detects longitudinal adjustment across these references from a fear that multipolarity was far off in the early 1990s to confidence that it was waning beginning 2007-2008.

Before discussing how Chinese views of multipolarity have evolved over the last few decades, and especially after the Global Financial Crisis, it is first worth considering a few possible objections to putting stock in this discourse.

First, some might object that the multipolarity discourse is nothing new and therefore does not warrant great attention. These critics might point out that it reflects a longstanding Chinese preference for a reduction in superpower prerogatives, such as Mao's "three world thesis" that developed states and developing states together could constrain the superpower. If China has always stressed constraining superpowers in its ideology, then its continued emphasis on that principle represents nothing more than stale and normative ideological preferences – not an analytic judgement, and certainly not one that informs strategy. This view is problematic for a few reasons. First, even if the discourse has roots in previous ideology, it nonetheless calls for restraining superpowers in a world where there remains only one superpower, and therefore must be read as an objection to American hegemony. Second, the rhetoric does not appear to be

empty Party bromides: in fact, the discourse appears to be a unique product of the post-Cold War that was previously used rarely if at all; moreover, when it is used by top officials in the post-Cold War, their language is both explicitly analytical and normative – involving both surveys of the trend toward multipolarity as well as discussions of its benefits. Proponents of the view that the discourse means little would be hard-pressed to explain why it has uniquely flowered in the post-Cold War period. Indeed, no Party Congress reports before the Cold War's conclusion ever referenced multipolarity, but *every* report after the trifecta of Tiananmen, the Gulf War, and the Soviet collapse mention multipolarity without fail – and do so at the report's beginning and later in its foreign policy section, a placement that suggests its centrality to Chinese strategic thinking. In addition, multipolarity almost never appears in the selected works of China's Cold War leaders. For example, it never appears in Hu Yaobang's selected works, never appears in Zhao Ziyang's, and appears only once in three whole volumes of Deng's selected works – and in that case, its sole appearance is tellingly in the context of the emerging post-Cold War order. In contrast, the term appears 77 times and 72 times in the three volumes of Jiang's works and three volumes of Hu's works, respectively, and all references occur in the post-Cold War period. Similarly, an analysis of the use of multipolarity in Chinese journals reveals that while there were 949 Chinese journal articles containing the term in the 1980s, the post-Cold War period saw an order of magnitude more references: indeed, there were 12,982 in the 1990s and a stunning 46,123 in the first decade of the new millennium.[52] This combination of evidence from Party Congress reports, leader-level texts, and journal articles together is clear: multipolarity discourse exploded in the post-Cold War, suggesting both its significance and a Chinese focus on U.S. power and threat made salient by the Cold War's conclusion.

A second possible objection might concede the previous argument that multipolarity is a unique and important post-Cold War discourse, but then might interpret it *not* as a proxy for

[52] From CNKI text search

concerns about U.S. power but rather as a preference for a global balance of power in which China is one among many equal poles. This assumption does not withstand scrutiny. As Iain Johnston has noted, "if one asks Chinese strategists if support for multipolarity means support for a rise in the relative power and strategic independence of Japan or nuclear weapons development in India, for instance, the response is often a negative or an ambivalent one."[53] Indeed, the relative superficiality of references to other powers is reflected in the multipolarity discourse. Despite cursory references to other great powers – sometimes appearing in only a single sentence – discussions of multipolarity often explicitly focus (in far greater depth) on U.S. power. Indeed, leader-level discussions of multipolarity have involved overt assessments of the U.S. willingness to use military force, the impact of U.S. economic crises on U.S. power, U.S. export performance, the U.S. domestic situation, U.S. science and technology innovation, and a variety of other specific factors, all of which reveal that the core input in judgments of multipolarity are U.S.-related.[54] In contrast, these kinds of factors are almost never referenced with regard to other great powers; if Chinese leaders discuss the behavior of other great powers in the multipolarity discourse, it is rare and generally within the context of the willingness of those states to question U.S. power. Together, this reveals that the most important factor shaping multipolarity assessments is the United States – not perceptions of what other great powers are willing or able to do, and suggests the concept should be understood more as a proxy for trends in U.S. power than as a statement about the rise of Japan or India.

A third objection might concede that multipolarity is an important post-Cold War discourse and also concede that it largely a proxy for an assessment of U.S. relative power, but it might then take issue with its relevance for Chinese strategy. As Iain Johnston argues in 2003,

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[53] Alastair Iain Johnston, "Is China a Status Quo Power?," *International Security* 27, no. 4 (2003): 5–56.

[54] For example, see Jiang's 1998 9th Ambassadorial Conference Address, Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:195–206. See also his 1999 address to the Central Economic Work Forum, Jiang Zemin [江泽民], 2:421–49.

"the multipolarity discourse plays an ambiguous role in China's foreign process" and it is "unclear whether the multipolarity discourse informs leadership decisions, reflects leadership preferences, or is the manifestation of a deeply ingrained victimization view of China's relationship to the world."[55] Indeed, Johnston highlights a wide-ranging debate among Chinese scholars on the status of multipolarity and its implications for Chinese policy, and he is right that this non-authoritative discourse indeed raises more questions than it answers. Even so, in the years since Johnston's observation, Communist Party presses have released selected works for all of the post-Deng leadership, and continued to release compellations of key Party documents, and these publications together help answer some of the essential questions Johnston raises about the discourse's relevance and its meaning, suggesting multipolarity is far more than a muddled concept with few strategic implications. In other words, we now have more data to understand it. For one, as discussed previously, the concept has appeared in prominent places in every post-Cold War Party Congress Political Reports dating back to 1992 – a total of six reports spanning twenty-five years – and together these show a general shift in the terminology over time, allowing us to make better inferences about its meaning. Second, the publication of numerous volumes of leader-level selected works provide rich detail. Indeed, we now see clearly that multipolarity is discussed in nearly all leader-level foreign affairs speeches, often at considerable length. Interestingly, the discourse appears in a wide variety of other Party speeches of which we now have full text rather than occasional Xinhua excerpts – including plenum addresses, several speeches to bodies like the Central Economic Work Conference, the Politburo, the Central Commission for Discipline Inspection, and conclaves of provincial Party secretaries and ministers. Multipolarity is even discussed at major anniversaries, at multilateral gatherings, at bilateral gatherings, at religious work conferences, and even in speeches to Chinese artists and writers – to name a few of the myriad venues where the subject is discussed.

[55] Johnston, "Is China a Status Quo Power?," 30.

Substantively, especially when multipolarity is discussed at length, Party sources elaborate on how judgments about multipolarity are made and what role they play in Chinese strategy. At the 1999 Central Economic Work Conference, Jiang declared that the trajectory of "the multipolarization pattern" is "an important judgment made by the Party Central Committee."[56] Similarly, in a separate address to the CMC, Jiang declared multipolarity the first of "four important factors" that he considers when surveying world politics.[57] These determinations were made centrally. Indeed, Hu Jintao at the 2006 Central Foreign Affairs Work Conference declared that, "the *central government* (中央) has made basic judgements on the international situation in the new state of the new century" involving multipolarity, and – in the first of several enumerated sections –elaborated on the central government's assessment of multipolarity.[58] These and other speeches strongly indicate that assessments of multipolarity are made at the very highest levels of the Party apparatus and that the concept is not a rhetorical placeholder.

Moreover, the sources also show that multipolarity is not only a question determined by the senior Party leadership – it also matters profoundly for Chinese strategy. In his 1999 speech to the Central Economic Work Forum, and in the very section he discussed multipolarity, Jiang took pains to explain that this analysis was important for all cadres – even those involved in domestic work. "Comrades of the whole party, especially the party's senior cadres, must open their eyes," he argued, "and have comprehensive and accurate understanding of the background, pattern, and general trends of the world's politics and economy. Only by understanding the general trend of the world can we make the overall situation of the country better and

[56] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:422.

[57] Jiang Zemin [江泽民], 2:170.

[58] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:503–4.

concentrate on managing our own affairs."[59] Jiang's remarks demonstrate why speeches often begin with or feature prominent discussions of multipolarity – it is viewed as central to China's own strategy. Indeed, top Chinese sources explicitly tie Chinese strategy to judgments about multipolarity and especially its sister concept, "the balance of forces." For example, at the 9th Foreign Ambassadorial Conference in 1998, Jiang made the link clear: "We should hide our capabilities and bide our time [韬光养晦], drawn in our claws, preserve ourselves, and consciously plan our development. Our country's situation and the international balance of power [国际力量对比] determine that we must do this."[60] The linkage persisted in succeeding administrations. For example, at a 2003 diplomatic symposium, Hu argued, "The more multipolarity develops, the greater our freedom of maneuver."[61] Discussing the strategy of Tao Guang Yang Hui – and echoing Jiang's language – Hu stated that adherence to Tao Guang Yang Hui was about China's power: "Comprehensively taking into consideration our country's current situation and the *development of the trends in the international balance of power* (国际力量对比), this [Tao Guang Yang Hui] is a strategic guideline (战略方针) that should be adhered to for a long time."[62] Later, he reiterated that Chinese diplomatic choices were "based on changes in the international balance of power (力量对比) and the needs of our country's development and security."[63] In a 2009 address which officially modified Tao Guang Yang Hui for the first time – as will be discussed shortly – Hu stated that, "Adherence to Tao Guang Yang Hui is strategic decision made by the central government from *comprehensively analyzing the entire*

[59] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:421.

[60] Jiang Zemin [江泽民], 2:202.

[61] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:93.

[62] Hu Jintao [胡锦涛], 2:92. Emphasis added.

[63] Hu Jintao [胡锦涛], 2:93.

international balance of power (力量对比)."[64] Together, these leader-level statements in authoritative foreign policy speeches suggest that the central government observes the international structure, makes judgments about the trends in multipolarity, and that these have direct implications for subsequent Chinese strategy. A final point is that most of the speeches discussing multipolarity also include portions arguing that China should actively promote it. This suggests not only is the U.S. role something that China watches closely, it is also something that its own efforts can address – hence China's blunting strategy.

If the multipolarity discourse can be taken as an authoritative guide to Chinese assessments of relative American power, then it makes sense to consider how these assessments have in fact changed and what they say.

Party Congress Political Reports during the period when China pursued a blunting strategy suggest early beliefs that multipolarity was arriving but that its arrival would be difficult given U.S. power. For example, the 1992 Party Congress Political Report was the first to mention multipolarization, and it argued that "the bipolar structure has come to an end….and the world is moving towards multipolarization" but that "the formation of a new structure will be long and complex," indicating confidence that American power would remain high.[65] The next Political Report from the 1997 Party Congress was more positive, but said only that "global structure is moving towards multipolarity" [世界格局正在走向多极化] and that the "trend towards multipolarity has had new developments" [多极化趋势…有新的发展].[66] At the 1998 9th

[64] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:236. Emphasis added.

[65] Jiang Zemin [江泽民], "Accelerating the Reform, the Opening to the Outside World and the Drive for Modernization, so as to Achieve Greater Successes in Building Socialism With Chinese Characteristics [加快改革开放和现代化建设步伐 夺取有中国特色社会主义事业的更大胜利]," 14th Party Congress Political Report (Beijing, October 12, 1992).

[66] Jiang Zemin [江泽民], "Hold High the Great Banner of Deng Xiaoping Theory for an All-Round Advancement of the Cause of Building Socialism With Chinese Characteristics' Into the 21st Century [高举邓小平理论伟大旗帜，把建设有中国特色社会主义事业全面推向二十一世纪]," 15th Party Congress Political Report (Beijing, September 12, 1997).

Ambassadorial Conference held the next year, Jiang argued that "world was accelerating towards multipolarity, but we must fully recognize that the present balance of just about every kind of power is very unbalanced. The United States is trying to build a unipolar world and it dominates world affairs."[67] Indeed, the reason why the Party believed multipolarity was some ways off was directly related to assessments of U.S. power. As Jiang stated, "Although it is constrained by a variety of parties, for a long time, the United States will maintain significant advantages in politics, economy, science and technology, and military affairs." He then focused closely on U.S. economic power: "In recent years, the United States' economic strength has not only not declined but has been revived, regaining the world's position as largest exporter and most competitive economy."[68] The next year, at the Central Economic Work Forum, Jiang continued these themes while also discussing unsettling U.S. military intervention in Kosovo: "The final formation of the multipolarization pattern will be a long-term process full of complex struggles, but this historical direction is irreversible. This is an important judgment made by the party Central Committee."[69] In short, even though multipolarity would take some time to arrive, hegemony would not strengthen, making it an "irreversible" trend. Jiang elaborated on multipolarity and the "international balance of power," revealing that U.S. power drove that judgement. "The current balance of international power is seriously out of balance. The economic, military, and scientific and technological strength of the United States is obviously better than that of other countries. It is the superpower of the world today."[70] Jiang continued by noting that an important part of this assessment was U.S. willingness to use force. "The United States is stepping up its implementation of its global strategy, advocating 'new

[67] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:195–96.*

[68] Jiang Zemin [江泽民], 2:195–96.

[69] Jiang Zemin [江泽民], 2:422.

[70] Jiang Zemin [江泽民], 2:422–23.

interventionism,' introducing a new 'gunboat policy,' interfering in other countries' internal affairs, and even using force." Even American domestic elements factored into Jiang's analysis of American power, and he noted "there have been many internal conflicts in the United States" that could complicate its autonomy.[71] Nevertheless, in the year 2000 as Jiang declared in international addresses before the United Nations that "the trend towards multipolarity is developing rapidly," in virtually every speech behind closed doors addressed to Party leadership that same year he was significantly more frank about his concerns.[72] In a 2000 speech on party-building, Jiang argued that "the final formation of a multipolar structure will undergo a long and arduous process."[73] Similarly, in an address to the CCP Central Committee that same year, he declared the "final formation will experience a long-term development process."[74] In an address to the Fifth Plenary of the 15th Central Committee – an important Party speech used to set lines – he continued this language and said "the international pattern is generally oriented towards multipolarity, but it will not be easy and there will be struggles and twists and turns."[75] Similar language was used in Jiang speeches before an enlarged CMC, where he declared that there was a "serious imbalance in the balance of world military forces," referencing the Revolution in Military Affairs.[76] The next year, even as occasional public speeches in 2001 (such as those before the SCO) suggested that multipolarity was deepening or accelerating, the most important internal and Party-focused ones remained skeptical.[77] For example, Jiang's address on the 80th anniversary of the founding of the Communist Party that year, as well as his 2002 Party

[71] Jiang Zemin [江泽民], 2:422–23.

[72] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, vol. 3 (Beijing: People's Press [人民出版社}, 2006), 107.

[73] Jiang Zemin [江泽民], 3:7.

[74] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:545.

[75] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 3:125.

[76] Jiang Zemin [江泽民], 3:160.

[77] Jiang Zemin [江泽民], 3:258.

Congress Political Report, both announced that multipolarity was "developing in twists and turns."[78]

The judgement that multipolarity was still far away spanned administrations. When Hu Jintao took office and delivered an important an address to a 2003 diplomatic symposium, he retained Jiang's language, declaring that hegemony and unilateralism (both U.S.-led) ensured that "the multipolarization of the world will be a tortuous and complicated process" and that the global "balance of power is seriously out of balance," and he directly concluded that as a result China needed to adhere to Tao Guang Yang Hui.[79] The language continued into 2004, where in another major Party speech, this time before the CCP CCDI, Hu repeated that "multipolarity was developing in twists and turns," demonstrating that assessments of multipolarity carried across administrations.[80] Even in 2005, in a meeting with all senior provincial and ministry Party secretaries, Hu reflected on both slow emergence of multipolarity and the imbalanced "international balance of forces" as well: "The global situation is in an important period of transition to multipolarity.... As the imbalance of world power cannot be fundamentally changed in the short term, the development of the trend of multi-polarization in the world will not be easy."[81] Like Jiang, even as he held this line in internal Party meetings, in visits to the United Nations, the United Kingdom, and Saudi Arabia *that very same year*, Hu told his hosts that the "trend towards multipolarity was deepening," evidence that international addresses are more bullish than internal Party ones on multipolarity.[82] Indeed, the very next year, at the seminal

[78] Jiang Zemin [江泽民], 3:297; Jiang Zemin [江泽民], "Build a Well-off Society in an All-Round Way and Create a New Situation in Building Socialism With Chinese Characteristics [全面建设小康社会，开创中国特色社会主义事业新局面]," 16th Party Congress Political Report (Beijing, November 28, 2002).

[79] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:236.

[80] Hu Jintao [胡锦涛], 2:152.

[81] Hu Jintao [胡锦涛], 2:276.

[82] Hu Jintao [胡锦涛], 2:352, 380，444.

2006 Central Foreign Affairs Work Conference – which had previously been held only twice in the entire CCP's history – Hu reiterated the more cautious language that "multipolarity is developing amid twists and turn," and that "the trend of multipolarization is continuing to develop, but unipolar or multipolar struggles are still profoundly complex," thereby contextualizing and limiting some of the more positive phrases he had previously used and continuing to suggest multipolarity would be difficult to achieve.[83] As the preceding record shows, at least when authoritative Party Congress Political reports, leader-level foreign policy addresses, and leader-level Party addresses are considered, there is a clear belief after the end of the Cold War that multipolarity was distant throughout the period China pursued blunting – a sign that perceptions of American relative power were high.

But in the run-up to the Global Financial Crisis, and especially in its aftermath, these views changed dramatically and align with China's shift to a building strategy. A few months into the early stages of the financial crisis in 2007, and following U.S. setbacks in Iraq, President Hu in his 2007 Political Report to the 17th Party Congress declared that "progress towards a multipolar world was irreversible" and that "the international balance of power is changing in favor of the maintenance of peace."[84] This was language far more positive than that in any previous address, and similar language about multipolarity's irreversibility appeared in his address to the CMC that year as well.[85] Even though language on irreversibility of multipolarity had been used at least once before, the departure from stating that multipolarity was proceeding amid "twists and turn" – language that had been used for six years – suggested that China felt confident about the trendline towards multipolarity, even if it did not quite have a sense of the

[83] Hu Jintao [胡锦涛], 2:503–4.

[84] Hu Jintao [胡锦涛], "Hold High the Great Banner of Socialism with Chinese Characteristics and Strive for New Victories in Building a Moderately Prosperous Society in All Respects [高举中国特色社会主义伟大旗帜 为夺取全面建设小康社会新胜利而奋斗]," 17th Party Congress Political Report (Beijing, October 15, 2007).

[85] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:35.

pace of the transition. And even though the looming economic crisis also affected China, leaders in Beijing saw it as delegitimizing the once formidable model of American financial capitalism and asymmetrically weakening the United States. As Dai Bingguo put it in his memoirs, in December 2008 it was clear that "the United States had fallen into the most serious financial crisis since the Great Depression of the 1930s; at the same time, China's economy continued to maintain strong growth."[86]

The Party gained consensus on the pace of multipolarity after the crisis went global in 2008. By then, language on multipolarity and the international balance of forces was dramatically more triumphant than ever before. In his 2009 11th Ambassadorial Conference Address, the first such address since the crisis, Hu used the opportunity to explore these themes in great detail. He declared that there had been "a major change in the balance of international power," a reference to the financial crisis, and that "prospects for multipolarity were now more obvious."[87] Moreover, Hu linked China's own economy to the onset of multipolarity, declaring that "China's development must inevitably influence the comparison of international forces."[88] As a result of the Global Financial Crisis, the world and peripheral security situation was more complicated and China faced challenges from the West, but overall, "the opportunity is greater than the challenge," Hu concluded.[89] The opportunity came from his assessment that "external conditions for China's development have further increased," that the "overall strategic environment continues to improve," that "our country's ability to maintain sovereignty and security continues to increase," that "our country's influence on the periphery has been further

[86] Dai Bingguo memoirs 143

[87] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:234.

[88] Hu Jintao [胡锦涛], 3:236.

[89] Hu Jintao [胡锦涛], 3:234.

expanded," and that "China's soft power has further risen."[90] Importantly, it was in this speech that Hu outlined a revision to Tao Guang Yang Hui. He made clear that while "adhering to Tao Guang Yang Hui is strategic decision made by the central government and based from comprehensively analyzing the entire international balance of power," it was also clear that there had been "a major change in the international balance of power" upon which those decisions are based had changed, and therefore clear that China's grand strategy needed revision.

The next year, in his 2010 address the next year to the Central Economic Work Forum, Hu continued these themes, declaring that "multipolarity was deepening" and that "the international balance of power is changing rapidly."[91] That same year, he delivered his 5th Plenary Address to the CCP Central Committee stating not only that "multipolarity was deepening" but also that, "from an international point of view, although the international financial crisis has had a large impact on the global economy….China's international influence and international status have been significantly improved."[92] Hu's 2012 Political Report to the 18th Party Congress two years later maintained this language, holding that "multipolarity was developing deeply" and that "the balance of international forces was tipping in favor of the maintenance of world peace."[93] Together, these statements represent a departure from years of more cautious estimates delivered to Party members.

These judgements were largely upheld by Hu's success, President Xi. In his 2014 address to the Central Affairs Work Forum, Xi stated that "the onward advance of multipolarity in the

[90] Hu Jintao [胡锦涛], 3:234.

[91] Hu Jintao [胡锦涛], 3:457–58.

[92] Hu Jintao [胡锦涛], 3:437.

[93] Hu Jintao [胡锦涛], "Firmly March on the Path of Socialism with Chinese Characteristics and Strive to Complete the Building of a Moderately Prosperous Society in All Respects [坚定不移沿着中国特色社会主义道路前进　为全面建成小康社会而奋斗]," 18th Party Congress Political Report (Beijing, November 8, 2012).

world will not change" and that "the world today is a world of change….It is a world of deep adjustments in the international system and international order. It is a world with profound changes in international balance of forces towards conducive to peace and development."[94] Xi's address to the 19th Party Congress in 2017 on the one hand repeated Hu's standard rhetoric that that "the trend of global multipolarity is deepening" [深入发展] but added more bullish language that "changes in the global governance system and the international order are speeding up" as well as that "the balance of relevant international forces is becoming more balanced."[95] Together, this suggests that the reduced assessment of American power that began with the 2008 Global Financial Crisis continued even nine years later under the leadership of President Xi and may even have been reaffirmed by the election of President Donald Trump.

Ends – Prioritizing Peripheral Diplomacy

As China's perception of American power fell, its policymakers began to adjust the focus of the country's strategy away from a narrow focus on blunting U.S. power and towards a broader focus on building regional order: that is, China sought greater legitimacy as a leader in Asia, provided public goods, and sought to build constraining leverage over its neighbors under concepts like "Peripheral Diplomacy" and "Community of Common Destiny."

Peripheral Diplomacy [周边外交], that is, the Party's term for a focus on China's neighborhood, had been stressed by many previous Chinese leaders. That focus, however, reached new heights after the Global Financial Crisis – appearing to have even been elevated as

[94] Xi Jinping [习近平], *Xi Jinping: The Governance of China, Volume 2 [习近平谈治国理政]*, vol. 2 (Beijing: Foreign Language Press [外文出版社], 2014), 442.

[95] Xi Jinping [习近平], "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era [决胜全面建成小康社会 夺取新时代中国特色社会主义伟大胜利]," 19th Party Congress Political Report (Beijing, October 18, 2017).

the top strategic direction in Chinese foreign policy behavior.[96] For example, as will be discussed below, Hu in 2009 made peripheral diplomacy a "guideline" that was central to his new strategy of "Actively Accomplishing Something." In 2011, China released a White Paper advocating for a "Community of Common Destiny" in Asia, a concept that soon became the focus of peripheral diplomacy.[97] Two years later, in 2013, Chinese Foreign Minister Wang Yi declared the periphery the "priority direction" for Chinese foreign policy, ostensibly above other focuses like the great powers, and linked it directly to the concept of a "Community of Common Destiny" for the first time. That same year, President Xi held an unprecedented Work Forum on Peripheral Diplomacy – the first meeting of that magnitude convened on foreign policy since 2006 and the first ever on Peripheral Diplomacy. In his address, he made clear Peripheral Diplomacy's central importance in Chinese foreign policy, deemed it necessary for national rejuvenation, declared its purpose as the realization of a regional "Community of Common Destiny." Academic and think tank commentary picked up on the trend, with Yan Xuetong writing that "the significance of China's peripheral or neighboring countries to its rise is growing more important than the significance of the United States," which meant that China was elevating the periphery over its past focus on dealing with U.S. pressures.[98] The next year, at the 2014 Central Foreign Affairs Work Conference – a major foreign policy gathering previously held only four times in Party history and usually only at moments of great transition – Xi appeared to elevate peripheral diplomacy over a focus on great powers like the United States. That same language was then repeated again in the 2014 Government Work Report, suggesting its formalization. Xi even made the "Community of Common Destiny" the main theme of the 2015 Bo'ao Forum, and

[96] The most cogent expression of this argument can be found in Timothy Heath, "China's Big Diplomacy Shift," *The Diplomat*, December 22, 2014, https://thediplomat.com/2014/12/chinas-big-diplomacy-shift/.

[97] "China's Peaceful Development" (Beijing: Information Office of the State Council, September 2011), http://english.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm.

[98] Yan Xuetong [阎学通], "Yan Xuetong: The Overall 'Periphery' Is More Important than the United States [阎学通：整体的'周边'比美国更重要]," *Global Times [环球时报]*, January 13, 2015, http://opinion.huanqiu.com/1152/2015-01/5392162.html.

China's 2017 White Paper on Asian Security Cooperation states that "Chinese leaders have repeatedly elaborated on the concept of a community of common destiny on many different occasions. China is working to construct a community of common destiny…in Asia and the Asia-Pacific area as a whole."[99] These sources all strongly suggest the emergence of regional order-building as a major focus if not the central priority of Chinese grand strategy. We now discuss each of these developments in greater detail to better contextualize the meaning and magnitude of the shift away from a U.S.-focused blunting strategy towards a regional-focused (i.e., peripheral-focused) building strategy, one that sits under the auspices of "peripheral diplomacy" and is oriented towards the construction of a "Community of Common Destiny."

The shift away from blunting, as we will see in the subsequent section, begins with Hu's 11th Ambassadorial Conference address which departed from Tao Guang Yang Hui and reoriented Chinese strategy towards "Actively Accomplishing Something." Hu made the periphery a key component of this reorientation. Indeed, he explicitly linked China's new strategy of "Actively Accomplishing Something" to peripheral diplomacy: "Managing the periphery is an important external condition for China to concentrate on developing itself and for 'Accomplishing Something' internationally.'" In other words, China could not rise without a stable periphery, and for that reason China needed to "focus on stabilizing the periphery and developing the periphery."[100] This subtle shift in the ends of Chinese strategy was linked to the Global Financial Crisis; indeed, Hu noted that because of the Global Financial Crisis and China's continued development, "our country's influence on peripheral affairs has been further expanded."[101] Wielding that influence well would require planning. "From a comprehensive

[99] "China's White Paper on Asia-Pacific Security Cooperation Policies [中国的亚太安全合作政策白皮书]" (Beijing: State Council Information Office [国务院新闻办公室], January 2017), http://www.scio.gov.cn/zfbps/32832/Document/1539907/1539907.htm.

[100] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:241.

[101] Hu Jintao [胡锦涛], 3:234.

perspective, we need to strengthen our strategic planning for the periphery," Hu declared, and he noted for the first time in any official Party document that the principle of "be good with neighbors, do good with neighbors" – which had first been articulated by Jiang – was now considered a "peripheral diplomatic guideline," seemingly elevating it in the process.[102] While previous leaders have also talked about peripheral diplomacy, Hu's language was a stronger articulation of the its importance, linked to formal and hierarchical foreign policy guidance like the Party "guideline," and intertwined with new strategies like "Actively Accomplishing Something," all of which suggest an important shift. As we will discuss subsequently, Hu even articulated clear military, political, and economic goals and instruments for such diplomacy.

Two years later after Hu's landmark speech, China outlined the concept of a "Community of Common Destiny" in a White Paper focused on Chinese foreign policy. On the economic and institutional side, it defined a state of being "interconnected" and "intertwined" as an essential element of the concept; on the security side, it defined it against the "cold war mentality" that generally refers to the United States and its Asian alliances.[103] The language reappeared in Hu's 2012 18th Party Congress Political Report, which mentioned the term twice, with the same focus on interconnection.[104] Although official writings do not state that the goal is to diminish the autonomy of neighboring states with a regional community of common destiny, that intention is implicit in these authoritative texts and it is also explicit in the writings of several academics and think tank scholars.

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[102] Hu Jintao [胡锦涛], 3:241.

[103] "China's Peaceful Development."

[104] Hu Jintao [胡锦涛], "Firmly March on the Path of Socialism with Chinese Characteristics and Strive to Complete the Building of a Moderately Prosperous Society in All Respects [坚定不移沿着中国特色社会主义道路前进　为全面建成小康社会而奋斗]." Intriguingly, one of the references to the Community of Common Destiny was to Taiwan, and Chinese leaders have explicitly stated their desire to constrain Taiwan's agency through enmeshing it in China's economy. The term's use in a regional context suggests that the same constraining logic may be intended to apply to Asia.

The next year China deepened its focus on the periphery and emphasized the "Community of Common Destiny" as the end of Chinese strategy. In June of that year, Foreign Minister Wang Yi linked the two together while arguing that the periphery should receive more attention given its centrality to China's rise. He noted that, "the process towards peace starts with the surrounding region….Whether China can continue to live in harmony with neighboring countries and extend mutual assistance to each other is vital in determining where China's relations with the world will go next."[105] A few months later, Wang Yi penned an important essay in Renmin Ribao that stated "peripheral diplomacy was the priority direction" or top priority for Chinese foreign policy.[106] The essay also suggested conditionality: "For those neighboring and developing countries that *have long been friendly to China* and have arduous tasks for their own development," China would "better consider their interests." Like Wang's June speech, this essay outlined a program for greater Chinese focus on the region in arenas spanning from economic cooperation to multilateral institutions to regional hotspots and military affairs; though the conditionality also hinted at China's willingness to shape neighboring behavior to Beijing's preferences through constraints.

The next month, President Xi Jinping held an unprecedented Work Forum (座谈) on Peripheral Diplomacy and used it to elevate the concept and combine it formally with the "Community of Common Destiny." The meeting, which included all the major foreign policy actors and every member of the Politburo Standing Committee, marked China's first major foreign policy work forum since Hu Jintao's 2006 Work Conference (会议) apart from its

[105] Wang Yi, "Exploring the Path of Major-Country Diplomacy With Chinese Characteristics" (June 27, 2013), http://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1053908.shtml.

[106] This essay was cited in Timothy Heath, "Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order," *China Brief* 13, no. 22 (November 7, 2013), https://jamestown.org/program/diplomacy-work-forum-xi-steps-up-efforts-to-shape-a-china-centered-regional-order/. Wang Yi [王毅], "Insist on Correct View of Righteousness and Benefits, Actively Play the Role of Responsible Great Powers: Deeply Comprehend the SSirit of Comrade Xi Jinping's Important Speech on Diplomatic Work[人民日报：坚持正确义利观 积极发挥负责任大国作用: 深刻领会习近平同志关于外交工作的重要讲话精神]," *People's Daily Online [人民网]*, September 10, 2013, http://opinion.people.com.cn/n/2013/0910/c1003-22862978.html.

ambassadorial conferences, and it also marked China's first ever work forum on the subject of peripheral diplomacy.[107] The meeting was clearly an instrument for coordinating Chinese grand strategy, as Xinhua's official readout of the event makes clear:

> The main task of this conference was to sum up experiences, study and judge the situation, unite/coordinate thinking, to open up the future; to determine the strategic objectives, guidelines, and overall layout of diplomatic work for peripheral countries for the next five to ten years; and to clarify the thinking and implementation plans for resolving the major problems and issues facing neighboring country diplomacy.[108]

Xi even titled the meeting "Let the Sense of the Community of Common Destiny Take Deep Root in Neighboring Countries," making clear that China's end goal for peripheral diplomacy was for its neighbors to endorse Beijing's "Community of Common Destiny." Xi also clarified that the focus on peripheral diplomacy was attributable in part to the "diplomatic political guidelines" made at the 18th Party Congress, which call attention to continuity in the focus on peripheral diplomacy with the Hu administration. He also made clear these efforts were coordinated by some of the highest Party bodies when he stated that "the CCP Central Committee had actively defined, planned, and carried out a series of major diplomatic initiatives for peripheral countries." Like Hu before him, Xi stated that China's "be good to neighbors and do good with neighbors" principle was a "fundamental peripheral diplomatic guideline." Xi also went much further than any other leader by stressing "China's diplomacy in this area [i.e., the periphery] is driven by and must serve the Two Centenary Goals and our national rejuvenation," establishing Peripheral Diplomacy and the Community of Common Destiny as essential to China's rise. China's peripheral focus was intended to "take actions that will win us support and friendship" and "in response, we hope that neighboring countries will be well inclined towards us, and we hope that China will have a stronger affinity with them, and that our appeal and our influence

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[107] "Xi Jinping: Let the Sense of a Community of Common Destiny Take Root in Peripheral Countries 习近平：让命运共同体意识在周边国家落地生根," *Xinhua [新华网]*, October 25, 2013, http://www.xinhuanet.com/politics/2013-10/25/c_117878944.htm.

[108] "Xi Jinping: Let the Sense of a Community of Common Destiny Take Root in Peripheral Countries 习近平：让命运共同体意识在周边国家落地生根."

will grow." The hope for greater influence within the region, and the coordinated strategy to achieve it, is explicit in these documents and represents a marked contrast from the previous era's focus on blunting U.S. power without offering Asia any kind of comprehensive alternative.

Xi's speech also laid out a series of economic, institutional, and security initiatives that would help change the region's view of China. Indeed, these steps would, in Xi's words, "interpret the Chinese Dream from the perspective of our neighbors" and would even "let a sense of common destiny take root," one based on the understanding and acceptance of China's centrality to the region's affairs. As a part of these efforts, the Community of Common Destiny became a mainstay of Xi's speeches abroad, especially at each of China's major economic, institutional, and security initiatives. For example, in his 2013 speech to the Indonesian Parliament that famously announced the Belt and Road Initiative, Xi Jinping mentioned the phrase five times.[109] Then, in his 2013 speech before APEC announcing the Asia Infrastructure and Investment Bank, the concept was brought up again. In 2014, at his speech assuming chairmanship of CICA, he brought up the term while putting forward a New Asian Security Concept that was both part of the "Community of Common Destiny" and also critical of U.S. alliances. In each of these speeches, Xi situated infrastructure investments, new financial instruments, and new security institutions respectively as efforts promoting this concept, demonstrating a regional focus that differs dramatically from that during China's blunting phase.

A few months later, in a speech laying out China's foreign policy strategy, Wang Yi summed up many of these developments unequivocally: "China has broken new ground in its neighborhood diplomacy" and "has given greater importance to neighborhood diplomacy in its overall diplomatic agenda." As evidence, he cited that Xi Jinping and Li Keqiang's first visits

[109] Note, the full text of this speech is not in Xi Jinping's *Governance of China*. It can be found in Xi Jinping, "Speech by Chinese President Xi Jinping to Indonesian Parliament" (October 2, 2013), http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm.

overseas after taking office were to peripheral countries, that they met with the heads of twenty-one neighboring countries, participated in regional organizations, and that Xi "held the first conference on neighborhood diplomacy since the founding of the PRC, which set out," Wang Yi emphasized "the strategic objectives, basic principles and overall plan for our neighborhood diplomacy in the next five to ten years, thus opening up even greater prospects."[110]

The emphasis on peripheral diplomacy and a "Community of Common Destiny" as the objective of Chinese strategy was echoed in China's official newspapers and in its think tank commentary, which are explicit that China was shifting its focus away from blunting American power towards building regional order in Asia. These sources also make clear that the consolidation of regional hegemony under the banner of "Community of Common Destiny" was essential to China's ultimate global rise. As the People's Daily wrote shortly after Xi's landmark 2013 meeting, "the conference raised peripheral diplomacy to the level of national rejuvenation in its importance." It further noted that that "the high specificity of the meeting" on peripheral diplomacy was "extremely rare."[111] Another People's Daily article called peripheral diplomacy a Chinese "grand strategy."[112] In a semi-authoritative People's Daily piece published after the meeting, Professor Jin Canrong of Renmin University commented on a major strategic shift: "We often say that 'the great powers are the key [关键], and the periphery is the priority [首要].[113] Although the 'key' and 'priority' are important in diplomatic positioning, in the practice of diplomacy, peripheral diplomacy often ranks second in the encounter with great power

[110] Wang Yi, "Embark on a New Journey of China's Diplomacy," (December 16, 2013), http://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1109943.shtml.

[111] "China's Peripheral Diplomacy: Advancing Grand Strategy [中国周边外交：推进大战略]," *Renmin Wang [人民网]*, October 28, 2013, http://theory.people.com.cn/n/2013/1028/c136457-23344720.html.

[112] "China's Peripheral Diplomacy: Advancing Grand Strategy [中国周边外交：推进大战略]."

[113] Ling Chen [凌陈], "The Highest Level Sets Out a 'Top-Level Design' for Speeding Up the Upgrade of China's Peripheral Diplomacy [最高层着手'顶层设计' 中国周边外交提速升级]," *Renmin Wang [人民网]*, October 27, 2013, http://politics.people.com.cn/n/2013/1027/c1001-23339772.html.

relations. However, in this conference, China has released to the outside world that in the future diplomatic practice, ‘periphery’ and 'great power' are equally important.”[114] Building was at least as important a strategy now as blunting.

Meanwhile, others like Yan Xuetong saw the U.S. focus and the peripheral focus not at parity, but with the latter eclipsing the former.[115] He noted, “The nature of a country's is rise is to catch up with the most powerful country in the world, and the more powerful country can only be an obstacle to the rising country and cannot become its supporter, and this has created a structural contradiction between the United States and China.” Because of this, "China had long believed that as long relations with the United States are handled well, China could reduce U.S. restraint/obstruction to China's rise….and therefore the United States should be regarded as the 'highest priority' [重中之中].” This view, which resembles a blunting strategy eventually gave way to building, and Yan argued for putting the periphery above the United States: “For the rise of China, it is more important to strive for the support of many neighboring countries than to reduce the prevention efforts of the United States,” and China could emphasize projects like Belt and Road, which Yan said was part of the "strategy for consolidating the rise of our country" and the “foundation for establishing a Community of Common Destiny" at the regional level. Indeed, “The rise of great powers is a process in which a country first becomes a regional power and only then can become a global one,” and China’s elevation of “neighboring countries as the top priority of diplomacy will help prevent the danger of running before you can walk” and focus China on Asia instead of dragging China into quagmires outside of its region.

Others echoes these views. Xu Jin and Du Zheyuan from CASS note, “The importance that China places on its relations with its neighbors will surpass that accorded China–US ties.

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[114] “China’s Peripheral Diplomacy: Advancing Grand Strategy [中国周边外交：推进大战略].”

[115] Yan Xuetong [阎学通], “Yan Xuetong: The Overall ‘Periphery’ Is More Important than the United States [阎学通：整体的‘周边’比美国更重要].”

The Working Conference illustrated that neighboring states will become the priority focus of Chinese diplomacy."[116] They go on to argue that "the Chinese government realizes that for a state to rise, it must first rise in the region to which it belongs. If it cannot establish a favorable regional order, building good relations with a distant country will be of limited use."[117] When Xi Jinping states that peripheral diplomacy is necessary for national rejuvenation, these scholars believe that he is essentially saying that it is necessary to become a global superpower: "The so-called great rejuvenation of the Chinese nation is actually the equivalent of becoming a superpower. The term is by no means a new one, but China has been quiet about the extent to which it will accomplish such rejuvenation."[118]

Similarly, Chen Xulong, a director of the China Institute of International Studies, wrote that "a good periphery is vital for China to be a global power….and will serve as a springboard for China to go global." The emphasis on it marked a departure from the past: "China will not be able to make progress in tackling these challenges [in the periphery] just by keeping a low profile [Tao Guang Yang Hui]. Instead, it must take an initiative in creating a favorable periphery."[119] Professor Wang Yizhou made the same point. "It is obvious that China's new thinking about periphery diplomacy demonstrates its shifting position away from a passive, disadvantageous diplomacy of the past era," Wang argued, and a movement towards "leadership in shaping the security structure in Asia." The evidence was in official formulations. "New wording alerts all concerned to this major shift" in China's foreign policy, Wang argued.[120]

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[116] Xu Jin and Du Zheyuan, "The Dominant Thinking Sets in Chinese Foreign Policy Research: A Criticism," *The Chinese Journal of International Politics* 8, no. 3 (April 13, 2015): 277.

[117] Xu Jin and Du Zheyuan, 277.

[118] Xu Jin and Du Zheyuan, 277.

[119] Chen Shulong, "Xi Jinping Opens A New Era of China's Periphery Diplomacy," *China-US Focus*, November 9, 2013, https://www.chinausfocus.com/foreign-policy/xin-jinping-opens-a-new-era-of-chinas-periphery-diplomacy.

[120] Wang Yizhou, "China's New Foreign Policy: Transformations and Challenges Reflected in Changing Discourse," *The Asan Forum* 6, no. 3 (March 21, 2014), http://www.theasanforum.org/chinas-new-foreign-policy-transformations-and-challenges-reflected-in-changing-discourse/.

The next year, the Party held the 2014 Central Foreign Affairs Work Forum meeting, a meeting held only four times in history and generally during periods of transition. At this meeting, Xi clearly elevated the periphery over other focuses for Chinese strategy. Indeed, for every Party address on foreign policy, when Chinese leaders discuss areas of focus, they have always listed them hierarchically with great powers coming first as the "key," the periphery coming second as the "priority," and the developing world coming third. Xi's important speech changed the order, putting the periphery first for the first time ever, a subtle but highly significant change in the formulaic templates of many of these addresses. This order was repeated in some subsequent addresses, such as Li Keqiang's 2014 Work of the Government Report – a major address. Both speeches also took time to stress the importance of peripheral diplomacy. The official readout of Xi's speech declared his desire to "turn China's neighborhood areas into a community of common destiny."[121] Moreover, in the text of his speech published in 2018, Xi declared that "We most conscientiously do a good job of peripheral diplomacy work and forge a peripheral Community of Common Destiny," again linking the two concepts, and Li Keqiang stating that "the diplomatic work in the periphery has entered a new phase." The ordering of peripheral diplomacy over other efforts is not consistently applied in all speeches, but it nonetheless continues in many, and even if the phrase peripheral diplomacy is not used, the "Community of Common Destiny" framework often gets pride of place relative to other concepts. For example, in Xi's 19th Party Congress address, the foreign policy section of the speech was even titled after the concept and its discussion of the "Community of Common Destiny" came before a discussion of great power relations, which again suggests a shift on the ends of Chinese grand strategy to a focus on the periphery.

[121] "The Central Conference on Work Relating to Foreign Affairs Was Held in Beijing," Ministry of Foreign Affairs of the People's Republic of China, November 29, 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1215680.shtml.

As the review above makes clear, since the Global Financial Crisis, China has dramatically increased its emphasis on the periphery and the creation of a regional "Community of Common Destiny" as a strategic focus, and considerable textual evidence suggests this focus has even superseded China's blunting strategy centered on the United States. Unofficial sources also make clear that a "Community of Common Destiny" is akin to a Chinese-led order, something that even authoritative sources appear to hint at. First, in virtually all cases, the concept emphasizes increasing the degree of interdependence between China and its neighbors by connecting those states to China's own economy, enmeshing them in a shared economic future. Second, in many cases, the concept explicitly involves greater security cooperation and a "New Asian Security Concept" at times explicitly critical of U.S. alliances. These themes were stressed in the initial debut of the concept in 2011 as well as in President Xi's address to CICA. Third, in Xi's 2013 address on peripheral diplomacy, he is explicit that the goal of these economic and security efforts is to increase China's influence within the region and win the approval of neighboring states. Finally, in no cases is the term applied to developed countries in Europe or the United States, which establishes that it is primarily a concept for neighbors and the developing world.[122]

Ways – Departing from Deng

If China's goal was to influence and lead its region, what are the ways in which it could do so? Party leaders concluded that, to succeed in these goals, China would need to depart from Deng's admonition. As discussed previously, in speeches by Deng, Jiang, and Hu, China's adherence to Tao Guang Yang Hui is explicitly linked to perceptions of China's relative power. That linkage means that when China's perception of power changes, so too will its commitment to Tao Guang Yang Hui.

[122] Instead 利益共同体 is used.

China's departure from Tao Guang Yang Hui began nearly a year after the Global Financial Crisis, when Hu Jintao gave a momentous speech at the 11th Ambassadorial Conference. There, in language strikingly different from past ambassadorial addresses – and after announcing favorable trends in the progression of multipolarity and the international balance of power – he announced a revision in Chinese grand strategy.

In his speech, Hu offered a new Chinese doctrine, which was to "uphold Tao Guang Yang Hui, and *Actively* Accomplish Something."[123] At first blush, this appears to be continuity with past policy, but it is not. Hu's formulation departed from Deng's by adding the word "actively," and he then proceeded to elevate the adjusted term to a "strategic guideline." This decision, announced at a major foreign policy conclave, meant that the inclusion of the word "actively" was not a rhetorical twist but a fundamental shift in strategy, but one taken with fidelity and deference to Deng's original formulations.

The relationship between "Tao Guang Yang Hui" and "Accomplishing Something" is at first not evident to casual observers, in part because it is rooted in Chinese Communist Party ideological jargon. But once that jargon is properly understood, Hu's call to "Actively Accomplish Something" is revealed as more significant than a minor adjustment in policy or a new piece of rhetoric. Deng's initial formulation of "Tao Guang Yang Hui" had not been explicitly rooted in Marxist dialects – that is, the strategy was posited in its own terms as a standalone approach for Chinese behavior. But in speeches in 1995 and 1998 by Jiang, Tao Guang Yang Hui was put in an explicitly dialectical relationship with the term "Accomplishing Something," which was itself already part of Deng's original admonition.[124] This formulation was

[123] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:234–46.

[124] For the 1995 address, see Jiang Zemin [江泽民], *Jiang Zemin on Socialism with Chinese Characteristics (Special Excerpts) 江泽民论有中国特色社会主义 【专题摘编】*, 529–30. For the 1998 address, see Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:202.

echoed former Foreign Minister Li Zhaoxing's, who stated clearly that "'Tao Guang Yang Hui' and 'Accomplishing Something' have a dialectical relationship."[125]

What does this mean? In Marxist dialectics, which originate in Hegel's philosophy, a dialectical relationship is generally one between two opposing concepts or forces. For example, up and down are opposites, but because one cannot exist without the other, they constitute a dialectical unity. Despite this unity, the two sides of a dialectical relationship are not necessarily balanced (which would result in stasis) and one side may be stronger than the other. From this perspective, putting "Tao Guang Yang Hui" in a dialectical relationship with "Accomplishing Something" is profoundly important ideologically and means that these two concepts were viewed essentially as opposites. And while China could not "one-sidedly stress one of these concepts" to the complete absence of the other, as Li cautioned, it could nonetheless emphasize one half of this dialectic. Indeed, in Jiang's 1995 speech which reframed Deng's precept as "Tao Guang Yang Hui, Accomplishing Something," he argued essentially that China should follow Tao Guang Yang Hui but accomplish things where possible, stressing the first half of the formulation.[126] "We have the conditions to "Accomplish Something," Jiang noted, "but when I say "Accomplish Something" here I mean that only those things that we must do or that we can do are things we should do, and we must not try to do everything. We cannot go beyond our reality in trying to do things" on the international stage.[127]

In understanding which side of the dialectic to stress, he clarified in a later speech, the "key is grasping the [international] structure," which in the Party refers to multipolarity and the

[125] Li Zhaoxing [李肇星], *Shuo Bu Jin De Wai Jiao [说不尽的外交]*, 295–96.

[126] See Jiang Zemin Book Excerpts from Communist Party Documentation Press for 1995

[127] Jiang Zemin [江泽民], *Jiang Zemin on Socialism with Chinese Characteristics (Special Excerpts) 江泽民论有中国特色社会主义 【专题摘编】*, 529–30.

international balance of power.[128] When that structure changed, China would stress a different part of the dialect. Indeed, when President Hu then emphasized "*Actively* Accomplishing Something" in 2009 after the Global Financial Crisis and revised the nearly twenty-year old guideline, the addition of the word "actively" suggested that it was time to emphasize one aspect of the dialectical relationship – the accomplishment part – and that in turn called for an increasingly assertive foreign policy. In that same speech, Hu stated that Tao Guang Yang Hui and "Actively Accomplishing Something" were "part of a dialectical unity" but also that "they are not opposed [对立]," which seems paradoxical since dialectics are based on oppositional relationships.[129] Hu's statement is not a declaration that these two concepts are not opposites but instead a statement that they are not part of an "oppositional unity" [对立统一], a key concept in dialects. The meaning of these phrases and their important distinctions are spelled out authoritatively in the *Dictionary of Philosophical Concepts* published by the Party Education Press, which goes into detail on Chinese Communist Party dialects.[130] An "oppositional unity" is a clear-cut pair of mutually-exclusive opposites; in contrast, a "dialectical unity" is a less concrete and more abstract pair of opposites with some the possibility of overlap. To translate this into concrete terms, Hu's claim that Tao Guang Yang Hui and "Actively Accomplishing Something" are a "dialectical unity" and not an "oppositional unity" is a statement that these two concepts are not in a binary relationship but have a spectrum between them. In other words, even as China pursued "Actively Accomplishing Something," Hu is saying that it could nonetheless retain some aspects of its opposite concept "Tao Guang Yang Hui." Hu's subsequent elaboration that Tao Guang Yang is not so extreme as to "unduly humble one's self and exercise complete passivity" and Actively Accomplishing Something is not so extreme as

[128] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:202.

[129] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:236.

[130] https://baike.baidu.com/item/辩证统一#4 《哲学概念辨析辞典》94 页

to “arrogantly show of one’s abilities or to do everything and stop at nothing” serves to accentuate the point.[131] In moving towards Actively Accomplishing Something, Hu noted, China is more actively “using our country's growing overall national strength and international influence to better safeguard our country's interests” and moving away from Tao Guang Yang Hui, which by contrast was a strategy for China to "avoid becoming the focus of major international conflicts and to avoid falling into the whirlpool of conflict and confrontation so as to minimize the external pressures and resistance to China's development."[132] Together, all of this is to say that from the Cold War to the Financial Crisis, China stressed the self-restraining Tao Guang Yang Hui part of the dialectic and sought to blunt “external pressure.” After the Cold War, China stressed the more proactive “Actively Accomplishing Something” part of the dialectic and sought to become more assertive, especially within the region.

Hu’s 2009 language about “Actively Accomplishing Something” stands in stark contrast to the more passive language in his 2006 address that encouraged China to avoid “speaking too loudly” and taking leadership. Instead, Hu argues in 2009 that "China must proceed from a strategic height" and "strive for greater action in international affairs," including "assuming international responsibilities and obligations that are compatible with China's national strength and status and giving play to China's unique constructive role," though concern about a G-2 or major international responsibilities still remained.[133]

Indeed, Hu’s assertive preferences are echoed in some of the scholarly and think tank commentary. For example, Professors Chen Dingding and Wang Jianwei argue that although the shift from Tao Guang Yang Hui to “Actively Accomplish Something” may appear subtle, “the significance cannot be underestimated. According to scholars and officials who are familiar with

[131] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:236.

[132] Hu Jintao [胡锦涛], 2:236.

[133] Hu 3 237

the top decision-making processes, to 'proactively get some things done' [i.e., Actively Accomplish Something] is the emphasis of the new strategy."[134]

The departure from Deng that was marked by Hu's 2009 speech was made even more explicit under Xi Jinping. In an important 2013 address laying out China's new diplomacy as a major power, Wang Yi appeared to explicitly reject Tao Guang Yang Hui in favor of "Actively Accomplishing Something." "Today, China is already standing under the world's limelight," Wang argued, drawing a contrast in his terminology with Deng's suggestion to "hide the light" under Tao Guang Yang Hui. Wang declared that, accordingly, China would pursue a "more proactive diplomacy" that involved undertaking new responsibilities.[135] Indeed, Wang Yi used the phrase proactive, active, or actively at least thirteen times in the speech, establishing a clear link to Hu's "Actively Accomplish Something" and demonstrating consistency across administrations.[136]

China's current paramount leader has further legitimated this departure from Deng. Xi has not mentioned Tao Guang Yang Hui at all in any of his Party speeches – the first paramount leader since Mao to never use the phrase. Moreover, at the 2013 meeting on peripheral diplomacy, Xi appeared to convert two characters of Hu's "Actively Accomplish Something" into his signature phrase "Striving for Achievement" [奋发有为]. The phrase had previously been used within the context of economic reforms or Party spirit (see Jiang, Hu) but does not appear to have been applied to foreign policy until Xi, who has included it in most of his important foreign policy addresses. For example, Xi's 2013 Peripheral Diplomacy Work Forum marked the first use of "Striving for Achievement" and linked it explicitly to China's regional ambitions. "We

[134] Chen Dingding and Wang Jianwei, "Lying Low No More?: China's New Thinking on the Tao Guang Yang Hui Strategy," 212.

[135] Wang Yi, "Exploring the Path of Major-Country Diplomacy With Chinese Characteristics."

[136] Bonnie S. Glaser and Alison Szalwinski, "Major Country Diplomacy with Chinese Characteristics," *China Brief* 13, no. 16 (August 9, 2013), https://jamestown.org/program/major-country-diplomacy-with-chinese-characteristics/.

must *strive for achievement* in promoting peripheral diplomacy," Xi declared, "we must work hard for a good periphery for our country's development, and we must make sure our country's development brings benefits to peripheral countries and achieves shared development."[137] The driving focus of China's new assertiveness, Xi made clear, was to exercise greater influence and foster greater connectivity within China's region.

Underpinning this stark contrast with the previous era is a shift in China's sense of self. Indeed, the "Striving for Achievement" framework is closely related to the Chinese concept of "great power diplomacy" [大国外交] which has changed as China views itself as more powerful. This concept referred initially to China's relations with other powers, but Wang Yi's 2013 speech "Exploring Great Power Diplomacy with Chinese Characteristics" demonstrated that China is itself now the great power and needs a diplomacy commensurate with its new status. This view was them legitimized by President Xi Jinping, who echoed the same sentiment in his 2014 Central Foreign Affairs Work Conference: "*China must have its own great power diplomacy*….we must enrich and develop the concept of our external work so that it has distinctive Chinese characteristics, Chinese style, and China's dignified bearing."[138] Indeed, as Yan Xuetong notes, "the term of 'major country' [i.e. great power] no longer refers to foreign powers but 'to China itself.'"[139] Separately, he links this change to China's peripheral diplomacy: "In the past we had to keep a low profile as we were weak while other states were strong, and we signaled this weakness to the international community to indicate that we were not able to get involved in anything. Now, with 'Striving for Achievement', we are indicating to neighboring

[137] Xi Jinping [习近平], *Xi Jinping: The Governance of China [习近平谈治国理政]*, vol. 1 (Beijing: Foreign Language Press [外文出版社], 2014), 296.

[138] Xi Jinping [习近平], *Xi Jinping: The Governance of China, Volume 2 [习近平谈治国理政]*, 2:443. Emphasis added.

[139] Yan Xuetong [阎学通], "From Keeping a Low Profile to Striving for Achievement," *The Chinese Journal of International Politics* 7, no. 2 (April 22, 2014): 168.

countries that we are strong and you are weak. This is a change at a very fundamental level."[140] Similarly, as Xu Jin and Du Zheyuan write, "Guiding other states will replace the policy of 'never taking the lead', which is a policy suitable for weak states, or a policy that signals weakness…China needs to be more assertive and proactive, to take a stand more often, and to take on greater responsibility."[141]

In sum, Tao Guang Yang Hui was the *way* for China to achieve the *end* of a reduced risk of U.S.-led containment. After the Global Financial Crisis, this strategy was no longer seen as necessary; instead, "Actively Accomplishing Something" and "Striving for Achievement" became the *way* for China to achieve the *end* of greater regional influence through a strategy that openly seeks to bind China's neighbors to it more tightly, offer an alternative to U.S. balancing and alliances, and pursue China's regional and territorial interests more forcefully. As with the shift in ends and ways, the new strategy also entailed a marked shift in means

Means – Instruments for Building

China's new strategy was not abstract. High-level speeches make clear how the strategy would be translated into specific instruments of statecraft.

The focus on the new means of Chinese statecraft began in Hu's important 2009 11th Ambassadorial Conference speech, where he elaborated on what "Actively Accomplish Something" and China's new assertiveness meant in concrete terms. Fundamentally, it meant significant and coordinated changes in China's political, economic, and military behavior all with an eye towards proactively reshaping the region. With respect to China's political behavior, Hu declared that China "must *more actively* participate in the formulation of international

[140] Yan Xuetong [阎学通], "From Tao Guang Yang Hui to Striving for Achievement: China's Rise Is Unstoppable [从韬光养晦到奋发有为，中国崛起势不可挡]," *People's Daily China Economic Weekly [人民日报中国经济周刊]*, November 11, 2013, http://www.ceweekly.cn/2013/1111/68562.shtml.

[141] Xu Jin and Du Zheyuan, "The Dominant Thinking Sets in Chinese Foreign Policy Research: A Criticism," 277.

rules" and institutions, anticipating the eventual creation of AIIB and leadership of CICA. On economic issues, he declared China "must *more actively* promote the reform of the international economic and financial system" and proposed robust infrastructure investment as a part of this. "In particular," and anticipating the later Belt and Road Initiative, Hu declared that, "we must actively participate in and vigorously promote the construction of surrounding highways, railways, communications, and energy channels in the periphery to form a network of interconnected and interoperable infrastructure around China."[142] And on militarized territorial disputes involving Taiwan, Hu declared that China "must *more actively* promote the resolution of international and regional hot-spots related to China's core interests, and regarding the issues concerning our core interests, we must strengthen our strategic planning, *make more offensive moves* [先手棋], and actively guide the situation to develop in a favorable direction."[143] This hawkish language essentially called for taking the initiative and resolving disputes on China's terms and was a sharp departure from his language at the 2006 Foreign Affairs Work Forum, where he declared in a discussion of China's core interests that "for issues that do not impede the overall situation, we must embody mutual understanding and mutual accommodation so that we can concentrate our efforts on safeguarding and developing longer-term and more important national interests."[144] "More active" involvement would require different military capabilities, especially those oriented towards sea control and amphibious operations rather than the sea denial of blunting.

Xi's efforts to elevate Peripheral Diplomacy and create a "Community of Common Destiny" essentially build on the foundation Hu laid in in his 2009 speech.

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[142] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:241.

[143] Hu Jintao [胡锦涛], 3:236–37. Emphasis added.

[144] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:519.

First, on institutional and economic issues, Xi has been clear in multiple speeches that major Chinese leadership efforts, like the Belt and Road Initiative and the Asia Infrastructure and Investment Bank, are part of his strategy for creating a "Community of Common Destiny." His speeches to the Indonesian Parliament and in Kazakhstan announcing BRI, and his speeches before APEC announcing AIIB, all make this linkage clear. Xi made the theme of the entire 2015 Bo'ao Forum "Asia's New Future: Towards a Community of Common Destiny" and mentioned these same instruments as essential. And at the 2017 BRI Forum, Xi was explicit on these linkages, stating that all parties to BRI would "continue to move closer toward a Community of Common Destiny for mankind. This is what I had in mind when I first put forward the Belt and Road Initiative. It is also the ultimate goal of this initiative."[145] In short, these are the economic and institutional means at the heart of China's grand strategy to build regional order.

In Party speeches, Xi has been more explicit about how these instruments will work to advance China's goal of achieving greater regional influence, especially in his address to the 2013 Work Forum on Peripheral Diplomacy that preceded the maturation of AIIB, BRI, and other initiatives.[146] On the economic side, Xi proposed offering public goods and facilitating mutual interdependence, both of which would "create a closer network of common interests, and better integrate China's interests with [neighbors], so that they can benefit from China's development." He explained precisely how China would do this. "We must make every effort to achieve mutually beneficial reciprocity," Xi declared, "We have to make overall plans for the use of our resources….[and] take advantage of our comparative strengths, accurately identify strategic points of convergence for mutually beneficial cooperation with neighbors, and take an

[145] Xi Jinping [习近平], "Chairman Xi Jinping's Opening Remarks at the Roundtable Summit of the 'Belt and Road' International Cooperation Summit Forum [习近平主席在'一带一路'国际合作高峰论坛圆桌峰会上的开幕辞]," Ministry of Commerce of the People's Republic of China, May 15, 2017, http://www.mofcom.gov.cn/article/i/jyjl/l/201705/20170502576387.shtml.

[146] Xi Jinping [习近平], *Xi Jinping: The Governance of China [习近平谈治国理政]*, 1:296–99.

active part in regional economic cooperation." In practical terms, he stated, "we should work with our neighbors to speed up connection of infrastructure between China and our neighboring countries" and explicitly listed the Belt and Road Initiative and Asia Infrastructure and Investment Bank as tools to do so. In addition, Xi wanted to "accelerate the implementation of the strategy of free trade zones" and to put "our neighboring countries as the base," another sign of the elevation of the periphery. New investment as well as active interlinkage between Chinese border regions and neighbors was also essential. The overall objective, Xi stated, was "to create a new pattern of regional economic integration," one that he declared multiple times would be linked closely to China. Left unstated was that the active cultivation of this kind of asymmetric interdependence would give China great freedom of maneuver and potentially constrain its neighbors as well.

Second, on security issues, Xi appears to see institutions as instruments for creating the "Community of Common Destiny," especially if they can promote concepts of Asian security that diminish the U.S. role. In his 2013 Peripheral Diplomacy Work Forum address, Xi declared boldly that "a new outlook on security is required" for Asia and that China "must develop a comprehensive security strategy with neighboring countries." Similarly, at the institutional level, Xi was clear that China's peripheral goals would require China to "actively participate in regional and sub-regional security initiatives." These remarks anticipated China's high-profile efforts to use its chairmanship of CICA to put forward its own pan-Asian vision of Asian security architecture. In his inaugural address at CICA, Xi urged Asian states to create a Community of Common Destiny and put at its center a detailed New Asian Security Concept of "common, comprehensive, cooperative, and sustainable security." That four-pronged concept explicitly called external alliances into question and suggested Asian states were responsible for Asia's affairs, language that was read as a criticism of the U.S. regional role not only by Western

observers but also explained as such in internal summit documents.[147] Indeed, that four-pronged concept and the anti-alliance argumentation was carried in future speeches. Xi's address at the "Community of Common Destiny" themed 2015 Bo'ao Forum state unequivocally that "to build a community of common destiny, we need to pursue common, comprehensive, cooperative and sustainable security…. As people of all countries share common destiny and become increasingly interdependent….the Cold War mentality should truly be discarded and new security concepts be nurtured as we explore a path for Asia that ensures security for all, by all and of all."[148] And in a section of the 19th Party Congress Political Report discussing the Community of Common Destiny, Xi declared that achieving it would require "common, comprehensive, cooperative, and sustainable security," and he called for all states to "resolutely reject the Cold War mentality and power politics, and take a new approach to developing state-to-state relations with communication, not confrontation, and with partnership, not alliance."[149] In sum then, a frequently-articulated instrument for building regional order is international institutions that rewrite the norms behind Asian security institutions in ways that enhance Chinese leadership but reduce the U.S. role. Speaking broadly about these and other Asian norms, Xi suggested in his 2013 Work Forum on Peripheral Diplomacy address that "we must embrace and practice these ideas, so that they will become the shared beliefs and norms of conduct for the whole region."[150]

In addition, China also declared its military modernization as a tool for achieving greater regional influence through intensified security ties with neighbors, influence on resolving

[147] See Chapter 4 for an in-depth discussion

[148] Xi Jinping, "Towards a Community of Common Destiny and A New Future for Asia:" (March 28, 2015), http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1250690.shtml.

[149] Xi Jinping [习近平], "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era [决胜全面建成小康社会 夺取新时代中国特色社会主义伟大胜利]."

[150] Need to double-check context and language of this quote

territorial disputes, and the provision of public security goods. Regarding ties with neighbors, many of the same documents calling for a "Community of Common Destiny" stress the importance of China expanding security cooperation with Asian neighbors. For example, Wang Yi in a 2013 address said that peripheral diplomacy had such a component: "We will also step up cooperation in traditional and non-traditional security fields and actively expand defense and security exchanges with neighbors."[151] With respect to public security goods, China's rhetoric in CICA is clear that China views itself as a future public security provider. China's anti-piracy missions are an element of this, but so too are more ambitious future plans. For example, Chinese Defense Minister announced that China was "ready to provide security guarantees for the One Belt, One Road project," a sign that the Community of Common Destiny may involve the provision of public security goods by the Chinese military.[152] Finally, China has toughened its position on territorial disputes after the 2008 Global Financial Crisis beginning with Hu's own 11th Ambassadorial Conference Address. That strong rhetoric has continued into the present, with Xi Jinping promising in his 2017 address to the NPC that "not one inch" of territory would be separated from China.

In sum, statements by Hu and Xi – as well as their various ministers – strongly suggest that political, economic, and military tools are being coordinated together to advance China's peripheral diplomacy and its "Community of Common Destiny."

GRAND STRATEGIC CAPABILITY

China has the conceptual foundation for a grand strategy, but does it have the capability to wield one? To wield a grand strategy, I argue that state foreign policy institutions must be capable of (1) *coordinating* multiple instruments of statecraft in service of grand strategy and

[151] Wang Yi, "Exploring the Path of Major-Country Diplomacy With Chinese Characteristics."

[152] "China Desires Consolidated Ties with Pakistan," *Dawn*, April 20, 2018, https://www.dawn.com/news/1402694/china-desires-consolidated-ties-with-pakistan.

(2) exercising *autonomy* by overcoming parochial interests that would interfere with national grand strategic objectives.

The preceding textual evidence strongly suggests that foreign policy decision-making is highly concentrated and hierarchical in ways that facilitate coordination and provide autonomy. Admittedly, the ability to coordinate may not extend to the most granular parts of foreign policy, and the government's autonomy may not insulate it in all cases, but it seems reasonable to conclude based on Party documents that coordination and autonomy is there where it matters most – in major military investments, economic initiatives, and decisions to join or create international institutions. This section now explores Chinese *coordination* and *autonomy* briefly.

China's Communist Party appears to be the main instrument for coordinating grand strategy and suppressing parochial interests. The Party sits above the state and penetrates every level of it as well, thereby providing the possibility of coordination. The Party is also an extremely hierarchical institution. In foreign policy, as well as other areas, a rigid doctrine of Party guidances (separate from Party law) establishes the Party line, guideline, and policy (路线，方针，政策). In essence, much policy is set through the Party and not through the state.

China's main decision-making bodies are all within the Communist Party. In foreign policy, these bodies include General Secretary and his office, then the Politburo Standing Committee, and then the Foreign Affairs Leading Small Group. On some items, the Politburo or the Central Committee are also consulted. With respect to *coordination*, these bodies have the capability and effectively have the authority to bring together military, political, and economic instruments of state. They can set guidances on the direction of policy; they can order state compliance; and they can monitor the state because all state institutions are penetrated by the Party. Deng often praised this element of Leninist Party-states, undoubtedly with some exaggeration: "One of the greatest advantages of socialist nations is that, as long as something has been decided and a resolution has been made, it can be carried out immediately without any

restrictions; unlike the parliamentary democratic process that is so complicated….In this respect, our efficiency is higher; we carry things out as soon as we have made up our mind. What I am referring to is the overall efficiency. It is our strength, and we must retain this advantage." In in other instance, he said, "The Soviets can do something after just one Politburo meeting. Can the Americans do that?"[153]

With respect to autonomy, there is reason to believe the Party can suppress parochial interests – whether they be domestic-political, bureaucratic, inter-service. First, the Party's penetration of the state makes it difficult for actors to steer major policy in rogue directions. Second, the Party's control over media and its penetration of civil society and private institutions reduces the possibility that the society could triumph over the state. It is unclear to what extent public opinion truly matters in Chinese foreign policy; more fundamentally, in the places where it matters most – such as nationalism – the Party even arrests nationalists, suppresses their dissent, and censors certain stories.

Despite the fact that Leninist systems are generally better able to coordinate interests and maintain the state's autonomy from society and other groups, there are undoubtedly limits to these capabilities. Central influence likely declines at more granular and tactical levels of policymaking (e.g., deployments along the Sino-Indian border), where coordination across instruments may be minimal or resistance to the central government's dictates may go undetected and unanswered. But on the larger matters of state – major investments, economic initiatives, or international institutions – the very purpose of state control and penetration of the state is precisely to limit the state's autonomy from the Party's preferences. For these initiatives, which are the core pillars of grand strategy and the focus of this dissertation, assumptions of coordination and autonomy are likely sound.

[153] Zhao Ziyang, *Prisoner of the State*, 252.

Authoritative foreign policy texts demonstrate that this model applies to Chinese grand strategy. Indeed, the centralization of Chinese grand strategy at the highest levels of the Party is explicitly confirmed over decades. In addresses before the 6th Chinese Ambassadorial Conference in 1986, then Premier Zhao Ziyang declared that "The adjustment of foreign policy must be highly centralized and must be decided by the Politburo Standing Committee." This made explicit what many already suspected – that grand strategy and strategic adjustment are more the domain of the Party than the state. To the assembled diplomats, he declared that they could "offer suggestions, but they must of course act in accordance with the decisions of the central government. What is most important now is to understand and implement the general intention of the central government and carry out the work."[154]

At the 8th Annual Ambassadorial Conference, President Jiang made a similar point to the assembled foreign policy apparatus. "In external work, the guidelines and policies formulated by the Central Government should be implemented with determination and unswervingly; there cannot be the slightest bit of ambiguity about this."[155] Indeed, "diplomacy is highly centralized and unified," and must take place "under the guidance of the Central Government's diplomatic guiding principle [外交方针]."[156] "You should also see that diplomacy is no small matter and that diplomatic authority is limited," Jiang told the assembled officials, and "all the departments must resolutely carry out the central government's diplomatic guiding principles [外交方针], they cannot go their own separate ways [不能政出多门、各行其是].

[154] Zhao Ziyang Volume 3, p. 218

[155] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 1:315.

[156] Jiang Zemin [江泽民], 1:315.

Otherwise, there may be a big problem, one that could become a major issue that will affect our reputation."[157]

In a 2003 speech to a major Foreign Ministry symposium, Hu Jintao continued his predecessor's arguments about the importance of deference to the central leadership. "Comrades in the diplomatic front must persist in….comprehensively implementing the principles and policies of the central line" and "to be good central government foreign policy advisors, it is necessary…in any and all circumstances to be unwavering in implementing the central government's line (luxian), guidelines (fangzhen), policies (zhengce), and work."[158] Here, Hu makes clear that the line, guidelines, and policies that Party institutions should guide state behavior.

President Xi has made strengthening Party control over the state a priority, and he has also spoken about the Party's central role in Chinese foreign policy work. In his 2013 Peripheral Diplomacy Work Forum address, Xi state that centrally-dictated "policies and tactics are the life of the party and the life of diplomatic work."[159] In his next major foreign policy address, the 2014 Central Foreign Affairs Work Conference address, Xi stated that "In order to comprehensively promote external work in the new situation, we must strengthen the Party's central and unified leadership" over foreign affairs and further "standardize foreign affairs management."[160] Moreover, in a major article explaining Xi Jinping's key Chinese foreign policy concepts *Qiushi*, a Party journal, State Councilor Yang Jiechi also emphasized the importance of centralization and long-term planning under the Party: "Comrade Xi Jinping has repeatedly stressed that it is necessary to make a strategic plan for medium and long-term external work from the highest-

[157] Jiang Zemin [江泽民], 1:315.

[158] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:98–99.

[159] Xi Jinping [习近平], *Xi Jinping: The Governance of China [习近平谈治国理政]*, 1:299.

[160] Xi Jinping [习近平], *Xi Jinping: The Governance of China, Volume 2 [习近平谈治国理政]*, 2:444.

level design perspective. The Party Central Committee has been far-sighted, taken responsibility over the overall situation, viewed the general trend, and planed for major events, and has continuously strengthened highest-level design and strategic planning. Through a series of major diplomatic initiatives, it has closely integrated the work involving great powers, neighboring countries, developing countries, and multilateral organizations."[161] Moreover, Yang devoted an entire section of the article to the importance of continued centralization. China must "strengthen the comprehensive coordination of foreign affairs and ensure the Central Government has centralized and unified leadership over diplomatic work. The CCP Central Committee…attaches great importance to the overall coordination of foreign affairs and emphasizes that foreign affairs must be taken care of internally and externally, comprehensively planned, commanded in a unified way, and implemented in an integrated manner." This required coordinating multiple stakeholders. Good foreign affairs work "requires that the central and local governments, the government and the people, and various foreign policy bodies all firmly establish a [shared] awareness of the overall situation, that each do its duty, that they join forces together, and that each – from the height of national interests, do a good job managing foreign work and guarantee the smooth implementation of the central government's leadership, policy decision-making, management, and handling of foreign affairs." To retain this centralization, Yang argued that Xi's government had "intensified the construction of relevant [foreign policy] mechanisms, gradually rationalized institutional mechanisms, formulated clear guidances, strengthened and standardized the management of foreign work and foreign affairs and foreign affairs work, and effectively improved and strengthened the central government's unified leadership and comprehensive coordination [of foreign affairs]."

[161] Yang Jiechi [杨洁篪], "Chinese Diplomatic Theory and Innovation in Practice in the New Situation [新形势下中国外交理论和实践创新]," *Qiushi [求是]* 2013, no. 16 (August 16, 2013), http://www.qstheory.cn/zxdk/2013/201316/201308/t20130813_259197.htm.

Together, these remarks make clear that China's foreign affairs work was planned at a high level, generally by the Party, with a long time horizon, and centrally implemented.

CONCLUSION

This chapter focused on grand strategic concepts and capabilities through a survey of authoritative Party sources. It showed that because of the trifecta of Tiananmen Square, the Gulf War, and the Soviet collapse increased the *perceived threat* posed by the United States and altered the ends, ways, and means of China's grand strategy. Chinese leaders saw dealing with the U.S. threat as the end of their strategy; adopted Tao Guang Yang Hui and *blunting* as the way of achieving that end; and – as the next three chapters make clear – coordinated multiple means of statecraft in that pursuit, including efforts to build anti-access/area-denial efforts, join and stall regional institutions, and achieve PNTR and WTO accession. After the Global Financial Crisis, China's multipolarity discourse demonstrated that the China's *perceived relative power gap* with the United States fell in the eyes of Party leaders. Accordingly, they refocused the ends of Chinese strategy on reshaping the periphery through a Community of Common Destiny; adopted a *building* strategy under post-Deng strategic guidelines like Actively Accomplishing Something and Striving for Achievement; and – as we will see – coordinated multiple means of statecraft to do so, including efforts to build power projection and amphibious capabilities, to launch China's own major organizations, and to create asymmetric trade, infrastructure, and financial relations with neighbors.

CHAPTER 3: CHINA'S MILITARY INVESTMENTS

Denial Platforms, Aircraft Carriers, and Surface Vessels

This chapter is the first to focus on grand strategic conduct, and it addreses a puzzle in China's military modernization: why did Beijing deprioritize investments in the very sea control and amphibious capabalities it believed were necessary for retaking Taiwan and islands in the South and East China Seas, even though it could have afforded them? The answer is that, after the Cold War's conclusion increased China's *perceived relative threat* from the United States, Beijing chose a blunting strategy to counter U.S. power. In military terms this required China to acquire asymmetric anti-access/area-denial (A2/AD) capabilities that would complicate U.S. intervention in the region's affairs, especially through mines, missiles, and submarines. After the 2008 Global Financial Crisis decreased China's *perceived relative power gap* with the United States, Beijing chose a *building* strategy to intervene in and reshape its own region. China begn to invest in blue-water sea control and amphibious capabilities that enable it to capture territory and coerce neighbors.

INTRODUCTION

For more than two decades, China has pursued costly military modernization underwritten in part by high growth rates that have allowed for significant annual increases in defense spending. Once equipped with weapons based on 1950s Soviet designs, China's military has transformed from what some only two decades ago called a "junkyard army" and "the world's largest military museum" to an increasingly capable, modern, and at times even innovative force.[1] Since the 1980s, a proliferation of open-source Chinese materials and a significant increase in informed Western scholarship has shed light on many aspects of the People's Liberation Army's (PLA) modernization. And yet, there considerable disagreement remains over whether China's military reforms are guided by an overarching logic and, if so, what that logic may be.[2]

[1] Roger Cliff, *China's Military Power: Assessing Current and Future Capabilities* (New York: Cambridge University Press, 2015), 1. The term "junkyard army" was used by Alfred Wilhelm.

[2] Taylor Fravel and Christopher P. Twomey, "Projecting Strategy: The Myth of Chinese Counter-Intervention," *The Washington Quarterly* 37, no. 4 (2015): 171–87; Timothy Heath and Andrew S. Erickson, "Is China Pursuing

China's military modernization contains certain puzzles: (1) why did China delay carrier construction in the 1990s and 2000s and then begin acquiring several after 2008; (2) why did China build the world's largest mine arsenal, largest submarine force, and first ASBM in the 1990s and 2000s; (3) why did China stress anti-surface warfare capabilities for surface vessels and ignore anti-submarine, anti-air, amphibious, and mine countermeasure capababilities until 2008? In sum, why has China been one of the only states and the only great power to pursue a denial-focused navy and then switch to a carrier-based navy?

So far, this project has offered a definition of grand strategy (Chapter 1) and then, using Chinese sources (Chapter 2), demonstrated China's grand strategic concepts and capabilities as well as the sources of adjustment. Now, this chapter turns to grand strategic conduct, making two main arguments:

1. First, if changes in China's *perceived threat* from the United States and *perceived relative power gap* with the United States affect its grand strategy, then those changes should have observable implications in China's military investments. This chapter shows that they do: (1) China's *perceived threat* from the United States increased following the end of the Cold War, the Tiananmen Square Massacre, and the First Persian Gulf War and induced a focus on asymmetric weapons and avoiding vulnerable platforms; (2) then, China's *perceived relative power gap* with the United States fell after the 2008 Global Financial Crisis, and China reoriented towards the capabilities needed for regional interventions.

2. The second argument this project offers is that China's grand strategy best explains the variation in its external behavior and accounts for the puzzles listed above. As we will see, for nearly two decades after the end of the Cold War, China clearly avoided investing in the very capabilities it believed were needed for retaking Taiwan or islands in the South and East China Seas, despite the manifest importance of those scenarios to Beijing, because it was focused on acquiring asymmetric weapons to *blunt* American power. It delayed investments in carriers; put off investments in all surface warfare capabilities except for anti-surface warfare; and over-invested in missiles, mines, and submarines. Then, after the 2008 Global Financial Crisis, China switched course. It began to construct carriers and diversified the missions of its surface vessels by investing more anti-submarine, anti-air, amphibious warfare, and mine countermeasure capabilities because they

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Counter-Intervention?," *The Washington Quarterly* 38, no. 3 (2015): 143–56; James R. Holmes, "China's Muhammad Ali Military Strategy," *Real Clear Defense* (blog), February 18, 2015, http://www.realcleardefense.com/articles/2015/02/18/chinas_muhammad_ali_military_strategy__107631.html; Ryan Martinson, "Reality Check: China's Military Power Threatens America," *The National Interest* (blog), March 4, 2015, http://nationalinterest.org/blog/the-buzz/reality-check-chinas-military-power-threatens-america-12361.

were useful for *building* regional order and intervening regionally (See Table 6 for a summary).

Two important caveats. First, this chapter focuses primarily on naval modernization, and only occasionally on other services (such as the PLA Rocket Forces). The narrow focus is in part because of space considerations and because, since the Soviet collapse, China's foremost security considerations have been in the maritime domain, which makes variation in maritime investments the best testing ground for theories on how China seeks to achieve security. In China's 1993 Military Strategic Guidelines, the maritime domain was explicitly elevated as a priority over the land domain.[3] Second, this chapter recognizes that the distinction between instruments for blunting and building, or more specifically, for exercising sea denial versus sea control or control over territory, often overlap in operations. For example, cruise missiles that are perceived as useful in denying an adversary access can also be used as part of larger operations to establish control, perhaps by keeping enemy ships away. Even though denial platforms and control platforms overlap in operations, we can still draw a meaningful distinction between them in three ways. First, we can see how defense planners anticipate using them operationally. Second, we should note that so-called denial tools (e.g., mines, missiles, and submarines) might *sometimes* be necessary for accomplishing sea control but they can never be sufficient; in contrast, sea control instruments including surface vessels are *always* necessary for sea control and may at times even be sufficient. Finally, instruments of denial tend to be asymmetric and cheaper relative to the instruments of control they offset. Together, these three justifications sustain the conceptual distinction between instruments for sea denial and sea control.

[3] Liu Huaqing [刘华清], "Unswervingly Advance Along the Road of Building a Modern Army with Chinese Characteristics [坚定不移地沿着建设有中国特色现代化军队的道路前进]," *PLA Daily [解放军报]*, August 6, 1993.

Table 6: Summary of Military Puzzles and Theories

	China's Carrier Delay	China's Denial Overinvestments	China's ASuW-Focused Surface Force
Puzzle	Why did China delay carrier construction in the 1990s and 2000s and then begin acquiring several after 2008?	Why did China build the world's largest mine arsenal, largest submarine force, and first ASBM in the 1990s and 2000s?	Why did China stress ASuW capabilities for surface vessels? Why did it downplay ASW, AAW, MCM, and AMW until 2008?
Diffusion	Diffusion would have predicted earlier adoption, which did not occur.	Diffusion theories explain acquisition but not overinvestment.	Diffusion cannot explain overinvestment in ASuW. The other capabilities were downplayed even though they had diffused to other developing navies.
Adoption-Capacity	China believed it had the capability to build a carrier in the 1980s but still delayed until 2009.	Adoption-Capacity theories explain acquisition but not overinvestment.	China had the capability to acquire many of these capabilities but did not. Adoption-Capacity cannot explain overinvestment in ASuW.
Bureaucratic Politics	Carrier advocates were at the top of the hierarchy but did not prevail in pushing a carrier, so this cannot explain delay.	No constituency was powerful enough for mines or missiles; carrier advocates were more powerful than submariners.	No bureaucratic constituency benefited from the focus on ASuW and neglect of ASW, AAW, MCM, and AMW.
Blunting	This theory explains the carrier delay. A carrier was believed vulnerable to the United States and not useful in deterring it.	This theory explains overinvestment. These capabilities were considered essential against U.S. power projection.	This theory explains overinvestment. ASuW was considered useful for blunting but ASW, AAW, MCM, and AMW were not.
Building	This theory explains the post-2008 investment. China acquired a carrier once it began focusing on sea control and amphibious operations after 2008.	These capabilities alone would not allow for sea control or amphibious operations involving territorial disputes.	This theory explains eventual investment in ASW, AAW, MCM, and AMW. China acquired these capabilities once it began focusing on sea control and amphibious operations after 2008.

EMPIRICAL AND THEORETICAL STRATEGY

There are at least two ways we can gain insight into why a given state has made military investments in a particular way. The first is to recreate the decision-making process itself, ideally through process tracing involving archival sources and policymaker interviews. This preferred approach often proves difficult in China where archives are closed, candid interviews are rare, and the decision-making process remains deliberately shrouded in secrecy. Despite these challenges, party memoirs, PLA textbooks, Chinese journal articles, official histories, and a variety of other primary and secondary sources can provide occasional detail that allows us to draw inferences about the decision-making process and specific intent behind a state's military investments, especially at the crucial moments when an overarching strategy changes.

The second way to study why a state has made the military investments it has would be to investigate variation in those investments across a number of different observables and indicators and then determine whether that variation is in accordance with a given approach or theory. When we study military investments, there are least four observables that are important, and variation within them, across them, and between them as well as comparable indicators from other countries can together be leveraged to dismiss certain theories of Chinese behavior and validate others. The first indicator we might look at is *acquisition*. This can include what was acquired and what was not, when such decisions were made, and whether they were sequenced or prioritized relative to other programs. Second, we can look at *doctrine,* which Barry Posen argues is "a set of institutionalized principles about how to fight" that exists "at almost every level of military activity, from the lowly infantry company to the nuclear forces," and that at its highest levels can "specify how various branches will cooperate, usually in large campaigns."[4] We can gain insight into military decisions by understanding how leaders

[4] Barry R. Posen, "Military Doctrine and the Management of Uncertainty," *Journal of Strategic Studies* 39, no. 2 (2016): 159.

understand warfare, what threats they envision facing, the manner in which they anticipate using weapons – and perhaps most importantly, by analyzing how their acquisitions relate to these concepts. Third, we can look at *force posture*, which takes us from the abstraction of doctrine to the concrete question of how and where military assets are deployed, as well as what kinds of weapons are employed on what platforms, which in turn can provide insight into how the military is to be used. Fourth, we can look at *training*. Knowing how particular forces exercise can give insight into the kinds of combat military leaders expect.

In sum then, through a combination of glimpses into the decision-making process and an effort to leverage variation within and across the observables listed above, we can test competing theories of China's military strategy. It is now worth turning to which theories are the most useful, and what we would expect to see if they are accurate.

First, a theory of *diffusion* is often the default explanation for why states make the military investments they do. This intuitive approach assumes that military capabilities spread from those that have them to those that do not because of the competitive pressures of the international system. As Kenneth Waltz has written, "Competition produces a tendency toward the sameness of the competitors…contending states imitate the military innovations contrived by the country of greatest capability and ingenuity. And so the weapons of major contenders, and even their strategies, begin to look the same all over the world."[5] As states struggle to maximize their own security, then, they emulate the most successful states, seeing in their capabilities possibilities for adoption and advantage relative to competitors. Resende-Santos tests this empirically, demonstrating how Latin American states endorsed the Prussian mass army, even though it was completely alien to them, simply because it was considered the most effective.[6] The observable implication of this set of theories is, at a broad level, that China should

[5] Kenneth Waltz, *Theory of International Politics*, 2010th ed. (Long Grove: Waveland Press, 1979), 127.

[6] Joao Resende-Santos, *Neorealism, States, and the Modern Mass Army* (New York: Cambridge University Press, 2007).

seek to acquire the capabilities of leading states, especially those of the United States. We would expect: (1) with respect to weapon *acquisition*, China's military modernization would involve acquiring capabilities it lacks but that others have long held (such as aircraft carriers); (2) that Chinese *doctrine* would resemble that of the leading states, especially the United States; (3) that it would *posture* its military assets the way leading states do, and (4) that it would *train* in a way similar to that of other leading states. As we will see, China has not generally adopted the weapons and practices of the strongest competitor and has instead prioritized alternative approaches.

A second and closely related theory is *adoption capacity theory*. This approach is offered by Michael Horowitz, who notes that not all military technologies diffuse through the system equally after they appear. Horowitz argues that military innovations will diffuse unless they are (1) financially intense and require significant funds, or (2) require organizational capital for their adoption. The observable implications of this theory are similar to diffusion, except that adoption capacity somewhat restricts the domain of diffusion: acquisition, doctrine, posture, and training would resemble that of the leading state or states only if financially and organizationally feasible. In this view, if China has not acquired the capabilities of leading states, then it is because they are too expensive or organizationally complex.

These preceding two theories are parsimonious but problematic in one respect: they are essentially supply-side theories that assume that states will adopt military technology unless there is some impediment that prevents it, and they focus little on the *demand* for that technology. Subsequent theories focus more closely on state military investments as a more deliberate and intentional process.

The third theory, which falls within the demand-side approach, explains military investments as the product of bureaucratic or organizational factors, such as conflicts between the services (e.g., army vs. navy) and within services (e.g., fighter vs. bomber pilots). There is considerable variety in the kinds of bureaucratic and organizational theories that scholars of

military investments can employ, especially because the stakeholders affected differ across case studies, so this chapter will therefore not use an overarching theory of all bureaucratic relations and politics in China's military; instead, it will look at which stakeholders are affected in each case (if any) as well as the prevailing bureaucratic explanations for puzzling behavior within each case, and then test a contextually-derived bureaucratic theory. Although the specific bureaucratic theory tested will vary from case study to case study, these theories generally share a common denominator that allows us to study them systematically. The underlying logic of a bureaucratic approach to explaining military investments is the assumption that military behavior conforms to the interests of a part of the military – such as autonomy, wealth, and size – rather than to overarching national interests.[7] If such arguments are true, then we would expect *acquisition* of weapons or platforms to be determined by whether a given part of the military wishes for them or alternatively resists them given its own parochial interests. We might expect *doctrine* to reflect the interests of powerful military groups as well. For example, in a theory that suggests fighter pilots and not strategic bombers drive military decision-making, we might expect doctrine to give a more prominent role to fighter pilots, and that *posture* and *training* would likewise accord with this intra-service perspective on how the military should be used.

A final broad set of theories, one that is also demand-based, focuses on external factors and state security concerns and the role they play in influencing a state's military decisions. As Kimberly Ann Zisk notes in her review of changes in Soviet military doctrine, "officers are often concerned not only about their own institutional interests in domestic politics, but also about the protection of state security interests from foreign threats."[8] Applied to China, this approach leads us to locate explanations for variation in China's military modernization in China's

[7] See Chapter 2 of Posen, *The Sources of Military Doctrine: France, Britain, and Germany Between the World Wars*.

[8] Kimberly Marten Zisk, *Engaging the Enemy* (Princeton: Princeton University Press, 1993), 3.

perception of the security environment and the military threats arising from other states. Working under this approach yields fourth and fifth theories of China's military investments.

The fourth theory is that China's military investments are geared towards a number of local operations focused on Taiwan, the South and East China Seas, and even conflict with Russia, India, and the Korean peninsula. In this view, the United States is not a primary determinant of China's military investments, but one among many, with the periphery being the primary focus.

The fifth theory is that China's military investments are best explained as motivated by anxieties over U.S. military power within the region and are intended to complicate and frustrate the use of that power within Asia.

The fourth and fifth theories outlined above – that China is driven by local operational concerns or alternatively by a strategy to blunt U.S. military power – have been pitted against each other in recent scholarly debates. One of the most important and compelling contributions to this debate is Taylor Fravel and Christopher Twomey's discussion of the term "counter-intervention," a term applied by Western observers to a purported Chinese strategy to blunt American power projection, but one they note almost never appears in Chinese military writings. This, they argue, suggests that American scholars are "projecting strategy" onto Chinese military behavior that the authors believe is better explained by a more limited Chinese focus on diverse operational realities involving local conflicts or emerging priorities like SLOC protection. Fravel and Twomey further argue that a number of Chinese military capabilities, especially aircraft carriers and the broader pursuit of a blue-water navy, do not correspond with a strategy of counter-intervention. Instead, "China's military modernization pursues several different goals," only "some of which might require dealing with potential U.S. military intervention," and in most cases "the primary military objective is not countering potential U.S.

intervention" but instead to achieve these "distinct operational goals."[9] Most American authors fail to recognize this reality and their writing consequently "overstates the role of the United States in Chinese military planning."[10] Fravel and Twomey thus summarize their argument as follows: "China views dealing with the United States not as the primary goal of its military strategy, but as one component of a subset of possible scenarios it envisions."[11]

Andrew Erickson and Tim Heath respond to this argument and defend the line that China is consciously acquiring capabilities that would undermine American power projection in order to eventually reduce U.S. influence in Asian affairs – a view this chapter defends. They accept Fravel and Twomey's argument that the term "counter-intervention" has often been improperly applied, but note that the fact China rarely describes its doctrine in such terms is not dispositive because "publicly available doctrine rarely offers comprehensive insights into a nation's strategic thinking and operational development."[12] Offering an illustrative example to make the point, they note that "one would look in vain…for the word 'China' in public U.S. official documents about Air-Sea Battle, its successor [concepts]…or even the joint U.S. Maritime Strategy in effect from 2007–2015."[13] Despite scant references in these publications to China, and despite occasional discussion of other military challenges such as Iran, Chinese observers would be correct to believe that these broad policies are motivated in large part by China. Erickson and Heath further acknowledge that while it is true that China's capabilities are motivated by a variety of operational considerations, it remains the case that "the possibility of a

[9] Fravel and Twomey, "Projecting Strategy: The Myth of Chinese Counter-Intervention," 175.

[10] Fravel and Twomey, 172.

[11] Christopher P. Twomey and Taylor Fravel, "Chinese Sources and Chinese Strategy," *Real Clear Defense* (blog), February 23, 2015, http://www.realcleardefense.com/articles/2015/02/23/chinese_sources_and_chinese_strategy_107649.html.

[12] Heath and Erickson, "Is China Pursuing Counter-Intervention?," 148.

[13] Heath and Erickson, 148.

U.S. intervention on behalf of any of China's potential antagonists continues to pose the greatest threat to the successful execution of some of the PLA's foremost warfighting missions."[14] Moreover, as virtually all parties to the debate agree, a suite of Chinese capabilities ranging from submarines to mines and anti-ship cruise and ballistic missiles together threatens American power projection, and senior Chinese leaders have written about concerns over American intervention. It may not be such a leap to suggest that China is deliberately pursuing a military program designed in large part – though not exclusively – to deny American access to waters and territory near China.

If the fourth theory is correct – that China is focused on conflicts with neighbors and not on the United States – it would have several observable implications. With respect to *acquisition*, we would expect China to acquire those capabilities that it believes are essential to conflicts with neighbors, especially for sea control and for amphibious operations in Taiwan or on offshore islands. We would expect *doctrine* to be directed towards neighboring contingencies and see comparatively less focus on the United States, especially on the kinds of unique capabilities the U.S. brings and ways of coping with them. China would also *posture* its assets so that they are effective against neighbors and would *train* primarily for such conflicts, with less focus on the United States.

If the fifth theory is correct – that China is focused primarily on anti-access capabilities intended to undermine U.S. power projection – then we would expect observables different from those in the previous theory. Perhaps most importantly, we would expect to see China *acquire* those capabilities that are most useful against the United States, even at the expense of those capabilities useful against neighbors. With respect to *doctrine,* we should see significant content on how to cope with uniquely American capabilities and contingencies. We would also expect to

[14] Heath and Erickson, 149.

see weapons *postured* so they are maximally effective against the United States and to see *training* exercises intended to address American capabilities.

This chapter demonstrates that even though the arguments between proponents of the fourth and fifth theory seem irreconcilable, in most ways they are both correct. The question is not which theory is right, but rather *when* each theory is right. This dissertation argues that after the trifecta of Tiananmen Square, the Gulf War, and the Soviet Collapse, the fifth theory advocated by Erickson and Heath – that China pursued a denial strategy – is correct despite some of the reservations put forward by Fravel and Twomey. This fifth theory corresponds with what I have outlined as *blunting* since it argues China's military investments prioritized undermining American power projection. After the Global Financial Crisis, China felt more comfortable pursuing capabilities for regional contingencies and SLOC protection, investing more in amphibious capabilities and power projection. These investments are consistent with *building* because they allow China the ability to control the land, air, and sea rather than simply deny it – providing new capabilities that did not previously exist and offering several options beneath the level of escalation provided by the use of a denial platform. These include humanitarian assistance and disaster relief, naval blockades, naval intimidation, sea control, SLOC protection, and a variety of others. Importantly, even as China has increasingly emphasized naval investments that permit building, it has not abandoned denial and indeed continues to regard the United States as its chief military threat, as Erickson and Twomey argue.

Finally, there are a variety of additional theories that could also explain Chinese military investments. These theories are addressed but are not considered subsequently in the chapter because they are less plausible or indirectly subsumed by the five candidate explanations above. One set of theories is that China's military investments are simply the result of an overflowing military budget benefiting from economic growth, with leaders spending before thinking strategically. Such explanations are implausible because there is considerable discussion of resource scarcities in Chinese writings, as we will see, and even comfortable budgets do not end

resource scarcity – tradeoffs nevertheless exist, and with them strategic choices. A second set of theories is that Chinese investments are not focused on the United States but on regional hegemony. Such an account is plausible but best subsumed under the fourth explanation – that China is preparing for local contingencies involving its neighbors – because hegemony would require China to prevail in such conflicts. Finally, some may argue that China's military investments are driven primarily by status concerns rather than strategic factors. While it is possible that status plays a role in some acquisitions, that does not mean it plays a primary one. Moreover, many high-status investments like aircraft carriers were delayed for decades, and then when they were pursued, the goal was apparently to field enough to make them operational (i.e., four carriers rather than one); meanwhile, lower-status assets, such as diesel submarines, mines, and conventional missiles have long been a major focus of Chinese military acquisition efforts.

We now turn to focus on assessing China's military strategy as defined in authoritative primary source texts.

CHINESE MILITARY TEXTS

This section uses Chinese memoirs, essays, and doctrinal sources to argue that, since the late 1980s, China has identified conflict with the United States as its most significant military challenge. For nearly two decades, China pursued a *blunting* strategy to address its fears of the United States by focusing on acquiring asymmetric capabilities to blunt American power projection. China's leaders pursued this strategy as they made their military investments, and these textual sources cast doubt on rival political science explanations for state military investments. Indeed, textual sources make clear China did not generally emulate the capabilities of leading states (contrary to diffusion and adoption capacity theories). These sources also demonstrate China's military strategy was formulated and approved at the highest levels and involved conscious suppression of military interest groups, thereby suggesting it was intended to

be resistant to the interests of particular groups in the military (contrary to bureaucratic theories). Finally, the sources suggest a downgrading of concerns over local conflicts with neighbors (contrary to theories that emphasize local concerns) before the 2008 Global Financial Crisis.

After 2008, even though the United States remained the primary military concern, China increasingly began to pursue a *building* strategy that would allow it to take the initiative in territorial disputes and eventually build the capacity for sea control.

It is important to note one caveat. This section demonstrates that in many cases, top Chinese officials talk about military struggle with explicit reference to Taiwan scenarios. These references do not undercut blunting and building explanations. In the former blunting phase, China hoped to thwart U.S. intervention in Taiwan as well as other crises through A2/AD; in the latter building phase, China hoped to acquire capabilities that would allow it to intervene more effectively in the region, including in Taiwan. And in both cases, Taiwan scenarios were discussed alongside other maritime scenarios ranging from the East China Sea and South China Sea to the Korean Peninsula and SLOC protection. Their appearance as explicit motivators for some military policy reinforces the account given in this chapter.

This section proceeds in seven parts. First, it focuses on establishing a shift in Chinese strategy following the Tiananmen Square, the Gulf War, and the Soviet collapse. Second, it explains the emergence of China's asymmetric blunting strategy focused on the United States. It focuses on so-called "assassin's mace" or "shashoujian" weapons, a contentious term that is demonstrated here to be a stand-in for asymmetric weapons investments. It then briefly considers alternative explanations. The third section considers a second shift in Chinese military strategy following the 2008 Global Financial Crisis. The fourth demonstrates the emergence and accentuation of a building strategy focused on power projection and amphibious operations, and also considers alternative explanations.

A Shift in Strategy

A shift in China's strategy occurred in the early 1990s, and its leaders began to focus closely on blunting U.S. capabilities. This was not always the case. In the 1980s, the Soviet Union constituted an existential threat to China that occupied the full attention of its defense planners. By the late 1980s, a gradual decrease in tension led Chinese leaders to turn their attention more concretely to local wars. In 1985, for instance, Deng Xiaoping officially changed China's strategic outlook and declared that there was no longer a threat of imminent ground or nuclear war with the Soviet Union. Following this change in strategic thinking, and as part of a more gradual focus on naval affairs and maritime territorial conflicts, the Chinese navy shifted its strategy in 1986 from "Coastal Defense" to "Offshore Defense."

This emerging trajectory in Chinese security policy was not to last, and a trio of events subsequently changed China's security outlook and focused it on the U.S. threat rather than on local (especially maritime) conflicts with neighbors. The Tiananmen Square Massacre caused a chill in Sino-American relations; the collapse of the Soviet Union eliminated China's largest threat and the reason for strong Sino-American ties; and the Gulf War demonstrated that China was increasingly vulnerable to American high-technology warfare. Together, these events – which occurred only a few short years from each other – triggered a more concerted effort to focus on PLA modernization, one that was apparently oriented more towards coping with the American challenge. This new orientation was then sustained by a number of other events in the 1990s: U.S. intervention in the Third Taiwan Strait Crisis; air strikes on Iraq and Serbia; and the accidental bombing of China's embassy in Belgrade. Had the events of 1989 and 1990 not occurred, and had the subsequent decade turned out differently, it is possible China would have pursued a naval and air structure focused on sea control, power projection, and amphibious operations – one consistent with the fourth theory outlined in the preceding section and more in line with its naval strategy in 1986. It instead pursued one largely focused on denial – which is consistent with the fifth theory discussed in the preceding section.

Strong evidence of this account can be found in authoritative writings by Chinese leaders who sat on the country's Central Military Commission (CMC), its highest military policy body. In this regard, the biographies, memoirs, and essays of vice chairmen of that body (the highest military position available) all confirm that a major change in Chinese strategy occurred in the late 1980s and early 1990s following the collapse of the Soviet Union, the demonstration of U.S. high-technology warfare, and the Tiananmen Square massacre – and that these incidents culminated in the adoption of new Military Strategic Guidelines in 1993 meant to institutionalize and promulgate a new strategy. What these official accounts uniquely add is a consideration of *why* and *how* military strategy changed.

In this vein, one of the most authoritative is a long essay published in 1993 by Liu Huaqing in the *Liberation Army Daily* [解放军报] that elucidates China's new Military Strategic Guidelines and makes a thorough case for PLA modernization. The source is authoritative because it was published in an official military outlet, and because Liu was then China's top military official – not only Vice Chairman of the Central Military Commission, but also the last military member to serve on the ruling Politburo Standing Committee. In the essay, Liu explicitly linked China's new military strategy and the urgency of military modernization to Chinese perceptions of the structural changes of the late 1980s and early 1990s. He explicitly enumerates two broad reasons for a shift in strategy, which respectively lie in the collapse of bipolarity and the onset of the Gulf War, and which strongly suggest a focus on the United States.

Liu begins with a discussion of structural change: "First, modernizing our Army is an urgent need so that we can adapt it to the complicated international environment. The world today is in a historical period of great change. The bipolar structure has come to an end and the world is moving toward multipolarization [but]…. Hegemonism and power politics have yet to

step down from the stage of history."[15] The term "hegemonism" here is a reference to the United States since the Soviet Union was rendered incapable of hegemonism by its disintegration, and especially since other authors often explicitly link the term with the United States. Importantly, as Liu noted, "We are a socialist country and we have always opposed hegemony and power politics," which suggests strategic tension with the United States. Liu dismisses the possibility that China could enjoy a peace dividend with the Soviet collapse, not only because hegemonism (i.e., the United States) remained a force, but also because various "conflicts and disputes which were covered up during the Cold War have [now] sharpened," a likely reference to Sino-American disputes over issues like Taiwan that had been somewhat mitigated by the Cold War focus on the Soviet Union. Later, Liu continues to argue that China faces a threat: "we cannot say that it is now peacetime so we can let our horses graze in the south mountains, put our swords and guns in the warehouses, and grasp modernization of the Army after the economy is developed," proposing an end to the Party's policy of "patience" which deprioritized military spending. Instead, as Liu suggests, the collapse of the Soviet Union and the end of the Cold War had not ushered in a new era of peace, but brought complexities that included the threat of U.S. power and interference – all of which required continued modernization and a change in military strategy.

Liu's second explicitly enumerated justification for military change is the Gulf War. As he writes, "Second, modernizing the Army is the objective demand of modern warfare" in light of what the Gulf War has revealed.[16] As Liu argues, "Limited wars in the last few years, the Gulf war in particular, have shown many distinctive features….We should point out that the Gulf War was a special one." For that reason, he argues, "we [the central leadership] have attached

[15] Liu Huaqing [刘华清], "Unswervingly Advance Along the Road of Building a Modern Army with Chinese Characteristics [坚定不移地沿着建设有中国特色现代化军队的道路前进]."

[16] Liu Huaqing [刘华清].

importance to research in the Gulf War because it has shown a number of distinctive features of the war using high technologies." The Gulf War, as we will discuss subsequently in this section, was a vision into a frightening future where U.S. high-technology weapons could be wielded against China's outdated forces, and therefore a catalyst for changing strategy.

Liu's discussion of how the end of bipolarity and the onset of the Gulf War caused major changes in Chinese strategy is also echoed in other authoritative recollections from the period, which better trace the decision-making process behind the new guidelines. Former CMC Vice Chairman Zhang Zhen also notes in his memoirs that in the early 1990s, "military construction faced many new situations and problems. Internationally, following the end of the Cold War structure, the international strategic situation was developing constantly, especially because of the development of high-tech [weaponry] and the application of military technology," and this called for a change in military guidelines.[17] In a December 1992 speech intended to finalize China's new military strategy, as well as to analyze the international strategic situation, Zhang Zhen referenced the United States as a threat.[18] In his concluding marks, Zhang argued that despite the end of the Cold War, "the world is not peaceful, new features of hegemony have emerged, the danger of war has not been eliminated, and local wars are occurring in the world one after another." Not only did Zhang's reference to hegemony suggest the possibility of a U.S. threat, he further noted that "there was a very close relationship between the appearance and development of this type of [high-tech local war] warfare and the changes in the international strategic situation" brought about by U.S. victory in the Cold War. All of this called for a new military strategy.

[17] Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, vol. 2 (Beijing: Liberation Army Press [解放军出版社], 2004), 359.

[18] Zhang Zhen [张震], 2:361.

Former CMC Vice Chairman Zhang Wannian was also involved in the adjustment of China's military strategy. His official PLA biography notes that there were major discussions in the CMC in the early 1990s "following the disintegration of the 'bipolar' world structure, the end of the Cold War, and the onset of major changes in international politics and military affairs," including the Gulf War.[19] Driving the point home, Zhang's biography reveals that, "it was against such a strategic background, and in response to threats to the national security environment and the new changes in warfare brought by high-tech weaponry, that the CPC Central Committee and the CMC decided to establish new strategic guidelines."[20] Zhang's biography also notes, "after the Gulf War, high technology local war ascended onto the stage, [and] every major country had to adjust its military strategy," including China.[21] At the same time, the text refers to the U.S. threat, noting "it was clear that hegemonism and power politics were still the main factors contributing to global unrest" and could even affect Chinese objectives like reunification with Taiwan.[22]

In sum, Liu Huaqing, Zhang Zhen, and Zhang Wannian's works together make clear that China's military strategy changed in response to the collapse of bipolarity and the outbreak of the Gulf War. Nevertheless, this still leaves Tiananmen Square unaccounted for. Although most figures cannot and do not refer explicitly to Tiananmen Square as a reason for changing China's strategy, many senior military accounts refer obliquely to the incident by discussing political events that affected U.S.-China relations in that period and by noting that they were causes for concern and reasons for military modernization. Chi Haotian – another former Vice Chairman of the CMC – makes highly unusual and unmistakable reference to the incident as a watershed

[19] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:59.

[20] Zhang Wannian Writing Group[张万年写作组], 2:60.

[21] Zhang Wannian Writing Group[张万年写作组], 2:59.

[22] Zhang Wannian Writing Group[张万年写作组], 2:59.

in Sino-American relations: "After the *political storm of 1989*, the U.S. government announced sanctions on China, and the Sino-US relationship went through twists and turns."[23] In a 1991 speech, Chi Haotian actually links this situation to China's military modernization, suggesting that China would need to "seize the development of weapons and equipment." Indeed, he notes that "given the stormy and unstable international political situation, under a situation where international *exchange and blockade as well as cooperation and containment coexist*….we need to conscientiously implement the military strategy of this new period."[24] The references to 1989 and separately to a political situation consisting of both exchange and cooperation on the one hand and blockade and containment on the other are almost certainly references to the United States. Indeed, Tiananmen Square raised concerns among many in the Chinese Communist Party that the United States would try to pursue a form of "peaceful evolution" intended to bring down the party in the same manner that Soviet communism had spectacularly collapsed. In the wake of these concerns about U.S. ideological penetration, Chi Haotian himself advocated in 1991 that the PLA implement plans for "anti-peaceful evolution" in order to ensure the PLA officer corps remained loyal to the Party.[25]

An important memo by He Xin echoed these views. He Xin was a foreign policy advisor to then Premier Li Peng and later Jiang Zemin, as well as Vice President Wang Zhen, and he was for a time head of the central government's National Strategic Research Institute reporting directly to the Foreign Affairs Leading Small Group.[26] In a memo during the Gulf War, He

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[23] Chi Haotian Writing Group [迟浩田写作组], *Biography of Chi Haotian [迟浩田传]* (Beijing: Liberation Army Press [解放军出版社], 2009), 394. Emphasis added.

[24] Chi Haotian Writing Group [迟浩田写作组], 352–254. Emphasis added.

[25] Chi Haotian [迟浩田], *Chi Haotian Military Writings [迟浩田军事文选]* (Beijing: Liberation Army Press [解放军出版社], 2009), 270.

[26] For He's relationship with Li Peng and Jiang, see Willy Wo-Lap Lam, "Conservative to Lead Head Strategy Think Tank," *South China Morning Post*, February 27, 1991; Willy Wo-Lap Lam, "Jiang Protege Installed in Think Tank," *South China Morning Post*, May 19, 1995.

suggested China would become the next target of U.S. military intervention.[27] He went on to note that, for the next ten years, "isolating China, blockading China, disintegrating it through (instigating) internal disorders, and eventually rendering China innocuous through democratizing it has been and will be a strategic goal that the US will steadfastly continue to implement."[28] Although the risk of U.S. military intervention appears farfetched in retrospect and He Xin's star later dimmed after the mid-1990s, these were extraordinary times for Chinese leaders, and the memo was evidently deemed important enough to circulate to the Politburo as well as "senior cadres in government, diplomatic, academic and media circles."[29]

A Blunting Strategy

It should be clear that the end of the Cold War, the arrival of a new form of warfare following the Gulf War, and renewed concerns about U.S. intentions stemming in part from the U.S. response to the Tiananmen Square Massacre and its related sanctions prompted a change in Chinese strategy. What is also suggested from these sources is that the change was to focus explicitly on developing asymmetric weapons to blunt American power. The strongest textual evidence for this proposition comes from Chinese study of and decision-making surrounding the Gulf War and the 1993 Military Strategic Guidelines, which 1) marked a departure from the way China's leaders understood modern military conflict and 2) clarified which kinds of military technologies and capabilities would threaten China's military, which was itself not so dissimilar from the routed Iraqi forces. Together, these realizations made it not only possible but necessary

[27] A significantly edited version of the memo appears in He Xin [何新], *Selected Works of Hexin on Political Economy [何新政治经济论文集]*, 403–6. See also, Harlan W. Jencks, "Chinese Evaluations of 'Desert Storm': Implications for PRC Security," *The Journal of East Asian Affairs* 6, no. 2 (1992): 455–56.

[28] A full version of the memo appears in A full version appears in, "中华复兴与世界未来." Major excerpts are included in the Willy Wo-Lap Lam, "American Ties Are in the Firing Line," *South China Morning Post*, February 27, 1991.

[29] Jencks, "Chinese Evaluations of 'Desert Storm': Implications for PRC Security," 455–56. Lam, "American Ties Are in the Firing Line."

to conceive of an asymmetric strategy. This section demonstrates that Chinese military leaders discussed this asymmetric strategy in high-level meetings following the Gulf War, that it was part of deliberations during the finalization of the 1993 Military Strategic Guidelines, and that it eventually made it into policy as a component of China's Military Strategic Guidelines.

At the outset of the Gulf War, Chinese analysts and leaders remained convinced that the United States would suffer high casualties and may even fail to secure its objectives. They noted that U.S. "aggression" against Iraq would be less effective than against Grenada, Libya, and Panama; that Iraq, with equipment similar and in some cases superior to China's, would wage a successful form of People's War Under Modern Conditions; and that the United States would be pulled into a long ground war that would result in its political defeat.[30] All of this was revealed to be extraordinarily overstated, and when the U.S. prevailed spectacularly in the conflict, a stunned Chinese leadership saw a frightening similarity between Iraq's defeat and China's possible fate in a conflict with the United States. Some Chinese figures wrote publicly that the Gulf War was an example of U.S. "global hegemonism" and that "the U.S. intended to dominate the world," including China.[31]

After the end of the Gulf War in March 1991, the Central Military Commission launched a major initiative to study the conflict. Interest in the issue came from the highest levels. Chi Haotian's biography notes that Jiang Zemin, who had assumed leadership of the Central Military Commission in 1989, "paid great attention to the Gulf War, and instructed the General Staff Department to study the characteristics and laws of warfare, explore new operational patterns, and put forward corresponding countermeasures," suggesting not only an interest in the conflict but concern over how to cope with new high-technology warfare at the operational

[30] Jencks, "Chinese Evaluations of 'Desert Storm': Implications for PRC Security," 454.

[31] Jencks, 454.

level.[32] Indeed, Zhang Zhen, who worked closely with Jiang during this period, wrote in his memoirs that "After the outbreak of the Gulf War, [Jiang] was very concerned with the course of the war, in particular the development of modern warfare as manifested by it, and personally participated in a number of military seminars." According to Zhang Zhen, Jiang even routinely offered "guidance on studying operational issues under high-tech conditions" and that "all of this helped with making ideological and theoretical preparation for the formulation of military strategic guidelines in the new period."[33] Zhang's memoir likely puts a sheen on Jiang's participation, but the very fact of such extensive participation by China's soon-to-be paramount leader, especially at the operational level, is by itself remarkable. It also helps account for the consistency of military strategy under Jiang's leadership of the Party and establishes a direct link between the Gulf War and China's new military strategic guidelines.

Other sources supplement Zhang's account of these high-level Gulf War study sessions and even offer insight into their ultimate conclusions. The PLA published an important speech by Chi Haotian from a March GSD Gulf War study session that suggests some of the conclusions drawn from these meetings. With respect to the international political situation, Chi noted that "although the war was not very long, it occurred in the midst of a gradual process where a new international order was already superseding the old order" and further exposed "the world power balance" in favor of the United States, in part because, "during the war, with the exception of nuclear weapons, the United States used almost all of its high-tech weapons."[34] Chi notes that "the war ended with the defeat of Saddam, and although this was not surprising, the Iraqi forces were not only completely passive in the face of air strikes, on the ground they also lost so quickly and so disastrously -- and this I am afraid was not only unexpected, but had

[32] Chi Haotian Writing Group [迟浩田写作组], *Biography of Chi Haotian [迟浩田传]*, 326.

[33] Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, 2:361.

[34] Chi Haotian [迟浩田], *Chi Haotian Military Writings [迟浩田军事文选]*, 282.

diverse and complex effects on the international situation." He continued, "Therefore in a multi-faceted and multi-layered manner, we must conscientiously study the lessons and experiences of the Gulf War from the initial crisis to its conclusion, and take from it useful inspiration in order to strengthen China's defense and military construction -- this is a now a major task." Chi then argued that the stakes were high, and strongly suggested that China itself faced a threat. Citing the defeat of countries like Argentina and Iraq to Western forces with higher-technology weapons, Chi Haotian related these conflicts directly to what he considered China's own dire situation: "the outcome of these conflicts demonstrates that…the weaker countries were subject to control by others, took a beating, suffered humiliation, and even suffered subjugation or destruction. This is a lesson history has proved countless times, *but bitter reality has once again placed this lesson right in front of us. Connecting this with our own situation, we cannot do without a sense of urgency*."[35] Chi Haotian also explicitly enumerated three recommendations for China's military: (1) to study how to modernize the army under high-tech conditions, (2) to pay attention to strategic guidance for conflict under high-tech conditions, (3) to find a way to defeat a stronger opponent under high-tech conditions. This third recommendation is particularly notable for its reference to asymmetric strategies. Here, Chi Haotian begins by noting that "with respect to combat guidance, China must study in-depth how to wage 'you have your advantage, I have my solution'" kinds of warfare – a Maoist reference to finding ways to cope with an advanced country's superior capabilities. This is something Iraq failed to do, Chi notes, and "this makes us once again deeply feel that countries that have inferior weapons, if they want to effectively defeat stronger countries, then for them generally the construction of national defense is extremely important." A focus on a superior high-technology opponent requires a different strategy than one focused on weaker or peer components, because, as Chi noted, "If Iraq had not faced the United States, Britain, France and

[35] Chi Haotian [迟浩田], 283. Emphasis added.

other such opponents, there may well have been a different outcome."[36] Instead, Chi notes, "The real effective way [to deal with a superior opponent] is still what Chairman Mao said, you fight your way, I fight my way. In other words, you have your advanced technology, I have my own set of inferior equipment to deal with your approach."[37] This asymmetric approach draws from and is inspired by People's War, but as Chi notes, it should be adapted and modernized.

> In tactics, including the specific use of the People's War, with respect to using inferior equipment to defeat the enemy's tactics, *we should make great efforts to study and probe*. From our national conditions and military situation, we must create a method with our own characteristics that hides our weaknesses and shows our strengths, limits giving exposure to our weaknesses, slashes at the opponent's weakness, *this is what our usual military guidance needs to conscientiously focus on and study to solve the strategic problem before us*. Our next step in research is also to focus on this aspect and do some probing.[38]

In other words, Chi Haotian had called for a way to exploit the enemy's weaknesses and hide China's own. The ultimate political goal for China, as determined by these study sessions, was to continue "striving to develop our high-tech equipment, so in our hands it will ensure that the opponent won't do rash things, and that we won't suffer coercion" from a high-tech adversary, like the United States.[39]

Chi Haotian's biography reveals that, some months after the first meeting of the Gulf War Study group, the General Staff Department released the *Gulf War Study Report* summarizing their findings. According to Chi Haotian, "the report drew lessons from the Gulf War, concentrated on researching major issues such as military strategy, and *conducted extensive and in-depth research on how to use existing equipment in order to deal with the enemy with high-tech advantages*."[40] In short, a significant focus of this report – which itself

[36] Chi Haotian [迟浩田], 286.

[37] Chi Haotian [迟浩田], 287.

[38] Chi Haotian [迟浩田], 287. Emphasis added.

[39] Chi Haotian [迟浩田], 288.

[40] Chi Haotian Writing Group [迟浩田写作组], *Biography of Chi Haotian [迟浩田传]*, 326.

involved high-level participation from Jiang Zemin – was on asymmetric strategies against an "enemy with high-tech advantages," of which the United States was the only plausible candidate.

High-level meetings discussing these events and broader strategic questions continued well into the next year. For example, in January 1992, the GSD held a symposium and ultimately published a report entitled "The Report on Research and Analysis of China's Security Situation" that discussed changing China's military strategy and made recommendations to the CMC.[41] Later that year, in December 1992, Zhang Zhen convened a "military strategy symposium" with Central Military Commission members to finalize the new military strategic guidelines.[42] This meeting, which went on for two days, actively involved Jiang Zemin – who had just recently been installed chairman of the Chinese Communist Party. The forum's purpose was to "lay down the basic foundations and content of China's military strategic guidelines," and to that end, it involved analyzing "the global strategic situation and China's regional security environment"[43] Although we lack access to records of what was discussed at this two-day meeting, Zhang Zhen was tasked with summarizing the results of the conference in a concluding speech and his memoirs offer some insight into some of the conference's major findings. Zhang noted that, in preparation for this meeting, he had thought about China's strategy in the new period. Specifically, he had "traced the history of modern China suffering the invasions of foreign enemies" and then "analyzed changes in the world's strategic structure and its possible trends," concluding that "the world is not peaceful, new features of hegemony have emerged" and that "local wars" are repeatedly occurring because of this new political situation. This section of Zhang's remarks links China's history of foreign invasions to hegemonism, suggesting that dealing with the United States is a part of a longer Chinese tradition of resisting foreign

[41] Chi Haotian Writing Group [迟浩田写作组], 327.

[42] Chi Haotian Writing Group [迟浩田写作组], 327; Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, 2:361.

[43] Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, 2:362.

intervention.[44] Zhang then asks rhetorically, "when we prepare for military struggle, where should we concentrate our work?" His answer is that preparations should "be grounded in the ability to fight high technology wars" because "high-tech is more and more used in the military field." He argues further, "we cannot change this trend through willpower. The Gulf War is a classic example. Despite its particularity, the basic trend of military development has been clearly manifested in it."[45] He then explores the capabilities China needs to acquire in remarks that appear to anticipate China's ultimate anti-access/area-denial strategy. He noted that that the Gulf War has shown that "the precision of long-range attack capabilities has obviously been enhanced" and that "long-range precision strike is expected to destroy objectives along the full depth [of the battle space]." In a remarkably prescient portion of the speech for 1992, one that presages subsequent revisions in China's military strategic guidelines a decade later, he notes that long-range strike requires information, and that "information warfare runs through the whole process of fighting," which in turn makes "the fight for the right to an information system is a key issue in combat." At the operational level, he hints at an asymmetric strategy by arguing that "the strategy and tactics of the People's War need to be innovated" and that in the revised strategy China must "focus on the weaknesses and key points in the enemy's whole system."[46] After a few final meetings of the CMC and reports produced by the GSD, the new guidelines were approved in January 1993, with their core focus being on preparing for "local warfare under high-technology conditions."[47]

The public rollout of these new guidelines, especially Liu's authoritative explication of the Military Strategic Guidelines in 1993, demonstrates that the asymmetric focus on a high-

[44] Zhang Zhen [张震], 2:362.

[45] Zhang Zhen [张震], 2:362–63.

[46] Zhang Zhen [张震], 2:364.

[47] Zhang Zhen [张震], 2:364–65.

technology opponent like the United States that was present in top-level discussions eventually made it into official policy. In Liu's piece, he explains that the central leadership has drawn many lessons from the changing strategic situation and from the Gulf War in particular that seem to refer to the United States. With respect to the Gulf War, Liu explicitly states the central leadership's conclusions on the vulnerability of high-tech systems employed by the United States in the Gulf War: "our viewpoints are…[that] any hi-tech weapon system has its own weaknesses and we can always find ways to overcome it" and that "our Army, poorly equipped as they were [in past conflicts], used to triumph over better equipped enemies. This fine tradition will still play a role in future hi-tech wars."[48] Liu is explicit that a clear lesson of the Gulf War was not merely that it showcased a change in the nature of warfare that would require modernization, but that it also demonstrated ways that a weaker power like China could defeat those who wielded these hi-tech weapon systems. At the time of writing, the only state capable of waging the kind of warfare China feared was the United States, and there is little question it is the logical target of Liu's remarks. In another reference to an opponent, Liu writes that, "The modernization of armies in the countries which pursue hegemony is mainly based on the development of long-range offensive weapons and aimed at carrying out global combat operations." This is almost certainly another reference to the United States, in part because it was the only country remaining that could be accused of hegemonic pursuits following the Soviet collapse, and because it was the only country that had recently used long-range offensive weapons to carry out global combat operations. Liu is also explicit that China would need to study how to beat such military opponents using those means: "in particular," Liu writes, "efforts must be made to study the *new* tactics of using inferior equipment to beat an enemy

[48] Liu Huaqing [刘华清], "Unswervingly Advance Along the Road of Building a Modern Army with Chinese Characteristics [坚定不移地沿着建设有中国特色现代化军队的道路前进]."

with superior equipment…"[49] It is notable here that Liu focuses on the "new tactics" of this old asymmetric Maoist precept.

This kind of language appears repeatedly in a strikingly large variety of other authoritative contexts. For example, Zhang Zhen, in a 1994 meeting with senior officials only one year after Liu's essay was published, enumerates a three-step plan for dealing with high-tech weapons. First, he claims to have "clearly stated" to his audience that "in the event of high-tech local wars, we still have to be based on the principle of using inferior equipment to defeat the enemy's superior equipment."[50] He further argued, "In waging war under high-tech conditions, we must first master high-tech equipment itself, and split it into two components to study it: it is necessary to understand its strengths and also to understand its weaknesses." Second, with respect to tactics, instead of emulating the enemy, it was perfectly acceptable to adhere to the "you fight your way, I fight my way" line of Mao's military thought – as long as it was modernized by combining "Mao Zedong's military ideology and Deng Xiaoping's thinking on army building." Zhang then noted that "the third step, also a key step, is to come up with our own countermeasures, everyone has their strong points and their weak points [寸有所长，尺有所短], high-tech weapons have limitations, and we can always find ways to deal with them."[51] Together, the focus on using inferior equipment to defeat superior equipment; to use unique tactics to do so; and to focus on the limitations of high-tech weapons presages China's ultimate anti-access strategy.

The routine references to using inferior equipment against a superior enemy, or on allowing the enemy to fight one way while China fights another, harken back to Maoist People's War and to rhetoric that was employed when China faced the Soviet and American threats. For

[49] Liu Huaqing [刘华清]. Emphasis added.

[50] Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, 2:390.

[51] Zhang Zhen [张震], 2:391–93.*

this reason, some skeptics downplay the significance of some of the preceding evidence – especially routine references to using inferior equipment against a superior enemy; to developing countermeasures; or to allowing the enemy to fight one way while China fights another. Their argument might be made as follows: Some of these precepts date back to Maoist People's War and to struggles at various times against the Soviet Union and the United States; for this reason, they are less indicative of an asymmetric strategy against the United States and are instead merely evidence of rhetorical continuity with earlier strategic concepts.

This kind of skepticism is misplaced for a number of reasons. First, putting aside the longevity of some of these phrases, there is no question that they are fundamentally asymmetric in nature with their emphasis on using cheap and outdated weaponry to defeat a superior adversary. So the question of whether they outline an asymmetric strategy is simply answered: they do. Second, and more fundamentally, it is not true that these precepts have been used unceasingly since the 1950s; indeed, they were in far more limited circulation between 1985 and 1989 when China was growing confident that the risk of great power war with the Soviet Union had fallen and that China would instead face regional challenges from neighbors.[52] The fact that these phrases return in virtually every available speech, discussion, account, or description of Gulf War study sessions or the 1993 Military Strategic Guidelines strongly suggests they are related to questions posed by American power in the wake of Tiananmen Square, the Gulf War, and the Soviet collapse. Third, there can be no plausible logical interpretation of these phrases other than that they are focused on the United States. Lingering references to a superior enemy years after the main "powerful enemy" in Chinese texts – the Soviet Union – had dissolved strongly suggests a focus on the United States, especially when taken together with the other veiled references to the United States that pepper Chinese texts. These include references to a superior opponent pursuing "hegemonism," one with "long-range strike capabilities," one that is

[52] *Text analysis of Jiefang Junbao would show more rigorously what the qualitative evidence suggests.

"Western," and one that is intervening in countless "high-tech wars." Moreover, references to hegemonism are invariably linked to U.S. military interventions, with Chinese reassessments of the international strategic situation occurring following U.S. intervention in Iraq in 1990 and 1999, as well as in Serbia and Kosovo. Fourth, the notion that these phrases are simply empty repetition of old slogans does not comport with the context in which they are discussed, which often involves revisions to Maoist doctrine to bring it in line with high-technology warfare. Moreover, some of the references emphasize studying "new" asymmetric means within the broader context of a larger discussion of revolutionary changes in warfare. This emphasis strongly suggests China's strategy is different from what otherwise may have been simply a boilerplate recitation of old precepts.

An important piece of evidence for the argument that China began pursuing an asymmetric strategy is its implementation in the form of developing "shashoujian" weapons. Most military accounts discussing China's military modernization put forward "shashoujian" as a solution to the problems posed by a high-technology opponent. "Shashoujian," often translated in Western literature as "assassin's mace," is a somewhat controversial term in Western scholarship. As Iain Johnston notes, contemporary U.S. punditry often Orientalizes the term and "implies that shashoujian weaponry is something mysterious and exotic," with scholars like Michael Pillsbury arguing that it refers directly to a secret weapons programs.[53] Such interpretations are probably mistaken. As Johnston notes, the term appears in romance and sports columns in addition to military writings, and in the latter, it is often included in quotation marks – which implies it is to be taken metaphorically. Johnston argues that the term is "somewhat analogous to 'silver bullet' in English idiom," and just as the term "silver bullet" came from Western folklore, so to the term "shashoujian originally came from ancient Chinese folk stories, where the hero wielded this magic object to defeat a seemingly overwhelmingly

[53] Alastair Iain Johnston, "Toward Contextualizing the Concept of Shashoujian (Assassin's Mace)" (Unpublished Manuscript, August 2002).

powerful and evil adversary." The fact that the original "assassin's mace" was an asymmetric weapon in Chinese folklore suggests – but does not prove – that it retains that meaning today. To demonstrate its asymmetric connotation, an analysis of its use in high-level military discussions is necessary, and it demonstrates that regardless of whether the term is translated as an "assassin's mace" or the more mundane "silver bullet," it should be neither Orientalized as some mysterious program nor dismissed as a mere rhetorical flourish that can apply to any weapons system; rather, at least within high-level discussions by military leaders in conjunction with the 1993 Military Strategic Guidelines, the term should be thought of as a loose synonym for asymmetric weapons and capabilities against high-technology opponents. For example, in a speech regarding the 10th Five Year Plan for military construction, President Jiang Zemin noted that China needed to "stand in the forefront of the world technological revolution, and to develop China's own sophisticated 'assassin's mace' weapons equipment aimed at developed countries…suited to 'winning' as quickly as possible."[54] Indeed, in many other similar official and leader-level writing, the term is almost always described as something that will help China turn the tide against a technologically superior opponent. Viewing the term as a loose stand-in for asymmetric capabilities comports with the folk origin of the term, its most common usage in military writings, and the views of scholars including Tai Ming Cheung, You Ji, Andrew Erickson, and Iain Johnston, among others. Erickson's translation of the concept as referring to asymmetric weapons designed to "match Chinese strengths with an enemy's weaknesses" seems appropriate and also captures the diversity of its contextual uses.[55] As we will see, shashoujian is not a generic term applied to any weapon – as some scholars suggest – but refers in high-level discourses to weapons with distinct properties that: "allow the inferior to defeat the superior," "are what the enemy fears most," "are trump cards and shrewd chess moves," "are capable of

[54] Trying to get a copy of the original source. For now, cited in Erickson Andrew S. Erickson, *Chinese Anti-Ship Ballistic Missile (ASBM) Development: Drivers, Trajectories, and Strategic Implications* (Washington, DC: Jamestown Foundation, 2013), 36.

[55] Erickson, 34.

deterring a powerful enemy," and are distinct investments from more comprehensive modernization.

Although Johnston and Pillsbury separately note that the term first appears in the late 1990s and early 2000s, memoirs by high-level officials demonstrate the term was used at senior levels much earlier. As China changed its military strategy in the early 1990s, "shashoujian" appeared within leader-level discussions about dealing with high-technology warfare. According to Zhang Zhen, Deng Xiaoping himself reportedly called for the development of "shashoujian" weapons in the early 1990s within the context of "overcoming the advantages of a superior enemy."[56] As early as 1992, in a speech before members of the CMC and Standing Committee to determine China's new Military Strategic Guidelines, Zhang Wannian surveyed changes in warfare and similarly argued for the development of "shashoujian" weapons in order to "cope with local wars and armed conflicts under high-tech conditions" and to function as "tools that can play a reliable role in overpowering enemy means."[57] Zhang Zhen notes that this became part of official policy. In a 1994 speech, he not only argues that China "should produce its own 'shashoujian'" but also noted that both "the party and the state are very concerned about the development of military high-tech weapons and equipment," especially "after the 14th party Congress."[58] Together, all of this suggests that the term became an official part of policy in the early 1990s – and particularly after the 14th Party Congress and the subsequent agreement on the 1993 Military Strategic Guidelines – and well before the late 1990s as many scholars have suggested.

Although it is clear shashoujian was used at high-levels, what did it mean and against whom was it directed? A 1995 meeting discussing the weapons development component of the

[56] Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, 2:394.

[57] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:63.

[58] Zhang Zhen [张震], *Memoirs of Zhang Zhen [张震回忆录]*, 2:394.

Ninth Five-Year Plan, Zhang Wannian – who led the effort – continued urging development of "shashoujian" weapons and even offered context that helped define what they were: "Military struggle must focus on the most realistic opponent, and in high technology warfare it is indeed necessary to have an effective 'trick or shrewd chess move' (招), to have a 'shashoujian,' with which to fulfill the requirements of deterring and defeating the enemy."[59] In this context, "the most realistic opponent" in "high technology warfare" is most plausibly interpreted as the United States. Additionally, it appears that shashoujian is a "shrewd move" that can turn the tide of conflict, comporting with an asymmetric view of the term. Later that year, at an enlarged CMC meeting including such figures as Jiang Zemin, Liu Huaqing, and Zhang Zhen, decisions were made about the ninth five-year plan that helped further clarify the term. Zhang Wannian summed up the findings that these military leaders had approved of, and among the handful of "major points" was the conclusion that China needed to "strengthen national defense scientific research and weaponry and equipment development to ensure that around the year 2000, there would be a few 'shashoujian' weapons with strong deterrent power; and to focus on strengthening preparations for the main direction of military struggle, and prepare the battlefield to ensure initial support."[60] The "main direction of military struggle" is a reference to high-technology warfare involving Taiwan and the United States, and the reference to "a few shashoujian" that would have deterrent power again suggests that the term is not a generic stand-in for high-technology weapons but something clearly capable of deterring a particular opponent. Zhang went on to add important strategic context that supports this interpretation:

> "Under a situation where there is a *wide disparity in the quality of weapons*, an advantageous number of forces cannot make up for disadvantages in the quality of weaponry…. this already poses a serious challenge to us. This is a historic competition, with mastery going to those who take the initiative, and those who retreat taking a

[59] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:81.

[60] Zhang Wannian Writing Group[张万年写作组], 2:82.

> passive beating. Our situation is limited, we cannot catch up on all fronts, but we also cannot fall behind." [61]

The reference to the use of shashoujian against opponents with superior weapons strongly suggests an asymmetric interpretation. Moreover, Zhang not only points out the conventional disadvantage China faces and the dilemma of modernizing on all fronts, he also talked about how to solve this problem:

> He [Zhang] pointed out that, we must follow the tracks of the world's advanced technology, but also focus on what is urgently needed for future combat situations, and he stressed solving the "see far, strike far, strike accurately" problem…especially to prioritize the development of effective "shashoujian".[62]

When viewed in totality, this speech before the CMC strongly suggests that shashoujian were thought of as a way of ameliorating China's conventional military disadvantages relative to the United States. It also suggests that they are seen as parts of precision-strike complexes intended to "see far, strike far, and strike accurately." Many of China's leading asymmetric capabilities against the United States, including long-range conventional ballistic and cruise missiles, fit within this description. Zhang's biography further notes that these kinds of asymmetric weapons were a priority for the leadership – as high up as Jiang Zemin himself – and were seen as vital for winning high-tech local wars: "Strengthening 'shashoujian' weapon construction is a necessary requirement for adapting to the international strategic situation, especially the world's military transformation, and an urgent need for the PLA to win wars under modern and especially high-technology conditions, and it is also under the direct supervision of Jiang Zemin."[63]

As Chinese concerns about American power grew following U.S. interventions in the Taiwan Strait crisis, the language on shashoujian grew more urgent and was at times explicitly

[61] Zhang Wannian Writing Group[张万年写作组], 2:165.

[62] Zhang Wannian Writing Group[张万年写作组], 2:165.

[63] Zhang Wannian Writing Group[张万年写作组], 2:164.

linked to the challenge of maintaining Chinese sovereignty. In a 1996 speech before the National Defense Science and Technology Commission, Zhang spoke about assassin's mace weapons and China's strategy for weapons development. In his speech he noted, that "Assassin's mace construction requires a lot of funds," and with those in short supply, "increasing the development of high tech weapons requires confronting [China's military] needs and *the most likely contradictions that are going to occur*." In other words, shashoujian would need to focus on likely combat scenarios. He continues to elaborate:

> *According to the strategic direction and combat opponents set in the new strategic guidelines…. What military struggle requires is that, what the opponent fears, that is what we must focus on developing*. We must focus on what we need to develop in accordance with the characteristics of warfare under high-tech conditions, and adjust the national defense scientific research and weaponry construction plan to optimize the quality structure of our military weapons and equipment…. We should concentrate our efforts on…selectively accelerating the development of new types of weapons and equipment that meet the requirements of future wars.[64]

This speech is interesting because it suggests that likely "combat opponents," almost certainly the United States, were directly specified in the 1993 Military Strategic Guidelines, and because its references to "likely contradictions that are going to occur" suggests the possibility of conflict.[65] In a world of limited funds, Zhang argues in essence China should prioritize shashoujian – those weapons that the enemy fears most – because they can help deal with likely conflicts involving the United States over the Taiwan Strait. Remarks by Jiang Zemin in 2000 echo this line and advocate developing shashoujian weapons in lieu of spending on a larger defense budget.[66] This in turn suggests that shashoujian is not a generic term applied to any weapon but refers to weapons with specific asymmetric capabilities.

[64] Zhang Wannian Writing Group[张万年写作组], 2:165–67. Emphasis added.

[65] Doctrinal sources suggest these as the likely combat scenarios, as this chapter demonstrates subsequently*

[66] See Jiang quoted in Bruzdzinski, 325

These linkages between shashoujian and U.S. intervention in Taiwan become much more explicit and urgent in subsequent years. In a 1997 meeting on weapons development a year after the Taiwan Strait Crisis, Zhang Wannian emphasized that "in the past we used what weapons we had to fight, now we see how to fight and develop what weapons we need," suggesting Chinese acquisition was driven by strategic circumstances and not by an overall desire to emulate leading technologies. Indeed, China would need to be purposeful in its weapons development because, in what seems to be a reference to the recent crisis, "*now the situation is pressing, the moment cannot be lost, and time does not wait for us*…. that the battle of the twenty-first century has already been launched in the field of national defense science and research." He notes that "the outcome of this competition is related to the security of the country, the survival of the nation, and we must see *that there our military faces a gap*, and increase the sense of urgency" because China lags behind superior opponents, like the United States. He urges using "two bombs and one satellite spirit" – a reference to Chinese innovations in the nuclear and space fields during the 1960s – to "master key technology" in order to "concentrate on the main direction of attack," another plausible reference to the United States.[67]

The subsequent U.S. operations in Iraq during Desert Fox in 1998, and then the Kosovo intervention in 1999, further exacerbated China's fears of U.S. power and were again linked explicitly to shashoujian weapons. As Zhang Wannian's biography notes, "After the Gulf War, these were the next outbreaks of local war under high-tech conditions in the history of mankind. From the outbreak of these two wars, Zhang Wannian paid close attention," instructed relevant departments to follow the conflicts and learn lessons, and discussed it with the Central Military Commission. A report on Desert Fox was produced by the General Armament Department with an eye towards preparation for this kind of warfare. Like so many reports before it, this one again linked U.S. demonstrations of force elsewhere to possible threats to China's security. The

[67] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:167–68.

report noted that China faced a "grim situation" as "the world's major developed countries" acquire more and more high-tech weapons, and that China needed "to do everything possible as soon as possible to produce shashoujian weapons. Once we have a few shashoujian weapons, only then will our country be able to stand up with a straight spine. If we do not do this, we will quickly lose a unique opportunity and make a historic mistake."[68]

Zhang's biography notes that he subsequently received briefings on shashoujian weapons progress and then "chaired a Central Military Commission meeting that discussed and studied the research plans for developing shashoujian weapons, strengthening preparations for military struggle, and ensuring the ability to fight and win." At that January 1999 meeting, he offered a striking description of what shashoujian would be able to help accomplish: "President Jiang Zemin has repeatedly emphasized that we should grasp shashoujian, this is the key to modernization, *the guarantee for protecting the country's security and fulfilling unification*. Only after developing our own shashoujian…will China have the ability to take the initiative in strategy."[69] With its invocation of unification, this is a description that clearly relates shashoujian to the Taiwan Straits crisis and to the ability of China to resist U.S. intervention in such a scenario. This is precisely what the purpose of its suite of anti-access technologies is intended to do – reduce U.S. military leverage over China, including in crises.

As the conflict in Kosovo intensified, Chinese leaders watched with close attention – and with an eye towards resisting U.S. aggression. In a January 1999 article in the journal *China Military Science*, General Fu Quanyou – head of the PLA General Staff Department and Member of the Central Military Commission – stated that "to defeat a better equipped enemy with inferior equipment in the context of high-technology, we should rely upon…high-quality

[68] Zhang Wannian Writing Group[张万年写作组], 2:169.

[69] Zhang Wannian Writing Group[张万年写作组], 2:169–70.

shashoujian weapons."[70] It was with this in mind that Chinese military officials watched Serbia's performance, with the Serbian military famously able to use air-defense technology to frustrate the U.S. bombing campaign. On March 27, 1999, Serbian forces stunned the world by successfully shooting down an American stealth fighter with what was widely considered outdated Soviet-era air-defense equipment similar to China's own. It was likely in reference to this incident that less than three days later Zhang Wannian, with the support of the General Staff, wrote a report entitled, "A Preliminary Report on NATO Airstrikes on the Yugoslav Forces" that was sent directly to Jiang Zemin himself. In the report, Zhang notes that "the forces of Yugoslavia have provided a useful reference point for our army on the question of how an inferior equipped force can defeat a superior-equipped force under high-tech conditions."[71] As a sign not only of China's focus on asymmetric weapons but its fundamental concern with blunting U.S. capabilities in particular, Zhang flagged the report as urgent for Jiang and even attached a personal note: "President Jiang, please read this report. I have had headquarters strengthen comprehensive research, and from it we have learned some useful things to promote our military's modernization and preparation for military struggle."[72] Two weeks later, Zhang attached a note to a similar report published by the General Political Department that was entitled "Reflections from Army Officers and Soldiers on NATO Air Strikes against Yugoslavia," where he instructed military servicemen to "make efforts to explore People's War under high-tech conditions and tactics by which the inferior can defeat the superior."[73] At a high-level meeting, Zhang Wannian was explicit about the value of studying the Serbian response and disseminated the following to the entire army: "NATO Airstrikes reflected the characteristics and rules of high-tech weapons; Serbian resistance reflected the strategic guidance, combat

[70] Cited in Bruzdzinski, p. 324*

[71] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:415.

[72] Zhang Wannian Writing Group[张万年写作组], 2:415. [已着 ??]

[73] Zhang Wannian Writing Group[张万年写作组], 2:415.

readiness, the use of tactics, and other lessons, and gives us a lot of inspiration. We should apply these revelations to preparations for military struggle."[74]

On May 7, 1999, U.S. forces mistakenly bombed China's embassy in Belgrade. This incident confirmed Chinese concerns over U.S. power and was not viewed as an accident by high-level Chinese officials. As Zhang Wannian's biography argues, "the U.S. government adhered to the 'mistaken bombing' phraseology, and failed to offer a convincing explanation of the incident. Obviously, from the international background, it is by no means accidental that NATO, led by the United States, attacked the Chinese Embassy in Yugoslavia."[75] This incident, which Chinese officials claimed was "entirely premeditated," as well as the larger conflict in Kosovo, were linked directly to shashoujian weapons.[76] In a speech on weapons and equipment development that year, Zhang Wannian argued that, "Due to the fact that Yugoslav forces lacked integrated weapons systems, especially lacked shashoujian, they were always in a passive position and didn't have the slightest strength to fight back," and separately noted that Jiang was clear that "whatever the enemy fears most, that is what we should develop."[77] Based on this logic, Zhang Wannian's biography notes that the CMC convened an emergency meeting on May 8th, the day after the bombing, and one of the key conclusions of this meeting was to "accelerate the development of shashoujian weapons."[78] Three days later, Zhang Wannian chaired yet another CMC meeting, and the meeting emphasized "turning anger [about the bombing] into a strong impetus for modernizing the army, studying the Kosovo War, and using the Kosovo War as a 'specimen' to study the characteristics of war under high-tech conditions….and to forge

[74] Zhang Wannian Writing Group[张万年写作组], 2:417–18.

[75] Zhang Wannian Writing Group[张万年写作组], 2:415.

[76] Zhang Wannian Writing Group[张万年写作组], 2:417.

[77] Zhang Wannian [张万年], *Zhang Wannian Military Writings [张万年军事文选]* (Beijing: Liberation Army Press [解放军出版社], 2008), 733; Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:416–19.

[78] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:416.

"shashoujian.'"[79] Zhang also "made a series of instructions on the Kosovo war study and the military training activities of the whole army, which were unprecedented in intensity," suggesting significant changes following the accidental bombing.[80]

At a subsequent high-level meeting on weapons development in June 1999, Zhang Wannian encouraged China to "do everything possible to produce shashoujian weapons." Moreover, as Zhang's biography notes, "At this meeting, with regard to how to develop shashoujian weapons, Zhang put forward four development considerations: First, that it must satisfy the need for anti-splittist warfare; second, that whatever the enemy most fears is what we develop; third, focus on basic system construction; fourth, integrate adherence to self-reliance with the introduction of foreign technology."[81]

The next month, July 1999, Zhang Wannian's biography notes that he "presided over the executive meeting of the Central Military Commission and listened to the reports of the General Staff on the war in Kosovo." At this conference, Zhang suggested explicitly that the United States was pursuing hegemonism and that this would affect Chinese security: "In essence, the war in Kosovo is an important step in accelerating the implementation of the global strategy by the United States at the turn of the century and an important indicator of the new development of U.S. hegemonism." His biography summarizes the rest of the speech:

> In Zhang Wannian's view, the Kosovo war profoundly reflects the new changes in the international strategic structure, and will have far-reaching effects on the security situation of the world and China's security environment. The outbreak of this war has not reversed the trend of multipolarization in the world, [but] the formation of a multipolar structure will undergo a long, tortuous, and complicated process. Peace and development remain the main themes of the times, but the rise of military interventionism, hegemonism and power politics remain the main causes of war, and the world is very much not peaceful.82

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[79] Zhang Wannian Writing Group[张万年写作组], 2:418.

[80] Zhang Wannian Writing Group[张万年写作组], 2:418.

[81] Zhang Wannian Writing Group[张万年写作组], 2:170.

[82] Zhang Wannian Writing Group[张万年写作组], 2:419.

Zhang then again linked the Kosovo War and U.S. power explicitly to China's security situation: "What is the Chinese People's Liberation Army to do in the face of possible future war threats?" Zhang provided "a loud and clear answer" at the meeting: China should focus on "vigorously producing 'shashoujian' weapons" under the precept that "what the enemy is most afraid of is what we should develop" in order to win "local wars under high-tech conditions."[83] Finally, he situated these lessons in a broader context of global military transformation and the frightening exercise of U.S. military power: "In the competition for strategic initiative in the 21st century, all the armed forces of the world are adjusting their military strategies.....Time waits for no one, and the situation is pressing. The 'Embassy bombing incident' has been a wake-up call for the Chinese military. From the Gulf War in 1991 to 'Desert Fox' in 1998 to the Kosovo War in 1999, the PLA - which is developing towards modernization - has faced a series of major problems."[84] It is extremely important to note that, in Zhang's view, every single demonstration of U.S. power projection in the 1990s posed a problem for Chinese security.

The points Zhang made at the Central Military Commission meeting in July were later reiterated in meetings with others in the PLA. For example, on November 5th, Zhang attended a work conference intended "specifically to discuss speeding up the development of assassin's mace weapons." There he again argued that China needed to "catch up in some areas, but not in all areas' [有所赶，有所不赶]" and that determining where to catch up was based on ensuring "what the opponent fears, that is what we develop." At the conference, he made clear that he believed shashoujian weapons should be placed in the leading position with respect to military modernization.

In sum, the preceding analysis makes clear that a major priority for China's military leaders was to develop shashoujian weapons that would be useful in a conflict with the United

[83] Zhang Wannian Writing Group[张万年写作组], 2:419.

[84] Zhang Wannian Writing Group[张万年写作组], 2:420.

States. These were explicitly discussed as the highest priority for China's military modernization and essential for China's security, reunification, and even survival. Discussion of shashoujian weapons occurred following the Gulf War, before the formalization of the 1993 Military Strategic Guidelines, and in countless speeches and high-level CMC meetings in subsequent years. Notably, most discussions of shashoujian were explicitly linked to a strategy of using asymmetric technologies and methods to defeat high-tech opponents and took greater urgency following demonstrations of American power. Finally, as we will see in greater detail subsequently, China's highest leaders – including Jiang Zemin – emphasized focusing on shashoujian weapons and not on comprehensive modernization, urging the military to "separate the primary from the secondary," to "catch up in some places but not in others," and to "do some things but not all things." In short, the focus on the United States as a threat and on asymmetric solutions beginning in the late 1980s and early 1990s retained its significance well into the subsequent decades. In part, this is because Chinese assessments of American power and threat increased through much of the 1990s and early 2000s with the Taiwan Strait Crisis of 1996, Desert Fox (see Zhang Wannian page 168-169), the Belgrade bombing of 1999, and even the Second Persian Gulf War of 2002.

Together, authoritative Chinese texts make clear that China's military modernization in the 1990s and 2000s was geared towards high-tech war with the United States. Importantly, these same texts can also be used to exclude alternative explanations for China's military behavior, and we turn now to consider the limitations of such explanations in greater detail.

Our first and second explanations posit that China pursued military investments in a way consistent with diffusion or adoption capacity theories. If these explanations are true, then we would expect Chinese leaders to seek to emulate the military capabilities of advanced countries, or at least to do so as long as such emulation was not too financially or organizationally complex. Statements by top leaders, however, make clear that this was not the strategy. As Liu Huaqing noted in 1993 in a defense of the new military strategic guidelines, China admittedly faced some

difficulties in doing everything. "Since the money for military use is limited…the money for purchasing equipment, capital construction…is in fact, very small. Under this situation, we must make the best possible use of the limited money."[85] What this would require was a form of prioritization: “We must proceed from our country’s conditions and cannot compare everything with advanced international standards, not pursue unrealistically high indexes and high speed.” This perspective was largely codified in policy under the following phrase: “do something, do not do other things; catch up in some areas, and do not catch up in other areas” [有所为有所不为，有所赶有所不赶]. Indeed, the phrase was used by Jiang Zemin several times, enumerated as a core priority for military modernization by some military officials, and repeated by senior military officials in many speeches over more than a decade. A related precept was that China should “separate the primary from the secondary.” Indeed, Zhang Wannian urges adherence to both these precepts several times and directly quotes Jiang: “In modernizing the army, we must separate the primary and the secondary, prioritize, and adhere to the principle of ‘do some things, do not do other things.’” All of this suggests that China was steadfastly avoiding a strategy of emulation; instead, as military leaders stated in several speeches, “what military struggle requires is for us to focus on developing what the opponent fears.” In addition to emphasizing asymmetric capabilities, it is interesting to note that senior leaders like Zhang Wannian noted that certain capabilities were not worth pursuing at all, even if China clearly lacked them relative to other navies: “For those programs involving backwards technology, we must remove them, and we must not allow them to squeeze out our limited funds.” Zhang then elaborated upon Jiang’s reminder to focus on key asymmetric weapons technologies:

> If we want to construct everything, if we want to catch up everywhere, there will be things we cannot construct and areas we cannot catch up – the only correct choice is [to adhere to] “there are some things we can do, some things we cannot do; some places where we can catch up, some places where we cannot catch up’ …We should concentrate

[85] Liu Huaqing [刘华清], “Unswervingly Advance Along the Road of Building a Modern Army with Chinese Characteristics [坚定不移地沿着建设有中国特色现代化军队的道路前进].”

> our efforts on…selectively accelerating the development of new types of weapons and equipment that meet the requirements of future wars.[86]

In Zhang's perspective, as he noted in a speech about the 9th Five Year Plan for military construction, China should indeed "learn from foreign military experience" but "not blindly copy" their characteristics.[87] Following the Belgrade bombing, Zhang's views on avoiding total emulation and instead prioritizing asymmetric weapons grew even more strident, as evident in a 1999 speech before the CMC: "Our funds are limited, our time is constrained, and we cannot do everything. If we do everything, then we will do everything badly, so we must prioritize, distinguish between primary and secondary [investments], and prioritize those that are urgently needed and develop them." In other words, he continued, "The general idea is that what the enemy is afraid of, we develop that."[88] The frequent references to prioritization and to developing asymmetric weapons strongly suggest emulation and adoption capacity explanations are inconsistent with statements of Chinese strategy. China focused on prioritizing weapons for use against the most likely enemy – the United States – rather than on a blind rush to catch up in all technologies.

A third category of explanations suggests that the unique pattern of Chinese military investments is best explained by bureaucratic politics and that the interests of services or individual units dictated military strategy. Admittedly, these kinds of explanations are hard to test from a review of textual sources alone. In any case, these texts suggest that the decision-making process for major weapon systems and "shashoujian" was ultimately approved at the highest levels by the Central Military Commission, which suggests individual services may not have been able to overrule objections by top civilian and military leaders. Moreover, high-level

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[86] Zhang Wannian Writing Group[张万年写作组], *Biography of Zhang Wannian [张万年传]*, 2:165–67.

[87] Zhang Wannian Writing Group[张万年写作组], 2:79.

[88] Zhang Wannian [张万年], *Zhang Wannian Military Writings [张万年军事文选]*, 732.

discourses suggest that senior officials had an active campaign to suppress parochialism. As Zhang Wannian notes:

> "Every department and branch of the military should firmly establish this overall concept [that we should develop what the enemy fears], and go all out to ensure the fulfillment of the goals for new high-tech weapons and equipment. To ensure focus, we must emphasize local compliance with the overall situation, even at the expense of local security bureaus. We must resolutely prevent and overcome the decentralization, and cannot unilaterally emphasize number, size, and the "specialness" of the units. We must forbid their taking advantage of the [reform] situation…and should make submitting to the overall situation a serious discipline.[89]

These kinds of references suggest a strong taboo, if not disciplinary action, against those engaging in intra-service or inter-service competition for resources. Admittedly, examples of parochial influence are best understood at the level of decisions involving individual weapons systems and platforms, and this chapter's subsequent review of many of these casts additional doubt on bureaucratic explanations.

A fourth alternative explanation is that China was focused on local contingencies involving its neighbors and not primarily on conflicts involving the United States. It should be clear from the preceding discussion, however, that the assumed adversary in most of these texts is the United States. In addition, there are several independent reasons to question the view that China was focused primarily on operational contingencies involving its neighbors and not the United States. First, Chinese doctrinal texts such as the *Science of Military Strategy* [战略学] acknowledge the possibility that China will be superior in some conflicts involving neighbors, but they still nonetheless advocate preparing for conflict with the United States. Conflicts involving the East China Sea, South China Sea, Korean Peninsula, and Taiwan Strait could all plausibly invite U.S. intervention, a fact Chinese doctrinal texts appear to realize. The 2005 edition states: "Even if the direct enemy is inferior to us, it is still possible that powerful enemies [e.g., the United States] may intervene. Therefore, strategically, the PLA still should be based on

[89] Zhang Wannian [张万年], 732.

the principle of using inferior weapons to defeat a superior equipped enemy."[90] This strongly suggests that, even though China could have optimized its force structure around conflicts with Vietnam, it nevertheless adhered to an asymmetric strategy against a higher-tech power. Moreover, in other texts, China claims it has a "primary strategic direction" (Taiwan scenarios) and needs to prepare to engage "combat opponents" relevant to that direction (including the United States), which together strongly suggests that even if China were focused on local conflicts, its primary concerns would require planning for war with the United States.[91] Second, China's military strategic guidelines, which argue for winning wars under high-technology and, upon subsequent revisions, under informatized conditions are almost certainly about the United States by default because such conflicts could only be waged by a country like the United States. At times, this focus on U.S. forces is made explicit, such as when Chinese studies of U.S. military campaigns against third-parties provoke dread and panic among senior Chinese leaders, and even lead them to draw outright and explicit connections between the situations of these defeated countries and China's own. Third, chronic references to hegemonism as the main threat of the times strongly suggest that China viewed the United States as its chief military threat. This is perhaps why, in his essay outlining the 1993 Military Strategic Guidelines, Liu Huaqing frets that "the gap between us and the *advanced standard* in the world will become bigger and bigger" if modernization is bungled.[92] This comparison between China's capabilities and those of the "advanced standard" or "Western countries" is evidence that it is concerned with the United States: notably, it is not the gap between China and its neighbors that is most concerning to Liu. Finally, as a part of this modernization effort, leaders also suggest certain kinds of conflict are more plausible and important than others. Liu Huaqing's description of China's 1993 Military Strategic Guidelines strongly suggested that land conflicts, such as those

[90] Science of Military Strategy 451 – is this the 2001 or 2005 edition? Need to double-check.

[91] Doctrinal sources suggest these as the likely combat scenarios*

[92] Emphasis added

involving the Korean peninsula, the Sino-Indian border, the Sino-Vietnam border, as well as borders with the Russia and the newly independent Central Asian states – were not to be the focus of defense investments. Although Liu committed to a 3 million man army, perhaps to reassure the land forces, he was explicit in his defense of the 1993 Military Strategic Guidelines that "priority must be given to the development of the Navy and Air Force and to strengthening the building of technical arms….we must put modernization of the Navy and Air Force in the priority position."[93] What this suggests is that the 1993 Military Strategic Guidelines, which set the template for China's subsequent military strategy for the next two decades, emphasized the maritime direction – not local conflicts on land. Indeed, in the years since the formalization of these guidelines, the maritime direction has continued to be a focus. The 1999 *Science of Military Strategy* states that "the probability that local wars at sea will occur in different maritime regions has increased…"[94] Similarly, the 2013 *Science of Military Strategy* states, "the most likely threat of war is a limited military conflict in the maritime direction, while a relatively large-scale and relatively high-intensity local war in the maritime direction under conditions of nuclear deterrence is the most important war to prepare for."[95] The reference to the maritime direction and conditions of modern nuclear deterrence again strongly suggests that China is referring to maritime conflict with the United States as its greatest threat and most pressing operational contingency. And in a public and rather explicit leader-level acknowledgement of these efforts, President Xi noted that the military must "make strategy planning and preparations for dealing with a powerful enemy's military intervention," a probable reference to a denial strategy against the United States.[96] It is clear that China's military modernization is

[93] Liu Huaqing [刘华清], "Unswervingly Advance Along the Road of Building a Modern Army with Chinese Characteristics [坚定不移地沿着建设有中国特色现代化军队的道路前进]."

[94] Zhanluexue 1999, p. 308

[95] Zhanluexue 2013, p. 100.* [more content]

[96] "Establishing Party Command Capable of Creating a Style of a Victorious Army [建设一支听党指挥能打胜仗作风优良的人民军队]," *People's Dailiy Online [人民网]*, July 14, 2014, http://opinion.people.com.cn/n/2014/0714/c1003-

primarily about the United States, rather than a diffused effort to plan for myriad non-U.S. contingencies in a wide variety of theaters as some might suggest.

A Second Shift in Strategy

Evidence that China shifted its strategic guidelines [战略方针] after the Global Financial Crisis is evident from Chinese sources, but because few military documents from this period have been published, outlining the details of under what conditions and through what kind of process this shift took place is an extremely challenging task. Indeed, while the memoirs and selected works of several CMC Vice Chairmen whose terms ended as late as 2002 are available, not a single volume is available for any who served after that period.

After the Global Financial Crisis, it appears that top Chinese leadership decided to reorient Chinese grand strategy towards *building* order in China's periphery, especially through expanding its regional influence and securing China's interests on territorial matters. In President Hu's 2009 Ambassadorial Conference address – which linked China's strategic adjustment to the Global Financial Crisis – this military shift is clear. It was in that speech that Hu revised Tao Guang Yang Hui by encouraging "Actively Accomplish Something," and he made clear that some of the areas of greater activism would be territorial: China "must *more actively* promote the resolution of international and regional hot-spots related to China's core interests, and regarding the issues concerning our core interests, we must strengthen our strategic planning, *make more offensive moves* [先手棋], and actively guide the situation to develop in a favorable direction."[97] This hawkish language essentially called for taking the initiative and resolving disputes on China's terms. In contrast, at the 2006 Foreign Affairs Work Forum, Hu

25279852.html. This source was initially quoted in Heath and Erickson, "Is China Pursuing Counter-Intervention?," 149.

[97] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:236–37. Emphasis added.

declared in a discussion of core interests, "for issues that do not impede the overall situation, we must embody mutual understanding and mutual accommodation so that we can concentrate our efforts on safeguarding and developing longer-term and more important national interests."[98] The emphasis on resolving China's territorial disputes was further emphasized by President Xi, who like Hu, suggested a subtle shift away from peace and development. In a 2013 speech to the Politburo at a meeting held on "the construction of maritime power," he stated that, "We love peace and adhere to the path of peaceful development, but we cannot give up our country's legitimate rights and interests, and we cannot sacrifice the core interests of the country." He called for "increasing our ability to protect maintain sovereignty."[99]

As part of these efforts, China began to emphasize the importance of sea control – not just in regard to territorial issues, but also with respect to resources. China has long been concerned about its growing resource dependency, but it was only after the Global Financial Crisis that it began to publicly stress these concerns and investment in military capabilities that could protect vital SLOCs – all with the idea of shaping the region to conform to China's interests. The 2008 Defense White Paper was the first to note "struggles for strategic resources," an oblique reference to oil, were intensifying and that the PLAN needed to develop the ability to operate in "distant waters" (远海). [100] In 2012, China's Defense White Paper began explicitly stressing the importance of China's overseas economic interests in a way previous papers had never before. The 2012 White Paper was the first with its own subsection on "protecting

[98] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:519.

[99] "Xi Jinping: Caring More About the Ocean, Understanding the Ocean, Planning and Controlling the Ocean, and Promoting the Construction of a Maritime Great Power and Constantly Acquiring New Achievements [习近平：进一步关心海洋认识海洋经略海洋 推动海洋强国建设不断取得新成就]," *Renmin Wang [人民网]*, August 1, 2013, http://cpc.people.com.cn/n/2013/0801/c64094-22402107.html.

[100] Information Office of the State Council, "China's National Defense in 2008," January 2009, http://english.gov.cn/official/2009-01/20/content_1210227_3.htm.

overseas interests,"[101] which it defined as "overseas energy resources" as well as "strategic sea lines of communication." The paper noted that these interests were becoming "increasingly prominent" in China's security situation and that "the security risks to China's overseas interests are on the rise." Xi Jinping himself stressed these ideas in a 2014 speech in Australia: "The maritime channel is China's main channel for foreign trade and energy impots. Safeguarding the freedom and safety of maritime navigation is of vital impotance to China."[102]

A Building Strategy

As the subsequent cases illustrate, Chinese political and military texts have for decades made clear what capabilities China believed were necessary for securing its regional interests – that is, what instruments were needed for its *building* strategy. These doctrinal texts, as well as speeches top leaders ranging from Zhou Enlai to Liu Huaqing, all make clear that aircraft carriers as well as surface vessels capable of anti-submarine warfare (ASW), anti-air warfare (AAW), mine countermeasures (MCM), and amphibious warfare (AMW) would all be essential in contingencies involving the East and South China Seas, the Taiwan Strait, the Korean Peninsula, and the protection of overseas Chinese interests and resource flows.[103] In other words, as the cases demonstrate, the decision to focus on such capabilities was not the result of changing beliefs about their efficacy or changing financial situations, but primarily about changed missions.

[101] "The Diversified Employment of China's Armed Forces, 2013" (Information Office of the State Council, April 2013), http://eng.mod.gov.cn/TopNews/2013-04/16/content_4442750.htm.

[102] "Xi Jinping: Join Hands to Pursue the Development Dream of China and Australia and Achieve Regional Prosperity and Stability [习近平：携手追寻中澳发展梦想 并肩实现地区繁荣稳定]," *Renmin Wang [人民网]*, October 18, 2014, http://cpc.people.com.cn/n/2014/1118/c64094-26043313.html.

[103] In particular, see the discussion of Aircraft Carriers and Surface Vessels later in this chapter.

After the Global Financial Crisis, China stressed that to achieve its maritime security interests, it needed to increase its investments in sea control platforms – especially in blue-water capabilities that it had deliberately neglected. In short, a different kind of naval investment was needed for a *building* strategy. China's 2012 Defense White Paper was the first to argue that "China is a major maritime as well as land country," emphasizing a renewed focus on regional maritime challenges and a continued reorientation of the PLA in that direction. It is important to stress that the document also argued that China needed to acquire "blue-water capabilities" and that "supporting the country's peaceful development" is a "sacred mission of the PLA" – in other words, the PLA needed to develop the capabilities necessary to advance China's regional interests and rights. The emphasis on blue-water capabilities is consistent with a building strategy and runs contrary to China's deprioritization of carriers and blue-water surface vessels during its blunting phase. Indeed, the only way China's "sacred mission" to advance its regional maritime interests could be carried out is by pursuing a more active role in the Indo-Pacific. That same year, in Hu's Eighteenth Party Congress Work Report, he declared for the first time in such an address that China's leadership needed to "build China into a maritime great power" [海洋强国] and "resolutely safeguard China's maritime rights and interests."[104] This language suggests a decision to pursue more conventional maritime power projection capabilities – such as a blue-water navy – that China could wield to protect its regional interests and assert dominance.

The blue-water focus was accentuated in subsequent documents. For example, in a visit to a major shipbuilder, Xi stressed, "The marine industry is related to the survival and development of the nation, it is related to the rise and fall of the country. It is meet the requirements of

[104] Hu Jintao [胡锦涛], "Firmly March on the Path of Socialism with Chinese Characteristics and Strive to Complete the Building of a Moderately Prosperous Society in All Respects [坚定不移沿着中国特色社会主义道路前进　为全面建成小康社会而奋斗]."

building maratime power."[105] China's 2015 Defense White Paper states that, "the traditional mentality that land outweighs sea must be abandoned, and great importance has to be attached to managing the seas and oceans and protecting maritime rights and interests." It also noted that, "it is necessary for China to develop a modern maritime military force structure commensurate with its national security and development interests" and to "safeguard its national sovereignty and maritime rights and interests, protect the security of strategic SLOCs and overseas interests." In short, China would need build itself into a maritime power.

This objective had direct operational implications and constituted a fundamentally different military with substantially different requirements:

> In line with the strategic requirement of offshore waters defense and open seas protection, the PLA Navy (PLAN) will gradually shift its focus from 'offshore waters defense' to the combination of 'offshore waters defense' with 'open seas protection,' and build a combined, multi-functional, and efficient marine combat force structure. The PLAN will enhance its capabilities for strategic deterrence and counterattack, maritime maneuvers, joint operations at sea, comprehensive defense and comprehensive support.

China would need to invest more in power projection platforms like aircraft carriers and surface vessels to realize this vision, and that is indeed what we see in the cases discussed in this chapter.

CHINA'S MILITARY INVESTMENTS

We shift now from a focus on Chinese military writings to one on Chinese military investments. Indeed, China's sequential focus on blunting and then building is discernable not only from an analysis of Chinese military writings, but also from an analysis of China's military investments and behavior, especially those related to naval operations. China's force structure– as explored through three broad case studies considered subsequently in this chapter – strongly

[105] "Xi Jinping: Deeply Implementing the Innovation-Driven Development Strategy to Add Momentum to the Revitalization of the Old Industrial Base [习近平：深入实施创新驱动发展战略 为振兴老工业基地增添原动力]," *Renmin Wang [人民网]*, September 2, 2013, http://cpc.people.com.cn/n/2013/0902/c64094-22768582.html.

suggests its military investments were initially directed towards coping with American power projection capabilities in East Asia and then subsequently on creating regional order.

The first case study focuses on three Chinese denial platforms: submarines, mines, and missiles. In the 1990s and early 2000s, China overinvested in these capabilities: it spent handsomely to acquire the world's largest submarine fleet and continues to operate it in a much smaller area than most modern navies; it built the world's largest stockpile of sea mines and continues to grow it; and it innovated an entirely new class of denial weapon while equipping virtually every platform with anti-ship cruise missiles. Why did it do this? All of this constitutes overinvestment relative to what *diffusion* theories would predict and is difficult for *adoption capacity* theories to explain. In addition, no *bureaucratic* explanation sufficiently rationalizes this overinvestment because there is no cross-cutting constituency that favor these disparate platforms over the alternative possible Chinese naval structure – a carrier-based navy. These investments were made with an eye towards Chinese operational realities – specifically, as part of efforts to *blunt* American power. Indeed, these capabilities were not singularly useful in other operations – they do not allow China to control islands or recapture Taiwan, even when viewed as part of a combined operation with China's limited amphibious and sea control capabilities at the time (and even today). Together, this suggests China pursued these capabilities in the 1990s and early 2000s with the knowledge that they would be useful in denying the United States the ability to operate within the region and less useful in other contingencies, and that they consciously pursued this naval structure for decades instead of a carrier-based navy oriented towards power projection and amphibious landing.

The second case study examines this puzzle from another angle: it analyzes one of the most defining decisions for China's force structure – whether to pursue a traditional carrier-based navy, as most naval powers like the United States and even India have. Although fifteen countries have operated aircraft carriers over the last few decades, China only recently joined those ranks. This presents a puzzle: why didn't China pursue a carrier-based navy in the 1990s

and 2000s and why did it seemingly shift course after 2008? There are several possible explanations. On *diffusion* and *adoption capacity* grounds, some may argue that China could not have acquired carriers until 2008, but Chinese officials in the 1990s believed they could have built light carriers or purchased and refitted them. On *bureaucratic politics* grounds, some may suggest that China's submariners and not some overarching strategy scuttled carrier investments and that a change in bureaucratic politics was what later made them possible; in reality, however, prominent carrier supporters were at the highest levels of Chinese government and in command of the Chinese navy in the 1990s and 2000s and could have overruled objections from submariners. The best explanations for China's carrier delay and later carrier investment are related to Chinese grand strategy – specifically its decision to pursue *blunting* throughout the 1990s and early 2000s and its decision to pursue *building* after the Global Financial Crisis. Indeed, even as China avoided investments in a carrier program, authoritative sources make clear China saw carriers as extremely useful if not necessary for local contingencies. The likely reason China did not pursue a carrier, then, was not that it thought carriers were useless in local contingencies but rather that it thought local contingencies were less important than a potential conflict with the United States. Carriers were of limited utility in denial operations against the United States relative to other expensive platforms, especially submarines, and were also highly vulnerable – they were therefore not an acquisition priority. After the Global Financial Crisis, China believed it was time to devote itself more to local contingencies and order-building, and subsequently pursued a four-carrier navy focused on power projection – the very kind it could have pursued earlier but refrained from doing so.

The third case study focuses on surface vessels and argues that China initially prioritized anti-surface warfare – a denial capability – over other capabilities important for sea control, escort operations, and amphibious operations. Specifically, China's high-end and low-end platforms all have advanced anti-surface warfare capabilities (ASuW) but rather weak anti-submarine (ASW) and anti-air (AAW) capabilities. Similarly, China went nearly two decades

without any significant improvement in mine countermeasure (MCM) capabilities and with only limited improvements in the kinds of amphibious warfare (AMW) capabilities vital to scenarios involving Taiwan or in the East and South China Seas. This pattern held relatively constant until 2008, at which point China began making heavy investments in these long-neglected capabilities. How do we explain this variation? *Diffusion* explanations do not apply here since these technologies existed and were fielded by other navies. Moreover, while some may argue on *adoption capacity* grounds that these capabilities were difficult to acquire until 2008, expanding the marines and building transport craft is not prohibitively complex, and more sophisticated anti-air, anti-submarine, and mine countermeasure capabilities were already fielded by other developing countries and could even have been acquired from Russia. Some critics might assert that *bureaucratic politics* explains the peculiar variation in Chinese surface vessel investments, but there is no clear bureaucratic stakeholder that would benefit from the prioritization of anti-surface warfare over all these other diverse capabilities. Instead, the best explanations are rooted in China's pursuit of *blunting* and *building* strategies. China certainly did not regard these capabilities as irrelevant for local contingencies – ASW, AAW, MCM, and AMW were understood as essential for sea control and amphibious operations but less useful for deterring the United States. Instead, as Chinese authors readily noted even before the Taiwan Strait Crisis, these anti-surface capabilities are important for deterring or complicating an American carrier-based intervention in East Asia, and this understanding is what accounts for China's peculiar overinvestment in ASuW capabilities on virtually every conceivable platform.

If these arguments are correct, and if it is therefore true that several of the most significant and capital-intensive decisions in Chinese force structure were consistent with a blunting strategy in one period and a building strategy in the next, it goes a long way to establishing the credibility of this paper's explanation for Chinese military investments and grand strategy. In order to make that argument, we now turn to the first of the three case studies.

DENIAL PLATFORMS: SUBMARINES, MINES, AND MISSILES

China overinvested in three capabilities that are useful primarily for denial as part of its blunting strategy: submarines, missiles, and mines. It now has the world's largest submarine fleet, the world's largest stockpile of sea mines; and the world's first anti-ship ballistic missile. China's apparent overinvestment in these capabilities during the 1990s and early 2000s stands in sharp contrast to its contemporaneous underinvestment in carrier aviation, anti-submarine warfare, anti-air warfare, mine countermeasures, and amphibious warfare, during its blunting strategy, and it is not explainable through diffusion-based theories and adoption capacity theories. Moreover, these capabilities do not allow China to control islands or recapture Taiwan, even when viewed as part of a combined operation with China's limited amphibious and sea control capabilities. Again, the best explanation instead is that China focused on those capabilities that work asymmetrically to deny the United States the ability to operate within the region.

The logic of this case is strongly supported in China's doctrinal texts. For example, one recent doctrinal text, the *2012 Joint Campaign Theory Study Guide,* dwells at length on asymmetric strategies, and at one point explicitly advocates the use of missiles, submarines, and mines to create an asymmetric advantage:

> Symmetric advantage occurs when both the enemy and our forces have the same kind of combat capabilities, and when we have the same fundamental quality, so that confronting the enemy takes the form of requiring numerical superiority. With respect to asymmetric advantage…If the enemy has combat capabilities that we lack, we must use other means that can defeat the enemy and win in order to create an *asymmetric advantage*, such as having the necessary number of *cruise missiles, submarines, and mines against an aircraft carrier*, which together makes up an asymmetric strike advantage.[106]

[106] Li Yousheng [李有升], *Joint Campaign Studies Guidebook [联合战役学教程]* (Beijing: Academy of Military Science [军事科学院], 2012), 199. Emphasis added

This trifecta is invoked against aircraft carriers several times in this doctrinal text.[107] In another instance, for example, the authors advocate "using missile assaults, submarine ambushes, and mine blockades against an aircraft carrier battle group in our waters."[108] It is in part for this reason that this case explores the three capabilities discussed above, as well as Chinese overinvestment in them. The prioritization of these capabilities during China's blunting strategy should be seen within the context of leader-level discussions of Chinese military strategy where paramount leaders like Jiang Zemin and various vice-chairman of the CMC emphasized the following: developing shashoujian weapons, "developing what the enemy fears," "using the weapons of the weak to defeat a high-technology adversary," and focusing on the "enemy's weak points." Similarly, the relative underinvestment in other capabilities seems related to admonitions to "separate the primary from the secondary" in military modernization, "catch up in some places but not in others," and to "do some things but not all things."

Diffusion and Adoption Capacity Theories

Diffusion and adoption capacity theories explain the spread of existing technology to states that lack it. They generally cannot offer good explanations for overinvestment in given military capabilities or for military innovation, especially with regard to China's investment in submarines, mines, and missiles.

Submarines

We begin by focusing on submarines. Unlike a traditional navy with an aircraft carrier at the center and surface vessels as escorts, China's force structure has for twenty-five years emphasized ASuW-focused warships and submarines – which are the backbone of the PLAN.

[107] Li Yousheng [李有升], 199–200.

[108] Li Yousheng [李有升], 269.

Indeed, between 1990 and 2015, China undertook a massive modernization effort for its submarines. It retired all 84 of its outdated Romeo submarines and acquired 14 Ming, 12 Russian Kilo, 13 Song, 12 Yuan, and launched the new Shang SSN – with a total of more than 70 submarines expected by 2020.[109] China already has more attack submarines than any other country, including the United States, and it has them focused on a much smaller area than does any modern navy. From the perspective of diffusion theories that assume China would emulate the most powerful states, this seems to be a clear case of overinvestment. Adoption-capacity theories also struggle in this case because, while they can account for why some technologies diffuse and others do not, they cannot easily explain overinvestment relative to leading militaries, nor can they explain why states make fundamentally different choices surrounding military structure. It is clear that most blue-water navies, including the U.S. and Indian navies, are organized around aircraft carriers – in marked contrast to China's acquisition of a submarine-focused navy in the 1990s and early 2000s, making China's structure during that period all the more puzzling.

Mines

With respect to sea mines, the Office of Naval Intelligence argues that "China has a robust mining capability" as well as a "robust infrastructure for naval mine-related research, development, testing, evaluation, and production."[110] In a relatively short period, China has modernized its WWII-era mines and assembled "a vast mine inventory consisting of a large variety of mine types such as moored, bottom, drifting, rocket-propelled, and intelligent mines."[111] By some estimates, China has between 50,000 and 100,000 sea mines – the world's largest stockpile – which from the perspective of diffusion and adoption capacity theories is

[109] Yves-Heng Lim, *China's Naval Power: An Offensive Realist Approach* (Burlington: Ashgate, 2014), 90; "The PLA Navy: New Capabilities and Missions for the 21st Century" (Washington, DC: Office of Naval Intelligence, 2015). See also Janes Fighting Ships 2015.

[110] "The PLA Navy: New Capabilities and Missions for the 21st Century," 24.

[111] "The PLA Navy: New Capabilities and Missions for the 21st Century," 24.

puzzling. These mines can be deployed on a variety of platforms (submarines, surface vessels, and air-dropped) at several different ranges.

Missiles

Finally, China has invested heavily in an anti-ship ballistic program. In the process, it has innovated a new missile category that has not yet been developed by any state. For that reason, China's ASBM is a case that cannot be explained by diffusion or adoption capacity theories.

Bureaucratic Politics

Given the inadequacy of diffusion and adoption capacity explanations for China's overinvestment and innovation in submarine, mine, and missile technologies, it seems reasonable to assume bureaucratic and organization politics may have played a defining role; nevertheless, this seems implausible upon closer examination.

Submarines

Although recreating in detail the bureaucratic political fights of the PLA is not possible, we can nevertheless reasonably infer that China's overinvestment in a submarine force is not the result of pro-submariner forces seeking greater budgets and responsibilities. If China's overinvestment were the result of submariner interests, we would expect to see submariner leadership of the PLAN and influence in the CMC. This, however, has clearly not been the case.

From the 1980s to the present day, submariners have had limited influence over the highest levels of the PLAN, let alone the larger military structure. Of the seven officers who have served as commander of the PLAN, only two were submariners. The first, Zhang Lianzhong, served as commander from 1988-1996, an admittedly lengthy tenure. During virtually all of Zhang's tenure and for the same period in which China's submarine program made its greatest

strides, Liu Huaqing – Zhang's predecessor as Commander of the PLAN – outranked him and served as the top military officer in all of China, holding positions as Vice Chairman of the Central Military Commission and eventually as a member of the Politburo's Standing Committee for roughly a decade (1987-1997). Liu was not a submariner and was famously enamored with an aircraft carrier program. He would have been unlikely to advocate for a submarine-focused navy, and indeed as this chapter previously recounted, he harbored visions for a carrier-based Navy and advocated for it on many occasions. Moreover, Liu had a powerful patron in Deng Xiaoping and later Jiang Zemin that strongly suggests his power base was not rooted in the Navy, reducing the likelihood that pro-submarine naval officials could have exerted pressure from below on his decision-making. For these reasons, it seems logical to conclude that if Liu acquiesced to a submarine-focused Navy, it is likely because of strategic discussions about the relative utility of a submarine force rather than the power of submarine-focused bureaucratic interests. The only other opportunity submariners had for leadership of the PLAN came a few years after Liu's retirement with the ascension of Zhang Dingfa as PLAN commander in 2003. Zhang had a short three-year tenure that was initiated only because his predecessor (Shi Yunsheng) was blamed for a costly submarine accident that resulted in the deaths of an entire submarine crew. Zhang stepped down after only three years because of failing health, and although there may have been substantive reasons to continue with a submariner as his successor, an admiral – Wu Shengli – with a long history as a captain of frigates and destroyers was chosen instead. In addition, no Vice Chairman of the Central Military Commission has ever been a submariner; and since the PLAN Commander is generally given a seat on the CMC (at least since 2004), there has been virtually no significant submariner representation on the CMC at all. Taken together, this analysis suggests (1) that submariners lacked influence at the highest levels of the PLAN and within the highest military decision-making bodies, and (2) that top military officials representing naval interests often had biases for other groups within the Navy.

This provides strong evidence against bureaucratic explanations that might argue that China's submarine overinvestment is based on the strength of a pro-submarine lobby.

Mines

Is China's overinvestment in mine warfare relative to other powers the result of powerful bureaucratic forces rather than a focus on the United States? If it were, we would expect there to be an identifiable interest group or coalition for mine warfare powerful enough to affect military policy, but this seems unlikely to have been the case. First, most mine warfare capabilities are concentrated in the PLAN and represent a small group within the larger navy that is unlikely to have significant influence. Indeed, there are several constituencies within the navy that might have rather had the share of funding spent on mine warfare accrued to them, including submariners and surface warfare officers. With a significantly smaller footprint than these naval groups, it is unclear how mine warfare supporters would have prevailed in intra-service rivalries over resources, and therefore it seems unlikely that China's investments were driven entirely by mine warfare officers. Second, complicating any bureaucratic explanation for overinvestment in mine warfare is the fact that even China's investments in mine warfare do not necessarily directly benefit surface warfare officers who train on mine warfare or mine countermeasure vessels. This is because mines are not only deployed by these surface warfare officers but also deployed on submarines, aircraft, civilian vessels, and other platforms. While this creates the possibility of an inter-service coalition in favor of mine warfare investments, it is worth noting that the primary mission for most mine delivery platforms is *not* mine warfare, and that investments in mine warfare would not greatly enhance the budget or relevance of these platforms relative to their primarily missions. This means it is hard to see any one intra-service or a combined inter-service coalition advocating for mine warfare. Third, while it is possible that the Navy as a whole lobbied for increasing the share of resources for mine warfare, this assumes away the possibility of competing intra-service rivalries and ignores the fact that – especially

with respect to naval acquisitions – the senior leadership has often vetoed naval preferences when they did not align with national strategy (e.g., the carrier program). With respect to mine warfare, this suggests that if the central leadership did not think mine warfare were strategically valuable, it is unlikely to have backed it; similarly, a bureaucratic explanation for a rather niche capability is not persuasive without constituencies that would have clearly benefitted.

Missiles

A bureaucratic account that seeks to explain China's investment in anti-ship ballistic missiles is also difficult to support. If ASBMs were the result of bureaucratic interference, then we might expect to see the Second Artillery push for ASBM development as a way of securing more resources and new missions. Admittedly, Chi Haotian's biography supports the notion that the Second Artillery wanted more resources and that the request was linked to concerns about U.S. intervention in Taiwan: "In the early 1990s, the situation in the Taiwan Strait rose again, and the United States sold more than 100 F-16 fighters to Taiwan despite the Chinese government's solemn protest. In the face of this complex situation, the Second Artillery Corps leadership recommended to the Central Military Commission and the General Staff that it build a series of conventional missiles to target enemy airfields, vessels, and infrastructure. Chi Haotian firmly supported this proposal. He asked the relevant departments to conduct a serious study immediately, to conduct joint research, and to accelerate the development of conventional missiles."[112] Chi's statement does suggest that the initial proposal to the General Staff or CMC for new conventional missions originated from the Second Artillery itself, but it also provides strong evidence that these efforts were tied to concerns involving U.S. intervention and that the CMC actively supported the initiative for these reasons. What this means is that a bureaucratic explanation for ASBMs does not clash with a strategic one – it can be true both that the Second

[112] Chi Haotian Writing Group [迟浩田写作组], *Biography of Chi Haotian [迟浩田传]*, 357.

Artillery suggested ASBMs and that the central leadership backed the program in order to focus on blunting U.S. power projection capabilities. It is also worth noting that the Second Artillery, despite its importance to China's nuclear security, is the smallest of China's services and has never had one of its servicemen serve as a Vice Chairman of the CMC – which suggests a limit on its influence to push an agenda at odds with that of senior leaders.

Blunting

It should be clear that explanations for China's overinvestment in submarines and mines, as well as innovation in ASBMs, cannot be found in theories focused on diffusion, adoption capacity, or bureaucratic politics. Might these capabilities have been developed in response to China's strategic environment? And if so, to what operational end?

If China's overinvestment in submarines and mines, as well as its innovation of ASBMs, were the result of a focus on local contingencies involving neighbors, then we might expect to see such overinvestment and innovation as providing significant advantages in those local conflicts. We would also expect to see such views reflected in doctrine. But a quick review of each platform demonstrates conclusively that this is not the case. Indeed, the inadequacy of this explanation, combined with the fact these three capabilities have obvious utility against U.S. power projection platforms, strongly suggest their development was motivated by Chinese concerns over U.S. power.

Submarines

This section demonstrates (1) that China's dramatic overinvestment in submarines does not seem to be driven primarily by concerns over neighboring navies or local contingencies, and then (2) that it is instead driven by a *blunting* strategy focused on the United States.

Most local contingencies require China to control parts of the sea and relevant islands, a task China's own officials like Liu Huaqing and doctrinal publications suggest is suited to a

carrier battle group and a carrier-centric Navy. Liu noted that China's surface vessels – and control of the South China Sea, for example – would turn on the ability to secure air cover, which submarines obviously cannot provide. Moreover, submarines are instruments of denial, not instruments of control, and in previous conflicts over the South China Sea, China dispatched such surface vessels to defeat Vietnamese vessels even though the PLAN had a large number of submarines at its disposal.

Skeptics of this argumentation might respond that China's submarine investments are nonetheless useful for operations seeking control in local contingencies involving neighbors. A combined force of surface vessels and submarines, for example, would be more robust against surface and undersea threats and more likely to achieve control. This is obviously true – carrier battle groups often involve nuclear submarine escorts – but it largely misses the point. The question is not simply whether submarines provide utility in campaigns of control, the question is also why China has overinvested in these denial capabilities while underinvesting in the capabilities needed for control, including aircraft carriers and surface vessels. China has more attack submarines than any other navy, and it focuses them on a smaller region than most navies – this strongly suggests a focus on cultivating asymmetric advantages in order to deny access to a higher-tech, surface-focused adversary, i.e., the United States.

Moreover, if China's submarines were intended to operate in local contingencies to help establish sea control, then we would expect them to be configured for such a role. In other words, we would expect to see them focused on protecting surface vessels from submarines (ASW missions) and perhaps even on striking land targets. China's submarines do not seem suited for these missions. As the U.S. Office of Naval Intelligence writes:

> China's submarine force is very different from that of the U.S. Navy, but has characteristics that are well suited for its more limited mission set. Most of China's submarine force is conventionally powered with ASCMs, but without towed arrays. These submarines are optimized for regional missions that concentrate on ASUW near major SLOCs. China's small nuclear attack submarine force is more capable of operating

> further from the Chinese mainland, conducting intelligence, surveillance and reconnaissance (ISR), and ASUW missions. China's submarines are not currently optimized for two missions at the core of U.S. submarines – ASW and land attack.[113]

This is further evidence that the primary mission of China's submarines is denial, and that the vast majority – perhaps with the exception of some of its SSNs – are not even intended to operate as partners in a mission for control. Moreover, as Chinese doctrinal publications and the educational curriculum of its submarine academy make very clear, one of the core missions of China's submarines is minelaying. Some of these operations are intended offensively (i.e., mining enemy ports) but many are defensive, including mines that are intended to target U.S. nuclear submarines. While this suggest submarines do in fact have an ASW mission, this mission is not as a submarine hunter or escort for a surface action group; rather it is simply as a defensive delivery platform, again suggesting a focus not on neighboring contingencies but on the United States.

Not only is it unreasonable to assume that submarines were motivated by concerns over neighboring contingencies, but there is also ample affirmative evidence based on the criteria in the theory section that suggests they were motivated by concerns over U.S. power and the desire to blunt it.

First, with respect to *acquisition* of submarines, if China were to use submarines primarily as a tool for denying access to the United States, then we would expect significant investments in submarines to occur in the wake of concerns over U.S. power projection. The submarine acquisition timeline suggests that this was the case, with a plan to dramatically overhaul China's submarine fleet launched in the early 1990s. Indeed, in the first few years after the Gulf War, China decommissioned an astonishing fifty-four of its Romeo class submarines, in

[113] "The PLA Navy: New Capabilities and Missions for the 21st Century."

part to free up resources for acquisition.[114] In that same period, it also sharply increased its number of Ming class submarines, initiated a program for a new SSN[115], and also launched its first indigenously-produced diesel class, the *Song* – China's first class to launch anti-ship cruise missiles. That class was plagued with problems, and rather than face a reduction in its submarine force, China opted for the costly decision to ultimately purchase 12 Russian Kilo submarines to bridge the gap posed by delays in the Song production line.[116] Together, the dramatic retiring and restructuring of China's submarine force, the decision to acquire a new SSN, and large investments in and foreign acquisitions of diesel submarines strongly suggest that submarines became an urgent priority for China's military leadership between 1990 and 1995 – a period that is perhaps most notable in Chinese military planning as one when China's entire military strategy shifted towards coping with the United States. This strategy apparently continued during the 1990s and 2000s, perhaps because concerns about American power lingered following U.S. interventions throughout that period, with China acquiring a staggering thirty-one new submarines between 1995 and 2005. The acquisition timeline, combined with the sheer numbers involved in China's massive submarine program during this period, are puzzling unless China was trying to frantically acquire capabilities to dissuade U.S. intervention. China's large submarine fleet would not have been necessary or sufficient for coping with local contingencies, and expenditures on the submarine program could have otherwise been invested in more germane capabilities for amphibious operations, power projection, and sea control had those missions been a priority. In essence, if China were focused primarily on dealing with a Vietnam-level competitor in the South China Sea, it would not need seventy submarines. If it were interested in protecting distant SLOCs, as some have suggested, it would need more

[114] Lim, *China's Naval Power: An Offensive Realist Approach*, 90.

[115] Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]*, 477.

[116] Lim, *China's Naval Power: An Offensive Realist Approach*, 90.

nuclear submarines than the six it is expected to have by 2020, and it still would not need so many diesel submarines. As one senor PLAN strategist writes, citing a U.S. estimate, "China already exceeds [U.S. submarine production] five times over" and the seventy-five or more Chinese submarines in the Pacific will be able to counter a far smaller U.S. force.[117]

It is also worth considering what kinds of submarines China has built, and as William S. Murray notes, "Of all the navies that operate submarines, only Russia and China build and employ both nuclear and diesel submarines as fighting ships."[118] The puzzle here is why China does not, like the United States, prioritize nuclear submarines in its naval modernization – why does it instead continue to invest in modern diesels, with air-independent propulsion, for example. As one PLAN officer notes, "the price of a nuclear submarine can buy several, even more than ten, conventional submarines."[119] These costs differentials may be somewhat exaggerated, especially compared to China's most expensive diesel submarines; nevertheless, it is important to remember that even though they are cheaper, diesel submarines are also potentially more useful in anti-access/area-denial strategies – especially since they can run quieter than SSNs if they have air-independent propulsion (AIP) – even if they are less useful in other scenarios involving neighbors or SLOC protection. This explains in part why Chinese doctrinal texts call submarines asymmetric weapons, especially relative to expensive platforms like aircraft carriers and SSNs (which might be vulnerable to submarine-deployed mines), and why despite having the ability to construct more nuclear submarines, China has scarcely expanded its SSN fleet in twenty years. For now, China is partially emulating a Soviet strategy that relies on a combination of cheaper diesel and expensive nuclear submarines to focus on

[117] Andrew S. Erickson and Lyle J. Goldstein, "China's Future Nuclear Submarine Force: Insights from Chinese Writings," in *China's Future Nuclear Submarine Force*, ed. Andrew S. Erickson et al. (Annapolis: Naval Institute Press, 2007), 199.

[118] William S. Murray, "An Overview of the PLAN Submarine Force," in *China's Future Nuclear Submarine Force*, ed. Andrew S. Erickson et al. (Annapolis: Naval Institute Press, 2007), 59.

[119] Erickson and Goldstein, "China's Future Nuclear Submarine Force: Insights from Chinese Writings," 191.

denial operations, with greater emphasis on the former, in stark contrast to an American navy which fields only nuclear submarines for purposes of escort, ASW, and land-attack missions.

Indeed, this leads to another piece of evidence suggesting that China's submarines are focused on the United States: their armaments. If China were focused on denial operations, then we would expect its submarines to be optimized for anti-surface warfare rather than for other missions, such as escorting a surface action group, which might require ASW or land-attack capabilities. This indeed what we have seen, with China having focused intensely on improving the ASuW capabilities of its submarines since 1990. The primary focus of these efforts has been ensuring that China's submarines can field anti-ship cruise missiles. This is notable, and a departure from the U.S. navy, because the United States until recently did not field an anti-ship cruise missile at all; its submarines instead rely on torpedoes for missions against surface vessels. In contrast, China's anti-ship cruise missile offers it both greater range (4-10 times more) as well as speed (generally supersonic) in targeting enemy surface vessels relative to torpedoes. Indeed, in 1990, none of China's submarines could launch anti-ship cruise missiles; by 2020 more than 64% will have this capability, or virtually every modern submarine built or purchased after 1994. Importantly, as the U.S. Office of Naval Intelligence concludes, China's submarine-launched anti-ship cruise missiles – including the Russian SS-N-27 Sizzler and the indigenous YJ-18 – are world-class, while its ASW and land-attack capabilities remain rather poor, which suggests again that ASuW is the priority of its submarines.[120] In short, China's submarines are "angular," strong in ASuW but weaker in other operations.

Second, Chinese naval *doctrine* suggests military strategists view submarines primarily as defensive tools for denial operations against the United States, rather than as tools for escort or even as parts of larger sea control. In this way, China seems to be emulating Soviet doctrine.

[120] "The PLA Navy: New Capabilities and Missions for the 21st Century," 19.

As Andrew Erickson and Lyle Goldstein note in their review of Chinese texts on submarine warfare, Chinese authors take great inspiration from Soviet submarine doctrine and see their own situation – coping with a superior power-projection navy – as similar to that faced by the Soviets.[121] As discussed previously, Chinese doctrinal publications, such as the 2012 Joint Campaign Theory Study Guide, field a large number of references to using submarines as an asymmetric tool against a powerful country's carrier battle groups, an unmistakable reference to the United States. None of this should be particularly surprising: submarines have been used as asymmetric tools against blue water navies since the First World War. During the Falkland Islands War, a conflict frequently studied by Chinese strategists looking for ways to cope as an inferior power against the superior United States, the British fleet expended almost all of its ASW munitions on false submarine contacts and failed to sink a single, patrolling Argentinian submarine.[122] While it is clear that submarines could theoretically be used for other missions, including ASW or land-attack, as discussed previously, China's submarines have not been optimized for those missions.

Less official sources, such as *Shipborne Weapons*, are explicit about the use of submarines in anti-access/area-denial campaigns, especially involving Taiwan and therefore possible U.S. intervention: "In order to guarantee the required national defense strength and to safeguard the completion of national unification and to prevent 'Taiwan independence,' over the past few years, China has increased indigenous production of new conventional and nuclear submarines…"[123] Interestingly, the author adds that "China's construction of a new generation of nuclear-powered attack submarines breaks with past practice, in which China would first build one vessel, debug it repeatedly, and then begin small batch production. In this case, work on the

[121] Erickson and Goldstein, "China's Future Nuclear Submarine Force: Insights from Chinese Writings," 188–91.

[122] Murray, "An Overview of the PLAN Submarine Force," 65.

[123] Erickson and Goldstein, "China's Future Nuclear Submarine Force: Insights from Chinese Writings," 192.

later submarines began almost simultaneously with work on the first…China is doing it differently this time…because of the urgency of the surrounding situation."[124] In addition to submarines' role in a Taiwan scenario, other authors specifically point to the fact that U.S. supply lines to the Western Pacific could be attacked by Chinese nuclear submarines.[125]

Third, a look at Chinese *training* and exercise involving submarines seems to suggest a focus on denial operations. In 2006 and 2015, Chinese diesel submarines stalked U.S. aircraft carriers and in one instance surfaced within torpedo range, which suggests that the Chinese navy invests in this capability and occasionally tests it and uses it for signaling purposes. In addition, minelaying has been a crucial part of Chinese submarine training programs for more than two decades and a major part of the curriculum for mid-level officers at the Qingdao Submarine Academy. In many cases, these mine-laying operations are not only offensive (against enemy ports) but also defensive (focused on enemy carriers and submarines). Doctrinal texts and other sources make clear that, in attacks on aircraft carriers, mine warfare will play a prominent role.

Mines

If China's mine warfare investments are driven by external strategic considerations, are they motivated by a desire to defeat its neighbors in local conflicts or by a desire to *blunt* American power? This section demonstrates (1) that China's mine warfare investments are of limited utility against neighbors or in asserting maritime sovereignty on their own and, (2) that they are instead oriented in large part to blunting the U.S. military.

There are several reasons why mine investments are unlikely to be about local contingencies. First, these mines are of limited utility in controlling contested territory in the

[124] Erickson and Goldstein, 192.

[125] Erickson and Goldstein, 192.

East China Sea or South China Sea. At best, these mines may prevent an opposing naval force from entering an area China has already controlled, but as Chinese doctrinal and authoritative publications have suggested, the main threat to Chinese control of various blue waters is not opposing surface vessels alone but also opposing aircraft, which could be launched from a distance or from the shore. Mines can assist in denying access, but they are not as useful in establishing it. Second, to the degree Chinese mine warfare is at all concerned with China's neighbors, it is primarily concerned with a Taiwan scenario – which would almost certainly involve the United States. It is worth noting though, that although China practices extensive mine warfare exercises simulating a possible campaign against Taiwan – such establishing a blockade or mining Taiwanese ports – it also has invested heavily in the kinds of mine warfare capabilities that would be effective against American submarines and aircraft carriers but would be less useful against specifically Taiwan. These latter kinds of mines, which would be deployed in the deep sea, are qualitatively different from those most useful in the shallow waters of Taiwanese ports or perhaps even defensively in China's own ports against U.S. surface vessels or submarines. More fundamentally, China's attempt to engage in offensive mining operations of Taiwan's ports would involve submarines and aircraft, which first requires air superiority and the ability to avoid opposing (including U.S.) ASW platforms like SSNs. This illustrates that China's large investments in deep sea and fast-rising mines are intended to prevent entry of American submarines and aircraft carriers into the first island chain. In short, while there is no question that Chinese mines are intended in part as components of offensive operations involving Taiwan, the diversity and sophistication of its mine technology suggests concern over blocking U.S. intervention in such a scenario. Chinese strategists most likely also consider how to use mines to deny U.S. access in scenarios involving the East China Sea, South China Sea, and Korean peninsula, as well as undermine the credibility of U.S. alliance commitments in Asia by raising doubts about the safety of U.S. intervention.

Indeed, there are several affirmative reasons based on the criteria in the theory section for why China's investments in mine warfare should be seen as fundamentally motivated by a desire to *blunt* American power.

First, with respect to the *acquisition* of mine warfare capabilities, the timeline suggests U.S. demonstrations of power, especially the Gulf War, provided a catalytic influence. China fielded its first indigenous sea mine in 1974 and gradually improved it over the subsequent decade. It fielded its first indigenous minelaying vessel only in 1988, after a decade of investment, and that Type 918 minelayer was so slow and detectable that it had almost no operational survivability – which is perhaps why only one model was constructed.[126] Then, following the Gulf War, investments in mine warfare sharply increased. Since then China's mine inventory has transformed from moored contact and basic bottom influence mines to one including moored, bottom, drifting, rocket-propelled, and intelligent mines –in part through indigenous development and through purchases of Russian mine warfare technology. Chinese investments in mine warfare suggest an interest not only in offensive operations in Taiwanese ports, but also in capabilities to deter or frustrate U.S. intervention, including through deep-sea and rocket mines that could threaten American carriers far out at sea and SSNs closer to China's coast. All of this suggests that concern over U.S. capabilities is a major driver of Chinese investment.[127]

Second, although we lack an authoritative *doctrinal text* on Chinese mine warfare, official PLA writings as well as the writings of secondary authors strongly suggests a focus on the United States. Part of this focus emerged following the Gulf War, which showed Chinese analysts just how useful mines could be in countering a foreign power's intervention. During the

[126] Andrew S. Erickson, Lyle J. Goldstein, and William S. Murray, *Chinese Mine Warfare: A PLA Navy "Assassin's Mace" Capability* (Newport: Naval War College Press, 2009), 9.

[127] "The PLA Navy: New Capabilities and Missions for the 21st Century," 24; Erickson, Goldstein, and Murray, *Chinese Mine Warfare: A PLA Navy "Assassin's Mace" Capability*, 44.

conflict, Chinese authors studied the way Iraqi mines were able to frustrate American power projection and discussed sea mines as asymmetric tools. A 1992 article in *Modern Ships* emphasized that mines were a way weak states could repel strong ones and that American MCM capabilities were demonstrated by Iraq to be "relatively feeble." Other works during the time argued that, despite the ostensibly high-technology nature of the war, relatively crude and backwards weapons like mines nonetheless complicated American power projection. The same work noted that coalition forces were not able to cope effectively with Iraq's limited mine warfare capabilities: "despite deploying 13 vessels from four nations, this force proved insufficient, was plagued by wide discrepancies in the capabilities of each vessel, and made only slow headway [against Iraq's mines]." Roughly a decade later, these conclusions were accepted as conventional wisdom in the Chinese mine warfare literature. As one piece studying Iraqi mine laying during the Second Gulf War notes: "Everybody knows that during the 1991 Gulf War, Iraqi mines played an important role, mauling [a number of] U.S. Navy warships." This 2004 piece continued to argue that despite advances in American MCM technology, relatively basic mines still could inhibit the power projection capabilities of U.S. forces. As the author notes, quoting a U.S. naval officer in charge of MCM for Operation Iraqi Freedom: "Even in the most optimal sea and combat operations environment, hunting and sweeping mines is slow, causing frustration and danger."[128] Chinese analysts realize that, as part of a strategy against the United States, mine warfare was particularly advantageous. As a 2003 piece noted: "relative to other combat mission areas, [the U.S. Navy's] mine warfare capabilities are extremely weak."[129] Slightly more authoritative sources, such as *People's Navy*, the official newspaper of the PLAN, explicitly link these lessons to operational contingencies involving the United States, especially to an anti-access/area-denial strategy:

[128] Erickson, Goldstein, and Murray, *Chinese Mine Warfare: A PLA Navy "Assassin's Mace" Capability*, 3–5.

[129] Erickson, Goldstein, and Murray, 1.

> "The U.S. will need to move supplies by sea. But China is not Iraq. China has advanced sea mines…This is a fatal threat to U.S. seaborne transport…[T]he moment conflict erupted in the Taiwan Strait, the PLA Navy could deploy mines. U.S. ships that want to conduct ASW [antisubmarine warfare] [would] have to first sweep the area clear. When the U.S. fought in the Gulf War, it took over half a year to sweep all Iraq's sea mines. Therefore, it [would] not be easy for the U.S. military to sweep all the mines that the PLA [might] lay."[130]

Certain Chinese mine warfare capabilities are apparently focused exclusively on frustrating U.S. access. For example, China has invested heavily in fast-rising rocket mines – what it calls a "high-technology sea mine" – that are moored deep in the ocean and rise swiftly to strike their targets.[131] China not only acquired the mines from Russia (the PMK-1 and PMK-2), but Chinese sources suggest China also imported Russian doctrine in using these mines and has focused them, as Russia did, on striking enemy SSNs.[132] The only opponent China faces with SSNs is the United States, and these mines are therefore focused on blunting U.S. capabilities – a point several Chinese authors themselves make explicitly.[133] As one author notes, commenting on Russia's possession of these mines: "These weapons will attack SSNs too rapidly for countermeasures to engage, and are also rated to be highly effective against the mono-hull construction of U.S. submarines."[134] Authoritative texts strongly hint that anti-submarine objectives are a crucial part of mine warfare. For example, the *Campaign Theory Study Guide* calls for "anti-submarine mine zones" and a 2007 textbook in mine-warfare makes repeated reference to their usage against submarines.[135]

Crucially, as Andrew Erickson notes, official pseudo-doctrinal writing on Chinese mine warfare generally employs a few set phrases that appear often and strongly suggest a focus on

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[130] Quoted in Erickson, Goldstein, and Murray, 5.

[131] Erickson, Goldstein, and Murray, 20.

[132] Erickson, Goldstein, and Murray, 21.

[133] Erickson, Goldstein, and Murray, 21.

[134] Quoted in Erickson, Goldstein, and Murray, 44.

[135] Erickson, Goldstein, and Murray, 44.

asymmetries relative to a superior opponent. These phrases include that mines are "easy to lay, hard to sweep," [易布难扫] a reference to the asymmetric operational advantage that comes from them, and that "four ounces can move one thousand pounds" [四两可拨千斤], which is a reference to their asymmetric destructive potential. Another routine phrase is that mines are "not attracting attention," with Chinese authors noting that they are not currently focuses of major navies, and explicitly the U.S. Navy. Similarly, Chinese sources routinely write that mines are both "high and low technology" [高低技术], with a typical reference noting that mines in the Gulf War cost as little as $10,000 but did over $96 million in damage to U.S. vessels. In sum, these phrases that appear repeatedly in Chinese texts on mine warfare strongly suggest that it is understood asymmetrically and often focused on the United States.

Third, Chinese mine warfare *training* exercises appear to reflect operations against a high-technology adversary like the United States. Already, China focuses more on training for mine warfare than other navies. As Bernard Cole noted as early as 2001, "PLAN surface combatants are annually required to exercise laying mines, which is not a common practice in most navies," and which further demonstrates that China's investment in mine warfare is more substantial than would be expected under most theories.[136] With respect to submarines, minelaying has been a crucial part of Chinese submarine training programs for more than two decades and a major part of the curriculum for mid-level officers at the Qingdao Submarine Academy. Articles in the *People's Navy* describe mine-laying exercises in great detail and even call minelaying "the most basic requirement of submarine warfare."[137] These exercises emphasize coping with enemy ASW capabilities which are quite advanced and include aerial capabilities, an opposing ASW mine-field, and even an opposing submarine – capabilities which

[136] Bernard D. Cole, *The Great Wall at Sea: China's Navy Enters the Twenty-First Century*, 1st ed. (Annapolis: Naval Institute Press, 2001), 156.

[137] Erickson, Goldstein, and Murray, *Chinese Mine Warfare: A PLA Navy "Assassin's Mace" Capability*, 33.

again draw attention to the United States as the likely target and opponent of Chinese mining efforts.[138] Finally, with respect to aerial platforms, aerial delivery of mines has been a focus of Chinese training efforts since at least 1997, if not earlier. These exercises have also taken place with simulations of sophisticated enemy capabilities not possessed by most Chinese competitors, including advanced electronic warfare capabilities.[139]

Missiles

Finally, we turn to China's investment in ASBMs. This section shows, (1) that in local contingencies, these capabilities would be overkill since no other navy operates in the Western Pacific, and that (2) the best explanation is that these were built as part of the blunting strategy focused on the United States.

China's anti-ship ballistic missiles are of limited utility in sea control operations against China's neighbors. First, as the succeeding section demonstrates in greater detail, China's doctrinal publications have discussed ASBMs within the context of assaults on enemy aircraft carriers. None of China's neighbors possess aircraft carriers that could threaten China on its maritime periphery save the United States and only the United States has used carriers to threaten China, and so the ASBM program is almost certainly aimed at the United States. Second, non-doctrinal Chinese publications often suggest limits to ASBM utility, especially with respect to sea-control operations. As one author notes, ASBMs "cannot replace carriers, submarines, and other traditional naval weapons." They "can be used to destroy enemy forces at sea but not to achieve absolute sea control, let alone to project maritime power."[140] The fact that ASBMs are inadequate for projecting power and achieving sea control mean they are of limited

[138] Erickson, Goldstein, and Murray, 33–34.

[139] Erickson, Goldstein, and Murray, 33–34.

[140] Erickson, *Chinese Anti-Ship Ballistic Missile (ASBM) Development: Drivers, Trajectories, and Strategic Implications*, 71.

utility in campaigns in the Taiwan Strait or the East and South China Seas, unless they are viewed primarily as a means of deterring or responding to U.S. carrier-based intervention. For that reason, ASBMs should be seen as an anti-US platform. Third, both doctrinal and technical publications on ASBMs are clear that because these weapons are focused on moving targets, they have higher ISR requirements than cruise missiles aimed at fixed targets. This in turn suggests significant limits to their utility in contingencies farther afield than China's maritime periphery, such as the Indian Ocean, and bolsters an explanation for these missiles focused on local conflicts involving the United States.

There are several affirmative reasons, based on the criteria outlined in the theory section, to see ASBMs as part of a blunting strategy.

First, with respect to the *acquisition* of ASBMs, although the timeline of China's decision to construct ASBM weapons cannot be entirely reconstructed, significant evidence suggests it was triggered by anxieties about American power projection. If it were true that the ASBM program were directed primarily against the United States, then we would expect to see less or no investment in ASBMs during the period when China did not perceive the United States as a major threat. This is in fact the case. As Andrew Erickson notes, the decision to construct an ASBM was almost certainly made no earlier than 1986. A high-level document written that year by the Second Artillery's chief engineer on anticipated investments to be made over the next fourteen years through to the year 2000 did not once mention ASBMs.[141] Indeed, multiple sources confirm that the Second Artillery lacked any conventional mission at all until roughly 1992, around the time that Chinese military strategy changed in the wake of Tiananmen, the Gulf War, and the Soviet collapse. This is confirmed in a history of the Second Artillery, wherein the author writes, "At the beginning of the 1990s, the Chinese Communist Party Central

[141] Erickson, 50.

Committee, the State Council, and the Central Military Commission studied and sized up the situation according to the needs of international military struggle and the development of Chinese weapons and equipment, scientifically making a strategic decision to speed up the development of new models of Chinese missile weapons."[142] These plans were almost certainly accelerated following various demonstrations of American power, after which China often repeated an interest in accelerating developments of shashoujian weapons – a term, as will be explained further below, that Chinese strategists used to describe ASBMs. As Larry Wortzel notes, "The first time a senior Chinese military officer of the General Staff Department mentioned ballistic missiles attacking carriers was after our two carriers showed up [during the Taiwan Strait Crisis], and he put his arm around my shoulder and said we're going to sink your carriers with ballistic missiles, and we had a long conversation about it. I don't know if they were doing research before that, but…the first time it got thrown in my face was 1996."[143] Andrew Erickson documents convincingly that technical work on the ASBM program began accelerating that same year. By 1999, some of the first references to using ASBMs to strike carriers appeared in Chinese pseudo-doctrinal publications. Following the U.S. intervention in Kosovo and the accidental bombing of the Chinese embassy in Belgrade, the Central Military Commission resolved to accelerate development of "assassin's mace" weapons, of which the ASBM was one. Together, this suggests that the main driver of ASBM development has been concerns and anxieties about American power projection – often but not exclusively in Taiwan-related scenarios – and not the capabilities of neighbors.

[142] "The 'Long Sword' Owes It Sharpness to the Whetstone - A Witness's Account of the Build-Up of the Two Capabilities of a Certain New Type of Missile," in *Glorious Era: Reflecting on the Second Artilery's Development and Advances during the Period of Reform and Opening [辉煌年代回顾在改革开放中发展前进的第二炮兵]* (Beijing: CCP Central Committee Literature Publishing House [中央文献出版社], 2008), 681–82.

[143] Erickson, *Chinese Anti-Ship Ballistic Missile (ASBM) Development: Drivers, Trajectories, and Strategic Implications*, 31.

Second, turning to *doctrinal sources*, Chinese textbooks and manuals are explicit that anti-ship ballistic missiles are useful against developed militaries, rather unlike those that China faces on its periphery. Indeed, Chinese doctrinal sources describe ASBMs for their utility against foreign aircraft carriers. *The Science of Second Artillery Campaigns*, a military textbook published in 2004 that represents the institutional viewpoint of the Second Artillery, explicitly describes the use of anti-ship ballistic missiles against aircraft carriers. It states that ASBM's should be used as an "assassin's mace," and that more specifically, they would be used in "deterring and blocking enemy carrier groups." It lays out some of the requirements of these operations, including the fact that "information on carrier battle groups should be gathered in a real-time basis" because carriers are moving targets, thereby noting the targeting challenges carriers pose. In another section, it states, "when many carrier-borne aircraft are used in continuous air strikes against our coast, in order to halt the powerful air raids, the enemy's core carrier should be struck as with a 'heavy hammer.'"[144] Given that the United States is the only country with aircraft carriers that can operate on China's coast, these references clearly articulate a Chinese strategy to blunt American power projection carried in Chinese doctrine.

Less official publications are even more explicit that ASBMs are intended to deter the United States. Dong Lu, writing in *Naval and Merchant Ships* noted that ASBMs were an asymmetric weapon against great powers:

> Since the end of the Cold War, the aircraft carrier has become a symbol of the might of a great power, while the ballistic missile has also become an effective weapon for developing countries around the world to safeguard their own security and challenge great powers. The might of an aircraft carrier is based on the disparity between the comprehensive powers of rich and poor states. The ballistic missile, on the other hand, seeks to exploit the temporal lag in the development of offensive and defensive technologies. What should be noted is that this…lag may well disappear in the not-too-distant future, but the economic disparity between rich and poor states can only be overcome after a long period. Therefore, although ASBMs are undoubtedly an effective means of deterring military intervention at the present, from a long-term perspective it

[144] *Science of Second Artillery Campaigns,* 2004

> will take the strengthening of the nation's economic powers and comprehensive improvements in the navy's counter-strike capabilities.[145]

In other words, although China would eventually need comprehensive national strength to cope with U.S. power projection, ASBM's were for now an "effective means of deterring military intervention." Other authors, including senior Second Artillery officers, described ASBMs in similar terms in 2005: "The primary form of future sea combat will be the extensive use of precision-guided ballistic missiles in long range precision attacks…We must view…long-range sea-launched precision-guided ballistic missiles as the priority of our weaponry building.[146] These priorities were clearly aimed towards conflict in the East, intended to cope with Chinese technological inferiority and to deter a foreign government from intervention, and therefore could be seen as part of a larger political strategy. As one Chinese strategist argues:

> "[ASBMs] provide China with more maneuvering space for military and political strategic operations on its eastern, maritime flank…." [The creation of a] tactical ballistic missile maritime strike system…will establish for China in any high-intensity conflict in its coastal waters an asymmetry, in its favor, in the deliverance of firepower and so will remedy to some extent China's qualitative inferiority in traditional naval platforms. Further, the existence of this asymmetry would set up for both sides a psychological 'upper limit' on the scale of the conflict. This would enable both parties to return more easily 'to rationality,' thereby creating more space for maneuver in the resolution of maritime conflicts.[147]

Moreover, it is clear that the development of the ASBM program was intended in part to address Taiwan contingencies where United States could frustrate Chinese plans by deploying aircraft carriers – just as it had during the 1996 Taiwan Straits crisis. On a visit to the United States in 2009, then Vice Chairman of the Central Military Commission Xu Caihou was asked about China's ASBM program and explicitly linked both ballistic and cruise missiles to reunification: "The research and development of weapons and equipment, including that of our

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[145] Quoted in Erickson, *Chinese Anti-Ship Ballistic Missile (ASBM) Development: Drivers, Trajectories, and Strategic Implications*, 27.

[146] Quoted in Erickson, 70.

[147] Quoted in Erickson, 70.

cruise missiles and ballistic missiles, some of which were on display on our [October 1, 2009] National Day military parade, is entirely for self-defense….and for the minimum requirement of national security. As you also know, China has yet to realize complete unification."[148]

With respect to *training*, there are some indications that the Second Artillery's conventional units train under the assumption that they would face U.S. interference, strongly suggesting China is focused on contingencies involving the United States. As Christman notes, "One of the most significant advances the Second Artillery Corps has made in preparing its conventional units to deal with a severe threat environment has been establishing an 'opposing force' unit that tests operational units in a wide range of battlefield environments. This so-called 'Blue Army' opposing force regiment… [is] an effort to replicate potential U.S. counter missile force operations. Various tactics employed by this unit include electronic jamming, computer network operations, virus attacks, firepower attacks, special force operations, electronic deception, and the use of 'logic bombs.'"[149] These are conditions that only the United States would likely be able to bring upon China's conventional missile forces, and again suggest a preoccupation with U.S. power.

AIRCRAFT CARRIERS

Although fifteen countries have operated aircraft carriers over the last few decades, China has only recently joined those ranks. This case argues that China avoided pursuing an aircraft carrier because it did not fit into its *blunting* strategy to erode American power projection. After the Global Financial Crisis, China believed it was time to devote itself more to local contingencies and order-building as part of its *building* strategy, and subsequently pursued a four-carrier navy focused on power projection.

[148] Erickson, 29–30.

[149] Christman 211-212; 216-220; especially footnote 92

Diffusion Explanations

China's non-adoption of the aircraft carrier for much of its history is puzzling in light of diffusion theories. According to the logic of diffusion, China should have acquired aircraft carriers long ago, especially since aircraft carriers have been in service ever since the British Royal Navy debuted the HMS Furious in 1917.[150] Moreover, aircraft carriers have been the predominant instrument of naval power ever since they replaced battleships in the Second World War, which is why a number of countries have been intent on acquiring them. Over fifteen countries at various stages of development have acquired and operated aircraft carriers: Argentina, Australia, Brazil, Canada, France, Germany, India, Italy, Japan, the Netherlands, Russia, Spain, Thailand, the United Kingdom, and the United States. Why it took China until 2012 to join this long list is a puzzle that diffusion-based explanations alone cannot solve.

Adoption-Capacity

Explanations focused on adoption capacity are much better able to account for the non-diffusion of aircraft carriers. Michael Horowitz claims that "the high financial and organization requirements for adoption" led many postwar navies to avoid carriers altogether.[151] From this perspective, it seems at least one plausible explanation for China's slow adoption of the carrier has nothing to do with its limited utility against the United States and everything to do with the high financial and organizational cost of developing it.

This argument, however, does not quite fit the existing empirical evidence. Despite the high financial and organizational costs of aircraft carriers, it is clear that China could nonetheless have acquired them in the 1990s or 2000s (long before 2012) had it been willing to expend the necessary resources in at least two ways: (1) through indigenous construction, or (2) through refurbishment of a foreign hull. The fact that China availed itself of neither of these two

[150] Michael Horowitz, *The Diffusion of Military Power* (Princeton: Princeton University Press, 2010), 68.

[151] Horowitz, 65.

options in turn suggests that China's non-acquisition was a product of conscious strategic choice rather than financial and operational inadequacy.

First, China could probably have constructed its own light and non-nuclear aircraft carrier –admittedly at great cost and difficulty – if it had chosen to make it a priority. In the history of China's weapons programs, there is a track record of extreme focus on specific acquisitions that allowed the country to overcome significant financial and organizational challenges to achieve groundbreaking leaps in military capabilities. As Ian Storey and You Ji note, China was "able to overcome both technical and financial problems in the mid-1960s, the height of the chaotic Cultural Revolution, to develop nuclear weapons; the country's scientific, industrial, and economic bases have been strengthened considerably since then," perhaps to the point where a light carrier would have been possible had it been deemed a strategic necessity by China's leadership. Moreover, even though a carrier program may have consumed a large portion of the navy budget, extra-budgetary financing could have been made available as it was for the nuclear weapons and nuclear submarine programs.[152] Authoritative Chinese sources make this theory far less speculative. In his memoirs, Admiral Liu Huaqing – then commander of the PLAN – recounts his remarks in an important 1987 meeting before the PLA General Staff: "As for whether we were technologically capable of manufacturing aircraft carriers and carrier-based aircraft, after consulting with leaders and experts from the aviation, shipbuilding, and other relevant industries, [the leaders and experts] said that they believed they were able to fulfill the fundamental requirements." Liu noted that, "Of course, some special installations would require serious handling, but these problems could be solved."[153] On the separate question of financing, Liu further states that "developing aircraft carrier battle groups is a question of how to adjust the trajectory of funding for equipment and would not require a

[152] Tai Ming Cheung, *Growth of Chinese Naval Power* (Singapore: Institute of Southeast Asian Studies, 1990), 27. See also John Wilson Lewis and Xue Litai, *China Builds the Bomb* (Stanford: Stanford University Press, 1988).

[153] Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]*, 480.

significant increase in equipment expenses."[154] In Liu's terms then, an aircraft carrier was a question of priorities and not fundamentally one of financial and organizational difficulties. Finally, it is necessary to mention that China was by the 1980s already receiving some Western assistance in its carrier program, having received an aircraft carrier from Australia and engaged in technical exchanges with Western European militaries that could have allowed it to surmount various technological challenges. Writings by senior Chinese leaders including Liu Huaqing make clear that these exchanges provided China with far more than the rudiments for a carrier program. In light of (1) China's demonstrable ability to dedicate national resources to marquis defense programs, (2) the confident assessment of its own military leadership that a carrier was feasible, and (3) the country's documented ties with foreign militaries, it seems that it was at least conceivable that China could have constructed a light indigenous aircraft carrier in the 1990s had it been willing to commit to that goal.

Second, even if it were *not* the case that China could have constructed its own indigenous aircraft carrier, it is almost certainly the case that it could have refurbished – either on its own or with external assistance – a carrier imported from a foreign military. Indeed, several countries with development levels equivalent to or even lower than China that also pursued large-scale military modernization have acquired, refurbished, operated, and subsequently maintained light aircraft carriers for decades, including Brazil since 1960, India since 1961, and Thailand since 1996. This suggests that, whatever the obstacles involved, China may well have been able to surmount them – especially since China in the late 1980s and early 1990s was considerably more advanced than Brazil or India in the early 1960s. Skeptics might respond that countries like Brazil, India, and Thailand had ties to Western states that facilitated their adoption of aircraft carriers. This is undoubtedly true, but it is also the case that China itself enjoyed defense ties with advanced, carrier-operating states that could have facilitated a carrier

[154] Liu Huaqing [刘华清], 480.

program. Following normalization, China benefited from enormously close collaboration with Western militaries, so much so that, as discussed previously, China successfully purchased an aircraft carrier from Australia in 1985 (the HMAS Melbourne) – just as India, Brazil, and Thailand had purchased their carriers from the UK, Netherlands, and Spain respectively.[155] Some may object that China would not have been able to field a carrier after the Tiananmen Square Massacre, which led the United States and its European allies to adopt an arms embargo on China, but this too is overstated. Even after Tiananmen, Western states revealed their own willingness to help China with its carrier program, with Spain offering to construct a carrier for China and France offering to refurbish one of its older carriers. Although these agreements fell through, European firms signed lucrative consulting contracts with Chinese entities that almost certainly involved the diffusion and transfer of important knowledge or designs. It seems entirely conceivable that Western assistance could have still played an important role in a Chinese carrier program, even given the legal and political difficulties. And of course, even if it were the case that Western states ceased being useful to China after the embargo, the supposed loss of ties to those militaries was nevertheless replaced in part by improved ties to Moscow, through which China gained ready access to Russian blueprints, expertise, technology, and hulls. Indeed, if Liu Huaqing was accurate in noting that China was capable of carrier construction in the 1980s, then it should certainly have been able to refurbish a Russian carrier in the 1990s or 2000s – especially with Russian assistance. The collapse of the Soviet Union effectively meant several Soviet carriers were available for sale, and by the year 2000, China had acquired three – the *Minsk, Kiev,* and *Varyag* – and by some accounts, the *Varyag* came with fully functional engines and blueprints that allowed China to renovate it quickly once a decision

[155] Ian Storey and You Ji, "China's Aircraft Carrier Ambitions: Seeking Truth from Rumors," *Naval War College Review* 57, no. 1 (2004): 79.

was made to do so in the late 2000s.[156] If China had been unwilling or unable to refurbish these carriers, or if it lacked aircraft appropriate for the carrier, it could have paid Russia to make the carriers operational and to provide the aircraft – as India did. The Indian Navy received Russia's *Admiral Gorshkov* and in return contracted with Russia to upgrade the carrier and provide relevant fighter aircraft, with a modest overall total cost of roughly two to three billion dollars.[157] It seems reasonable to assume that China could have struck a similar deal with Russia in the 1990s or early 2000s, especially since Russia was already assisting China with other sensitive aspects of its defense modernization.

In sum then, it remains puzzling why China did not launch a program to construct or acquire a functional aircraft carrier until the late 2000's and did not field one until 2012. Had its leadership committed to the program even a fraction of the way it had to the nuclear program, it could have constructed a light carrier; alternatively, it could have refurbished Australian or ex-Soviet carriers on its own or with foreign assistance. What this suggests then is that the high financial and organizational intensity of fielding a carrier is not the best explanation for China's delay in acquiring one, and that it remains possible that the absence of China's carrier for so long was a case of strategic choice.

Bureaucratic Politics

If China's delay in constructing or acquiring an aircraft carrier was not about financial or organizational difficulties, then could it have been the result of bureaucratic politics? Does a change in bureaucratic politics also explain the change in China's naval structure after 2008?

There are at least two bureaucratic explanations that merit consideration. The first is that the carrier succumbed to a rivalry between submariners and carrier advocates. Some of the

[156] Minnie Chan, "Mission Impossible: How One Man Bought China Its First Aircraft Carrier," *South China Morning Post*, January 18, 2015, http://www.scmp.com/news/china/article/1681710/sea-trials-how-one-man-bought-china-its-aircraft-carrier.

[157] "Gorshkov Deal Finalised at USD 2.3 Billion," *The Hindu*, March 10, 2010, http://www.thehindu.com/news/national/gorshkov-deal-finalised-at-usd-23-billion/article228791.ece.

most prominent opponents of a carrier program were high-ranking submariners like Wang Shichang, who penned pieces against the carrier.[158] The second explanation is that the carrier was quashed by competing service interests, especially the army. These explanations at first seems plausible but on closer inspection appear unlikely. Neither explanation, as we will see, can account for why China reversed course and began pursuing a power-projection navy after 2008.

First, we turn to submariner interests. While a carrier program would have likely detracted from the submarine program, it could also have offered the PLAN far greater resources and prestige, so it is not clear that such a decision would necessarily have militated against naval interests on the whole. Indeed, even though China's navy was focused largely on submarine warfare, much of its senior leadership was interested in aircraft carriers. As Zheng Min, former head of the Department of Naval Equipment and Technology notes, "Naval brass have always advocated building an aircraft carrier."[159] For example, Zhang Xusan, a strong supporter of carriers, was PLAN deputy commander in the late 1980s. Similarly, He Pengfei was PLAN deputy commander in the 1990s and a strong supporter of carrier aviation who backed the decision to covertly acquire the *Varyag*.[160] Any intra-service rivalry within the Navy would likely have been superseded by a naval leadership that was consistently pro-carrier for decades.

A second piece of evidence – both against the argument that intra-service pressure from submariners or alternatively interservice rivalry involving the army undermined the carrier program – is provided by Liu Huaqing's very career. Liu was a tireless advocate for a Chinese carrier who reportedly studied in the Soviet Union under Admiral Gorshkov, the evangelist for Soviet carrier aviation. Liu once famously said that "if China does not build an aircraft carrier, I

[158] Zheng Dao, "Voyage of the Varyag," *Caixin*, July 27, 2011, http://english.caixin.com/2011-07-27/100284342.html?p2.

[159] Zheng Dao.

[160] See SCMP series

will die with my eyelids open [不搞航空母舰，我死不瞑目]."[161] He held several positions of influence in the 1980s and 1990s, which together constitute the earliest period in which China would have been able to achieve a carrier. From 1982-1987, Admiral Liu served as commander of the PLAN, which would have afforded him the opportunity to dismiss submariner grievances – which in any case appear not to have affected his own passionate advocacy for carriers throughout that period to the PLA General Staff. Moreover, after Deng Xiaoping promoted Liu Huaqing and made him vice chairman of the Central Military Commission as well as a member of the Politburo Standing Committee, he gained a status that placed him above the services as the PLA's highest-ranked military official. It was in this period, as discussed previously, that Liu officially elevated China's maritime and air forces as a priority above the land forces. Moreover, as Jiang began his tenure as China's paramount leader and began consolidating his influence over the military, Liu was a close ally.[162] It is highly unlikely that the parochial interests of submariners or land forces could have thwarted the agenda of a powerful military figure like Liu, who commanded the entire navy for much of the 1980s, rose to the party's leading body in the 1990s, and who by his own admission remained a passionate carrier advocate throughout this period and explicitly prioritized naval and air modernization over land forces.

It appears then that that the decision not to develop a carrier came not at the intra-service or inter-service level but at a much higher level of strategic planning, one that likely involved senior leaders like Jiang himself and the broader Party. Liu Huaqing admits in his memoirs that the ultimate decision was for the Central Military Commission to make, and that the question of a carrier was not just a naval question but a larger one of national strategy.[163]

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[161]See Liu Huaqing's obituary in Xinhua, "Liu Huaqing, Father of the Modern Navy [现代海军之父刘华清]," *Xinhua*, January 15, 2011, http://news.xinhuanet.com/mil/2011-01/15/c_12983881.htm.

[162] You Ji, "The Supreme Leader and the Military," in *The Nature of Chinese Politics*, ed. Jonathan Unger (New York: M.E. Sharpe, 2002), 195.

[163] Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]*, 480–81.

You Ji notes that Liu repeatedly lobbied Jiang on behalf of the carrier program, and that Jiang responded carefully since he still relied on Liu for support: "Jiang knew well Liu's personal position on carriers. He continuously agreed to the preliminary carrier research to avoid a direct clash with Liu on carrier affairs [as]…a kind of delaying tactic before a final decision to shelve [the carrier]."[164] Moreover, there is evidence that at a May 1995 Politburo Standing Committee meeting, Liu proposed to use the *Varyag* as a path to a Chinese carrier, but the Standing Committee rejected its purchase and with it the carrier program.[165] Some might respond that Jiang was unlikely to have the strategic and operational knowledge to confidently overrule Liu, but Jiang was intimately involved in defense planning and – per Deng's advice – spent multiple days in highly-detailed CMC meetings as soon as he assumed power. China's top leaders have long been intimately involved in China's decision to build nuclear weapons, satellites, and asymmetric weapons; why would carriers be different? Moreover, the decision need not have been Jiang's alone but one of broader Party consensus, with Liu the outlier. Only the top Party leadership could have overruled the military, and military accounts – including Liu's – suggest higher-level opposition. In sum, the key point is that matters of naval force structure (i.e., a carrier-based navy or a submarine-based navy) were made at the highest levels of *national* policy – not military policy – and this is a level where grand strategic considerations would have been deliberated. This applies both to the decision to shelve a carrier as well as the later decision to eventually build a carrier-based navy, suggesting that the ultimate decision to later build a carrier was not caused by a change in bureaucratic politics. The most favorable environment for a carrier existed in the 1990s and yet no carrier materialized; that environment became modestly less favorable with Liu's retirement and as time went on, which suggests another factor changed China's decision on carriers.

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[164] You Ji, *China's Military Transformation* (Malden: Polity, 2016), 195.

[165] http://mil.news.sina.com.cn/2015-03-24/1058825518.html Elements of this account are confirmed in Liu Huaqing Nianpu Volume 3, p. 1195

Blunting and Building

If China's naval investments – especially its delayed acquisition of an aircraft carrier – are not explainable from the perspective of diffusion, adoption capacity, or bureaucratic politics, might they be best explained by external security considerations? If so, the question then turns on which concerns have been foremost on the minds of Chinese strategic planners. By analyzing pseudo-doctrinal Chinese views on the limitations of their own military in these situations and matching them against an analysis of China's acquisitions – as well as subsequent posture and training – we can better determine the motivation behind China's military investments.

Is the reason that Chinese strategic planners delayed carrier investment that they simply did not think carriers were useful in operational contingencies? The answer is not quite, and in fact there is amble evidence that they believed carriers would be useful in local contingencies. Chinese planners, however, did not believe such local contingencies were a priority – *blunting* American power was the priority – and carriers which were unsuited to this task would not be prioritized until strategy changed.

Chinese-language sources and *doctrine* make clear that China's government viewed carriers as useful in local contingencies, especially for escort and air control purposes. In a 1973 meeting with foreign visitors, Chinese Premier Zhou Enlai reportedly said, "Our Nansha and Xisha Islands are occupied by the Republic of Vietnam (South Vietnam); without an aircraft carrier, we cannot put China's navy at risk [by] fighting," as China's navy would be left "to fight just with bayonets."[166] This view was shared by the PLAN as well. In November 1986, Liu Huaqing was part of a "naval development strategy study group" that included "military and civilian leaders as well as renowned experts" from all over the government. "From the perspective of what was needed to protect China's maritime rights and interests, recover Nansha and Taiwan, and deal with other strategic circumstances," he notes in his memoir, the members

[166] This quote appears in multiple media accounts. Here, http://english.chinamil.com.cn/news-channels/china-military-news/2016-04/07/content_6995738.htm, see here http://www.andrewerickson.com/2012/09/chinas-ministry-of-national-defense-1st-aircraft-carrier-liaoning-handed-over-to-pla-navy/

"recommended constructing an aircraft carrier."[167] Liu further noted that, without an aircraft carrier, it would be difficult to secure Chinese interests with surface vessels alone, telling the PLA General Staff in 1987 that: "when thinking about maritime formations, we had only considered destroyers, frigates, and submarines; after further research, we realized that without air cover, there was no way these formations would be able to fight outside the radius of shore-based combat aircraft," and that even *within* the range of shore-based aircraft, air cover would simply not reach quickly enough in times of crisis.[168] The military was convinced carriers were useful not only for conflicts in the distant South China Sea, but also much closer in the Taiwan Strait. Liu wrote that the PLA General Staff looked favorably upon his report and escalated the question of carrier acquisition, all of which suggests that at least as early as 1987, a Chinese focus on narrower local operational contingencies should have included an aircraft carrier. In 1995, Liu in a high-level meeting on aircraft carriers stated that "Defending the South China Sea, peacefully reuniting Taiwan, safeguarding maritime rights and interests -- all require aircraft carriers."[169] As for other non-neighboring contingencies besides escort and air control – like SLOC protection – the demands on a carrier battle group operating far from China would be significant, so much so that despite China's launch of the *Liaoning* in 2012, China would struggle to maintain SLOC protection without greater spending on replenishment, logistics, overseas supply bases, nuclear power, and other necessities – which only after the Financial Crisis began to materialize in sufficient quantities.

In sum, the preceding evidence makes clear that PLA missions varying from narrow local contingencies to broad blue-water SLOC protection were believed by Chinese officials to require capabilities that China deliberately did not acquire for three decades. This in turn suggests that

[167]Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]*, 478.

[168] Liu Huaqing [刘华清], 479–80.

[169] Liu Huaqing Nian Pu Vol 3. 1195

China's military priorities were oriented towards a different kind of strategic challenge, *blunting* American power.

Indeed, despite the fact that a Chinese carrier program was feasible, enjoyed high-level support within the navy and in the larger military, apparently found support in the late 1980s at the central level, and was believed to be useful in conflicts with neighbors, China did not see carriers as useful in asymmetric strategies against the United States.

First, we begin by considering China's *acquisition* process. Was the delay in acquiring a carrier intentional and considered? A number of Chinese officials suggest that it was, and that the delay in carrier acquisition was a deliberate choice made at the highest levels. Major General Zheng Ming, former head of the PLA Navy Armaments Department, was part of the delegation that was sent to inspect the former Soviet carrier *Varyag* for acquisition as early as 1992. "During the trip [in 1992], we found it was a brand-new ship. Everything was completely new, from the armor plating to other parts, so we suggested [the central government] buy it and bring it home…but the central government didn't do it because of the [political] situation at the time."[170] Similarly, in a 2005 interview, former PLAN Deputy Commander Zhang Xusan recalls that, "I certainly advocate having an aircraft carrier soon. . . . When I was [deputy commander of the PLA] Navy I advocated that, and at that time Commander . . . Liu Huaqing advocated it too, but for many reasons it was postponed."[171] Various scholars have concluded from their interviews with interlocutors in Beijing that the Chinese carrier program was delayed or postponed repeatedly in the late 1980s and early 1990s for high-level political reasons, and that Jiang decided to approve national-level preliminary research on a carrier program only in the

[170] Minnie Chan, "The Inside Story of the Liaoning: How Zu Zengping Sealed the Deal for China's First Aircraft Carrier," *South China Morning Post*, January 19, 2015, https://www.scmp.com/news/china/article/1681755/how-xu-zengping-became-middleman-chinas-deal-buy-liaoning. Parentheticals are in the original.

[171] Andrew S. Erickson and Andrew R. Wilson, "China's Aircraft Carrier Dilemma," *Naval War College Review* 59, no. 4 (2006): 19.

mid-1990s – and perhaps as a way of mollifying Liu.[172] According to some sources, Liu submitted a report on a carrier to the Politburo Standing Committee in May of 1995 and proposed purchasing and refitting the *Varyag*, but the proposal was turned down and the carrier issue was effectively dead for at least the next eight years.[173] China did not appear to demonstrate interest in the carrier program again until the mid-2000s, and it apparently did not seriously commit resources until after the Global Financial Crisis.

Relatedly, as Liu himself admitted, the decision to construct an aircraft carrier was one that would need to be made at the level of the Central Military Commission and above – a reference, presumably, the Politburo Standing Committee that had previously turned his proposal down. He situates an aircraft carrier within what might be described as a larger Chinese grand strategy: "The development of a carrier is not just a naval question, instead it is related to such weighty matters as national strategy [国家战略] and defense policy, and it must emerge from accurate determinations of and prudent decision-making concerning the country's comprehensive national strength and the overall national maritime strategy."[174] This not only suggests that the carrier decision must have been made at a level that could consider larger – not only military – strategy, but also that the carrier is itself a useful test case for Chinese strategy.

Second, we turn to whether Chinese *doctrine* can shed light on the reasons for China's delayed adoption of an aircraft carrier. The important question here is whether carriers were considered useful in operational scenarios involving the United States or consistent with overall Chinese strategic objections. As discussed above, authoritative military sources suggest strongly

[172] You Ji, "The Supreme Leader and the Military"; You Ji, *China's Military Transformation*, 194–95; Robert S. Ross, "China's Naval Nationalism Sources, Prospects, and the U.S. Response," *International Security* 34, no. 2 (2009): 46–81.

[173] http://mil.news.sina.com.cn/2015-03-24/1058825518.html Elements of this account are confirmed in Liu Huaqing Nianpu Volume 3, p. 1195

[174] Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]*, 480.

that China saw a carrier as useful in the South China Sea – so much so that, as Tai Ming Cheung writes, "Shortly after the Sino-Vietnamese clash in the Spratlys in March 1988, there were indications that a go-ahead on building a carrier would soon be given."[175] But the triple shocks of the late 1980s and the early 1990s revealed to China that the United States was no longer an ally but a plausible opponent with far superior military technology. As China's grand strategy changed to address the threat, it also may have changed on the carrier question. Indeed, if China's strategy was to prepare for local contingencies that did not necessarily involve the United States, then given the fact doctrinal texts suggest carriers would be useful for such purposes, we would expect to see China acquire them. The delay here suggests that such views of China's strategy in this period are flawed.

Instead, authors in Chinese military journals have long written of carrier vulnerabilities, informed in part by the lessons of U.S. and Soviet maritime competition. As one military writer argues in the late 1980s: "The US navy's aircraft carrier combat groups are extraordinarily limited in number" and "face a threat from all sorts of [Soviet] guided missile launch platform combat groups."[176] Chinese defense strategists would have undoubtedly been aware of how vulnerable their own carriers would be to the United States, and conversely, how the Soviet anti-access approach could be adopted for Chinese purposes against U.S. carriers. Once the United States became the primary strategic threat to China, official assessments of the value of a carrier program would likely have changed.

Chinese military authors have long made arguments consistent with this perspective. Throughout the 1990s and into the present day, many authors and even some pseudo-doctrinal sources have called into question the usefulness of Chinese aircraft carriers in operations against the U.S. Navy. As one official, with admittedly some exaggeration, stated, "even twenty PRC

[175] Tai Ming Cheung, *Growth of Chinese Naval Power*, 27.

[176] Tai Ming Cheung, 40.

carriers cannot compete with U.S. nuclear carriers."[177] And in an argument that echoes Cold War era analyses of carrier vulnerabilities, Ye Zicheng – a Professor at Beijing University who became a prominent figure in debates over aircraft carriers in the mid-2000s – argued that Chinese carriers would be vulnerable to U.S. missiles. Moreover, he proposed that "sea power is secondary to land power" and that "China should postpone plans to build aircraft carriers." Ye writes that "sea power must obey trends in military technology," and that "with the maturing of precision-guided land/space-based missile technology, the advantage of an aircraft carrier group has been greatly diminished, and it is more likely to become the target of advanced missiles, land-based aircraft, and advanced submarines and destroyers."[178] Some high-speed missiles, Ye notes, will even become "carrier killers."

Admittedly, Ye's account is not as authoritative as those of officers within the PLAN, but his profile in military discussions suggests he was channeling widely-held views. Indeed, the capabilities outlined by Ye – submarines and carrier-killer missiles – are precisely those in which China has made military investments and comport with a few that China emphasized as asymmetric weapons designed to defeat American capabilities. China's strategic admonitions not to emulate Western states, to defeat the strong with the weapons of the weak, and to acquire shashoujian weapons all seem to point to a decision to avoid expensive platforms like a carrier – that would be inferior in any case to the Western equivalent – and to instead focus on different capabilities. Indeed, several prominent scholars have argued in favor of such asymmetric capabilities instead of an aircraft carrier. For example, Ye argues that funds for a carrier "would be more effectively spent" on "advanced submarines" and "medium- and

[177] Erickson and Wilson, "China's Aircraft Carrier Dilemma," 27.

[178] Ye Zicheng 叶自成, "China's Sea Power Must Be Subordinate to Its Land Power [中国海权须从属于陆权]," *International Herald Leader [国际先驱导报]*, March 2, 2007, http://news.xinhuanet.com/herald/2007-03/02/content_5790944.htm.

long-range missile platforms," including "improving missile performance."[179] All of this suggests that there is a consistent discourse in Chinese military and academic writings that argues aircraft carriers would not be effective against the United States; that all carriers are vulnerable to the very trends in military technology that were debuted in the Gulf War; and that China would be better off acquiring those capabilities, rather than an aircraft carrier. Although we cannot show conclusively that this logic motivated the Central Military Commission or Politburo Standing Committee, this evidence when combined with the textual review of Chinese strategy earlier in the chapter together suggest it likely played a significant factor. The decision to acquire an aircraft carrier would have meant committing not only to a specific naval force structure, but to a broader military structure that was not suited to blunting. As one PLA textbook makes clear, "whether we should go ahead with a carrier project is not a naval question. It is related to the question of how to adjust our overall force posture and national defense policy."[180] And that is precisely why a carrier would have been an imprudent decision for a strategy focused on the United States.[181]

Given the preceding evidence, why did China then pursue a carrier-based navy beginning around 2008? The answer lies in China's changing strategy. Chinese officials had long been aware that carriers would be useful against neighbors in local conflicts and in exercising sea control, but such goals did not fit into China's *blunting* strategy. After the 2008 Global Financial Crisis, China began to reabsorb these goals into grand strategy, and to reassess the importance of these local conflicts and of being able to exercise sea control, pursue amphibious landings, and patrol SLOCs. For these reasons, a larger carrier-based navy became a strategic objective.

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[179] Ye Zicheng mentions a number of platforms, all of which could be used for denial purposes. His blog is no longer available, but excerpts can be found here: Christopher Griffin and Joseph Lin, "Fighting Words," American Enterprise Institute, April 27, 2007, http://www.aei.org/publication/fighting-words-3/print/; Ye Zicheng 叶自成, "China's Sea Power Must Be Subordinate to Its Land Power [中国海权须从属于陆权]."

[180] Quoted in You Ji, *China's Military Transformation*, 195. [need to track down the original source]

[181] Text to include if these sections are expanded to discuss a post-2006 change in Chinese military strategy.

Some argue that China's post-2008 carrier pursuit was a form of status-seeking naval nationalism, perhaps to assuage a public that had long clamored for one. But if status were a motivator, then the Party should have pursued a carrier when its legitimacy was most in doubt after Tiananmen Square and the collapse of communist ideology in the 1990s, and it did not do so then. Moreover, status calls for perhaps one carrier (as in Brazil and Thailand) but the Party is reportedly building five to six – with one in the field and three under construction, including a nuclear-powered carrier – all of which require carrier battle groups. This magnitude of construction is costly, permanently alters China's force structure, and is far beyond what status requires – though it is a minimum for fulfilling an operational goal of fielding two carriers year-round. Finally, again, Chinese sources make clear how carriers fit into operational scenarios involving maritime sovereignty and SLOC protection, suggesting these play a larger role. Indeed, the most parsimonious explanation for this outlay is that China wishes to have a blue-water PLAN.

With respect to *acquisition,* it is quite clear that China's carrier program stands in sharp contrast to its previous carrier aversion before the 2008 Global Financial Crisis. For decades, China had avoided its pursuit. By 2018, it had one completed carrier (Type 001), two confirmed under construction (Type 001A and Type 002), and suggestions of two more as well as a nuclear-powered carrier (Type 003) to be completed in next decade. China's plans for the nuclear-powered supercarrier was accidentally leaked by China Shipbuilding Industry Corporation (CSIC).[182]

While there is no question that all of these projects began construction after the Global Financial Crisis, a critic might suggest that these plans had been made beforehand. Chinese sources suggest otherwise, however, and it is worth considering each of these carriers briefly.

[182] https://www.scmp.com/news/china/diplomacy-defence/article/2135151/china-aims-nuclear-powered-aircraft-carrier-2025 https://www.popsci.com/china-nuclear-submarine-aircraft-carrier-leak

The first is the *Varyag*, later refitted as the *Liaoning*. The timeline for the decision-making demonstrates clear interest before the Global Financial Crisis. China purchased the *Varyag* in 1998, though some reports suggest this was despite central opposition. Regardless, the carrier arrived in 2002, and Jiang and Hu both reportedly visited it the next year and supported a series of studies on refitting it that took place from 2004-2005. When the final studies were completed, the Central Military Commission signed off on them and the *Varyag* was then towed into a berth in the Dalian Shipyard where it was cleaned, repainted, sprayed with anti-corrosion coating, and underwent basic repair.[183] It was then promptly left alone for the next four years and no major work was done, all of which is a strong sign that China was not ready to build a carrier. In 2008, a spokesman for China's Commission on Science, Technology, and Industry for National Defense (COSTIND) told the public that China would build a carrier using the *Varyag* at some point soon, indicating construction had not begun.[184] Indeed, it was not until after the Global Financial Crisis that work on the carrier began in earnest.[185] In May 2009, the carrier was towed into a new birth, the project was given a new director (Yang Lei), an agreement was signed with the Dalian Shipyards, and work began shortly thereafter.[186] According to the People's Daily Online, the refit took roughly fifteen months, or from 2009 until late 2011.[187] Importantly, the fact that the construction occurred after the Global Financial Crisis suggests the choice to build a carrier was not simply a prior procurement decision. Second, China began construction of its own indigenous carriers soon after construction began on the *Varyag*. This carrier was based on the *Varyag's* design, and its timetable shows almost all core

[183] http://mil.news.sina.com.cn/2015-03-24/1058825518.html

[184] https://www.rfa.org/cantonese/news/china_millitary-082520081122237.html

[185] http://dangshi.people.com.cn/n/2012/1123/c85037-19679177-1.html

[186] Yang Lei was interviewed by the Changsha Evening news. For a transcript, see http://news.ifeng.com/a/20140802/41414402_0.shtml . For the video, see http://tv.81.cn/2014/2014-08/01/content_6075529.htm

[187] http://cpc.people.com.cn/n/2013/0601/c87228-21699891.html

activities occurred long after the financial crisis. Planning began in 2013, construction in March 2015, and sea trials in 2018. [188] A third Chinese carrier (Type 002) is supposedly under construction as well as of 2015 and is expected to have a flattop rather than a ramp as well as an electromagnetic catapult.[189] Additional carriers in this Type 002 line are expected based on the informal assessments of PLAN officials. Finally, a fourth nuclear-powered carrier is rumored to be under development, though not yet construction. In sum, the acquisition timeline shows at least four confirmed carrier projects, three of which are completed or under construction, all initiated *after* the Global Financial Crisis. Even if the first carrier was planned before it, the shift to a carrier-based navy is nonetheless marked, especially when combined with China's increased investments in surface vessels, which are considered in the next section.

Finally, as discussed previously, Chinese authoritative and *pseudo-doctrinal* sources strongly suggest the carrier program was motivated by desires consistent with building – namely sovereignty protection and regional intervention. In addition, *training* for the use of the carrier and these scenarios began in earnest in 2010, and are a further piece of evidence in favor of the carrier's use as an instrument of regional building.[190]

In sum, China avoided building an aircraft carrier despite its manifest ability and geopolitical interests in doing so because it was pursuing a blunting strategy and knew carriers would be vulnerable to the United States. After the 2008 Global Financial Crisis, China began to emphasize building regional order, and suddenly the capabilities that carriers were known for were now fully in line with China's own strategic objectives, which leaned increasingly towards enforcing maritime sovereignty and cultivating the ability to intervene regionally.

[188] http://www.xinhuanet.com/english/2017-04/26/c_136237552.htm

[189] https://www.scmp.com/news/china/diplomacy-defence/article/2151703/chinas-newest-aircraft-carrier-likely-have-catapult

[190] http://mil.news.sina.com.cn/2013-03-22/0917719345.html

SURFACE COMBATANTS: DESTROYERS, FRIGATES, MINE WARFARE AND AMPHIBIOUS OPERATIONS

Why did China systematically prioritize anti-surface warfare capabilities over other major capabilities among its surface combatants throughout the 1990s and 2000s, and why did it then change course after 2008? This section argues that China's pursuit of *blunting* and *building* grand strategies account for this puzzling variation.

If China were pursuing *blunting,* we would expect it to focus its surface combatants on sea-denial against U.S. vessels rather than sea control. First, China would emphasize the anti-ship capabilities of its main surface combatants (destroyers, frigates, missile boats) in order to threaten U.S. aircraft carriers, and relative to those capabilities, it might neglect capabilities useful for sea control including anti-submarine warfare and anti-air warfare for those vessels. As China upgraded its surface combatants during this period, we might expect it to continue prioritizing anti-surface warfare relative to other capabilities. Second, China would neglect investments in mine countermeasure vessels, which are less useful for *blunting*. Third, it would also underinvest in amphibious warfare capabilities, which are similarly less useful for *blunting*.

This is almost precisely what we observe throughout the 1990s and 2000s. For its main surface combatants, China invested heavily in anti-surface warfare (ASuW), achieving capabilities that match or exceed those of developed states. It invested less in anti-submarine warfare (ASW) and anti-air warfare (AAW) platforms. It also shirked investments in mine countermeasures (MCM) and amphibious warfare (AMW). China's neglect of ASW, AAW, MCM, and AMW is surprising relative to 1) its massive ASuW investments, 2) what its own technological and financial capabilities make possible, 3) its own appraisal of the operational requirements for sea control and amphibious operations, and 4) the investments of other developing navies. The best explanation is that these four capabilities were not needed for blunting and that the focus for China's surface combatants during the 1990s and 2000s was on A2/AD, which is consistent with a blunting strategy.

If China were to pursue a *building* strategy, many of these neglected capabilities would – according to Chinese doctrinal sources – be needed to exercise sea control or undertake amphibious operations in the Taiwan Strait, East China Sea, South China Sea, or other domains. Accordingly, we would expect to see sharp investments in these four capabilities after decades of neglect. Indeed, after China adopts a *building* strategy after the 2008 Global Financial Crisis, this is what we see. China invests more in a variety of capabilities – especially AMW, ASuW, AAW, and MCM.

To test these explanations, this section analyzes variation in China's surface capabilities over time and shows that competing explanatory theories focused on diffusion, adoption capacity, bureaucratic politics, and threats from neighbors also fall short. It analyzes three cases: (1) China's main surface combatants, notably destroyers, frigates, and missile boats; (2) China's mine countermeasure capabilities; and (3) China's amphibious capabilities.

Diffusion

Simple diffusion-based explanations would posit that China would focus on acquiring a variety of common naval capabilities in tandem without systematically prioritizing one over the other. This has not been the case. During the 1990s and 2000s, China did not pursue the capabilities needed for sea control and instead focused on those needed for *blunting* U.S. military power. Among surface vessels, destroyers and frigates are among the costliest platforms and often equipped with anti-submarine (ASW), anti-air warfare (AAW), and anti-surface warfare (ASuW) equipment. Accordingly, we focus first on (1) main surface combatants, notably destroyers, evaluating variation in the strength of each of these three capabilities; we then to turn China's investments in (2) mine countermeasure vessels, and (3) amphibious warfare.

Main Surface Combatants: Destroyers and Frigates

First, we begin with destroyers. As Yves-Heng Lim argues, "Chinese main combatants are carrying very capable anti-ship missiles" even as many "continue to have limited AAW and

ASW capabilities."[191] In fact, with respect to Chinese destroyers, weak AAW and ASW capabilities and relatively stronger ASuW is a characteristic of virtually all of them dating from 1990 onward. After producing sixteen Luda class destroyers from 1971-1990, China began producing Luhu destroyers. Although the newer Luhu class represented a marked improvement from the Luda class (e.g., they were built with a Combat Information Center [CIC]), they nonetheless saw almost no improvement in AAW and ASW from the previous class of vessels while given significantly better anti-ship cruise missiles. More specifically, they were equipped with virtually the same 1950s-era ASW weaponry of the Luda and weak AAW capabilities (the HHQ-7), but were given far better ASuW weaponry with the YJ-83, a capable anti-ship missile comparable to a U.S. Harpoon ASCM.[192] The next model, the Luhai, was introduced in 1997. It had stealthier features, better propulsion, slightly better ASW weaponry (Yu-5/6 torpedoes instead of a sole reliance on ASW mortars) and could carry a Russian Helix ASW helicopter, but it had no better detection capabilities and retained the same anti-aircraft weaponry as its predecessor, and thus did not mark a major advance in ASW capabilities. China's navy subsequently acquired four Sovremenny class destroyers from Russia – one of the PLAN's most expensive purchases – between 1999 and 2006. This purchase made clear China's prioritization of ASuW capabilities. These ships were specifically designed for surface warfare by Russia, and China configured them accordingly. The ships carry four Russian Sunburn/Moskit missiles that had originally been designed for use against carrier battle groups, and which are "more capable than any antiship cruise missile in the U.S. inventory," but the vessels were not outfitted with some of the latest Russian ASW or AAW weaponry.[193] Like the Luhai, these destroyers also could carry a Helix ASW helicopter, but they were nonetheless unlikely to be effective in ASW operations since they were intended to operate in concert with the ASW-specialized Udaloy class

[191] Lim, *China's Naval Power: An Offensive Realist Approach*, 74.

[192] Lim, 76.

[193] Cliff, *China's Military Power: Assessing Current and Future Capabilities*, 64.

destroyers – which China did not purchase. With respect to AAW, as Bernard Cole notes, the Sovremenny's "only AAW missile system fires the SA-N-7 'Gadfly" or SA-N-17 'Grizzly.' Although superior to any previous PLAN AAW system, these missiles are essentially 'point defense' weapons" with a maximum range of 13.5 to 15 nautical miles.[194] That one of China's most expensive acquisitions involved China selecting top-shelf ASuW weaponry but less impressive ASW and AAW capabilities suggests the priorities of the Chinese military lay in sea-denial. Then, in 2002 and 2003, China introduced the indigenously-made Luyang I and the Luyang II, the latter of which finally fielded competitive AAW missiles in China's long-range, vertically-launched HHQ-9 SAM system, but continued to have poor ASW capabilities. Finally, the Luzhou class destroyers built in 2005 and 2006 are equipped with the Russian Gargoyle/Rif-M SAM system, a formidable air-defense system, but these ships continue to lack competitive ASW capabilities. Given that much of the air defense capability enjoyed by China is supplied by Russia, it stands to reason that, had air defense truly been a priority, China could have made an effort to acquire more advanced systems far earlier than 2006. Indeed, even as China slightly modernized its surface craft and focused increasingly on AAW capabilities, it nonetheless prioritized anti-surface warfare above those needs. Even these more robust AAW capabilities are no substitute for air cover provided by a carrier air wing, suggesting that China's military priority was sea denial rather than control. And even as these other capabilities have gradually improved, as the Office of Naval Intelligence notes, "the PLAN continues to emphasize ASuW as a core strength, with continued development of advanced ASCMs and other OTH-T systems" including new YJ-62 and YJ-18 missiles with greater ranges.[195] In short, ASuW remains far and away the most sophisticated capability of China's destroyers, and it has always been the case.

[194] Cole, *The Great Wall at Sea: China's Navy Enters the Twenty-First Century*, 99.

[195] "The PLA Navy: New Capabilities and Missions for the 21st Century," 16.

Second, with respect to frigates, "there is naturally a rough parallel between the development of new Chinese frigates and the acquisition of new destroyers."[196] In the 1970s and 1980s, China manufactured the Jianghu class frigates which were of the same generation as its Luda class destroyers. Like the Luda, the Jianghu class frigates "suffer from very weak ASW and anti-air capacities," including 37 mm guns for AAW and 1950s-era ASW mortars. Despite weak ASW and AAW capabilities, these frigates were nonetheless retrofitted in the 1990s with the more advanced YJ-83 SSM for ASuW, suggesting again their comparative utility for anti-ship combat.[197] Today these frigates are utterly obsolete, and yet as of 2011, roughly twenty-eight remained in service, which speaks to China's focus on ASuW since these ships have relatively advanced anti-surface weapons but almost no survivability in any contested sea control operations. In the 1990s, China began constructing the Jiangwei I, which was equipped with slightly better AAW systems, including the HHQ-61 SAM, as well as modestly improved ASW capabilities, including Z-9 ASW helicopters. Nevertheless, AAW capabilities remained limited by the fact that the HHQ-61 SAM was considered even by China to be a problematic system; similarly, ASW capabilities were limited by the "absence of lightweight torpedo tubes" and therefore reflected almost no improvement from the Jianghu class. The next model, the Jiangwei II, also constituted no significant improvement over its predecessor in ASW or AAW except for the slightly improved anti-air capability provided by the HHQ-7 SAM. Despite this marginal improvement, "the main strength of the Jiangwei lies in their ASuW capacity as all ships have been equipped or retrofitted with the long-range YJ-83 SSM," a system that had also been used to retrofit the Jianghu, and that again shows a prioritization of anti-ship weaponry. The next class of frigate, the Jiangkai I, saw no significant improvement in either ASW or AAW capability. In contrast, the Jiangkai II adopted the HHQ-16 SAM, which significantly improved

[196] Lim, *China's Naval Power: An Offensive Realist Approach*, 78.

[197] This section borrows from Lim, 78–79.

the AAW capability. In this sense, the Jiangkai II is rather like the Luyang II destroyer – both continue the trend of prioritizing ASuW but have subsequently added a more potent air-defense capability, all while leaving ASW in relatively poor shape.

In addition, China also expended considerable resources on acquiring missile boats. These vessels cannot venture far out to sea and are of limited utility in most sea control operations. These vessels are extremely angular in their capabilities because they utterly lack onboard defenses against anti-ship cruise missiles and ASW and AAW capabilities; nevertheless, they are highly useful in sea-denial and are equipped with eight YJ-83 missiles each. By 2010, China had already acquired sixty Houbei-class missile boats, all of which are intended to be highly offensive missile platforms with low survivability in sea control campaigns.

To summarize, an analysis of main surface combatants demonstrates that China has systematically prioritized ASuW warfare over AAW and ASW. In 2010, despite new acquisitions, "of the PLA Navy's nearly eighty major surface warships (destroyers and frigates)…only one-twentieth of them were equipped with long-range surface-to-air missiles, a quarter were equipped with short-range surface-to-air missiles, and more than half were not equipped with any surface-to-air missiles at all."[198] In comparison, 80% of U.S. surface warships were equipped with long-range surface-to-air missiles at that time. Moreover, only two classes of Chinese vessels are equipped with towed sonar arrays – which are better able to detect submarines by isolating the sensor from the noise of the ship's own machinery – fewer than half had helicopters, and less than a third had antisubmarine torpedoes. In contrast, as Andrew Erickson and others note, the naval fleet is focused to an unprecedented degree on anti-ship cruise missiles:

> China has made the greatest progress in its ASCM inventory, making its navy one of the most ASCM-equipped compared to other major naval powers. Most of the PLAN's surface ships and many of its conventionally powered submarines now have as a significant portion of their weapons loadouts ASCMs that pose credible threats to surface

[198] Cliff, *China's Military Power: Assessing Current and Future Capabilities*, 76.

> warships including carrier groups. Nearly every surface combatant's main weapon battery employs ASCMs. As William Murray notes, 'This in many ways is a completely new and even transformative way for the PLA to conduct ASuW, but it has a precedent…[in] the Soviets…Sovremenny- and Slava-class cruisers…'[199]

Indeed, as we have shown, China's vessels, whether primitive or advanced in one or another area, are *all* advanced when it comes to anti-ship weaponry. On the low end, its missile boats have eight advanced YJ-83 ASCMs on otherwise spare hulls, and even the first-generation Luda class destroyers from the 1970s and the 1980s-era Jianghu frigates received a refit in the early 1990s equipping them with the YJ-83 – a sophisticated capability incongruous with a vessel featuring an outdated hull, vastly inferior ASW and AAW, and an absent CIC. Similarly, even on the high end, China's most expensive surface acquisitions were the four Sovremenny-class destroyers fielding the SS-N-22 supersonic anti-ship cruise missile.[200] Clearly then, this ASCM prioritization is systemic across ships, consistent across time, and unusual compared to other navies – and it is indeed puzzling because it goes beyond ordinary diffusion. One explanation may well be that the focus on ASuW and more recently on AAW is useful against American power projection, which relies on aircraft carriers as well as aircraft launched from the sea or from U.S. bases. This explains why, despite acquiring surface vessels at great cost, China appears to have focused them on anti-surface warfare (ASuW) at the expense of necessary anti-submarine warfare (ASW), anti-air warfare (AAW), mine countermeasure, and amphibious missions.

Mine Countermeasure Capabilities

Third, China's investments in mine countermeasures have been surprisingly limited. As Bernard Cole notes, while China has made a significant investment in mine warfare (discussed

[199] Dennis M. Gormley, Andrew S. Erickson, and Jingdong Yuan, *A Low-Visibility Force Multiplier: Assessing China's Cruise Missile Ambitions* (Washington, DC: NDU Press, 2014), 89.

[200] Cliff, *China's Military Power: Assessing Current and Future Capabilities*, 77.

previously in this chapter) "it is surprising that the PLAN has not made a concomitant investment in the mine-hunting and-clearing mission."[201] China has the world's largest offensive mine arsenal and continues to invest significant resources in modernizing it; yet, there is widespread consensus among military analysts that China has not prioritized mine countermeasures, and that expert consensus is supported by a long track record of neglect. For decades, China has had only a small number of mine-clearing vessels, including some twenty-seven Soviet-designed T-43/Type 010 oceangoing minesweepers and eight coastal ones, and most of these vessels are antiquated, ineffective, and have been placed in reserve.[202] By some estimates, as many as seventy-five percent of China's MCM vessels are in reserve, and perhaps even non-functional.[203] Indeed, it was not until 2007, nearly a quarter century since China last introduced a mine countermeasure vessel, that it finally introduced a new minesweeper design – the Wochi-class. These vessels are intended to replace China's T-43 minesweepers, though perhaps no more than ten have entered service as of 2015.[204] In any operation in which China expects to project naval power or control the ocean, the ability to deal with mines will be an important capability and a large number of minesweepers a necessity. China's neglect of this capability suggests again that it is focused instead on narrower operations – chief among them, denial.

Amphibious Warfare Capabilities

Fourth, with respect to amphibious capabilities, Bernard Cole observes that "the PLAN during the past sixty years has not constructed a large amphibious force."[205] China's

[201] Bernard D. Cole, *The Great Wall at Sea: China's Navy in the Twenty-First Century*, 2nd ed. (Annapolis: Naval Institute Press, 2010), 105.

[202] Cole, *The Great Wall at Sea: China's Navy Enters the Twenty-First Century*, 102.

[203] Lim, *China's Naval Power: An Offensive Realist Approach*, 93.

[204] Jane's World Navies 2015

[205] Cole, *The Great Wall at Sea: China's Navy in the Twenty-First Century*, 106.

improvements have been far less impressive than what has been possible, suggesting again that it is not a focus of its efforts despite their utility in conflicts over contested islands as well as Taiwan. More specifically, from the late 1980s onward, China made only halfhearted efforts to improve its amphibious capabilities. By 2000, the majority of its vessels were still incapable of open-ocean navigation and, of the roughly fifty-five medium to large amphibious vessels, many were over forty years old and in reserve.[206] In the mid-1990s and early 2000s, China began constructing more landing and supply ships to replace its outdated vessels consisting of Yuting I and Yuting II LSTs, Yunshu class LSMs, and the Yubei class LCU's. These efforts are revealing because, as Bernard Cole notes, China's "shipbuilding program has been directed at modernizing the amphibious force, but not at significantly expanding its capacity: the PLAN is still limited to transporting approximately one mechanized division of fully equipped troops" as of the year 2010, virtually unchanged from the year 2000.[207] It was not until the construction of the Yuzhao class LPDs in 2006 that China began to acquire significant sealift capacity, though in the decade since China has only acquired four of these vessels. Even then, by some accounts, these LPDs are "relatively lightly armed, with just a single 76-mm gun and four 30-mm CIWS," suggesting they may not be intended to engage in contested amphibious operations and that their value may lie in their ability to conduct military operations other than war, especially humanitarian operations similar to the post-tsunami relief efforts undertaken by the U.S., Indian, Japanese, and even Thai navies in 2004.[208] Putting aside amphibious transport capability, it is also worth pausing to consider precisely what is being transported. In this regard, marines are an important component of China's amphibious capability. Although China created a marine brigade in 1979 and a second one in 1998, with a total marine strength of somewhere around ten to twelve thousand active-duty soldiers, it has not expanded their

[206] You Ji, *Armed Forces of China* (Singapore: Allen & Unwin, 1999), 194.

[207] Cole, *The Great Wall at Sea: China's Navy in the Twenty-First Century*, 106.

[208] Cole, 106–7.

numbers since.[209] In sum then, for most of the post-Cold War period, China had not dramatically increased its amphibious capabilities and has not created a large marine force. Despite acquiring four LPD's, it has not chosen to heavily arm them, and it has also not yet acquired LHA's. All of this suggests that although amphibious operations would be important to a navy interested in projection and offshore operations, they may not be important to one focused more on denial as China's is.

Adoption Capacity

The preceding section analyzed variation in China's military investments during the 1990s and 2000s and demonstrated a consistent emphasis on *blunting* through sea denial missions as well a relative weakness in other missions typical of navies, especially those that seek sea control: anti-submarine warfare, anti-air warfare, amphibious warfare, and mine countermeasures. Those who explain military investments as a function of adoption capacity might respond that this variation is simply the result of the fact that anti-surface warfare is financially and organizationally much less costly than other forms of warfare.

This argument is problematic for a number of reasons. First, it is not clear that ASuW – which nonetheless requires high-speed cruise missiles and ISR capabilities for queuing those missiles – is necessarily less complex than the four other capabilities under consideration, so the variation remains puzzling. Second, even if ASuW were marginally less complex than one or some of the four other capabilities, which may well be the case, it cannot explain China's underinvestment across *all four* of these capabilities: ASW, AAW, MCM, and AMW. Third, when comparing investment among these four capabilities, we notice that some capabilities that are of limited cost and complexity (standing up a marine corps) appear to receive less investment than more complex capabilities (anti-air warfare) - which runs against the predictions of adoption capacity theory. Fourth, sophisticated anti-air, anti-submarine, amphibious warfare, and mine

[209] Jane's World Navies 2015

countermeasure capabilities were already fielded by other developing countries before China pursued them and could even have been acquired from Russia, which again suggests the limits of an adoption capacity approach here. We now examine (1) main surface combatants including destroyers, frigates, and missile boats; (2) mine countermeasure capabilities; and (3) amphibious warfare capabilities to substantiate these arguments in greater detail.

Main Surface Combatants: Destroyers and Frigates

Adoption capacity explanations cannot account for why China's main surface combatants underinvest in ASW and AAW relative to ASuW. To make the case, we start with anti-submarine capabilities. For anti-submarine warfare, China's capabilities – both weaponry and sensors – appear to have been victims of underinvestment that were not primarily the result of the financial or organizational cost of these capabilities. For example, China continued to field ASW mortars into the 2010s, even though ASW torpedoes were more effective, relatively inexpensive, and in some cases organizationally simpler to operate than ASW mortars. In addition, although it was not until 1997 that China finally built a vessel capable of fielding ASW torpedoes[210], it should have been able to do so sooner – these capabilities have existed since the 1940s and were fielded by some developing countries two decades earlier (e.g., the Indian navy's *Rajput* class destroyers and *Abhay* class corvettes). Similarly, even China's acquisition of ASW helicopters seems a non-priority, with so few in service that China had to rotate them between surface ships. And with respect to ASW sensor technology, even though towed sonar arrays have been in use for decades, China did not field one until 2005 – meanwhile, India has had them on surface vessels since the 1990s (e.g., the *Delhi* class destroyer and *Brahmaputra* class frigate) – which again cuts against arguments based on financial or organizational concerns. Finally, the ASW capabilities China needed could well have been acquired in the 1990s from Russia, which was

[210] The Luda refits of the late 1980s may have provided some vessels this capability, but it was entirely useless because the sonar was scarcely able to operate given the noise.

willing to sell China its best anti-ship weaponry. As discussed previously, Russia had advanced vessels focused on anti-submarine warfare (*Udaloy* class destroyers) that were intended to complement its ASuW-focused *Sovremennyy* class destroyers and that could have been purchased in the early 1990s. For all these reasons, it seems China's lack of investment in ASW was less about capabilities and more about priorities.

Similarly, China's surface vessels have long featured poor AAW capabilities, though China eventually improved them. The initial delay in acquiring these capabilities is not necessarily explainable by adoption capacity theory. For nearly twenty years after the Gulf War and Soviet collapse, China's Luda, Luhu, Luhai, Sovremenny, and Luzhou classes all fielded relatively poor point-defense systems, despite the ready availability of superior Russian systems. It was only with the Type-52 Luyang DDGs in 2007, and only one variant of it in particular (the Type-52C) that China put a leading air-defense system on a naval vessel with its HHQ-9, which in any case depends heavily on Russian technology and sensors.[211] China may have been able to import wholesale a top-shelf Russian air defense system much sooner, especially since China had already used less advanced versions on its Luzhou and Sovremenny destroyers. Moreover, had AAW been a priority, China could have made an effort to purchase Udaloy class destroyers, which were not only capable ASW but also AAW platforms. These options would not have been cheap, especially since the Sovremenny import was one of China's largest purchases, but they would have been feasible had air-defense been a greater priority than anti-surface warfare, which was already adequately accounted for by China's vast arsenal of retrofitted vessels with YJ-38 missiles and its missile boat fleet.

Mine Countermeasures

[211] Cole, *The Great Wall at Sea: China's Navy in the Twenty-First Century*, 102.

China's MCM capabilities have long been inadequate, but it seems unlikely that this lack of investment is not a function of the cost or organizational complexity. Minesweepers are admittedly expensive weapons relative to their tonnage – in part due to their passive mine countermeasures, such as wood and fiberglass hulls and specialized propellers that lower magnetic, pressure, and acoustic signatures – but they are not as expensive or complex as large surface vessels, such as guided missile destroyers and frigates. For this reason, their costs should not prohibit their diffusion. With respect to organizational challenges, minesweeping operations have been undertaken by China and developing navies since the 1950. More advanced mine hunting measures have since developed, include using ship sonar (or helicopters) to identify and destroy mines using projectiles, divers, or remote-controlled mini-subs. These capabilities admittedly require some investment and dedicated training and doctrine, but they are not so complex as to prevent diffusion to a navy that has already engaged in minesweeping – especially since many developing navies including Indonesia, Pakistan, Saudi Arabia, and Turkey have engaged in such operations since the 1990s, if not earlier. Finally, China relied on outdated 1950's-era minesweepers for more than two decades before introducing a new class of MCM vessel that could provide both minesweeping and mine-hunting capabilities. If China could not or did not wish to construct MCM vessels, it had ample opportunity to buy them from Russia. Indeed, China's Type 010 minesweeper is in actuality a Chinese-made Russian T-43, and since the first launch of the T-43 more than sixty years ago, Russia has since built 10 more advanced classes of MCM vessels. Presumably, China could have purchased even an obsolete craft, let alone an advanced one, and easily upgraded its MCM fleet. That China kept its outdated MCM fleet for so long suggests this capability was not a priority.

Amphibious Warfare

With respect to amphibious operations, adoption capacity explanations fail to explain China's limited investments in marines and transport vessels. It is clear that standing up or

expanding a marine corps is neither particularly costly nor operationally difficult. Several other countries, including Brazil (15,000 marines), Colombia (24,000), South Korea (30,000) and Thailand (20,000) have all had marines for decades, and China too has its own limited force of 10,000 marines. This suggests that, although a marine corps requires special doctrine and training, the organizational challenges or related financial difficulties do not inhibit the diffusion of these capabilities to developing countries and do not explain China's limited investments. What is perhaps more complicated than creating a marine corps is finding a way to transport marines in offshore operations, especially in large landing craft such as LPDs; nevertheless, several developing countries with economies and technical capabilities below China's have acquired these vessels. As of 2016, LPDs are being operated by several developing countries, including Algeria, Brazil, Chile, India, Indonesia, Peru, the Philippines, and Singapore, which suggests organizational factors do not explain their delayed diffusion in China's case. Moreover, although some of these states had outside assistance in acquiring these craft, others did not: Singapore constructed four LPDs in the late 1990s and early 2000s, and Indonesia purchased an LPD from South Korea in 2003 and is now constructing its own. Moreover, China has long had its own shipbuilding industry and constructed cargo vessels with large displacements, which suggests it could have built LPDs well before 2007 – especially because LPD's and similar transport ships are far less complex than the guided-missile destroyers and frigates China has already built. Ultimately then, China's relatively low and delayed investment in marines and amphibious capabilities is not easily explainable by the cost or complexity of these capabilities, especially given their utility in maritime disputes, and therefore is probably best explained by some other strategic consideration.

As the analysis of the three cases above shows, while it is true that ASW, AAW, AMW, and MCM capabilities can at times be financially intensive and organizationally complex, that complexity is insufficient to explain underinvestment in them. Indeed, the sophistication of these systems is not prohibitive compared to other Chinese capabilities (including anti-surface

capabilities), many are fielded in the navies of other developing countries, and all could have readily been provided by Russia given negotiation and sufficient financial compensation. This suggests that the delayed diffusion of these systems to China in the 1990s and 2000s reflects the fact that priorities were oriented towards *blunting* – that is, towards anti-surface warfare and denial rather than the anti-submarine, anti-air, amphibious warfare, and mine countermeasure capabilities necessary for sea control.

Bureaucratic Politics

There seems to be no bureaucratic theory that would serve as a rival explanation for China's military investments in surface vessels. The variation seen in China's surface vessel investments does not seem to benefit or adversely harm a discrete, powerful military interest group – and even if it did, as we saw in the discussion of the politics surrounding aircraft carriers – military leadership would probably have been able to overrule inter and intra-service concerns had they existed. Moreover, China's comparative investment in ASuW relative to ASW and AAW capabilities would at most affect only a few small, discrete groups that are unlikely to have influence over overarching naval policy, such as particular subsets of surface warfare officers. It is similarly unlikely that underinvestment in mine countermeasures favored any particular military interest group. In contrast, it is plausible that China's relative underinvestment in its marine corps and in amphibious capabilities could have been the result of army opposition, but this explanation does not surface in any Chinese or Western sources and is belied by the fact that China created and later expanded its marine corps directly by contravening army interests and transferring army personnel. No one theory of inter-service or intra-service conflict can explain the variation in China's investments across these five diverse areas.

Blunting and Building

The preceding explanations failed to adequately account for why China emphasized ASuW capabilities and neglected virtually all other surface warfare missions. They also failed to

account for why China subsequently changed course. Is this variation in China's surface warfare investments consistently explained by a focus on external threats? If so, which threats?

China's underinvestment in surface warfare capabilities like AMW, ASuW, AAW, and MCM was not because these capabilities were considered useless. China's own authoritative military writings suggest these capabilities would be useful in maritime conflicts with its neighbors. The fact China did not pursue them for decades suggests a focus on other goals.

Main Surface Combatants

The idea that China's neglect of certain capabilities and emphasis on others during the 1990s and 2000s is clearly explained by a focus on blunting the United States. First, if China was focused on denying U.S. aircraft carriers and surface action groups access to regional waters, then it would need to rely on anti-surface warfare capabilities. This is precisely what we see. As the section on diffusion discussed in extensive detail, China has not only acquired vessels that are ideal for ASuW rather than other missions, it has also consistently emphasized ASuW over other capabilities when improving those surface vessels. It has even invested in an entire class of missile boats that utterly lack survivability but that can each field eight YJ-83 anti-ship cruise missiles, all while overlooking robust AAW and ASW missions.

Second, with respect to doctrine, it seems clear that China's ASuW focus is motivated by concerns over U.S. power projection. The anti-ship cruise missiles these vessels field are the backbone of China's ASuW capability, and Chinese sources make clear that these missiles are expected to be used against aircraft carriers. A book on cruise missiles published by the Academy of Military Science explicitly notes that "an aircraft carrier…will undoubtedly be the main target in future sea battles."[212] Moreover, quantity provides a quality of its own, especially

[212] Quoted in Gormley, Erickson, and Yuan, *A Low-Visibility Force Multiplier: Assessing China's Cruise Missile Ambitions*, 62.

with respect to overwhelming U.S. defenses through saturation attacks. The U.S. Navy has only 35 ASCM-capable combatant surface vessels while China has nearly twice as many, and its surface vessels can field seven times as many ASCMs as U.S. Navy vessels within the region.[213] If Chinese missiles are employed in a saturation attack, a U.S. carrier battle group would unlikely be able to reverse these unfavorable ratios.[214] As discussed previously, this is a point that has long been understood by Chinese analysts, who have written of Soviet strategies to use missile saturation attacks against U.S. carriers: "should [U.S. carriers] simultaneously face a threat from all sorts of guided missile launch platform combat groups, their operational response can only be to make greatest use of their own technical superiority to…destroy the enemy one by one."[215] Indeed, for several decades, a rich Chinese military literature discusses how anti-ship cruise missiles can be used against aircraft carriers.[216] It therefore seems clear that Chinese writers view anti-ship cruise missiles as useful parts of a denial strategy against the United States.

In sum, China's rather focused investments in anti-surface war – which are atypical when considering the navies of other developing states – strongly suggest a focus on the kinds of mission necessary to blunt American power projection.

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[213] Gormley, Erickson, and Yuan, 79.

[214] Gormley, Erickson, and Yuan, 79.

[215] See Tai Ming Cheung, *Growth of Chinese Naval Power*, 40.

[216] *Liu Tonglin [刘桐林], A Sharp Lance of Modern Naval Warfare—The Anti-ship Cruise Missile [现代海 战的利矛—反舰导弹] (Beijing: Military Science Press [军事科学出版社], 2003), 321 on carriers; also 325. Yi Heng and Xin Hua [宜恒, 新华], "Six Trump Cards to Cope with Aircraft Carriers" [航母煞星: 对付航 母的六大撒手锏], World Outlook [国际展望], no. 3 (February 2001), 60–61; Wang Jianfei, Wu Wenjun, Peng Xiaolong, and Xiong Ping [王剑飞, 武文军, 彭小龙, 熊平], "Analysis on Effectiveness of Air-Attack Firepower of a U.S. Carrier Fighting Group" [美军航母战斗群空袭火力及其效能分析], Intelligence, Command, Control and Simulation Technology [情报指挥控制系统与仿真技术] 27, no. 1 (February 2005), 24–30; He Wentao and Wu Jiawu [何文涛, 吴加武], "A Study of Countering Aircraft Carrier Battle Groups" [航母编队特点及对策研究], Modern Defense Technology [现代防御技术] 32, no. 5 (October 2004), 18–20, 29; Ma Shiqiang [马世强], "How to Engage the Aircraft Carrier?" [攻击航母－反舰导弹命中目标前后], Shipborne Weapons [舰载武器] (December 2007), 104–109. See "Carrier Killer vs. Carrier Bodyguard," Shipborne Weapons (May 2005), 12–17. See, for example, Song Fuzhi [宋福志], "Countering Aircraft Carriers: Cruise Missiles Better Than Ballistic Missiles" [对抗航母—巡航导弹优于弹道导弹], Tactical Missile Technology [战术导弹技术] 4 (July 2006), 9–15.

Even though China's blunting strategy called for a neglect of ASW and AAW capabilities for its main surface combatants, there is evidence that it nonetheless saw them as essential for sea control even as it declined to pursue them in the 1990s and 2000s. China's 2006 edition of the *Science of Campaigns* suggests that China will need to achieve sea control even before dispatching its transport vessels in amphibious operations, and it will especially need to maintain such control once its transport craft are underway. It is also explicit – as was Liu Huaqing in the 1980s – that no sea control operations in these regions can be sustained without the ability to deal with enemy aircraft. This suggests that Chinese military writers were thinking quite sensibly about the requirements for these missions, that they determined that ASW and AAW capabilities were important, and that they still did not prioritize them.[217]

Accordingly, once China's *perceived relative power gap* with the United States fell and the country's leaders began to explicitly emphasize a focus on achieving Chinese objectives within the region – both territorial as well as security-related – these capabilities became more essential and appear to have seen greater investment. In 2012, for example, China dramatically improved its AAW and ASW capabilities for the first time, with its Luyang-II guided missile destroyer. With respect to AAW, these boast an "Aegis-like" system and mark "the first Chinese warships capable of the area anti-air warfare (AAW) mission vital to defending the *Liaoning*."[218] Interestingly, this class of vessel had been last manufactured in 2005; then, after a hiatus, roughly four were made between 2010 and 2012 for the apparent purpose of carrier escort. With the model finalized, China made plans to build the Luyang-III, all of which are equipped with these advanced ASW and AAW capabilities. What is impressive about them, however, is not only the fact that their advanced capabilities finally show a PLAN that is embracing missions beyond

[217] 2006 Zhanyixue 316-330

[218] https://news.usni.org/2012/11/27/chinas-carrier-basics

ASuW, but also that it is doing so on an immense scale. Indeed, construction began well after the Global Financial Crisis, and an astounding 20 are planned, with the first commissioned in 2014. This scale of production constitutes perhaps the clearest sign of China's new military strategy. The successor to the Luyang-III, the Type 055 Renhai destroyer, saw seen simultaneous construction on six vessels begin in 2014. The construction of nearly thirty advanced destroyers with more sophisticated ASW and AAW capabilities is significant, and while some of these lines began before the Global Financial Crisis, production schedules strongly suggest expansion afterwards; moreover, the largest lines accounting for 26 destroyers all appear to have begun after the crisis.

With respect to frigates, China's Jiangkai II class frigate – similar to the Luyang II – may lack an Aegis-like system, but have been fitted with strong area-air defenses (the HQ-16). An upgraded version, the Jangkai IIA+ was launched in 2009 and featured significantly improved ASW capabilities, including a variable depth sonar. This class boasts perhaps the strongest ASW platform in China's navy. The production line for these vessels has twice been extended after the Global Financial Crisis, with thirty planned at a rate of one roughly every four months.[219]

Together, China's investments in large quantities of advanced destroyers and frigates that – for the first time – have strong AAW and ASW capabilities is a major departure from its previous strategy. Moreover, many of these production lines were started after 2008; for those that weren't, most were either restarted or extended after the crisis, which suggests consistency with China's changed military strategy.

Mine Countermeasures

[219] http://www.navyrecognition.com/index.php/news/defence-news/2018/july-2018-navy-naval-defense-news/6342-china-launched-the-30th-and-last-type-054a-frigate-for-the-plan.html

Despite China's previous underinvestment in mine countermeasures, the 2006 edition of the *Science of Military Strategy* is explicit that China would need to clear sea mines near the landing zone in any amphibious operation, which again underscores the importance Chinese strategists placed on mine countermeasures.[220] Similarly, the 2012 edition of the *Joint Campaign Theory Study Guide* argues that countermine efforts are needed in campaigns involving islands.[221] Yet, as we have seen, China went nearly a full two decades after the end of the Cold War before investing significantly in these capabilities.

As its mission changed and sea control became a priority, China's investments in mine countermeasures increased sharply. After building a new model of MCM vessel in 2005, China then built no others until apparently restarting production lines after the Global Financial Crisis six years later, and since then has built several advanced MCM vessels. As the Office of Naval Intelligence puts it, Chinese *acquisition* and *training* have both changed to reflect an emerging focus on these capabilities:

> China has also invested heavily in improving its mine countermeasure (MCM) capabilities. A number of advanced, dedicated MCM vessels have joined the fleet in recent years, including the capable WOCHI-class mine-hunting ships (MHS) and new WOZANG-class minehunters acting as mother-ships to the remote-controllable WONANG-class inshore minesweepers (MSI). China is improving its mine-hunting capabilities with improved SONARs and mine neutralization vehicles. Chinese warfare exercises have routinely included both mining and mine countermeasure events.[222]

Amphibious Warfare

Finally, despite China's neglect of amphibious capabilities, it has always believed that it would need them for amphibious operations in the East and South China Seas or the Taiwan Strait. Indeed, China has at times seen them as important elements for resolving its local

[220] 2006 Zhanyixue 316-330

[221] 2012 Lianhe Zhanyixue Jiaocheng 259

[222] "The PLA Navy: New Capabilities and Missions for the 21st Century," 24.

conflicts. For example, China had as many as eight naval infantry divisions (more than 100,000 soldiers) in the early 1950s when an invasion of Taiwan seemed plausible; by 1957, when such a plan was considered unfeasible due to U.S. intervention in the Strait, China eliminated marines from the force structure entirely. Following clashes in the South China Sea in 1979, the PLAN decided to modestly rebuild its marine corps, and a brigade of five to six thousand soldiers was established for the South Sea Fleet.[223] And yet, China did not make any improvements to its marines and only scant improvements to its amphibious craft in more than two decades. Even in 2010, China could scarcely transport more than one mechanized division, or by some estimates, "one full infantry division plus one armored regiment."[224] In short then, if we take China's investment in its marines as a loose proxy for how it prioritizes maritime conflicts with its neighbors, then the lack of investment suggests amphibious operations were not a major focus during its *blunting* period.

As China shifted to pursue *building*, it recognized the need for transport craft and amphibious infantry. It has dramatically increased its number of Type 071 Landing Platform Docks from only one in 2007 to six by the end of this decade. While the production of these vessels began before the Global Financial Crisis, China appears to have expanded its production line. Importantly, it was after the Global Financial Crisis that China began production on at three costly Type 075 Landing Helicopter Docks, each of which displaces nearly twice as much as the Type 071 LPD and has a substantially greater capacity, including the ability to accommodate 30 helicopters. Together, these nine large amphibious transport vessels will give China amphibious assault capabilities second only to the United States, and they were all nonexistent ten years ago. In addition, China has significantly increased the number of its medium-sized landing vessels; after building nine in the 2000s, it then stopped production until

[223] Tai Ming Cheung, *Growth of Chinese Naval Power*, 30–32; You Ji, *Armed Forces of China*, 193–94.

[224] Cliff, *China's Military Power: Assessing Current and Future Capabilities*, 157.

after the Global Financial Crisis, when it restarted and nearly doubled its production by 2016, with more planned.

In addition, after keeping the numbers of marines relatively stable at no more than 12,000 for several decades, China began to dramatically increase the numbers after the Global Financial Crisis. It doubled the number of marines in 2017 and then announced plans to increase the number ten-fold above their previous level to at least 100,000 personnel.[225] This is a large number, especially since the entire PLAN only has about 235,000 personnel, making the creation of the marine corps a service-transforming decision. As former Navy Commissar Liu Xiaojiang stated, the massive increase indicated a focus on "possible war with Taiwan, maritime defense in the East and South China seas" and new missions across the Indo-Pacific to "the country's maritime lifelines, as well as offshore supply deports like in Djibouti and the Gwadar port in Pakistan."[226] In other words, it was consistent with a *building* strategy focused on securing China's overseas interests, especially in Asia.

In sum, the preceding analysis shows that China knew capabilities like amphibious warfare, anti-submarine warfare, anti-air warfare, and mine countermeasures were valuable for *building* contingencies for decades. Its refusal to pursue them suggests that, at least in the period up to 2008 in which China was pursuing *blunting,* these capabilities were not germane to its focus on asymmetrically addressing U.S. power. After 2008, China began to reorient from this strategy and to emphasize the kind of broad-based surface warfare capabilities that it could have achieved long ago, and that others developing navies have fielded for decades. This was a

[225] https://www.scmp.com/news/china/diplomacy-defence/article/2078245/overseas-ambitions-expand-china-plans-400pc-increase

[226] https://www.scmp.com/news/china/diplomacy-defence/article/2078245/overseas-ambitions-expand-china-plans-400pc-increase

conscious prioritization reflected in authoritative Chinese military texts, and it has given China the ability to intervene in its own region in ways that previously were nearly impossible.

CONCLUSION

This chapter focused on a few main puzzles in Chinese military investments and showed that grand strategic explanations best account for Chinese behavior. The first puzzle was why Beijing deprioritized investments in the very power projection and amphibious capabalities it believed were necessary for retaking Taiwan and islands in the South and East China Seas, even though it could have afforded them? Second, why did it suddenly change course after 208 and then pursue blue-water power projection and amphibious capabilities.

The chapter proposed that after the Cold War's conclusion increased China's *perceived relative threat* from the United States, Beijing chose a blunting strategy to counter U.S. power. In military terms this required China to acquire asymmetric anti-access/area-denial (A2/AD) capabilities that would complicate U.S. intervention in the region's affairs, especially through mines, missiles, and submarines. It build the world's largest mine stockpile, the world's first anti-ship ballistic missile; and the world's largest submarine fleet. Authoritative Chinese military texts make clear that this strategy was discussed at the highest levels of Chinese policymaking, including the Central Military Commission and Politburo Standing Committee; that it was focused on deterring superior opponents with so-called "shashoujian" asymmetric weapons; and that China pursued principles of "whatever the enemy fears we develop that" and "catch up in some places and not others" to justif its narrower focus on A2/AD.

Then, after the 2008 Global Financial Crisis decreased China's *perceived relative power gap* with the United States, Beijing chose a building strategy to shape its own region. Beginning with Hu's 2009 Ambassadorial Conference and continuing in China's Defense White Papers, Politburo Study Sessions, and Party Congress Work Reports, a consensus emerged that it is time for China to acquire military power within the Indo-Pacific to secure territorial and resource

interests and shape the region as in line with those concerns. Accordingly, China begn to invest heavily in blue-water power projection and amphibious capabilities that enable it to capture territory and coerce neighbors. After the crisis, it luanched a massive carrier program, dramatically increasing production lines on advanced frigates and destroyers, quintupled the size of its marine corp, and invested more in AAW, MCM, and ASW capabilities.

CHAPTER 4: CHINA'S PARTICIPATION IN REGIONAL INSTITUTIONS

APEC, ARF, SCO, AIIB, and CICA

This chapter explains China's participation in regional institutions, focusing on four puzzles: (1) why China suddenly joined institutions after ignoring them; (2) why it then stalled the regional institutions it joined; (3) why it then built its own redundant institutions; and (4) why it invested in institutionalizing China-built organizations. After the Cold War's conclusion increased China's *perceived relative threat* from the United States, Beijing chose a *blunting* strategy to counter U.S. power by joining potential institutions it feared the U.S. might lead. Doing so would reassure neighbors who might encircle China, offer opportunities to stall U.S.-led regionalism, and provide outlets to constrain U.S. power; accordingly, China stalled APEC and the ARF and created the SCO to limit U.S. involvement in Central Asia. Then after the 2008 Global Financial Crisis decreased China's *perceived relative power gap* with the United States, Beijing chose a *building* strategy to shape its own region. China sought to use institutions to (1) claim leadership in part through public goods, (2) rewrite regional rules and norms, and (3) develop constraints over its neighbors. China's investments in AIIB and CICA reflect this strategy.

INTRODUCTION

Powerful states often try to institutionalize their influence. At the close of the Second World War, the United States built a complex system of international institutions that have mostly endured to this day – from the United Nations and World Bank Group at the global level to regional institutions and development banks at the regional one. After the Soviet collapse, a resurgent Russia built the Collective Security Treaty Organization (CSTO), the Commonwealth of Independent States (CIS), and the Eurasian Economic Union (EEU) to try to maintain influence in Eastern Europe and Central Asia. Other great powers have proceeded similarly.

China is not an exception to this rule. Beijing has sought to join the Western institutional architecture and to build its own institutions. In this regard, China's decision to join international institutions has been stark and rather abrupt. When the Cold War ended, China participated in only 35 governmental and 504 non-governmental organizations; by 2009, those

numbers had grown to 59 and 1,757, respectively.[1] Since the Cold War's conclusion, China joined APEC, ASEAN-related forums, founded the SCO and EAS, joined arms control agreements, supported UN peacekeeping, and joined the WTO. Multilateralism has risen to become a routine feature of Chinese foreign policy speeches, and China's former UN Ambassador called it vital to the "future well-being of mankind"[2] while its former foreign minister even declared China a "staunch supporter of the current international order."[3] And yet, despite these important developments, we still lack a clear account of how international institutions fit into Chinese grand strategy.

China's multilateralism raises four important puzzles related to China's participation across institutions and its behavior within them (See Table 7 for a summary).

1. **Participatory Reversal**: The first is the puzzle of China's participatory reversal towards institutions. In other words, why did a country Tom Christensen once called the "High-Church of realpolitik" with a famous aversion to international institutions dramatically increase its participation in international organizations after the Cold War?

2. **Functional Sabotage**: The second puzzle is China's functional sabotage. Since institutions are usually created to solve problems that require cooperative solutions, why is it that China in the early years of its participation in institutions stalled their institutionalization?

3. **Redundant Entrepreneurship:** The third puzzle is of redundant entrepreneurship. Why does China create new forums or elevate previously obscure forums if there are existing ones that can solve the same problems at lower initial and marginal costs?

4. **Functional Investments:** The fourth puzzle is why China sought to invest in the functional capacities of the institutions it created after the Global Financial Crisis after previously having opposed institutionalization in other organizations.

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[1] See Union of International Associations, *Yearbook of International Organizations, 1987-1988* (Berlin: KG Saur, 1988), vol. 2, appendix 3. See also Union of International Associations, *Yearbook of International Organizations, 2010-2011* (Berlin: Walter de Gruyter, 2010), vol. 5, p. 48. These figures exclude Hong Kong. Conventional governmental and non-governmental organizations are defined by the Union of International Associations on page 13 of volume 5 of the 2010-2011 edition.*

[2] Li Zhaoxing, "Statement by Chinese Foreign Minister Li Zhaoxing at the General Debate of the 58th Session of the UN General Assembly," September 24, 2003, http://www.china-un.org/eng/lhghyywj/ldhy/previousga/58/t28516.htm.

[3] Wang Yi, "For Friendly China-US Cooperation, For Global Peace and Development," September 16, 2015, http://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1297164.shtml.

This chapter seeks to address these puzzles by situating China's institutional behavior within its larger grand strategy for achieving security. So far, this project has offered a definition of grand strategy (Chapter 1), used Chinese sources (Chapter 2) to hypothesize about the specific content of China's grand strategy, and then showed how China's military investments (Chapter 3) are consistent with this account. This chapter turns the focus to political instruments and specifically addresses the puzzles described above about China's institutional participation: why has China joined and created institutions and for what purpose are they to be used?

1. The first argument of this chapter shows that the very changes in China's perception of American power and threat that shaped its grand strategy also affected its institutional strategy. These changes were most salient when China revised its assessments of American power and threat. In the early 1990s following the end of the Cold War, the Tiananmen Square Massacre, and the First Persian Gulf War, China's perception of American threat increased and it joined international institutions to *blunt* American power. Then, after the 2008 Global Financial Crisis, Chinese perceptions of American power fell, and China began to *build* its own international institutions to shape regional order.

2. The second argument this project offers is that China's grand strategy better explains the variation in China's institutional behavior than do realist, liberal, or social accounts drawn from political science. China uses ostensibly liberal tools for realist goals such as security, which can at times make its behavior appear puzzling even though there is logic underlying it. When China is pursuing a *blunting* strategy, joining institutions allows China the opportunity to sabotage them before they become U.S. tools. It also offers the ability to reassure its neighbors and frustrate exercises of American power. When China is pursuing a *building* strategy, institutions allow it to claim regional leadership; set rules; and constrain other states – just as the United States did nearly seventy years ago following the Second World War.

With respect to specific cases, the first three all demonstrate blunting. The APEC case demonstrates that China's senior ambassador saw his mission as crippling the organization's institutionalization to prevent it from becoming an American tool. The ASEAN-related institutions case shows that China feared these institutions would become a U.S. platform, worked to weaken them, strengthened bodies lacking the United States, and used the institution to frustrate the exercise of American military power. The SCO case shows that China created the organization in large part to prevent the United States from filling a regional void in Central Asia, especially as Washington surged into the region after 9/11. The next two cases demonstrate

building. Indeed, the AIIB case is a clear example of China building an institution to exercise regional leadership in the Asian economic sphere by offering a public good, reshaping economic rules and norms, and gaining constraining power over its neighbors. That institution also reflects a liberal political bargain whereby China's neighbors offer China legitimacy and China in turn reduces its political influence in the institution, thereby attenuating its ability to use it for economic statecraft. Finally, CICA is a case where China took an obscure institution and worked to claim leadership in the Asian security sphere by building it into what it hoped would be the definitive pan-Asian regional security forum, thereby pushing aside U.S. alliance-based and ASEAN-based approaches.

EMPIRICAL AND THEORETICAL STRATEGY

What exactly are international institutions, and how do we study them? When we use the term institutions, we focus on "specific institutions," which "can be identified as related complexes of rules and norms, identifiable in space and time."[4] Robert Keohane clarifies this view:

> When we ask whether X is an institution, we ask whether we can identify persistent sets of rules that constrain activity, shape expectations, and prescribe roles. In international relations, some of these institutions are formal organizations, with prescribed hierarchies and the capacity for purposive action. Others…are complexes of rules and organizations, the core elements of which have been negotiated and explicitly agreed upon by states.[5]

This chapter will focus its efforts on China's participation in Asia's formal multilateral organizations. All things equal, formal organizations require greater investments than do less structured complexes of rules, and are therefore good tests for state preferences and strategies. In addition, multilateral organizations can shape norms and rules in the domains for which they have policy responsibility as well as in orthogonal domains.

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[4] Robert Keohane, "International Institutions: Two Approaches," *International Studies Quarterly* 32, no. 4 (1988): 383.

[5] Keohane, 384.

As discussed previously, there are usually at least two ways we can gain insight explaining variation in some aspect of Chinese foreign policy, and these can likewise be applied to a study of China's participation in international institutions. The first is to recreate the decision-making process of Chinese elites through textual sources and interviews. In this case, with access to archival sources and policymakers somewhat limited, the best approach is to consult memoirs of diplomats; writings by academic who advised China's institutional policies; official Chinese publications; correspondences with institutions; and interviews with or memoirs by foreign diplomats who worked with Chinese officials in these institutions. These sources, combined with a variety of other primary and secondary sources, can provide insight into the elite decision-making process and the specific intent and factors behind China's investments in international institutions, especially at crucial moments when overarching strategy changes.

The second way to study why a state has made investments in international institutions would be to investigate variation in those investments across a number of different observables and indicators and then determine whether that variation is in accordance with a given approach or theory as well as whether it can explain the puzzles listed above.

There are least three broad categories of variation that generate observables that could provide researchers analytic traction. Together, these can be leveraged to dismiss certain theories of Chinese behavior and validate others. First, we can look at *variation in behavior across institutions*. We can look at if and when a state joins or creates institutions. Indeed, China sometimes joins institutions that have already existed for several years or even decades; alternatively, it might create ones that could have been launched earlier. We can also look at variation in the types of institutions it joins: some organizations are thick, with costly monitoring and enforcement mechanisms, while others are thinner and impose few requirements on their members. Some might be innovative and others might be redundant. To study this in more granular detail, we can focus on specific observables – drawn in part from the literature on the rational design of institutions – such as the institution's membership size,

scope of issues, centralization of tasks, rules for controlling the organization, and flexibility of the arrangements. Second, we study *variation in behavior within institutions*, with a specific focus on China's behavior towards an institution's further institutionalization. Does China act to strengthen, weaken, or reshape the organizations in which it is based? Do attitudes towards institutionalization change over time? A final category of consideration is whether these institutions provide any concrete *security benefits* to China outside of their core functions. This will be discussed in greater detail shortly. These observables tie directly into the four puzzles in China's institutional participation which focus on China's participatory reversal and its decision to create institutions, which are related to *variation in behavior within institutions*; as well as its opposition to institutionalization in some cases and its support for it in other cases, which is related to *variation in behavior within institutions* (see Table 1 below).

In sum then, through a combination of glimpses into the decision-making process and an effort to leverage (1) variation across institutions, (2) variation within institutions, and (3) variation in security benefits provided, we can test competing theories of China's investments in international institutions to see which best answer the four puzzles offered at the chapter's outset.

This dissertation argues that China's institutional participation is shaped by a grand strategy that initially emphasized blunting American power and then emphasized building regional order. To determine whether this view is correct, we test whether it better addresses the puzzles above than competing theories. These competing theories are drawn from political science, which has several rich traditions explaining institutional variation. Within each case, and after considering alternative explanations, this chapter (1) recounts what China thought about each institution; (2) examines what China did within each institution; and (3) explores how China integrates these institutions into its larger strategy by examining their security benefits.

In general, prevailing political science theories explaining a state's participation in institutions fall into three categories. The first set of theories is *realist* and argues states will not join institutions because they constrain state autonomy, or that institutions will reflect the balance of power, which especially gives weak states a reason to avoid them. The second set of theories is *liberal* and argues that states join institutions to solve problems and receive the material benefits of cooperation. The third set of theories is *social* and argues that states join institutions for reasons related to norms, identity, and other social benefits that are not fundamentally material. Finally, consistent with this dissertation's grand strategic account for China's behavior, this chapter argues that while some states join institutions because they assist in cooperation or for social reasons, others, like China, use them to achieve security – an approach that I term *strategic-liberalism*. In China's case, this process has involved tentatively joining and blunting existing institutions and then eventually creating its own to set regional norms and constrain its neighbors. We now review each of the theories of why states join institutions and their observable implications.

Table 7: Summary of Institutional Puzzles, Observables, and Theories

Puzzles	Observables		Theories to Explain the Puzzles			
	Variation in Behavior Across Institutions	**Variation in Behavior Within Institutions**	**Realism**	**Liberalism**	**Social**	**Grand Strategic**
China's Participatory Reversal	Why did China suddenly join institutions in the early 1990s?	N/A	Cannot explain the decision to join institutions.	Cannot explain the decision not to have joined earlier.	Cannot explain delay if social pressure unchanged.	China began joining institutions to blunt because it grew fearful about unilateral U.S. rule-setting and to reassure neighbors.
China's Functional Sabotage	N/A	Why did China oppose institutionalizing the organizations it joined in the early 1990s?	Cannot explain effort to stall already irrelevant institutions.	Cannot explain why China did not care about functionality.	Cannot explain stalling if monitoring is unchanged.	China worked to blunt institutions perceived as instruments for U.S. order building in Asia by reducing institutional efficacy.
China's Redundant Entrepreneurship	Why did China build or elevate existing redundant institutions after the Global Financial Crisis?	N/A	Cannot explain institution-building.	Cannot explain why China created or elevated redundant institutions.	Cannot explain exclusion of key social actors.	China created redundant institutions to build order by asserting leadership, setting rules, and constraining neighbors.
China's Functional Investments	N/A	Why did China seek to institutionalize the organizations it built after the Global Financial Crisis?	Cannot explain why China invested in institutions.	Cannot explain why China invested in the functional capacity of redundant institutions.	Can explain investments if members pressured China for thicker institutions.	China invested in institutionalization to strengthen the capacity of the organizations it controlled, which assists in order-building.

Realist Views

Realists are skeptical of institutions and argue states will avoid joining them. The pure realist position on institutions is outlined by Kenneth Waltz and John Mearsheimer, among others.[1] Realism holds that international structure and the anarchy that characterizes it compel states to pursue self-help policies to achieve security. Because "some states may at any time use force, all states must be prepared to do so" or face extinction. Realists are thus most profoundly concerned with security. This concern leads them to avoid participation in institutions for two broad reasons. First, states will be concerned about the relative distribution of benefits. A state that cooperates in good faith will be at a disadvantage relative to a free-rider that can convert its relative gain into coercive power. Even if neither side intends to defect, cooperation will be inhibited by concerns over which side would gain more from agreement. For this reason, cooperation is "difficult to achieve…and always difficult to sustain."[2] Second, as Waltz argues, states fear that cooperation reduces autonomy, minimizing a state's ability to deal with existential threats. In the international realm, each state's "incentive is to put itself in a position to be able to take care of itself since no one else can be counted on to do so." Thus, if cooperation brings dependence on others or constraints on action, realists will avoid it. Finally, some realists argue that institutions reflect power distributions not functional considerations. This logic is consistent with the idea that weak states would avoid institutions.

If the realist view of China's institutional behavior is accurate, it would produce a few key implications. First, with respect to *variation in behavior across institutions*, China would participate in few to no institutions. Second, with respect to its *variation in behavior within institutions*, China would largely avoid any further institutionalization of the few organizations it was involved in. Third, with respect to *security benefits*, China would assume that the

[1] See John Mearsheimer, "False Promise of International Institutions," *International Security* 19, no. 3 (1994): 5–49; Kenneth Waltz, *Theory of International Politics* (New York: McGraw Hill, 1979).

[2] Mearsheimer, "False Promise of International Institutions"; Mearsheimer, *The Tragedy of Great Power Politics*, 12.

institution would provide few to none because it would see institutions as largely non-binding. Ultimately, if China were operating in accordance with realist precepts, it would likely avoid creating or joining institutions and minimize its participation; since China has in fact both created and joined institutions, a purely realist approach is generally unable to explain China's institutional behavior or any of the four puzzles discussed above. Because realist theories cannot explain China's institutional behavior, they are considered here only. We now turn to explanations that better explain why states join institutions: specifically, liberal, social, and strategic-liberal explanations.

Liberal Explanations

Liberals do not find China's institution-building as puzzling as realists do, in part because they are less concerned with security, and argue that states join and create institutions to achieve the absolute welfare gains that flow from cooperation. Liberals answer the question of why states create institutions by focusing on the function of those institutions, which is largely to solve problems between states by facilitating cooperation. In this view, states that are motivated by self-interest will nevertheless limit their autonomy through institutions in order to access benefits that are unattainable without cooperation.

Institutions can be used to solve a variety of different types of problems, though these are commonly broken down into four categories.[3]

First, liberals stress that institutions can solve "collaboration problems," such as the famous Prisoners' Dilemma. Often environmental and economic problems qualify as collaboration problems: for example, all states might benefit from a halt in global warming, but no state can trust the other to restrict its emissions because polluting offers an economic advantage, therefore all states refuse to collaborate and instead pollute – making all worse off. To gain the benefits of a clean environment or stable international monetary system, states must

[3] Lisa Martin, "Interests, Power, and Multilateralism," *International Organization* 46, no. 4 (1992): 765–92.

create or join institutions that reduce the informational costs and transaction costs of mutually-beneficial cooperation. For example, institutions can monitor states or facilitate information-sharing about pollution levels or central bank policy, reducing fears of cheating. Moreover, these institutions create significant long-term benefits from cooperation while raising the costs of violating rules by denying defectors, who will become known as cheaters and no longer be trusted, the benefits of future cooperation.[4] Second, liberals argue institutions can also solve "coordination problems." A quintessential example is when an institution is used to provide a "focal point" for setting standards – such as in determining technical specifications for the global internet or deciding on which side of the road cars will drive. Institutions work by establishing that convention (i.e., setting a focal point), which liberals argue then becomes self-sustaining since no state has an incentive to defect from the standard after it is set. Third, institutions can solve suasion problems, which generally exist when a powerful state wishes to make sure a weaker state complies with its instructions to preserve a shared good, such as security. One example is NATO, where the United States supplies security through its defense spending. The United States wants its allies to spend on defense, though those allies would prefer to free ride and can get away with it because they know the United States will not cut its own defense spending. For the United States, institutions can mitigate the problem. They offer ways to link issues (e.g., tie NATO spending to technology transfers) and raise the costs of defection for its allies while increasing the benefits of compliance. A fourth and final type of game is an assurance game. In this case, all states are better off from mutual cooperation than from mutual defection and, unlike a collaboration game, there are no gains to be made from cheating.

Much of this theoretical logic is used to provide an explanation for why states created institutions to solve economic or environmental problems as well as to set standards, but it has

[4] Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984).

also been extended to other areas. Wallander, Haftendorn, and Keohane note that "institutions play important roles not only in economic or environmental issue-areas, but also where threats or use of military force occur."[5] Institutions can be thick and resemble alliances (e.g., NATO) where cooperation is used to deal with an external power outside of the institution. Alternatively, they can be thin and focus on facilitating information exchange to reduce threat perceptions and the risk of a security spiral between members within the institution (e.g., OSCE).

The observable implication of this liberal view is that, if states create and join institutions to solve specific problems, then an institution's form should follow from the nature of the problem it is designed to solve. First, we would expect that institutional design choices – such as membership size, scope of issues, centralization – are affected by the presence or salience of the factors that affect cooperation – such as distribution problems, enforcement problems, and uncertainty.[6] This means that, if liberal theories best explain China's participation in international institutions, then we should expect to see a wide *variation in China's behavior across institutions*: that is, it should join organizations at a variety of different levels of institutionalization given the wide variety of problems that institutions can be created to solve; and importantly, the organization should fit the problem. Second, with respect to *variation in behavior within institutions,* we would expect that China would create or join institutions as soon as a problem requiring an institutional solution presented itself. We would also expect to see China work to ensure that the organization's structure remains suited for the problem and if necessary to strengthen various rules and monitoring mechanisms, as well as to see China broadly compliant with the institution's rules and goal. Third, with respect to *security*

[5] Helga Haftendorn, Robert Keohane, and Celeste Wallender, *Imperfect Unions: Security Institutions Over Time and Space* (New York: Oxford University Press, 1999), 1.

[6] Barbara Koremenos, Charles Lipson, and Duncan Snidal, "The Rational Design of International Institutions," *International Organization* 55, no. 4 (2001): 761–99.

benefits, we would not expect to see China emphasize the security benefits of these institutions and would instead expect to see it focus on the functional purpose of the institution itself.

Ultimately, these explanations cannot account for the four puzzles listed at the chapter's outset. They cannot explain China's participatory reversal since they would have predicted participation would depend on the issue at stake. They cannot explain China's functional sabotage since the only purpose of institutions is to provide certain functions. Finally, they cannot explain China's creation of redundant institutional creations since the efficient choice is to use existing institutions with lower initial and marginal costs.

Despite these shortcomings, a wide range of scholars argues that China's decision to join international institutions is motivated by liberal logic, drawing from its commitments in global institution and regional institutions beginning in the 1990s. Justin Hempson-Jones argues that China has "willingly embarked on a course that has substantially compromised its autonomy," including its "sovereignty-bending admission" to the WTO, its willingness to support sovereignty-violating peacekeeping, and its decision to join dozens of regional security organizations.[7] For Jones, this is evidence that China is now convinced of liberal-contractualist logic and the utility of cooperation. Jones is right that "current realist models do not adequately describe or predict" these liberal policies, but he and others are wrong to then conclude that these liberal behaviors necessarily indicate liberal preferences. There can be realist, security-minded preferences motivating liberal behavior. An examination of some of the very cases Jones cites suggests a willingness to avoid costs even at the expense of institutional functionality, a phenomenon that suggests functionalist logic is not primary.

Other scholars, like Ann Kent, see deeply-rooted change. Ann Kent's *Beyond Compliance* looks at China's compliance before and after joining regimes and concludes that China has been socialized into compliance. But her approach does not put forward an agent that was

[7] Justin Hempson-Jones, "The Evolution of China's Engagement with International Governmental Organizations: Toward a Liberal Foreign Policy?," *Asian Survey* 45, no. 5 (2005): 702–21.

"socialized" nor a causal mechanism through which it could take place. And when her theory fails to explain substantial variation in compliance – why environmental compliance is lower than security compliance – she concedes that self-interest plays the defining role. While her work demonstrates increased participation in liberal institutions, it does not convincingly explain it.[8]

Other authors have suggested that China's participation in international institutions is both liberal and enduring. David Lampton, among others,[9] has argued that Asian interdependence and American primacy are two structural factors that have served to "progressively and fundamentally alter the style and substance of Chinese foreign policy" towards cooperation.[10] China's institution-building, however, is not necessarily about using cooperation to solve problems; as will be shown, much of it has a fundamental strategic rationale.

Social Accounts

A number of academics and Asian policymakers argue that China joins or creates institutions for social reasons and that it is being "socialized" into its cooperative behavior. In general, social accounts share with liberal accounts a focus on explaining seemingly cooperative behavior, but they use different mechanisms to account for such behavior. In these accounts, states answer the question of "why they should do X" with answers like "because X is consistent with who I am," or "because X is the right thing to do," rather than "because X will lead to Y, which benefits me."[11] Social accounts consider the role of norms, status, and other variables realists consider irrelevant. There are three broad social mechanisms. The first is persuasion,

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[8] Ann Kent, *Beyond Compliance: China, International Organizations, and Global Security* (Stanford: Stanford University Press, 2007), 225.

[9] This thinking also finds expression in the works of Michael Yahuda, Evan Medieros, Taylor Fravel and others.

[10] David Lampton, "China's Rise Need Not Be at America's Expense," in *Power Shift: China and Asia's New Dynamics*, by David Shambaugh (Berkeley: University of California Press, 2005), 307.

[11] Alastair Iain Johnston, *Social States: China in International Institutions, 1980-2000* (Princeton: Princeton University Press, 2008), 22.

which is the focus of most social accounts, and generally results in a change in state preferences. If China is persuaded, that means the "logic of appropriateness," or "pro-norm behavior that is so deeply held as to be unquestioned, automatic, and taken for granted," tames the logic of interest.[12] A second mechanism is social influence, which holds that states undertake certain policies because they are afraid of criticism. A third and final social account, mimicking, is scarcely social – it essentially argues states copy the behavior of others until they learn how to use institutions, at which point they act instrumentally to pursue their interests. Generally speaking, when scholars say China has been socialized in institutions, they are generally referring to persuasion and backpatting.

How do we test social accounts? If social accounts are correct, their observable implications will be broadly similar to those of liberal accounts, and we will expect to see behavior cooperative with institutional values and rules. First, with respect to *variation in behavior across institutions*, if China is acting consistently with social theories then the observable implication would be that the institutions China joins or creates are dependent either on the problem the institution is attempting to solve (especially if China is persuaded towards cooperation) or on the social environment of the institution (if backpatting is the mechanism and China wants social rewards). Second, with respect to *variation in behavior within institutions,* the observable implication of a social account would be that China supports advancing institutionalization if China has been persuaded, or alternatively, if it is socialized through back-patting, that it would engage in pro-institutional behavior as long as China is monitored. We can dismiss social theories not only if these observables fail to obtain, but also if China pursues anti-institutional policies without any decrease in monitoring mechanisms – which social theories cannot explain. Finally, with respect to *security benefits,* we would expect

[12] Johnston, 16.

Chinese participation not to be motivated by such material concerns and that internal deliberations would not highlight instrumental logics.

For analytical convenience, the fact that liberal and social accounts generate such similar observable implications suggests that they should be tested together. In other words, although social accounts and liberal accounts require different kinds of evidence to be confirmed, they can actually be disconfirmed using the same kinds of evidence – clearly anti-institutional behavior. For example, if we see that China joins and creates predominantly "thin" organizations, that there is sometimes backsliding in its behavior or a desire to undermine institutional mechanisms and act uncooperatively, or if we see that internal deliberations about China's participation highlights instrumental logic (e.g., specific material benefits), then this is evidence against social accounts as well as liberal ones.

Strategic-Liberal Blunting and Building

This chapter argues that realist, liberal, and social explanations all fail to account for variation in China's institutional behavior. It argues China's behavior is best explained by its strategic logic: specifically, institutions have been a way of increasing China's security by blunting American power and building regional order. China has acted in an ostensibly liberal way, albeit with these strategic ends in mind – an approach to institutions that we might call "strategic-liberalism." While liberals argue that institutional form is dictated by a cooperative function, a strategic-liberal view adopts a kind of "security functionalism" that holds that institutional forms are sometimes dictated by their security implications rather than their ostensible function, and that state strategies may be optimized for goals other than institutional efficacy.

Strategic-liberalism is not simply realism. Admittedly, the strategic-liberal position shares with realists a common belief that security is paramount. But where many realists see rules, norms, and reputation as irrelevant to security, and while liberals see them as relevant largely for serving functional purposes like facilitating cooperation or for socializing states, a

strategic-liberal sees them as security-enhancing in ways both other perspectives might overlook. Put differently, a strategic-liberal accepts that liberal means can be used for realist ends and thus holds a broader, liberal view of power – one that allows institutions o be integrated into grand strategy.

This broader view of power finds expression in a wide variety of works that indirectly discuss the ways institutions shape security. Most of that literature, however, is about the way hegemons use institutions to achieve security – not rising powers like China. The prominent authors of this literature include Robert Gilpin, John Ikenberry, and David Lake, and they emphasize how institutions are important parts of order and hierarchy. For example, these authors note that institutions allow hegemons to reassure (or "buy off") weaker states, to develop legitimate authority through public goods provision, and to set rules that are in the hegemon's own interests, with institutions serving as lower-cost enforcement mechanisms than ad hoc punishment. For these authors, institutions reflect the power distribution and are tools of order; hegemons are the most powerful states, and in this literature, institutions are discussed as a reflection of their interests.

And yet, states that are not the most powerful also use institutions to achieve security and create competing order as well. With its narrow focus on hegemons, the preceding literature ignores the ways rising powers like China use, join, and create institutions to achieve their own security interests.

As a rising power, China faces a unique challenge. Its recent growth unnerves both its neighbors and external great powers, and its security is threatened by the possibility of collaboration between these two groups. Acting as a strategic-liberal, a rising power like China can use institutions to help solve this problem and fit them into China's larger grand strategy of blunting American power and building alternative order.

First, with respect to strategic-liberal blunting, China can use institutions to (1) reassure its neighbors (to reduce the risk of encirclement) and (2) to constrain Washington's use of its

military, economic, and political power – especially by joining institutions perceived as potentially threatening to Beijing and stalling or sabotaging them. Regarding reassurance, Stephen Walt argues in his refinement of Waltz's realism that "perceptions of intent play an especially crucial role in alliance choices." Power alone is not sufficient to provoke balancing; intent is a crucial factor, and "the more aggressive or expansionist a state appears, the more likely it is to trigger an opposing coalition."[13] As China's own scholars and policymakers argue, institutions can be used for reassurance. When Beijing sacrifices autonomy, political benefits, or economic benefits by enmeshing itself in an institution, it sends a signal to its neighbors that it is less threatening, less likely to resort to coercion, and more likely to bind itself to rules and norms – an institutional trait Ikenberry himself notes about the U.S.-led post-war order.[14] The signal sent by joining institutions is in part credible because Beijing does indeed pay a cost since constraining itself through institutions complicates its raw use of political or economic power. That signal can decrease the likelihood that its neighbors will form a balancing coalition – thereby providing security benefits. In addition to reassuring neighbors, China also joins institutions to stall them by preventing their further institutionalization, which could have made them more effective tools for U.S. order-building. Finally, institutions can also blunt U.S.-led containment by reducing or frustrating Washington's ability to exercise its political, military, or economic power within the region without China's overt use of military force – what some call soft-balancing. A realist may see few options outside hard balancing and might use military build-ups, technology transfers, or overt alliances to constrain rival powers even though it may provoke neighbors. A strategic-liberal, however, has a broader view of politics and may be open to other methods of balancing that are less frightening to its neighbors and to an external hegemon. An institutional security strategy is ideal for peacetime competition precisely because

[13] Stephen M. Walt, "Alliance Formation and the Balance of World Power," *International Security* 9, no. 4 (1985): 12–13.

[14] John G. Ikenberry, "Institutions, Strategic Restraint, and the Persistence of American Postwar Order," *International Security* 23, no. 3 (99 1998): 43–78.

it is less likely to unnerve neighbors or provoke the hegemon. Soft-balancing can succeed in making another "state's military forces harder to use without directly confronting that state's power with one's own forces."[15] As Robert Pape outlines, soft-balancing can take a number of forms. By expanding on his schema, and putting it institutional terms, we see that China can use institutions in several ways, such as to (1) exclude rivals from regional politics, (2) signal that institutional members may be willing to form a balancing coalition, (3) coordinate members so that they deny an external power access to territory, (4) entangle rivals in rules, thereby limiting their freedom of action, (5) create regional economic blocs (e.g., through FTAs) that exclude rivals from the benefits of trade, (6) insulate itself from the hegemon's use of institutional or economic pressure, such as sanctions; (7) insulate oneself from and erode the norms undergirding a rival's influence, like human rights or democracy. Because institutions can also be used against China, Beijing also has an interest in joining U.S.-led efforts and stalling or sabotaging them from the inside to reduce their ability to constrain China.

Second, with respect to strategic-liberal building, institutions can also be used to enhance China's own autonomy and power in much the same way that that the authors on hegemony note that hegemons use them: by (1) claiming legitimate leadership; (2) promulgating rules and norms; and (3) generating the capacity to constrain neighbors. First, China can use institutions to claim legitimize its regional leadership, especially if its institutions offer public security or economic goods. Second, China can use institutions to set rules and norms. Leadership of organizations that are viewed as legitimate allows China to wield influence in setting regional norms on issues such as foreign basing or alliances. If China is unsatisfied with a given organization, it can engage in what Robert Keohane and Julia Morse have called "regime shifting" and "competitive regime creation."[16] This allows it to elevate alternative organizations

[15] Robert A. Pape, "Soft Balancing Against the United States," *International Security* 30, no. 1 (2005).

[16] Julia Morse and Robert Keohane, "Contested Multilateralism," *The Review of International Organizations* 9 (2014): 385–412.

or create new ones that better suit its interests, exclude its political rivals, or offer new focal points for coordination. Third, institutions can help China create order through constraints on neighbors within its region. China-led banks give Beijing the ability to approve or deny loans to smaller countries, which can often entail control over certain aspects of their diplomacy. Moreover, China can gain influence over smaller states through one-sided technological coordination or economic concessions that create asymmetric interdependence. These concessions can also alter domestic preferences that create lobbies that support stronger ties.

There are several observable implications that help us test whether China creates institutions out of a strategic-liberal logic. First, we can look at the *variation across institutions*. As opposed to realists who predict little to no institutional creation and liberals who expect both thick and thin institutions to be created, a strategic-liberal will – all things equal – prefer thinner organizations that will impose fewer costs. If China is acting as a strategic-liberal, the timing of its decision to join institutions will be motivated less by the desire to solve specific externalities or coordinate standards and more by the main variable that affects its security – the perception of American power and threat. It will join institutions that are perceived as threatening to blunt a rival power and, once confident it can resist the opposition of external actors, build its own institutions to create order even if similar institutions already exist so that it can claim the unique strategic benefits that come from institutional leadership. In short, this accounts for the puzzle of China's institutional reversal as well as its redundant institution-building. Second, we can look at *variation in China's participation,* specifically its attitudes and behavior towards further institutionalization. If China acts in line with the precepts of strategic-liberal blunting, then we would expect to see it sometimes stall institutions, weaken them, or be non-compliant, even though this may cut against the functional purposes of the institution. In contrast, when China pursues strategic-liberal building, it will create institutions and strengthen their monitoring or enforcement mechanism to make them more effective as instruments of order-building. This helps account for the puzzles of China's functional sabotage and its later

functional investment. Third, if China is motivated by a strategic-liberal logic, we should also see evidence of clear *security benefits* from its participation as well as some recognition of these benefits among Chinese policymakers.

CHINA'S INSTITUTIONAL TEXTS

This section uses high-level memoirs, essays, and speeches, to argue that China committed to using institutions as part of its *blunting* strategy when its perception of American threat increased in the late 1980s and early 1990s. China's leaders were aware that the United States outclassed China on virtually every metric of material and soft power; for those reasons, they relied on institutions as a way of reassuring China's neighbors and curtailing U.S. economic, political, and military power over China. Contrary to liberal accounts that explain Chinese institutionalism as motivated by a sincere desire for cooperation and problem-solving, Chinese texts suggest strongly that the country's foray into institutions was not motivated by functional concerns. Contrary to social accounts that suggest Chinese elites were persuaded or socialized within institutions, this account suggests that while some socialization certainly occurred, the result was primarily to convince diplomats of the utility of institutions in serving Chinese security interests and only secondarily to convince a number of them of the benefits of sincere institutionalism. As Chinese texts show, diplomats and advisors to China's institutional policy saw institutions instrumentally: they were a way of achieving security, not problem-solving.

This section proceeds in four parts. First, it focuses on establishing a shift in Chinese strategy following the Tiananmen Square massacre, the Gulf War, and the Soviet collapse. Second, it explains the emergence and content of a strategic institutional strategy focused in large part on the United States. The third section discusses a shift in China's institutional

approach after the Global Financial Crisis. The fourth section outlines the content of that strategic shift. We turn now to the first sub-section.

A Shift in Strategy

During the Cold War, China rarely engaged in multilateralism – especially at the regional level. Its interactions were limited to the United Nations and organizations like the World Bank, which could provide China technical expertise. After the Cold War, however, that changed.

In response to the Tiananmen Square sanctions, the demonstrations of U.S. power in the Persian Gulf, and the Soviet collapse, Chinese officials began to see multilateralism as a way to protect China from the growing threat of American hegemony. As the scholar Kai He argues, "After the collapse of the Soviet Union, China's strategic environment experienced a dramatic change….Given U.S. policies on human rights and Taiwan, the U.S. as the sole superpower posed a very serious challenge to China's internal and external security." American power and Chinese dependence on "the U.S. market, capital, and technology," prevented Beijing from openly opposing Washington, and – as Kai He concludes – institutions became an important part of China's quieter security strategy.[17]

The trifecta of the Tiananmen Square sanctions, the Gulf War, and the Soviet Collapse led to a comprehensive reevaluation of Chinese grand strategy. As the military chapter shows, China's Central Military Commission met to reassess and then to fundamentally alter China's military strategy after the shocking events of the late 1980s and early 1990s. A similar reconsideration appears to have occurred regarding China's political instruments as well. Although we have direct accounts of those discussions in the military case, we lack them for foreign affairs; nevertheless, they are hinted at in a wide range of authoritative Chinese sources.

One of China's first diplomats formally involved in regional multilateralism, Wang Yusheng, served as China's first APEC ambassador. As an implementer and partial formulator of

[17] Kai He 36

China's institutional policies, his accounts can be considered reliable. Wang links Chinese multilateralism directly to the Cold War. Indeed, he argues it was "only the end of the Cold War" that gave rise to China's focus on regional institutions and that was why "around the beginning of the 1990s, China began to take part in some regional mechanisms."[18] The decision was clearly linked to the shifts of the late 1980s and early 1990s, and followed an internal policy debate. As Wang recounts, "After the collapse of the Soviet Union, after the end of the Cold War, China went through several years of 'calm observation' and careful analysis and study." After this study, Wang argues that Chinese leaders determined that "China needed to, and had the capability to, make a certain contribution" to multilateral institutions.[19] The context for these decisions, as Wang notes in his memoir, was the United States' growing threat:

> The United States made several strategic victories in this period: with respect to military matters, the United States exploited Iraq's military invasion of Kuwait; it flaunted the advantage of a strong dollar; politically, its defeated its enemies – the other superpower, the Soviet Union (or as the United States would put it, "defeated communism"); with respect to economics, it caught the information technology development, and internationally it had a distant lead since Japan - which had once almost caught up with and exceeded the United States - was falling further behind. America's outspoken media threatened that the United States was "the most qualified to lead the world," and that in the 21st century, "there is nothing but being subordinate to the United States." As leader of the world's only superpower, [President Clinton] needed a "post-Cold War" international order dominated by the United States, and promoted America's values and developmental model.[20]

As Wang discusses in his memoirs, China believed that a victorious United States sought to dominate Asia and the globe, and that this assertive American strategy directly threatened China. This in turn required a greater focus on international institutions. China would have to join them in part to ensure that the United States could not wield them against China, a point Wang repeatedly makes in his memoirs.

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[18] Wu Jiao, "The Multilateral Path."

[19] Wu Jiao.

[20] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]* (Beijing: World Knowledge Press [世界知识出版社], 2000), 30.

Other participants in regional multilateralism support these accounts. In a report commissioned by China's Ministry of Foreign Affairs and written in the late 1990s, Zhang Yunling, a CASS scholar who helped shape China's multilateral strategy, encourages China's use of multilateral instruments and bases his arguments in the changing structure of world politics following the Soviet collapse. Indeed, the very first sentence of Zhang's MFA report observes that "after the end of the Cold War, China's international environment has undergone tremendous changes." He proceeds to argue that these changes constitute "an important basis for China to formulate current and future security policies" involving the use of multilateral instruments.

Multilateralism was part of a larger shift in Chinese diplomatic strategy to focus on reassuring neighbors. These efforts to secure China's periphery were grouped under the category of "peripheral diplomacy" [周边外交], which itself evolved from previous Chinese initiatives, and was eventually made a priority of Chinese diplomacy after 2008. China's focus on the periphery during this period was oriented more towards *blunting* U.S. power through reassuring China's neighbors in contrast to the post-2008 focus on reshaping the region. "In the late 1980s," as one Chinese foreign policy historian notes, "the disintegration of the Soviet Union, the upheaval in Eastern Europe, the end of the Cold War between the United States and the Soviet Union…the joint imposition of sanctions on China by the United States and various Western countries" together led to "a severe situation rarely encountered since the founding of the country."[21] In response to this situation, "China's neighborhood policy was placed in a particularly important position during the 1990s" in order to ensure China had a secure, peaceful environment and did not face the threat of opposing alliances.[22] The principle was even elevated for the first time ever

[21] Shi Yuanhua [石源华], "On the Historical Evolution of the Zhoubian Waijiao Policy of New China [论新中国周边外交政策的历史演变]," *Contemporary China History Studies [当代中国史研究]* 7, no. 5 (2000): 47.

[22] Shi Yuanhua [石源华], 47.

in Jiang Zemin's 1992 political report to the 14th Party Congress – the first such report after the post-Cold War transformation of the international system.[23]

As perceptions of both American power and threat gradually rose in the 1990s and early 2000s, especially after U.S. intervention in Bosnia and Kosovo and its subsequent invasion of Afghanistan and Iraq, the Chinese government increased its attention to multilateralism.

In 1997, the term multilateralism was used for the first time in a Party Congress work report – and then appeared in every report after – when Jiang Zemin said China must "actively participate in multilateral diplomatic activities" and "give full play" to China's role in these bodies.[24] At that year's Ambassadorial Conference address, Jiang reiterated that China must "actively participate in multilateral diplomacy" and linked the trend to multipolarity. "Under the new situation in which the trend of world multipolarity and economic globalization is constantly evolving," he said, "all major countries rely on regional organizations to develop themselves and seek to obtain through multilateral means what they cannot get through bilateral relations. We should pay more attention to this situation and pay attention to making the best use of it to make profits and avoid disadvantages."[25] Three years later, in a speech to the Politburo summarizing the work of the Standing Committee over the last ten years, Jiang pointed out China's multilateral efforts. Over the preceding decade, he noted, China has "proposed and implemented strategic thinking stabalizing the periphery" and "we have played an important role in multilateral diplomatic occasions." Jiang singled out APEC, ASEAN, and the SCO as areas of Chinese successful activism –the three cases considered later in this chapter.[26]

[23] See Jiang Zemin 14th Party Speech

[24] Jiang Zemin [江泽民], "15 Party Congress Political Report."

[25] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:205–6.

[26] Jiang Zemin [江泽民], 2:546–47.

A Blunting Strategy

Chinese texts broadly discuss two main obstacles posed by the Cold War's end. The first was the rise of the "China threat theory," which was in turn triggered by fears of China's economic rise and military build-up, and the second was an increasingly threatening United States and its power and leverage over China. Multilateral institutions were intended to deal with both of these problems, and they were integrated into China's diplomatic layout [外交总体布局], a hierarchy of China's foreign policy focuses. Historically, the focus has been on the great powers first and then the periphery and the developing countries (e.g., "great powers are the key, the periphery is the primary, the developing countries are the foundation), and China's addition of multilateralism to that formulation indicated its importance in Chinese strategy (e.g., "the multilateral is the important stage").[27]

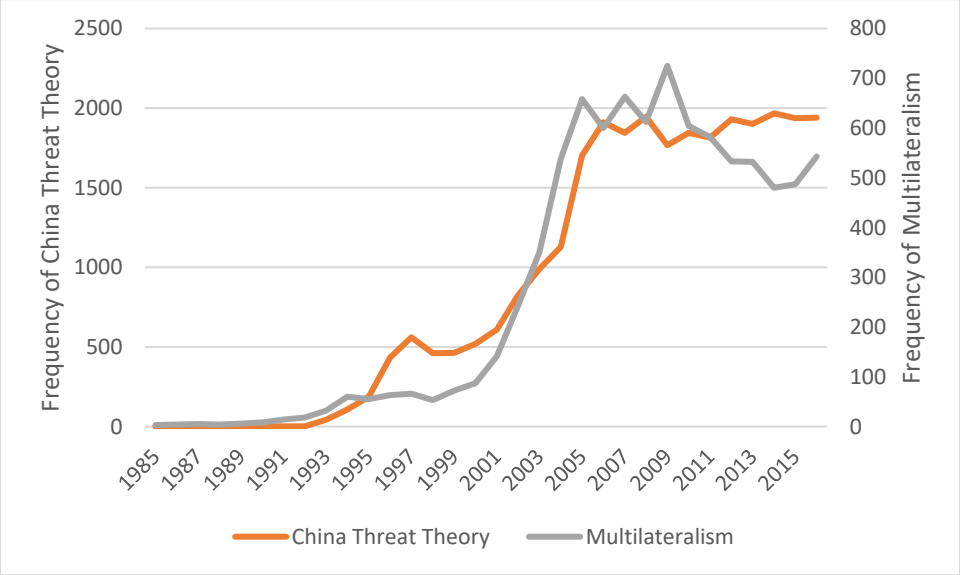


Figure 4:Number of Chinese Journal Articles Containing "China Threat Theory" and "Multilateralism," 1985-2016[28]

[27] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:508.

[28] This search was conducted in CNKI's Full Text Journal Database using the term 中国威胁论 for China Threat Theory and 多边主义 for multilateralism.

A search of Chinese academic and policy articles reveals that the term "China threat theory" first appeared in 1989 and then accelerated in popularity sharply after 1993. It is telling that the term was never prominently used until after the major events of the late 1980s and early 1990s. Indeed, this timing strongly suggests that, following the changes brought about by the end of the Cold War and renewed concerns about the U.S. threat, Chinese foreign policy scholars began to focus on the possibility that China's neighborhood – alarmed by China's economic and military rise – could be organized by the United States against China.

Zhang Yunling's memo to the Ministry of Foreign Affairs explicitly articulates the view that U.S.-led encirclement was China's largest post-Cold War threat. He writes, "In the new [post-Cold War] world pattern, China is a rising power.... Of course, the rise in Chinese power will also worry neighboring countries, and even make them fear being threatened [by China], and some countries will try to improve their military and strengthen alliances to cope with the rise in Chinese power."[29] In his memo, Zhang is unambiguous that this encirclement is China's gravest threat. "In the future, the *greatest challenge* to China's security," he argues, "is how to deal with and address the comprehensive changes in its relationships [with neighbors] caused by the rise in its own power." If this challenge is mishandled, Zhang fears that China will "push itself into a circle of hostility" surrounded by unfriendly states. In Zhang's mind, "*the most dangerous situation* is the formation of many countries united together to counter China, to carry out the encirclement and containment of China."[30] And of course, the instigator of such efforts would be the United States, with Zhang fearing the possibility of "the United States, together with its allies, intervening too frequently and too excessively" in China's affairs.[31]

Chinese multilateralism in the 1990s was intended to help prevent this "dangerous situation" of "encirclement and containment" from arising. But how would it do so? Zhang

[29] Zhang Yunling Dangdai Yatai 9

[30] Zhang Yunling Dangdai Yatai 11

[31] Zhang Yunling Dangdai Yatai 9

writes that multilateralism allowed China to "demonstrate its benign intentions by exercising self-restraint and displaying a willingness to be restrained" and, crucially, that "this idea has led directly to actions such as not devaluing the Renminbi during the 1997 Asian Financial Crisis, joining the TAC-SEA, and largely letting ASEAN states dictate the norms regarding the South China Sea dispute."[32] Zhang explicitly links China's conciliatory engagement in institutions to its fear of U.S.-led encirclement.

Zhang's views are confirmed by others who engaged in dialogues with Chinese diplomats at the time. As Susan Shirk argues based on her Track II dialogues in the early 1990s, "Although China has a number of reasons for its more positive attitude toward regional security cooperation, the main one is to reduce regional fears about what the Chinese term "the so-called China threat."[33] She continues, "Chinese officials and diplomats spend much of their time these days trying to debunk the notion of the "China threat."[34] Indeed, at the very first meeting of the ASEAN Regional Forum in 1994, Foreign Minister Qian Qichen gave an entire series of press interviews dedicated to debunking the China threat. He reassured the attending Southeast Asian reporters by arguing that "there is no big increase of defense expenditures" after accounting for inflation; that if you compare China's military spending to that of the United States "you come to the conclusion that China's military forces are defensive in nature," and that "in history, China never invaded any foreign country" and "has not stationed even one single soldier outside its borders."[35] One journalist summarized Qian's remarks in the following way: "If you're worried about a Chinese military build-up, relax."[36] In addition to remarks by Chinese diplomats, authoritative publications by the Chinese Communist Party also confirm that reassurance was

[32] Zhang Yunling and Tang Shiping, "China's Regional Strategy," 52.

[33] Shirk, "Chinese Views on Asia-Pacific Regional Securitiy Cooperation," 8.

[34] Shirk, 9.

[35] Nayan Chanda, "Gentle Giant," *Far Eastern Economic Review*, August 4, 1994.

[36] Chanda.

central to Chinese multilateralism. One Party publication on Chinese regional strategy indicates that multilateralism was instrumental, and it emphasizes that not only did China engage in self-constraint (自我约束) but that it also pursued a policy of "accepting constraint" (接受约束) in order to address the "China threat theory" and reassure neighbors. The book was clear that major Chinese multilateral concessions, including its signature to the Code of Conduct in the South China Sea with ASEAN, were a part of this strategy.[37] Summing up these views, prominent Chinese scholar Wu Xinbo notes, "On the security front….[China] calculates that by promoting reginal cooperation, it can help create a friendlier and more stable security environment around China's periphery, offsetting security pressures emanating from the U.S. pursuit of a hedging strategy vis-à-vis China."[38]

These same motivations were expressed by China's top political leaders. At a meeting on peripheral diplomacy held in 2001, President Jiang stressed China's unusual security situation and the importance of reassuring neighbors. "China is the country with the most neighboring countries in the world," Jiang stated. After referencing a number of notable figures from the Warring States era, he declared that "our ancestors have long recognized the importance of dealing [well] with neighboring countries" especially since "while China can choose friends, it cannot choose neighbors."[39] Jiang then candidly outlined how China will alleviate the "China threat theory" forming among its neighbors:

> In dealing well with neighboring countries we must surely consider things from the long-term perspective, we cannot harm our long-term and fundamental interests for short-term interests. China is a big country and it is inevitable that some small countries around us have doubts about us. We must establish an image of peaceful development and friendly cooperation, as well as patiently and meticulously dispel doubts, and use

[37] 在和平,发展,合作的旗帜下：中国战略机遇期的对外战略纵论 252, Quoted in Zhao, "China and East Asian Regional Cooperation: Institution-Building Efforts, Strategic Calculations, and Preference for Informal Approach," 152.

[38] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," in *Asia's New Multilateralism: Cooperation, Competition, and the Search for Community*, ed. Michael J. Green and Bates Gill, 2009, 59.

[39] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 3:314–15.

> our own exemplary words and deeds to increase trust so that they gradually realize that the so-called 'China threat' does not exist at all.[40]

The emphasis on the long-term over the short-term required shelving sovereigny disputes when they could not be easily resolved: "we can temporarily put difficult issues aside and not affect the overall situation of the normal development of state relations." This stands in stark contrast to China's post-2008 *building* phase that sought their active resolution.[41] Morever, Jiang is explicit that multilateral instruments were also a significant part of this reassurance strategy. "With the development of world multipolarization and economic globalization," Jiang stressed, "the role of multilateral diplomacy has become increasingly prominent" and China needed to give "full play" to it by "participating in regional economic cooperation" as well as "continuing to promote security dialogues and consultations" with neighbors.[42] Importantly, at the end of the speech, and after hinting at "external plots" to manipulate divisions in Asia, Jiang stressed the degree to which the United States was a major consideration in this strategy: "Here [at the conclusion], I want to emphasize one point. The United States is located in the Western Hemisphere. Although it is not our neighbor, it is a key factor affecting the security environment in our country."[43] The purpose of China's peripheral diplomacy was not to shape the region but to dissuade its neighbors from joining with the United States to encircle China.

Chinese sources suggest this strategy was perceived to have been successful. In a review of Chinese multilateralism in the 1990s, Zhang Yunling credits China's reassuring efforts through multilateral institutions with having headed off encirclement during that decade. "Multilateral partnerships established between China and other powers," he argues, "have taken China out of harm's way from potentially hazardous confrontation. By enabling those countries

[40] Jiang Zemin [江泽民], 3:314–15.

[41] Jiang Zemin [江泽民], 3:314–15.

[42] Jiang Zemin [江泽民], 3:317.

[43] Jiang Zemin [江泽民], 3:313, 318.

to understand China better," Zhang asserted, it was possible for China "to lessen their fear of being threatened and hence reduce the possibility of an alliance against China."[44] Indeed, "with multilateral participation and effort," he continued, "China's image as a responsible power will be improved. As countries interact and cooperate with China more, they will worry less about the 'China threat.'"[45] Zhang even borrows language from military doctrine to make the point, arguing in his memo to the MFA that multilateralism constitutes an "'active defense' strategy" that "allows China to take the initiative in meeting the challenge of [encirclement]" and "eliminate the possibility of united efforts to counter China."[46] In short, Chinese multilateralism has a powerful *strategic* rationale.

In a 2004 article with Tang Shiping, Zhang elaborates on the evolution of this strategy and clarifies its rationale. He argues that China's "good neighbor policy" was designed to *blunt* American encirclement.

> Related to its recognition of the security dilemma and its understanding that the Sino-U.S. relationship will always have its ups and downs, China has pursued a strategy of maintaining amicable relationships with neighbors (mulin youhao, wending zhoubian) to hedge against downturns in Sino-U.S. relations. Deng Xiaoping and his successors understand clearly that, with more than fifteen countries bordering China, an aggressive posture is simply not in China's interest, no matter how powerful China becomes, because aggression would lead to a counterbalancing alliance of China's neighbors and a distant power (the United States). If, however, China adopts a defensive realist approach, most regional countries would be reluctant to adopt a policy of hard containment, and thus China would likely enjoy a benign regional security environment. To this end, China has made strenuous efforts to improve its relationships with its neighboring countries, sometimes by making significant concessions despite strong domestic opposition.[47]

If the first objective of China's institutional strategy was to reduce the risk of a U.S.-led containment coalition, the second objective was clearly to frustrate the exercise of American power. China's interest in using multilateral institutions to constrain the United States emerged

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[44] Zhang Yunling, *Rising China and World Order* (New York: World Scientific, 2010), 8.

[45] Zhang Yunling, 19.

[46] Zhang MOFA Memo 11

[47] Zhang Yunling and Tang Shiping, "China's Regional Strategy," 50.

from a simple, undeniable fact: Beijing could hardly afford to overtly confront Washington. Chinese diplomats publicly stated that they saw multilateralism as a way to bring about multipolarity and constrain U.S. hegemony. In 2002, Chinese leaders and state media reduced calls for multipolarity and "began emphasizing the role of multilateral organizations in addressing global economic challenges," and in 2004, elevated the concept of "cooperation" as one of the three defining principles of China's foreign policy.[48] Jiang Zemin said that, along with the growing strength of developing countries, "a variety of regional, intercontinental and global organizations are unprecedentedly active," and that together "these facts show that the world pattern is accelerating toward multipolarity."[49] Officially, multilateralism began to be seen as an important conduit for multipolarity. In a 2001 address to high-level military leaders, Jiang made this link and argued that participating in institutions could expand China's freedom of maneuver: "We must focus on expanding strategic space and vigorously carrying out multilateral diplomacy. Actively carrying out multilateral diplomacy plays an important role in building the strategic situation for us."[50] After chronicaling China's participation in APEC, ARF, and the SCO among other forums, he noted that, "We must profoundly realize that under the conditions of world multipolarization and economic globalization….The use of international mechanisms and regional organizations for multilateral diplomacy has increasingly become an important way for big countries to play their role. We must further strengthen multilateral diplomacy, take the initiative to participate in the transformation and adjustment of the international system, and strive to carry out foreign work at the multilateral level."[51]

[48] This shift is clear in comparing the 2000 and 2002 Chinese National Defense White Papers. See also Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification*, 169.

[49] Jiang Zemin 1998 195

[50] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 3:355.

[51] Jiang Zemin [江泽民], 3:355.

As Zhang Yunling and Tang Shiping argued, China could use institutions "to work with others to restrain U.S. hegemonic behavior" and had elevated certain institutions like the SCO "that are designed to limit U.S. influence."[52] Similarly, Wang Yizhou made the link between multilateralism and American power explicit: "To be clear, an important reason why China now increasingly values multilateral diplomacy is U.S. hegemonic behavior after the Cold War and its superpower position."[53] For example, then Vice Foreign Minister Wang Yi gave a 2004 speech entitled "Facilitating the Development of Multilateralism and Promoting World Multipolarization" that implicitly argued that multilateralism could be used to constrain the United States. Top leaders made the link to. In 2006, Hu Jintao declared that China must "strengthen multilateralism and advance the democratization of international relations," reiterating that multilateralism was an important ingredient in multipoloarity.[54] Similarly, at the Central Foreign Affairs Work Conference that year, he stated that, "With respect to politics, to promote the building of a harmonious world," China needed to "actively advocate multilateralism, promote the democratization of international relations, and oppose hegemonism and power politics."[55]

A Second Shift in Strategy

China's writing on international institutions shifts after the Global Financial Crisis. In its *blunting* period, China had focused on institutions as a (1) way of alleviating the "China threat theory," reassuring its neighbors, and reducing the risk of U.S.-led balancing, and (2) as a way of constraining the ability of the United States to set rules and to constrain its policy autonomy on

[52] Zhang Yunling and Tang Shiping, "China's Regional Strategy," 54,56.

[53] Wang Yizhou, *Quanqiu Zhengzhi He Zhongguo Waijiao [Global Politics and China's Foreign Policy]* (Beijing: Shiji Zhishi Chubanshe, 2003), 274. [add]

[54] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:445.

[55] Hu Jintao [胡锦涛], 2:516.

other issues, including military and economic matters, as the case studies demonstrate in greater detail. In the *building* period, China saw institutions in less defensive terms and more proactive, "offensive," terms – that is, as instruments for reshaping the region in ways suitable to China's interests by (1) allowing China to claim leadership in part through public goods provision; (2) providing the possibility of rewriting regional rules and norms; and (3) creating the potential for China to eventually constrain its neighbors.

In his 2009 Ambassadorial Conference address resetting Chinese grand strategy, Hu called for a strengthened focus on "peripheral diplomacy," but the character of this focus was qualitatively different than it had been in the past. Instead of stressing concerns about encirclement and wary neighbors who believed in the "China threat theory," Hu instead sounded surprisingly confident, stressing that China had reduced its external pressure and would have greater freedom of maneuver in the region. Indeed, after the crisis, he declared, the "overall strategic environment continues to improve" and "our country's influence on the periphery has been further expanded."[56] In contrast to his dramatically more conciliatory 2006 Central Foreign Affairs Work Forum address, Hu reversed his emphasis on shelving conflicts. Instead, he said, "We must correctly grasp the relationship between safeguarding rights and maintaining stability, and properly handle disputes over maritime rights, territories, and cross-border rivers between China and neighboring countries. We must resolutely fight against the violations of China's rights and interests by the countries concerned and defend our core interests."[57] This kind of language had in rare cases appeared in other addresses, but it was usually tempered. Instead, Hu's 2009 address argued further that China needed to "make offensive moves" on territorial issues. This bullish new line suggested that a fundamental impetus behind China's

[56] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:234.

[57] Hu Jintao [胡锦涛], 3:239–40.

previous multilateral policy was changing and that China now wanted to more actively reshape the region.

In his 2009 address, Hu was also explicit that diplomacy needed a post-crisis adjustment that would make it more assertive. “Diplomatic work should adapt to changes in the global structure and advance in all directions and multiple levels" of China’s diplomatic layout.[58] This adjustment called for “more actively developing multilateral diplomacy,” and Hu stated that China “must actively participate in multilateral affairs and make full use of multilateral diplomatic means and multilateral mechanisms to safeguard our national interests.” Indeed, he argued multilateral diplomacy is “unprecedentedly lively and important.”[59] Moreover, and especially with respect to peripheral diplomacy, Hu argued that “it is necessary to vigorously strengthen the pragmatic cooperation in the areas of security, economy, and cultural affairs” within multilateral bodies and to “actively promote regional cooperation in East Asia.”[60] These statements, coming as they did in a speech that modified China’s diplomacy in response to the crisis, suggested greater multilateral activism was a direct consequence.

After Hu’s speech, “peripheral diplomacy” continued to see elevation in Chinese grand strategy under the rubric of a “Community of a Common Destiny.” As discussed in Chapter Two, in 2011, China first released a White Paper advocating for a “Community of Common Destiny” in Asia, a concept that soon became shorthand for Chinese order-building in Asia.[61] Two years later, in 2013, Chinese Foreign Minister Wang Yi declared the periphery the “priority direction” for Chinese foreign policy, ostensibly above other focuses like the great powers, and linked it directly to the concept of a “Community of Common Destiny” for the first time. That same year,

[58] Hu Jintao [胡锦涛], 3:240.

[59] Hu Jintao [胡锦涛], 3:242.

[60] Hu Jintao [胡锦涛], 3:241.

[61] “China’s Peaceful Development.”

President Xi held an unprecedented Work Forum on Peripheral Diplomacy – the first meeting of that magnitude convened on foreign policy since 2006 and the first ever on Peripheral Diplomacy. In his address, Hu emphasized Peripheral Diplomacy's central importance but also linked it both to "national rejuvenation" and to the realization of a regional "Community of Common Destiny." The next year, at the 2014 Central Foreign Affairs Work Conference, Xi modified the "diplomatic layout" for the first time and elevated peripheral diplomacy over a focus on great powers like the United States. That same modified diplomatic layout was then repeated again in the 2014 Government Work Report, suggesting its formalization. In 2015, Xi made the "Community of Common Destiny" the main theme of the Bo'ao Forum. In case of any doubt about whether China was directing its energies to build a "Community of Common Destiny," China's 2017 White Paper on Asian Security Cooperation made it clear: "Chinese leaders have repeatedly elaborated on the concept of a community of common destiny on many different occasions. China is working to construct a community of common destiny…in Asia and the Asia-Pacific area as a whole."[62] These sources all strongly suggest the emergence of regional order-building as a major focus if not the central priority of Chinese grand strategy, and indeed, China began to stress its interest in shaping regional architecture, as the discourse on AIIB and CICA in the case studies below makes clearer.

A Building Strategy

As Chapter Two has already documented, the Global Financial Crisis sharply revised China's assessment of U.S. power and brought about a regional strategy that was focused more intensely on shaping – rather than protecting China from – the periphery. Multilateral institutions would play a role in China's greater regional activism, especially in emerging discourse on shaping regional architecture. They would allow China to (1) claim leadership and

[62] "China's White Paper on Asia-Pacific Security Cooperation Policies [中国的亚太安全合作政策白皮书]."

also provide public goods, (2) set regional rules and norms, and (3) constrain neighbors. This approach to institutions is reflected in some of the discourse on them, and much more textual evidence appears in the ensuing discussion of AIIB and CICA within the cases to support this acount.

Leadership and public goods provision became a more prominent feature of China's multilateral discourse after 2009. Indeed, in his 2009 Ambassadorial Conference address, President Hu demonstrated that some of these efforts would seek to integrate regional economies to China's, providing a form of economic public goods: "We must focus on deepening regional cooperation in Asia, paying attention to promoting the integration of regional and sub-regional cooperation with China's domestic regional development strategy."[63] This idea was emphasized at the 18th Party Congress, where President Hu stressed multilateral and regional as well as sub-regional initiatives – together with a greater focus on infrastructure: "We should make overall planning for bilateral, multilateral, regional and sub-regional opening up and cooperation, accelerate implementation of the strategy of building free trade areas, and promote infrastructure connectivity with our neighboring countries."[64] In this way, institutions would be used to provide economic public goods, and China's status as the beneficient economic partner integrated with its smaller neighbors would provide a degree of legitimacy.

Hu also stressed that China's multilateral efforts would reshape rules and order, "We will actively participate in multilateral affairs, support the United Nations, G20, the Shanghai Cooperation Organization, BRICS and other multilateral organizations in playing an active role in international affairs, and work to make the international order and system more just and

[63] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:241.

[64] Hu Jintao [胡锦涛], "Firmly March on the Path of Socialism with Chinese Characteristics and Strive to Complete the Building of a Moderately Prosperous Society in All Respects [坚定不移沿着中国特色社会主义道路前进　为全面建成小康社会而奋斗]."

equitable."[65] While China has often called for revisions to the international order, this language linked that agenda to specific and concrete multilateral investments.

China understood that its efforts to undertake regional leadership could provoke some backlash. Its 2011 White Paper on Peaceful Development focused heavily on its policy in the Asia-Pacific. In several cases, it explicitly proposed greater Chinese activism in multilateral affairs. Intriugingly, it also said that countries in the region "should…be open-minded to other [i.e., Chinese] proposals for regional cooperation," and made clear that China would "be bold in opening new ground" within the region.

In sum, the 2009 address, the 18th Party Congress address, and China's 2011 White Paper together marked a new strategy by China to shape Asia's regional security and economic infrastructure. Many important policies on assuming leadership over CICA and launching AIIB that occurred under Xi were likely first set in Hu's administration, which suggests the continuity of China's institutional strategy.

Under Xi, China's interest in using multilateral institutions to shape Asia grew more apparent and explicit, but largely followed the form outlined initially by Hu and demonstrated China's interest in public goods and leadership and setting rules. His addresses to APEC in 2013, to the Peripheral Diplomacy Work Foru in 2013, to the Central Foreign Affairs Work Forum in 2014, to CICA in 2014, and to the Bo'ao Forum in 2015 and the BRI Forum in 2017 declare a desire to shape Asia's regional economic and security acrchitecture in this manner.

First, in Xi's 2013 speech announcing the launch of AIIB and 2014 speech assuming the chairmanship of CICA, Xi claimed leadership for China and explicitly offered public goods. His AIIB address made clear that, "The nations of the Asia Pacific region are a big family, and China

[65] Hu Jintao [胡锦涛].

is one of the members. China cannot develop in isolation from the Asia Pacific region while the Asia Pacific region cannot prosper without China."[66] It also stated that China's economy "delivers tangible benefits to Asia" and was responsible for 50% of Asia's growth. Meanwhile, China's 2017 White Paper on Asia-Pacific Security Cooperation noted that Beijing would provide public goods: "China will shoulder greater responsibilities for regional and global security, and provide more public security services to the Asia-Pacific region and the world at large."[67]

Second, top texts also showed an interest in rewriting rules in ways that could be detrimental to U.S. interests. This was clearest at CICA, where Xi declared Asia needed to "establish a new regional security architecture," presumably in opposition to U.S. alliances which the 2017 White Paper explicitly identified as a contending path to regionalism. At CICA, Xi put forward a concept of "common, comprehensive, cooperative and sustainable security in Asia," within which the phrases "common" and "cooperative" were tied to efforts to weaken alliances. In this way, China's involvements created the possibility of new rules.

Finally, while these involvements do not necessarily constrain Asian states on their own terms, they do create leverage that Beijing can exercise in the future. Asymetric economic interdepened enabled by China's institutions can frustrate the autonomy of China's neighbors; similarly, attempts to stigmatize U.S. alliances could make certain U.S. allies and partners feel reluctant to overlty cooperate with Washington on security.

Finally, s Subsequent involvements, including the 2015 Bo'ao Forum and the 2017 BRI Forum continued to stress these themes and to recommit China to creating a "Community of Common Destiny" in Asia, which is perhaps the most obvious effot at building.

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[66] Xi Jinping [习近平], *Xi Jinping: The Governance of China [习近平谈治国理政]*, 1:343–52.

[67] Xi Jinping [习近平], 1:353–59.

APEC

Founded in 1989, APEC is a forum for twenty-one Pacific Rim member economies that seeks to promote trade and development assistance. "China's experience with regionalism originated with APEC," which was one of the very first regional multilateral organizations that China joined and marks the inception of China's institutional blunting strategy.[68] APEC is not particularly "thick." It has only a weak secretariat, avoids trade negotiations, operates on consensus rather than a more efficient decision rule, has scant monitoring mechanisms, and does not have binding decisions. For much of its time in APEC, China has championed this limited level of institutionalization – even though the organization's weakness has left it unable to fulfill its mandate. This offers a puzzle: why would China join an organization and then limit its ability to be effective?

This section demonstrates that China's interests in APEC have not aligned with the organization's central function, which is to promote trade, development assistance, and economic cooperation. China's participation in APEC has instead been instrumental and tactical rather than sincere. In the wake of the Cold War, and amid growing concerns in Beijing about the power and threat posed by the United States, China began to pursue a blunting strategy through APEC. China feared that the organization, which it perceived as U.S.-led, would ultimately become an instrument of American hegemony in Asia, serving to promote economic liberalization, human rights, and a U.S.-led multilateral security structure – in short, a tool to establish an American regional order detrimental to China's interests. To prevent this possibility, China followed a blunting strategy, seeking to stall APEC and alternatively to wield the organization to inoculate itself against American power (especially economic sanctions), all while simultaneously using the unique platform it offered to reassure China's neighbors that Beijing was not a threat.

[68] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," 56.

Alternative Explanations

Liberal explanations for China's participation in APEC view it as sincere and motivated by the economic benefits of membership – such as expanded trade and economic growth. Although economic factors almost certainly played a role in China's participation, an analysis of China's APEC policy suggests that they cannot account for China's behavior – especially its hostility to a more effective APEC.

To address liberal explanations, we look at *level of institutionalization* and *variation in institutionalization*. If we see that China avoided joining "thick" organizations and worked to keep APEC "thin," that suggests it was not motivated by the organization's purpose. With respect to the *level of institutionalization*, as discussed previously, APEC fits the pattern of China frequently joining institutions that lack the ability to constrain it dramatically. With respect to *variation in institutionalization*, if China's motivation in APEC were truly liberal – that is, to promote trade, growth, and development assistance – then it would have supported APEC's institutionalization. This would have included support for a more powerful secretariat, monitoring mechanisms, clear rules for decision-making (rather than the nebulous concept of consensus), and the use of the forum for trade negotiation. Instead, as will be made clear subsequently, China explicitly and repeatedly rejected APEC institutionalization. It supported a thin organization, opposed monitoring mechanisms, did not want a more efficient rule for decision-making, and vigorously opposed the use of APEC to negotiate trade agreements – preferring instead to keep it a forum for discussion, consensus, and voluntary commitments. Chinese officials admit that keeping APEC at a low level of institutionalization was one of China's main policy goals within the organization, and China was eventually able to formally enshrine its preferences on APEC institutionalization within the organization under the rubric of the "APEC Approach."

This success came at a cost – in part because of its low levels of institutionalization, APEC has largely been ineffective in promoting trade liberalization and even failed to organize a

response to the Asian Financial Crisis and the 2008 Global Financial Crisis. While it is true that China certainly had economic interests in APEC, the reality is that on virtually any purported Chinese economic objective – from increasing trade flows to securing greater developmental assistance – an institutionalized structure would have made the organization more effective.

To the degree China had economic interests, they were largely defensive. Some seventy-five percent of its trade and eighty-percent of its foreign capital involved APEC members, and APEC rules that adhered to U.S. visions of regional economic order could have hurt Beijing.[69] On economic matters, China's objective was to do what it could to frustrate APEC's operation as a U.S. economic instrument. Ultimately, as we will see, China's tradeoffs within the organization and the statements of Chinese diplomats involved in APEC policy strongly suggest these considerations – rather than organizational effectiveness or economic growth – were China's priority.

The fact that China opposed APEC institutionalization not only weakens liberal explanations for its participation, it also weakens social ones. Beijing's pursuit of anti-institutional behavior even when there was no clear decrease in monitoring mechanisms undermines both *persuasion* and *backpatting*. Regarding the first, China was clearly not persuaded by arguments for APEC cooperation since it opposed much of the organization's agenda. Regarding the second, *backpatting* may have influenced China's behavior on some issues, but Beijing was willing to endure criticism and to stand alone on some aspects of expanding APEC's mandate, suggesting such social influence may not have been decisive. China no doubt learned from its participation in APEC, but what it learned was how to better use the organization to accomplish its strategic ends.

Finally, there remains one non-economic explanation for China's APEC participation: concerns over Taiwanese sovereignty. This ad hoc explanation is neither purely liberal nor social

[69] Chien-Pung Chung, 30

but nonetheless warrants consideration. It is true that at least part of China's participation in APEC was to reduce the likelihood that Taiwan would use the organization to boost its sovereignty, but this was not the primary reason that China joined APEC. First, when China's first ambassador to APEC – Wang Yusheng – recounts China's motivations for joining APEC in his memoirs, he mentions several political and economic goals but does not once mention the sovereignty question with Taiwan as one of them. Second, as Wang confirms, the United States and other APEC members were remarkably deferential to China's position on Taiwan. Indeed, China joined APEC together with Hong Kong and Taiwan after years of negotiation that saw Beijing's terms largely accepted. China was able to specify that Taiwan would participate only under the name "Chinese Taipei," that Beijing would always retain a partial veto over Taiwan's selection of a representative, and that Taiwan would only be represented by an economic minister and never a Taiwanese president. When APEC occasionally discussed non-economic issues, such as terrorism after 9/11, China and the other APEC members agreed that Taiwan and Hong Kong would not be allowed to participate since they were not sovereign countries.[70] In short, when China entered APEC, it had good reason to believe the concluded negotiations on the status of Hong Kong and Taiwan were the final word on the matter – and that Taiwan would be unable to use the organization to promote its own sovereignty. When Wang does discuss his efforts to deal with Taiwan within APEC, he largely acknowledges that Taiwan's maneuvers within APEC were of marginal importance and generally rejected by other APEC members, again suggesting sovereignty was not the key determinant of Chinese behavior in APEC.

If liberal, social, and Taiwan-based explanations fall short, then how do we explain China's participation in APEC? The answer lies in China's interest in blunting American power and reassuring its neighbors, which emerged from its growing perception of American power and threat following the Cold War.

[70] Chung 37

Strategic-Liberal Blunting

The U.S. Threat

A key focus of China's participation in APEC was to protect itself from American hegemony, specifically by stalling and eventually rewriting the rules of an institution that it saw as dominated in part by the United States and its allies, including Japan. As Chien-pung Chung notes, "when China joined the Asia-Pacific Economic Cooperation in 1991 and the ASEAN Regional Forum (ARF) in 1994, it did so defensively, to make sure that important issues pertaining to economic and security matters in the Asia-Pacific region could not be decided without its participation."[71] Kai He similarly concludes that "China used APEC as a diplomatic tool to constrain U.S. influence and resist Western pressures" not only on economic issues, which were a focus, but also on questions related to the organization's institutionalization and its consideration of security and political matters.[72] A key priority was to limit U.S. leadership in the Asia-Pacific.

China's concern over APEC was in part a product of fears that emerged from the end of the Cold War. In his memoirs, Wang Yusheng, who served as China's first ambassador to APEC from 1991-1998, notes, "The first four years of APEC's start-up phase was a period when the international situation had undergone a historic change" as the post-Cold war dawned. This raised an important question, Wang noted: "From the Asia-Pacific environment…with APEC as an authoritative official organization in the region – what can it do, and where will it lead us?"[73] China was concerned about the organization's purpose, and seeing it as an American tool, endeavored to stall it.

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[71] Chien-Peng Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy"* (New York: Routledge, 2010), 15.

[72] Kai He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise* (New York: Routledge, 2009), 33.

[73] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 29.

Wang frequently admits to such motivations. While Wang allows that "the reason why the United States actively promoted the establishment of APEC was to open the Asian markets," he also emphasizes its strategic utility, noting that "of course, the United States is a superpower, and its goals were not just these [economic goals] and nothing more." Instead, Wang repeatedly argues that APEC was an instrument of American hegemony designed to promote economic and political liberalization, one that could evolve into a U.S.-led "security community." Wang writes:

> In the face of the post-Cold War world situation, especially the rise of East Asia, the United States has greater strategic considerations and demands. President Clinton, while putting forward the US slogan of economic revitalization, also had a "new Pacificism" slogan, which is [on the surface] "economic globalization"…But in reality, *this is precisely "Americanization"* or the "American model"; the *so-called "American values" of popular democracy, freedom, and human rights, among others*; and the establishment of American leadership – at the very least *a "security system" dominated by the United States*.

As Wang's remarks demonstrate, China believed that the United States was pursuing a "new Pacificism" in the wake of the Cold War that would include liberal economics, liberal values, and a U.S. backed security community – in essence, institutionalized American leadership. These impressions were strengthened by Clinton's own statements in Tokyo, Korea, and at the APEC leaders' meeting in Seattle, in which he announced that the United States sought a "New Pacific Community" and that the American agenda in Asia involved three goals: "working for shared prosperity, for security, and for democracy."[74]

But what role did APEC have in this American strategy? China not unreasonably saw APEC as one of its central components. As Wang argues, "In the eyes of the United States, APEC is itself a part of this 'new Pacific-ism,' and it can even become the *starting point* or experimental test for the U.S. promotion of 'new Pacific-ism.' And of course, the United States would happily proceed accordingly!" China would not stand idly by as Washington rewrote the economic, political, and military rules of Asia through APEC. As Wang noted, after the U.S. sought to elevate APEC at Seattle, "U.S. strategic intent became quite obvious. Its 'community'

[74] Clinton APEC Seattle Speech

concept encompasses three pillars: namely economic integration based on trade liberalization; multilateral security mechanisms dominated by the United States; and democratization with American values as the standard." He continued, "The establishment of such a 'community' and its vision, of course…is something that *cannot be accepted by China*."[75] And so China sought to prevent the emergence of such a community by weakening APEC itself.

Opposing Institutionalization

China's blunting strategy within APEC proceeded in three ways: (1) it involved a focus on slowing institutionalization; (2) constraining the organization's ability to consider security issues; and (3) pushing back against the U.S. economic agenda for fear the institution could become a platform for economic principles harmful to China's interests.

First, with respect to institutionalization, China sought to ensure APEC remained a "thin" organization and sought to retain China's ability to effectively veto key developments in APEC's consensus-driven decision-making process. Indeed, the ability to veto was a key reason China joined APEC:

> APEC is important to China because…. from the political point of view, China is an equal member in APEC and an important partner – and the situation is better than in the WTO. In accordance with the principle of "equal partnership" and "consensus," any [APEC] member who wishes to pursue a motion *must obtain – or it could be said cannot do without – our country's support*….This gives us broad freedom of maneuver [广阔的活动天地], and on major issues in the world, *we can play to our strengths or impose our unique influence*.

Joining APEC would afford China the ability, as Wang notes, to veto any movement of the organization in directions that Beijing opposed. Given Chinese concerns about the U.S. use of APEC as a strategic tool, China's effective veto was crucially important and frequently employed in its blunting strategy.

Indeed, China fought hard to ensure that these features remained key parts of APEC, opposing U.S. attempts to institutionalize APEC. Many of these battles for APEC's future were waged between 1993 and 1995. According to C. Fred Bergstein, who was intimately involved in

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[75] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 37. Emphasis added.

U.S. policy towards APEC in this period and led APEC's highly-influential Expert Working Group, the United States sought to transform the organization "from a purely consultative forum to an action-oriented, substantive group."[76] China prominently opposed these efforts at institutionalization and saw them in hostile terms. As Wang notes in a recent interview, "When China joined APEC, some countries were still driven by Cold War mentality and sought supremacy in the institution," a clear reference to the United States. "But China called for equal consultation and respect," Wang continued, and was able to push the organization in this direction during those disputes.[77] Indeed, China mustered support among the ASEAN states to vigorously oppose American plans for legalizing and institutionalizing APEC, with Jiang Zemin publicly stating in 1993, "APEC should be an open, flexible and pragmatic forum for economic cooperation and a consultation mechanism *rather than a closed, institutionalized, economic bloc*."[78] For China, institutionalization was a problem to be resisted, not a virtue that increased the institutions' effectiveness. For the most part, China's institutional efforts were diversified across four key "questions," as Wang Yusheng writes:

> According to my many years of observation and experience in APEC, these [institutional] questions are mainly concentrated or expressed in the following ways:
>
> (1) Should APEC change its nature…go beyond the economy and expand the scope of participation so that its [informal] "family spirit" becomes the [institutionalized] "Community" some members [i.e., the US] envision;
>
> (2) Should APEC continue to play a "guiding role" or transform into a forum for negotiation;
>
> (3) Should APEC's policies, decisions, and implementation be based on voluntariness or should it step-by-step take contracts and coercion as its foundation…

[76] David E. Sanger, "Clinton's Goals for Pacific Trade Are Seen as a Hard Sell at Summit," *New York Times*, November 14, 1993.

[77] Wu Jiao, "The Multilateral Path."

[78] "Speech by President Jiang Zemin at the Informal APEC Leadership Conference, November 20, 1993," China Ministry of Foreign Affairs, http://www.fmprc.gov.cn/eng/wjdt/zyjh/t24903.htm.

(4) Should decisions on APEC's operations and major issues continue to adhere to the principle of “consensus” or “flexible consensus” or “substantial majority”[79]

On each of these issues, China preferred the less institutionalized path for fear that greater institutionalization would lead the U.S. to dominate the organization and the region.

One of the first issues of disagreement was on whether APEC would be a “Community.” During the 1993 APEC meeting in Seattle, the Expert Working Group, which was first convened in 1991, published a report entitled “Toward an Asia-Pacific Economic Community” that called for a more institutionalized APEC as well as one with greater trade liberalization. As Wang Yusheng notes, China reacted with alarm at the report. “When we saw the eye-catching title…we cannot help but be surprised. How did this come about? Could this really be? Can we agree with it? What should we do? A series of problems all emerged.” Since the report did not technically come from the U.S. government, China was curious about whether it was an articulation of U.S. strategic plans for Asia or an autonomous product: “We didn’t know if this report is “consistent” with US President Bill Clinton's Asia-Pacific strategy or "inconsistent,” there was no way to know, but it was also not necessary to know” since China planned to oppose it anyway. Wang continues, “At that time, I felt the most important thing was that we immediately report it to our superiors, think about it seriously, and prepare countermeasures.”[80] During the summit, the “American strategic intent” became more “obvious” to Wang and others, and China pushed hard to ensure that Clinton’s proposal to create an Asia-Pacific Economic *Community* was downgraded – for example, China supported the use of a lower-case “c” *community* so as not to draw similarities with the European Community and thereby suggest greater institutionalization. President Jiang Zemin even directly contacted President Clinton in these

[79] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official’s Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 166–67.

[80] Wang Yusheng [王嵎生], 36.

efforts and, in plain English, rejected APEC institutionalization.[81] The fight over the word "community" was a proxy over what concepts should be used to organize APEC, and China worked with ASEAN states to win it.

China's continued objection to a thicker definition of community in later years even became a bit of a joke to other participants. As Wang notes, "US senior official Wolf…said [in a public speech] that whenever he mentioned the 'community' question the Chinese Ambassador Wang will remind him that it should be a lowercase 'c'…." But Wang did not think his doggedness in this matter was amusing and saw it as a defensive measure against what he perceived as relentless American efforts to institutionalize APEC. "How high-sounding [Wolf's words are]. But in fact, they [the Americans] have continuously been trying to make APEC transcend economic issues and discuss weapons, drugs, and other security issues; moreover, they plotted to introduce non-governmental organizations into APEC to expand its social scope. In the process of drafting important documents, they always want to 'deepen the [APEC] family spirit" to 'build' or 'construct a 'big family.'….Some commentators say that the real intention of these [Americans] is to create a community that they control/dominate….This claim is not at all unreasonable."[82]

After succeeding in keeping APEC at a lower level of institutionalization after the 1994 Bogor Summit, Wang Yusheng was triumphant. "The United States strove to dominate the direction of APEC development from the beginning, and in many ways sought to exert influence and pressure," Wang wrote. "President Clinton led more than two thousand people, divided on ten different planes to attend the meeting, and everywhere inside and outside the meeting there

[81] Wang Yusheng [王嵎生], 38.

[82] Wang Yusheng [王嵎生], 168.

was activity – and yet he still failed."[83] The failure of the United States to secure its objectives was a cause of for celebration because it meant APEC would remain a "thin" organization.

And yet, even after these considerable victories against the U.S. push for institutionalization, China remained wary. As Wang Yusheng notes, "A few years of experience reveals that the ghost of 'Community'" and other forms of institutionalization "has been hovering over APEC and had not yet disappeared. In my work, I deeply felt that this was not an illusory shadow but something very real."[84] For that reason, beginning in the late 1990s, China sought to enshrine the anti-institutional approach it had defended in previous years in APEC documents under the phrase "the APEC Approach [APEC 方式]." Wang notes that China's earlier attempts at pushing for a deinstitutionalized approach, using phrases like "big family energy" and "unique approaches" were only "prototypes" for the final "APEC Approach" concept. Developing the "APEC Approach" was a significant focus of Chinese policymaking efforts, with the International Secretary of the Ministry of Foreign Affairs working with Wang and experts to drawing up the concept before it was submitted to Ministry leadership for approval.[85] Ahead of the Subic summit in 1996, China made inserting the "APEC Approach" into key documents a major priority, and Wang said it was meant to be "a big Chinese contribution" to APEC.[86] China encountered obstacles when, after suggesting the "APEC Approach" would be included in the joint statement, the Philippines government which was hosting the summit and drafting the statement instead reversed course and cited American opposition. China's APEC delegation was shocked and threatened what was essentially the

[83] Wang Yusheng [王嵎生], 62.

[84] Wang Yusheng [王嵎生], 167.

[85] Wang Yusheng [王嵎生], 103.

[86] Wang Yusheng [王嵎生], 106.

nuclear option – to oppose the finding of consensus on the statement until "the APEC Approach" was included:

> Although we had done a lot of work and arguing, the draft of the Subic Declaration did not mention the APEC Approach. There was still one day before the leaders would meet. What could we do? Some of the comrades in the international office said Chairman Jiang wrote a lot of letters to President Ramos recommending the "APEC Approach," and if the leader's declaration does not at all reflect [The APEC Approach], how could we let down Chairman Jiang? How could we account for this? Our one year of painstaking work was just going to be wasted like this? So we had no choice but to use our very last move. I urgently met with the Deputy Minister and strongly urged that the Declaration must reflect the 'APEC Approach' and said that President Jiang Zemin wrote to your president several times discussing the APEC Approach, but your draft declaration does not reflect this, and we cannot understand it. If it is because of American opposition that you haven't written it in, then you should realize that the draft also includes some American suggestions, and we had taken care of the overall situation and reluctantly agreed to them. If we oppose them [now], then can you still pass the Subic Declaration? After hearing this, the Deputy Foreign Minister nervously asked me what specific recommendations we have, and I immediately took out the text we had prepared in advance.[87]

With that threat, China was able to write its institutional preferences into the 1996 Declaration, which Wang says "declared to world that the 'APEC Approach' was born." But Chinese efforts did not stop there. As Wang notes, the very next year, "one of the most important Chinese objectives in APEC was to promote the 'APEC Approach'" and to essentially use it against American institutional efforts.[88] This effort was so important to China that, when Canada suggested it may not include the "APEC Approach" in the 1997 declaration, the Director of the Foreign Ministry Wang Xiaolong stayed up until 3:00 AM with the Canadians to convince them otherwise.[89] China was successful in not only keeping the concept in, but also in securing additional text that elevated the APEC Approach into a core APEC concept.

Second, as Wang's remarks also suggest, China feared that APEC might become a security instrument for the United States – and even an Asian NATO. These fears stemmed in

[87] Wang Yusheng [王嵎生], 102–3.

[88] Wang Yusheng [王嵎生], 116.

[89] Wang Yusheng [王嵎生], 116.

part from U.S. behavior. During the Seattle meeting in 1993, President Clinton explicitly linked APEC to security issues in his welcome remarks, which were entitled "The APEC Role in Creating Jobs, Opportunities, and Security." He argued that APEC would play "a vital role in the American quest to create…security" in Asia, that the United States needed to "develop new institutional arrangements that support our national economic and security interests internationally," and then linked APEC to the U.S. construction of "institutions like NATO" after the Second World War.[90] Particularly galling to Chinese listeners would have been Clinton's claim that, "we can't imagine now how we could have weathered the cold war without NATO. In the same way, future generations may look back and say they can't imagine how the Asian-Pacific region could have thrived in such a spirit of harmony without the existence of APEC."[91] One State Department participant described APEC as "a bit being like at a NATO meeting in 1950" while Secretary of State Warren Christopher reiterated Clinton's language and linked APEC to postwar institution building in the 1950s."[92] Two years later, Defense Secretary William Perry argued explicitly for discussing security issues within APEC.[93]

For China, this was intolerable, and in his memoirs, APEC Ambassador Wang Yusheng recounts being vigorously opposed to a security role. Observers of various APEC rounds noted that while some ASEAN states were also unsure about including security issues on the agenda, it was China that was one of the strongest opponents: "For key APEC members, especially China, the desire to keep the forum narrowly focused on trade and economic issues is acute, at times verging on what to others seems almost paranoiac."[94] Eventually, other states began to be open

[90] William J. Clinton, "Remarks to the Seattle APEC Host Committee" (November 19, 1993), http://www.presidency.ucsb.edu/ws/?pid=46137.

[91] Clinton.

[92] He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise*, 68.

[93] He, 70.

[94] Frank Langdon and Brian L. Job, "APEC Beyond Economics: The Politics of APEC" (October 1997), 14, https://kellogg.nd.edu/sites/default/files/old_files/documents/243_0.pdf.

to widening the focus of APEC. Several Southeast Asian states, for example, supported elevating HIV/AIDS, drug trafficking, smuggling, and related non-traditional security issues to the agenda; in addition, there were also proposals to expand APEC's focus to include socio-economic issues as well as issues related to young people and women. Wang cites all of these examples and notes that China took a firm line in opposition to these efforts – even youth and women's issues - for fear that they would expand the organization into more sensitive areas. In this, he notes, "All of this [focus on non-economic issues] is actually an attempt to try to change the nature of APEC, and objectively it coincides with the [interests of the] United States," which retained its "determination to eventually establish a 'New Pacific Community' that integrates economic, security, and democracy in the Asia-Pacific region.'" From a Chinese perspective, these efforts to expand APEC essentially served American interests in setting the template for Asian regionalism. Wang articulates his disappointment, and China's sense of isolation, when he mentions that past allies in efforts to push back on American regionalism were not persuaded to oppose APEC's expansion.[95] In opposing attempts to expand APEC's mandate, Wang was only following the central government's line: "I followed the spirit of domestic instructions, repeatedly did their work, and stressed that APEC must focus on engaging in economic cooperation if it is to maintain its vitality" and avoid "sensitive political and social issues."[96]

Third, with respect to economics, China saw APEC as being able to shape economic rules of Asia in ways that could benefit or harm China, and it did not want the United States and its allies to be in the driver's seat of those decisions without a Chinese voice. For example, in his section discussing China's motivations for joining APEC, Wang notes that the organization was "conducive to the establishment of a more open trade and investment environment for China" but that promoting such an environment "*could put forward a challenge* to China as well as

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[95] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 114–15.

[96] Wang Yusheng [王嵎生], 114–15.

provide opportunities."[97] For these reasons, China targeted APEC's very capacity to achieve its economic objectives both on the substantive issues as well as by undermining timelines, monitoring mechanisms, and other coordinating devices. Indeed,

With respect to addressing substantive economic challenges, Beijing's key goal was to defeat American rules on market access, investment, and financial sector liberalization – the latter of which China did not believe should even be a part of APEC's mandate.[98] China opposed these rules whenever they came up, and was largely successful. Although APEC members agreed that trade and investment liberalization was a core function for the organization, there remained considerable disagreement among them on how liberalization would be defined and achieved – providing opportunities for stalling economic progress.

For example, when the United States in 1994 put forward a unified timeline for liberalization, China joined with ASEAN countries not to alter the timeline or modify its content but to successfully propose *two separate timelines* - one for developed and developing countries respectively, and argued that all such liberalization should be *voluntary*. This approach was enshrined in the Bogor Declaration. At the next year's summit in Osaka, which was intended to help clarify how Bogor would be implemented, the United States sought firm commitments and binding decisions for members but China successfully pushed for the principle of *volunteerism*. When the United States later suggested non-binding liberalization standards, China fought hard against these because in Ambassador Wang's words, "although they are 'non-binding,' [these standards] have political and moral influence, and today's 'non-binding' may become tomorrow's 'binding.'"[99] Then, when some proposed that APEC monitor and compare the

[97] Wang Yusheng [王嵎生], 15. Emphasis added.

[98] Indeed, Long Yongtu said it was financial matters were not part of APEC and were "none of its business." Quoted in Thomas G. Moore and Dixia Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," *Journal of East Asian Affairs* 13, no. 2 (1999): 402.

[99] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 63.

voluntary and non-binding movement of members towards liberalization, China opposed those attempts as well. The United States then sought to forge consensus on early voluntary sectoral liberalization (EVSL), but China again worked hard to undermine it. Subsequent suggestions that economic and technical assistance from developed countries could be made contingent on liberalization also found opposition from China, which argued that such assistance should not only be independent from liberalization but held as equal to it within APEC.

As this brief review shows, China opposed virtually all major attempts at liberalization, even non-binding timetables, monitoring and comparison mechanisms, and the use of APEC as a negotiation forum – arguing instead it should be focused on discussion. China was not alone in these efforts, and at various times it was able to obtain support from ASEAN members, though in many cases Wang notes that the United States had bought off or otherwise persuaded these members to alter their positions, often leaving China scrambling to assemble a new coalition. Overall, it is clear that China's policy was to blunt American attempts at rewriting Asian economic rules and that, in pursuing that goal, it essentially worked to make APEC a less functional organization. In these goals, China's policy was largely successful, and the United States eventually lost sustained interest in using APEC as a vehicle to promote Asian liberalization – choosing instead to turn to bilateral and later multilateral trade agreements, including the Trans-Pacific Partnership.

Security Benefits

China's participation in APEC fit within its larger strategy to blunt American power: (1) it helped China deny the United States a platform for promulgating Western economic and political norms as well as coordinating security or military policy through what it feared might become an Asian NATO; (2) it allowed China the opportunity to reassure its neighbors and thereby reduce the likelihood of a countervailing balancing coalition; (3) it allowed China an institutional tool to weaken U.S. economic leverage over China.

First, the preceding section discussed how China slowed APEC's institutionalization to ensure that it would not become an Asian NATO and to reduce its utility as an American platform. This was a conscious strategy deeply rooted in China's fears of an American-led Asia that would threaten its own securiuty.

Second, China's APEC strategy was motivated in part by a desire reassure China's neighbors. As Moore and Yang note in their review of Chinese behavior in the organization, "APEC provides China with an important forum to establish its credentials as a reliable, responsible, cooperative power—especially to its smaller neighbors in the region" and also provides an "opportunity to counteract the "China threat" argument that has gained currency periodically over the last decade."[100] A number of Chinese authors in *Xiandai Guoji Guanxi* and other publications defended this view of APEC and strongly suggested that, in building better ties with ASEAN states, China would itself become more secure.

That geopolitics, and not just economics, was a motivating factor is explicitly confirmed by Wang Yusheng. In a section recounting China's reasons for joining APEC, Wang lists includes a political logic in rather stark terms. "From a geopolitical perspective," Wang argues, "China's southeastern countries are almost all APEC members, and members now also include our strategic partner Russia to the North as well Vietnam to the South. The world's most developed country the United States, a Japan that is separated from us by only a narrow strip of water, and the emerging economies of ASEAN are all APEC founding members." It was important for China's security to maintain good relations with these states, and Wang explicitly links the instrumental use of APEC to China's "good neighborly" policy: "China can make full use of APEC's activities, and with respect to politics, APEC can provide the service of helping China advance and build good relations with neighbors and help us improve and develop Sino-US and

[100] Moore and Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," 390.

Sino-Japan ties." APEC was, in other words, useful for improving ties with the very neighbors that could encircle China and the great powers that could assist.

In 1993, at the first APEC leader-level meeting in Seattle, Jiang included a lengthy paragraph to reassure China's Asian neighbors that it would not post a threat and would not seek hegemony or a sphere of influence:

> We never seek hegemony. We keep away from arms race and military blocs and never seek any sphere of influence. We always strive to develop friendly relations and cooperation with our neighbors and all other countries of the world on the basis of the Five Principles of Peaceful and Coexistence….A stable, developed and prosperous China will by no means pose a threat to any country…"

APEC was also a forum that China could use to make magnanimous and reassuring gestures. For example, China would at times unilaterally cut tariffs. Although there is no definitive evidence that these actions had a political logic and it remains possible that they were purely economic decisions, Wang Yusheng's recollections suggest that political factors played a role – especially in the decision to announce these policies at APEC in front of so many of China's neighbors their leaders. For example, when China reduced its import tariff rate from 36% to 23% in the 1990s, he claims that "China chose to declare this initiative in the [APEC] Osaka meeting to demonstrate China's determination to play a role in Asia and to integrate into the international community" and show that China has a "constructive attitude."[101] During the Asian Financial Crisis, President Jiang made speeches at APEC highlighting China's decision to further cut tariffs, to not devalue its currency, and to provide financial assistance to Asian countries in order to demonstrate, in his words, that "the Chinese government has assumed a highly responsible attitude" even though "China has paid a high price" for these decisions.[102] These policy decisions, especially the decision not to devalue, cost roughly $10 billion but gained

[101] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 84.

[102] See Jiang 1997 and 1998 speeches

China considerable support in Asia. As Wang notes, "Some APEC Asian friends said with emotion that…China is a reliable friend in trouble" and others noted that China's policies "won wide praise, increased China's influence in APEC and internationally, and laid a good foundation for China to play the role of a great power with Chinese characteristics in the new century."[103]

Third, China also used APEC to blunt American economic leverage over China. Indeed China, APEC was not only a forum to resist American economic liberalization – it also offered a way to improve China's security in concrete ways. As Wang argues, "APEC would allow us to carry out the necessary struggles and go after advantages while avoiding disadvantages."[104] One of these struggles was over Washington's ability to limit Beijing's access to the U.S. market. Indeed, among the most important economic challenges for China in the 1990s was to blunt American economic power over China by "angling for regional trade rules that would prevent the Americans from holding its trade status hostage to its human rights and arms sales record."[105] As Thomas Moore and Dixia Yang argue, "From the start, Chinese officials have hoped that APEC could become a multilateral forum within which Beijing would be able to protect itself from threats such as the imposition of unilateral trade sanctions by the U.S."[106] After the Tiananmen Square Massacre, the United States Congress had repeatedly voted on revoking China's most-favored national (MFN) status, which would have effectively doubled the price of China's exports and could have done severe damage to its economy.[107] China saw two paths around U.S. trade these obstacles and around potential U.S. economic sanctions: (1)

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[103] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 156.

[104] Wang Yusheng [王嵎生], 14–15. 5

[105] Sanger, "Clinton's Goals for Pacific Trade Are Seen as a Hard Sell at Summit."

[106] Moore and Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," 386.

[107] http://adst.org/2016/04/tiananmen-another-bump-in-chinas-road-to-wto-accession/

joining GATT and its successor the WTO, thereby rendering MFN moot or (2) through an APEC norm of non-discrimination in trade, which it saw as the "unconditional application of most favored nation trade status among APEC members."[108] Either of these options would have constrained the ability of the United States to restrict bilateral trade with China – and APEC was useful in advancing both.

With respect to the first path, China attempted to use APEC to gain admission directly to the GATT/WTO. One tactic was to support the principle that, as Foreign Minister Qian Qichen put it, "all APEC members should become GATT members."[109] This was a way of using a multilateral mechanism to wrangle an important and elusive American concession after Tiananmen – support for Chinese admission to GATT/WTO. Another tactic was, issue linkage. As Moore and Yang note, "Chinese officials see the U.S. as both the major obstacle to China's GATT/WTO accession and a leading proponent of rapid trade and investment liberalization in APEC," and they repeatedly linked the two issues – China would open up within APEC in exchange for concessions on GATT/WTO accession. The point was explicitly made by Trade Minister Wu Yi in a conference with reporters:

> We have indeed asked the APEC forum to give sincere support to China's bid to rejoin the GATT…If China is out of the GATT…not only will this daunt the universality of the global multilateral trade system, *even China's thorough implementation of the plan of trade liberalization in the APEC region will be affected*. So long as China's GATT contracting party status is not resumed, it would be very difficult for China to commit itself to the implementation of the Uruguay Round agreements, and the *implementation of the APEC regional trade liberalization program would be affected adversely*."[110]

A final tactic was to encourage APEC members to support the principle that those APEC states designated as "developing countries" should also be designated as such within GATT/WTO. This approach was designed to counter the American position that China in many cases would be held to developed country standards, and in rejecting and weakening those standards, hasten

[108] Moore and Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," 394.

[109] Xinhua Quote Moore and Yang 394

[110] Quoted in Moore and Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," 396.

China's eventual entry. As Trade Minister Wu Yi argued, "The United States has already consented to [a separate timetable for developing countries in APEC]….We wish the United States would apply the same principle to the talks on China's 'GATT reentry' so that the talks can make progress as soon as possible."[111]

The second path to protecting itself from sanctions was to ensure that APEC accepted the principle of non-discrimination in trade and applied it in a way that essentially guaranteed that states would extend permanent MFN status to each other. Commenting on Chinese negotiating positions in APEC in the 1990s, Moore and Yang argue that through the institution, "China has sought to achieve multilaterally a policy objective—permanent MFN status from the United States—it has not been able to achieve bilaterally."[112] Indeed, Wang Yusheng concedes that "the principle of non-discrimination is actually a matter between China and the United States," but also notes that multilateralizing it was useful because "other members [of APEC] sympathize with and support us to varying degrees." "Therefore," he continues, "we have always stressed that this is not just a difference between China and the United States, it is a problem for all of APEC, it includes the United States and China and all the APEC members and they must work together to solve it."[113] At times, China linked non-discrimination to its willingness to liberalize, as Wang recollects in his memoirs: "We emphasized that non-discriminatory treatment should be given to APEC members first, which is the basis for APEC's trade and investment liberalization."[114] The United States pushed back on these efforts, and once it accepted China as a WTO member, the issue was moot in any case.

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[111] Moore and Yang, 394.

[112] Moore and Yang, 394.

[113] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 70.

[114] Wang Yusheng [王嵎生], 70.

ASEAN-RELATED INSTITUTIONS

China's involvement with ASEAN began in 1991 following the extension of an "unprecedented" invitation by Indonesia to Chinese Foreign Minister Qian Qichen to ASEAN's annual ministerial meeting. China then joined the ASEAN Regional Forum (ARF) in 1994, became a formal ASEAN dialogue partner in 1996, signed the treaty of in 1997, signed an FTA with ASEAN in 2002, and in 2003 became the first non-ASEAN state to join the ASEAN Treaty of Amity and Cooperation. At the same time, China launched additional multilateral organizations with ASEAN support, including ASEAN Plus Three (APT), ASEAN+1 (APC), and the East Asia Summit (EAS). As this section demonstrates, China's participation in these institutions is difficult to explain from a liberal perspective, especially because the institutions lack the ability to monitor military modernization, settle disputes, or criticize members. China's participation has instead been motivated by strategic considerations related to its concern over the "China threat theory" and U.S. influence. Indeed, China has increased participation following surges of American influence in the region because its need for a non-confrontational way of achieving security rose, and it has used its role in ASEAN-related forums to slow down institutionalization, reassure neighbors, and reduce U.S. influence.

Alternative Explanations

China's decision to join ASEAN institutions is difficult to explain from a liberal perspective. Almost all of these institutions have low levels of institutionalization and therefore face limitations in the degree to which they can settle disputes or monitor military buildups, and for that reason, they pose little cost to China. None of them provide material rewards of levy punitive sanctions, and none place serious or binding restraints on sovereignty. They mostly have annual summits, lack the United States (except for ARF and the EAS), and place few restrictions on members. Given the postcolonial sensitivities of their membership, most of these organizations follow what has been termed the "ASEAN way," which emphasizes "cooperation that is informal, incremental, and consensus-based, and that rests on the basis of non-

intervention in states' domestic affairs and avoidance of direct confrontation in the forum's deliberations."[115] These organizations generally lack secretariats and all lack mechanisms for mutual assistance from outside attack or formal sanctions against errant members. Thus, it is hardly surprising that China has been so active in regional security organizations that pose such little risk.

Strategic-Liberal Blunting

The U.S. Threat

With the Cold War's conclusion, Asia embarked on regional projects. The U.S. and Japan pushed APEC while Taiwan sought to join forums to strengthen its claim to sovereignty. With Western influence rising, China's leadership subsequently "realized that nonparticipation in multilateral security mechanisms was riskier than involvement."[116] When China gained entry in the two organizations with Western influence, APEC (as previously discussed) and the ARF – the first major expanded ASEAN-related institution – it undermined them and then backed its own alternatives like APT and EAS that lacked the United States. Upon the creation of the ARF, as Rosemary Foot observes from her interviews with Chinese interlocutors, some Chinese officials were concerned: "The U.S., it was argued, as sole superpower would…seek to dominate the proceedings, perhaps using the body as another venue to marshal collective criticism of China's internal and external behavior."[117] Chinese officials were also concerned that a Western-dominated ARF might form a nascent security grouping that would eventually be part of a containment strategy. Even avid institutionalists like Zhang Yunling argued in reports to MOFA that the ARF was potentially as problematic as U.S. security alliances and missile defense: "Like

[115] Chien-Peng Chung, "China's Policies Towards the SCO and ARF: Implications for the Asia-Pacific Region," in *Rise of China: Beijing's Strategies and Implications for the Asia-Pacific*, ed. Xinhuang Xiao and Zhengyi Lin (New York: Routledge, 2009), 170.

[116] Bates Gill, *Rising Star: China's New Security Diplomacy* (Washington, DC: Brookings, 2007), 32.

[117] Rosemary Foot, "China in the ASEAN Regional Forum: Organizational Processes and Domestic Modes of Thought," *Asian Survey* 38, no. 5 (1998): 426.

the strengthening of the US-Japan military alliance, theater missile defense and the ARF both have the real and potential intention to counter China's rising power."[118] Another prominent Chinese observer, Wu Xinbo, argued that the ARF was a larger challenge to China than even APEC because "unlike APEC's original mandate, the ARF is a mechanism aimed at promoting regional security cooperation." He notes that a "principal reason" that China joined the ARF was "that against the background of China's rise and the notion of a 'China threat' in the Asia Pacific, the United States, Japan, and even Southeast Asian countries might employ the ARF to check and contain a stronger China." Wu further explains that "Beijing's concern was not entirely groundless" since "Washington did forge a regional mechanism in the mid-1950s – the Southeast Asian Treaty Organization – to contain China."[119] In light of these fears, as Chien Pung-Chung argues:

> In a very real sense, the PRC's participation in the ARF reflects its desire to monitor and impede a fledgling multilateral security organization for the Asia-Pacific that it fears will link together the separate US military alliances and agreements with Japan, Australia, South Korea, and several Southeast Asians into a network that would…enable the USA to quickly move to a containment posture if necessary.[120]

Opposing Institutionalization

Motivated by these and other concerns about Western influence, China sought to "slow down the pace of the ARF and obstruct substantial security cooperation," fearing that the United States and Japan, together with other Western states, might induce ASEAN countries to take positions adverse to China's interests.[121] China therefore chose to pursue a blunting strategy that

[118] Zhang Yunling 11

[119] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," 56.

[120] Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy,"* 51.

[121] He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise*, 36.

limited the institution's effectiveness while retaining a seat at the table, and it pursued this strategy in three broad ways:

First, China opposed ASEAN's own acknowledged blueprint for evolving into a regional security organization. Although the ARF lacks a charter, an important Concept Paper adopted at the second ARF in 1995 put forward a three-staged evolutionary plan for ARF: Stage 1 would involve launching launch confidence-building measures (CBMs); Stage 2 entailed developing mechanisms for Preventive Diplomacy (PD), and then Stage 3 required establishing conflict resolution agreements. China vigorously opposed attempts at creating ARF mechanisms for preventive diplomacy or conflict resolution, fearing the U.S. could use them to interfere in Taiwan and the South China Sea.[122] Indeed, China was able to push forward its more restrictive view in the 1995 Concept Paper when it successfully objected to describing the third evolutionary stage as "the "development of conflict resolution mechanisms" and advocated a less institutionalized and almost meaningless objective of the "elaboration of approaches to conflicts."[123] This anti-institutional approach accompanied China's stance on virtually all ARF movement on its evolutionary goals, including on the operationalization of the first and second stages of ASEAN's evolution. With respect to the first stage, CBMs involving military transparency, China was initially skeptical and reluctant to engage. As one Chinese professor explains, "China cannot have as much military transparency as that of the U.S., because China's defense forces are much weaker than those of the United States."[124] For that reason, Chinese white papers were not particularly detailed, and when China did advocate CBMs, many were in its own strategic interest and used to target others. These included proposals for a maritime information center to be established in Tianjin, effectively making neighboring states dependent

[122] He, 36.

[123] He, 37; Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy,"* 45.

[124] Quoted in Foot, "China in the ASEAN Regional Forum: Organizational Processes and Domestic Modes of Thought," 432.

on Chinese information provision; proposals requiring prior notification of all joint military exercises and allowing observer participation – a requirement that effectively only applied to U.S. exercises as the United States was the only state conducting joint exercises; and for states to cease surveillance of one another, another requirement that largely applied to U.S. maritime surveillance.[125] With respect to the second stage, preventive diplomacy – that is, "using the chair's good offices to investigate or mediate disputes, sending ARF special representatives on fact-finding missions, moral suasion, and third-party mediation" – China was opposed to such an expanded role for the ARF.[126] Eventually, China submitted white papers seeking to water down some aspects of PD, and although unsuccessful in restricting PD from bilateral disputes that could spread to other parties, it was successful in incorporating its Five Principles of Peaceful Coexistence into the principles for PD, ensuring a focus on sovereignty.[127] In general, as Iain Johnston argues, China eventually halted its opposition to PD and instead sought to shape its evolution in way that suited China's own agenda.

Second, China not only opposed the evolution of ASEAN into an effective regional security organization, it also effectively restricted its ability to discuss items intersessionally, slowing the organization's development. China opposed efforts at the second ARF meeting in 1995 to create Track 1 working groups that would have allowed officials from each country to continue working on major issues between the day-long foreign ministers' meetings.[128] It feared that these working groups, staffed with government officials, would become government bodies that could impinge on China's interests. As a compromise, China agreed that these bodies could be formed but that they 1) must be termed Intersessional Support Groups (ISGs) and Intersessional Meetings (ISMs) rather than the more official title of working groups; 2) that that

[125] Johnston, *Social States: China in International Institutions, 1980-2000*, 189.

[126] Johnston, 184–85.

[127] Johnston, 185–86.

[128] Johnston, 183.

must involve both officials and academics so as not to be seen as intergovernmental; and 3) that they must be limited in their scope. China initially allowed the formation of two ISMs (focused on disaster relief and search and rescue) and one ISG (focused on confidence-building measures). Although China eventually grew comfortable with these institutions, chaired them at times, and even allowed the formation of new ones on counterterrorism, non-proliferation, and maritime security, it has opposed them in other areas (e.g., the South China Sea) and they remain few in number.[129] The limited scope of these intersessional activities has hampered the ARF's ability to work towards regional security between ministers' meetings. And even in those cases when China chaired such groupings, its motivations have been instrumental and strategic rather than sincere. For example, when China elected to chair the ISG meeting on CBM's in 1997, it "lambasted bilateral alliances, particularly the U.S.-Japanese alliance, as destabilizing and representative of old-style, Cold War thinking," using rhetoric that was even sharper than it used in official ASEAN meetings, and put forward several motions that targeted the U.S. military.[130] In other words, even as China became more comfortable with regional processes, it continued to harness them towards strategic ends.

Third, China also opposed strengthening the ARF's ability to act independently or to retain any kind of permanent bureaucracy. It opposed attempts to widen the chair into a council as well proposals to create a permanent and autonomous ARF secretariat.[131] Importantly, China also opposed U.S. suggestions that advocated allowing non-ASEAN states to assume the rotating chairmanship of ARF, fearing that if Western states assumed the chairmanship, they may use the chair's "good offices" to internationalize China's territorial disputes.[132] It was not until 2004

[129] Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy,"* 52.

[130] Foot, "China in the ASEAN Regional Forum: Organizational Processes and Domestic Modes of Thought," 435.

[131] Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy,"* 52.

[132] Chung, 52.

that the ARF even established a small "ARF Unit" within the ASEAN Secretariat, after first having established one in APT, which lacked Western states.

In addition to these attempts to limit the ARF's institutional efficacy, China also sought to shape the organization's agenda. At the inaugural 1994 ARF meeting, China worked to keep Taiwan and the South China Sea out of the Chairman's Statement, even though for ASEAN states one potential advantage of the ARF was the ability to candidly discuss the South China dispute its members had with China. After China occupied Mischief Reef in 1995, it was unable to keep the South China Sea from the ASEAN agenda and instead used the opportunity to attempt to reassure Southeast Asian states and to oppose "the involvement of external powers, especially the U.S., on South China Sea issues."[133]

In sum then, China has opposed institutionalization of the ARF – in large part because of its concerns about Western influence in the organization. As Chung argues, given its limited institutionalization, the ARF is now by and large only about "fostering and sustaining security dialogue in an inclusive forum…and China seems very happy to see it remain that way."[134] Although China is now far more active in the ARF than could have been imagined in the early 1990s, that activity is no measure of institutionalization. China has nonetheless continued to oppose military transparency, delay implementation of confidence-building measures, and stall efforts to realize preventive diplomacy – leaving the ARF unable to achieve even Stage 2 of its evolution. As one summary of interviews with ASEAN diplomats concluded, "China still remains the main impediment to the institutional development of the ARF in the eyes of many ARF members."[135] In fact, "China's active involvement in the forum has still largely been a reflection of its desire to control the pace and direction of the ARF according to its own preferences rather

[133] He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise*, 41.

[134] Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy,"* 52.

[135] Takeshi Yuzawa, "The Fallacy of Socialization?: Rethinking the ASEAN Way of Institution-Building," in *ASEAN and the Institutionalization of East Asia*, ed. Ralf Emmers (New York: Routledge, 2012), 79.

than the result of becoming socialized into cooperative security norms."[136] Indeed, what some had hoped was sincere and committed multilateralism in the 1990s has been revealed, especially since the financial crisis reduced Chinese fears of U.S.-led containment, to have been tactical and instrumental. Indeed, Chinese power projection capabilities, its provocative elevation of SCS claims to core interest status, naval deployments in the SCS, island construction and militarization, increased harassment of ASEAN vessels, disregard for international tribunals, violation of bilateral agreements, effective seizure of additional islands, and renewed threats of force individually and together betray the spirit of its ASEAN agreements and belie its pretensions of possessing a kinder, gentler, more institutionally-constrained diplomacy before 2008.

It is particularly telling that, in sharp contrast to its decision to stall the ARF, China has more actively welcomed institutionalization in ASEAN forums that lack the United States and that give China a major role, especially ASEAN+3 (APT).

The APT was founded in December 1997 when Malaysia invited China, Japan, and South Korea to attend the first informal summit. The organization launched in the wake of the Asian Financial Crisis as a way of boosting economic and monetary cooperation. It was also a resurrection of Malaysia's previously proposed but ill-fated East Asian Economic Group (EAEG), a bloc of Asian states intended to serve as a kind of APEC without Western states. Indeed, then Vice President Hu Jintao publicly acknowledged that APT is a resurrection of the East Asia Economic Group, and Malaysia Prime Minister Mahathir himself stated that "we call it the ASEAN Plus Three, but we are kidding ourselves. ASEAN Plus Three is, in fact, EAEG."[137] China, which had previously supported EAEG, was very enthusiastic about APT and sought to

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[136] Yuzawa, 78.

[137] "Hu Jintao: Jointly Writing a New Chapter of Peace and Development in Asia [胡锦涛：共同谱写亚洲和平与发展的新篇章]," *People's Daily Online [人民网]*, April 25, 2002, http://www.people.com.cn/GB/shizheng/252/7944/7952/20020425/716986.html; Lyall Breckon, "Former Tigers," *Comparative Connections* 4, no. 2 (2002), http://cc.csis.org/2002/07/former-tigers-dragons-spell/.Hu

make it the heart of Asian regionalism by broadening its scope and institutionalizing it. While the APT initially focused on non-controversial economic issues, in a 1999 speech before APT Chinese Premier Zhu Rongji said that "China was ready to exchange views on political and security issues" even as it resisted those efforts in APEC.[138] Two years later, at a 2001 APT summit, Zhu went further by announcing a five-point plan for deepening APT and advocating that "efforts should be made to gradually carry out dialogue and cooperation in political and security fields."[139] Then, in 2003, Premier Wen Jiabao sought to elevate APT above Asean's Western-inclusive ARF by suggesting that, APT be the "principal channel" for "East Asia cooperation."[140] In 2006, Assistant Foreign Minister Cui Tiankai continued to emphasize this language and avoided any mention of ARF, stating, "Over the past decade cooperation in East Asia started from scratch and has gradually developed the cooperative mechanism with the Association of Southeast Asian Nations (ASEAN) as the core, the 10+3 as the major channel and the East Asian Summit as the supplement."[141] The next year, China's persistence paid off and it successfully enshrined the broader focus of the organization in the APT Cooperation Work Plan 2007-2017 adopted by the grouping at its eleventh summit in Singapore.[142]

The fact that China proactively supported a security role in the APT, which *lacked* Western powers, but opposed it in APEC and watered it down in the ARF, both of which

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[138] Zhu Rongji, "Address by Premier Zhu Rongji of the People's Republic of China at the Third ASEAN+3 Informal Summit" (November 28, 1999), http://asean.org/?static_post=address-by-premier-zhu-rongji-of-the-people-s-republic-of-china-at-the-third-asean3-informal-summit-28-november-1999.

[139] Zhu Rongji, "Strengthening East Asian Cooperation and Promoting Common Development--Statement by Premier Zhu Rongji of China at the 5th 10+3 Summit" (November 5, 2001), http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/gjs_665170/gjzzyhy_665174/2616_665220/2618_665224/t15364.shtml.

[140] Wen Jiabao, "Speech by Premier Wen Jiabao of the People's Republic of China at the Seventh China-ASEAN Summit" (October 13, 2003).

[141] Cui Tiankai, "Speech of Assistant Foreign Minister Cui Tiankai at the Opening Ceremony of the East Asia Investment Forum" (August 1, 2006), http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t265874.shtml.

[142] Chung, *China's Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy,"* 75.

included Western powers, reveals the strategic rationale behind Chinese institutionalism. This was not the only major reversal for China. For example, China had previously been skeptical of APEC's Expert Working Group and urged its closure; in contrast, China backed the APT in creating a similar East Asian Vision Group with a mandate for finding ways of enhancing economic cooperation.[143] And although China had objected repeatedly and vociferously to the U.S. use of the word "community" in APEC, taking pains to either strike it or caveat it, the East Asia Vision Group for APT proudly "envisions East Asia moving from a region of nations to a bona fide regional community" and uses the word "community" thirty times in its first major report, suggesting China's objection was not to thicker regionalism but to thicker regionalism involving the United States.[144] Moreover, while China had opposed Japan's suggestion of an Asian Monetary Fund during the Asian financial crisis in 1997, "it came to support a more recent Asian Monetary Fund initiative sponsored by ASEAN Plus Three," a maneuver that ensured the achievement would "not directly redound to Japan's leadership role in regional affairs," and that subsequently evolved into the APT-led Chiang Mai Initiative.[145] In addition, concerned by Western influence in the region's unofficial diplomatic conclaves, such as the Shangri-La Dialogue and CSCAP, China pushed APT to establish a Network of East Asian Think Tanks (NEAT) in 2003. China was the "Prime Mover" of NEAT, serving as the first coordinator and administering NEAT initially through a secretariat based at the Chinese Academy of Social Sciences and then through China Foreign Affairs University.[146] For many "this high-level Chinese support" seemed to be a "potential challenge to more established Track 2 processes" and was a part of "Beijing's stated preference for a more exclusivist" region.[147]

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[143] Chung, 74.

[144] East Asia Vision Group Report

[145] Robert Sutter, *China's Rise in Asia: Promises and Perils* (New York: Rowman & Littlefield, 2005), 82.

[146] Brendan Taylor, "China's 'Unofficial' Diplomacy," in *China's "New" Diplomacy: Tactical Or Fundamental Change?*, ed. Pauline Kerr, Stuart Harris, and Qin Yaqing (New York: Palgrave, 2008), 204–5.

[147] Taylor, 205.

Beyond advocating regularized security discussions, formalized economic cooperation, and major APT-centric Track II initiatives, China had bolder plans for the APT's institutionalization, and it pushed aggressively to make the APT the key Asian regional organization – one more institutionalized than any other ASEAN-led forum, including the ARF. As Zhang Yunling, an academic who shaped Beijing's "charm offensive," noted, China had hoped for an APT with a concerted voice in international affairs, an institutionalized regional parliamentary committee, a defense ministers' meeting, and an East Asian security council – features which, in some cases, China had rejected for the ARF and APEC.[148] China even supported the creation of an APT Office within the ASEAN Secretariat before one had even been established for the much larger and longer-running ARF.[149] In short, China sought a thick ARF in line with its exclusive, non-Western view of Asian regionalism.

In 2004, Beijing sought to realize this vision by spinning APT off into a new institution. That year, it successfully proposed the creation of an East Asian Summit based on the APT's membership to become the major regional organization for East Asia and offered to host the first meeting in Beijing. Summarizing Chinese writings on the EAS, Wu Xinbo notes China's enthusiasm: "From the very beginning, China expected the East Asia Summit to be a major venue in building an East Asian community. Some analysts hailed the evolution from the APT Summit to the first EAS and believed it marked a substantive step forward."[150] As another author notes, "It was China's intention to upgrade the APT to a comprehensive SCO-type EAS that pointedly excludes the U.S. and other Western countries."[151] ASEAN states, Japan, and South Korea, aware of China's intentions, agreed to create the EAS but admitted states outside

[148] He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise*, 44.

[149] Vinod K. Aggarwal, ed., in *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial, and Security Relations* (Springer, 2008), 79.

[150] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," 60.

[151] He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise*, 44.

the region like Australia, India, and New Zealand to play a balancing role against China. Beijing's diplomats were reportedly disappointed. As Wu notes, "Beijing felt somewhat frustrated that non-East Asian countries such as Australia, India, and New Zealand were invited to participate in the EAS." This fundamentally changed the nature of the institution. But, as Wu notes, "What dismayed it even more was the decision that the EAS would be hosted only by ASEAN countries, thus not including China, which was initially enthusiastic about hosting the second meeting." This effectively circumscribed China's ability to lead an organization it had hoped to use to influence rules and norms in Asia. China's strategic intentions can be divined from the fact that China supported the principal of allowing only ASEAN to host meetings in the ARF (which included the United States) but opposed that principle in the EAS (which did not). An expanded EAS, and one that China could not host, was not at all China's objective and could indeed become a threat. "Under such circumstances," Wu Xinbo noted, "China expects APT to be the main venue for the building of an East Asian community."[152] It then became a priority for China, even in defeat, to work successfully to downgrade the enlarged EAS and persuade ASEAN that the APT (in which China had a larger role) and not the more expansive EAS (in which China's power was diluted) should remain the main framework and means of achieving some future East Asian Community.[153] To that end, China fought to remove the term "East Asian community" from the Kuala Lumpur Declaration signed at the first East Asia Summit to weaken the organization's authority, though it apparently continued to support the phrase in APT.[154] As an acknowledgment of this small tactical victory, the first East Asia Summit declaration

[152] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," 60.

[153] He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise*, 45.

[154] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," 60.

acknowledged that "the East Asian region had already advanced in its efforts to realize an East Asian community through the ASEAN+3 process."[155]

Security Benefits

Aside from slowing the institutionalization of organizations that included the West and elevating those that did not, China has also used its position within ASEAN-related forums to weaken U.S. influence in Asia in a few distinct ways.

First[156], China sought to use multilateralism to promote norms and concepts that would undercut American bilateral alliances that it found threatening. These relationships with the Philippines, Thailand, Australia, South Korea, and Japan form a hub-and-spokes system through which the U.S. influences developments in the region and creates security. China has used ASEAN-related forums to explicitly challenge this system and to seek regional support for its "New Security Concept" critical of alliances. Wu Baiyi, Deputy Director of Research at the China Foundation for International and Strategic Studies, wrote that the concept began to emerge after "the dissolution of the Soviet Union when "policy planners and academics began working quietly to amend the country's security strategy." By 1996, and after "years of work, a renewed security concept came into being," and China began to articulate it unofficially in Track II dialogues.[157] Although some scholars stress different aspects of the New Security Concept, including its occasional similarity to liberal concepts like "common security" or "mutual security" that floated in official and unofficial dialogs, it is clear from official references that a

[155] "Chairman's Statement of the First East Asia Summit Kuala Lumpur" (East Asia Summit, Kuala Lumpur, 2005), http://asean.org/?static_post=chairman-s-statement-of-the-first-east-asia-summit-kuala-lumpur-14-december-2005-2.

[156] On New Security Concept, need to get a few more sources – (1) China's New Security Concept: Reading Between the Lines (2) Qian Qichen speech to ARF in July 1997 and to 30th Anniversary gathering in December 1997; (3) Xinhua, Renmin Ribao, and Jiefang Junbao articles NSC conference and Qian's remarks as mentioned in Chu Shulong's piece [钱其琛在吉隆坡阐述新安全观, December 16, 1997]

[157] Wu Baiyi, "The Chinese Security Concept and Its Historical Evolution," *Journal of Contemporary China* 27, no. 10 (2001): 278.

core feature of this particular concept was a more realpolitik hostility to U.S. alliances. As Chu Shulong argues, key aspects of the concept "denounce the alliance approach" and, at a conference held in Beijing by scholars to discuss it and summarized officially in the party daily Renmin Ribao, participants "identified 'four nos' at the center of the concept: no hegemonism, no power politics, no arms race, and no military alliance."[158] Similarly, a separate Renmin Ribao commentary on the New Security Concept, which stands in for official consensus when it elucidates key diplomatic concepts, also strongly positioned the concept as standing against Cold War thinking, including alliances, economic sanctions, and arms races.[159] In 1997, China began to outline the concept at official ASEAN events. China's first ever official mention of the concept was when it hosted the ARF intersessional working group on CBMs in Beijing in March 1997, during which its diplomats assailed U.S. alliances as outdated.[160] That same year, the concept achieved high-profile significance when it was included in a joint statement with Russia that advocated multipoloarity. A marked elevation in the concept's profile in China-ASEAN diplomacy occurred when Foreign Minister Qian Qichen outlined the concept at the fourth ARF in July 1997, arguing that a key tenet of it was that security could not rely on military blocs and alliances. A few months later, at the 30th Anniversary of ASEAN in 1997 at which the United States was not present, Qian reiterated these points in more forceful language: "It has been proved that the security concept and framework of the Cold War era, which were based on military alliances and conducted by increasing arms building, cannot build peace. In the new situation, expanding military blocs and enhancing military alliances are against the current and future historical trend."[161] This articulation of the New Security Concept stayed consistent even

[158] Chu Shunlong, "China and the U.S.–Japan and U.S.–Korea Alliances in a Changing Northeast Asia" (Stanford: Shorenstein APARC, 1999), 10, https://fsi.stanford.edu/sites/default/files/Chu_Shulong.pdf.

[159] Need to track down the source, which is cited in Chu Shunlong ["Conference Discussing the New Security Concept Held in Beijing," Renmin Ribao, December 26, 1997, p. 4]

[160] Chu Shunlong, "China and the U.S.–Japan and U.S.–Korea Alliances in a Changing Northeast Asia," 8.

[161] Chu Shunlong, 6.

years later. For example, in a 2001 speech, Qian Qichen reiterated language tying the New Security Concept to a preference for multilateral institutions and dialogue over outmoded Cold War alliances: "We advocate a new security concept. We should try to build up mutual trust through consultations and dialogue on an equal footing….We believe that to seek absolute security for oneself through stronger military alliance and intensified arms race is out of tune with the trend of the times."[162] The next year, Beijing submitted a detailed elucidation of the concept to ASEAN that included several important elements, arguing that countries:

- should "transcend differences in ideology and social systems" such as China's authoritarian governance;
- should "discard the mentality of cold war and power politics," a reference to U.S. Cold War-era alliances;
- should hold "mutual briefings on each other's security and defense policies and major operations," a method of securing prior notification for U.S. exercises and curtailing U.S. maritime surveillance;
- should "refrain from interfering in other countries' internal affairs," a reference to U.S. human rights pressure;
- and should "promote the democratization of the international relations," a classic reference to promoting a shift from U.S. hegemony to multipoloarity.[163]

At the same time, Beijing's diplomats suggested in ASEAN forums that multilateral obligations should take precedence over those stemming from a state's bilateral relationship with "outside powers," a way of essentially using ASEAN to blunt the U.S. hub-and-spokes

[162] Qian Qichen, "Speech by Vice-Premier Qian Qichen at the Asia Society" (March 20, 2001), http://wcm.fmprc.gov.cn/pub/eng/wjdt/zyjh/t25010.htm.

[163] China's Position Paper on the New Security Concept http://www.fmprc.gov.cn/ce/ceun/eng/xw/t27742.htm

model.[164] In private discussions with ASEAN members on the sides of major meetings, Chinese diplomats criticized American hegemonism and "resorted to strident anti-U.S. rhetoric decrying the occupation of Iraq."[165] Although China was unsuccessful in ultimately persuading ASEAN to adopt its provocative concept, it nevertheless sought to use the concept to blunt American power. In sum, the evidence strongly suggests that Chinese diplomats wielded ASEAN-related forums to promote a security concept wrapped in many of the terms popular in ASEAN-related Track II dialogs that, at its core, was skeptical of U.S. alliance commitments and that prioritized cross-cutting multilateralism over U.S. hub-and-spokes bilateralism.

Second, China has also sought to use the institutions it has developed with ASEAN to frustrate the U.S. military's freedom of maneuver. For example, it sought to use discussions over the South China Sea as "a means to restrict U.S. Naval exercises in the area" by proposing a ban on South China Sea military exercises, a measure that targeted US-Philippine exercises that had recently restarted. Having raised the issue of prior notification for joint military exercises in 1997 as a CBM, China finally secured ASEAN's agreement to that provision in the 2002 Declaration of Conduct of Parties in the South China Sea, which largely affected U.S. military exercises and, at the time, created a precedent for "more restrictive provisions in a future Code of Conduct."[166] Following 9/11, Washington proposed the "Regional Maritime Security Initiative" (RMSI) which would use U.S. Special Forces, new bases in Malaysia, and high-speed vessels to secure the Malacca Straits from terrorist attack and piracy.[167] China feared that these suggestions were part of a containment plan, not anti-terrorism, and responded by pressuring ASEAN states against cooperating and then suggested an eleven-nation joint China-ASEAN

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[164] Yahuda, "China's Multilateralism and Regional Order."

[165] David L. Shambaugh and Robert Sutter, eds., "China's Regional Strategy and Why It May Not Be Good for America," in *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), 297; Lyall Breckon, "Courtship and Competition," *Comparative Connections* 4, no. 1 (n.d.), https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/media/csis/pubs/0201qchina_seasia.pdf.

[166] http://cc.csis.org/2003/01/china-caps-year-gains/

[167] Ibid.

patrol instead secure the sea lines. China also advocated using the document that formed the basis of the China-ASEAN strategic partnership as the way to think about maritime issues, a move that many ASEAN states supported but that would effectively prohibit RMSI.[168] China further questioned "whether bilateral agreements between ASEAN countries and outside powers" should supersede multilateral ones – an argument that Washington's hub-and-spokes system could not implement RMSI because ASEAN's obligation superseded it.[169] Finally, China was the first nuclear state to support ASEAN's interest in a nuclear-weapons-free zones in Southeast Asia. Doing so embarrassed the United States and, if the agreement were successful, it would make it difficult for the U.S. to station strategic nuclear forces or nuclear-equipped vessels and aircraft in Southeast Asia, thereby limiting U.S. freedom of maneuver. Indeed, New Zealand's decision in the 1980s to create a national nuclear free zone dramatically limited possibilities for U.S.-New Zealand defense cooperation. In contrast, these zones fail to substantially limit China's autonomy since it lacks the capabilities to place strategic nuclear forces abroad.[170]

These included proposals for a maritime information center to be established in Tianjin, effectively making neighboring states dependent on Chinese information provision; proposals requiring prior notification of all joint military exercises and allowing observer participation – a requirement that effectively only applied to U.S. exercises as the United States was the only state conducting joint exercises; and for states to cease surveillance of one another, another requirement that largely applied to U.S. maritime surveillance.[171]

Finally, China sought to reassure ASEAN states to preempt the possibility of an anti-China balancing coalition. The institutional strategy mentioned above does this in part because

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[168] Ibid., 136-37.

[169] Yahuda, "China's Multilateralism and Regional Order."

[170] Gill, *Rising Star: China's New Security Diplomacy*, 2007, 100.

[171] Johnston, *Social States: China in International Institutions, 1980-2000*, 189.

China was able to demonstrate its willingness to work multilaterally rather than bilaterally where it had an advantage. Indeed, by 2008, China had a total of 46 institutionalized mechanisms with ASEAN (working groups, sub-committees, etc.) compared to America's 15.[172] At the same time, China's aggressive pursuit of stronger ties with ASEAN effectively put ASEAN in the "driver's seat" for all Asian regionalism – expanding the leverage of ASEAN states and demonstrating simultaneously that Beijing is welcoming of their leadership.

Outside of direct institutional involvement, China also made a series of significant political concessions while engaging with ASEAN. First, in 2002 China signed the "Declaration on the Conduct of Parties in the South China Sea" with ASEAN States. Within this declaration, China legitimized the claims of other states when previously it had ignored them, created a precedent for a potential multilateral solution where China's leverage was diminished, and committed to eschewing violence or changing the status quo. This last item was particularly significant since China has historically pursued a strategy involving military force, sparring with Vietnamese and Philippine naval vessels and outright seizing and reinforcing a number of islands, most recently in 1995. This reassured ASEAN states that China was not aggressively revisionist on one of the major items of disagreement.

Second, in 2003, China became the first non-ASEAN state to sign the ASEAN Treaty of Cooperation and Amity – effectively the ASEAN Charter, which committed it to non-interference in the affairs of Southeast Asian states. That same year, China signed a "Joint Declaration on a Strategic Partnership." These decisions served "to signal China's commitment to long-term cooperation on regional security issues."[173] China also signaled that willingness by rearticulating its vision of regional security, defining it in a way amenable to the interests of ASEAN states. China created the "New Security Concept" which goes "beyond classic military

[172] Lijun Shen, "China and ASEAN in Asian Regional Integration," in *China and the new international order*, ed. Gungwu Wang and Yongnian Zheng (New York: Routledge, 2008), 257.

[173] Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification*, 129-31.

security to include questions of economic stability and national development," thus drawing a contrast with an American focus on "counterterrorism missions and the military dimensions of national security."[174] ASEAN states have been receptive to this expansive definition.

Finally, as explained in greater detail in the subsequent chapter, China has used ASEAN as a platform to provide economic benefits to ASEAN member states. It pursued a concessionary free trade agreement with ASEAN states and expanded loans and investment – all of which reduce security anxieties. At a 2002 APT meeting, China announced debt forgiveness for Vietnam, Laos, Cambodia, and Myanmar. The China-ASEAN FTA included an "early harvest" provision that ensured China cut agricultural tariffs three years before ASEAN states did. China also extended MFN status to new ASEAN states even though they were not part of the WTO and gave them five years to reciprocate on their commitments to China.[175] Economic concessions served as costly signals of China's interest in reassurance. [Other material to include][176]

SHANGHAI COOPERATION ORGANIZATION

The Shanghai Cooperation Organization (SCO) began with the Shanghai Five, an annual regional summit among China, Russia, and the three former Soviet republics bordering China first held in 1996. Initially, this summit dealt with settling border disputes and preventing troop stationing or exercises near border areas until the members institutionalized and deepened it into the modern SCO.

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[174] Ibid.

[175] Ba 2006 article 172

[176] APT – China announced debt forgiveness (Chung 73); announced Good Neighbor Policy (Chung 74)
1995 Qian QIchen acknowledges SCS and says it should be solve through UNCLOS
"The foreign minister also publicly agreed at the 1995 ARF that competing claims should be resolved on the basis of the U.N. Convention on the Law of the Sea (UNCLOS), and he reiterated an earlier Chinese proposal that in the meantime the sovereignty question should be shelved and efforts made to begin the joint development of resources. It is now a regular occurrence for Chinese officials-having first referred to their indisputable sovereignty over the area- to acknowledge that there are indeed overlapping claims that carry within them the danger of disturbing the peace of the region, and that non- claimant states also have a concern about freedom of navigation. This is always accompanied by the statement that such disputes should not be re- solved by force."

This section demonstrates that China's creation and expansion of the Shanghai Cooperation Organization is inconsistent with liberal and social accounts because the organization is too thin to serve its nominal function of combatting terrorism, separatism, and extremism. It then argues instead that the SCO is an example of strategic-liberalism that helps China achieve security by blunting American power and building an alternative order in Central Asia. China's concerns emerged following the collapse of the Soviet Union, which opened a void in Central Asia that China feared would be either be filled by the United States or exploited by radical extremists. With respect to the United States, China was deeply concerned that Central Asian states might gravitate towards Washington politically, join an expanded NATO, or succumb to pro-democracy movements that would create new democratic U.S. allies on China's border – all of which would lead to China's further encirclement. With respect to extremists, China feared that an absence of order might produce security externalities – specifically cross-border Uyghur terrorism – that would harm China. The creation of the SCO was an attempt at making it the paramount organization for regionalism in Central Asia in order to preempt and blunt American influence within the region as well as to build and provide some modest order for the region intended to preserve Chinese interests. Consistent with a strategic-liberal account, (1) the institution imposes very few costs on Chinese autonomy; (2) China invests more in the institution when its perception of American power and threat grows; and (3) China use the institution to reassure neighbors, exclude the United States from regional processes, and bolster its own centrality to regionalism.

Alternative Explanations

This section examines liberal and social explanations for the SCO and demonstrates their inadequacies. It begins with liberal explanations before moving to social ones.

Liberal explanations hold that the Shanghai Cooperation Organization has been formed to promote cooperation and solve a particular set of transnational problems shared by its members. In this sense, the purpose of the SCO is largely to manage internal security threats

rather than to serve as an instrument for China to blunt American hegemony or build competing international order. Theories of the SCO as an organization serving a specific cooperative function tend to emphasize its focus on what it terms as the "three evils" – terrorism, separatism, and religious extremism, as well as organized crime and other transnational security externalities within the Central Asia.

Does China view the SCO primarily as a means to accomplish these objectives? The answer appears to be that although China certainly believes the SCO is potentially useful against the "three evils," it has not invested in the institution to make those efforts truly successful, suggesting the institution does exist merely to serve this function. An examination of the SCO Regional Counter Terrorism Structure (RCTS), one of the organization's few permanent bodies and the primary one intended to cope with the "three evils," is insightful in this regard. As Thomas Wallace notes, "China has played a leading role in crafting RCTS, making it a valuable indicator of CCP preferences" for institutions generally and the SCO in particular.[177]

The RCTS and other bodies "remain chronically underfunded and have limited powers to take decisions independently of their member governments."[178] Although budget information is not public, several news articles in Russia and China note that the RCTS budget is $2 million annually and its staff is roughly 30 individuals, though as Executive Director of RCTS Zhang Xinfeng admits, "not many people [are] in the office."[179] This anemic level of support for RCTS largely prevents it from serving any functional purpose. As Wallace argues:

> These budget and personnel numbers are comically low, the size of a rounding error in China's estimated $111 billion internal security budget….Comparing reported RCTS budgets and staff to those of comparable organizations reveals just how small they are: a single non-combat theater NATO intelligence fusion center has over 200 personnel."[180]

[177] Thomas Wallace, "China and the Regional Counter-Terrorism Structure: An Organizational Analysis," *Asian Security* 10, no. 3 (2014): 199.

[178] Richard Weitz, "The Shanghai Cooperation Organization (SCO): Rebirth and Regeneration?," Center for Security Studies, October 10, 2014, https://www.ethz.ch/content/specialinterest/gess/cis/center-for-securities-studies/en/services/digital-library/articles/article.html/184270.

[179] Wallace, "China and the Regional Counter-Terrorism Structure: An Organizational Analysis," 205.

[180] Wallace, 205–6.

For these reasons, it is hard to argue the RCTS – and the SCO for that matter – exists for functional reasons related strictly to three "three evils," especially since China could easily fund the institution at a higher level or assign more staff if that function truly mattered. Without those additional funds and personnel the RCTS is limited in its functions, and currently it "does not function as a joint analytical environment, collect intelligence, integrate command structures, formulate joint doctrine, identify terrorists, meaningfully interact with other states or regional security organizations, or perform many other tasks one might expect of a security body."[181] Perhaps the most simple test of a functional explanation is whether the organization was called upon when its function was needed, and in this sense, "the most damning indictment of RCTS is that it has never actually been deployed, even during some of Central Asia's most pressing security dilemmas" including the 2005 Andijan massacre, Krygz-Uzbek ethnic cleansing in 2010, and Tajikstan's Gono-Badakhshan uprising in 2012 – and Chinese analysts are aware that such "lack of action has exposed the organization's limitations."[182] Moreover, if the organization were designed to be effective, it would have procedures to occasionally cooperate with NATO or the United States, both of which are major actors in combating the "three evils" in neighboring Afghanistan. Instead, the counter-terrorism center is prohibited from cooperation with the United States and other countries that lack formal SCO status, suggesting political considerations trumped functional ones.[183] Finally, internal distrust appears to hamper genuine cooperation as well, because "although the SCO provides a regional forum in

[181] Wallace, 200.

[182] Wallace, 210.

[183] Richard Weitz, "Uzbekistan: A Peek Inside an SCO Anti-Terrorism Center," Eurasianet, September 25, 2012, http://www.eurasianet.org/node/65960.

which member states can discuss security matters, states have been reluctant to share a great deal of intelligence with one another, limiting the organization's effectiveness."[184]

To the extent the organization has had any successes, they have been in extraditing Chinese Uyghur dissidents, and the institution is in this way more a reflection of Chinese preferences than of broader security cooperation against the "three evils." Even in this limited role, the institution is too weak to provide considerable assistance, and "the gap between reality and rhetoric suggests China values RCTS as a rhetorical device more than it does as a functional organization."[185] In other words, the SCO is at best an organization that protects against a particular kind of disorder China fears – Uyghur terrorism.

Some critics might argue that, aside from security cooperation, a second possible functional interpretation of the SCO is that it exists as an economic institution.[186] In reality, the SCO has not created a shared FTA, a joint development plan, or an energy cartel – all of which have been proposed by various SCO members – and its economic functions remain rather limited.

Since the SCO has not been engineered to serve a security or economic role, liberal explanations fall short, and that in turn merits consideration of strategic-liberal explanations.

Strategic-Liberal Building

A strategic-liberal view of China's creation of the SCO argues that the organization is designed not merely to combat the "three evils," but more fundamentally to blunt and preempt American power within the region and to lay the foundation for Chinese order-building on China's periphery.

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[184] Keiichi Tsunekawa, "Building Asian Security Institutions Under the Triple Shocks: Competitive, Complementary or Juxtaposed?," in *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial, and Security Relations*, ed. Vinod K. Aggarwal and Min Gyo Koo (Springer, 2008), 83.

[185] Wallace, "China and the Regional Counter-Terrorism Structure: An Organizational Analysis," 212.

[186] Thrassy N. Marketos, *China's Energy Geopolitics: The Shanghai Cooperation Organization and Central Asia* (New York: Routledge, 2009).

The U.S. Threat

Indeed, the SCO's very formation was in part due to concerns over U.S. power, especially in Central Asia. General Chi Haotian, former Vice Chairman of China's Central Military Commission, was instrumental in the early years of the Shanghai Five and the process of institutionalizing that defense-focused forum into the SCO. His biography notes that he traveled to Russia in 2000 to discuss formalizing the SCO with Putin, and that in their conversation about the organization's future they agreed upon the importance of "opposing hegemonism, safeguarding world peace, opposing human rights interference, opposing missile [defense], and other issues (反对霸权主义、维护世界和平、反对人权干涉、反导等问题)."[187] These issues, especially support for multipolarity and resistance to human rights pressures and missile defense, became core issues in nearly every SCO statement and are strong indications of the organization's focus on the United States. Having reached "consensus" on these ostensibly U.S.-related goals, Chi Haotian and Putin then promptly agreed to formalize the Shanghai Five defense minister's meeting and set a date for the next one in Astana for March 2000. Chi Haotian's biography notes that they made a special point to "hold the first meeting before the NATO leaders summit" that year, perhaps to send a deterrent signal to Western states about NATO expansion eastward and potentially into Central Asia.[188] Putin left quite an impression on Chi Haotian, who perceived him as someone who was "relatively sober and steady, speaks little, but carries a great deal of weight." Nevertheless, the meeting apparently went well. The Chinese Ambassador to Russia told Chi Haotian that, "Putin rarely smiles, but in his meeting with you, he smiled two times – this is truly rare."[189] More recently, State Councilor Dai Bingguo wrote in his memoirs that he recommended China "engage the Shanghai Cooperation Organization"

[187] Chi Haotian Writing Group [迟浩田写作组], *Biography of Chi Haotian [迟浩田传]*, 407.

[188] Chi Haotian Writing Group [迟浩田写作组], 407.

[189] Chi Haotian Writing Group [迟浩田写作组], 407.

among other non-Western groupings like BRICS "in order to help change power imbalance between the global north and south."[190]

That Chinese and Russian officials privately admit to these motivations is clear; moreover, they also publicly reiterated their interests in countervailing American power in almost every Shanghai Five and SCO joint declaration, often by arguing that the SCO was intended to help usher in multipolarity and to delegitimize the U.S.-led order.[191] The SCO's forerunner, the "Shanghai Five" was often explicit in its criticism that order. In 1997, during a Shanghai Five meeting in Moscow, China and Russia signed the "Declaration on a Multipolar World and the Establishment of a New International Order." The agreement stated that, "in a spirit of partnership, the Parties shall strive to promote the multipolarization of the world and the establishment of a new international order" and that "no country should seek hegemony, engage in power politics or monopolize international affairs."[192] The next year, the Shanghai Group issued its very first major declaration, the 1998 Almaty Declaration, echoing this language: "multipolarity in the world…will make it possible to ensure international stability and create conditions for social and economic development" and that "in order to achieve general peace and prosperity in the twenty-first century, it is necessary to create a new, just and rational international political and economic order."[193] The 1999 Bishek Declaration argued that "multi-polarity…contributes to the long-term stability of the international situation" and affirmed that Shanghai Five would help bring about multipolarity by being "resolved to make tireless efforts…in order to promote the building of a just and rational new international political and

[190] Dai Bingguo [戴秉国], *Strategic Dialogues: Dai Binguo's Memoirs [战略对话：戴秉国回忆录]* (People's Press [人民出版社}, 2016), 194.

[191] Gill, *Rising Star: China's New Security Diplomacy*, 2007, 39.

[192] "Russian-Chinese Joint Declaration on a Multipolar World and the Establishment of a New International Order," April 23, 1997, http://www.un.org/documents/ga/docs/52/plenary/a52-153.htm.

[193] "Joint Declaration by the Participants in the Almaty Meeting," July 3, 1998, http://repository.un.org/bitstream/handle/11176/177192/A_52_978-EN.pdf?sequence=3&isAllowed=y.

economic order."[194] On the sidelines of the 1999 summit, President Jiang declared that "hegemony and the politics of force are on the rise, with new forms of so-called neo-interventionism being resumed."[195] Boris Yeltsin agreed and opposed "attempts by some states to build a world order that is only suitable for themselves. He then shocked reporters by declaring that he was "really ready for combat, especially with Westerners," remarks his Foreign Minister Igor Ivanov clarified as meaning that "there was an active struggle for a future world order and what the world will be in the 21st century," and later confirming to reporters the United States was a focus of the summit's discussions.[196] The next year, the 2000 Dushanbe Declaration declared that the Shanghai Five were "contributing to the developing in the world of the trend towards multipolarity and the establishment of a just and rational international order" and that, in pursuit of multipolarity, "the countries of the Five will strengthen interaction on questions of strategy in international affairs and will oppose any form of 'neo-interventionism,' suggesting the SCO had geopolitical aims.[197] Then, when the SCO finally became institutionalized, its founding charter stated at the beginning that the organization's goals included "developing political multipolarity," a sentiment echoed in several subsequent declarations.[198] Some of these declarations make the normative claim that "world order in the 21st century should be based on…consistent democratization of international relations," a euphemism for reducing American dominance, and also declared that the SCO actively sought to "promote the democratization of international relations" and "to bring states closer together and

[194] "Bishkek Declaration, 1999," August 25, 1999, http://repository.un.org/bitstream/handle/11176/36620/A_54_314%3bS_1999_942-EN.pdf?sequence=20&isAllowed=y.

[195] Michael Walker, "Russia and China Plug a 'Multipolar Order,'" *The Straits Times*, September 1, 1999.

[196] Walker.

[197] "Dushanbe Declaration, 2000," July 4, 2000, http://repository.un.org/bitstream/handle/11176/34322/A_55_133%3bS_2000_682-EN.pdf?sequence=21&isAllowed=y.

[198] See the SCO Charter and the 2001, 2002, 2003, 2006, 2009, 2011, 2012 declarations, all of which contain this language.

promote a more equitable world order," all of which suggests counter-hegemonic purposes.[199] Interestingly, after the Global Financial Crisis called U.S. power into question, the 2009 SCO Declaration declared triumphantly that the "tendency towards genuine multipolarity has become irreversible," and that – with a reduced role for the United States within distant regions – the "role of the regional aspect in the settlement of global problems is on the rise," a claim that essentially argues for the roles of regional powers in setting the terms of regional order.[200] In sum, the organization has clearly been motivated by counter-hegemonic purposes.

Supporting Modest Institutionalization

That concerns about U.S. power and influence played a motivating role in the organization's formation and evolution should be clear. But if these factors truly mattered, then Beijing should have invested more resources as its perception of American power and threat increased and the perceived benefit of the organization grew. Indeed, this is precisely what happened. Prior to 9/11, China was "quite comfortable and satisfied" with the SCO's pace of institutionalization.[201] After the attacks, "the viability of the SCO was put to a serious test."[202] The American-led invasion of Afghanistan significantly weakened China's emerging role in the region and threatened to make the SCO irrelevant. It meant that NATO, which had sought to engage Central Asian states through its "Partnership for Peace" program, to Chinese and Russian consternation, would now be directly involved in Afghanistan and could even be expanded as an anti-terror organization that would include China's neighbors. Luo Gan, a member of the Politburo Standing Committee, reportedly fretted that "the US wants to use the war in Afghanistan to have a permanent military force in Central Asia, which will have a big

[199] For examples of this kind of language, see the 2002, 2009, and 2011 declarations, among others.

[200] "Yekaterinburg Declaration, 2009," June 16, 2009.

[201] Jianwei Wang, "China and SCO: Toward a New Type of Interstate Relation," in *China Turns to Multilateralism: Foreign Policy and Regional Security*, ed. Guoguang Wu and Helen Lansdowne (New York: Routledge, 2008), 110.

[202] Wang, 110.

impact on our national security."[203] In a meeting with the Central Military Commission in 2001, Jiang Zemin placed China's fears of the "three evils" on par with concerns over the U.S. role in Central Asia: "After the end of the Cold War, Central Asia saw the emergence of two prominent circumstances. The first was the 'three evils' and the second was the American military presence."[204]

Indeed, for the first time ever, the US began to establish a serious presence in Central Asia. Russia seemed to approve, shocking Chinese policymakers. As Song notes, Russian support included information sharing, acceptance of U.S. facilities and access in the region, and logistical access, all of which "surprised Chinese policymakers and analysts, who complained that the Russian policymakers did not have a correct understanding of the real intention of the United States."[205] In addition, direct U.S. assistance to Central Asia doubled in one year, and military assistance programs increased several-fold. Russian acceptance and U.S. grants and loans all facilitated an increased U.S. military presence.[206] Indeed, every Central Asian SCO member publicly offered the U.S. military overflight and most privately extended this overflight to include combat missions.[207] All Central Asian states also offered access, with American bases opening in Uzbekistan and Kyrgyzstan, U.S. military personnel gaining access to air fields in Tajikistan and even Turkmenistan (a non-SCO member), and the U.S. military invited to use bases in Kazakhstan as well (though the United States declined and received emergency access instead).[208] The credible potential for a U.S. or NATO military presence in every Central Asian

[203] Nathan China's New Leaders 209

[204] Jiang Zemin speech to CMC in 2001 page 355

[205] Weiqing Song, *China's Approach to Central Asia: The Shanghai Co-Operation Organisation* (New York: Routledge, 2016), 75. (Need copy of the Chinese source provided there)

[206] Song, 678.

[207] Olga Oliker and David A. Shlapak, *U.S. Interests in Central Asia: Policy Priorities and Military Roles* (Arlington: RAND, 2005), 12.

[208] Oliker and Shlapak, 11–16.

state was alarming to China, which feared an American bilateral system was beginning to supersede the SCO as the main avenue of military and counterterrorism cooperation and could eventually become institutionalized into an expanded NATO.[209] For example, one Chinese scholar feared that "NATO's eastward expansion may get right up to China's western border."[210] Several analysts noted that China was increasingly surrounded. It now faced an American presence in the West in addition to the American troop presence in the Northeast (Japan, South Korea) and Southeast (Guam, potentially Taiwan).[211] As Wu Xinbo writes, the "actions taken by the United States since the late 1990s to forge closer political and security ties with some of China's neighbors – as part of its hedging strategy in Asia – also jangled China's security-related nerves. Such developments required China to devote more attention to relations with its neighbors so as to stabilize its periphery. It was against this background that the SCO was founded in June 2001."[212]

China's push for institutionalization was motivated by a desire to keep the organization at the core of Central Asian regionalism by focusing it on terrorism. In so doing, it hoped to stave off the growing American influence in Central Asia and avoid encirclement. Indeed, "to avoid the SCO being sidelined by the post-September 11th US military presence in Central Asia, Beijing pushed hard for the institutionalization of an SCO regional anti-terrorist center" which soon became a permanent body, with President Jiang Zemin noting that establishing the center "is the most urgent thing at present."[213] At a Prime-Minister's meeting a few months following the attacks, China's Premier Zhu Rongji argued forcefully that the SCO must finish work on a charter and create an anti-terrorism center as soon as possible; in 2003, at the height of

[209] Wang, "China and SCO: Toward a New Type of Interstate Relation," 110.

[210] Liwei Zhuang, ""Zhongguo Guoji Zhanlue Zhongde Dongmeng Keti [The ASEAN Issue in China's International Strategy]," *Dangdai Yatai [Contemporary Asia-Pacific]*, no. 6 (2003): 22. Zhang is a Professor at Jinan University.

[211] Zhuang, 22.

[212] Wu Xinbo, "Chinese Perspectives on Building an East Asian Community in the Twenty-First Century," 57–58.

[213] Chung, "China's Policies Towards the SCO and ARF: Implications for the Asia-Pacific Region," 178.

America's presence in Central Asia, Hu Jintao declared "institutional building was the top priority of the SCO" and urged the creation of a Secretariat.[214] These sorts of statements had prior to 9/11 never been made. As Song notes, to keep the SCO relevant, "China proved willing to sacrifice short-term interests for long-term ones, and partial interests for overall aims."[215] It offered to move RATS to Uzbekistan, which it feared was drifting towards the United States and had declined to participate in some SCO exercises; then, in 2004, it announced nearly $1 billion in loans to SCO member states.[216] Ultimately, China's efforts served to make the SCO relevant to the regional struggle with terrorism, even if the anti-terrorism center never had the resources to accomplish much. Perceptions of rising American power on China's periphery induced China to more eagerly pursue institutionalization as a way of checking American influence and feared NATO expansion.

Even so, consistent with a security-driven approach to institution-building, China crafted the SCO so that it would only minimally infringe on Chinese autonomy. Admittedly, the SCO is still one of the most institutionalized organizations China has created. The organization now has a charter, two permanent bodies, a clear hierarchy with sub-groupings, and frequent ministerial and agency level meetings.[217] It has even expanded beyond security to economics and is used as a forum for free-trade discussions. But, with respect to membership, the SCO does not include Western powers that might use the organization for their own purposes. China has even rejected applications for observer or partner status by the United States even though such applications would not allow Washington to shape the SCO agenda. The SCO also places few demands on its members and operates through consensus only. These characteristics not only protect Chinese

[214] Wang, "China and SCO: Toward a New Type of Interstate Relation," 111.

[215] Weiqing Song, "Feeling Safe, Being Strong: China's Strategy of Soft Balancing Through the Shanghai Cooperation Organization," *International Politics* 50, no. 5 (2013): 678.

[216] Song, 678–79.

[217] Chung, "China's Policies Towards the SCO and ARF: Implications for the Asia-Pacific Region."

autonomy, they also serve to reassure smaller states and the region's historical great power, Russia. As the SCO General Secretary argued, the focus on consensus is "so no *major country* can outweigh others."[218] While some analysts exaggerate its potential to rival NATO, the SCO has not formed an alliance or collective defense mechanism which might entangle China in interventions. Moreover, on a normative level, all SCO members share Beijing's perspective on Westphalian sovereignty and human rights. Finally, the organization is especially non-threatening to China because Beijing retains enormous influence in its operation: it was named after a Chinese city, its secretariat and staff is located in offices that Beijing donated, its first General Secretary was a Chinese diplomat, and Beijing today funds "the lion's share" of its budget.[219] In short, in contrast to most international organizations that constrain the behavior of members, the SCO does almost nothing to constrain China's autonomy.

Security Benefits

Finally, it is worth considering the SCO's security benefits. If the SCO is too thin to combat the "three evils," why does it exist in the first place? The answer is that even though the SCO may appear dysfunctional, it provides China three main benefits: the SCO (1) reassures Central Asian states and limits the chance they will balance against China, (2) blunts American power within the region and abroad, and (3) enhances China's autonomy by serving as a platform for order-building in Central Asia.

First, the SCO is meant to reassure Russia and Central Asian states of China's intentions. Chinese analysts know that Central Asian states fear that China harbors revisionist territorial claims, supports Han migration, and threatens their domestic industries.[220] Chinese analysts

[218] Wang, "China and SCO: Toward a New Type of Interstate Relation," 118. Emphasis added.

[219] Wang, 104–15.

[220] Anna Mateeva and Antonio Giustozzi, "The SCO: A Regional Organization in the Making" (LSE Crisis States Resaerch Centre, 2008), 11.

also see themselves as outsiders in a region where Russian language and culture run deep, and know that cultural factors amplify lingering distrust. Moreover, these states, with large Islamic populations and porous borders, can support Muslim separatists in China's restive Xinjiang region. Above all, China has long feared insecure Central Asian states may join efforts to encircle China by deepening security cooperation with the United States and joining U.S.-led regional processes. For these reasons, China has worked hard to reassure Central Asian states. The SCO assists in reassurance by creating a multilateral space that can be used to discuss China's activities in the region and, if needed, oppose some of them – such as a Central Asian Development Bank. In this way, the SCO manages tensions with Russia and with Central Asian states because, as the dominant forum for Central Asian politics, "it provides space for political networking, informal discussions and resolution of practical problems on a ministerial level," all in the open, facilitating information flow and reducing anxieties about intentions.[221] Indeed, Ikenberry's points on the importance of voice in U.S.-led liberal order can be applied to Chinese-led regional order: "the institutionalization of relations between weak and strong states, when it creates voice opportunities for the weaker states, can be a solution for these weaker states that want to work with but not be dominated by stronger states."[222]

More fundamentally, the premise of the SCO is itself a concession to China's neighbors. When the Soviet Union collapsed, border negotiations passed down to China and the newly-independent Central Asian states. As Weiqing Song notes, these states were "inexperienced in international affairs and even more fearful of such a big power as China, so "to avoid a divide-and-rule approach by China" they insisted negotiations be conducted between "China as one party and all the four former Soviet republics, including Russia, as another."[223] By forsaking its

[221] Mateeva and Giustozzi, 7.

[222] Ikenberry, "Institutions, Strategic Restraint, and the Persistence of American Postwar Order," 61–62.

[223] Song, "Feeling Safe, Being Strong: China's Strategy of Soft Balancing Through the Shanghai Cooperation Organization," 677.

bilateral advantage and working in a multilateral setting, China hoped its neighbors would see the SCO as an organization that will help manage China's growing presence in the region. Moreover, the consensus-based voting mechanism is designed, as the General Secretary noted, "so no *major country* can outweigh others."[224] And, since China provides political support to states that come under human rights criticism from the West, it can prevent Central Asian states from being pulled into a Washington-led encircling coalition through Color Revolutions. Finally, as in Africa, China has used the SCO summits and its subcommittees to announce and implement billions in loans, trade concessions, and military and technical assistance which also serve to reassure.

Second, China has used the SCO to fill Central Asia's political void, initially preempting and then more firmly blunting the U.S. presence in Central Asia. As Yu Bin notes, China has long viewed the SCO "as a platform from which China can deflect, frustrate, and neutralize America's influence…"[225] Jiang Zeming argued in a Central Military Commission meeting in 2001 that "The establishment of the SCO will help improve China's security environment and will play an important role in promoting multipolarization of the world."[226] It has done so in four ways.

First, a fundamental task in blunting is to either exclude the United States from regional processes or to join U.S.-dominated organizations and stall them from within, thereby reducing U.S. regional influence. The SCO is an example of the former approach. China has sought to make the SCO the key Central Asian organization; by excluding the United States, it thus hopes to exclude Washington from the heart of Central Asian regionalism and to place itself in a prime position of influence over that process. It has been explicit that the United States will not be able

[224] Wang, "China and SCO: Toward a New Type of Interstate Relation," 118.

[225] Yu Bin, "Living with Russia in the Post 9/11 World," in *Multidimensional Diplomacy of Contemporary China*, ed. Simon Shen and Jean-Marc Blanchard (Lanham: Lexington Books, 2009), 193.

[226] Jiang Zemin CMC Spech 2001 p. 355

to join the SCO, even rejecting a U.S. bid for observer status in 2005. Mundane cooperation is largely prohibited: the United States has not been allowed to witness military exercises nor are SCO organs allowed to work with the United States even on shared interests in counterterrorism. Major SCO declarations also note that the members "oppose…. outside interference that might complicate the situation in the region, a reference to the United States," in addition to criticisms of U.S. hegemony, military bases within the region, and a variety of U.S. positions in international affairs.[227]

Second, China has used the SCO to deny American access to Central Asian territory and bases from its earliest years. In 2003, an extraordinary meeting of the SCO Foreign Ministers was convened to discuss curtailing U.S. influence in Central Asia.[228] In 2005, the SCO actually demanded that the US set a timeline for withdrawing its forces from Central Asia after its summit in Astana, a sentiment that was then reiterated by the foreign ministers and leaders of many SCO states. Later that year, China and Russia supported Uzbekistan's decision to expel US forces. Then in 2007, the SCO's Bishek Declaration argued against the role of outside powers in security affairs, noting that "stability and security in Central Asia can be ensured primarily by the states of the region based on regional and international organizations already established."[229] Subsequently, Central Asian states evicted what remained of the U.S. presence in 2009 and 2014 respectively.[230] In addition, the SCO has also backed a nuclear weapons free-zone over the objections of the United States, and with the support of China and eventually

[227] "Dushanbe Declaration, 2000."

[228] "Central Asia Report: September 12, 2003," *Radio Free Europe*, September 12, 2003, https://www.rferl.org/a/1342224.html.

[229] "Bishkek Declaration, 2007.," August 16, 2007.

[230] Yu Bin, "China-Russia Relations: The New World Order According to Moscow and Beijing," *CSIS Comparative Connections*, no. 3 (2005); Adrian Blomfield, "Russia Accuses Kyrgystan of Treachery Over US MilitaryBase," *The Telegraph*, June 24, 2009, http://www.telegraph.co.uk/news/worldnews/asia/kyrgyzstan/5624355/Russia-accuses-Kyrgystan-of-treachery-over-US-military-base.html.

Russia, which limits the possibility that U.S. bases in the region might ever host U.S. nuclear capabilities that could threaten China or Russia.[231]

Third, the SCO functions as a "latter-day Holy Alliance" to blunt the spread of Western values and defend its from "peaceful evolution."[232] Every single Shanghai Five and SCO joint declaration – the most authoritative SCO statements – include rhetorical assaults on universal liberal values, usually worded in terms of respecting "non-interference" and "the diversity of civilizations and cultures." Sometimes liberalism is attacked more provocatively. For example, a 2002 joint declaration "oppose[d] the use of 'double standards' in human rights and interference in the internal affairs of other countries under the pretext of their protection." Similarly, a 2005 statement noted that, "as regards human rights, it is necessary to strictly and consistently respect historic traditions…and sovereign equality of all states." In addition to the broad defense against liberalism, the Charter itself provides support for China's "Five Principles of Peaceful Coexistence," urges respect for sovereignty, and argues for human rights to be respected in light of national laws and conditions.[233] Wang Yusheng, a former Chinese diplomat who worked on multilateral issues (eventually as Ambassador to APEC), has argued that "the most significant achievement of the SCO over the last 12 years has been the emergence of the Shanghai Spirit," which encompasses these illiberal values. He further argues that another "significant achievement of the SCO is that the member states successfully defended themselves against the 'color revolution' incited by the neo-conservative idealists of the United States," suggesting a view that the SCO is intended to support Western ideational encroachment.[234]

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[231] Sources to still include -- http://www.nonproliferation.org/central-asian-states-establish-nuclear-weapon-free-zone-despite-us-opposition/

http://www.unm.edu/~gleasong/expulsion.pdf

[232] Stewart M. Patrick, "The SCO at 10: Growing, but Not into a Giant," Council on Foreign Relations, June 14, 2011, https://www.cfr.org/blog/sco-10-growing-not-giant.

[233] "Charter of the Shanghai Cooperation Organization" (Shanghai Cooperation Organization, June 7, 2002), http://eng.sectsco.org/load/203013/.

[234] Wang Yusheng [王嵎生], "SCO Shows the Shanghai Spirit," *China Daily*, September 12, 2013.

Importantly, the SCO also institutionalizes anti-liberal values. This was most flagrantly demonstrated when SCO states, none of which was a genuine democracy at the time, established an election monitoring program in 2005 and then proceeded to "observe" elections in Kyrgyzstan, Tajikistan, and Uzbekistan that insulated these countries from criticism. For example, the SCO's positive reports on Kyrgyzstan's and Tajikistan's elections respectively was meant to give cover so that both governments could challenge findings from OSCE election monitors who found substantial evidence of fraud.[235] When Uzbekistan massacred hundreds of people following the Andijan uprising, the SCO effectively condoned it is a legitimate act of counterterrorism.[236] SCO states are less susceptible to Western criticism and sanctions when, as with Uzbekistan, they can turn to the other SCO states for moral, legal, and financial support.[237] In essence, the SCO is able to blunt the power of Western ideals and norms.

Fourth, although the SCO is unlikely to become a military alliance, the organization's military exercises are nevertheless intended to signal the latent potential for its members to form a balancing coalition against the United States; to signal deepening security cooperation, especially between Russia and China; and to demonstrate that U.S. intervention in the region is both unwelcome and unnecessary since its members are organized to handle local security threats or counter a Western-backed popular revolt. Although most SCO exercises are nominally about counterterrorism, an analysis of all exercises over the SCO's history suggests this kind of broader focus on great power deterrence. The SCO held 22 military exercises from its very first in 2002 all the way through to 2016. Of these, eight were were titled "Peace Mission" exercises, eight were titled "antiterror exercises," and the remaining six have a variety of names and are

[235] Sean Roberts, "Prepared Testimony on the SCO and Its Impact on U.S. Interests in Asia," § Commission on Security and Cooperation in Europe (2006).

[236] Chung, "China's Policies Towards the SCO and ARF: Implications for the Asia-Pacific Region," 178.

[237] Mateeva and Giustozzi, "The SCO: A Regional Organization in the Making."

usually considerably smaller.[238] The Peace Mission exercises, not the anti-terror exercises, are the centerpiece for SCO military cooperation. Peace Mission exercises generally include more states than anti-terror exercises and usually involve 2,000 to 10,000 troops compared to the antiterror exercises, which involve only 300-400 hundred personnel, do not usually feature heavy weaponry, do not often enjoy the participation of all members, and are now held less frequently. Importantly, Peace Mission exercises do not appear to fundamentally be about engaging in antiterror operations, not only because there *are* already dedicated antiterror exercises, but also because the orders of battle in the Peace Mission exercises suggest a focus on conventional, interstate warfare. Some analysts disagree that large amounts of conventional weaponry indicate a focus on interstate warfare and argue that the SCO believes these wide-ranging conventional capabilities and ambitious exercises are essential parts of counterterror efforts. To some degree, this may be true – especially given the risk of state collapse in Central Asia or the possibility that terrorists or even popular democratic groups may seize territory and weapons, reproducing a kind of Syrian or Libyan crisis in the region that requires a joint response from the SCO. Such a possibility is no doubt a legitimate fear for SCO members; that said, if SCO exercises were really intended to cope with ISIS-like scenarios or state failure, then they would require far greater interoperability and cooperation, perhaps through the RCTS, which as previously discussed is too weak to offer it. Instead, as Weitz notes, "The SCO lacks the integrated command and control mechanism to organize a more rapid collective military intervention, even in one of its member countries."[239] Moreover, when one analyzes individual Peace Mission exercises, their focus does not appear to be on counterterrorism. Peace Mission 2005, in which only Russia and China participated, involved 10,000 troops, strategic bombers,

[238] Marcel de Haas, "War Games of the Shanghai Cooperation Organization and the Collective Security Treaty Organization: Drills on the Move!," *Journal of Slavic Military Studies* 29, no. 3 (2016): 387.

[239] Richard Weitz, *Parsing Chinese-Russian Military Exercises* (Carlisle: Strategic Studies Institute, 2015), 36. See also Daniel Urchick, "Looking Towards The SCO Peace Mission 2016," *Real Clear Defense*, July 25, 2016; Wallace, "China and the Regional Counter-Terrorism Structure: An Organizational Analysis."

and 140 warships, and its missions included the neutralization of anti-aircraft defenses, the enforcement of a maritime blockade, and amphibious assaults – none of which are conventional counterterror missions.[240] Moreover, the scale far exceeded what was needed for counterterrorism. As Richard Weitz notes, "Not even during the 1950s—when China belonged to the Soviet bloc and had a formal mutual defense treaty with Moscow—did the two countries carry out such a large joint exercise."[241] The intended audience of these exercises appeared to be the United States, and the focus did not appear to be on terrorism: "the large scale of the air, sea, and ground drills made it appear to both Russian and foreign observers like a rehearsal for a joint amphibious invasion of Taiwan, with tactics designed to deter or defeat U.S. military intervention on the island's behalf."[242] In fact, China had proposed holding these exercises in Zhejiang province north of Taiwan, but the decision was made to instead hold them in Shandong and Vladivostok, perhaps because it would be somewhat less provocative. All of this suggests an interest in using exercises as part of great power deterrence. Moreover, subsequent Peace Mission exercises in 2007, 2009, 2010, 2012, 2013, 2014, and 2016 have also featured thousands of more troops and the use of heavier weaponry relative to typical SCO antiterror exercises, and they have sometimes been described by participants in anti-Western terms. Wang Ning, Deputy Chief of the PLA General Staff and chief director of the exercise described Peace Mission 2014 as "pushing forward [the] establishment of a fair and reasonable new international political order."[243] Based on this track record, as one analyst concludes in his survey of SCO exercises, the Peace Mission "drills have often also been used by Russia and China — due to their significant contributions of tanks, artillery, airborne and amphibious landings, bombers,

[240] Weitz, *Parsing Chinese-Russian Military Exercises*, 5–6.

[241] Weitz, 6.

[242] Weitz, 6.

[243] Weitz, 45.

fighters, warships, etc. — as a demonstration of force toward the West/USA."[244] More specifically, as Weitz notes "the joint exercises attempt to communicate the message to third parties, especially the United States, that China and Russia have a genuine security partnership and that it extends to cover Central Asia, a region of high priority concern for Moscow and Beijing, and possibly other areas, such as northeast Asia."[245] In other words, "in terms of signaling to third parties," the exercises "affirm to the United States and other extra-regional countries that Russia and China consider Central Asia as lying within their overlapping zones of security responsibility."[246] This was a sentiment echoed by Chief of Russia's general staff General Nikolai Makarov at the opening ceremony of the Peace Mission 2009, when he noted that the exercises "must show the international community that Russia and China have the necessary resources to ensure stability and security in the region," ostensibly without American involvement.[247] In fact, sometimes U.S. involvement is the implicit threat for which the exercises prepare members. On the sidelines of some of the exercises, participants have openly acknowledged that they were simulating the defense of a fellow member who had come under attack from an outside power.[248] The idea that these exercises might be directed to send a signal to the United States is also implicitly confirmed by the fact that the United States specifically has not been allowed to send observers. Indeed, "for the United States, the worst thing was that the SCO allowed some eighty nations, but not it, to observe the rehearsals" of its earlier Peace Mission exercises.[249] In sum then, the SCO exercises not only serve the function of allowing

[244] Haas, "War Games of the Shanghai Cooperation Organization and the Collective Security Treaty Organization: Drills on the Move!," 388.

[245] Weitz, *Parsing Chinese-Russian Military Exercises*, 53.

[246] Weitz, 46.

[247] Weitz, 46.

[248] Wang, "China and SCO: Toward a New Type of Interstate Relation," 110.

[249] Bin, "Living with Russia in the Post 9/11 World."

members to better coordinate their militaries, they also signal tightening cooperation among those states concerned about American hegemony and Central Asian intervention.

Third, the SCO has been an exclusive group that could enhance China's autonomy. For example, joint statements speak openly of "tapping the SCO['s] growing potential and international prestige"[250] for international and regional aims.

First, the SCO is China's bid to provide order in a region where Russian multilateralism provides a potential alternative template for regionalism. Russia's Collective Security Treaty Organization (CSTO) includes all founding SCO members but China and engages in deeper security cooperation than the SCO at present; moreover, Russia's Eurasian Union, though it lacks most SCO members, is intended to effectively limit China's economic presence by offering a commercial advantage to members of its customs union.[251] Additionally, there have long been proposals to make the SCO into a form energy cartel which would give its states influence over markets. The SCO has considered a "unified energy market" in natural gas, a potential forerunner to an "OPEC-style SCO Energy Club" which would control more than half of the world's proven natural gas supplies.[252] Given China's influence in the organization, if the SCO were to become more involved in energy it would dramatically improve China's position in global energy markets and expand Chinese political influence.

Second, the SCO has been used as a platform to support Chinese interests and policies, even outside the region. As Bates Gill notes, "Since the late 1990s, the group also began to comment more explicitly on the developments in the international arena beyond the immediate scope of Central Asia."[253] The SCO and its predecessor organizations have criticized U.S. military

[250] "Yekaterinburg Declaration, 2009."

[251] Weitz, "The Shanghai Cooperation Organization (SCO): Rebirth and Regeneration?"

[252] Robert Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War* (Lanham: Rowman & Littlefield, 2009), 265; Mateeva and Giustozzi, "The SCO: A Regional Organization in the Making," 5.

[253] Bates Gill, *Rising Star: China's New Security Diplomacy* (Washington, DC: Brookings, 2010), 39.

interventions in Serbia, Kosovo, Libya, Syria, Iraq, and Afghanistan.[254] It has also been used to support Chinese positions on a wide variety of issues that have little or only modest relevance to most SCO members, including: (1) the South China Sea, (2) Taiwanese independence, (3) the Korean peninsula, (4) missile defense, (4) UN Security Council reform, (5) outer space militarization, (6) internet sovereignty, and (7) One Belt One Road, among others. For example, the 2016 statement suggested that the United States had no rightful role in the South China Sea and that the issue should instead be "resolved peacefully through friendly negotiations and agreements between the parties concerned without their internationalization and external interference." The 2002 Joint Declaration that accompanied the SCO charter that member states "believe" that "Taiwan is an integral part of the territory of China," a statement made in several other joint statements from the Shanghai Five as well as the SCO. Joint Declarations also make routine references to Chinese positions on the Korean Peninsula, with the 2013 declaration arguing that the SCO members believe "negotiations and consultations are the only effective ways to preserve peace and stability on the Korean Peninsula, as well as its denuclearization" and for an "early resumption of the six-party talks." With respect to missile defense, many joint declarations including the 2016 declaration criticized the "unilateral and unlimited build-up of missile defense systems" by the United States. Virtually every single joint statement has stressed the importance of ensuring that any UN Security Council reform have "the broadest possible consensus," with some arguing that a vote should never "be forced on any [reform] project over which there are major differences."[255] These are standards that would keep U.S.-supported great powers like Japan and India off the council. Given Chinese anxieties about U.S. advantages in space technology, nearly every joint declaration has emphasized arms control in outer space that would asymmetrically limit the United States, with the 2016 statement

[254]"Astana Declaration, 2011" (Shanghai Cooperation Organization, June 15, 2011). This statement explicitly mentions Libya.

[255] All statements have this language, see also the 2001 statement

arguing for the "the importance of preventing the militarization of outer space" and support for "an international agreement on banning deployment of weapons in outer space." In recent years, more statements have argued against a global internet and for internet sovereignty, with the 2016 statement urging the international community to "ensure the sovereign rights of states over Internet governance." China's One Belt, One Road has also found normative and then legal support in SCO joint declarations after 2013. For example, the 2016 statement argues that the SCO countries "reaffirm the support for the initiative of the People's Republic of China on the creation of the Silk Road Economic Belt" and even explicitly committed its members to support the project: "Member states shall promote multilateral cooperation in transport sector…facilitate the formation of international transport…and fulfill the transit potential of the region" and would "focus their efforts on practical implementation of specific projects." Not only did the SCO commit its members to supporting OBOR through joint declarations, it also served as the vehicle through which Central Asian states signed agreements on international road transport and an action plan on multilateral economic cooperation meant to advance the program, putting a cooperative and multilateral sheen on a Chinese initiative.

ASIA INFRASTRUCTURE AND INVESTMENT BANK

As the most recent and high-profile example of Chinese institution-building, AIIB is worthy of close examination. The bank represents a dramatic departure from China's previous opposition to institutionalization within ASEAN, the ARF, and even the SCO – which although Chinese-initiated, nonetheless lacked a budget or meaningful functional capacity. Not only is AIIB the first major Chinese-led financial institution, it is also the first Asian economic institution since the East Asia Summit in 2005 and the first major Asian financial institution since the creation of the Asia Development Bank in 1966.[256] It "marks China's emergence as an

[256] Wilson, "What Does China Want from the Asia Infrastructure Investment Bank?," 4.

institution-builder" and signifies the shift from institutional blunting to building in Chinese grand strategy.[257]

This section argues that AIIB is neither the transparent and technocratic institution development economists imagine nor is it the pliant political instrument tool of Chinese economic statecraft that some security analysts fear. It is instead a hybrid institution, much like Washington's own postwar institutions, that reflects a liberal compromise between its founder and its client states that tempers but does not eliminate its potential use as a political tool. China's initial preferences suggest it wanted the bank as a tool that it could dominate and use to advance its political goals, as well as initiatives like Belt and Road; a nakedly political bank, however, would not be viewed as legitimate by China's own neighbors. Instead, the result was a bargain: China accepted diminished direct political control and greater institutionalization in exchange for legitimacy; Asian states in turn offered legitimacy in exchange for institutionalization, checks on direct Chinese political control over the bank, and economic benefits. Although the bank is a complete tool of Chinese political, it nonetheless can be directed by Beijing to act politically and can serve as a political instrument – indeed, development banks like the Inter-American Development Bank and Asian Development Bank have occasionally served the political aims of their founders even if such service was tempered by inclusive institutionalization. More broadly, AIIB also helps China build order by (1) signaling Chinese leadership; (2) setting rules and norms through reports, indices, conditionality, and other bank functions; and (3) allowing China to constrain its neighbors through the possibility of loan denial.

As a caveat, this section considers AIIB apart from Belt and Road, which is discussed in the economic chapter. As one former CASS researcher argues, "China promotes the One Belt, One Road Initiative mainly in a traditional bilateral way while promoting the AIIB as an MDB

[257] Wilson, 4.

needing to be governed in a multilateral way."[258] This is an important reason why the two should be considered analytically separate. AIIB is an international institution that works multilaterally. It sets rules, is inclusive, and constitutes a form of order-building akin to the creation of U.S. economic institutions like the World Bank after the Second World War. In contrast, the Belt and Road Initiative is an economic initiative that works unilaterally. It is not about institutionalized governance, it is not necessarily inclusive, and it constitutes a former of order-building more akin to the economic statecraft of the Marshall Plan than to Bretton Woods. For that reason, AIIB is considered part of China's institutional statecraft and BRI as part of its economic statecraft.

Alternative Explanations

A purely functional explanation for AIIB is problematic because, at least in economic terms, China does not need AIIB. As Callaghan and Hubbard argue, "China already has many existing avenues to finance infrastructure projects in Asia, including its new 'Silk Road fund' and traditional bilateral financing," [259] China has its own development banks, including the China Development Bank (CDB) and the Export-Import Bank of China (CEB), and these two alone are larger than the World Bank, the Asia Development Bank, and AIIB combined. Importantly, as one former CASS scholar observes, China's development banks are *already* major players in international development: "the CEB provided more financing to Sub-Saharan Africa, the world's poorest region, than the World Bank between 2001 and 2010, and the CDB and the CEB combined lent more money to developing countries than the World Bank in 2009 and 2010."[260] For these reasons, China does not need multilateral lending to support Asian infrastructure development, and "voluntarily committing resources to formal governance strictures and

[258] Xingqiang (Alex) He, "China in the International Financial System: A Study of the NDB and the AIIB" (Centre for International Governance Innovation, 2016), 16.

[259] Mike Callaghan and Paul Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," *China Economic Journal* 9, no. 2 (2016): 117.

[260] Xingqiang (Alex) He, "China in the International Financial System: A Study of the NDB and the AIIB," 4–5.

external oversight associated with a multilateral body appears to limit China's freedom of action."[261] This then provides a puzzle: why did China choose to limit its own freedom of action through AIIB? And relatedly, if multilateral institutions are created to solve problems, then what is the problem that AIIB would uniquely solve relative to China's domestic financing institutions?

The answer is related to the fundamental reasons states create multilateral development banks in the first place. Dani Rodrik problematizes the very existence of development banks, noting that they do not make economic sense in a world that already has bilateral aid and well-developed international capital markets. Rodrik proposes that, from a functional perspective, the problem development banks solve is more political than economic; correspondingly, development banks are likely to have political functions in addition to their economic ones. What multilateral banks provide is the political cover of having funds disbursed independently rather through a sovereign like China. For development outcomes, this independence allows banks to credibly signal good investment climates through their loan commitments and to use conditional loans that limit a state's sovereignty to encourage good policy by divorcing signaling and conditionality from a state's national interest. Indeed, for recipient countries, conditionality is more palatable when received from a bank than a state.[262] And yet, as Christopher Kilby argues, Rodrik's functionalist logic "does not explain overlapping multilateral institutions…given the existence of the World Bank, why do regional development banks persist and even multiply; certainly the signaling and conditionality functions are better implemented by one agency than by several." He concludes there is no reasonable economic justification and functional purpose for the presence of multiple development banks; instead, he searches for a political one and finds evidence of political factors in loan disbursement.

[261] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 117.

[262] Dani Rodrik, "Why Is There Multilateral Lending," in *Annual World Bank Conference on Development Economics 1995*, ed. Michael Bruno and Boris Pleskovic (Washington, DC: The World Bank, 1996).

Although some are skeptical that AIIB will be used for strategic and political purposes, multinational development banks have occasionally been used for precisely these ends. The reason such activities are not constant features of bank operation's is in part because these banks are a bargain with members who temper political activities through inclusive institutionalization, and because a founding state's decision to bend the bank to political purposes can compromise its legitimacy. Nevertheless, such activities can occur in important cases. The Inter-American Development Bank (IADB) has often been subject to US political pressures, especially during the Cold War. The bank was designed to stop the spread of communism and generally did not lend to communist states during that period.[263] Although the US lacks a veto over several aspects of IADB policy, the threat of withholding contributions was used to push change at the bank. Several analyses of Asia Development Bank lending suggest that it is likewise congruent with Japanese political interests and that Japan has "systematic influence over the distribution of ADB funds."[264] A recent study found that, during the time Japan was lobbying for a seat on the Security Council, ADB loan disbursements increased to Asian states on or about to gain a seat on the UN Security Council.[265] Even when banks are not used in such overtly transactional ways, they nonetheless can help set the rules and norms of regional order through loan conditionality and signaling. Bank reports, indices, convening power, and loans are often intertwined with questions related to human rights, government transparency, indigenous rights, environmental considerations, the role of SOEs, and a host of other matters that are fundamentally politically in nature. Indeed, China itself has previously objected to the inclusion of human rights and other liberal values in World Bank reports and

[263] Stephen D. Krasner, "Power Structure and Regional Development Banks," *International Organization* 35, no. 2 (1981): 314.

[264] Christopher Kilby, "Donor Influence in Multilateral Development Banks" (Vassar College Economics Working Paper, 2006), http://economics.vassar.edu/docs/working-papers/VCEWP70.pdf.

[265] Daniel Lim and JR Vreeland, "Regional Organizations and International Politics: Japanese Influence Over the Asian Development Bank and the UN Security Council," *World Politics* 65, no. 1 (2013): 34–72.

disbursements. From this perspective, there are strong reasons to believe that China's pursuit of AIIB is as much about order and influence – both through economic statecraft and through rule-setting – as it is about development gains.

Still, many skeptics suggest that AIIB's purpose – even if somewhat puzzling given its redundancy – can be explained by China's more prosaic economic motivations. These arguments often take two forms. First, some argue that AIIB is a mechanism to export China's surplus capacity. But even optimistic policymakers in Beijing would have to conclude that AIIB would be unable to make much difference. As David Dollar writes:

> And the idea that this would help with China's over-capacity problems does not make any sense at all. If the AIIB is very successful, then in five years it might lend $20 billion per year—that is to say, on a scale with the World Bank's IBRD lending. But just in steel alone, China would need $60 billion per year of extra demand to absorb excess capacity. This figure excludes excess capacity in cement, construction, and heavy machinery; the point is that the bank is, simply put, much too small to make any dent in China's excess capacity problem—even if it were the sole supplier for these projects, which it won't be.[266]

Indeed, when AIIB President Jin Liqun was asked whether the bank was intended to deal with these challenges, he himself suggested it would not be possible and that "with the size of China's economy, this over capacity issue should certainly be absorbed by the Chinese economy itself."[267]

Second, some argue that China's decision to form AIIB is motivated by a sincere desire to address Asia's infrastructure gap. In sheer dollar terms, AIIB has been justified as a response to an ADB report that noted Asia faced an infrastructure investment gap of roughly eight-hundred billion dollars annually.[268] And yet, AIIB is hardly large enough to address that shortfall – it is

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[266] David Dollar, "The AIIB and the 'One Belt, One Road,'" Brookings, 2015, https://www.brookings.edu/opinions/the-aiib-and-the-one-belt-one-road/.

[267] Jin Liqun, "Building Asia's New Bank: An Address by Jin Liqun, President-Designate of the Asian Infrastructure Investment Bank" (October 21, 2015), 10–11, https://www.brookings.edu/wp-content/uploads/2015/10/20151021_asia_infrastructure_bank_transcript.pdf.

[268] See Biswa Nath Bhattacharyay, "Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010-2020," ADBI Working Paper Series (Asian

smaller than the World Bank, Asia Development Bank, and China's own development banks. Indeed, AIIB is only "slightly larger than the African and Islamic development banks."[269] Under optimistic estimates, AIIB could only fill some $20 billion of the $800 billion annual shortfall it is supposedly tasked with filling. Even if could commit additional funds, problems would remain. Wilson summarizes these criticisms:

> First, it is widely acknowledged the cause of under-investment is not a shortage of capital, but rather a lack of 'bankable projects' which MDBs could fund. Second, many of the existing MDBs already have considerable expertise and capacity in infrastructure projects, particularly the ADB. Third, it is feared that rather that creating technical capacity, the AIIB might simply cannibalise the infrastructure expertise of existing MDBs and compete for what few bankable projects are available. The creation of a new Chinese-controlled MDB will thus only make a marginal impact on the region's infrastructure deficit.[270]

Finally, some argue that the creation of AIIB is motivated by status concerns. This may well be the case, but status is an important component of leadership in any regional system and can be tied to legitimacy and authority. In China's case, the creation of AIIB, as we will see, is about building regional order through legitimate public goods provision and norm-setting.

Strategic-Liberal Building

AIIB is one of China's deepest institutional commitments, remarkably deeper than any China-initiated institution inside or outside of Asia. Indeed, as President Xi Jinping said at his speech inaugurating AIIB, China wanted the bank to be a "rule-based and high-standard institution in all aspects involving its governance structure, operation policy, safeguards and procurement policy and human resources management."[271] This represents a marked contrast to China's preferences on institutionalization within ASEAN, the ARF, and even the SCO – which although Chinese-initiated, nonetheless lacks a budget or meaningful functional capacity.

Development Bank, September 2010); Biswa Nath Bhattacharyay and Prabir De, "Restoring the Asian Silk Route: Toward an Integrated Asia," ADBI Working Paper Series (Asian Development Bank, June 2009).

[269] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 118–19.

[270] Wilson, "What Does China Want from the Asia Infrastructure Investment Bank?," 5.

[271] Xi Jinping, "Chinese President Xi Jinping's Address at AIIB Inauguration Ceremony" (January 16, 2016), http://www.xinhuanet.com/english/china/2016-01/16/c_135015661.htm.

China's interest in the AIIB was in part about regional leadership through public goods provision.

The Post-Crisis Opportunity

China's interest in creating AIIB almost immediately after the 2008 Global Financial Crisis. Indeed, the first proposal for AIIB was issued in 2009 at the Boao Forum, a Chinese-founded forum that Beijing has often used to test major new initiatives, such Peaceful Rise (和平崛起) in 2003. The proposal was made by a top think tank – China Center for International Economic Exchanges [CCIEE] – which proposed a "Asia Infrastructure and Investment Bank" as well as a "Asia Agriculture and Investment Bank."[272] This proposal was likely highly authoritative: it was released by a think tank that has strong connections to China's leadership, is located "only a few hundred meters" from the Zhongnanhai leadership compound, and was run at the time by former Vice Premier Zeng Peiyan.[273] Indeed, CCIEE was expressly created by the State Council after the financial crisis, and its first major set of initiatives was to study policy responses to it. It even held a major conference on the subject attended by both Premier Wen Jiabao and then Executive Vice-Premier Li Keqiang. Although an economic think tank, foreign policy clearly was given a role at CCIEE, and prominent board members at the time included former Foreign Minister Tang Jiaxuan and former director of the Foreign Affairs Office of the CCP Central Committee Liu Huaqiu. In addition, CCIEE's AIIB proposal was likely related to work at the Central Policy Research Office formerly run by Wang Huning. Indeed, the CCIEE official who first proposed AIIB at the Boao Forum in 2009, Zheng Xinli, had only months prior

[272] For the full text of Zheng Xinli's speech, see "Member Newsletter, 2009 Issue 2 [会员通讯 2009 第2期]," China Center for International Economic Exchanges [中国国际经济交流中心], June 3, 2009, http://www.cciee.org.cn/Detail.aspx?newsId=58&TId=106.

[273] Cheng Li, "China's New Think Tanks: Where Officials, Entrepreneurs, and Scholars Interact," *China Leadership Monitor*, no. 29 (2009): 2.

served as deputy director of the Central Policy Research Office (CPRO).[274] That institution, which is highly authoritative, was behind much of the CCP's guiding ideology and long-term policy, and it seems that the concept for the bank may well have originated there – suggesting its centrality to the Party's strategic planning. Taken together, the fact that a well-connected think tank like CCIEE – which was created to recommend policy adjustment after the Global Financial Crisis – would send a recent CPRO Deputy Director to propose AIIB at a Chinese forum often used to test major Chinese strongly suggests that China's leadership was thinking about launching a Chinese development bank not long after the crisis itself.

After proposing AIIB at Boao, Zheng Xinli and other staff members at CCIEE continued to send reports to senior leadership on AIIB, though the bank was not launched for years in part because, in Zheng's words "I think in the first few years the situation and the conditions were not mature." Zheng notes that it was only at the 18th Party Congress that "the conditions were mature, and also that President Xi made the decision there."[275] Zheng's remarks suggest the decision to launch AIIB taken at or around the time of the 18th Party Congress. Zheng also clarifies that the leadership's rationale behind AIIB was three-fold: (1) Asia needed infrastructure spending that could not be met by the World Bank or ADB; (2) China needed to find something to do with its foreign reserves; and (3) China had an opportunity to develop relations with its neighbors through economic infrastructure support that would connect these economies to China. When Xi Jinping surprised his Indonesian hosts in 2013 by announcing the bank, Zheng Xinli accompanied Xi Jinping on the journey.[276] For his service in AIIB's creation,

[274] "Zheng Xinli Author Introduction," China Center for International Economic Exchanges [中国国际经济交流中心], May 4, 2011, http://english.cciee.org.cn/Detail.aspx?newsId=2479&TId=197.

[275] "China's Transition at Home and Abroad" (July 21, 2015), 74–77, https://www.brookings.edu/wp-content/uploads/2015/07/20150721_china_transition_transcript.pdf. For the original Chinese, a recording is available on the Brookings website. Zheng's remarks begin at "02:34:00."

[276] Wang Lin [王琳], "China Proposes to Build Asia Infrastructure Investment Bank [中国倡议建亚洲基础设施投资银行]," *First Financial Daily [第一财经日报]*, October 8, 2013, http://www.yicai.com/news/3036393.html.

Zheng has been referred to in state media as the "father of AIIB."[277] AIIB soon became a focus of interagency Chinese efforts. As Jin Liqun notes, "The Chinese governmental institutions, the minister of finance, foreign affairs, the central bank and others, are involved in conceptualizing this new bank" and in deliberations "over the architect[ure] of this new bank [sic]."[278]

Other figures closely connected with the bank also link its establishment to the financial crisis. In an essay on the future of the Bretton Woods System, Jin Liqun strongly suggested that the bank's origins were in the perceived decline of the United States after the Global Financial Crisis. "From day one, the function and sustainability of the Bretton Woods system were contingent on the power of the US," he notes. But now, the U.S. is less able to reform and uphold the system and "risks forfeiting its international relevance while stuck in its domestic political quagmire."[279] He concludes with an extended mediation on U.S. decline:

> Ever since Edward Gibbon's magnum opus, the monumental The Decline and Fall of the Roman Empire, was produced, the phrase "decline and fall" has been applied to the saga of defunct empires in the history, and indiscriminately to some nations that have lost much of their former luminous energy in recent history. While a power's "decline" seems to be the process, "fall" is not necessarily the inevitable denouement. In some cases, it is not true that a nation has suffered a straightforward decline or fall; it is just the consequence of the constant shift in the balance of power between nations. The new powers will perhaps nudge the big ones to indicate their need for a bit more elbow room. As long as they work in collaboration, the whole universe in which they live will continue to expand and everyone will feel comfortable. The worst scenario is that some mistakenly believe that they would behave in a way as if they touched the finite boundary of the zero sum game. Prior to any drastic social changes, an enlightened conservative has no alternative but to accept the reality. To some people who prefer status quo, they should perhaps savor the thought-provoking quote from the movie The Leopard—the words of an aristocrat when social change is looming large—"If we want things to stay as they are, things will have to change.[280]

[277] Hua Shengdun, "AIIB 'Father' Tells of Bank's Birth," *China Daily*, July 24, 2015, http://usa.chinadaily.com.cn/epaper/2015-07/24/content_21395787.htm.

[278] Jin Liqun, "Building Asia's New Bank: An Address by Jin Liqun, President-Designate of the Asian Infrastructure Investment Bank," 6.

[279] Jin Liqun, "Bretton Woods: The System and the Institution," in *Bretton Woods: The Next Seventy Years*, ed. Marc Uzan (New York: Reinventing Breton Woods Committee, 2015), 214–15.

[280] Jin Liqun, 216.

Jin's excerpt above links China's constructive impulses to America's perceived decline. Those constructive impulses were also highlighted by China's top leadership, who linked AIIB to Chinese leadership and public goods provision.

During his speech inaugurating AIIB, Xi declared that the "initiative to establish the AIIB is a constructive move" intended to "enable China to undertake more international obligations" and to "provide more international public goods."[281] He also stated that "China welcomes all countries to ride on its development." This language has been echoed in nearly all official remarks about the institution. When asked by journalists about AIIB in March 2016, Foreign Minister Wang Yi declared that the bank and the Belt and Road Initiative it supports "shows that China is transitioning rapidly from a participant in the international system to a provider of public goods." He reiterated that China's regional efforts were "an open initiative, not the Monroe Doctrine or some expansionism" and that the bank demonstrated that "China has the confidence to find a path to great-power status different from the one followed by traditional powers. It is going to be different in that China will not play the bully."[282] Similarly, AIIB President Jin Liqun declared that "now that China is more developed and thus, can afford to provide financial resources to other developing countries in Asia, it is our turn to do something for the rest of Asia…It's our turn to contribute."[283] Indeed, the AIIB "father" Zheng Xinli himself remarked that the reasons for founding AIIB were to benefit China's neighbors and to link them to China's economy: "China as a large Asian country has to help its neighboring countries so that they can get on the wagon of our development. Once the infrastructure foundation is in place, we can begin to exchange with them, we can transform the resource advantages of those countries into economic advantages, and we can meet our natural resource and agricultural

[281] Xi Jinping, "Chinese President Xi Jinping's Address at AIIB Inauguration Ceremony."

[282] "Foreign Minister Wang Yi Meets the Press," Ministry of Foreign Affairs of the People's Republic of China, March 9, 2016, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1346238.shtml.

[283] Jin Liqun, "Building Asia's New Bank: An Address by Jin Liqun, President-Designate of the Asian Infrastructure Investment Bank," 4–5.

needs."[284] Together, these statements suggest that AIIB is seen as an agent of public goods provision, one that will tie neighboring economies to China's own economic engine, and thereby help constitute regional order. As Chan concludes, "In short, the AIIB has been founded to serve a grand strategy of China's regional order-building."[285]

Supporting Deep Institutionalization

China's negotiation over AIIB's institutionalization also provides an insight into its institutional preferences. As a development bank, AIIB is one of China's deepest institutions, with a secretariat, charter, staff, regular meetings, obligations, and monitoring provisions – as well as the presence of several Western states – all of which reveals a greater tolerance for institutional constraint than China demonstrated under APEC and the ARF, which were perceived as forums for advancing U.S. influence in Asia. Contrastingly, the United States is not in any position to advance its interests directly within AIIB, which perhaps makes China more willing to make institutional concessions.

When China first announced the bank, it envisioned itself with far greater control than it ultimately accepted. China's initial positions revealed preferences that suggested the bank was envisioned in part as a Chinese-controlled tool of economic statecraft rather than a high-standards development bank. As Wilson writes, "The initial AIIB template, proposed by China during diplomatic negotiations in 2014, naturally reflected China's own policy preferences." At the institutional level, these included (1) a narrower *membership* that may even have excluded extra-regional states; (2) a *veto* with Chinese shares no less than fifty percent of the bank's total; (3) and a strong bank *staff* and president with weak or non-existent multilateral supervision by directors or governors. Beijing eventually realized that these positions were untenable because a bank that had too little insulation from direct Chinese political control would not be a legitimate

[284] "China's Transition at Home and Abroad." The quote here is a translation from the original Chinese, of which a recording is available on the Brookings website. Zheng's remarks begin at "02:34:00."

[285] Lai-Ha Chan, "Soft Balancing Against the US 'Pivot to Asia': China's Geostrategic Rationale for Establishing the Asian Infrastructure," *Australian Journal of International Affairs* 71, no. 6 (2017): 577.

public goods provider. Western and Asian states instead wanted the bank to be less a tool for China's Belt and Road Initiative and wanted it to "be commercially-oriented, have rules-based lending practices, be transparent in its operations, and uphold existing best practices through environmental and social safeguards."[286] Multinational development banks are in this sense bargains between dominant states and client states: the former wish for a tool that converts economic into political power while the latter want economic benefits without political constraints. In the end, the founders accept legitimacy and diminished direct political control in exchange for legitimacy; the client states give legitimacy and accept modest political checks in exchange for economic benefits. In this way, multinational development banks are neither the transparent and technocratic institutions development economists imagine nor are they the fully mercenary institutions that some security analysts fear – they are hybrids. In China's case, Beijing wanted an institutionalized AIIB, but it wanted it an institutional structure that it would dominate and eventually settled for one that it largely controlled but also shared with other bank members. We now advance this argument by examining Beijing's institutional preferences in three areas: membership, the veto, and staff.

First, with respect to *membership*, China initially did not expect many partners to join its efforts and assumed it would have dominating influence over the bank's operation. Chinese leaders also anticipated some of the opposition and skepticism the initiative later faced. Indeed, AIIB President Jin Liqun, indirectly quoting Xi Jinping's guidance, said that China would be willing to pursue the effort even with limited international buy-in: "Even if we end up having only one country, only China, [a] one man band running this institution, we would do it."[287]

Perhaps for fear that opponents might unduly influence the effort in its early stages, when China began soliciting participants to join the bank in October 2013, it did not focus on

[286] Wilson, "What Does China Want from the Asia Infrastructure Investment Bank?," 7.

[287] Jin Liqun, "Building Asia's New Bank: An Address by Jin Liqun, President-Designate of the Asian Infrastructure Investment Bank," 5.

rivals. Nearly seven months after the proposal had first been announced, the Japanese and Indian governments admitted that they still had not been approached about the bank or invited to join.[288] Indian Finance Minister Palaniappan Chidambaram said in May 2014, "I don't know much about the Chinese proposal, the Chinese have yet to speak to us or discuss it with us. What I know is what I read from the newspaper."[289] Then, when China began the first round of multilateral discussions on the sidelines of a May 2014 ADB meeting in Kazakhstan, it invited "ASEAN countries, Kazakhstan, South Korea, Mongolia, Pakistan, Sri Lanka, and representatives from sixteen Asian countries" according to China's Ministry of Finance.[290] Notably, extra-regional states or competitors like "India, Japan, and the US were not approached." [291]

China was initially reluctant to clarify when the bank might open to extra-regional members and had not welcomed their involvement in the early stages of bank planning. These early stages – that is, the one-year period from the bank's formal proposal in October 2013 to the eventual MOU that began its institutionalization in October 2014 – involved extensive negotiations that were crucial to the bank's evolution and excluded extra-regional participants. In March 2014, China's Finance Minister Lou Jiwei told reporters that, "China advocates an open regionalism and welcomes willing Asian countries to participate in the coordination and establishment of the Bank and to open the membership to non-regional countries under the

[288] "China's $50 Billion Asia Bank Snubs Japan, India," *Bloomberg*, 2014, http://www.bloomberg.com/news/articles/2014-05-11/china-s-50-billion-asia-bank-snubs-japan-india-in-power-push.

[289] "China's $50 Billion Asia Bank Snubs Japan, India."

[290] "Lou Jiwei Presided Over the Prepatory Work for the Ministerial Dinner Meeting of the AIIB and Delivered a Speech [楼继伟主持筹建亚投行部长级工作晚餐会并致辞]," Ministry of Finance of the People's Republic of China [中华人民共和国财政部], May 3, 2014, http://gss.mof.gov.cn/mofhome/guojisi/zhuantilanmu/yth/201506/t20150617_1257643.html.

[291] Robert Wihtol, "Whither Multilateral Development Finance?" (Asia Development Bank Institute, 2014), http://www.adbi.org/files/2014.07.21.wp491.whither.multilateral.dev.finance.pdf; "China's $50 Billion Asia Bank Snubs Japan, India."

principle of 'regional countries prior to non-regional countries.'"[292] Even as late as March 2015, after the MOU had already been signed, Lou stated in a speech to the National People's Congress that extra-regional members were not to be considered: "the relative consensus among the 27 current prospective founding members is that the prospective founding membership is open to countries from the region first and applications from countries outside the region are not considered for now."[293]

China gradually began to open up the institution to Asian rivals first and then later extra-regional states. After snubbing India at the first AIIB preparatory meeting in March 2014, China eventually softened its position on this issue and formally invited India to join in July 2014.[294] The first MOU in 2014 saw twenty-one Asian countries sign on.[295] Roughly a week after Lou declared extra-regional members were not be considered, China performed an about-face. Surprised by emerging European interest, China allowed the United Kingdom was allowed to join in March 2015, a decision that opened a path for extra-regional countries to join as well.[296]

In short, China's institutional preferences were for a narrower, Asia-focused membership that minimally included extra-regional powers or Chinese rivals. That it gradually

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[292] "Lou Jiwei Answers Reporters' Questions on the Establishment of AIIB [楼继伟就筹建亚洲基础设施投资银行答记者问]," Ministry of Finance of the People's Republic of China [中华人民共和国财政部], December 25, 2015, http://www.mof.gov.cn/zhengwuxinxi/zhengcejiedu/2015zcjd/201512/t20151225_1632389.htm. Quoted in Yun Sun Yun Sun, "China and the Evolving Asian Infrastructure Investment Bank," in *Asian Infrastructure Investment Bank: China as Responsible Stakeholder*, ed. Daniel Bob (Washington: Sasakawa USA, 2015), 27–42, https://spfusa.org/wp-content/uploads/2015/07/AIIB-Report_4web.pdf.

[293] Quoted in Yun Sun, "How the International Community Changed China's Asian Infrastructure Investment Bank," *The Diplomat*, July 31, 2015, https://thediplomat.com/2015/07/how-the-international-community-changed-chinas-asian-infrastructure-investment-bank/. For full quote and original source, see "Lou Jiwei: The Cutoff for Founding Members of AIIB Is in the End of March [楼继伟:亚投行创始成员国资格确认 3 月底截止]," *Xinhua [新华网]*, March 6, 2015, http://www.xinhuanet.com/politics/2015lh/2015-03/06/c_1114552782.htm.

[294] "Timeline," *China Daily*, October 27, 2014, http://usa.chinadaily.com.cn/epaper/2014-10/27/content_18808521.htm.

[295] Bangladesh, Brunei, Cambodia, China, India, Kazakhstan, Kuwait, Laos, Malaysia, Mongolia, Myanmar, Nepal, Oman, Pakistan, the Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam

[296] Jane Perlez, "Stampede to Join China's Development Bank Stuns Even Its Founder," *New York Times*, April 2, 2015.

departed from these preferences suggests a willingness to trade total control for the greater legitimacy provided by a more global membership.

But this leads to a second factor – China's veto power over several key bank functions, which works to limit extra-regional influence. Here, as with membership, we see an evolution in China's position. When China first launched AIIB, it proposed a $50 billion bank with the overwhelming majority of the capital coming from China itself, which strongly suggested it would de facto have a veto. Foreign funds were sought, but to Jin Liqun, they were not essential because "if the worst comes to the worst, we have a huge Chinese market to tap" for financing.[297] Asian states took issue with China's domination of the bank's financing and the resultant allocation of vote shares, and in response, China in June 2014 decided to double the bank's registered capital from $50 billion to $100 billion. Even so, when the AIIB MOU was signed in October 2014, China still planned to supply $50 billion of the bank capital, which would allow it to maintain overwhelming influence.[298] As more countries expressed interest in the bank, China reduced its capital share and its voting powers and promised it would not pursue a formal veto in March 2015.[299] Indeed, as one former CASS researcher writes: "In the very beginning, China promised that it would not seek the veto — unlike the United States at the IMF and World Bank — and that the bank's decision making would mainly rely on reaching a consensus, but, in the end, China received the power of veto." This veto was an informal one since most major decisions require a three-quarters supermajority and China has a vote share of 26.06%. China's decision to pursue an informal veto and depart from a consensus-like approach – the kind of approach that had undergirded previous Chinese institutions like the SCO and was the

[297] Jin Liqun, "Building Asia's New Bank: An Address by Jin Liqun, President-Designate of the Asian Infrastructure Investment Bank," 23.

[298] Yun Sun, "China and the Evolving Asian Infrastructure Investment Bank," 38.

[299] Lingling Wei and Bob Davis, "China Forgoes Veto Power at New Bank to Win Key European Nations' Support," *The Wall Street Journal*, March 23, 2015, http://www.wsj.com/articles/china-forgoes-veto-power-at-new-bank-to-win-key-european-nations-support-1427131055.

foundation of its preferences in the ARF and APEC – is notable. Indeed, the decision to pursue the veto *after* the bank's membership expanded, according to the CASS researcher, "reflects the concern within China over losing control of the bank to Western countries if China does not have the veto."[300] This concern manifested itself in subtle positions China took over the bank's governance. For example, China's willingness to accept extra-regional members in 2015 came with the stipulation that their vote shares would be limited to no more than 25% of the bank's total vote shares. Since extra-regional states generally had large GDPs and could make substantial contributions, relegating their share to a ceiling of 25% effectively preserved China's own influence since Beijing would largely dominate the remaining Asian shares. Indeed, China's share of 26.06% in AIIB exceeds the U.S. share in the World Bank (15.02%) and the Japanese share in the ADB (12.84%), though admittedly the veto rules differ among these institutions.[301] Indeed, China's vote-share is more than three-times larger than the second-highest shareholder (India's at 8%) – a disparity that is the "largest gap between the first and second largest shareholders at any of the MDBs," and one that also applies to capital share (31% vs. 9%).[302]

Of course, a veto is only as important as the domains over which it applies. In this regard, China's veto is indeed an effective way of retaining influence over the bank's operations since it gives Beijing the ability to reject any institutional changes. Based on the 2015 Articles of Agreement, China's veto powers pertain to the following domains: "increasing the bank's capital; increasing the capital subscription of a member; expanding the operations of the bank; changing the size of the board of directors; changing the structure of the board; appointing or removing the president; suspending a member; terminating the bank and distributing its assets;

[300] Xingqiang (Alex) He, "China in the International Financial System: A Study of the NDB and the AIIB," 10.

[301] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 129.

[302] Martin A. Weiss, "Asian Infrastructure Investment Bank (AIIB)" (Congressional Research Service, February 3, 2017), 9.

and amending the Articles."[303] Thus China's veto power, even though it is informal, goes "beyond that enjoyed by major shareholders in other MDBs."[304] Even if China rarely exercises the veto, nearly every decision to affect the rules, governance, and senior management of the bank must happen in the shadow that very same veto.

More fundamentally, China's position as the largest capital shareholder by far is enough to retain significant influence over the Bank's operations even it ultimately surrenders the veto. China contributed 31% of the capital to 9% from India, the second-largest capital supplier – a tremendous disparity. As Callaghan and Hubbard argue, "As has been evident in the World Bank and the ADB since their inception, the major shareholder can have a significant influence informally."[305] Ambassador Chin makes a similar "the lesson of the ADB is simple: Money matters, and the shareholders that contribute the most have the most influence, regardless of any actual, explicit veto power."[306] This reality also complicates the ability of new states to join. As Bin Gu, a professor at Beijing Foreign Studies University Law School argues, "For those countries that missed the chance to be founding members, the situation is less favorable if they would like to become members of the Bank, since only a small unallocated capital stock is available for subscription by new members." This means that even if Japan or the United States were to join, they would be unlikely to have a high vote share or to dramatically affect China's veto power unless there were a "new capital increase for the bank," a decision that China itself can veto.[307] Finally, even if China were to lose its veto, it would almost certainly be able to put together a veto coalition in concert with a client state like Pakistan or Laos.

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[303] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 129.

[304] Callaghan and Hubbard, 130.

[305] Callaghan and Hubbard, 131.

[306] Curtis S. Chin, "New Bank Launch Charts Path to Asian-Led Order," *China US Focus*, July 7, 2015, https://www.chinausfocus.com/finance-economy/beyond-the-signing-ceremony-at-a-chinas-own-asian-development-bank/.

[307] Bin Gu, "Chinese Multilateralism in the AIIB," *Journal of International Economic Law* 20, no. 1 (2017): 150.

A third major area of institutionalization is the AIIB's *personnel and oversight*. Most multinational development banks have a resident Board of Directors that acts as an oversight and a check on political manipulation. Indeed, the question of whether banks should have a resident or non-resident board began with the very first Bretton Woods institutions, when John Maynard Keynes and Harry Dexter White argued about whether which was preferable, and the latter prevailed because a resident board was believed to be an important check.[308] China, however, initially resisted including one. As a former CASS researcher notes, "Initially, China did not plan to set up a board of directors and had proposed instead that a technical panel be formed to make final decisions." When more countries expressed interest in joining and raised concerns that a technical panel would not be transparent (particularly the United Kingdom), China was forced to relent and eventually agreed to create a non-resident, unpaid 12-member board.[309] China's compromise position was justified as an efficiency-saving mechanism that was believed help make management more nimble, but it nonetheless created significant questions about whether management and personnel would receive appropriate oversight or be sufficiently independent from Beijing – especially since the bank's location in China raises the possibility that its staff will largely be drawn from China itself. There are strong reasons to believe that AIIB's oversight will not entirely insulate the bank from Beijing's political interests. Curtis Chin, a former U.S. ambassador to the ADB and a former member of that bank's resident board, argues convincingly that even with resident board, bank staff have considerable discretion. At the ADB, he argues that "management and staff of this Japan-led institution were able to undercut or 'slow walk' initiatives that the United States and European shareholders had long advocated for."[310] China's decision to choose a weaker, unpaid, non-resident board suggests the bank's decisions will reflect the preferences of its president and senior management, which

[308] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 132.

[309] Xingqiang (Alex) He, "China in the International Financial System: A Study of the NDB and the AIIB," 12.

[310] Chin, "New Bank Launch Charts Path to Asian-Led Order."

are largely selected by China. Moreover, although AIIB projects are currently submitted to the non-resident board, AIIB Operational Policy on Financing suggests that eventually the board will delegate this authority for certain projects directly to the president – a marked departure from other models.[311]

A related checked on management at multilateral development banks is the existence of a grievance mechanism. Banks like the World Bank and ADB have an independent appeal and accountability mechanism not only for clients but also for NGOs or groups directly impacted by projects; in contrast, the early proposals for AIIB lacked this kind of mechanism. In 2017, the bank put out a request for assistance on devising such a proposal, but its ultimate form – and the degree to which it will be independent and accountable – remains uncertain.[312]

Fourth, AIIB's mission and scope– at least as officially communicated by Chinese bureaucrats and leaders – changed from its announcement in 2013 to its launch three years later. At the very highest levels, AIIB was initially seen as an instrument to further China's Belt and Road Initiative. As late as a full year after AIIB had been announced, and roughly a month after complex negotiations with Asian partners had resulted in an MOU, Xi Jinping declared AIIB as part of BRI. As he stated in a November 2014 interview, "China's inception and joint establishment of the AIIB with some countries is aimed at providing financial support for infrastructure development in countries along the "One Belt, One Road" and promoting economic cooperation."[313] This line persisted into 2015. A Xinhua read-out from Xi's speech at a February 2015 meeting of the Leading Small Group for Financial and Economic Affairs said that

[311] Weiss, "Asian Infrastructure Investment Bank (AIIB)," 9.

[312] Xingqiang (Alex) He, "China in the International Financial System: A Study of the NDB and the AIIB," 15; "AIIB Invites the Public to Help Design Its Complaints Handling Mechanism," Asia Infrastructure and Investment Bank, April 27, 2017, https://www.aiib.org/en/news-events/news/2017/20170427_001.html.

[313] See "Xi Jinping: Expedite the Development of the Silk Road Economic Belt and the 21st Century Maritime Silk Road," [习近平：加快推进丝绸之路经济 带和 21 世纪海上丝绸之路建设], Xinhua News Agency, November 6, 2014, Translated in Yun Sun 30 https://spfusa.org/wp-content/uploads/2015/07/AIIB-Report_4web.pdf [track down original]

"Regarding Asian infrastructure, President Xi highlighted policies related to his proposed 'Belt and Road' initiatives, saying that the primary task of the Asian Infrastructure Investment Bank is to provide capital for these schemes."[314] A NPC spokesmen reiterated these views that same year: "AIIB and the Silk Road Fund are both created for the better implementation of 'One Belt, One Road."[315] It was not until mid-2016, after facing criticism from European and Asian states alike, that Beijing finally put some official distance between BRI and AIIB. During a meeting with business leaders, Jin Liqun declared that AIIB was not created to advance BRI and that it "would finance infrastructure projects in all emerging market economies even though they don't belong to the Belt and Road Initiative.'"[316] Despite these claims, the reality of is that of the 13 BRI projects financed in 2016, all are linked to Belt and Road. AIIB undoubtedly works to advance BRI, even if not always officially. As a former CASS researcher put it, "During the process of pushing forward the establishment of the AIIB and the One Belt, One Road Initiative, Chinese policy makers appeared to unexpectedly be faced with a situation in which the two needed to be distanced from one another to a certain extent….To announce 'the AIIB is not exclusively for the One Belt, One Road Initiative' constitutes a clever approach in this regard."[317]

A related shift was whether the institution would be focused on aid or would function as a development bank. As Yun Sun concludes from her interviews with Beijing officials, the decision to create a development bank "represents a change from early 2015, when the bank was discussed as either an aid agency or a commercial bank." She continues:

> "The 'aid' argument made by many foreign policy analysts was that, since many, if not most, AIIB members would be less-developed countries in Asia, and they would be

[314] "Xi Stresses Implementing Central Economic Policies," *Xinhua*, February 2, 2015, http://www.xinhuanet.com/english/china/2015-02/10/c_127481077.htm.

[315] Wang Lin [王琳], "Fu Ying: AIIB and the Silk Road Fund Support 'One Belt, One Road [傅莹：亚投行、丝路基金支持'一带一路']," *Yicai Wang [一财网]*, March 4, 2015, http://www.yicai.com/news/4581546.html. Quoted in Yun Sun, "China and the Evolving Asian Infrastructure Investment Bank," 30.

[316] Chan, "Soft Balancing Against the US 'Pivot to Asia': China's Geostrategic Rationale for Establishing the Asian Infrastructure," 574; Zhong Nan and Cai Xiao, "AIIB Leads Support for Belt and Road Infrastructure Projects," *China Daily*, June 8, 2016, http://www.chinadaily.com.cn/business/2016-06/08/content_25645165.htm.

[317] Xingqiang (Alex) He, "China in the International Financial System: A Study of the NDB and the AIIB," 16.

> unlikely to contribute substantially toward the bank's capital, China might be required to make a contribution of as much as 50% of the bank's total. With such an overwhelming contribution by China, AIIB would essentially amount to another Chinese channel for financing Asian infrastructure development, hence blurring the difference from Chinese aid."[318]

In sum, China supported an institutionalized AIIB – one with far clearer rules and decision-making processes than its previous involvements. It had hoped to use institutionalization to entrench its own influence; instead, it was forced to compromise and partially (though not totally) limits its autonomy within AIIB in order to gain legitimacy and reassure neighbors. This bargain was largely successful, but what is particularly interesting about it is how little real influence China surrendered. As Callaghan and Hubbard note: "The negotiation of the AIIB's Articles of Agreement" that guided AIIB's institutionalization "was impressive, both in terms of speed and China's ability to appease the concerns of other countries." The reason why was that, "While many countries indicated a willingness to join the bank, a number…added the proviso that this was contingent on being satisfied that the bank's governance arrangements were compatible with those of a multilateral institution. China successfully satisfied these concerns without forgoing significant control over the bank." In short, "this was a successful negotiating performance by China."[319] Indeed, the degree to which AIIB's rules constrains China's influence, however, is limited. The bank is based in China, with China as the largest funder, and with an executive director who was a former deputy finance minister for the Chinese government.[320] AIIB does mark a departure from China's usual preference for excluding Western states or rival great powers from the institution, but these states will not wield significant influence through voting or the board. Finally, its model of

[318] Yun Sun, "China and the Evolving Asian Infrastructure Investment Bank," 37.

[319] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 129.

[320] Victoria Ruan, "Former Deputy Finance Minister Jin Liqun Tipped to Become Head of China-Led AIIB," *South China Morning Post*, April 27, 2015, http://www.scmp.com/news/china/policies-politics/article/1754771/former-deputy-finance-minister-jin-liqun-tipped-become.

governance would effectively give the management – likely composed of Chinese officials – far greater discretion in day-to-day operations.[321]

Security Benefits

AIIB offers several benefits for China's security – reassurance for Chinese neighbors, increased Chinese influence in Asia relative to the United States, and increased leverage over others – such as through loans over debtor countries. As discussed previously, development banks have in the past been used for political purposes. Even if China were at least partially motivated by a desire for a different form of economic governance, the proliferation of regional development banks and their historical operation strongly suggests that the AIIB will be used, to some degree, for strategic ends. AIIB is intended both to create a regional order in Asia by (1) promoting Chinese leadership and legitimacy; (2) enabling China to influence and eventually set regional rules; and (3) providing China with the means to constrain its neighbors.

First, AIIB promotes Chinese leadership and legitimacy. China's provision of a significant public good burnishes China's claim to regional leadership. As discussed previously, it is clear that Beijing saw AIIB in such terms and explicitly used the phrase public good repeatedly when referring to it. To make a claim for regional leadership and to make China's beneficence legitimate rather than threatening, Beijing agreed to institutionalize the AIIB in ways that gave neighboring states voice opportunities. That China thought in these terms is in part revealed by the roll-out of the bank. It is not coincidental that Xi Jinping chose to announce AIIB in Southeast Asia, the main focus of China's reassurance efforts, in a speech before the Indonesian parliament in October 2013. In the very sentence announcing the bank, Xi Jinping even stated that it "would give priority to ASEAN countries' needs."[322] Moreover, when AIIB is

[321] Wei and Davis, "China Forgoes Veto Power at New Bank to Win Key European Nations' Support"; Cary Huang, "Does China Have What It Takes to Lead the AIIB," *South China Morning Post*, May 16, 2015, http://www.scmp.com/news/china/policies-politics/article/1798724/does-china-have-what-it-takes-lead-aiib.

[322] "Speech by Chinese President Xi Jinping to Indonesian Parliament," ASEAN-China Centre, October 2, 2013, http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm; "Xi Jinping Delivered a Speech in Indonesia's Parliament [习近平在印尼国会发表演讲]," *Sina.Com [新浪财经]*, October 10, 2013,

introduced in these major speeches, it is often directly or indirectly described as a way to allow other states to better benefit from China's rise, including through the Belt and Road Initiative.

The creation of a public good is only part of China's claim to leadership – the other part is claiming some credit for it and in turn also reducing the influence of other competitors for that mantle. Indeed, China has long been sensitive to *who* leads Asian development and financial institutions, and AIIB is a chance for it to claim leadership away from the United States and Japan. For example, after the Asian Financial Crisis, China notably opposed Japan's proposal for an Asian Monetary Fund that would assist countries facing balance of payments issues. Three years later, China supported a similar initiative led by ASEAN+3, which eventually became the Chiang Mai Initiative. This maneuver ensured that the establishment of a new piece of Asia's financial architecture, one that China recognized was necessary, would "not directly redound to Japan's leadership role in regional affairs."[323] China's creation of AIIB is in turn about asserting China's own leadership within the region, and at times this point has been made explicitly by notable figures such as Jin Liqun, who in an important speech introduced AIIB within the context of Asian leadership: "Actually, what the world and Asia lack is not money [for infrastructure] but motivation and leadership," something he claimed China was providing through AIIB. Indeed, it is worth noting that China did not choose to work with others to make AIIB an outgrowth of ASEAN+3 or any other institutional forum; instead, it is quite clearly a Chinese initiative. As one scholar from the government-affiliated China Foundation for International Studies argued, "The ADB is mainly led by Japan, and the World Bank is mainly led by America, and so the AIIB is mainly led by China."[324] Similarly, Fudan University Professor and former Chinese diplomat Ren Xiao argues AIIB marked China's "push for a

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http://finance.sina.com.cn/china/20131003/132116904825.shtml. The translation slightly differs from the original Chinese, but the English version is what was circulated internationally and so it is cited here.

[323] Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War*, 297.

[324] "China's $50 Billion Asia Bank Snubs Japan, India."

regional institution within which it would be dominant."[325] Within this context, and despite the fact AIIB presently cooperates with other banks, it does seem as if China hopes to make the AIIB an institution that elevates China's leadership credentials. In the process, Chinese officials have sometimes criticized other institutions harshly. Finance Minister Lou Jiwei declared that the ADB's "current capacity is really insufficient" and that China has superior experience, arguing that the domestic "China Development Bank has been doing commercial loans and its business is far bigger than the ADB and World Bank combined – and that happened in less than 20 years."[326] Lou has also criticized the ADB for being too bureaucratic.[327] Jin Liqun called its governance system a "disaster."[328] Similar criticisms have been made of the World Bank as well.

Second, AIIB can help China set prevailing regional norms and principles. Indeed, China's leadership of AIIB will likely enhance China's own normative influence, especially if it becomes the leading development bank in Asia. One way is by influencing policy. Similar banks, such as the ADB and World Bank, produce a number of studies and indicators that influence policy. The desire for a high-ranking position on the World Bank's Ease of Doing Business indicator has often reshaped the economic policies of developing countries and recently played a large role in the Indian election, with the victor Narendra Modi subsequently demanding that his ministers submit plans for improving India's ranking. Wang Jisi has been clear that AIIB is part of an attempt at ensuring that global economic governance conforms more closely to Chinese norms and values than Western ones. Just as the World Bank and the IMF have for years allowed the United States to push economic policies that are in line with US interests, so

[325] Ren Xiao, "China as an Institution-Builder: The Case of the AIIB," *The Pacific Review* 29, no. 3 (2016): 436.

[326] "China's $50 Billion Asia Bank Snubs Japan, India."

[327] "China Finance Minister Raps ADB for Being Bureaucratic," *Nikkei Asian Review*, March 22, 2015, http://asia.nikkei.com/Politics-Economy/International-Relations/China-finance-minister-raps-ADB-for-being-bureaucratic.

[328] Jane Perlez, "China Creates a World Bank of Its Own, and the U.S. Balks," *New York Times*, December 4, 2015.

too might China use AIIB to advance its own vision.[329] Chinese officials are aware of this ability. In his speech introducing AIIB at the Boao Forum, the expected head of the institution, Jin Liqun, argued in favor of China's development experience and AIIB's ability to help others emulate it: "China's development methodology is logical. China's experience can be transplanted to any other country. If China can make it, there is no reason why another country cannot."[330] More broadly, Lou has criticized Western institutions as models for emulation: "I've said many times that I don't acknowledge best practice. Who is best?....We need to consider their [developing countries] needs and sometimes the West puts forward some rules that we don't think are optimal....we don't see the existing system as being the best."[331] In this light, AIIB is being positioned as a better alternative to Western rules. On a normative level, AIIB will also erode some of the political, human rights-related, and good governance standards important to Western lending, especially since Chinese lending is unlikely allow these considerations to enter into the decision-making process. In this way, the AIIB can chip away at the legitimacy of the liberal values that undergird much of the West's political power and influence – and that pose a threat to China's own stability. In addition, the bank's opposition to Taiwanese membership, even though the island is a member of other institutions like the Asia Development Bank, weakens norms for Taipei's participation in regional governance.

Third, aside from the ability to change the regional rules in ways potentially advantageous to China, AIIB also enhances China's autonomy in more material ways, enabling it to build order through the possibility of economic linkages with – and constraints on – on its neighbors. Writing on Chin's motivations behind AIIB, Ren Xiao argues, "Geo-economics and

[329] Jisi Wang, "One World One Dream? China and International Order" (April 1, 2015).

[330] "A Speech on the Establishment Progress of Asian Infrastructure Investment Bank by Mr Jin Liqun, Head of the Working Group for Establishment of AIIB," Boao Forum for Asia, May 17, 2015, http://english.boaoforum.org/mtzxxwzxen/14301.jhtml.

[331] Paul Pennay, "China Says Western Rules May Not Be Best for AIIB," *Business Spectator*, March 23, 2015, http://www.businessspectator.com.au/news/2015/3/23/china/china-says-western-rules-may-not-be-best-aiib.

geopolitics are constantly working and having impact on one another…. Fundamentally, development financing helps China to win friends and influence in the region and beyond."[332] He continues, "It is not true that China is simply altruistic…Better transport links will make nearby countries more attractive as suppliers to Chinese manufacturers and as consumers of Chinese-made goods."[333] Such beneficence can of course generate asymmetric interdependence that makes China's neighbors ever more dependent on its economy. And when largesse fails to generate sufficient influence, its sudden withdrawal might. Some Chinese officials privately suggest that countries with disputes with China will be less likely to access funds from AIIB or the Silk Road Fun.[334]

Admittedly, the bank's institutionalization somewhat complicates the direct use of economic leverage, but as discussed previously, they do not prevent it. The relative autonomy of the bank staff and president over loan disbursements, especially relative to other banks, creates the possibility for economic statecraft; meanwhile, China's dominant shareholder position creates more subtle influence channels within the bank as well. Moreover, Japan and the United States have used development banks that they lead to advance political goals. And if AIIB adopts some forms of conditionality – either explicit or implicit – that involves criteria in line with China's own political or economic preferences, it would constrain the autonomy for Asia's developing states and increase the likelihood that they might align their foreign policies more closely to China's in order to access desperately needed infrastructure investment.

China has already used its limited power in international institutions, such as the ADB, to political ends. In 2009, it was able to "withhold approval for a multilateral development plan for India" because the plan called for ADB funds to be used for flood management, water supply,

[332] Ren Xiao, "China as an Institution-Builder: The Case of the AIIB," 440.

[333] Ren Xiao, 440.

[334] Yun Sun, "China and the Evolving Asian Infrastructure Investment Bank," 33.

and sanitation projects in territory that China claims – Arunachal Pradesh.[335] Given China's use of economic statecraft against Japan (rare earths), the Philippines (bananas), Norway (fish), and a growing pro-sanctions discourse in China, it seems plausible that political considerations may influence China's lending policies, albeit perhaps more subtly than they did in these examples.[336] In addition, AIIB is intended to help fund China's Maritime Silk Road initiative, which in turn emphasizes port projects in several countries in Southeast Asia, the Indian Ocean region, and Africa, providing potential access points for Chinese naval vessels. This is not idle speculation: China's own defense officials have extolled the dual-use benefits of these facilities and the ways that they can support Chinese power projection.[337]

China may eventually be able to make the AIIB a much larger bank than its rivals given foreign exchange reserves, its own economic interests in promoting Asian infrastructure, the bank its own domestic development banks are larger than the World Bank, and the scale of the infrastructure gap it aspires to address. In such a world, the AIIB could become the defining lender for Asian development. Would AIIB lend to countries that recognize Taiwan, that give support to Uyghurs, or that welcome the Dalai Lama? That political factors might affect lending is obvious to participating countries and even China's own scholars. Indeed many scholars have written about the dichotomy between a growing "economic dependence on China and a security reliance on the United States" and speculated about how economic inducements can give thereby translate into Chinese freedom of maneuver.[338]

The decisions regarding which countries would hold AIIB vice presidencies is assumed in many cases to be linked to China's political interests. For example, South Korea was promised

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[335] Raphael Minder and Jamil Anderlini, "China Blocks ADB India Loan Plan," *Financial Times*, April 10, 2009.

[336] Reilly, "China's Unilateral Sanctions."

[337] Zhou Bo, "The String of Pearls and the Maritime Silk Road," *China US Focus*, February 11, 2014.This point has been stated in several Chinese articles, but also in interviews with senior PLA defense officials reported by Southeast Asian diplomats.

[338] Lou Wei quoted in Chan, "Soft Balancing Against the US 'Pivot to Asia': China's Geostrategic Rationale for Establishing the Asian Infrastructure," 577. [need to integrate additional citations from primary sources here]

one of AIIB's vide-presidencies because of its early support for AIIB; when the Korean candidate was forced to resign for reasons related to a prior scandal, the bank instead selected a French replacement – apparently without consulting South Korea. For these reasons, "it was widely speculated that the removal of a vice-president position from South Korea was linked to Seoul's intention to deploy THAAD."[339] Similarly, "it is widely speculated that Canberra missed the opportunity of a vice-presidency because it delayed joining due to political pressure from the USA and Japan."[340] Indeed, China has privately offered Australia 'a senior role' if it signed the MOU in October 2014, and did not receive such a prominent position after choosing to delay.[341] Although there is no direct evidence that political reasons shaped these decisions, the rumors may have a political force of their own in inducing Asian governments to preemptively comply with Chinese wishes or face reduced influence or lending from the bank.

Moreover, AIIB's ability to set rules and standards can also dramatically affect the fates of Asian economies. As an example, Australian officials were concerned that AIIB's draft guidelines did not seem to reference coal technology. As a Treasury spokeswoman stated: "The [Australian] government wants the AIIB energy strategy to acknowledge that fossil fuels will play a significant role in energy generation in the region for decades to come.'" Other economic interests might similarly be implicated by AIIB rules, and although not all decisions involving these rules will be politically-motivated, the possibility that some will be gives China constraining power over its neighbors.[342]

AIIB also China to make loans conditional on political or other factors without doing so explicitly in ways that could be deeply embarrassing. It can act as a legitimating mask for

[339] Chan, 580.

[340] Chan, 578.

[341] Callaghan and Hubbard, "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road," 129.

[342] Quoted in Chan, "Soft Balancing Against the US 'Pivot to Asia': China's Geostrategic Rationale for Establishing the Asian Infrastructure," 578.

China's exercise of economic power, and nearly all of AIIB's projects so far fall into the Belt and Road Initiative. Relatedly, AIIB may also lighten China's footprint within Asia. If Chinese infrastructure projects are funded by AIIB instead of China's domestic development banks, they may seem less threatening and more legitimate. India, for example, would be more likely to accept a railway link to China built with funds from a multinational development bank than from one of China's domestic institutions.

CICA

The Conference on Interaction and Confidence Building-Measures in Asia (CICA) was initially proposed and led by Kazakh President Nursultan Nazarbayev in a 1992 speech before the United Nations General Assembly. Following his speech, participating countries held informal meetings and negotiations for seven years. It was only in 1999 that the organization finally began to cohere after the organization held its first ever Foreign Minister's meeting and signed a declaration essentially launching the organization. In 2002, the members essentially launched the organization with the Almaty Act (CICA's charter), which was signed at its first ever leader-level summit. Subsequently, the group held additional meetings every two years, launched a secretariat in 2006 based in Astana, and made the chairmanship rotational in 2010 – with Turkey taking over the leadership from Kazakhstan. Throughout this period, CICA had little profile, few relationships with existing organizations, little great power interest, and slow and generally empty institutionalization.

All of this changed in 2014 when China assumed leadership of the organization and promptly set about elevating it as a vehicle to either create or debate a new Asian security structure. And yet, China's investments in the organization are rather puzzling.

Alternative Explanations

China's decision to assume leadership over CICA and its attempt to elevate it into a pan-Asian international institution is puzzling. From a liberal perspective, the organization has no real purpose.

First, if the organization is meant to foster confidence-building measures, then its agenda is exceptionally modest and fails almost entirely to constrain the autonomy of its member states. At CICA's 2004 meeting, the organization released a "Catalogue of Confidence-Building Measures" spanning military-political issues; terrorism; and economic, environmental, and human dimensions.[343] States are asked to undertake them on a voluntary basis, and in general the vast majority of these measures consist of information or personnel exchanges. These include such prosaic items as mutual military visits; exchanges of military CV's; as well as exchanges of information on arms control ratification, counterterrorism, best environmental practices, and economic databases.[344] Some of the CBMs call for harmonization of certain key trade, visa issues, and progress on energy security, but the actions that accompany these calls often amount to little more than the release of an action plan. In contrast, CBM's in Europe during the Cold War and among SCO participants placed sharp limits on activities and positioning of military personnel; nothing in the CICA approaches this level of constraint.

Second, the organization claims in part to focus on counter-terrorism, and yet it lacks any coordinating capacity. Indeed, from China's perspectives, this function is perhaps better accomplished through the already existing Shanghai Cooperation Organization, which has a dedicated center for coordinating counterterrorism.

Third, until Chinese leadership in 2014, the organization even failed to be an effective forum for discussion. It meets far less frequently than other "talk shops" in the region. CICA

[343] "CICA Catalogue of Confidence Building Measures" (Conference on Interaction and Confidence-Building Measures in Asia, 2004), http://www.s-cica.org/admin/upload/files/CICA_CATALOGUE_(2004)_-_eng.doc.

[344] "CICA Catalogue of Confidence Building Measures."

hosts major meetings once every two years and leader-level summits once every four years; in contrast, APEC, ARF, and the SCO all host such meetings annually.

Finally, the organization in general terms has levels of institutionalization that are low enough to preclude any meaningful action. The organization's website admits that the Secretariat largely provides only "administrative, organizational and technical support for meetings and other activities of the CICA," including maintaining an "archive of the CICA documents" and acting as a "clearing house" for correspondences. In this regard, the purpose of the Secretariat is little more than as a body that carries out CICA's infrequent high-level meetings; it executes no function other than the logistics of convening. Perhaps the Secretariat's most significant formal responsibility is the dissemination of "information on the implementation on Confidence Building Measures among the Member States." This language hints at monitoring capacities, but the organization actually has none, and the responsibility is hardly discharged in any way that might embarrass or incentivize states to more proactively pursue these confidence-building measures.[345] Unlike ASEAN and ARF, until 2014, CICA did not have any affirmative agenda for preventive diplomacy of conflict prevention.

For all these reasons, China's decision to chair the organization and to invest heavily in its institutionalization is puzzling, especially since the organization lacks a clear function. The reason why China has invested in CICA is not because of its present capabilities but because of its future potential. China views CICA as a template for creating a pan-Asian security framework that exists both outside of the U.S.-led alliance system and the ASEAN-dominated multilateral forums of Southeast Asia, one that would be characterized by Chinese influence.

Strategic-Liberal Building

[345] "Secretariat of the Conference on Interaction and Confidence Building Measures in Asia," CICA, n.d., http://www.s-cica.kz/page.php?page_id=9&lang=1.

The Post-Crisis Opportunity

China has long been involved in CICA, but it began to actively use the organization to advance a Chinese vision of pan-Asian regionalism only after the Global Financial Crisis and at the first post-crisis CICA Summit in 2010. Just before that Summit, China and Russia had signed a "Joint Russian-Chinese Initiative on Strengthening Security in the Asia Pacific Region," which had put forward a framework for an Asian security architecture. They then introduced that statement at the 2010 CICA Summit and subsequent Special Working Group meetings and proposed it as a foundation for a "future regional architecture." The Russian-Chinese initiative included a set of norms intended for all of Asia that directly targeted U.S. alliances and put forward an alternative approach. Chinese preparatory documents and presentation materials on this initiative not only make the effort to craft a new architecture clear, they also link that effort directly to the aftermath of the Global Financial Crisis.[346] "The global financial and economic crisis has accelerated a whole series of trends that…shift the balance of forces in global politics and economics, entailing a profound transformation of the entire system of international relations," begins one document. "The crisis has highlighted that…new economic powers and centers of political influence are on the rise. The gravity center of political activity is likewise shifting towards the Asia-Pacific.…Under the impact of global transformations a process of *reshaping the regional architecture has started in the Asia-Pacific*."[347] The document, which argues that the Global Financial Crisis has shifted power to Asia and warrants a reconsideration of Asia's regional architecture, then goes on to criticize the U.S.-based regional architecture:

> It is increasingly obvious that the existing security architecture in the Asia Pacific region which is based upon the non-transparent military alliances does not correspond to the modern realities of the multipolar world as well as to the nature and scale of multiplying threats and challenges the region is facing. The region still lacks a well-structured system of institutions and legal instruments able to guarantee peace and stability at this vast

[346] These documents were ostensibly joint documents, but punctuation choices make clear that they were prepared by China. For example, Chinese forms of quotation marks are used throughout rather than Western forms.

[347] "The Presentation on the Joint Russian-Chinese Initiative on Strengthening Security in the Asia Pacific Region," (2011), 1–2, http://www.s-cica.org/page.php?page_id=24&lang=1&year=2017&month=1&day=0.

> area. These factors highlight the urgency of elaboration of additional measures to strengthen the security in the region.[348]

Instead of the U.S. approach, "the future regional architecture should be open, transparent and equal," the document argues. "It should be based on the non-bloc principle, the rule of international law and due consideration of legitimate interests of all countries. It is exactly what the leaders of Russia and China proceeded from during the Russian Chinese summit in September last year in Beijing" when they published the "Joint Initiative on Strengthening Security and Cooperation in the Asia Pacific Region."[349] In short, in the wake of the Global Financial Crisis, the time has come for an Asian architecture based on a Sino-Russian regional framework, and CICA is the vehicle to accomplish that objective.

The links between the Global Financial Crisis and China's efforts were broadcast in high-level CICA speeches by Chinese diplomats. In 2010, State Councilor Dai Binguo argued, "with an eye towards the *post-financial-crisis era*, CICA members should increase trust and coordination and unswervingly pursue" a new Asian security architecture.[350] Indeed, the period after the Global Financial Crisis was a new era because the crisis had changed everything. Dai argued that the crisis revealed that the "trend towards multi-polarity had never been so clear," and the call for "greater democracy in international relations had never been so strong." "The days are gone," Dai declared, "when one or two, or a handful of countries dominated world affairs." In this post-financial crisis era, "to create a good regional environment, it is important to make full use of CICA and other regional mechanisms of multilateral exchanges and cooperation."[351] At the next major CICA meeting in 2012, Deputy Foreign Minister Chen Guoping continued this

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[348] "The Presentation on the Joint Russian-Chinese Initiative on Strengthening Security in the Asia Pacific Region," 4.

[349] "The Presentation on the Joint Russian-Chinese Initiative on Strengthening Security in the Asia Pacific Region," 5.

[350] "Dai Bingguo's Speech at the Third CICA Summit [戴秉国在亚信论坛第三次峰会上发表讲话]," Foreign Ministry of the People's Republic of China [中华人民共和国外交部], 2010, http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/yzxhhy_683118/xgxw_683124/t707229.shtml.

[351] "Dai Bingguo's Speech at the Third CICA Summit [戴秉国在亚信论坛第三次峰会上发表讲话]."

line of argumentation and introduced what would become a new signature concept, declaring that interdependence had produced a "community of common destiny." Chen went further than Dai in proposing a path forward: "We suggest elaborating rules of behavior of all Asian countries in the sphere of security on the basis of the Chinese-Russian initiative on strengthening security in Asian-Pacific region."[352] Two years later, Xi Jinping raised the Sino-Russian initiative at the 2014 CICA Summit, arguing it "had played an important role in strengthening and maintaining peace and stability in the Asia-Pacific region."[353] In short, what China had previously discussed away from the main stage of CICA in 2010 and 2011 had made its way to the front by 2014.

To further advance these views, China would need some degree of control over the CICA. For most of its history, the organization had been led by Kazakhstan and then for four years by Turkey (2010-2014), and although plans for a rotational chairmanship had been discussed, there was as yet no settled order of succession. China's eventual chairmanship of CICA was not an accident of the calendar but a conscious courtship that began as early as 2012 and may have been discussed internally long before that. Indeed, the first public reference to China's pursuit of the CICA Chairmanship was at the 2012 CICA Summit, when Deputy Foreign Minister Chen Guoping not only suggested a new regional architecture but, in the very same speech, declared that "we have already applied for Chairmanship for the period 2014-2016" and asked for the "support of other Member States."[354] Despite these efforts, the 2012 Joint Statement makes no reference to any consensus behind a Chinese chairmanship.

China's campaign received a substantial boost in 2013 when President Xi Jinping visited Astana to meet with Kazakh President Nazarbayev. In a readout of their private discussions, China's Foreign Ministry noted that CICA had been a topic of discussion and that "the Kazakh

[352] "Statement by H.E. Mr. Chen Guoping at CICA Meeting of Ministers of Foreign Affairs" (2012), http://www.s-cica.org/page.php?page_id=605&lang=1.

[353] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

[354] "Statement by H.E. Mr. Chen Guoping at CICA Meeting of Ministers of Foreign Affairs."

side supports China for holding CICA's rotating presidency from 2014 to 2016 and supports China for hosting the CICA Summit in 2014."[355] Both governments then released a joint statement formalizing these points that went further. It noted that, "against the background of profound and complex changes taking place in the current world," a reference perhaps to the Global Financial Crisis, both countries agreed to "continue strengthening their cooperation with the CICA framework" and that "the Kazakh side would actively support China's efforts to carry out the work of its 2014-2016 chairmanship of the organization." Suggesting institutionalization was a key objective, the joint statement noted "both sides will continue to develop and strengthen CICA processes."[356] With the statement released, China had essentially secured leadership of the organization for a two-year term. Once having secured the chairmanship, China looked for ways to extend its leadership of CICA. Roughly halfway through that first term, China managed to secure a term extension to 2018 – even though past CICA statements had made clear that the consensus preference was for chairs to serve only one two-year term.[357]

Supporting Deep Institutionalization

Once China has gained leadership in CICA, it aggressively pushed to institutionalize the organization. As Chen Guoping stated on the 20th Anniversary of CICA in 2012, "China supports

[355] "Xi Jinping Holds Talks with President Nursultan Nazarbayev of Kazakhstan," Ministry of Foreign Affairs of the People's Republic of China, September 7, 2013, http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1075414.shtml.http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1075414.shtml

[356] "China and Kazakhstan Joint Declaration on Further Deepening Comprehensive Strategic Partnership [中哈关于进一步深化全面战略伙伴关系的联合宣言]," Xinhua [新华网], September 9, 2013, http://www.xinhuanet.com/world/2013-09/08/c_117273076.htm.

[357] See Article 29 of "Declaration of the Fourth CICA Ministerial Meeting" (Conference on Interaction and Confidence-Building Measures in Asia, September 12, 2012), http://www.cica-china.org/eng/zyhyhwj_1/yxhy/yxwzh/t1149048.htm.

CICA's development into a formal international organization" from a loose forum.[358] With these ambitions in mind, President Xi in his 2014 Summit speech articulated a broad vision for CICA's future: "China proposes that we make CICA a security dialogue and cooperation platform that covers the whole of Asia and, on that basis, explore the establishment of a regional security cooperation architecture."[359] To that end, China worked to improve CICA's institutionalization in three main ways.

First, since its 2002 launch, CICA had held either a summit or a ministerial every two years with a Special Working Group or Senior Officials Conference held in between, making it far less institutionalized than ARF, APEC, or EAS which hold annual leader-level summits. For that reason, Xi argued for more regular high-level meetings: "China believes that it is advisable to increase the frequency of CICA foreign ministers' meetings and even possibly summits in light of changing situation, so as to strengthen the political guidance of CICA and chart a blueprint for its development."[360] China has made modest progress in these efforts by pushing forward an additional ministerial in 2017 and by encouraging CICA states to meet together on the sidelines of the UN General Assembly.[361] Official CICIA Think Tank Forum documents written by the Shanghai Institute for International Studies suggest even broader plans, including regular meetings of Defense Ministers, Public Security Ministers, among others.[362] These measures would bring CICA's institutionalization closer to the levels of ASEAN-related forums.

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[358] "China Supports the Development of CICA into a Formal International Organization [中方支持亚信会议发展成为正式国际组织]," China News [中国新闻网], October 12, 2012, http://www.chinanews.com/gn/2012/10-12/4244549.shtml.

[359] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

[360] Xi Jinping.

[361] For Example, see "Keynote Address by H.E. Mr. Wang Yi at CICA 2016 Ministerial" (Conference on Interaction and Confidence-Building Measures in Asia, 2016), http://www.s-cica.org/page.php?page_id=6026&lang=1.

[362] "Working Report on the CICA and Its Future Developments at the Fifth CICA Think Tank Roundtable" (Shanghai: CICA Think Tank Roundtable, April 22, 2016), http://www.cica-china.org/eng/xjzs/yxzglt/t1448504.htm.

Second, China sought to improve the capacity of the secretariat, including for monitoring and supervisory purposes that would better enable it to encourage the implementation of confidence-building measures. As Xi argued in 2014, "China proposes that we enhance the capacity and institutional building of CICA, support improving the functions of CICA secretariat, [and] establish…a task force for supervising the implementation of confidence building measures in various areas within the CICA framework." This is a dramatic departure from China's participation in APEC and ARF, which saw Beijing oppose monitoring for such measures. Think Tank Forum documents go even further, suggesting China's preferences are for more funding for the Secretariat, more personnel, and an explicit "mandate to monitor the implementation of CBMs," as well as a "crisis management and emergency response mechanisms."[363]

Third, China hoped to expand CICA exchanges across multiple domains, with President Xi urging the creation of "a defense consultation mechanism of member states" and "counter-terrorism, business, tourism, environmental protection, culture and people-to-people exchanges."[364] Indeed, within a year China had launched a variety of new CICA initiatives, including a CICA Youth Council, a Business Council, a Non-Governmental Forum, and Think-Tank Forum – almost all coordinated with Chinese funds and support. In addition, China plans to host a regular CICA Dialogue on Asian Awareness. Before these initiatives, CICA had been a rather thin organization; these efforts set a precedent for CICA's expanded functionality that China has continued to push, with new exchanges planned for announcement in 2018.

Security Benefits

CICA provides a number of concrete benefits to China as it seeks to assert its own vision of Asia's regional security architecture. It helps China build a regional order in Asia by (1)

[363] "Working Report on the CICA and Its Future Developments at the Fifth CICA Think Tank Roundtable."

[364] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

promoting Chinese leadership and legitimacy; (2) enabling China to influence and eventually set regional rules; and (3) providing China with the means to constrain its neighbors.

First, CICA helps China claim leadership over the debate on Asian regionalism. China's 2017 White Paper on Asia-Pacific Security Cooperation notes three paths to Asian regionalism: "In this region there are [1] ASEAN-led security cooperation mechanisms and [2] platforms such as the SCO and CICA, as well as [3] military alliances formed in history."[365] For China, CICA offers an opportunity to sidestep U.S. alliances as well as ASEAN's previous centrality to alternative order-building. Indeed, what sets "platforms such as the SCO and CICA" apart from these other institutions is that they lack the United States and Japan and do not place ASEAN in the driver's seat, thereby providing the space for an alternative China-led approach. Indeed, as Ma Chunshan notes, CICA is the only pan-Asian "platform for international cooperation that does not include the United States and its important Asian ally, Japan, as members."[366] And as Amitav Acharya observes, initiatives like CICA as well as AIIB "represent the first serious efforts by China to take the initiative and lead in Asian regionalism" since previously "most Asian regional institutions were proposed either by the Association of Southeast Asian Nations (ASEAN), or by other Western powers."[367] Together, CICA offers China an opportunity to use the organization to promote norms that would undermine U.S. alliances, to offer a vision for regional architecture that the United States and Japan cannot torpedo, and to bypass the political division of ASEAN. In short, CICA offers an Asian architecture that China can supervise or at the very least shape into something more significant.

[365] "China's Policies on Asia-Pacific Security Cooperation" (State Council Information Affairs Office, January 2017), http://www.scio.gov.cn/32618/Document/1539667/1539667.htm. Numbers added.

[366] Ma Chunshan, "What Is CICA (and Why Does China Care About It?)," *The Diplomat*, May 17, 2014.

[367] Acharya, "'Alternative' Regional Institutions in Asia? A Cautionary Note," 3.

CICA is an extremely useful forum for this purpose, in part because of its large membership size allows it credible claim to be forum that is representative of Asia. This is a realization apparent in China's own discussions of CICA. Indeed, all Chinese addresses at CICA from 2002 through 2012 generally described CICA only as an "important organization," but by 2014, more explicitly comparative language elevating CICA over alternative groupings became common.[368] "CICA is the largest and most representative regional security forum with the largest number of participants," Xi Jinping argued at the 2014 CICA Summit. CICIA "is the only structure of its kind" in Asia, CICA Executive Director Gong Jianwei declared.[369] This comparative language was then repeated in subsequent high-level speeches: Wang Yi declared in his 2016 remarks to CICA that it was "Asia's largest and most representative security forum" and in his 2017 remarks on its twenty-fifth anniversary that it had "grown into the most representative security forum with the biggest coverage and largest number of members in Asia."[370] These remarks suggest CICA has a greater claim to serve as a foundation for establishing an Asian security architecture than other efforts. Indeed, Chinese think tank reports posted on the government's CICA website not only repeatedly articulate this point, they also point out a possible end stage is for CICA to become an Asian version of the OSCE, or an OSCA. One report by the Shanghai Institute for International Studies which was given pride of place on the website argues that, because of its representativeness, "CICA is capable of providing a solid institutional foundation for and charting the shortest path toward an Asian security architecture."[371] Elsewhere, it argues that, "Fully utilized, the existing mechanisms within the

[368] This quote, which is representative of the framing in almost all previous speeches, is from the 2012 address by Chen Guoping. "Statement by H.E. Mr. Chen Guoping at CICA Meeting of Ministers of Foreign Affairs."

[369] Gong Jianwei, "Statement of Executive Director Gong Jianwei at the Xiangshan Forum," (November 20, 2014), http://www.s-cica.kz/page.php?page_id=843&lang=1.

[370] "Keynote Address by H.E. Mr. Wang Yi at CICA 2016 Ministerial"; Wang Yi [王毅], "Wang Yi Chairs Informal Meeting of Foreign Ministers of CICA Member Countries [王毅主持亚信成员国外长非正式会晤]" (September 20, 2017), http://www.cica-china.org/chn/yxxw/t1495625.htm.

[371] "CICA at 25: Review and Outlook" (Shanghai: Second Conference of the CICA Non-governmental Forum, June 2017), http://www.cica-china.org/eng/xjzs/sa/.

CICA framework will be the shortest path toward a robust Asian security architecture."[372] Another report notes that "though CICA is still at the initial stage of development…it should be noted that CICA's unique attributes, formed in the course of its development, have endowed it with huge potential for it to play a unique role in solving Asia's security issues. If CICA's potential and advantages can be fully tapped to propel its transformation and development into an OSCA, the future establishment of the new Asian security architecture will benefit greatly."[373] This is part because CICA can play a consolidating role. As Vice Minister Chen Guoping noted in a speech before the CICA Senior Officials Committee, "Sub-regional security cooperation has been thriving in Asia, but cooperation mechanisms are fragmented and overlapping in function. It is imperative to integrate all the resources, build a broader and effective cooperation platform, and put in place a new architecture for regional security cooperation. In this process, CICA may play a central role by leveraging its strength in large geographical scope, inclusiveness and confidence building measures."[374]

A second benefit of CICA is its potential in promoting a vision of Asian security architecture consistent with its preferences. This vision essentially builds on the notion of China as an economic and security public goods provider that embeds neighboring economies in a mutually interdependent "community of common destiny," one where, in Xi's words, China's rise "delivers tangible benefits to Asia."[375] In this way, and by emphasizing China's centrality to Asia's economic interdependence in addition to criticizing U.S. alliances, terms like "community

[372] "CICA at 25: Review and Outlook," 25.

[373] Chen Dongxiao, "Prospects and Paths of CICA's Transformation," *China Quarterly of International Strategic Studies* 1, no. 3 (2015): 453.

[374] Chen Guoping, "Vice Minister Cheng Guoping's Speech at the Opening Ceremony of the Meeting of CICA Senior Officials Committee" (November 6, 2014), http://www.cica-china.org/eng/yxxw_1/t1212946.htm.

[375] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

of common destiny" and the "New Asian Security Concept" mark an evolution from the security concepts that China had long ago promoted in ASEAN.

Although CICA's purpose is to eventually establish a pan-Asian architecture, China has introduced these terms and concepts into CICA so that they could speed up the process and ensure Chinese views are at its center. As Executive Director Gong Jianwei argues, "While CICA has been moving towards achieving this aim [of establishing a security architecture] at a steady pace, President Xi Jinping has sought to accelerate the pace by proposing a New Asian Security Concept."[376] Indeed, the New Asian Security Concept, which Xi introduced as the foundation for Asia's new security structure at the 2014 CICA Summit, entails "common, comprehensive, cooperative, and sustainable security."[377] In his speech, Xi carefully explains each element of the concept, and China's 2017 White Paper on Asia-Pacific Security Cooperation elaborates on these elements.

- "Common security" refers to the "community of common destiny" and – in both Xi's speech and in the 2017 White Paper – also involves explicit criticism of alliances which would provide security for some but not others.[378]
- "Comprehensive security" refers to traditional and non-traditional security threats and is relatively uncontroversial.[379]
- "Cooperative security" references efforts by Asians to cooperate together to resolve problems through "dialogue and in-depth communication" and implicitly – without

[376] Gong Jianwei, "CICA Day Reception 2014: Statement of Ambassador Gong Jianwei, Executive Director" (October 6, 2014), http://www.s-cica.kz/page.php?page_id=828&lang=1.

[377] Xi Jinping, "Inaugural Statement by H.E. Mr. Xi Jinping at the 2016 CICA Ministerial" (2016), http://www.s-cica.org/page.php?page_id=6044&lang=1.

[378] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation"; "China's Policies on Asia-Pacific Security Cooperation."

[379] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation"; "China's Policies on Asia-Pacific Security Cooperation."

external involvement[380]. In Xi's speech, the passage defining this term includes declaration that it is for Asians to solve Asia's problems and condemns "the provocation and escalation of tensions for selfish interests," which seems a veiled reference to U.S. involvement in territorial disputes between China and its neighbors.[381]

- "Sustainable security" argues that Asian countries "need to focus on both development and security to realize durable security." This concept seems relatively benign, but CICA Think Tank Forum documents clarify that this concept refers to Asia's contradictory "dual track," which involves the United States as a security provider and China as a source for regional development. China's argument that development produces security is meant to clarify that China's role as a development provider is a prerequisite to security and that any conversation on Asian security must also take into account China's economic centrality.

In sum then, Xi's "New Asian Security Concept," also referred to as the "Concept of Common, Comprehensive, Cooperative and Sustainable Security," essentially defines regional security as consisting of a "community of common destiny" whose members benefit from Chinese development, avoid alliances, do not involve outside states in disputes, and prioritize China's development benefits to external security guarantees. This concept, which is not as politically anodyne as it might seem at first glance, has become foundational for CICA and has appeared in every CICA joint statement. Indeed, in 2017, Wang Yi declared triumphantly that "since China's assumption of the CICA chairmanship, the common, comprehensive, cooperative and sustainable Asian Security Concept it proposed has won wide recognition."[382] CICA's Executive Director stated that "it is our earnest hope that all the member states will work together to adopt

[380] "China's Policies on Asia-Pacific Security Cooperation."

[381] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

[382] Wang Yi [王毅], "Wang Yi Chairs Informal Meeting of Foreign Ministers of CICA Member Countries [王毅主持亚信成员国外长非正式会晤]."

and implement the new security concept with a view to achieving the ultimate objective of CICA" and that China's aim was "to make the concept a reality and create a better security architecture in Asia."[383] CICA's official Think Tank reports are more forthcoming about the concept's ultimate purpose as an alternative to U.S.-order: "The differences over Asian security architectures are widening. The China-proposed and CICA-adopted New Asian Security Concept calls for common, comprehensive, cooperative and sustainable one. [In contrast,] the United States still clings to the military alliance and bloc security."[384]

A crucial final component of the New Asian Security Concept is its linkage to the Belt and Road Initiative, which provides the kinds of public goods that underwrite the "community of common destiny." Given BRI's importance to China's order-building, China has worked to ensure that BRI is endorsed by CICA, giving it greater legitimacy and putting it at the center of Asian security order. In this, China has been successful. CICA's Executive Director linked BRI directly to CICA: "China's Belt and Road initiative is another important step in promoting regional cooperation *in the true spirit of CICA*. This initiative, representing the most comprehensive vision for China's engagement with its neighbors and beyond, will go a long way to strengthen regional economic cooperation and exchanges; enhance mutual learning between different civilizations, and eventually promote world peace and development…in the CICA region."[385]

China's "community of common destiny," its "New Asian Security Concept," and its Belt and Road Initiative are all linked together in service of creating a new Asian architecture. These linkages were perhaps most aptly summed up by Wang Yi.

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[383] Gong Jianwei, "CICA Day Reception 2014: Statement of Ambassador Gong Jianwei, Executive Director"; Gong Jianwei, "Second Conference of CICA Non-Governmental Forum: Statement of Ambassador Gong Jianwei Executive Director, CICA Secretariat" (June 28, 2017), http://www.s-cica.kz/page.php?page_id=6150&lang=1.

[384] "The Statement of the Chairman of the Fourth CICA Think Tank Roundtable on Asian Security Cooperation: Contexts, Missions and Prospects" (Shanghai: CICA Think Tank Roundtable, December 17, 2015), http://www.cica-china.org/eng/xjzs/yxzglt/t1448497.htm.

[385] Gong Jianwei, "Address by Ambassador Gong Jianwei at the 25th Anniversary of the CICA Process" (April 19, 2017), http://www.s-cica.kz/page.php?page_id=6108&lang=1.2017

> In the future, we should use the [New] Asian Security Concept to lead in the promotion and establishment of a framework for Asian regional security cooperation; we should combine the CICA [New Asian Security] Concept with the Silk Road spirit, and use the framework of CICA to explore how the development strategies of Asian countries can be integrated with the construction of the "Belt and Road." We should probe into CICA's integrative properties to create a community of common destiny…""[386]

In these remarks, Wang is arguing that the New Asian Security Concept forms the foundation for regional order, one that is pulled together through CICA and Chinese projects like Belt and Road to create a "community of common destiny."

China has sought to institutionalize this view not only through CICA joint statements, but also through the institution's network of exchanges. A central component of this effort is China's attempt to make CICA the discursive center of the Asia architecture debate through its creation of a CICA NGO Forum and a CICA Think Forum. Just as various APEC-related and ASEAN-related Track II and think tank forums had played an important role in guiding the debate over Asian regionalism in the 1990s, so too does China want CICA to be the center of such discussions going forward, and it wants its security vision promulgated through them. As Wang Yi noted in a 2016 speech at the Ministerial Meeting, CICA's Think-Tank Forum and Non-Governmental Forums are together meant to "encourage all parties to explore a new Asian security architecture at the track II and non-governmental level" and thereby "build consensus for CICA's future development and transformation."[387] With respect to the NGO Forum, Xi Jinping has repeatedly declared that its purpose is to "lay a solid social foundation for spreading the CICA concept of security, increasing CICA's influence and promoting regional security governance."[388] The Think Tank Forum has a similar purpose, and the initiative is organized by the Shanghai Institute of International Studies, which also appears to author most consensus

[386] Wang Yi [王毅], "Wang Yi Chairs Informal Meeting of Foreign Ministers of CICA Member Countries [王毅主持亚信成员国外长非正式会晤]."

[387] "Keynote Address by H.E. Mr. Wang Yi at CICA 2016 Ministerial."

[388] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

reports.[389] In effect, these initiatives are meant to be the main forum for discussions and debate over Asia's emerging architecture and they are generally led by China.

In addition, CICIA is unusual in that it has a mandate that extends beyond security into economic, environmental, political, military, and other issues. In each of these areas, CICA offers a catalogue of confidence-building measures and a basic capacity to monitor their implementation. For these reasons, the inclusion of additional confidence-building measures that better represent China's preferences might gradually allow China to set new norms and rules in a way that narrower organizations without such a function – however shallow – would be unable to accomplish.

Finally, China has also sought to use CICA to build a common identity that contrasts it with the West. Indeed, the CICA Think Tank Forum reports and remarks by Chinese officials suggest the belief that a "the shortage of a common 'Asian awareness' or a common Asian identity has further complicated the prospect of establishing an overarching security mechanism" in Asia.[390] Another Think Tank Forum report argues that "fostering a pan-Asian sense of shared destiny through substantive inter-civilizational dialogues and closer economic cooperation" should be a major Chinese goal.[391] To this end, President Xi Jinping urged the creation of a regular CICA Dialogue on Asian Civilizations in 2014, and China succeeded in pulling it together in 2018. Although such maneuvers are unlikely to overcome internal Asian divisions, China clearly sees them as a way to gradually bind the region together.

Third, China has attempted to use CICA to constrain the ability of its neighboring states to cooperate with the United States, in part by promoting norms favorable to China and unfavorable to the United States. There has been considerable debate on whether China seeks to

[389] "Shanghai Declaration of the Launching of CICA Think Tank Roundtable" (Conference on Interaction and Confidence-Building Measures in Asia, March 22, 2014), http://www.cica-china.org/eng/xjzs/yxzglt/t1448473.htm.

[390] Chen Dongxiao, "Prospects and Paths of CICA's Transformation," 459.

[391] "CICA at 25: Review and Outlook."

use CICA for these purposes, especially over whether Xi Jinping's claim at the 2014 CICA Summit that Asia's problems were for Asians to solve during was a sign that Beijing took issue with the U.S. security architecture. And yet, the evidence strongly suggests that it indeed was. China unquestionably sought to use CICA to create norms against external alliances well before Xi's landmark 2014 speech. In 2010, just before the CICA Summit in Ankara, China and Russia signed the "Joint Russian-Chinese Initiative on Strengthening Security in the Asia Pacific Region," which offered a template for an Asian security architecture. They introduced this template at CICA and proposed a set of norms for Asian states that were explicitly anti-alliance. Their CICA proposal advocated an "architecture of security and cooperation" based on "non-bloc foundations" and even declared that "all countries of [the] region must reject confrontation and mutual cooperation directed against third countries."[392] This anti-alliance reappeared in 2011 when China and Russia defended their proposal during a CICA Special Working Group meeting. In PowerPoint slides and handouts prepared for that session that appear to have been inadvertently uploaded to the CICA website, the two countries made statements far blunter than any others they had made publicly. One powerpoint slide includes a graphic representing the U.S. system of "closed bilateral military alliances" and proposes transitioning it into a "new multidimensional, multi-layer architecture of security and development." Another slide states that "strengthening security in the Asia-Pacific" requires members to "abandon the policy of confrontation and alliances against third countries." The slides declare China and Russia's ambitions to "initiate a pan-Asian dialogue…aimed at [the] establishment of an open, transparent and equitable security and cooperation architecture in Asia Pacific" that would be

[392] "Joint Russian-Chinese Initiative on Strengthening Security in the Asia-Pacific Region" (Conference on Interaction and Confidence-Building Measures in Asia, October 6, 2010).

based on a "non-bloc framework."[393] These sentiments reappear in China's 2010, 2012, and 2014 addresses to CICA, all of which put forward the Sino-Russian proposal as a template.[394]

In this light, Xi Jinping's speech should be read as a statement of Chinese preferences. Xi's claim that "one cannot live in the 21st century with the outdated thinking from the age of Cold War and zero-sum game" is a criticism of U.S. security architecture, and his declaration that to "to beef up and entrench a military alliance targeted at a third party is not conducive to maintaining common security" is an argument against greater security cooperation between the United States and Asian states wary of China's rise.[395] His most controversial line flows naturally from these sentiments. "In the final analysis," Xi argued, "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia. The people of Asia have the capability and wisdom to achieve peace and stability in the region through enhanced cooperation."[396] The idea that these remarks were somehow accidental or improperly vetted, as Linda Jacobson suggests, can neither explain (1) why these sentiments were so common in earlier Chinese discourses in CICA or (2) why they continued to reappear afterwards. Indeed, only a few months after Xi's address, China's Vice Minister told the assembled guests at a high-level CICA meeting that "certain countries, clinging to the cold war mentality, have practiced double standard and unilateralism, undermining the peace and stability of Asia."[397] In 2017, Chinese diplomat Wang Tong addressed the 2017 CICA Ministerial and, in language nearly identical to Xi's, declared that "The Chinese side believes that the issue of Asian security can be resolved only by the Asian countries themselves and their peoples, who also have the

[393] "Joint Russian-Chinese Initiative on Strengthening Security in the Asia Pacific Region" (May 31, 2011).

[394] "Dai Bingguo's Speech at the Third CICA Summit [戴秉国在亚信论坛第三次峰会上发表讲话]"; "Statement by H.E. Mr. Chen Guoping at CICA Meeting of Ministers of Foreign Affairs"; Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

[395] Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation."

[396] Xi Jinping.

[397] Chen Guoping, "Vice Minister Cheng Guoping's Speech at the Opening Ceremony of the Meeting of CICA Senior Officials Committee."

opportunity and the desire to resolve these issues."[398] Finally, the notion that Xi's comments were the result of error or indirect attention is belied by the fact that the speech was no perfunctoary set of remarks: it was by China's leader in a Chinese city at the outset of leadership over an organization China has worked for years to lead that announced a new Chinese security concept. The idea that such a speech was not properly vetted seems implausible. What is far more plausible is that since at least 2010 China has sought to use CICA to promote norms that would undercut the U.S. role in Asian affairs and undercut security alliances.

[398] Wang Tong, "Statement of Mr. Wang Tong, Counselor of the Embassy of the People's Republic of China at the 25th Anniversary of the CICA Process" (April 19, 2017), http://www.s-cica.kz/page.php?page_id=6130&lang=1.

CONCLUSION

This chapter sought to explain four puzzles in China's participation in regional institutions: (1) why China suddenly joined institutions after ignoring them; (2) why it then stalled the regional institutions it joined; (3) why it then built its own redundant institutions; and (4) why it made to institutionalize China-built organizations? The chapter showed that China's decision to pursue *blunting* explain the first two puzzles while its decision to pursue *building* explains the latter two.

After the Cold War's conclusion increased China's *perceived relative threat* from the United States, Beijing chose a *blunting* strategy to counter U.S. power by joining potential institutions it feared the U.S. might lead notably APEC and the ARF. Remarks by Chinese leaders like Jiang, as well as by academics involved in shaping China's multilateral strategy, together reveal a belief that institutions could be used to reassure neighbors who might encircle China, gain opportunities to stall U.S.-led regionalism, and find outlets to constrain U.S. power. Indeed, China's top diplomats demonstrate an interest in stalling APEC and the ARF. As for the SCO, which was an organization China helped construct, the chapter noted China's efforts in it were a form of preemptive blunting to forestall a larger U.S. presence in Central Asia after the invasion of Afghanistan. This explains the first two puzzles listed above: China joined and stalled institutions to reduce U.S. influence in Asian affairs.

After the 2008 Global Financial Crisis decreased China's *perceived relative power gap* with the United States, Beijing chose a *building* strategy to shape its own region. In high-level speeches by Hu and Xi, as well as top diplomats, China suggested it would use institutions to (1) claim leadership in part through public goods, (2) rewrite regional rules and norms, and (3) develop constraints over its neighbors, and China's investments in AIIB and CICA reflect this strategy. China's creation of AIIB, its thickest institutional involvement to date, and its lobbying to lead and then remodel CICA reflect Beijing's desire to alter Asia's economic and security

architecture through multilateral organizations. This explains the third and fourth puzzles: China built institutions, even redundant ones, because it could control them and build order.

CHAPTER 5: CHINA'S FOREIGN ECONOMIC BEHAVIOR

PNTR, WTO Accession, Trade, Investment, and Finance

This chapter focuses on China's foreign economic behavior. It investigates three main puzzles: (1) China's pursuit of permanent MFN in the 1990s after a decade of ignoring it; (2) its willingness to offer concessionary trade and investment terms to its neighbors; and (3) its pursuit of redundant financial architecture and monetary diversification that would weaken its own export economy. The chapter argues that after Tiananmen Square, the Gulf War, and the Soviet Collapse, China's *perceived threat* from the United States increased and Beijing pursued permanent MFN and WTO accession to *blunt* Washington's ability to wield economic leverage over China. Then, after the Global Financial Crisis of 2008, China's *perceived relative power gap* with the United States fell, and a more confident China used trade concessions, infrastructure investment, and renminbi regionalization to *build* economic leverage over neighbors that would lay the foundation for a China-led order. In short, China has gone from a strategy that reduced U.S. economic leverage over China to one that deploys the same forms of economic leverage – relational, structural and domestic-political - over its neighborhood.

INTRODUCTION

The need for China to develop economically explains much of its domestic and international economic behavior. Even so, strategic motivations have never been far from the surface; indeed, Deng Xiaoping's very reform and opening movement four decades ago was motivated in large part by the nationalist project of rejuvenating China and returning it to great power status.

This chapter seeks to demonstrate that strategic motivations explain a significant portion of Chinese foreign economic behavior, and that those strategic logics have shifted as China's perception of American power and threat have changed. It calls attention to several puzzles in Chinese economic behavior. First, why didn't China seek permanent Most-Favored Nation status in the 1980s when it was politically easy to secure but then spend the entire next decade pursuing it at great cost? Second, what explains China's concessionary trade agreements and loss-making infrastructure investments among its neighbors? Third, why has China built

parallel international financial structures when well-functioning ones already exist, and why has it sought to promote monetary diversification if doing so could hurt China's export economy?

The chapter argues that some of these puzzles are explained by strategic factors. In particular, it argues that Chinese economic strategy has been designed to *blunt* U.S. economic leverage over China and subsequently to *build* Chinese economic leverage over its Asian neighbors. The manipulation of economic leverage, also called economic statecraft within this chapter, takes three forms adapted from previous work on international political economy: (1) *relational leverage*, which involves the manipulation of bilateral asymmetric interdependence; (2) *structural leverage*, which involves manipulating the global economic framework within which states operate, and (3) *domestic-political leverage*, which involves the often targeted and discrete use of economic tools on foreign political and interest groups to change a state's conception of its own interests.

This project has defined grand strategy (Chapter 1), used Chinese Party sources to demonstrate the content and adjustment of Chinese grand strategy (Chapter 2), and showed how military and international institutional investments are consistent with this account (Chapter 3 and Chapter 4). In this next chapter, it shows that international economic instruments have also been integrated into the country's larger grand strategy to blunt American power and then to build regional order. The chapter makes two overarching arguments.

1. The first argument of this chapter is that changes in perception of American power and threat produced changes in Chinese economic strategy. Following the trifecta of Tiananmen Square, the Gulf War, and the Soviet collapse, China's perception of U.S. threat increased. China began pursuing a *blunting* strategy designed to reduce the ability of the United States to exercise economic leverage against China. Then, after the Global Financial Crisis of 2008, China's perception of American power fell. An increasingly confident China less vulnerable to U.S. leverage opted to use economic instruments to *build* regional order through economic constraints on its neighbors.

2. The second argument of this chapter is that China's grand strategic blunting and building better explain elements and puzzles of Chinese economic behavior than do competing liberal and interest group (i.e., Open Economy Politics) explanations. Regarding the first puzzle, after China's *perceived threat* from the United States

increased, China began to pursue permanent MFN as part of its blunting strategy to reduce U.S. veto power over the trade relationship. Second, regarding its concessionary trade and infrastructure investment, China has effectively traded absolute economic gains for greater relational, structural, and domestic-political leverage over China's own neighbors as part of its building strategy. Third, China has invested in redundant financial instruments and monetary diversification to strengthen the role of the RMB internationally, which gives China greater political leverage even as it may come at some economic cost. In essence, as China shifted from blunting to building, it turned the economic logic of U.S. leverage over China into one China could exercise over its neighbors.

EMPIRICAL AND THEORETICAL STRATEGY

To gain insight into China's international economic policy, we can attempt to recreate elements of the decision-making process and the strategic judgements the Party makes to guide them. This method involves a focus on Chinese *texts*. In addition, we can also consider variation and puzzles in Chinese economic *behavior*, and then ask what explanations best account for that variation might. Together, a focus on texts and behavior will give us some leverage in understanding what theories best explain Chinese international economic policy, and the degree to which strategic factors play a role.

What theories might best explain variation in China's economic behavior? The political science and economic literature offer a number of theories, and they can be typologized into a few clear ideal-type categories. This chapter considers three alternative explanations for international economic behavior. International economic behavior can be determined by (1) its absolute economic benefits, which constitute *liberal* explanations (2) the interest groups it rewards, which constitute *Open Economy Politics* explanations, (3) or by power-political factors and strategic benefits, the approach this chapter emphasizes, which constitute *economic statecraft* or *grand strategic* explanations.

Absolute Benefits Approaches

The first and most general is a liberal theory of *absolute economic benefits*: that is, states act in whatever way they believe will provide the most economic benefits, and without deference

to particular interest groups. The approach is rarely used to explain economic behavior, but asking whether individual international economic policies make sense from the perspective of absolute economic benefits is a baseline test for whether other, narrower explanations may be better.

Interest Group Approaches

A second approach, known as *Open Economy Politics* [OEP] or *interest group approaches*, today forms what David Lake calls the "dominant approach" to international political economy, and it is the main contender for explaining state behavior:

> OEP begins with firms, sectors, or factors of production as the units of analysis, derives their interests over economic policy from each unit's position within the international economy, conceives of institutions as mechanisms that aggregate interests (with more or less bias) and condition the bargaining of competing societal interests, and, finally, introduces when necessary bargaining at the international level between states with different societally produced interests.[1]

In sum OEP explains a state's international economic behavior by focusing on the economic preferences of individual actors and the ways they combine into interest groups that exercise influence through a state's institutional structure. This analytical approach suffers from two broad shortcomings that together lay the foundation for a third explanation to economic behavior – and one this chapter endorses – *grand strategic* approaches.

OEP's first major shortcoming is that it is ill-suited methodologically and theoretically for autocracies, especially Leninist party-states that enjoy some autonomy from the interest groups so central to OEP, and it struggles to explain state-directed development programs. First, as analytical and methodological approach, OEP works best in more open or democratic political systems where interest groups can be studied, and for that reason, prominent OEP proponent David Lake acknowledges that "our understanding of how institutions aggregate interests is far more advanced for democracies than for democratizing or autocratic states" like China.[2] Second,

[1] David Lake, "The Oxford Handbook of Political Economy," in *International Political Economy: A Maturing Interdiscipline*, ed. Donald A. Wittman and Barry R. Weingast, 2008, 763.

[2] Lake, 765.

OEP not only struggles analytically and methodologically in autocracies, it also struggles theoretically. OEP assumes that certain interest groups within society can enshrine their interests into state policy, but authoritarian governments are often far less responsive to the preferences of interest groups than democratic ones. For these reasons, many international political economists are skeptical about the ability of interest groups to shape international economic policy in autocracies, which suggests OEP's limitations in explaining Chinese behavior.[3] Third, OEP overlooks the fact that authoritarian states not only have some insulation from society, but that the state in these contexts may have its own autonomous interests – especially in China's case, where the state is itself controlled by the Chinese Communist Party. State autonomy and party autonomy doubly complicate the theoretical logic of OEP which posits the state as a more neutral site of interest group competition rather than an actor in its own right. Interestingly, the importance of the state as an autonomous actor that "may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes, or society" has been a feature of comparative politics since at least the 1980s but has not yet become a mainstay of IPE.[4] Some of the comparative literature on state autonomy focuses on structural features of the international environment that make it rational for states to act autonomously (to guide development or to survive); other strands focus on how individual state bureaucrats may have incentives to act autonomously from society. For example, Barbara Geddes argues that within Leninist systems, Party cadres will act in line with Party guidance to secure promotion, which makes these systems particularly autonomous from society.[5] There are thus strong reasons to

[3] Political science has long assumed some independence from society in autocracies. James D. Fearon, "Domestic Political Audiences and the Escalation of International Disputes," *The American Political Science Review* 88, no. 3 (September 1994): 577–92; J. Lawrence Broz and Jeffry A. Frieden, "The Political Economy of International Monetary Relations," *Annual Review of Political Science* 2001, no. 4 (n.d.): 330.

[4] Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), 9; Barbara Geddes, "Building 'State' Autonomy in Brazil, 1930-1964," *Comparative Politics* 22, no. 2 (1990): 217–35; Barbara Geddes, *Politician's Dilemma: Building State Capacity in Latin America* (Berkeley: University of California Press, 1994).

[5] Geddes, *Politician's Dilemma: Building State Capacity in Latin America*.

think that existing international political economy models do not apply as well to China as they do to advanced industrial democracies. Accordingly, a special issue of the *Review of International Political Economy* argued that the rise of China gives "cause to reevaluate the so-called 'consensus' that has emerged during the past 20 years" in international political economy.[6] In that same vein, Robert Keohane argues that "in the West, scholars have been slow to take China sufficiently into account [in the IPE literature], although there are signs of change. Without China, we would be staging Hamlet without the Prince."[7]

Against these arguments, some scholars, such as Victor Shih, take issue with the assumption that interest group politics may not have a consequential role in Chinese international economic policy. Shih argues that "virtual representation" for interest groups exists within the Chinese system: Party officials care about promotion and know their advancement depends on the success of firms within the province or sector they oversee; these officials then represent the interests of their firms to their superiors who in turn listen and acquiesce to build coalitions in factional politics. These "bottom-up" mechanisms are highly plausible and may explain some policymaking, but they do not foreclose the significant possibility that the Party-state has its own autonomous interests, that it can pursue these even in the face of societal opposition (e.g., the Great Leap Forward or SOE reform), and that sometimes strategic factors enter the process and shape policymaking. Indeed, because Party advancement depends as much on compliance with the party lines as it does on performance, there are many cases where Shih's performance-based influence channel would not function if the Party has already determined the line on policy. Finally, Shih must assume some fragmentation, factionalism, and decentralization in the Party for these influence channels to function; generally, however, the Party has trended away from these characteristics since Xi assumed power, increasing state autonomy. Shih's account

[6] Gregory Chin, Margaret M. Pearson, and Wang Yong, "Introduction – IPE with Chinese Characteristics," *Review of International Political Economy* 20, no. 6 (2013): 1146.

[7] Robert Keohane, "The Old IPE and the New," *Review of International Political Economy* 16, no. 1 (2009): 41.

undoubtedly explains important aspects of Chinese international economic policy – vested interests do indeed matter – but as we will see, China has sometimes overridden the preferences of interest groups or of absolute economic welfare to increase security by managing interdependence with the United States and with its neighbors.

A second objection to OEP that stands apart from its limitations in dealing with Leninist autocracies like China is that OEP insufficiently addresses international politics. Robert Keohane writes that he was "disheartened by this suppression of the 'I' in IPE" and that the field increasingly resembled comparative political economy.[8] For his part, Thomas Oatley identifies a "reductionist gamble" in OEP in which international and systemic factors are downplayed in favor of a focus on domestic ones. While Oatley advocates that the field add back in economic factors at the international and systemic levels, such as international economic institutions, strategic and security-related considerations matter at that level too and have received insufficient consideration.

Past IPE literature, such as the discourse on hegemonic stability and complex interdependence, did not delink economics from international politics but instead studied their interconnections in ways that are once again necessary. Indeed, Robert Keohane argues that IPE presently lacks "sustained attention to issues of structural power" which he notes had once been a focus of Marxist and realist approaches in IPE such as Gilpin's, and which "are now being raised by the major shifts in power – toward Asia – taking place in the world political economy."[9] Similarly, Kathleen McNamara notes that past work, especially Gilpin's, had a "non-negotiable view of the economy as permeated by politics and state power" that is "strangely absent" in the current work, where "economic motives often substitute for political ones," and she encouraged

[8] Keohane, 39.

[9] Keohane, 39.

more focus on geopolitics among other factors.[10] Indeed, much of China's own international economic power is motivated by the logic of structural economic power, both America's over China and its own over neighbors.

Grand Strategic Approaches

In contrast to absolute economic approaches and OEP approaches, this chapter offers a third explanation for Chinese international economic behavior: *grand strategic approaches*. These approaches demonstrate that international economic behavior is at times directed not for absolute economic benefit or to reward interest groups but for political purposes as part of a state's grand strategy. This *grand strategic approach* builds on the preceding critique of OEP. First, where OEP assumes states are not autonomous from society and its interest groups, *grand strategic approaches* recognize that some states – especially Leninist authoritarian states, can act independently of society. That autonomy allows them to take economic actions in pursuit of grand strategic objectives that might otherwise be opposed by segments of the society that will bear the cost. Second, where OEP assumes that states focus on interest groups, *grand strategic approaches* recognize that throughout history states have at times incorporated political and strategic factors into their international economic behavior. In sum, grand strategic approaches differ from the preceding approaches by holding that some states have sufficient autonomy from society to integrate political and security considerations into their international economic behavior. Another phrase that refers to this use of economic tools for political and strategic ends is economic statecraft.

What exactly is economic statecraft? How do states leverage messy economic tools and ties to their political advantage? So much of the literature on economic statecraft is consumed with attempts to typologize the various ways states can engage in economic statecraft. For example, Evan Feigenbaum offers a five-fold typology that includes passive, active, exclusionary,

[10] Kathleen R. McNamara, "Of Intellectual Monocultures and the Study of IPE," *Review of International Political Economy* 16, no. 1 (2009): 74.

coercive, and latent forms of economic statecraft – though the distinctions between some of these are blurred.[11] Audrye Wong focuses on economic inducements, and notes that they can subversive (i.e., corrupt) or legitimate stakeholder cultivation, which in turn shapes their efficacy – but this narrow focus on inducements overlooks coercion. William Norris offers a useful six-fold typology for how economics shapes politics: (1) coercion, (2) interest transformation, (3) economic weakening, (4) economic strengthening, (5) hollowing out a target's military-industrial base, (6) strengthening a military-industrial base.[12] This typology, perhaps the most comprehensive, still overlooks the use of economic tools to punish a particular constituency central to a political leader; efforts to sow political division short of transforming a target's interests; as well as structural forms of power.

While the urge to typologize all instruments of economic statecraft is understandable, there are two reasons I do not attempt to do so here. First, it is not clear that such a typology is possible. Economics is a vast domain of activity, it and includes many different forms of interaction ranging from "sanctions, taxation, embargoes, trade agreements, asset freezing, engagement policies, currency manipulation, subsidies, tariffs, trade agreements" and more – all of which could conceivably be used in myriad different ways to impact international politics or security.[13] Second, it is not clear it is analytically useful or necessary to have a functional typology of all the ways economics affects policy. All typologies are based on some criterion to discriminate among categories, but instead of striving to find one criterion a priori that is balanced enough to account for every permutation of economic statecraft no matter how seemingly mundane (e.g., state-directed counterfeiting of a rival's currency), the discriminating standard should be selected

[11] Evan A. Feigenbaum, "Is Coercion the New Normal in China's Economic Statecraft?," MacroPolo, July 25, 2017, https://macropolo.org/coercion-new-normal-chinas-economic-statecraft/.

[12] William Norris, "Economic Statecraft with Chinese Characteristics: The Use of Commercial Actors in China's Grand Strategy" (Massachusetts Institute of Technology, 2010), 48–57. p.

[13] William Norris, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control* (Ithaca: Cornell University Press, 2016), 14.

with the empirical puzzle and question in mind. Put differently, the challenge here is not produce an all-encompassing typology of how economic tools can be used to achieve political ends any more than the other chapters required exhaustive typologies of the way military or institutional tools could be used to advance those same ends. Instead, the point is to see whether China's behavior can be explained by some of the pathways inherent in economic statecraft.

This dissertation views economic strategies from the perspective of rising powers who face an external hegemon and who face uncertain and potentially hostile neighbors on their periphery. With this structural situation in mind, it considers two broad rising power economic statecraft strategies within which a variety of narrower tactics may exist. The first is *strategic economic blunting,* which is oriented towards reducing the economic leverage of the hegemon over the rising power; the second is *strategic economic building,* and it is oriented towards increasing the rising power's economic leverage over its region, both through coercive tools as well as the consensual provision of public goods.

The preceding definitions are somewhat broad, especially with respect to the term "leverage," but greater analytical clarity is possible through a consideration of earlier works in the field. For example, Susan Strange argues that the international political economy is divided between relational and structural power. To her useful bifurcation, we may also add targeted interest redefinition. This yields a three-pronged approach to economic leverage:

(1) *relational leverage*, which refers to the manipulation of asymmetric interdependence to actively coerce or passively induce a state to change its behavior (e.g., U.S.-China ties, China-Philippines ties);

(2) *structural leverage*, which refers to the ability of a state to wield its role in the system both atop the economic hierarchy (control of economic institutions like SWIFT) or as a node in economic exchanges (e.g., U.S. secondary sanctions against North Korea) to shape the framework in which economic activity takes place and change a state's behavior, and;

(3) *domestic-political leverage*, which refers to the ability to alter a state's conception of its own interests through economic instruments in order to change its behavior (e.g., Chinese support for Taiwanese farmers to split them away from a governing coalition).

Blunting is an effort to undermine these three forms of leverage whereas building is an attempt to acquire them. It is worth considering each in greater detail.

First, *relational leverage* as defined by Susan Strange is "the power of A to get B to do something they would not otherwise do." As examples, she notes that, "In 1940 German relational power made Sweden allow German troops to pass through her 'neutral' territory. US relational power over Panama dictated the terms for the Panama Canal."[14] Within the international economic domain, we can say that the essence of relational leverage is asymmetric interdependence and its manipulation – an insight many early authors in the field readily endorse. For example, Albert Hirschman's 1945 *National Power and the Structure of Foreign Trade* – one of the earliest works on economic statecraft and which boasts insights that apply not only to trade but to economic interaction more broadly – makes this point. Indeed, Hirschman believed that great powers, such as Nazi Germany in his study, sought advantage by cultivating relations of asymmetric interdependence that, once established, produced enduring leverage over others. As he argued:

> Economic pressure upon a country consists mainly of the threat of severance and ultimately of actual interruption of external economic relations with that country….thus, the power to interrupt commercial or financial relations with any country…is the root cause of the influence or power position which a country acquires in other countries….For the political or power implications of trade to exist and to make themselves felt, it is not essential that the state should exercise positive action, i.e., organize and direct trade centrally; the negative right of veto on trade with which every sovereign state is invested is quite sufficient.

Similarly, Keohane and Nye in their seminal *Power and Interdependence* argues for regarding "power as deriving from patterns of asymmetrical interdependencies between actors in the issue-

[14] Strange, *States and Markets*, 24.

areas in which they are involved with one another."[15] Robert Gilpin, largely concurred with the view of Hirschman, Keohane, and Nye that the politics of international economic behavior could be located in efforts to cultivate dependence or independence.

> A market is not politically neutral; its existence creates economic power which one actor can use against another. Economic interdependence creates vulnerabilities that can be exploited and manipulated....In varying degrees, then, economic interdependence establishes hierarchical, dependency, and power relations among groups and national societies. *In response to this situation, states attempt to enhance their own independence and to increase the dependence of other states*."[16]

Gilpin's insight that great powers may seek to enhance their own independence relative to strategic rivals and seek to increase the dependence of other states on them forms the core of blunting and building, respectively.

In this view, then, one of the key strategic questions in international economic relations between great powers is whether there exists asymmetric interdependence, and relatedly, what each side is doing to manipulate interdependence in their favor. Within the context of relational leverage, blunting refers to a state's attempt to reduce or constrain asymmetric interdependence so that a rival state cannot wield its economic leverage against it; building refers to a state's attempt to create asymmetric interdependencies with others that will provide the opportunity wield economic leverage against them. Admittedly, it is not always empirically clear which state has an advantageous position in a relationship of interdependence, but in many cases (e.g., a hegemon and a middle power) it is clear enough. Moreover, even when states are equally matched, they may nonetheless struggle to tip the relationship towards a favorable asymmetry.

The second form of economic leverage is structural. Susan Strange defines structural power as "the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their

[15] Baldwin, "Interdependence and Power: A Conceptual Analysis," 18.

[16] Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 23.

scientists and other professional people have to operate."[17] She continues, "Structural power, in short, confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises. The relative power of each party in a relationship is more, or less, if one party is also determining the surrounding structure of the relationship."[18] Strange's account has been previously criticized for not making clear where structural power comes from, and we may supplement it by noting that economic size, control over key economic structures, the existence of acknowledged economic hierarchies, and a country's nodal position with networks of trade or financial activity constitute some sources. For example, when a great power creates a regional trading group but excludes a particular rival, that group can function as a "cartel" wherein those within the trade bloc benefit relative to those outside. The United States in particular exercises considerable structural power, and perhaps the most prominent example is its use of secondary sanctions to constrain Iran and North Korea even though it enjoys little interdependence with either. Other examples include the United States' ability to deny entire countries maritime insurances through its relationship with the United Kingdom, its centrality to the global financial system, its effective control over the SWIFT interbank payments system, the fact the world's sovereign credit rating agencies are essentially all American, and many others both mundane and high-profile elements that together demonstrate the way that the United States can shape the international economic environment.

In this view, then, one of the key strategic questions in international economic relations between great powers is whether their structural power is being contested or enhanced. Accordingly, economic blunting can correspond with a state's efforts to reduce the structural power of another state (e.g., a Chinese criticism of dollar hegemony) whereas building can be defined as an effort to create new forms of structural power to wield over others (e.g., Chinese

[17] Strange, *States and Markets*, 24–25.

[18] Strange, 25.

alternatives to SWIFT or U.S. credit rating agencies). Admittedly, attempts to develop structural power or to create parallel global economic infrastructure can constitute blunting by reducing dependence on another state's infrastructure and building because they can create new mechanisms that other states will become dependent on.

Third, in addition to Strange's division of relational and structural power we may add one other: *domestic-political leverage*, or the discrete use of economic tools to alter a state's conception of its own interests by manipulating ties with political lobbies and stakeholders. Albert Hirschman discusses this mechanism in his 1945 book, noting that a larger state's economic concessions can reshape the domestic politics of small states by creating interest group lobbies in favor of continued economic ties. In such a way, the beneficiaries "will exert a powerful influence in favor of a 'friendly' attitude" toward the larger state, becoming in the most extreme cases a potential 'commercial fifth column,'" creating passive consensual leverage.[19] More targeted forms of this leverage include inducements or "bribes," both those that are legal and legitimate as well as those that are subversive, directed at key parts of the political apparatus. These include direct transfers to politically influential interest groups in foreign countries, either through trade (as in China's ties to Taiwanese farmers) or through loans (as in Russian financial support to European political parties). In contrast to relational leverage and structural leverage, targeted interest redefinition represents the nexus between economic statecraft and political influence.

Outside of these categories, other channels of economic statecraft could plausibly exist. Support for organized crime in another country, attempts to spread counterfeit currency, and other mechanisms may not fit smoothly into the preceding typology. Even so, the existing typology captures much that is relevant to great power politics and especially the interests of rising powers, which I argue are to blunt the power of the reigning hegemon and to develop constraining leverage over potentially hostile neighbors.

[19] Hirschman, *National Power and the Structure of Foreign Trade*, 29.

In sum, this dissertation views economic statecraft as attempts to blunt or build (1) *relational leverage* through the manipulation of asymmetric interdependence, (2) *structural leverage* through attempts to alter the infrastructure and institutions of the global economy, and (3) *domestic-political leverage* through targeted inducements or punishments that reshape a state's conception of its own interests.

Applying this framework to explain Chinese foreign economic policy produces the central argument of this chapter: that China focused on *blunting* American economic leverage after its perception of American threat rose after the trifecta of Tiananmen Square sanctions, the Gulf War, and the Soviet collapse. Then, as China's perception of American power fell following the 2008 Global Financial Crisis, Beijing felt confident building regional order by creating economic leverage over its neighbors and providing public goods.

What did these strategies look like in practice?

In *grand strategic blunting*, China's goal has been to continue to benefit from U.S. capital, technology, and markets while reducing the discretion that the United States has over terminating the interaction and pressuring China. The goal has in many cases been to acknowledge China's asymmetric interdependence with the United States and to reduce U.S. relational leverage over China by removing its veto power over interdependence, especially by achieving most-favored nation status, and its structural leverage over China by gaining admission to multilateral trading bodies.

In *grand strategic building,* China's goal has been to create asymmetric interdependence, structural economic power, and domestic-political leverage that together lay the foundation for a China-led order. This approach is essentially the inverse of blunting: where the former focused on reducing U.S. leverage, this latter approach focuses on increasing China's leverage. For example, China's use of concessionary trade and infrastructure investment creates asymmetric interdependence and acts as legitimacy-granting public goods. Conversely, its use of economic sanctions are efforts to wield asymmetric interdependence to its political benefit. China's

investments in projects like the Belt and Road as well as new economic institutions that range from SWIFT alternatives to RMB exchanges to AIIB together create new forms of structural power as well as new avenues for the exercise of asymmetric interdependence. Finally, targeted concessions and sanctions to discrete political groups, such as Taiwanese farmers, allow China to change the interests of some of its neighbors.

In sum then, Chinese economic blunting undermines some of the foundations of American hegemonic power over China while its economic building is designed to replicate those same foundations for China within Asia. More specifically, if one fits blunting and building strategies into the question of order, then blunting strategies can weaken an order by reducing the coercive economic leverage of its leader; in contrast, building strategies are designed to create order through coercive and consensual means: coercive through the active use of economic statecraft and consensual through the provision of economic public goods (e.g., loans, capital, market access) that provide legitimacy and cultivate asymmetric interdependence, structural power, and domestic-political linkages that can later be converted into coercion.

A few caveats are in order. First, admittedly state autonomy from society is greatest in the military domain and the international institutional domain and comparatively lower in economics, where social groups have strong interests in the outcome of states policy. Not all Chinese economic behavior has strategic explanations. In some cases, China has both strategic as well as economic reasons for acting a certain way, and it is not possible to determine which was determinative. This chapter argues that the presence strategic considerations in decisions such as the one to join the WTO, which clearly had economic benefits, is sufficient to establish economic tools fit into the state's grand strategy. Intentionality, as demonstrate through textual and behavioral analysis, is the important question. Despite the difficulty of cases like the WTO, others are analytically cleaner: in these cases, China has encountered tradeoffs between strategic and economic benefits and prioritized strategic benefits, clearly demonstrating a dominant strategic logic. Second, some scholars like William Norris argue for more focus on the ability of the state to

direct commercial economic order. This ability to command private actors, however, is not necessary for economic statecraft. As Hirschman notes, states can engage in economic statecraft simply through exercising sovereign control over trade and investment flows as well as over international economic structures. Admittedly, this can inflict pain on some groups, but autonomy from society is the base condition needed to implement those efforts, not the state direction Norris emphasizes. Even so, in China's case, many SOEs are part of the state anyway, which makes direction far more likely than in a purely capitalist context.

Table 8: Summary of Economic Puzzles and Theories

	MFN Reversal	Concessionary Trade/Infrastructure	Redundant Financial Architecture and Anti-Dollar Push
Puzzle	Why didn't China seek permanent Most-Favored Nation status in the 1980s when it was politically easy to secure but then spend the entire next decade pursuing it at great cost?	What explains China's concessionary trade agreements and loss-making infrastructure investments among its neighbors? Why did China begin to use sanctions after 2008?	Why did China build parallel international financial structures when alternatives existed? Why did it promote monetary diversification that would hurt China's export economy?
Absolute Economic Benefits	Permanent MFN would have provided major economic benefits in the 1980s and 1990s and cannot explain the reversal.	China's concessionary trade to Taiwan and the Maldives provides fewer economic benefits than China could have received. BRI investments are loss-making. Sanctions provide no aggregate benefit.	Alternatives to SWIFT and rating agencies are less efficient than existing systems and have maintenance costs. Monetary diversification hurts China's export economy.
Open Economy Explanations (i.e., Vested Interests)	Vested interests did not block permanent MFN in the 1980s nor did they drive it in the 1990s.	Powerful interest groups were sold out in China's FTA with Taiwan, and BRI investments cannot absorb even a small portion of China's surplus capacity. Sanctions were too targeted to benefit powerful groups.	Powerful banks were hurt by SWIFT alternatives but SOEs may be helped by ratings alternatives. Monetary diversification hurts exporters while few benefit given closed capital account.
Blunting	In the 1980s, China was unconcerned about reliance on the U.S. and content to let MFN renew annually, but this changed after the 1989, when it was seen as weaponized.	N/A	Control over payments and credit rating insulates China from U.S. structural financial power. Monetary diversification weakens U.S. financial power.
Building	N/A	China is trading economic benefits for strategic ones. Concessionary trade and investment provide a public good as economic leverage. Sanctions are political tools.	China is trading economic benefits for strategic ones. Control over payment and credit rating, as well as the increased use of RMB in Asia through monetary diversification, give China financial power – especially within Asia.

CHINESE ECONOMIC TEXTS

This section explores authoritative Chinese texts, especially the remarks of all major leaders as well as those of several foreign ministers and state councilors for foreign affairs, to explore how economic considerations fit into Chinese grand strategy. It demonstrates that during the 1980s, when Sino-American ties deepened, China was not overly concerned about its growing economic dependence on the United States in part because the shared focus on the Soviet Union promised some stability. Following the trifecta of Tiananmen Square, the Gulf War, and the Soviet collapse, China's perception of American threat increased. The post-Tiananmen imposition of economic sanctions by the United States, Europe, and Japan on China's economy – as well as a ban on high-level visits and on some multilateral lending – led Chinese leaders to increase their perception of American threat and accordingly to change their strategy from ambivalence about dependence to an active attempt to *blunt* U.S. power to exploit it, even as dependence continued to grow. Chinese fears over U.S. relational economic leverage were intensified by U.S. debates over most-favored nation status in the 1990s, and securing permanent normal trade relations and WTO membership was believed to be a way of blunting one of the most important sources of U.S. relational leverage. Even after that issue was resolved, China continued to perceive the United States as maintaining considerable relational and structural leverage over China in areas including foreign investment, energy and commodity markets, financial sanctions, and sea lines of communication. After the 2008 Global Financial Crisis, China's perception of relative American power decreased. Within the economic domain, this translated into a belief that China had an opportunity to be more active in accomplishing its regional objectives as well as a belief that Western financial capitalism and the U.S. dollar had lost some legitimacy. This led China to *build* its own economic leverage. At the regional level, China used concessionary trade and infrastructure investment to create relational, structural, and domestic-political leverage over its neighbors, binding their economies to China's. And with

respect to international finance, China sought promote monetary diversification and alternative financial arrangements that China controlled to create structural leverage as well as to blunt what it saw as increasingly discredited U.S. financial power.

A Shift in Strategy

With Deng Xiaoping's ascendance in the late 1970s, China stepped back from Maoist autarky and sought to achieve security through development. Deng advocated joining the capitalist trading system because he believed an ideological adherence to self-reliance had stifled China's economic growth and thus jeopardized its security. Deng made the link between security and growth clear: "If China wants to withstand the pressure of hegemonism and power politics…it is crucial for us to achieve rapid economic growth and to carry out our development strategy."[20] Starting in the mid-1980s, Deng began to argue that "peace and development" should be the basis of Chinese strategy.[21] This strategy was based on the simple notion that security required economic growth which in turn required peaceful international conditions. Following the adoption of this perspective, China for the first time joined and then made heavy use of international financial institutions like the World Bank, the IMF, and the United Nations Development Program. The basic goal was achieving security through economic development, or what Waltz calls "internal balancing," especially relative to the Soviet Union.

During this period, China recognized the importance of the U.S. market and U.S. capital for fueling its development. As normalization unfolded, China and the United States began to discuss a reciprocal most-favored-nation status agreement. Securing MFN status was a priority

[20]Deng Xiaoping, "The International Situation and Economic Problems: March 3, 1990," in *Selected Works of Deng Xiaoping* (Beijing: Renmin Press, 1993), 227. Excerpt from a talk with senior CCP members.

[21]———, "Peace and Development are the Two Outstanding Issues of the Day: March 4, 1985," in *Selected Works of Deng Xiaoping* (Renmin Press, 1993). Excerpt from a talk with the Japanese Chamber of Commerce, a more pro-China oriented group within Japan. These themes had been emphasized for some time but were formulated not stated as a policy ———, "First Priority Should Always be Given to National Sovereignty and Security: December 1, 1989," in *Selected Works of Deng Xiaoping* (Beijing: Renmin Press, 1993).

for Deng, who met several U.S. congressional delegations in the United States and stressed that although "there are many things to do" in the relationship spanning "politics, culture, trade and other fields…some of these things are more urgent, such as addressing MFN."[22]

Any bilateral MFN agreement would still be bound by the Jackson-Vanik amendment, which restricted MFN status except for those that meet freedom-of-emigration requirements, which required annual congressional approval. This process was fairly uncontroversial for China, especially since Senators Jackson and Vanik as well as President Carter supported extending MFN to China (as well as the Soviet Union). In stark contrast to the tense debates over Jackson-Vanik after Tiananmen, the amendment and its relation to MFN was a subject of humor in 1979. When Carter mentioned the emigration requirements, Deng joked "We'll qualify right now. If you want us to send you 10 million Chinese tomorrow, we'll be glad to do it." Carter joked back that "I'll reciprocate by sending you 10,000 news correspondents."[23] The next year, MFN was approved for China without any serious opposition. As one deep study of the issue remarked, "From 1980 onward, notwithstanding trade and other economic disputes between the PRC and the United States that occurred from time to time," including over intellectual property rights and prison labor as well as political issues like human rights and Taiwan, "China's MFN status went through all the annual U.S. procedures uneventfully until the Tiananmen Incident."[24] During the 1980s, Deng did even not seek to make MFN permanent. China's motivation in securing MFN was not a fear of U.S. discretion over trade, but simply the economic benefits it provided, and it was content to let Congress vote on it annually.

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[22] Deng Xiaoping Nianpu 1 463

[23] Don Oberdorfer, "Trade Benefits for China Are Approved by Carter," *Washington Post*, October 24, 1979, https://www.washingtonpost.com/archive/politics/1979/10/24/trade-benefits-for-china-are-approved-by-carter/febc46f2-2d39-430b-975f-6c121bf4fb42/?noredirect=on&utm_term=.e1efd858846c; Jimmy Carter, *Public Papers of the Presidents of the United States: Jimmy Carter, 1979* (Washington, DC: United States Government Printing, 1981), 359.

[24] Yangmin Wang, "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper," *Asian Survey* 33, no. 5 (1993): 442.

The relationship fundamentally changed after Tiananmen – especially after the United States led Europe and Japan in sanctioning China. China's perception of American threat rose, and Chinese leaders saw the United States as more willing to use relational economic leverage against China. Even as Beijing grew increasingly aware of its dependence on the United States, its leaders hoped that U.S. strategic ties with China would lead to an eventual reset and were reassured by President Bush's attempts to stabilize the relationship.[25] Chinese leaders understood that George H.W. Bush's administration was not interested in the sanctions but felt constrained by Congress; accordingly, Deng had put forward a four-part "package deal" to resolve the impasse: (1) China would release Fang Lizhi and his wife; (2) the U.S. would announce that it would lift sanctions on China; (3) both sides would attempt to conclude one or two major economic projects; and (4) Bush would invite Jiang to visit the following year. In December 1989, Scowcroft visited China and suggested the "package deal" might work, and Beijing's leaders felt confident that the crisis might be resolved.[26]

But if Tiananmen Square had begun the process of increasing China's perception of American threat and shifting China's strategy, then the prompt collapse of the communist world and the Soviet Union helped complete it. Qian Qichen, who was directly involved in these negotiations, argues that the communist collapse in Eastern Europe and Central Asia, as well as the weakening of the Soviet Union, completed China's changing view of the United States, and vice versa:

> After Scowcroft returned to the United States, there were signs of improvement in Sino-American relations, but just at this moment dramatic changes took place in eastern Europe. The Romanian government was rocked by domestic unrest. The ruling Romanian Communist Party was overthrown overnight and its leader, Nicolae Ceausescu, was executed on December 25. The political changes in eastern Europe brought about changes in the international situation. The United States began to assess the general situation of the world and was no longer so eager to improve relations with China. Thus Sino-American relations backpedaled to where they had been before China's

[25] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, 2008, 1:397.

[26] Qian Qichen, *Ten Episodes in China's Diplomacy*, 142–43.

> package solution was proposed. The package solution was put aside.…*The historic changes in eastern Europe, plus the political turmoil in the Soviet Union, dramatically altered the strategic foundation for Sino-American cooperation.* Believing that they no longer needed China's cooperation, some people in the United States began to talk about how to "restrain China."[27]

This view was essentially ratified by the Party at a high-level June 15th meeting in 1990 where, according to Li Peng's diary, a group of senior officials concluded the sanctions were more than punishment for Tiananmen. As he writes, "The central government analyzed the international situation and believed that the United States, after the changes in Eastern Europe and the Soviet Union, was attempting to use pressure to cause our country to change."[28] Having lost the strategic basis for cooperation, China's leaders still hoped economic flows could mitigate some of the political uncertainty in the bilateral relationship. Less than five months after Tiananmen Square, for example, Deng Xiaoping famously received Richard Nixon and told him that economics were the foundation of the relationship. "Sino-American relations have a good foundation, which is that the two countries can help each other develop their economies and safeguard their economic interests. The Chinese market is by no means fully developed yet, and the United States can take advantage of it in many ways," he stressed, "We shall be happy to have American merchants continue doing business with China. *That could be an important way of putting the past behind us*."[29]

But economics would not be a vehicle to bury the past; instead, economic instruments became a means to deepen the divide introduced by Tiananmen and the Soviet collapse, and China would need a new grand strategy focused on blunting American power – including on the economic dimension.

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[27] Qian Qichen, 143–44. Emphasis added.

[28] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, 2008, 1:215.

[29] *Deng Xiaoping Selected Works [邓小平文选]*, 3:332–33.

A Blunting Strategy

In Beijing's eyes, it became increasingly clear that Washington was intent to use its relational economic leverage against China. Chinese leadership texts consistently emphasize three forms of U.S. economic leverage that took them by surprise: (1) U.S. sanctions on China; (2) U.S. debates over cancelling China's MFN status, and (3) new U.S. Section 301 investigations that would trigger significant tariffs. The sanctions alone were jarring, but the other two fronts in the bilateral relationship were potentially far more serious. Together, the shock of these developments led to a reassessment of China's economic dependence and a strategic adjustment to focus on defensive economic statecraft.

The first of the three instruments were sanctions, and they became the emphasis of all Chinese foreign policy for virtually two years, marking a major shift in strategic focus. Even after Tiananmen, when other issues loomed, sanctions remained the core priority of Brent Scowcroft's secret visit to Beijing, President Bush's private letter to Deng, Deng's response to Bush, virtually every subsequent high-level exchange over the next two years, and of course, the overwhelming focus for the country's top diplomats.[30] Qian Qichen describes the international sanctions and isolation following Tiananmen Square as "the most difficult time" during his ten years as foreign minister and – in contrast to Deng's bravado about how the sanctions would only marginally affect China – admits "the pressure of isolation was extremely great."[31] Accordingly, he devotes an entire chapter entitled "Withstanding International Pressure" in his memoirs to this time period and details that concern over sanctions was so great that China's entire diplomatic focus was on alleviating them. Similarly, as Li Peng notes in his memoirs, the

[30] See for example, Qian Qichen, *Ten Episodes in China's Diplomacy*, 133–39.

[31] Qian Qichen, 127.

sanctions on China were akin to the Soviet Union's withdrawal of experts in the 1960s and "affected China's economic development, causing the speed to slow down a bit."[32]

Li Peng notes that a high-level meeting in 1990 met "regarding how to break the sanctions," and determined that China "must find some breakthroughs [in relations with other countries] in order to make our diplomatic work more lively."[33] The shift to a significantly more active diplomacy was crucial. Qian Qichen notes several of the steps that were taken, and he writes about how China tried to trade Fang Lizhi's freedom for sanctions relief; how it attempted to play the Soviet card to remind the U.S. of China's use as a Cold War ally; how it identified "Japan as a weak link in the united front of Western countries that had imposed sanctions against China-and therefore the best target for attacking such sanctions" and regaining the initiative; how it exploited Europeans fears "that they might lose market share in China" and relayed this to the U.S. and Japan to hasten sanctions relief; and how it courted developing countries to "break the sanctions" as well.[34] These coordinated moves defeated the international pressure for sanctions in large part by leveraging China's market and playing other parties against each other.

But a second major source of U.S. relational leverage over China remained: MFN status. Indeed, beating back sanctions did not remove the U.S. economic threat, and the question of whether MFN would be revoked remained a major issue after 1989. China knew that MFN cancellation would be devastating and – just as securing it had been a principal preoccupation in 1979, retaining it and blunting American leverage would become one after 1989. The strategy began immediately. For example, on March 27, 1990, Li Peng hosted a high-level meeting to discuss MFN treatment. At the meeting, the Ministry of Economic Affairs and Trade [经贸部]

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[32] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, 2008, 1:209–10.

[33] Li Peng [李鹏], 1:215.

[34] Qian Qichen, *Ten Episodes in China's Diplomacy*, 140, 144, 150, 153, 156.S

presented figures suggesting revocation would affect $10 billion worth of trade, or more than half the trade volume and significantly more than half of China's exports. Other estimates were more dire, suggesting not only that a majority of China's exports would be affected, but that the actual volume itself shipped to the United States would fall by even more than half. Li Peng said at the meeting that he hoped China's strategic position vis-à-vis the Soviets as well as its market size might dissuade Washington.[35] But by 1991, with the Soviet Union increasingly out of the picture, Li was less positive: "The United States may cancel its MFN status for China," he wrote, "the pressure we face is increasing, there is danger, and while we should work hard and strive to maintain the status quo, we should also plan for the worst."[36] For example, in interviews with Chinese business leaders around the country, Li Peng asked them "what impact MFN cancellation would have" and found, perhaps unsurprisingly, that "the impact was great. First, the [export] market would be lost, and second, the confidence of foreign investors would fall."[37]

As subsequent sections of this chapter discuss in greater detail, China's laser-like focus on MFN was the signature component of its *blunting* strategy. China's leadership wrote that they believed MFN was a political tool of the United States, that securing it would grant China freedom of maneuver. They pursued MFN through bilateral negotiations as well as through the APEC process and the GATT/WTO accession process, hoping that multilateral institutions that required MFN would compel the United States to offer it. They worked for eight years, as Qian Qichen notes, to rename MFN as "Permanent Normal Trading Relations," a term they believed would seem less generous to China. When it seemed possible that China could join the WTO even as the U.S. Congress refused to grant MFN, China said it would not sign any bilateral agreement with the United States regarding the WTO until MFN was made permanent. And

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[35] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, 2008, 1:397.

[36] Li Peng [李鹏], 1:399.

[37] Li Peng [李鹏], *Market and Regulation: Li Peng Economic Diary [市场与调控: 李鹏经济日记]*, 2007, 2:926.

even when MFN status was permanently extended in the late 1990s, the fundamental relationship had changed, with Beijing still acutely aware of the immense relational leverage that the United States wielded. The fight over MFN was a more than decade-long struggle.

The third area of U.S. relational economic leverage, aside from sanctions and MFN, was Section 301 investigations from USTR. In April 1991, USTR classified China as a "target priority foreign country" and launched a six-month investigation that would trigger sanctions if Chinese was not providing adequate protection. Beijing quickly published new copyright laws, and eventually an agreement was reached after Washington threatened tariffs on $700 million of goods – or nearly 5% of China's exports.[38] A number of additional investigations and sanctions threatened to follow in the future, and Beijing hoped that joining a multilateralized rules-based trading order would reduce U.S. discretion on these issues – an assumption that proved largely accurate until the election of Donald Trump.

Together, these three forms of American economic leverage rattled Beijing's leaders and kept them fully on the defensive from 1989 all the way through 2001, when China was admitted to the WTO and hoped the organization (combined with China's permanent MFN status achieved slightly earlier) would together tie American hands with respect to all three forms of economic leverage mentioned above – trade sanctions, tariffs, and Section 301 investigations.

China's awareness of its economic vulnerability made its way into the speeches that set Chinese grand strategy, including the Ambassadorial Conferences addresses in which Chinese leaders both acknowledged the U.S. threat and Chinese economic dependence on the United States. During the 8th Ambassadorial Conference, Jiang declared that "economic security is increasing as a proportion" of international strategy.[39] He declared the United States China's "main diplomatic adversary," and in the very same paragraph stressed China's economic

[38] Wang, "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper," 449.

[39] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 1:311.

vulnerability: “Whether Sino-US relations can be stabilized often affects everything. The United States is still our principal export market and an important source for our imported capital, technology, and advanced management experience. Protecting and developing Sino-U.S. relations is of strategic importance to China.”[40] These remarks effectively ruled out an overtly confrontational strategy to reduce U.S. leverage and made the case for a quieter *blunting* approach. Part of this blunting approach would be to flaunt China’s market. As Jiang furthered argued in that 1993 speech that “US policy towards China has always been two-sided,” and on the one hand it uses issues like trade to “pressure China” and is “domineering in its dealings with our country”; “on the other hand, the United States out of consideration for its…fundamental economic interests will have to focus on our country's vast market.”[41] Like Deng after Tiananmen, Jiang tried to use China’s economic market to dissuade the United States from wielding its relational economic leverage over Beijing. For example, when Clinton invited Jiang to the first APEC Summit in 1993, tensions were still high, and China’s leaders were still concerned about their vulnerability to U.S. economic pressure. Jiang made attempting to dissuade the United States from using that leverage a central focus of his talks with Clinton:

> Today, everyone lives in an interdependent world, and the economy has transcended national borders to become the most important factor in mutual influence and interest….The development of China's economy is beneficial to the development of the United States and other countries in the world. China's vast market has great potential, and we welcome the US business community to expand investment and strengthen economic and trade exchanges with China. *Adopting a containment policy against China and resorting to economic "sanctions" will harm the interests of the United States itself.*[42]

Top Chinese officials made sanctions and MFN a priority even when it was outside of their formal purview. For example, Liu Huaqing – then a Standing Committee member as well as Vice

[40] Jiang Zemin [江泽民], 1:312.

[41] Jiang Zemin [江泽民], 1:312.

[42] Jiang Zemin [江泽民], 1:332.

Chairman of the CMC – spoke with the U.S. Secretary of the Navy, as well as then former Secretary of Defense Dick Cheney and told them that "the issue of MFN status cannot be linked to human rights. If the United States cancels MFN status for China, it will be very disadvantageous to the United States and other countries and regions, and the loss incurred by the United States may be even greater."[43]

Concerns about interdependence were present in subsequent high-level foreign policy addresses. For example, in his next Ambassadorial Conference address in 1999, Jiang further stressed the importance of balancing interdependence and globalization. China "must make full use of the various favorable conditions and opportunities brought about by economic globalization," he noted. But "at the same time," he argued, "we must maintain a clear understanding of the risks brought about by economic globalization." This in turn required Beijing to "safeguard China's economic security" by "enhancing the ability to resist and resolve" foreign pressure and "adhering to the principle of independence [独立自主]."[44]

The awareness that great powers like the United States could use economic tools against China remained under Jiang's successor. At the 2003 Ambassadorial Conference, Hu noted that "the task of developing countries to develop their economies and maintain economic security is even more arduous."[45] As he told the assembled foreign policy apparatus, "It is necessary to see that even as China's development and growth continues to improve its international status, we must also see that our country still faces the pressure of developed capitalist countries' economic and technological strength…[and] we must also see the grim reality that Western hostile forces are still implementing Westernization and splittist political plots against China."[46] He hoped

[43] Liu Huaqing [刘华清], *Memoirs of Liu Huaqing [刘华清回忆录]*, 702–5.

[44] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:201.

[45] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:90.

[46] Hu Jintao [胡锦涛], 2:91.

that “multipolarization will further promote the diversification of economic power,” creating space for China.[47] Even so, as Wen Jiabao noted in preparatory documents for the 16th Party Congress that took place not long after PNTR and China’s WTO accession, the relationship was moving in a direction favorable to China: “From the perspective of economic and trade relations, the interdependence between China and the United States has been accepted by the two governments.”[48]

At the 2006 Central Foreign Affairs Work Forum, Hu noted the multidimensional forms of foreign economic leverage: “Great powers are paying attention to the use of trade, energy, resources, finance, and other economic means to carry out political operations, which makes the political and economic strategy more closely related.[49] Accordingly, “Security issues such as energy, finance, information, and transportation channels have become increasingly prominent."[50] In this way, Hu broadened the focus on U.S. leverage from Jiang’s concern over trade to commodities and their associated SLOCs as well as global finance. Indeed, shortly after taking power, Hu gave an important speech identifying the Malacca Dilemma and stating that some great powers, such as the United States, sought to control the straits and resources upon which China’s surging economy increasingly depended. American ill intentions were manifest throughout the global economy: “China's overseas oil and gas resource development, its cross-border mergers and acquisitions, and its importation of advanced technology have been continuously suffering from interference. This is because of the willful instigation and malicious sensationalization of some people,” presumably Americans, though Hu allowed that “in some

[47] Hu Jintao [胡锦涛], 2:94.

[48] Zong Hairen [宗海仁], *China’s New Leaders: The Fourth Generation [中國掌權者: 第四代]*, 167.

[49] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 2:504–5.

[50] Hu Jintao [胡锦涛], 2:506.

cases there is an actual conflict of interests" rather than political maneuvering.[51] The answer was to formulate "a new energy security concept" that entailed considering the "diplomatic, security, and economic risk" and supporting state-owned enterprises in their "overseas energy development" and their purchase of other commodities.[52] As a consequence, China began to pursue trade with more developing countries and to take equity stakes in commodity projects across Latin America, Africa, and Central Asia under what Hu called the "going out" policy. While these means may have been slightly different from those pursued under Jiang, the essential pressure was the same – to reduce China's dependence on those flows that might be subject to foreign economic pressure. Indeed, as Hu declared in his 2006 speech, "Economic and technological cooperation must be carried out from the consideration of the country's overall diplomatic situation and long-term interests, not merely its economic ones."

A Second Shift in Strategy

Even as late as 2006, when China took stock of its foreign policy assumptions under President Hu, the dominant focus of its grand strategy in his address that year was explicitly on *blunting* American power and adhering to Tao Guang Yang Hui (i.e., hiding and biding). Hu made clear that China's economic security needed to be protected in the face of foreign pressure. Only two years later, however, the 2008 Global Financial Crisis caused a much bigger shift. As Chapter 2 documents in close detail, China's assessment of the relative power gap with the United States fell significantly, and President Hu then officially revised Tao Guang Yang Hui by stressing "Actively Accomplishing Something" in his 2009 address. In the process, Hu jettisoned the extensive rhetoric from his 2006 address on the importance of avoiding "speaking too loudly" and claiming leadership.

[51] Hu Jintao [胡锦涛], 2:513.

[52] Hu Jintao [胡锦涛], 2:514.

In the post-crisis era, China's economic strategy had two tracks that are spread across three of this chapter's cases. The first track focused on greater regional activism and "peripheral diplomacy," which in practical terms took the form of Chinese-led order-building through the cultivation of relational, structural, and domestic-political economic leverage over Chinese neighbors. The main instruments of creating this leverage were concessionary trade and trade sanctions, as well as massive infrastructure investment. The second track focused on greater activism in global finance, an area of serious and growing vulnerability to the United States. There, China's activism took the form of building alternatives to U.S. financial architecture. Just as in the blunting period, not all of China's economic activity in the building period had exclusively strategic motivations, but economic tools were clearly a part of its larger strategy.

China's greater activism departed from the blunting period in its focus on the broader neighborhood. Indeed, in his 2009 address resetting Chinese grand strategy, Hu called for greater "peripheral diplomacy" and stressed that China had reduced its external pressure and would have greater freedom of maneuver in the region. After the crisis, he declared, the "overall strategic environment continues to improve" and "our country's influence on the periphery has been further expanded,"[53] This created the opportunity for more proactive economic behavior, and Hu therefore stated that "we must strengthen economic diplomacy."[54] His speech made clear that this focus on economic diplomacy would take place both within the periphery as well as with respect to the international financial system.

Both of these themes became more pronounced in subsequent years. Indeed, following Hu's speech, "peripheral diplomacy" continued to see elevation in Chinese grand strategy under the rubric of a "Community of a Common Destiny." In 2011, China released a White Paper

[53] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:234.

[54] Hu Jintao [胡锦涛], 3:239.

advocating for a "Community of Common Destiny" in Asia, a concept that soon became shorthand for Chinese order-building in Asia.[55] Two years later, in 2013, Chinese Foreign Minister Wang Yi declared the periphery the "priority direction" for Chinese foreign policy, ostensibly above other focuses like the great powers, and linked it directly to the concept of a "Community of Common Destiny" for the first time. That same year, President Xi held an unprecedented Work Forum on Peripheral Diplomacy – the first meeting of that magnitude convened on foreign policy since 2006 and the first ever on Peripheral Diplomacy. In his address, he made clear Peripheral Diplomacy's central importance in Chinese foreign policy, deemed it necessary for national rejuvenation, and declared its purpose as the realization of a regional "Community of Common Destiny." Academic and think tank commentary picked up on the trend, with Yan Xuetong writing that "the significance of China's peripheral or neighboring countries to its rise is growing more important than the significance of the United States," which meant that China was elevating the periphery over its past focus on dealing with U.S. pressures.[56] The next year, at the 2014 Central Foreign Affairs Work Conference – a major foreign policy gathering previously held only four times in Party history and usually only at moments of great transition – Xi appeared to elevate peripheral diplomacy over a focus on great powers like the United States. That same language was then repeated again in the 2014 Government Work Report, suggesting its formalization. Xi even made the "Community of Common Destiny" the main theme of the 2015 Bo'ao Forum, and China's 2017 White Paper on Asian Security Cooperation states that "Chinese leaders have repeatedly elaborated on the concept of a community of common destiny on many different occasions. China is working to construct a community of common destiny…in Asia and the Asia-Pacific area as a whole."[57]

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[55] "China's Peaceful Development."

[56] Yan Xuetong [阎学通], "Yan Xuetong: The Overall 'Periphery' Is More Important than the United States [阎学通：整体的'周边'比美国更重要]."

[57] "China's White Paper on Asia-Pacific Security Cooperation Policies [中国的亚太安全合作政策白皮书]."

These sources all strongly suggest the emergence of regional order-building as a major focus, if not the central priority, of Chinese grand strategy.

In addition to the growing focus on the periphery, China also began to become far more active in pushing for international monetary reform. As the case study on financial alternatives discusses in greater detail, from 2008 onward, Chinese officials took the unprecedented step of routinely calling for monetary diversification and a weakening of the dollar's role as reserve currency. These statements were made not only by the head of the People's Bank of China, but also by President Hu and other senior leaders at top economic forums including the G20. This strategy was explicitly outlined in Hu's own 2009 speech and has remained a feature of Chinese policy since.

A Building Strategy

China's efforts to build regional power emerged under the rubric of Hu's call to "Actively Accomplish Something." Hu declared that China "must *more actively* participate in the formulation of international rules" and institutions, anticipating the eventual creation of AIIB and leadership of CICA. On financial issues, he declared China "must *more actively* promote the reform of the international economic and financial system," which that year led to new efforts to promote monetary diversification away from the dollar as well as parallel financial structures, a project that Hu stated would need to be undertaken "through coordination and cooperation with developing countries." Finally, he proposed robust infrastructure investment as a part of China's economic strategy. Anticipating the Belt and Road Initiative, Hu declared that, "we must actively participate in and vigorously promote the construction of surrounding highways, railways, communications, and energy channels in the periphery to form a network of interconnected and

interoperable infrastructure around China."[58] In short, trade, infrastructure, and monetary diversification were all core elements of China's more active economic strategy as early as 2009.

The link between China's regional economic efforts and its building was made clear in speeches by Hu as well as Xi. Hu's 2009 address stressed that "operating a good periphery is an important external condition for China," and it suggested concessionary economic arrangements – and "in particular" infrastructure agreements – were a part of peripheral diplomacy. China would need to "adhere to the peripheral diplomacy policy of being a good neighbor and partner, strengthen strategic planning for the periphery as a whole, strengthen mutual trust and promote cooperation." This could be accomplished in part by creating greater complementarities between China's economy and that of its neighbors. Indeed, Hu called for China to "strengthen the common interests of our country and peripheral countries….we must focus on deepening regional cooperation in Asia, paying attention to promoting the integration of regional and sub-regional cooperation with China's domestic regional development strategy," thereby linking China's economy with that of its neighbors.[59] Hu also stressed, "we must participate more actively in the formulation of international rules, actively promote the reform of the international economic and financial system, more actively safeguard the interests of the vast number of developing countries."[60] Many of these themes were stressed in subsequent years. China's 2011 White Paper, which first introduced the concept of a Community of Common Destiny, stressed the importance of "mutual dependence" as well as "intertwined" and "interconnected" interests, which in practical terms effectively would mean asymmetric dependence on China given its size. The White Paper also called for regional cooperation along the lines proposed by Hu and more fully implemented under Xi. For its periphery, China

[58] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:241.

[59] Hu Jintao [胡锦涛], 3:242.

[60] Hu Jintao 3 239 and 241

advocated "increased trade" and said it would "promote regional economic integration," taking care to remind its neighbors that such efforts were evidence that "China does not seek regional hegemony or a sphere of influence" and that "China's prosperity, development and long-term stability represent an opportunity rather than a threat to its neighbors."[61] All of this anticipated the announcement of BRI four years later, as well as China's concessionary trade agreements.

Under President Xi, these efforts were discussed more explicitly. On the economic side, in his 2013 Work Forum on Peripheral Diplomacy, Xi proposed offering public goods and facilitating mutual interdependence, both of which would "create a closer network of common interests, and better integrate China's interests with [neighbors], so that they can benefit from China's development." He explained precisely how China would do this. "We must make every effort to achieve mutually-beneficial reciprocity," Xi declared, "We have to make overall plans for the use of our resources….[and] take advantage of our comparative strengths, accurately identify strategic points of convergence for mutually-beneficial cooperation with neighbors, and take an active part in regional economic cooperation." In practical terms, he stated, "we should work with our neighbors to speed up connection of infrastructure between China and our neighboring countries" and explicitly listed the Belt and Road Initiative and Asia Infrastructure and Investment Bank as tools to do so. In addition, Xi wanted to "accelerate the implementation of the strategy of free trade zones" and to put "our neighboring countries as the base," another sign of the elevation of the periphery. New investment as well as active interlinkage between Chinese border regions and neighbors was also essential. The overall objective, Xi stated, was "to create a new pattern of regional economic integration," one he stated multiple times that would be linked closely to China. Left unstated was that the active cultivation of this kind of asymmetric interdependence would give China great freedom of maneuver and potentially constrain its neighbors as well. But at the 2017 BRI Forum, Xi was clear that these efforts fit

[61] "China's Peaceful Development."

under his work to create a Community of Common Destiny. All parties to BRI, he argued, would "continue to move closer toward a community of common destiny for mankind. This is what I had in mind when I first put forward the Belt and Road Initiative. It is also the ultimate goal of this initiative."[62] In short, these are the economic and institutional means at the heart of China's grand strategy to build regional order.

PERMANENT NORMAL TRADING RELATIONS

After the trifecta of Tiananmen Square sanctions, the Gulf War, and the Soviet collapse, Chinese leaders perceived themselves as highly vulnerable to U.S. unilateral sanctions or tariffs. And given Chinese economic dependence on the United States, those costly sanctions nonetheless remained trivial compared to the enormous damage the United States could do by revoking China's most-favored nation status.

Granting most-favored nation status means that the recipient country would receive terms that are as favorable as the best terms the granter gives to other states. In China's case, MFN status was vulnerable to possible U.S. veto annually, which would have resulted in an immediate tariff increase on 95% of Chinese exports to the United States and a doubling of the cost of most products – thereby crippling China's economy. For this reason, perhaps the key priority for Chinese international economic policy after the Cold War was to achieve permanent most-favored nation status, or what later came to be termed permanent normal trading relations, with the United States. Achieving it would serve to *blunt* American relational leverage over China, and China was willing to pay a high economic and domestic-political cost to secure it.

[62] Xi Jinping [习近平], "Chairman Xi Jinping's Opening Remarks at the Roundtable Summit of the 'Belt and Road' International Cooperation Summit Forum [习近平主席在'一带一路'国际合作高峰论坛圆桌峰会上的开幕辞]."

The reason China did not already have permanent MFN status dated back to the Cold War. In 1951, the United States suspended most-favored nation status for China along with all other communist countries and "non-market economies." Decades later, the Jackson-Vanik Amendment of the Trade Act of 1974 further circumscribed the President's authority in granting MFN. Under the amendment, the President could only provide MFN status to "non-market" countries like China if those economies complied with freedom-of-emigration requirements. The Act gave the president the authority to waive the freedom-of-emigration and grant MFN status, but such a waiver needed to be reissued annually and could be overridden by Congress through a "resolution of disapproval" that could pass on a simple majority vote. If the President vetoed the "resolution of disapproval," Congress needed a two-thirds majority in each chamber to override the veto. In practical terms, the Jackson-Vanik amendment meant that trade with non-market economies would be subject to one-year reviews unless Congress passed legislation exempting the state from review and making MFN status permanent.[63]

As discussed previously, during the Cold War, China's MFN status was rarely an issue. It was unfailingly renewed without controversy, and in part for that reason, Beijing did not prioritize making it permanent. But as China's perception of American threat rose, and the American anxiety over China increased, the issue became a paramount concern for China, and it became closely intertwined with the China's negotiations on WTO membership. Indeed, China's negotiations with the United States over WTO entry were not fundamentally about the WTO – both parties understood them as in actuality being negotiations about whether or not China would receive MFN, and China's concessions should be seen in that light.

This section argues that China's pursuit of permanent MFN status, and in part WTO membership, was driven in large part by a desire to blunt the United States' relational economic

[63] Vladimir N. Pregelj, "Most-Favored-Nation Status of the People's Republic of China," CRS Report for Congress (Congressional Research Service, n.d.), 1–3.

leverage over China. Admittedly, economic considerations – both absolute and those targeted to vested interest groups – played an important role, but the evidence demonstrates that China was willing to pay absolute economic costs and domestic-political costs in order to achieve it. Indeed, China's substantial concessions stand in contrast to the U.S. view of MFN status, which was that it was a minor concession that China already had in de facto terms. The differing views of MFN's importance in part created the bargaining space that made possible an agreement and China's eventual WTO accession. After a discussion of alternative explanations, this section focuses on China's (1) strategic motivations as reflected in key texts, (2) the use of APEC to achieve MFN status, and (3) the use of the WTO to achieve MFN status.

Alternative Explanations

There are two plausible alternative explanations for China's pursuit of MFN status and WTO accession. The first is that China pursued these two objectives because it was motivated by the absolute economic benefits of joining; the second explanation is that it was motivated by the narrower preferences of specific interest groups.

The first explanation has some merit. Chinese leaders clearly thought that MFN status and WTO membership would strengthen the country's economy in the long-run, even if it created adjustment costs.[64] Even so, the presence of economic motivations does not mean strategic considerations did not also play a major role. Indeed, China was willing to make significant *economic* concessions for MFN status – in effect trading away some of the benefits of liberalization for the security and strategic benefits of a more hamstrung U.S. policy. This was no accident. As Jiang Zemin stated time and again, and as will be discussed in greater detail subsequently, the WTO was to be viewed first as a political issue and then as an economic issue.

[64] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 2:442–60.

The second explanation for China's pursuit of MFN and WTO membership is that it was the product of interest group politics. This explanation is unlikely to be true. A domestic interest group explanation would require assuming that key, powerful constituencies that would benefit from MFN and WTO accession pushed the issue forward in the policy process; in fact, the evidence suggests that the loudest voices were opposed to MFN status and that no clear constituency was driving an agreement.

First, the negotiating process was deliberately insulated from domestic interest groups by Jiang Zemin. As Joseph Fewsmith argues, it appears Jiang Zemin was deeply invested in securing an agreement and afforded immense authority to the agreement's negotiators, notably Zhu Rongji and Long Yongtu, and empowered them to make necessary concessions at the expense of interest groups. Indeed, the loudest interest groups in the process were not supporters but skeptics. China's number two ranked official, Li Peng, reportedly favored domestic protection and sought to undermine his rival Zhu Rongji, who was leading the process. Even these powerful groups were careful in their opposition not because of the power of pro-liberalization groups but rather because they were afraid of crossing Jiang. Indeed, at no point in the memoirs of key players like Zhu Rongji and Li Peng, or in the selected works of Jiang Zemin, is there any reference to the interests of pro-WTO actors; much attention is instead directed towards the opponents. Even so, the Party made clear that all "industry arguments needed to be framed in terms of national interest."[65] Parochial interests were not a priority.

If interest group explanations account for aspects of China's MFN and WTO negotiations, then we would expect to see at least some evidence that the highly vocal and mobilized domestic skeptics exercised influence in the policy process. Indeed, those industries that would be seriously damaged or entirely ruined by liberalization had far more reason to be

[65] Pearson, "The Case of China's Accession to the GATT/WTO," 357-62.

active than those who may have benefited. But interestingly, even high-level skeptics generally did not oppose the agreement, and to the extent economic factors were critical, it was aggregate ones rather than sectoral ones that mattered most. Indeed, Li Zhaoxing stated his judgement that whatever considerable damage some industries might face, China would push on:

> Within the country there was also controversy about China's accession to the WTO. Some fragile industries, such as agriculture and textiles, would be relatively hard hit. Some experts worry that 20 million textile workers and hundreds of millions of farmers will be affected. This worry is understandable, but through hard work we can secure advantages and avoid disadvantages; and besides, many industries will benefit from it, and obviously the benefits outweigh the disadvantages.[66]

Opposition efforts were relatively weak and low-profile, Fewsmith notes, until USTR leaked the draft agreement between the United States and China in April 1999 before any agreement was finalized. That leak was politically explosive, but it also provides a useful test: if at a time when domestic political leverage should have been greatest, it still failed to make a difference on the outcome, then that strongly suggests the process was relatively insulated from opposition. Indeed, the April leak of the concessions Zhu had offered up humiliated him, especially since no agreement had yet been reached, and emboldened his domestic opponents. The next month, the bombing of the Belgrade Embassy – perhaps the most galvanizing nationalist moment in China that decade – brought even more resistance at the popular, bureaucratic, and possibly even elite level. But at the moment where domestic forces were strongest, they accomplished virtually nothing. Indeed, while these events did affect Jiang's timetable for an agreement by roughly three months, they did not at all alter its substance – they only delayed it, and the delay was more the result of the bombing than the trade terms. Li Peng's memoirs recount that as early as August 23, 1999, the central government met and agreed to relaunch the negotiations and began a discussion on strategy the very next week.[67] The final

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[66] Li Zhaoxing [李肇星], *Shuo Bu Jin De Wai Jiao [说不尽的外交]*, 51.

[67] Li Peng [李鹏], *Market and Regulation: Li Peng Economic Diary [市场与调控: 李鹏经济日记]*, vol. 3 (Beijing: Xinhua Publishing House [新华出版社], 2007), 1534.

agreement signed between the United States and China was virtually identical to that negotiated in April 1999 before the leak of the draft text and before the NATO bombing. Even Li Peng – in a meeting condemning Zhu Rongji at a time of his rival's greatest weakness – notably did *not* attack him for making overly generous concessions. All of this shows that at a time when domestic pressures against concessions should have been greatest, they did not alter or even meaningfully influence the final outcome.[68] On an item of such clear strategic importance, the central leadership had sufficient autonomy from society and its various interest groups and opponents to push through an agreement.

Second, to the extent interest groups attempted to play a role at all – however unsuccessfully – their efforts were not fundamentally about pushing for MFN or WTO membership but were instead focused on the degree of concessions China should make. Moreover, even those who advocated protection did not advocate dramatically changing the agreement's terms up front; they instead argued that China could be judicious in its implementation of WTO provisions to maximize protection after the fact. As the most prominent skeptic, Li Peng, put it in a top-level meeting with Jiang and other senior officials on August 30, 1999, "joining the WTO has its advantages and disadvantages, the advantages outweigh the disadvantages, and some provisions that are disadvantageous can still be addressed through the law in the implementation [phase]."[69] After the United States and China signed a bilateral accession agreement in November, he continued to promote these views. At the Central Economic Work Conference held on November 15 in part to educate ministerial and provincial officials on China's accession where Jiang, Li Peng, and others made important addresses, Li Peng said the following: "The drawbacks can be overcome through domestic

[68] For an extremely useful overview of the domestic politics of the negotiation, see Joseph Fewsmith's https://www.iatp.org/files/China_and_the_WTO_The_Politics_Behind_the_Agre.htm

[69] Li Peng [李鹏], *Market and Regulation: Li Peng Economic Diary [市场与调控: 李鹏经济日记]*, 2007, 3:1536.

protection and through increased competitiveness."[70] And Li Peng even pushed back in some meetings on protectionist sentiments, such as in a meeting with the NPC Standing Committee, which would pass the legislation harmonizing China's laws with WTO requirements: "Some people stressed that it is necessary to take good care in telecommunications, finance, and insurance," he wrote, recounting the meeting, "I said that allowing a company's foreign shares to reach 49% is not the same as saying that the [entire] industry allows foreign capital to stand at 49%."[71] In short, protectionist impulses were channeled by one of its leading proponents into how WTO rules were implemented – not what rules were agreed to – another piece of evidence that interest group explanations may not be determinative.

Third, and perhaps most importantly, China's WTO accession came at serious domestic-political cost that would not be worth incurring merely to reward a particular interest group. If the Chinese Communist Party leadership was willing to risk the Party's paramount interests in maintaining Party rule and in maintaining domestic stability, then it strongly suggests that the demands of interest groups – and perhaps even the urgency of absolute economic gains – was not driving China's decision-making. Indeed, Chinese leaders pushed on even as they clearly believed that MFN and WTO membership would increase domestic-political instability. In an April 2000 speech on Party building, Hu Jintao argued that the WTO accession could bring political instability. "Following the expansion of opening up, the development of internet culture, *and especially China's accession to the WTO*," Hu stated, "bourgeoisie ideological infiltration and the challenge of cultural erosion caused by various decadent ideologies…will become more important….and be a major test for us for a long time."[72] Indeed, these were precisely the forces that Western elites had hoped would change China through MFN and WTO

[70] Li Peng [李鹏], 3:1546.

[71] Li Peng [李鹏], 3:1579.

[72] Shi Wu Dayilai Zhong pages 1205-1227, emphasis added

accession. Jiang Zemin echoed this language in a speech on November 28, 2000 at the Central Economic Work Conference. He stated that “the transformation of the economic system” and the process of “opening up” further would “inevitably have a profound impact on people's ideas and concepts, and will inevitably bring about the mutual penetration of various ideologies and cultures.” Moreover, “after joining the WTO, we will face new challenges in the entry of Western cultural products. We must, with regard to ideological content and expression, enhance the competitiveness of China's cultural products.”[73] On February 25, 2002 at a major event organized by the Central Committee and involving all provincial and ministerial-level leading cadres, several high-ranking senior officials spoke, including Jiang. The purpose of the address was to essentially set the line on China’s WTO membership and educate all the leaders on how WTO membership fit into China’s international political strategy as well as to discuss its economic advantages and the reforms it would require. In a blistering speech, Jiang made clear that the U.S. strategy in allowing MFN and WTO accession was to weaken China domestically:

> “The United States finally reached an agreement with us not because of sudden good intentions and benevolence. On the one hand, our strength lays bare before them, so if they didn’t let us join that won't be good for them. On the other hand, they had their own strategic considerations, and we must not be naive. Promoting the so-called political liberalization through the implementation of economic liberalization is an important strategic tool for certain political forces in the West to implement Westernization and splittist political plots in socialist countries. The United States and China have reached a bilateral agreement on China's accession to the WTO, and this is closely linked to its [American] global strategy. On this point, Clinton had been quite clear. In a statement to the Congress on the issue of granting China's permanent MFN status, he said, "Joining the WTO will bring an information revolution to millions of Chinese people in a way the government cannot control. It will accelerate the collapse of Chinese state-owned enterprises. This process will make the government further from people's lives and promote social and political changes in China." With regard to this [intention], we must keep a clear head, clearly see the essence, avoid the danger through precaution and preparedness [做到有备无患], work hard to fulfill our strategic intentions, and promote China's economic development.”

China’s willingness to incur serious domestic risk in favor of MFN and WTO membership strongly suggests the interests of less important subordinate groups were not determinative.

[73] Shi Wu Dai Yi Lai 1461-1475

Admittedly, such an explanation is consistent with the view that China's leadership sought absolute economic benefits. And yet, as we will see, they clearly thought in strategic terms as well.

Grand Strategic Explanations

Strategic Logic

The emergence of MFN as an issue in bilateral relations has always been closely tied to strategic factors. Indeed, until 1979, China did not even enjoy MFN status from the United States. But with the move towards normalization in 1979, and faced with the shared Soviet threat, the United States made an exception for China that allowed it to join a trading system that generally excluded communist states. By the end of 1979, the two countries signed a reciprocal agreement for MFN with the United States and the United States waived the freedom-of-emigration requirements of the Jackson-Vanik amendment, allowing trade to surge forward. For the next ten years, U.S.-China trade was not particularly controversial, and waivers were renewed annually with no meaningful Congressional opposition.[74]

All of that changed, however, when the strategic relationship shifted following Tiananmen Square and the collapse of the Soviet Union. The former incident made China appear to be a strategic threat and the latter reduced the impetus for cooperation, and this was promptly reflected in the MFN issue.

Before Tiananmen, China had been on the verge of striking a deal with the United States on GATT membership and on MFN status. As Gilbert Donahue, chief for external economic affairs at the Beijing embassy recounts, the combination of sanctions and stock-taking about China within Western capitals killed a GATT push that had been going smoothly.

[74] JayEtta Z. Hecker, "China Trade: WTO Membership and Most-Favored-Nation Status," Pub. L. No. GAO/T-NSIAD-98-209, § Subcommittee on Trade, Committee on Ways and Means, House of Representatives (1998), 14.

> "In fact, USTR [the U.S. Trade Representative Office] was ready to enter what I might call the final stage of negotiations to bring about Chinese participation in the GATT, the forerunner of the World Trade Organization [WTO]. The USTR officials felt that in their preliminary negotiations during the spring of 1989, they had just about tied up all of the loose ends and gotten satisfaction from the Chinese government on some of the areas that were of interest to us or were requirements as far as we were concerned for Chinese entry. They were just ready to send a delegation in late June to wrap this up."[75]

Mark E. Mohr, Deputy Director of the Political Section in Shanghai, noted that, "All military cooperation ceased, and China's leaders were barred from visiting the United States. The Congress, the media, and public opinion were all critical of this policy. They felt we should be doing more to punish China for shooting the students, especially in the economic area. A consensus therefore built up to abolish most-favored-nation (MFN) trade status with China." Apparently, even James Baker assumed that the abolition was inevitable.

Even if MFN were not abolished, Congress was determined to revoke the annual waiver. Indeed, one Congressional Research Survey noted Congress only made two efforts to revoke China's MFN waiver during the entire 1980s, and those "resolutions of disapproval" promptly went nowhere. In contrast, regular "congressional action to disapprove the extension of China's waiver was triggered by the Tiananmen Square incident of June 4, 1989," after which point "disapproval resolutions of waiver extensions for China have been introduced in every session" until MFN was made permanent in 2002, with two even enacted by large Congressional majorities though ultimately vetoed by the President.[76] For example, in 1992, the House voted 357 to 61 to override President Bush's veto while the Senate failed to override in a 60 to 38 vote – a remarkable shift and near-miss from the 1980s comity that would have devastated China's economy.[77] From this perspective, the issue of annual MFN renewal in the 1990s can clearly be

[75] "Tiananmen: Another Bump in China's Road to WTO Accession," Association for Diplomatic Studies and Training, 2016, https://adst.org/2016/04/tiananmen-another-bump-in-chinas-road-to-wto-accession/.

[76] Vladimir N. Pregelj, "The Jackson-Vanik Amendment: A Survey" (Washington, DC: Congressional Research Service, August 1, 2005), 11.

[77] Jim Mann, "Senate Fails to Override China Policy Veto," *Los Angeles Times*, March 19, 1992, http://articles.latimes.com/1992-03-19/news/mn-5919_1_china-policy.

seen as an issue unique to the post-Cold War period and emblematic of the growing distrust and competition between the United States and China touched off by Tiananmen Square and the Soviet collapse. This was a realization that was not lost on China's leadership, and they knew it would have profound consequences for China's future. As He Xin, a prominent foreign policy adviser to Jiang Zemin and Li Peng put it in 1993, "The issue of MFN status between China and the United States is a central issue that will determine the rotation of world history."[78]

Chinese leaders clearly understood the MFN question in post-Cold War terms and as part of a potential strategy of containment that emerged after Tiananmen Square and the Soviet collapse. Two prominent foreign ministers – Qian Qichen, who concurrently served as Vice Premier and a Politburo member during the MFN debates, and Li Zhaoxing, who served as Ambassador to the United States during the final push for permanent MFN status – argue in their memoirs that they believed many who were "hostile to China" in the United States saw MFN and human rights as key instruments of containment.[79] Foreign Minister Li Zhaoxing is explicit that MFN was an instrument of containment in his memoirs that had arisen because of the new strategic environment in the post-Cold War period:

> After the disintegration of the Soviet Union, some members of the US Congress acting out of ideological bias used MFN as a weapon to counter China. From 1990 to 2000…the US Congress would debate whether to grant China's MFN status for more than two months, but what was discussed was not whether China allows freedom-of-emigration; instead it was human rights, religion, family planning, Taiwan, Tibet, nuclear non-proliferation, trade deficits, labor reform products, and other irrelevant questions. In actuality this [MFN status] has actually become an important means for the US Congress…to coerce and put pressure on[要挟] China.[80]

After the Cold War ended, he continues, "No matter what problems surfaced in the two country's relationship, they would all be reflected in the U.S. Congressional debate on China's

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[78] He Xin [何新], *Selected Works of Hexin on Political Economy [何新政治经济论文集]*, 17.

[79] Li Zhaoxing [李肇星], *Shuo Bu Jin De Wai Jiao [说不尽的外交]*, 34–35; Qian Qichen, *Ten Episodes in China's Diplomacy*, 314–15.

[80] Li Zhaoxing [李肇星], *Shuo Bu Jin De Wai Jiao [说不尽的外交]*, 47.

MFN status." This was a form of enduring leverage because "China had to beg the United States. China must be obedient, otherwise it will be punished by the United States Congress." China saw MFN as a form of constraining relational economic power over China that needed to be blunted. As Li puts it: "Why did the United States use MFN status to criticize China and coerce China? If this is not hegemonism then what is?"[81] Zhu Rongji, China's Premier and the leader of the negotiating process, saw the United States as wielding its economic relational leverage to bully China through MFN. "China has made 9 years of efforts for 're-entry.' During this period, although the United States also claimed to support China's 're-entry', it actually used its status as a great power to repeatedly obstruct the negotiation process, and it put forward various harsh and unrealistic demands."[82] In a major 2002 address delivered to all high-level Party insiders after China finally succeeded in securing MFN and joining the WTO, Jiang put the success in security terms: "We have finally defeated the unreasonable demands of the United States and some other Western countries and safeguarded China's fundamental interests and national security."[83] The speech focused on the importance of MFN in the larger struggle for power, and it was notable that Jiang emphasized it as a win for national security – which stresses its strategic implications.

Chinese officials pursued MFN at great economic and domestic-political costs because they believed it would secure China the kind of autonomy from American relational leverage that would be key to the country's future. As even one skeptic of economic liberalization, Li Peng, argued at the 1999 Central Economic Work Forum held in November, an agreement with the United States would ensure that "China has more room for maneuver on the international

[81] Li Zhaoxing [李肇星], 47–48.

[82] Zhu Rongji [朱镕基], *Zhu Rongji Meets the Press [朱镕基答记者问]* (Beijing: People's Press [人民出版社], 2009), 93.

[83] Jiang Zemin [江泽民], *Jiang Zemin Selected Works [江泽民文选]*, 2006, 3:448–49.

stage."[84] For his part, President Jiang repeatedly stated that the WTO accession should be seen primarily as a political issue and not an economic issue. Indeed, Li Peng recounts at an important central government meeting convened on August 30, 1999 especially to discuss WTO negotiations one week after a decision was made to reopen negotiations, "Jiang Zemin emphasized that the WTO is a political issue, and it is not a generic technical business issue.…Everyone agreed with Jiang's point that joining the WTO is not merely an economic issue but a political one."[85] An important element of this was to reduce U.S. leverage and thereby stabilize relations with Washington. As Zhu Rongji put it in one interview, "The reason why we made such a big concession is to take into account the overall situation of the friendly and cooperative relations between China and the United States and to build a constructive strategic partnership based on the goals set by President Jiang Zemin and President Clinton."[86]

China pursued two tracks to secure MFN status. The first was through APEC and the second was through the WTO. Indeed, as an account from the time put it, "[China's] trading future, indeed rests on the…continued MFN access to markets in the United States. China needs the certainty and protection that might be expected from the GATT and APEC frameworks for free trade. Otherwise, it will continue to be at risk of discriminatory barriers, sanctions, and retaliatory action by the United States on any number of grounds, including human rights."[87]

APEC

China used APEC to blunt American relational leverage over China. Indeed, APEC was not only a forum to resist American economic liberalization, as discussed in the previous

[84] Li Peng [李鹏], *Market and Regulation: Li Peng Economic Diary [市场与调控: 李鹏经济日记]*, 2007, 3:1546.

[85] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, vol. 2 (Beijing: Xinhua Publishing House [新华出版社], 2008), 802–3.Li

[86] Zhu Rongji [朱镕基], *Zhu Rongji Meets the Press [朱镕基答记者问]*, 101–13.

[87] Gary Klintworth, "China's Evolving Relationship with APEC," *International Journal* 50, no. 3 (1995): 497.

chapter, it also offered a way to improve China's security in concrete ways. As China's first APEC Ambassador Wang Yusheng argues, "APEC would allow us to carry out the necessary struggles and go after advantages while avoiding disadvantages."[88] One of these struggles was over Washington's ability to limit Beijing's access to the U.S. market. Indeed, among the most important economic challenges for Beijing in the 1990s was blunting American economic power over China by "angling for regional trade rules that would prevent the Americans from holding its trade status hostage to its human rights and arms sales record."[89] As Thomas Moore and Dixia Yang argue, "From the start, Chinese officials have hoped that APEC could become a multilateral forum within which Beijing would be able to protect itself from threats such as the imposition of unilateral trade sanctions by the U.S." as well as the revocation of MFN.[90] China saw two paths through APEC to limit U.S. relational power over China: (1) through an APEC norm of non-discrimination in trade, which it saw as the "unconditional application of most favored nation trade status among APEC members," and (2) through using APEC as mechanism to guarantee presence in GATT and its successor the WTO, thereby increasing the likelihood that the United States would grant MFN.[91] Either of these options would have constrained the ability of the United States to restrict bilateral trade with China – and APEC was useful in advancing both.

The first path and most direct path to protecting itself from sanctions was to ensure that APEC accepted the principle of non-discrimination in trade and applied it in a way that essentially guaranteed that states would extend permanent MFN status to each other. Commenting on Chinese negotiating positions in APEC in the 1990s, Moore and Yang argue that

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[88] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 14–15. 5

[89] Sanger, "Clinton's Goals for Pacific Trade Are Seen as a Hard Sell at Summit."

[90] Moore and Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," 386.

[91] Moore and Yang, 394.

through the institution, "China has sought to achieve multilaterally a policy objective—permanent MFN status from the United States—it has not been able to achieve bilaterally."[92] Indeed, Wang Yusheng concedes that "the principle of non-discrimination is actually a matter between China and the United States," but also notes that multilateralizing it was useful because "other members [of APEC] sympathize with and support us to varying degrees." "Therefore," he continues, "we have always stressed that this is not just a difference between China and the United States, it is a problem for all of APEC, it includes the United States and China and all the APEC members and they must work together to solve it."[93] At times, China linked non-discrimination to its willingness to liberalize, as Wang recollects in his memoirs: "We emphasized that non-discriminatory treatment should be given to APEC members first, which is the basis for APEC's trade and investment liberalization."[94] The United States pushed back on these efforts, and once it gave China permanent MFN status, the issue was moot in any case.

With respect to the second path, China attempted to use APEC to gain admission directly to the GATT/WTO, which would effectively grant China MFN. One tactic was to support the principle that, as Foreign Minister Qian Qichen put it, "all APEC members should become GATT members."[95] This was a way of using a multilateral mechanism to wrangle an important and elusive American concession after Tiananmen – support for Chinese admission to GATT/WTO. Another tactic was issue linkage. As Moore and Yang note, "Chinese officials see the U.S. as both the major obstacle to China's GATT/WTO accession and a leading proponent of rapid trade and investment liberalization in APEC," and they repeatedly linked the two issues – China would

[92] Moore and Yang, 394.

[93] Wang Yusheng [王嵎生], *Personally Experiencing APEC: A Chinese Official's Observations and Experiences [亲历 APEC: 一个中国高官的体察- 王嵎生]*, 70.

[94] Wang Yusheng [王嵎生], 70.

[95] Quoted in Moore and Yang, "China, APEC, and Economic Regionalism in the Asia-Pacific," 394.

open up within APEC in exchange for concessions on GATT/WTO accession. The point was explicitly made by Trade Minister Wu Yi in a conference with reporters:

> We have indeed asked the APEC forum to give sincere support to China's bid to rejoin the GATT…If China is out of the GATT…not only will this daunt the universality of the global multilateral trade system, *even China's thorough implementation of the plan of trade liberalization in the APEC region will be affected*. So long as China's GATT contracting party status is not resumed, it would be very difficult for China to commit itself to the implementation of the Uruguay Round agreements, and the *implementation of the APEC regional trade liberalization program would be affected adversely*."[96]

A final tactic was to encourage APEC members to support the principle that those APEC states designated as "developing countries" should also be designated as such within GATT/WTO. This approach was designed to counter the American position that China in many cases would be held to developed country standards, and in rejecting and weakening those standards, hasten China's eventual entry. As Trade Minister Wu Yi argued, "The United States has already consented to [a separate timetable for developing countries in APEC]….We wish the United States would apply the same principle to the talks on China's 'GATT reentry' so that the talks can make progress as soon as possible."[97]

In sum, China's efforts in APEC were oriented in large part not only towards blunting American institutional power, but also towards blunting American economic power. The WTO, however, offered far greater leverage for forcing U.S. concessions on MFN.

WTO

China's negotiations with the United States over WTO entry were not fundamentally about the WTO – both parties understood them as in actuality being negotiations about whether or not China would receive MFN.

[96] Quoted in Moore and Yang, 396.

[97] Moore and Yang, 394.

Indeed, China's push for WTO membership was also part of a strategy to secure MFN status from the United States. China did not actually need U.S. approval to join the WTO; instead, it only needed two-thirds of the WTO members to support China's membership, and it was on track to secure that membership despite possible U.S. opposition. Negotiator Long Yongtu argues that securing MFN was a "core interest" of the negotiations and stated his belief that WTO accession would resolve the issue. "High-level leaders asked me more than once whether the United States would cancel the annual review of China's Most Favored Nation status after China's entry into the WTO," he stated in one interview recounting the WTO negotiation process.[98]

How did the WTO accession process provide China leverage in the MFN negotiation? The answer comes down to its unique particularities. WTO membership requires parties to have unconditional MFN status; if China joined the WTO without securing unconditional MFN status from the United States, the United States would have to invoke the "non-applicability clause," which would have the effect of ensuring that the WTO rules that the United States and China had agreed to would be "non-applicable" in the bilateral trading relationship. In effect, this meant that U.S. firms would suffer significantly in the China market as rival European or Japanese firms benefited from WTO terms with China that American companies would not be able to access. In essence, under non-applicability, China would not necessarily be any worse off than it otherwise had been – especially if Washington still granted it annual MFN status – but the United States could be considerably worse off relative to its competitors. Chinese senior leadership was keenly aware of this leverage and used it to secure MFN. As Li Zhaoxing notes, "According to the WTO regulations, members should give each other unconditional MFN status. After China's accession to the WTO, the US Trade Act of 1974 would conflict with this

[98] Zhang Bin, "Core Interests: A WTO Memoir by China Chief Negotiator Long Yongtu," China Pictorial [人民画报], 2002, http://www.chinapictorial.com.cn/en/features/txt/2011-11/01/content_402102.htm.

regulation. The United States faced a choice: either grant China permanent MFN status so that the United States could benefit from China's WTO accession; or invoke the non-applicability clause to hand over the opportunities brought about by China's open market to other countries."[99] Accordingly, China knew that the more WTO accession agreements it was able to sign with major economies, the greater the pressure it would create for the United States to provide MFN status. Indeed, as Li Peng noted in a May 2000 meeting on the various accession agreements, "An agreement with the EU can promote the United States to adopt permanent normal trade relations with China (PNTR)."[100] In addition, China's leaders suggested that they would fully reverse many if not all the concessions made in exchange for MFN on agriculture, automobiles, foreign investment caps, and anti-dumping measures if the United States did not grant PNTR. For example, in a high-level economic planning meeting between Li Peng and Zhu Rongji on June 30th, 1999, the question of how to sequence China's concessions surfaced. Li Peng argued that, "After joining the WTO, there should be a total restriction on the foreign banks operation of RMB, [and investment in] insurance and telecommunications. He [Zhu Rongji] agreed to legislate this after the WTO. He said that joining the WTO has already been negotiated, and China and the United States have resumed permanent normal trade relations. I said that if the US Congress obstructs the approval of the restoration of normal trade relations between China and the United States, the Standing Committee of the National People's Congress of China will veto [liberalization legislation] accordingly."[101] In essence, China's concessions in the bilateral WTO negotiation process would be reversed entirely, disadvantaging U.S. firms relative to other states while leaving China's firms scarcely any worse off. This kind of hardball approach was consistent in China's negotiating strategy, and visits to foreign countries to sign

[99] Li Zhaoxing [李肇星], *Shuo Bu Jin De Wai Jiao [说不尽的外交]*, 49–50.

[100] Li Peng [李鹏], *Market and Regulation: Li Peng Economic Diary [市场与调控: 李鹏经济日记]*, 2007, 3:1585.

[101] Li Peng [李鹏], 3:1529.

accession agreements and discuss trade made it all the more credible. For example, after discussing trade on a six-country tour including economic heavyweights like the United Kingdom, France, and Saudi Arabia in November 1999, Jiang reiterated the policy that, "If the US Congress does not pass China's normal trade relations status, the agreement between China and the United States [on WTO accession] should be considered invalid" and all concessions would be revoked.[102]

From the U.S. perspective, China's focus on MFN provided a useful opportunity. Indeed, many Americans did not think that the extension of MFN status to China had any real economic consequences for Washington or substantial economic benefit for China. Writing in *The New York Times,* Paul Krugman declared that, "You could argue that the question whether to grant China 'permanent normal trade relations,' or PNTR, is mainly a procedural issue. The United States won't be reducing any existing trade barriers; all the concessions in terms of opening market will come from the Chinese side."[103] Clinton made these same points in a speech the very same day he submitted legislation to grant China permanent normal trading relations: "The W.T.O. agreement will move China in the right direction. It will advance the goals America has worked for in China for the past three decades. Economically, this agreement is the equivalent of a one-way street. It requires China to open its markets — with a fifth of the world's population, potentially the biggest markets in the world — to both our products and services in unprecedented new ways. All we do is to agree to maintain the present access which China enjoys."[104] It is possible that some Chinese leaders also underestimated the economic implications of MFN, seeing it more in a political and strategic light.

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[102] Li Peng [李鹏], *Peace and Development Cooperation: Li Peng Foreign Policy Diary [和平发展合作 李鹏外事日记]*, 2008, 2:803.

[103] Paul Krugman, "Reckonings: A Symbol Issue," *The New York Times*, May 10, 2000, https://www.nytimes.com/2000/05/10/opinion/reckonings-a-symbol-issue.html.

[104] Sanger, "Clinton's Goals for Pacific Trade Are Seen as a Hard Sell at Summit."

The negotiating process over a bilateral WTO accession agreement was full of difficulties, but China's teams retained a laser-like focus on the MFN throughout it. In an economic meeting following the negotiation's breakdown in 1999 and Washington's decision to leak China's concessions to the general public, Li Peng met with senior officials on China's response. As he recounts:

> On April 8, the US unilaterally published the negotiation's draft join declaration manuscript and a list of Americans terms, and said that an agreement had already been reached [on these points]. The Chinese side put out a statement in response and denied an agreement had been reached. But this list had already been widely spread. At the time, 95% of the clauses and content that had been agreed upon were consistent with the list that the United States had published, and China had only added a number of protective clauses. What was unclear was whether the annual review of trade with China would or would not end at this point and whether the United States so-called "most favored nation status" would or would not be included in the agreement. Therefore, I added two items to the document: the United States must give China permanent normal trading status, and cannot continue to examine and approve whether or not China will get MFN status annually; secondly, it must pass certain laws to ensure the correct implementation of the WTO provisions and to guarantee China's role in opening to the outside world."

In essence, despite the opportunity to attack Zhu Rongji for making enormous concessions – many of which had galvanized the opponents – Li Peng remained focused on the question of MFN. That was the essential focus of these negotiations and the main way of neutralizing American relational leverage over China. Zhu's concessions were essentially the price of securing such an important strategic instrument.

China saw the concessions it made in the bilateral accession agreement with the United States as primarily being about MFN, not the WTO. After the agreement was signed, and with the U.S. Congress then debating whether to make China's MFN status permanent, Zhu Rongji linked that agreement to MFN: "there's nothing I can do. We have made the biggest concessions [in the accession agreement], and we are now watching to see what they do."[105]

[105] Zhu Rongji [朱镕基], *Zhu Rongji Meets the Press [朱镕基答记者问]*, 391.

The use of the WTO as a forcing mechanism to reduce U.S. economic leverage over China, and not simply to ensure diplomatic support for China's accession, was an important justification for China's economic concessions in WTO membership.

REGIONAL TRADE

China's trade relations with its neighbors offer an enduring source of leverage. Given its economic size, China generally enjoys relationships of asymmetric interdependence with surrounding states. As discussed previously, Chinese leader-level texts suggest that Beijing has sought to increase interconnections between China and its neighbors both for their economic benefits as well as their strategic ones, hoping that with closer economic ties come a greater harmony of interests if not outright deference. In many cases, China's trade terms have been highly concessionary and appear clearly designed to cultivate influence. In others, especially when its neighbors act contrary to Beijing's interests, China has sometimes used economic leverage against them to induce shifts in their policies. Trade offers an opportunity to glimpse China's willingness to manipulate asymmetric economic interdependence for political benefits, and after a brief consideration of alternative explanations for Chinese behavior, this section focuses on its trade agreements with Taiwan and the Maldives as case studies.

Alternative Explanations

The purpose of concessionary trade is to build relational and domestic-political leverage through the cultivation of asymmetric interdependence as well as through reshaping the domestic politics of the target country.

To test whether a grand strategic account of trade is appropriate, several observable implications can be put forward. First, we should expect to see China make concessionary trade

deals with those states it wants to influence and reassure. Second, we should expect to see such trade deals structured in a way that secures dependence and generates pro-China lobbies. Drawing from Hirschman's description of German trade, there are a few indicators. These include the following: (1) Raising the adjustment costs of its target states by developing trade volumes too large to be shifted, (2) developing "exclusive complementarity" so that the target states' exports find few other markets, (3) lowering tariffs on goods which cannot find other markets, (4) developing "transit trade" so that the target state relies on the larger state to reach international markets, (5) targeting tariff reductions to politically powerful lobbies, etc.[106] If our account of China's trade policy is accurate, we should see some of these tactics in its trade deals. Third, when choosing between trade deals, we should expect China to prefer trade agreements with the greatest security benefits over those with the greatest economic benefits when core strategic/political objectives are at risk. These features, if found in the case studies below, support the "grand strategic" account of Chinese trade.

Grand Strategic Explanations

Taiwan

China's ultimate objective in dealing with Taiwan is to prevent the island's independence in the short-term and to politically unify the island with the mainland in the long-term. China thus has a serious interest in securing influence in Taiwan. Because its interests here may well be more significant than its interests in any other country, if China has shown a willingness to use economic tools for political ends, it should be reflected in this particular case.

Economic tools have risen in prominence because China's post-Cold War attempts at military intimidation have failed. In the first instance, China pressured Taiwanese to vote against President Lee Teng-hui, who had made pro-independence statements. China massed

[106] These techniques are generated from Hirschman's discussion of Germany's trade policy.

troops, fired missiles near Taiwan, and threatened invasion.[107] Military coercion backfired, Lee's poll numbers jumped, and he was narrowly reelected. In the second instance, China again threatened Taiwanese voters against electing a pro-independence candidate, this time Chen Shui-bian. Three days before the election, Premier Zhu Rongji told Taiwanese voters, "Do not just act on impulse…otherwise I'm afraid you won't get another opportunity to regret it" since "the Chinese people are ready to shed blood and sacrifice their lives…"[108] These statements backfired by boosting Chen's poll numbers and helping him win a very narrow election.

With threats and military force discredited, China has subsequently turned more vigorously to economic tools. Taiwanese leaders, especially in the Democratic Progress Party (DPP), have feared overdependence on the mainland.[109] But as soon as the DPP lost power, China aggressively pushed for an FTA with Taiwan. The ECFA is clearly concessionary. Beijing's generosity again comes when the target state's need for a concessionary trade deal is greatest – after a prolonged stagnation worsened by the financial crisis. As one Chinese analyst wrote,

> Taiwan's economy has stalled….imagine how much more awkward Taiwan's economic situation would be if the mainland hadn't opened its market to Taiwan and helped it maintain an annual $60-$70 billion trade surplus…. If the ECFA did not clear a path forward, it would not be feasible for Taiwan to extricate itself from the effects of the global financial crisis.[110]

Beijing's concessions clearly came at a moment of great leverage and therefore appeared more credible as a signal of good faith.

The ECFA brought the biggest change in the relationship between China and Taiwan in sixty years. China's concessions predate the ECFA. Even before the agreement was signed,

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[107] Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War*, 160.

[108] Clay Chandler, "China Threatens Taiwan's Voters," *Washington Post*, March 16, 2001 2000.

[109] Michael R. Chambers, "Rising China: The Search for Power and Plenty," in *Strategic Asia 2006-07: Trade, Interdependence, and Security*, ed. Ashley J. Tellis and Michael Wills (Washington D. C.: NBR, 2006), 83.

[110] Lu Ning, "ECFA de kaiqi liangan hezuo xin shidai [ECFA Opens New Era of Cross-Strait Cooperation]," *Beijing Qingnian Bao [Beijing Youth Daily]*, June 30 2010.

China's largest trade deficit was with Taiwan[111]; nevertheless, the ECFA still managed to be "remarkably sweet for Taiwan."[112] Beijing cut tariffs on 539 categories of Taiwanese exports worth $13.8 billion annually while Taipei only cut tariffs on 267 categories of Chinese exports worth $2.9 billion.[113] Moreover, China's "Early Harvest" clauses ensured that many of the concessions made to Taiwan would be implemented immediately – providing a significant boost to Taiwan's exporters – while Taiwan's limited concessions could be phased in over time. Given that China's GDP is roughly $5 trillion and Taiwan's is but $400 billion, a ratio of roughly 13 to 1, the fact that China's concessions were at least 4 times greater than Taiwan's is a strong indication that China is pursuing strategic rather than absolute gains. As Wen Jiabao admitted, China "will let the people in Taiwan benefit more from the ECFA….that is because we are brothers."[114]

China's interests, though, are not merely fraternal. When we look at the structure of the ECFA, it becomes clear that China has acted in a way that is consistent with Hirschman's account of German trade relations. First, China is using trade policy to gain potential relational leverage over Taiwan by making it *asymmetrically dependent* on China's market and by raising adjustments costs to keep it that way. Second, China is creating *domestic leverage* by supporting vested interests in Taiwan that can influence the island's policy in a pro-China direction.

We begin by looking at how China has cultivated *asymmetric interdependence*. It has (1) created imbalances so large that adjustment for the target state is impossible, (2) made itself the "transit point" to outside markets, (3) imported goods from the target state that would otherwise find no market, and (4) given the target state greater access than the target state's trade rivals.

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[111] Chambers, "Rising China: The Search for Power and Plenty," 82.

[112] "Taiwan-China Trade: No Such Thing as Free Trade," in *The Economist* (2010).

[113] Ibid.

[114] Wen Jiaboa, "Wen Zongli da zhongwai jizhe wen [Premier Wen Answer's Foreign Reporters' Questions]," Ningbo.gov.cn, http://www.nbfao.gov.cn/News_view.aspx?ContentId=2070&CategoryId=46.

All of these tactics outlined by Hirschman in his study of German trade policy are visible in the ECFA.

First, China's generous concessions on Taiwanese exports have already had the effect of making Taiwan more reliant on China through sheer volume.[115] In the 2010, China's share of Taiwan's export rose to 42% from 32% a year earlier. These exports only comprised 8.4% of China's imports. Taiwan ran a trade surplus with China of $62.4 billion[116] – more than double that of the year before. When Taiwan first opened up to trade with China in 1987, policymakers held that its exports to China should be no more than 30% of its total exports.[117] That cap has now clearly been exceeded. With this new trade agreement now firmly in place, Taiwan's trade surplus is expected to rise to over $150 billion and China's share of Taiwan's total exports is expected to climb to 45% – in less than three years. Taiwan's trade surplus with China alone will be equal to nearly 40% of its GDP.[118] Clearly, Taiwan's economy would be vastly different without the Chinese market. Devastated by the financial crisis, Taiwan has roared back to growth; but its recovery and continued prosperity depend on its economic relationship with Beijing. For Taiwan to retain its independence, it would need to be able to replace China with substitute markets in the event ties deteriorate. Given the massive size of China's market and the fact that Taiwan's surplus with China will soon be nearly 40% of its GDP, it seems highly implausible that Taiwan's goods can be shifted to another market – adjustment costs would simply be too high.

[115] These following statistics are all compiled from the Taiwanese Customs Office and Ministry of Trade as well online editions of Taiwanese newspapers. Guo-qin Yu, "Cross-Strait Trade Statistics in Perspective," *Want China Times*, February 7, 2011. See also "China Takes in 32.2% of Taiwan's Exports," *The China Post*, December 2, 2009. "Taiwan's Share of China's Import Market Drops to Nadir of 8.3% in 2010," *China Economic News Service*, February 2, 2010.

[116] Statistic includes Hong Kong

[117] Yu, "Cross-Strait Trade Statistics in Perspective."

[118] This seems to give Taiwan a tool it can use against Beijing – a large annual accumulation of RMB. It may be that the benefit of tying Taiwan to the mainland is worth this risk. Or, it may be that China's closed capital account protects it.

Second, Beijing has raised adjustment costs by cultivating "transit trade." China has blocked Taiwan's participation in regional FTAs, making Taiwanese exports more expensive. To compete, Taiwan has no choice but to rely upon China as a transit point to reach these markets. Hirschman explains the strategic significance of this arrangement:

> "On the one hand it would seem that transit trade can always be replaced by direct trade and that therefore the country handling the transit trade is in a rather weak position. But if the replacement of the transit trade is impracticable for geographical, technical, or contractual reasons, transit trade is immediately seen to be an ideal means of increasing power by trade.…Provided only that its services are indispensable, the country handling the transit trade acquires from that trade a twofold influence and at the same time evades almost entirely any dependence of its own economy."[119]

For Taiwan, the difficulty is legal – hence it must rely on China to reach foreign markets. In providing this access through the ECFA, China cultivates influence and faces a substantially smaller harm than Taiwan from closing Taiwan's access to foreign markets.

Third, consistent with Hirschman's logic, Chinese negotiators raised adjustment costs by granting concessions on goods which would otherwise be unable to find a market. In excess of WTO standards, China unilaterally dropped tariffs on Taiwanese agricultural and fishing products and promised never to seek Taiwan's reciprocation.[120] These goods are unlikely to be exported to another market given the reality that "agriculture is traditionally one of the biggest sticking points to FTAs." In fact, disputes over agriculture have already stalled Taiwan's FTAs with ASEAN states which were negotiated in the wake of ECFA.[121]

Finally, Hirschman argues that a large state will seek to make the target state dependent by granting concessions to it over those granted to the target's rivals. Since Taiwan's manufacturers compete directly with Japan and South Korea in several crucial industries, China's decision to eliminate tariffs entirely on many of these goods gives Taiwan a significant

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[119] Hirschman, *National Power and the Structure of Foreign Trade*, 33.

[120] "Taiwan-China Trade: No Such Thing as Free Trade."

[121] "Pressure Over Farmers Could Stall Trade Deals," *The China Post*, September 12, 2010.

boost over its rivals and, in so doing, will also increase its dependence on the Chinese market (where it has an export advantage relative to other markets).[122]

We now turn to the way trade created *domestic lobbies* with vested interests in good relations. Premier Li Peng once openly admitted that China's cross-strait strategy was "to peddle the [domestic] politics through business; to influence the [Taiwanese] government through the people."[123] Indeed, China's agricultural concessions alter Taiwan's domestic politics in ways amenable to China's interests. Taiwan's farmers are a crucial part of the DPP coalition pushing for independence and Beijing has wooed them vigorously since 2005, when it publicly offered to decrease tariffs on agricultural goods and met with Taiwanese agricultural lobbies.[124] In an interview about the ECFA, Wen Jiabao stated, "China must ensure Taiwan's farmers are from worries."[125] These efforts seem to have succeeded – agricultural lobbies defected from the DPP which opposed the pact and were vocal supporters of the ECFA.[126] Taiwanese farmers already export roughly one-third of their produce to China. The ECFA promises to substantially increase that amount. Moreover, in attempts to secure the support of other industries, China offered to let Taiwanese banks in China do business in RMB within two years of opening branches (WTO rules call for three years) and pleased industrialists and Taiwan's powerful Mandarin-language entertainment industry with an agreement on intellectual property. Both groups, powerful domestically, have supported the agreement. For these reasons, it is clear Beijing's trade agreement with Taipei was motivated by a realist desire to maximize influence over the island.

Although China's trade agreements with Taiwan are the paradigmatic cases of concessionary trade, China has also signed a number of free trade agreements with other

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[122] Jes Kastner, "Taiwan Challenge to Korea, Japan," *The Asia Times*, July 22, 2010.

[123] Li Peng, "Governmental Report to the Sixth Plenary Meeting of the Seventh National People's Congress," (1993). China has held several high-level meetings on how to target Taiwan's 100 top business groups.

[124] Feng Liang, "Beijing Woos Taiwan's Farmers," *The Asia Times*, May 3, 2005.

[125] Wen Jiaboa, "Wen Zongli da zhongwai jizhe wen [Premier Wen Answer's Foreign Reporters' Questions]."

[126] "Industrialists, Farmers Back ECFA with China," *The China Post*, April 26, 2010.

countries. The argument here is not that all of these are motivated primarily by strategic considerations – many may well make sense on strictly absolute economic or interest group terms – only that some of them are similarly one-sided relationships oriented towards relational and domestic-political leverage.

The Maldives

China's FTA with the Maldives is a prime example of China's strategically-driven concessionary agreements.

China's FTA is clearly a political instrument. It makes no sense from a liberal or interest group perspective. The Maldives economy is less than $4 billion. To put that in perspective, China's 100th city ranked by GDP of Anyang in Henan province still has an economy more than ten times that of the entire Maldives. The agreement took roughly five years to negotiate, an expenditure of diplomatic time that quite significant given the miniscule returns from the trade. Virtually no interest group in China would benefit enough from the paltry bilateral trade flows to have driven the agreement forward. Instead, the FTA should be seen as part of a larger influence strategy beginning in 2011 that includes the first ever Chinese embassy there, military diplomacy, enormous investment, and concessionary imports – all motivated by the country's unique strategic position. China has sought to establish relational leverage through bilateral flows as well as domestic-political leverage through targeted inducements.

The strategic benefits of leverage over the Maldives are enormous, especially given China's dependence on Indian Ocean flows. The Maldives are a tiny country of only 400,000 citizens, but they span 1,200 islands in the Indian Ocean. These islands sit astride some of the world's most important oil, commodities, and goods flows from the Middle East and Africa to China are of significant strategic importance. Indeed, the islands span 960 km from north to south and constitute a "coral wall" in the Indian Ocean penetrable by international shipping at only two points, thereby creating major chokepoints. The countries have been of historical

strategies for Indian Ocean domination: the Chola Empire and then the Portuguese, French, Dutch, and British all used it to project naval power over the Indian Ocean at various times; even the Soviets made a bid for to take over British base when it closed in the 1970s. Chinese strategic interest began shortly after the global financial crisis. By 2011, Beijing decided to finally build an embassy in the country, and then stepped up its engagement in 2013 and 2014 as the departure of an India-friendly government in the Maldives made possible the pursuit of a more China-oriented economic policy and as a reduction in European trade concessions created vulnerability on the Maldivian economy. Soon after, the Maldives began negotiation with China on an FTA which was eventually signed in 2017. The 1,000-page agreement was negotiated entirely in the dark, most parliamentarians had no chance to review it, and the process touched off a major political crisis involving public protests, the arrest of opposition politicians, and the purging of the Supreme Court.[127]

To demonstrate the concessionary nature of trade with the Maldives, we begin by looking at how China has cultivated *asymmetric interdependence*. As with Taiwan, China stepped in (1) at a time of great vulnerability in the target state, (2) imported goods from the target state that would otherwise find no market, (3) gave the target state access than the its trade rivals, and (4) sought to build up domestic lobbies favorable to China. Indeed, with respect to relational leverage, the agreement with the Maldives is consistent with grand strategic approaches to trade.

First, with respect to timing, China made its offer of an FTA at a moment of significant Maldivian vulnerability. In 2013, the European Union dramatically raised tariffs on the Maldives top export, fish, overseas sales of which account for 5% of the country's GDP and constitute its major source of foreign exchange.[128] European tariffs, made because of concerns

[127] Mohamed Junayd and Shihar Aneez, "Maldives Rushes Through Trade Pact with China Despite Opposition," *Reuters*, December 8, 2017, https://www.reuters.com/article/us-maldives-china/maldives-rushes-through-trade-pact-with-china-despite-opposition-idUSKBN1E22N4.

[128] Junayd and Aneez.

over the country's human rights, increased the cost of fish more than 25%, damaging the island economy. In response, that very same year and a time of maximum Maldivian vulnerability, China promptly offered to import the fish instead, which would provide significant relief to the island's economy.[129]

Second, China essentially offered to import fish at a price no others would. Indeed, Mohammed Shainee, the country's Minister of Fisheries and Agriculture, argued that the "Maldives had to look to China because the European Union had stopped its GSP Plus concessional duty facility to it…. Without GSP Plus, Maldivian fisheries products are now paying 25-26% duty to enter Europe."[130] Indeed, China promised not only to reduce tariffs on Maldivian fish but dropped them entirely to zero, which had the effect of making the island's main export industry entirely dependent on Chinese consumption.

Third, China offered an agreement so favorable it was superior to those it gave many other states and would make adjustment for the Maldives difficult. Aside from fishing, the Maldives only other core industry, tourism, received an enormous benefit from the FTA. Tourism makes up 28% of GDP and 60% of the country's foreign exchange reserves. Even before the FTA, the Maldives ran a $300 million trade deficit with China, and the FTA will help narrow the gap and generate more foreign exchange for the Maldives by facilitating a significantly higher flow of Chinese tourists.[131] Indeed, Chinese tourists increased from 60,000 in 2009 to more than 360,000 by 2015, and China is now the largest contributor of tourists, with both countries hoping to achieve that the FTA will allow a bilateral target of one million Chinese tourists to be reached. If that goal were reached, it would constitute more than half of the Maldives' entire tourism market share and create overwhelming dependency on Beijing,

[129] Marwaan Macan-Markar, "China-Maldives Trade Pact Catches India Of Guard," *Nikkei Asian Review*, December 8, 2017, https://asia.nikkei.com/Economy/China-Maldives-trade-pact-catches-India-off-guard.

[130] Macan-Markar.

[131] Macan-Markar.

especially since its tourism market is fairly evenly divided among regions, with China only occupying roughly 20% of it.[132] By liberalizing investment in the Maldives' tourism sector, the FTA enables China to spend heavily on infrastructure that could accommodate more Chinese tourists, and investment in hospitality is now underway. Chinese-owned tourist infrastructure in the Maldives would make adjustment in case of a fallout in political ties far more difficult.

Fourth, China's enormous concessions to the country's top two industries will reshape the country's politics. Large portions of the economy are now financially tied to strong political relations between the Maldives and Beijing.

A final point is that the FTA will make the Maldives even more financially dependent on China. By some accounts, Chinese investment already exceeded $1.5 billion or roughly 40% of the country's GDP, making it not only economically but also financially dependent on Beijing, and the FTA liberalizes investment in a wide variety of sectors that would allow China to dramatically increase its investment.[133] Already, the country's debt has exploded following Chinese investment. By some accounts, at least 70% of the country's debt payments now go to China. The roughly $92 million the country pays China in debt servicing constitutes 10-20% of the country's entire budget and rivals the total value of its exports from fish, providing Beijing enormous and enduring economic leverage.[134]

For its trouble, China has already benefited strategically. Indian officials have spoken about evidence that China and the Maldives have discussed access and basing. In 2017, several Chinese naval vessels docked in the country, and the entire island of Feydhoo Finolhu was

[132] See Maldives Ministry of Tourism for these statistics "Monthly Updates," Ministry of Tourism, Republic of the Maldives, 2018, http://www.tourism.gov.mv/statistics/arrival-updates/. See also Yang Meiju, "Maldives Eyes Big Influx of Tourists Under Belt and Road," *Xinhua*, May 9, 2017, http://www.xinhuanet.com/english/2017-05/09/c_136266570.htm.

[133] Amit Bhandari and Jindal Chandni, "The Maldives: Investments Undermine Democracy" (Gateway House, February 7, 2018), http://www.gatewayhouse.in/chinese-investments-in-the-maldives/.

[134] Robert A. Manning and Bharath Gopalaswamy, "Is Abdulla Yameen Handing Over the Maldives to China?," *Foreign Policy*, March 21, 2018, Is Abdulla Yameen Handing Over the Maldives to China?

leased to China for fifty years, ostensibly for economic development.[135] The Maldives never allowed foreign land ownership, but a major constitutional amendment allowed it for the first time assuming the purchaser invests $1 billion in projects and as long as 70% of the land is reclaimed from the ocean – terms that are written almost entirely to allow Chinese land ownership.[136]

In sum, China's use of trade to cultivate the Maldives has offered it enormous political leverage over a state that sits astride some of the world's most important waterways.

RCEP

China's efforts at increasing economic ties with its neighbors are not only bilateral, they also have multilateral components. In that vein, its support for RCEP appears partly related to its interest in building order, especially relative to potential U.S.-led alternative arrangements.

Before the U.S. withdrawal from TPP, a number of analysts wrote of a competition between a China-led RCEP and a U.S.-led TPP. The reality was somewhat more complex. The former was a low-standards agreement initially launched by ASEAN and the latter was high-standards agreement initially launched by Brunei, Chile, Singapore and New Zealand. In addition, the two agreements were not necessarily mutually exclusive. Even so, Washington and Beijing clearly had different ideas for what rules should prevail in Asia, and the leaders of both countries had perceived the two agreements as vehicles for those visions. It was in those fundamental differences that

[135] Manning and Gopalaswamy.

[136] Sudha Ramachandran, "Changes in Maldivian Land Law Advantage for China, Cause Concern for India," *Asia Times*, September 15, 2015, http://www.atimes.com/article/changes-in-maldivian-land-law-advantage-for-china-cause-of-concern-for-india/.

the question of strategic competition arose. Indeed, in a 2014 statement by the Ministry of Commerce, China made clear that "the smooth establishment of the RCEP is of great importance to China's fighting for the initiative [in] the new round [over the] reconstruction of international economic and trade rules."[137] Top Chinese leaders have made clear that RCEP is a foundational element of the China's "community of common destiny" framework for Asia alongside high-profile efforts like the Belt and Road, which in turn suggests a mixture of economic and order-building motivations.

The situation changed dramatically with the U.S. withdrawal from TPP, which effectively pulled Washington out of the multilateral conversation about Asian economic rules. RCEP's continued progress - which the United States would have no role in - would cover sixteen countries, nearly half the world's population, and roughly one-third of its GDP. Many voices from the diplomatic, military, and academic circles saw the TPP withdrawal as a boon to China and declared RCEP an instrument to enshrine Chinese leadership. China's Foreign Ministry publicly emphasized the pursuit of RCEP following the U.S. withdrawal. As Zhang Jun, the head of the Foreign Ministry's international economic affairs department stated, "If China has taken up a leadership role, it is because the front runners have stepped back, leaving that place to China. If China is required to play that leadership role then China will assume its responsibilities."[138] In a

[137] "Give Play of China's Important Role and Accelerate RCEP Negotiations," Ministry of Commerce of the People's Republic of China, September 1, 2014, http://english.mofcom.gov.cn/article/newsrelease/significantnews/201409/20140900720384.shtml.

[138] "Diplomat Says China Would Assume World Leadership If Needed," *Reuters*, January 23, 2017, https://www.reuters.com/article/us-china-usa-politics-idUSKBN1570ZZ.

speech that later went viral, hawkish PLA General and television fixture Jin Yinan declared, "[The TPP] was meant to contain China economically. They collaborated to target China and kept China out…Now Trump says the US will exit TPP. What a wonderful gift. It could not be better."[139] Meanwhile, in a statement typical of many Chinese think tank analysts, a Tsinghua University researcher stressed "China should grab the chance [to set trade rules], which would not last too long because Trump will be sane soon" and conclude RCEP within the year.[140] Given the prevalence of these sentiments in the Chinese government and outside it, its leadership clearly saw TPP withdrawal as a chance to lead and shape RCEP into something that would enhance China's economic and political position within the region, and perhaps even make China more central to Asia's economies at the expense of the United States – thereby offering it bilateral and structural leverage across the region.

Despite such ambitions, China has faced opposition in consolidating its leadership in RCEP, especially from Australia, India, and Japan. For example, China's desire to enshrine its preferences on issues relating to cross-border data flows and intellectual property have run into opposition from states like Japan and Australia; meanwhile, India is extremely reluctant to extend China the same low tariffs it offers ASEAN given the enormous Sino-Indian goods deficit, especially in manufactures. Frustration with Japanese and Indian opposition have given rise to proposals within

[139] "China and Japan Vie for Control of Asia Trade Deal," *Financial Times*, March 13, 2017, https://www.ft.com/content/d34d324c-03d8-11e7-ace0-1ce02efodef9.

[140] "Why Trump's Withdrawal from the TPP Is a Boon for China," *South China Morning Post*, January 24, 2017, https://www.scmp.com/news/world/united-states-canada/article/2064927/why-trumps-withdrawal-tpp-boon-china.

China that the agreement could eject certain recalcitrant members to reach a quicker consensus, though it seems unlikely ASEAN states would agree with such an extreme stance.[141] At least for now, RCEP remains an example of Chinese order-building ambitions as well as one of Asian resistance.

Coercion

Outside of multilateral efforts, China is increasingly willing to make use of its bilateral leverage in trade, especially because smaller countries tend to be asymmetrically dependent on China's economy. Since the Global Financial Crisis, China has wielded that leverage against Japan over the East China Sea, Norway over the Nobel Prize, Taiwan over its elections, the Philippines over the South China Sea, Mongolia over a Dalai Lama visit, and South Korea over THAAD, among other cases.[142] These efforts have accompanied a change in China's domestic discourse on the appropriateness of economic coercion that also followed the crisis.[143] In addition, as was previously noted, top Chinese leaders have increasingly and explicitly linked economic interaction with China to a country's political relationship with China.

Ultimately, China's economic engagement with its neighbors has not been uniformly beneficent. In some cases, it has manipulated asymmetric interdependence to create political leverage both bilaterally and multilaterally; in other cases, it has manipulated trade to exert political pressure on others.

INFRASTRUCTURE INVESTMENT AND BRI

[141] "Why Trump's Withdrawal from the TPP Is a Boon for China."

[142] Harrell, Rosenberg, and Saravalle, "China's Use of Coercive Economic Measures."

[143] Reilly, "China's Unilateral Sanctions."

Infrastructure investment not only facilitates trade and connectivity, it also offers the opportunity to practice "economic power projection" – and through it, an opportunity to reshape the strategic geography of great power competition. In the twentieth century, a rising Germany pursued the Berlin-Baghdad railway to bypass British naval supremacy and create an outlet into Asia and the wider Indian Ocean. Around the same period, Japan considered a canal on the Isthmus of Kra to bypass the British advantage over the Malacca Strait. Like these past great powers, Beijing has used infrastructure investment not only for economic purposes but also as a tool to enhance its great power competitiveness. The foremost example of this is of course China's Belt and Road Initiative [BRI] as well as the financial institutions that support it.

Alternative Explanations

Some believe that the Belt and Road is primarily an economic initiative or a status-driven project for President Xi – and not at all about acquiring economic leverage. Those who view it in purely economic terms are generally unable to explain why Beijing has invested vast funds in projects that are not only loss-making, but that – even if they were all funded and successfully completed – could not absorb much of China's surplus capacity.[144]

First, as David Dollar notes, BRI will struggle to absorb China's surplus capacity even under the most optimistic circumstances. "In steel alone," he notes, "China would need $60 billion per year of extra demand to absorb excess capacity. This figure excludes excess capacity in cement, construction, and heavy machinery." He concludes that BRI and the projects it supports are "much too small to make any dent in China's excess capacity problem—even if it were the sole supplier for these projects, which it won't be.[145] In addition, he notes that countries

[144] Dollar, "The AIIB and the 'One Belt, One Road'"; Devin Thorne and David Spevack, "Harbored Ambitions: How China's Port Investments Are Strategically Reshaping the Indo-Pacific" (Washington, DC: Center for Advanced Defense Studies, 2017).

[145] Dollar, "The AIIB and the 'One Belt, One Road.'"

like India, Indonesia, and Vietnam with large economies within the region "will not want to accept large numbers of Chinese workers or take on large amounts of debt relative to their GDP," thereby providing few opportunities to soak up China's surplus capacity. "On the other hand," Dollar notes, weaker countries might accept the terms, "but there is a reasonable prospect that in the long run, China will not be paid," which would be problematic for China's finances.[146]

This leads to a second objection to viewing BRI in purely economic terms: the projects are financially problematic in that they are generally loss-making. An analysis of BRI's port projects, which constitute an "easy case" for evaluating profitability since maritime trade dramatically exceeds overland trade, are generally struggling. An analysis of their finances by the think tank C4ADS find "several marked examples of unprofitability—suggest that Beijing is actively seeking to leverage the geopolitical capacity of its port projects."[147] For example, China's $8 billion in a Malaysian port near the Malacca Strait is evaluated as completely redundant by the World Bank given that nearby existing ports remain under capacity. China's Hambanatota port has lost hundreds of millions of dollars since it opened and has virtually no real cargo traffic (its traffic is one-hundredth the amount of its neighboring port in Columbo), but China has nonetheless assumed the liabilities and taken a ninety-nine-year lease of the port.[148] China's construction of the Gwadar port in Pakistan is similarly unprofitable but sees continued Chinese investment, and China has undertaken a forty-year lease and assumed its liabilities as well. There is no economic rationale for these investments, but as we will see, there is evidence of strategic motivations.

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[146] Dollar.

[147] Thorne and Spevack, "Harbored Ambitions: How China's Port Investments Are Strategically Reshaping the Indo-Pacific," 65.

[148] Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *New York Times*, June 25, 2018, https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html.

Third, and finally, a growing percentage of China's loans will not be paid back. This has already been the case in Sri Lanka and may well prove the case in countries like the Maldives, where roughly twenty-percent of the budget is spent on servicing Chinese debt. Lending capital at a loss makes no economic sense, but if the result is a strategic asset, it does make strategic sense.

Some argue that the Belt and Road is neither economic nor strategic but motivated in large part by status. Analysts who have this view generally miss that the Belt and Road as a practical matter did not begin with Xi; many of the major post-Financial Crisis projects (e.g., Gwadar, Hambanatota, and several rail and gas projects across Central Asia) not only preceded Xi and the Belt and Road but were also explicitly described in strategic terms in Chinese government discourses years earlier. It is true that many of these projects have been described as BRI projects, but the fact it is less relevant how they are labeled and what their ultimate purpose is. In short, a narrow focus on BRI alone obscures the way infrastructure both within and outside the program creates enduring economic leverage.

Finally, a number of critics argue that BRI has been overhyped and state essentially that if everything China does is now folded by the government under BRI – from a Polar belt to even a space road – then the term means nothing. This criticism is entirely warranted, but BRI is taken here to mean "core BRI," that is, the infrastructure projects located in the original focus of the initiative – the Indo-Pacific – that may have been initiated before or after BRI was formally announced. Even if BRI is an empty concept, infrastructure is very real.

Grand Strategic Explanations

Understood in these narrower terms, the BRI is at least as much – and likely much more – a strategic initiative than an economic or domestic-political one, and it creates multiple forms of relational, structural, and domestic-political leverage essential to order-building. We now consider each of these three below.

First, BRI creates several important forms of relational leverage. It creates financial leverage over those that accept loans from Beijing, such as Sri Lanka and the Maldives, who are then unable to pay them back. In the case of the Maldives, as discussed earlier, some twenty percent of the country's budget now pays off interest on Chinese loans. In Sri Lanka, annual loan repayments – most of which are to China – now account for nearly the entirety of Sri Lanka's government revenue.[149] Interest rates are also exorbitant, running nearly 6% for Hambanatota expansion versus roughly half a percent for Japanese infrastructure loans.[150] Countries that cannot afford to repay China have on occasion taken additional loans from separate Beijing banks, deepening the cycle of indebtedness.[151]

BRI also creates the possibility of asymmetric trade interdependence, especially as increased connectivity effectively increases bilateral trade between China and its neighbors and creates dependence on China. Putting China at the center of Asian economies is explicitly the point. In his address to the 2013 Work Forum on Peripheral Diplomacy that preceded the maturation of BRI, Xi discussed how infrastructure investment and AIIB would "speed up the connection of infrastructure between China and our neighboring countries" and "create a closer network of common interests, and better integrate China's interests with [neighbors], so that they can benefit from China's development." In 2017, Xi explicitly listed BRI as part of his effort to create a "Community of Common Destiny" in Asia, and several speeches make clear that interdependence and intertwined economies with China are a key criterion for such a community. Many of these same points were made by a variety of top officials, including the Zheng Xinli, the high-level Central Party Research Office figure who proposed AIIB, suggesting

[149] Abi-Habib.

[150] Abi-Habib.

[151] Abi-Habib.

they're centrality to BRI. In non-official sources, a variety of scholars have hoped that this kind of interdependence would constrain China's neighbors.

Finally, aside from relational leverage through finance and trade, BRI creates leverage over maintenance given that many Chinese projects will require Chinese engineers for upkeep, especially since Chinese state firms dominate many of these markets, ranging from hydroelectric power to high-speed rail.[152]

Second, at the structural level, BRI allows Beijing to create connectivity that essentially excludes other countries. One form of this is through commercial ports, which in some ways constitute the new choke points of maritime trade, and a growing number are operated or leased by Chinese state companies – which can offer important economic leverage over the structure of Asian trade. For example, China's port project in Colombo, Sri Lanka may well create an "artificial choke-point" that is effectively under Chinese control. Nearly 30% of India's maritime trade is likely to come through Colombo in the future, where large container ships have their cargo placed on smaller ships that then enter India's ports.[153] That artificial choke-point is in fact 85% controlled by the China Merchants Holding Corporation (CMH) – which also now manages the Hambanatota port – and is of course itself controlled by the Chinese government.[154] China's investment in the port doesn't seem to be producing economic benefits. In fact, the Colombo port is actually making significant losses and is not expected to break even for at least ten years. The financial situation is so poor that Aiken Spence, a private firm that was the major private sector partner with CMH – and that unlike the Chinese government, is actually profit-seeking – felt

[152] Manning and Gopalaswamy, "Is Abdulla Yameen Handing Over the Maldives to China?"

[153] "China's Foreign Ports," *The Economist*, June 18, 2013, International edition, http://www.economist.com/news/international/21579039-chinas-growing-empire-ports-abroad-mainly-about-trade-not-aggression-new-masters.

[154] "China's Foreign Ports."

compelled to sell its stake in the project.[155] Given the dire financial prospects for the project, perhaps a strategic motivation explains China's steadfast dedication to such an economically questionable venture. Similarly, China Merchants Holding had begun preliminary construction a massive $11 billion port in Bagamoyo, Tanzania – which will soon be the largest port in all of Africa. It will be connected by Chinese-built rail to various, land-locked resource-supplying states such as the Democratic Republic of the Congo, Zambia, Rwanda, Malawi, Burundi, and Uganda.[156] These states will be dependent on the Bagamoyo port to access international markets, which is likely to be managed by CMH, creating a Chinese-owned chokepoint the western Indo-Pacific.

In addition, the possibility that Beijing will export not only its engineering standards on traditional infrastructure like rail lines but also new high-tech infrastructure supporting the internet or 5G creates path dependence in connectivity – that is, it could make it far easier for Beijing to lock in its ties with Asian states and far harder for those states to diversify towards Western countries. One could imagine, for example, that future American-made autonomous vehicles could be unable to connect to Chinese wireless networks in BRI countries.[157]

Third, at the domestic-political level, the Belt and Road creates clear opportunities to bribe powerful constituencies in recipient countries, altering their politics. Indeed, China has used its SOEs that are involved in these projects expressly for that purpose. The New York Times confirmed that "during the 2015 Sri Lankan elections, large payments from the Chinese port construction fund flowed directly to campaign aides and activities for Mr. Rajapaksa."[158] Indeed, the funds were disbursed directly from the Chinese SOE contracted to the build the port (China

[155] "China's Foreign Ports."

[156] Fumbuka Ng, "Tanzania Signs Port Deal with China Merchants Holdings," *Reuters*, May 30, 2013, http://www.reuters.com/article/2013/05/30/tanzania-china-infrastructure-idUSL5N0EB3RU20130530.

[157] I thank Tarun Chhabra for suggesting this point.

[158] https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html

Harbor) from its account at Standard Chartered directly to affiliates of then Prime Minister Rajapaksa – including roughly $3.7 million less than ten days before the election. Similar reports suggest Chinese companies including China Harbor, but also the China Communications Construction Company, have bribed high-level officials in Bangladesh and the Philippines.[159]

Admittedly, the preceding forms of leverage exist regardless of whether Beijing intended them or not, but some of the preceding evidence suggests that in many cases these were intentionally acquired and economically unwise – thereby strongly suggesting infrastructure is an important part of China's larger rand strategy.

Finally, it is worth first commenting briefly on BRI's military significance. If Beijing is to build order in the Indo-Pacific, it needs the ability to ensure its military can project power over its vast distances. Beijing's port projects offer it the ability to resupply across the Indo-Pacific, thereby not only assuring China it can secure its resource flows from possible American or Indian intervention but also providing it the ability – if necessary – to intervene abroad. Accordingly, port projects were the priority in some leaked BRI planning documents, in which the Chinese government insisted on "accelerating the development of the Maritime Silk Road construction plan"[160] with "port construction as the priority."[161] More concretely, top Chinese military officials have privately told foreign delegations that these port projects are built as dual-use because China expects it will use them in the future for military purposes – and China's first overseas military base in Djibouti along with its militarized island-building in the South China Sea, both of which ran against prior promises Beijing had made about bases and militarization provide important

[159] Abi-Habib, "How China Got Sri Lanka to Cough Up a Port."

[160] He (合) Lian (联), "The Development of Plans for the Construction of the Maritime Silk Road of the 21st Century Is Accelerating [21 世纪海上丝绸之路建设规划正加快制定]," *China Securities Journal (中国证券报)*, April 16, 2014, http://www.cs.com.cn/app/ipad/ipad01/01/201404/t20140416_4364603.html.

[161] "China Accelerates Planning to Re-Connect Maritime Silk Road," *China Daily*, April 16, 2014, http://www.chinadaily.com.cn/china/2014-04/16/content_17439523.htm.

context for these comments.[162] Moreover, government officials in both Pakistan and Sri Lanka who negotiated with China over port access noted that strategic and intelligence interests were part of the discussion. When Sri Lanka essentially sold its port to China, government officials from China refused to consider any option short of Chinese equity, indicating to Sri Lankan officials that a takeover had long been a preference of theirs. Chinese officials also left open questions about whether China's military could use the facility – it was only Indian intervention that allowed a clause to be inserted that required China to request Sri Lanka permission before using the port for military purposes.[163] Finally, a number of quasi-official sources have discussed these port projects as long-term military investments. Zhou Bo, a fellow with China's Academy of Military Science concedes that "access, rather than bases, is what the Chinese Navy is really interested in the Indian Ocean."[164] Access of course still facilitates the goal of projecting power through these important waters, it just does so with a lighter footprint. As Zhou Bo and others admit, a key component of achieving access is through the use of such port projects. Xu Guangyu, a former vice president of the PLA Defense Institute, noted that China's commercial port projects in places such as Tanzania have military purposes. He argues that "as China's navy travels farther and farther, it needs to establish a supply base to support the fleet…this is a normal need, but foreign countries aren't accustomed to China going into the blue-water."[165] The President of the Macau Military Institute argued that such ports have "potential military uses" but that China will not allow warships to dock there until some time has passed after the port's construction, and even then,

[162] Personal interview with a high-level diplomat from an ASEAN state who had met with senior PLA officials about the Belt and Road.

[163] Abi-Habib, "How China Got Sri Lanka to Cough Up a Port."

[164] Zhou Bo, "The String of Pearls and the Maritime Silk Road," China US Focus, February 11, 2014, http://www.chinausfocus.com/foreign-policy/the-string-of-pearls-and-the-maritime-silk-road/.

[165] "East African Port Construction Expected to Be Chinese Supply Base [东非建港口 料华舰补给基地}," *Mingpao {明報}*, March 25, 2013, http://www.mingpaovan.com/htm/News/20130325/vab1h.htm?m=0.

will likely use the ports only when necessary to avoid fanning the flames of the "China threat theory."[166]

China's infrastructure investments, some of them preceding the launch of BRI, clearly enhance China's relational, structural, and domestic-political leverage while providing its military the opportunity to resupply and project power further into the Indo-Pacific.

BUILDING FINANCIAL ALTERNATIVES

Encouraged in part by the 2008 Global Financial Crisis, China has invested in a number of parallel institutions that give it structural power over global finance. Financial power comes from a currency's centrality to global finance, and in the American case, it comes from the dollar's hegemony. As Henry Farrell explains:

> The role of the dollar in the international financial system means that [the United States] can threaten financial institutions that don't comply with its demands. This in turn means that it can turn banks and financial institutions into instruments of policy, even if they are based outside the United States. Its power to do this is not unlimited – typically it needs at least the acquiescence of allies such as the European Union. But when the European Union is prepared to go along, the Treasury Department has remarkable international clout.[167]

American financial hegemony both serves as an example for how China can build order as well as a threat that China must blunt.

This section considers three ways China has invested in similar financial capabilities, all of which date after the Global Financial Crisis. First, China has sought to gradually weaken the dollar while promoting its own currency; second, China has pursued alternatives to the SWIFT inter-bank payments system that weaken Western leverage and give China control over

[166] "East African Port Construction Expected to Be Chinese Supply Base [东非建港口 料华舰补给基地}."

[167] Henry Farrell, "Russia Is Hinting at a New Cold War over SWIFT. So What's SWIFT?," *The Washington Post*, January 28, 2015, https://www.washingtonpost.com/news/monkey-cage/wp/2015/01/28/russia-is-hinting-at-a-new-cold-war-over-swift-so-whats-swift/?noredirect=on&utm_term=.29c15baefc36.

renminbi payments; third, China has sought to promote alternatives to the "big three" sovereign credit rating agencies located in the United States that dictate the fates of countries and companies. In some cases, these investments have seemingly no economic purpose or specific interest group lobby supporting them; instead, they appear largely justified by strategic considerations. The strategic logic behind the construction of these parallel economic structures is clear: they constitute building because they are created virtually from scratch and provide China new sources of structural power over the global economy; at the same time, they also provide China the ability to blunt American financial power, especially financial sanctions.

Alternative Explanations

Alternative explanations for China's construction of alternative financial architecture rest on their absolute benefits to China's economy or their narrower implications for special interests.

Dollar Diversification and RMB Promotion

After the Global Financial Crisis, China began to urge for a diversified international monetary system with a reduced role for the dollar and for alternatives like the IMF's SDR as well as the renminbi. This position "can't be neatly explained in terms of its economic interest," as Hongying Wang argues.[168] A decline in the value of the dollar would damage China's export-driven economy and reduce the value of China's enormous holdings of dollar-denominated assets. Wang argues that national identity concerns explain China's policy, but more vocal calls for a reduction in the value of the dollar by President Hu following the Global Financial Crisis suggest otherwise. In internal documents, including speeches to the Central Economic Work Forum, Hu's call for a reduced role for the dollar is not accompanied by any chest-beating

[168] Hongying Wang, "China and the International Monetary System: Does Beijing Really Want to Challenge the Dollar," *Foreign Affairs*, December 19, 2017, https://www.foreignaffairs.com/articles/asia/2017-12-19/china-and-international-monetary-system.

nationalist rhetoric about China's status; neither are his statements at the G20. Admittedly, advocacy for the RMB could be seen as a nationalistic project, but in his criticisms of the dollar, Xi does not generally call even for RMB internationalization. Instead, the best explanation is that China recognized the dollar as an enduring source of American structural power and sought to gradually weaken it.

As time went on, China's efforts to put forward the SDR and to promote reserve diversification away from the dollar were scarcely succeeding, though some bank diversification did begin. China began to subsequently emphasize the internationalization of its own currency. As with China's promotion of monetary diversification, an internationalized renminbi would likely cut against China's interests as an exporting country.

In sum, China's actions reveal intense and longstanding hopes for an international economic architecture in which the dollar is only one among many reserve currencies, and it is reasonable to see China's advocacy for the Renminbi in such terms as well.

As we will see, Beijing has increasingly turned to RMB internationalization as an instrument to not only hasten diversification, but also build the foundation for China's own structural power across Asia.

SWIFT

SWIFT is a standard-setting and messaging institution with a network that makes cross-border financial payments possible, thereby constituting the sub-structure of global finance. The organization, known as the Society for World Interbank Financial Telecommunication, was founded in 1973 when 239 banks from 15 different countries created unified messaging standards, a messaging platform, and a network to route messages.[169] According to the

[169] "SWIFT History," SWIFT, 2018, https://www.swift.com/about-us/history.

organization, SWIFT became the nodal financial with "the connection of the first central banks in 1983" which "reinforced SWIFT's position as the common link between all parties in the financial industry."[170] SWIFT promptly required Telex, a slow and error-prone patchwork manual system with conflicting standards that effectively required banks to work in several contradictory formats to make payments. Today SWIFT spans two hundred countries and more than 10,000 institutions, it facilitates 15 million messages daily, and is the essential infrastructure that makes international payments possible. Importantly, Although SWIFT is a messaging service and does not engage in clearing and settling, so no money flows through it – only messages that make money transfers possible. Clearance and settling, often occur through U.S. services like Fedwire (which makes payments between bank accounts at the Federal Reserve) and CHIPS (which is privately owned and engages in "netting" to capture the total differences in transactions between two banks in a given day), as well as a variety of other services.

Because SWIFT is an institution essentially intended to solve a coordination problem – the need for a universal and consistent messaging language to send money from one bank to another – there is little to no reason why any state would develop alternative standards and infrastructure once the coordination problem had been solved. The current system is economically vastly more attractive to an alternative because of network effects that make it far more liquid and fast-acting. In contrast, an alternative system would be more costly, and no specific constituency would benefit it from the added difficulty of using it. In essence, there is no meaningful economic or interest group rationale for China to create its own alternative to SWIFT's messaging apparatus. As this chapter later explains, a strategic rationale makes the most sense.

Credit Rating Agencies

[170] "SWIFT History."

Credit rating agencies help provide investors information on the risks of various kinds of debt, and their ratings can significantly alter the fortunes of companies and countries. The market for international credit ratings is largely dominated by the "big three" U.S. firms – Standard and Poor's, Moody's, and Fitch Group – which together have a global market share of more than 90%. The dominance of these three firms is in part a function of American structural power – the centrality of the dollar, the importance of New York financial institutions, and the ability of the Securities and Exchange Commission to determine who can issue ratings.

There are reasonable economic motivations for China to create an alternative credit rating agency. At the national level, China may be concerned that the "big three" do not accurately rate China's sovereign or corporate debt; at the local level, specific Chinese state-owned enterprises may feel that they would stand to benefit from a friendlier rater. At least initially, it is unlikely a Chinese credit rating agency would win business abroad given presumed state connections and a lack of experience; for that reason, it will require costly subsidies and state support. If the Chinese state is propping up China's main external credit rating agency, that does not deny economic motivations, but it also raises the possibility of political ones, as we will see.

Grand Strategic Explanations

The 2008 Global Financial Crisis precipitated a coordinated Chinese effort to gradually reduce its vulnerability to U.S. financial power – a form of structural power that China was previously too weak to bypass. The decline in the prestige of the American economic model was perceived to have created an opening for Beijing to question elements of the existing system and to target the substructure of American financial power with alternative institutions. Beijing's efforts in (1) diversifying the monetary system, (2) building alternatives to SWIFT, and (3) sponsoring alternative crediting rating agencies together targeted three important elements of

U.S. (and in the case of SWIFT, European) structural power while building Chinese alternatives that offered Beijing its own structural power.

Structural power is often difficult to counter unless one either leaves the economic system, which would be economic suicide, or alternatively builds a parallel set of infrastructure. China has naturally chosen the latter option, and its efforts reveal that while progress remains slow and the possibility of success remains somewhat distant, China's preferences are clear and its efforts remain coordinated and purposefully oriented towards reducing the importance of the U.S. dollar and thereby weakening U.S. hegemony while enhancing Beijing's autonomy.

Monetary Diversification and RMB Internationalization

After the 2008 Global Financial Crisis, China's leadership increasingly called into question the dollar's reserve currency status. Of course, various Chinese officials have for decades criticized the international economic order as unfair and called for its reform, and leading central bank officials have at times been critical of the "irrational" monetary system and urged greater monetary surveillance of advanced economies.[171] Even so, the 2008 Global Financial crisis marked a shift less in China's preferences and more in its confidence that it could reshape the international economic architecture around it. Accordingly, as Gregory Chin notes, after the crisis "China's leaders elevated financial and monetary policy, and monetary diplomacy, to a top priority."[172] The same year the crisis broke out, China's Central Economic Work Conference [中央经济工作] set a Party line on monetary policy and promptly concluded that "international monetary diversification will advance, but the status of the US dollar as the

[171] Gregory Chin, "China's Rising Monetary Power," in *The Greate Wall of Money: Power and Politics in China's International Monetary Relations*, ed. Eric Helleiner and Jonathan Kirshner (Ithaca: Cornell University Press, 2014), 190–92. See also Wang, "China and the International Monetary System: Does Beijing Really Want to Challenge the Dollar."

[172] Chin, "China's Rising Monetary Power," 192.

main international currency has not fundamentally changed."[173] In other words, it would take concerted effort to promote diversification.

An important symbol and proponent of this effort was President Hu Jintao, who quickly "became the lead spokesperson on China's global monetary thinking." This marked a shift from the pre-crisis decade when China's monetary statecraft was largely "the preserve of senior technocrats from the central bank, and to a lesser extent, the finance ministry."[174] At the G20 meeting in 2008, the first called to coordinate a response to the crisis, President Hu called on the leaders of each country to "improve the international currency system and steadily promote the diversification of the international monetary system [国际货币体系多元化].[175] These views were expressed in a far more operational form in a 2009 essay by the then Governor of the People's Bank of China Zhou Xiaochuan who specifically advocated for SDR as an alternative to the dollar-based system. In a provocative essay entitled "Reform of the International Monetary System" timed for impact just before the 2009 London G20 summit, Zhou argued that the use of the U.S dollar as the reserve currency "is a rare special case in history" and that "the crisis again calls for creative reform of the existing international monetary system." Although Zhou only implicitly referenced the dollar, Hu was far more direct about his intentions to diversify away from it at the 2009 Central Economic Work Conference held shortly after Zhou's essay was published: "Since the international financial crisis, the international community has generally recognized a major reason for the imbalance in the world economy and for the international financial crisis is the inherent drawback associated with a US dollar-dominated international monetary and financial system."[176] For that reason, "promoting the diversification and

[173] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:280.

[174] Chin, "China's Rising Monetary Power," 192.

[175] Hu Jintao [胡锦涛], *Hu Jintao Selected Works [胡锦涛文选]*, 2016, 3:139.

[176] Hu Jintao [胡锦涛], 3:281.

rationalization of the international monetary system" was essential to reform. Hu was explicit that weakening the centrality of the dollar was a key goal, but that it would not be quick. "At the same time," Hu continued, "We must see that the dominant position of the US dollar is determined by US economic strength and comprehensive national power, and for a long period of time it would be relatively difficult to fundamentally change it." China's strategy would be prolonged: "We must adhere to the principles of comprehensiveness, balance, gradualism, and effectiveness in promoting the reform of the international monetary system."[177] For the next several years, at major multilateral economic gatherings – including most G-20 summits, BRICS summits, G8 + G5 summit – President Hu or top Chinese officials continued to call for reserve diversification, SDR, and monetary reform.[178] Many G7 countries, including the United Kingdom, Canada, and Japan, all defended the dollar and questioned the "appropriateness" of China's focus on it.[179] But China continued to push, in part because, as the President of China's Export-Import Bank Li Ruogu noted, the dollar's power was dangerous to China: "the U.S used this method [manipulation of the dollar] to topple Japan's economy, and it wants to use this method to curb China's development."[180] China needed to blunt and bypass this U.S. power, and "only by eliminating the U.S. dollar's monopolistic position," he noted, would it be possible to reform the international monetary system.[181]

Not only has Beijing sought to promote international monetary diversification through its quixotic quest for SDR adoption and through informal agreements on central bank reserve diversification away from dollars and into other currencies, it has also carefully sought to

[177] Hu Jintao [胡锦涛], 3:281–82.

[178] Hu Jintao [胡锦涛], 3:218; Chin, "China's Rising Monetary Power," 196–98.

[179] Chin, "China's Rising Monetary Power," 195.

[180] Jonathan Kirshner, "Regional Hegemony and an Emerging RMB Zone," in *The Great Wall of Money: Power and Politics in China's International Relations*, ed. Eric Helleiner and Jonathan Kirshner (Ithaca: Cornell University Press, 2014), 223.

[181] Quoted in Kirshner, 223.

promote and internationalize the renminbi – especially within Asia and with its commodity-suppliers. These initiatives bring some economic benefits to China, but they may also reflect Beijing's desire to build structural power by increasing the use of the RMB in international transactions. As Jonathan Kirchner argues, summarizing his own scholarship on attempts by great powers to promote their currency, "States that pursue leadership of regional (or global) monetary orders are almost always motivated by political concerns— in particular, the desire to gain enhanced influence over other states."[182] He notes that France sought to establish a frank area to exclude Germany in the 1860s; that Nazi Germany and imperial Japan extended their currencies in the 20th century to gain structural power; and that the United States did this as well following the Second World War.

Like so many of China's efforts to reshape the global economic order, China's promotion of the RMB began after the 2008 Global Financial Crisis. Conventional wisdom holds that a currency's role in the international system depends on the capital account convertibility of the country issuing it, the currency's usage in denominating and settling cross-border trade and financial transactions, and the currency's proportion in central bank reserves, and China increased its efforts in all three areas after 2008 to varying degrees.[183] China has taken extremely modest toward capital account convertibility and attempted to promote the renminbi as a reserve currency.

Ultimately, however, where China has been most active is in promoting the renminbi's use in international trade, especially through signing several dozen swap agreements of different varieties that facilitate the use of its currency overseas. By 2015, trade settlement in RMB reached $1.1 trillion – 30 percent of China's total trade – from virtually zero in 2000.[184] If this

[182] Kirshner, 215.

[183] Eswar Prasad, *Gaining Currency: The Rise of the Renminbi* (Oxford: Oxford University Press, 2017).

[184] Prasad, 103.

percentage increases, it partly reduces China's vulnerability to U.S. structural power because China will increasingly be able to settle trade in its own currency. At the same time, however, the development should not be overstated. The fact that China uses RMB in settling its own trade does not mean the RMB is becoming a widely-accepted medium for international transactions, which limits China's own ability to exercise structural power over others. Data from SWIFT suggests that the RMB only accounts for between one and two percent of all international payments, and while SWIFT data is not reflective of all transactions worldwide (especially those denominated in RMB) it nonetheless provides a useful estimate.[185]

If the RMB has so far failed to gain a global position, it may still achieve a regional one. By 2015, the RMB constituted 30% of all transactions between China and an Asian state, which made it the main currency in regional trade with China – outstripping the dollar, the yen, and the euro.[186] In the next decade, if that proportion continues to rise, China may enjoy a renminbi zone within Asia that allows it to wield structural power over its neighbors. Indeed, as Kirshner argues, the renminbi is not likely to overtake the dollar in the near future globally, but China's centrality to Asia's economy and supply chains makes it likely that it will eventually become the dominant currency in the region.[187] He further argues that China may be taking a different path to regional internationalization, one that involves creating infrastructure for the renminbi, promoting its use in transactions, and encouraging central banks to hold it as a reserve currency – all while retaining some capital controls and regulation.[188] China's swap agreements help

[185] Huileng Tan, "China's Currency Is Still Nowhere Near Overtaking the Dollar for Global Payments," *CNBC*, February 2, 2018, https://www.cnbc.com/2018/02/02/china-currency-yuan-the-rmb-isnt-near-overtaking-the-us-dollar.html.

[186] Kynge, "Renminbi Tops Currency Usage Table for China's Trade with Asia."

[187] Kirshner, "Regional Hegemony and an Emerging RMB Zone," 214.

[188] See Kirshner, 236–37.

advance this goal, as does China's promotion of dollar-denominated bonds which can be purchased by foreign central banks.

If much of Asia becomes an effective renminbi zone in the next decade or more, then some of the instruments of American financial power could be wielded by China against its neighbors. Those neighbors would need access to the renminbi system, payments infrastructure like CIPS and CNAPS, and Chinese banks – all of which China can control. An era of Chinese financial statecraft and sanctions within Asia, though perhaps not globally, may not be so distant, and may in turn lay the foundation for a sphere of influence within Asia. In this way, a Chinese financial zone in Asia would be layered over the U.S. financial order worldwide.

SWIFT

Perhaps the best explanation for China's investment in SWIFT alternatives is that it provides reduced vulnerability to U.S. financial power. Although SWIFT is a messaging service and does not engage in clearing and settling, if a bank is cut off from the network, it is essentially cut off from the global financial system and from much of the clearing and settling infrastructure that exists. In this way, control over SWIFT offers considerable structural power.

That structural power has already been wielded against others. While the organization sees itself as apolitical, it is nonetheless required to comply with the laws of Belgium, the European Union and – through the threat of secondary sanctions – the United States as well. In 2012, the United States and Europe used their influence over the organization to force it to delink Iranian banks from SWIFT networks, which marked the first time in SWIFT's history that the institution had cut off an entire country from access to the company's network.[189] Iran had relied on SWIFT for two million cross-border payments annually – a volume that could not be

[189] Philip Blenkinsop and Rachel Younglai, "Banking's SWIFT Says Ready to Block Iran Transactions," *Reuters*, February 17, 2012, https://www.reuters.com/article/us-iran-sanctions-swift/bankings-swift-says-ready-to-block-iran-transactions-idUSTRE81G26820120217.

replaced by another messaging network – and loss of access made payment for Iranian oil impossible, devastated Iran's economy, and prevented the government from accessing substantial amounts of its own foreign reserves which had invested abroad.[190] A few years later, in 2017, SWIFT access was denied to North Korean banks.[191]

SWIFT's structural power has even been threatened against great powers like Russia after its invasion of Crimea. The threat was concerning enough that Russian Prime Minister Medvedev discussed it publicly and threatened that Russia's "reaction will be without limit."[192] Russian Central Bank Governor Elvira Nabiullina then began preparing a Russian alternative to SWIFT as early as 2014. In a meeting with Putin, she stated that "there were threats that we can be disconnected from SWIFT. We have finished working on our own payment system, and if something happens, all operations in SWIFT format will work inside the country. We have created an alternative."[193] Russia has sought to popularize its alternative system within the Eurasian Union and discussed it with Iran, and though it is imperfect, it demonstrates that great powers are actively searching for ways to bypass U.S. influence over SWIFT for strategic reasons. [194]

The United States has threatened to wield SWIFT against China. Washington already sanctioned at least one Chinese bank involved in trade with North Korea, and Treasury

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[190] "Payments System SWIFT to Cut Off Iranian Banks," *Reuters*, March 15, 2012, https://www.reuters.com/article/us-eu-iran-sanctions/payments-system-swift-to-cut-off-iranian-banks-idUSBRE82E0VR20120315.

[191] Jeremy Wagstaff and Tom Begin, "SWIFT Messaging System Bans North Korean Banks Blacklisted by UN," *Reuters*, March 8, 2017, https://www.reuters.com/article/us-northkorea-banks-swift/swift-messaging-system-bans-north-korean-banks-blacklisted-by-u-n-idUSKBN16F0NI.

[192] Farrell, "Russia Is Hinting at a New Cold War over SWIFT. So What's SWIFT?"

[193] "Russia's Banking System Has SWIFT Alternative Ready," *RT*, March 23, 2017, https://www.rt.com/business/382017-russia-swift-central-bank/.

[194] Leonid Bershidsky, "How Europe Can Keep the Money Flowing to Iran," *Bloomberg*, May 18, 2018, https://www.bloomberg.com/view/articles/2018-05-18/how-europe-can-keep-money-flowing-to-iran. See also, http://www.interfax.ru/business/612729. Natasha Turak, "Russia's Central Bank Governor Touts Moscow Alternative to SWIFT Transfer System as Protection from US Sanctions," *CNBC*, May 23, 2018, https://www.cnbc.com/2018/05/23/russias-central-bank-governor-touts-moscow-alternative-to-swift-transfer-system-as-protection-from-us-sanctions.html.

Secretary Mnuchin threatened that "If China doesn't follow these sanctions [on North Korea], we will put additional sanctions on them and prevent them from accessing the US and international dollar system." Similarly, members of Congress suggested cutting off some of China's largest banks from the global financial system.[195] China indeed has reasons to fear SWIFT termination, and like Russia, appears to be acting on them.

The People's Bank of China – with approval from the Chinese government – began developing its own alternative to SWIFT for financial-messaging and interbank payments as early as 2013, roughly one year after the West cut off Iran.[196] This system, known as the China International Payments System (CIPS), would not only insulate China from financial pressure but also increases its own autonomy, giving it sovereign control over all information that passes through its network, the power to help others bypass sanctions, and the ability to one day cut others off from China's system. Moreover, the ambition for CIPS exceeds that for SWIFT: the former would not only be a messaging service like SWIFT but will also provide clearance and settlement – that is, full integration of the payments process. Unlike Russian elites, China's elites have been far less obvious in telegraphing their system's possibility as a rival to SWIFT; nevertheless, its strategic potential is real, if still somewhat distant.

Skeptics would point out that China's pursuit of CIPS has some genuine economic motivations as well. First, CIPS is an improvement on the previous system of cross-border RMB payments. Before CIPS, China's domestic interbank clearing and settlement system, the China National Advanced Payment System (CNAPS) could not support international payments; instead, cross-border transactions would take place through designated offshore yuan clearing banks or correspondent banks in China. Moreover, CIPS for the moment is primarily concerned

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[195] Zhenhua Lu, "US House Committee Targets Major Chinese Banks' Lifeline to North Korea," *South China Morning Post*, September 13, 2017, https://www.scmp.com/news/china/policies-politics/article/2110914/us-house-committee-targets-major-chinese-banks-lifeline.

[196] Michelle Chen and Koh Gui Qing, "China's International Paymens System Ready, Could Launch by End-2015," *Reuters*, March 9, 2015, http://www.reuters.com/article/2015/03/09/us-china-yuan-payments-exclusive-idUSKBN0M50BV20150309.

with clearing and settling. Indeed, CIPS and SWIFT signed a 2016 agreement that provided CIPS access to the SWIFT messaging. From that perspective, a charitable observer might conclude that CIPS does not appear to be an alternative to SWIFT financial infrastructure but a complementary appendage.

Neither of these arguments dismiss the strategic logic underlying CIPS. First, if China had purely economic and technical motivations for launching CIPS, it may have been more economical to simply reform the existing CNAPS system so it could communicate with SWIFT. Other countries with domestic interbank payments systems that similarly do not communicate with SWIFT have often modified those systems to allow communication. This suggests economic motivations may not have been the leading factors in the establishment of CIPS.

Second, the fact that CIPS has signed an agreement for access to the SWIFT network, and the fact that it uses SWIFT messaging standards, does not reduce its viability as a strategic alternative to SWIFT because CIPS is building the capability to process messages outside of the SWIFT network. Indeed, just as SWIFT requires banks to purchase costly technology connecting them to the network, so does CIPS – which allows it to exist in parallel to SWIFT's technology.[197] And as CIPS continues to develop, the goal is in many ways to operate independently from SWIFT. As an individual with knowledge of the People's Bank of China's plans for CIPS told the *Financial Times*, "In the future CIPS will move in the direction of using its own dedicated [communications] line. At that point it can totally replace SWIFT" for interbank messaging involving renminbi.[198] Indeed, as Eswar Prasad argues, "CIPS has been designed as a system that could eventually also serve as a conduit for interbank communications concerning international RMB transactions that operates independently of SWIFT. This would make it not

[197] Don Weinland, "China's Global Payment System CIPs Too Costly for Most Banks - For Now," *South China Morning Post*, October 17, 2015, https://www.scmp.com/business/banking-finance/article/1868749/chinas-global-payment-system-cips-too-costly-most-banks-now.

[198] Gabriel Wildau, "China Launch of Renminbi Payments System Reflects SWIFT Spying Concerns," *Financial Times*, October 8, 2015, https://www.ft.com/content/84241292-66a1-11e5-a155-02b6f8af6a62.

only a funds transfer system, but also a communication system, reducing the SWIFT's grip on interbank communications related to cross-border financial flows. China's government is astute enough not to challenge SWIFT until the CIPS has matured, but no doubt one day the challenge will come."[199] The collaboration between SWIFT and CIPS helps the latter mature, providing China with market share and expertise as it builds a parallel system. It also gives SWIFT continued relevance, and indeed, employees at SWIFT have been concerned that "Chinese authorities were considering replacing SWIFT with an indigenous network built to rival, if not exceed, SWIFT's own."[200] SWIFT's China head, Daphne Wang, apparently tried to persuade CIPS not to invest in alternative messaging but to focus on clearance: "We do not do clearing, as in CIPS's case. When we talked to CIPS, we said: 'Why build your highway [i.e., messaging platform] if the highway exists already? As of now it's as if you are selling a car [i.e., clearance and settling] but nobody can drive it on the highway that's already built'."[201] Despite SWIFT's attempt to disincentivize the creation of an alternative highway, China's desire remains to develop it. As one person involved with CIPS noted, the system was launched without all these features but there was "ambition" for more: "[CIPS] doesn't include a lot of things [yet], but there is pressure for delivery."[202] Eventually, the system is intended to "allow offshore banks to participate, enabling offshore-to-offshore renminbi payments as well as those in and out of China."[203] This would make CIPS a wholly independent financial infrastructure and provide any two parties anywhere in the world a method for messaging, clearance, and settlement entirely free from U.S. review, which would seriously undermine U.S. financial power worldwide.

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[199] Prasad, *Gaining Currency: The Rise of the Renminbi*, 116.

[200] *China and the Age of Strategic Rivalry* (Ottawa: Canadian Security Intelligence Services, 2018), 113–22.

[201] Stefania Palma, "SWIFT Dips into China with CIPS," *The Banker*, July 1, 2016, https://www.thebanker.com/Global-Transaction-Banking/Swift-dips-into-China-with-CIPS.

[202] "Beijing's International Payments System Scaled Back for Launch," *South China Morning Post*, July 23, 2015, https://www.scmp.com/business/money/article/1838428/beijings-international-payments-system-scaled-back-launch.

[203] Wildau, "China Launch of Renminbi Payments System Reflects SWIFT Spying Concerns."

Third, even when CIPS does not act in parallel to SWIFT, its connection to and through SWIFT still provides useful influence. Before CIPS, SWIFT was already operating in China for more than thirty years and was connected to 400 Chinese financial institutions and corporate treasuries.[204] Now, all SWIFT messages to China must be routed through CIPS. As one payments expert notes, "CIPS is trying to be the middleman between SWIFT and CNAPS," which would give China's central bank an ability to determine who has access to China's financial system.[205] This provides a central control point over transactions in renminbi and boosts China's structural power.

For now, CIPS is not a meaningful alternative to the SWIFT system. It may bolster China's structural power by making it much easier for China to cut off other institutions or countries from China's financial system, but it is not yet ready to serve as an alternative messaging system for cross-border payments outside of China. Even so, that day will come. Other great powers like Russia are already investing in such systems, and China – which also faces the threat of Western financial sanctions – has ample reason to continue developing CIPS into an alternative that can bypass American structural power over international payments in the coming decade. As one columnist observes, "A return to a pre-SWIFT world, in which banks were forced to send and accept transaction information in a multitude of formats, isn't unimaginable," and it demonstrates the way in which China's strategic anxieties will intertwine with its rise to fragment the sub-structure of global finance.[206]

Credit Rating Agencies

After the 2008 Global Financial Crisis, the "big three" were seen as vulnerable given their mistaken appraisal of the assets that set off the crisis. For their part, many European

[204] *China and the Age of Strategic Rivalry*, 113–22.

[205] Wildau, "China Launch of Renminbi Payments System Reflects SWIFT Spying Concerns."

[206] Bershidsky, "How Europe Can Keep the Money Flowing to Iran."

leaders blamed them as biased and political for having touched off and then intensified the Eurozone debt crisis, especially following their downgrade of Greek debt to junk status in 2010, and some leaders encouraged (unsuccessfully) the creation of an alternative European credit rating agency.[207] The fact that even American allies sought alternatives to the influence of the "big three" – which have retained more than 76% market share within Europe even after the crisis – should make it relatively uncontroversial that China might act according to similar motivations.[208]

As with Europe, China's interest in alternative agencies was precipitated by the Global Financial Crisis that tarnished the "big three" while also revealing their ability to shape capital flows. Although Washington lacks the ability to directly control these credit raters or manipulate their ratings, China views them as tools of direct or indirect American power corrupted by political bias. At the 2010 G20 summit in Toronto, President Hu Jintao called for the countries to "develop an objective, fair, reasonable, and uniformed method and standard for sovereign credit rating," demonstrating that the issue had received top-level political attention. Only a month later, seemingly in coordination with Hu's call, Dagong Global Credit Rating – China's largest credit rating agency – launched its own sovereign credit ratings for the first time. For years following the crisis, China's government has continued to formally attack the credit rating agencies. Finance Minister Lou Jiwei declared that "there's bias" in the ratings of the "big three" while the Finance Ministry issued a statement calling a Moody's downgrade of China's credit "the wrong decision" in 2017.[209]

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[207] "EU Criticizes Role of US Credit Rating Agencies in Debt Crisis," *Deutsche Welle*, July 11, 2011, https://www.dw.com/en/eu-criticizes-role-of-us-credit-rating-agencies-in-debt-crisis/a-15225330.

[208] Huw Jones and Marc Jones, "EU Watchdog Tightens Grip over Use of Foreign Credit Ratings," *Reuters*, November 17, 2017, https://www.reuters.com/article/us-britain-eu-creditratingagencies/eu-watchdog-tightens-grip-over-use-of-foreign-credit-ratings-idUSKBN1DH1J1.

[209] "China's Finance Minister Accuses Credit Rating Agencies of Bias," *South China Morning Post*, April 16, 2016, https://www.scmp.com/news/china/economy/article/1936614/chinas-finance-minister-accuses-credit-rating-

Dagong is the lead instrument in China's effort to influence the global ratings system and the country's only major Chinese-owned credit rating agency. China's only other large credit rating agencies – China Lianhe Credit Rating and China Chengxin International – are joint ventures between Chinese private entities and different members of the "big three." Dagong's public documents, as well as the statements by its founder Guan Jianzhong – essentially the face of credit rating in China – indicate both a view that credit ratings are strategic instruments and that the United States' domination of them is harmful to China's political interests. As Guan wrote in 2012, "US dominated ratings serve the global strategy of the United States" and "the existing international rating pattern will restrict the rise of China." Guan and others argue that rating agencies exercise "rating discourse power" that enables them to shape the global economy. If the United States controls this "rating discourse power," then China "will lose financial sovereignty." Worst, the "rating discourse power can be manipulated…in an effort to erode the social basis of the ruling party." In contrast, the 2008 Global Financial crisis offered "a great historical opportunity for China to strive for international rating discourse power."[210] China's ratings, even if they do not gain overwhelming market share, could nonetheless pressure the "big three" to adjust their ratings and "converge" towards China's, an outcome Guan welcomes.[211]

Accordingly, in the midst of the of the Global Financial Crisis in 2008, Dagong began to float proposals for a "Universal Credit Rating Group" [UCRG], which was finally launched in June 2013 when Dagong partnered with a Russian firm and smaller American rater. The new initiative's mission was to compete with the "big three," and it purported to be a private,

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agencies-bias; Joe McDonald, "China Criticizes S&P Rating Cut as 'Wrong Decision,'" *Associated Press*, September 22, 2017, https://apnews.com/743f86862f5a4b85844dcc10f96e3f8c.

[210] Guan Jianzhong, "The Strategic Choice of Chinese Credit Rating System," Dagong Global (Via Internet Archive), 2012, https://web.archive.org/web/20160805110146/http://en.dagongcredit.com/content/details58_6631.html.

[211] Guan Jianzhong, "It Takes Innovative Thinking to Reform the International Credit Rating System," Dagong Global (Via Internet Archive), September 7, 2012, https://web.archive.org/web/20160805123457/http://en.dagongcredit.com/content/details58_6632.html.

collaborative, and apolitical venture. These claims proved false when the CEO of that initiative, Richard Hainsworth, stepped down and later admitted that the effort was essentially financed and supported by the Chinese government.[212] Hainsworth claimed that the Russian and U.S. partners provided little capital, that the venture was primarily controlled by Dagong, that virtually every major expenditure was subject to a vote by Dagong's board, and that the Chinese government was likely bankrolling not only UCRG but even Dagong. In this light, Dagong's collaboration with foreign raters appeared to be a fig leaf to boost the legitimacy of its revisionist undertaking. Hainsworth further argued that UCRG's true purpose appeared political rather than commercial – to both reduce the legitimacy of Western ratings and to put forward a Chinese alternative, though spending on the latter objective was inadequate. Dagong hired a number of senior Western officials on behalf of UCRG to criticize U.S. ratings, including former French Prime Minister Dominique de Villepin, who traveled the world attacking Western agencies in ideological terms and drew a "straight line from the Opium Wars, the British Raj, and the European colonial powers' grab for Africa to current forms of Western privilege, including its control of credit ratings."[213] Eventually, despite its ideological bent and alleged Chinese-backing, UCRG sputtered and was shut down.

The failure of UCRG did not mark the end of China's ambition to reshape global credit ratings. Instead, China appears to have increased its support for Dagong to go global, and the firm has opened up offices around the world and overtly stated its interest in competing with the "big three." Dagong is clearly carrying on the mission that UCRG was to have undertaken and has retained many of the same international advisors to give it legitimacy.[214] Although Dagong

[212] "Man in the Middle," *South China Morning Post*, April 26, 2014, https://www.scmp.com/business/china-business/article/1497241/man-middle.

[213] "Man in the Middle."

[214] Liz Mak, "China's Dagong Global Credit Mounts Challenge to 'Big Three' Rating Agencies," *South China Morning Post*, August 7, 2016, https://www.scmp.com/business/banking-finance/article/2000489/chinas-dagong-global-credit-mounts-challenge-big-three.

claims to be fully private, Hainsworth suggested the company was funded by Beijing; moreover, its CEO and founder, Guan Jianzhong, was a government official immediately before he launched Dagong. Not only did he apparently continue to be employed by China's State Council for years while running Dagong, his firm so directly implicates the interests of SOEs that it is genuinely hard to believe it is free from state influence.[215] Even so, Beijing clearly seeks to maintain some plausible distance from Dagong to enhance its legitimacy. Indeed, Chinese officials have privately opposed efforts to create a BRICS credit rating agency precisely because they believe that "a government-backed credit rating agency will not have any credibility" in challenging the "big three."[216] Despite the fact that Dagong is formally a private and apolitical entity, its rankings have also given rise to claims of political bias. Dagong raised eyebrows when it rated the Chinese Railway Ministry's debt higher than China's sovereign debt, as well as when it rated Russia and Botswana's debt higher than U.S. debt. In a discussion of its methodology, Dagong includes ideological Party phrases and claims to use "dialectical materialism" as part of its evaluative approach.[217] The firm is usually eager to downgrade the United States, as its own website boasts: "Dagong is the first agency in the world to study American credit rating theories and methodologies and reveal their shortcomings. It is also the first agency to downgrade the U.S. credit rating."[218]

China's efforts to influence global credit ratings, while clearly motivated by the Global Financial Crisis, remain somewhat modest. Its goal appears to be to gradually gain market

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[215] Reports of Guan's government ties are discussed in Christopher Ricking, "US Rating Agencies Face Chinese Challenge," *Deutsche Welle*, November 19, 2012, https://www.dw.com/en/us-ratings-agencies-face-chinese-challenge/a-16389497; Guan Jianzhong, "The Strategic Choice of Chinese Credit Rating System."

[216] Asit Ranjan Mishra, "China Not in Favor of BRICS Proposed Credit Rating Agency," *Livemint*, October 14, 2014, https://www.livemint.com/Politics/btAFFggl1LoKBNZK0a45fJ/China-not-in-favour-of-proposed-Brics-credit-rating-agency.html.

[217] "Corporate Culture," Dagong Global (Via Internet Archive), 2016, https://web.archive.org/web/20160704062906/http://en.dagongcredit.com:80/about/culture.html.

[218] "Abous Us," Dagong Global (Via Internet Archive), 2016, https://web.archive.org/web/20160326131607/http://en.dagongcredit.com/about/aboutDagong.html.

share, not displace the "big three," especially since a higher market share may be sufficient to bring about convergence. Moreover, China has allowed the "big three" into China, a policy ostensibly intended to help promote foreign investment as China's government pursues deleveraging. This is a positive step, but one possibly consistent with the goal of influencing global credit ratings: as American credit rating agencies gain access to China's lucrative domestic market, they may find it more challenging to negatively rate politically sensitive Chinese entities or the government's sovereign debt.

Together, China's focus on monetary diversification and its construction of an alternative payments substructure through CIPS and an alternative credits rating agency through Dagong reveal a longstanding interest in weakening and bypassing the U.S. dollar's constraining effects on China – one that will, if successful, transform the global economic architecture into one of financial multipolarity.

CONCLUSION

This chapter focused on China's foreign economic behavior. It sought to answer a number of questions: why did China pursue permanent MFN in the 1990s after a decade of ignoring it; why has it offered concessionary trade and investment terms to its neighbors; why has it shown a new willingness in the last decade to wield use economic sanctions against its neighbors; why has it pursued redundant financial architecture; why has it sought monetary diversification when a weakened dollar would only harm China's export economy? The chapter showed that the answer to many of these questions was to be found in China's grand strategy, especially the ways in which it has sought to both *blunt* and *build* relational, structural, and domestic-political power.

The chapter argued that after Tiananmen Square, the Gulf War, and the Soviet Collapse, China's *perceived threat* from the United States increased. A China that had once been

ambivalent about its dependence on the U.S. economy was now concerned, and China's leaders pursued permanent MFN and WTO accession at a high cost to blunt Washington's ability to wield economic leverage over China. Then, after the Global Financial Crisis of 2008, China's perceived *relative power* gap with the United States fell, and a more confident China sought to *build* economic leverage over neighbors that would lay the foundation for a China-led order. Its trade concessions created relational and domestic-political leverage over its neighbors; its infrastructure investments did the same but also created possible structural leverage too; finally, its investment in financial architecture and support for monetary diversification gave it alternatives to the dollar system while facilitating the creation of a renminbi zone in Asia that would build China's structural leverage through financial power. China has gone from a that reduced U.S. economic leverage over China to one that deploys the same forms of economic leverage over its neighborhood.

CONCLUSION

This dissertation asked whether China had a grand strategy, and focused on what it was, what shaped it, and how it influenced Chinese behavior. It used authoritative Mandarin-language texts and competitive theory testing across military, political, and economic instruments to argue that China has had a grand strategy since the end of the Cold War.

The dissertation demonstrated that after the Cold War, China sought to *blunt* American power and subsequently to *build* a constraining regional order. Which strategy it emphasized has depended on (1) the *perceived threat* posed by the United States, and (2) the *perceived relative power gap* with the United States. In the early 1990s – when the perceived U.S. threat increased after the trifecta of Tiananmen sanctions, Gulf War dominance, and the Soviet collapse – China pursued a coordinated *blunting* strategy. China used anti-access/area-denial capabilities to keep U.S. carriers at bay at the military level; pursued permanent normal trade relations and WTO membership to insulate itself from U.S. leverage at the economic level; and joined regional institutions to reassure wary neighbors and prevent unilateral U.S. rule at the political level. After the 2008 Global Financial Crisis, the perceived relative power gap with the United States shrank, and China shifted to a maximalist *building* strategy to constrain its neighbors across all three policy domains. It pursued power projection capabilities to intervene in the region; used economic instruments to create leverage over neighbors and to bypass American financial power; and built international institutions to claim leadership, set rules, and constrain neighbors.

In the process of laying out this argument, the dissertation also made three discrete contributions.

First, it reviewed the two-hundred-year history of the term "grand strategy" and offered a unifying definition and social-scientific approach to studying it. It argued against specific definitions of the term that restrict grand strategy to a focus on military means; it argued against broad definitions that expand the term to the use of any means to achieve any ends. Drawing from the two-hundred year linkage of the concept to security as well as from the fact that the instruments included within grand strategy have expanded along with the growing capabilities of the modern state, the dissertation defined grand strategy as a state's theory of how it can achieve security for itself that is intentional, coordinated, and implemented across military, economic, and political instruments. To determine whether a state has a grand strategy, the dissertation argued that we must look at concepts, capability, and conduct through the lens of texts, institutions, and behavior. This project's discussion of grand strategy and its articulation of a social-scientific approach to studying it could conceivably be used to study the grand strategies of other countries, though the method does pose a fairly high empirical burden.

Second, the project helped enhance our understanding of the process by which a rising power might establish regional hegemony. Too often this process is thought of in military terms, and when institutional or economic instruments are considered, they are applied by scholars like Gilplin and Ikenberry to the way existing hegemons create order – not to the ways in which rising powers might contest and create regional hegemony. The dissertation tried to show how rising powers might wield these same instruments to create regional order. It also demonstrated that sequenced efforts to first *blunt* the influence of a balancer outside the region and to then *build* leverage over neighbors within the region could plausibly create the foundation for regional hegemony. Chapters Three to Five showed that denial tools, institutional sabotage, and efforts to limit a powerful state's economic discretion could help blunt against the only state capable of constraining the rising power; in contrast, sea control platforms, institutional creation, and efforts to create economic interdependence could lay the foundation for an order that constrains neighbors. In calling attention to this process, the dissertation also highlighted

the politics of strategic adjustment by showing how perceptions of an external hegemon's threat and relative power can trigger shifts in strategy. This sheds light on why rising states shift their strategies from periods of partnership with the hegemon to quiet rivalry and then to outright competition.

Third, the dissertation sought to explain a variety of puzzles in Chinese military, economic, and institutional behavior. It explained that China's decision to delay investments in sea control was part of a conscious strategy to avoid building vulnerable platforms and to invest in asymmetric capabilities that would make U.S. intervention difficult. It showed that China's decision to join institutions and stall them was motivated by fears of U.S.-led regionalism as well as a desire to use institutions to reassure neighbors and frustrate American order-building. It showed that Chinese concern for MFN in the 1990s but not in the 1980s was related to its changing perception of American threat. Finally, it showed that concessionary trade and investment terms could create relational leverage and domestic-political power over China's neighbors while its creation of financial architecture could lay the foundation for structural power – even though these investments hurt China's economy and undermined its export engine, China was willing to trade away economic benefits for strategic ones.

How might the United States respond to China's strategy for achieving regional hegemony?

China's grand strategy clearly implicates important U.S. interests. The United States and its allies and partners clearly have a stake in an open and liberal Asia and preventing the region from falling under Chinese hegemony, and their strategy must be to prevent or delay Chinese hegemony through measures short of war. Washington needs to learn from China's grand strategy and adopt its own strategy for peacetime competition with Beijing. Not only should the United States integrate its military, political, and economic instruments as China does; more importantly, it should also specifically target the logic of China's efforts and the *blunting* and

building strategies within each of these three policy domains. In other words, in framing strategic competition, Washington should seek to (a) counteract those Chinese blunting efforts that reduce U.S. military, economic, and political leverage over Beijing and (b) undermine those building efforts that construct military, economic, and political leverage over its Asian neighbors.

To address Chinese blunting and strengthen U.S. leverage over China, Washington will need to alter its current policy. First, it will need to address Chinese anti-access/area denial capabilities. The United States can invest in dispersal, hardening, undersea warfare, long-range strike, and third offset technologies (e.g., autonomous vehicles) to raise doubts about Chinese strike capabilities and increase confidence in the survivability of U.S. assets. Second, to address Chinese attempts to reduce Beijing's vulnerability to U.S. sanctions, the United States can privately threaten sanctions on politically-connected Chinese individuals, especially elite Chinese with overseas wealth. Third, to address Chinese stalling tactics in U.S.-led institutions, the United States should threaten to exclude China from certain regional institutions outside of Asia (e.g., institutions like the Arctic Council, which now includes Beijing), shame stalling efforts publicly, and dilute Chinese leverage by inviting U.S. allies and partners (e.g., India) into institutions they are not yet a part of (e.g., APEC).

To address Chinese building and to weaken Chinese leverage over its neighbors, Washington will need to find think in many ways as Beijing did when it pursued blunting. First, to address China's development of power projection capabilities that threaten its neighbors, the United States should consider selling or encouraging others (like India) to sell A2/AD technologies (mines, missiles, submarines) to China's neighbors, in essence turning Chinese anti-access strategies against China itself. Hardening the second island chain and even possible "third island chains," like the Andaman and Nicobar Islands, is a relatively cheap way to increase the cost of Chinese efforts to coerce its neighbors. Second, to counter Chinese economic

coercion and infrastructure inducements, the United States should coordinate informal multilateral efforts with Japan, India, and Australia to pool resources to support states suffering from trade disruption and to offer alternative infrastructure support. Relatedly, the World Bank should refocus on infrastructure investment to compete with Chinese efforts. Third, the United States should push to join any and all Chinese institutions, including the Belt and Road Initiative and the Asia Infrastructure and Investment Bank, and work to either shape them in line with U.S. values or stall them – just as China did with US-led institutions in the 1990s.

The recommendations listed above are not meant to be exhaustive, likely require some tempering to preserve bilateral cooperation on transnational challenges, and admittedly need refinement; nevertheless, they serve as illustrations of a competitive approach that is built from the very logics that motivate China's own grand strategy. American policy will be most successful when it is tailored accurate diagnoses of Chinese behavior. Because my dissertation focuses on such diagnoses, it offers a foundation for formulating a practical, realistic, and hopefully non-escalatory set of responses to China's efforts to establish a form of hegemony within the Indo-Pacific.

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