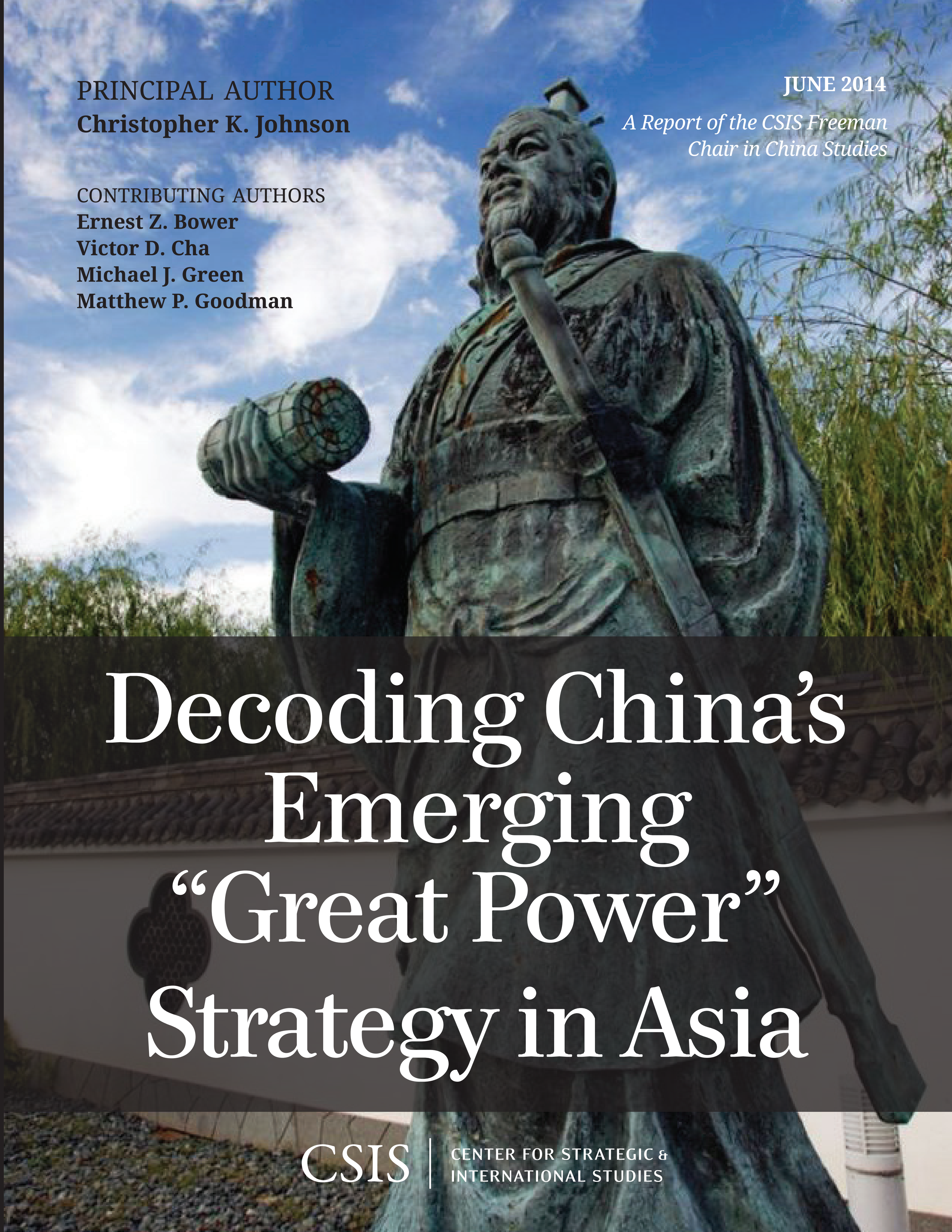

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A Report of the CSIS Freeman Chair in China Studies

Decoding China's Emerging "Great Power" Strategy in Asia

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

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Preface

The Asia-Pacific region is the center of dynamism in the international system, and events there are defining the security and prosperity of the world. Increased economic interdependence and a budding institutional architecture create a solid foundation for a vibrant and stable future, but the region also faces an array of challenges that could destabilize the security environment. For over six decades the U.S.-Japan alliance has been the cornerstone of security and stability in the Asia Pacific, and it should continue to play an important role in shaping the regional order.

The U.S. and Japanese governments are taking important steps to strengthen the alliance and ensure that it remains a lynchpin in maintaining regional stability and prosperity. In 2013 the Sasakawa Peace Foundation and the Center for Strategic and International Studies (CSIS) established a bilateral commission of distinguished policymakers and scholars to develop a strategic vision for the alliance. The commission, cochaired by Richard Armitage, John Hamre, and Ryozo Kato, has convened twice, most recently in January 2014 in Washington. It will continue over the next two years to discuss a range of issues animating the bilateral relationship. Topics include the role of the alliance in maintaining stability in the Asia Pacific; networking the alliance with other key partners in the region; the North Korean nuclear and missile threat; cybersecurity; trade liberalization; shaping mutually beneficial relations with China; energy security; and others to be determined by the commission.

The commission has invited scholars to conduct research that will inform these discussions, including this assessment of China's strategic behavior by CSIS Freeman Chair in China Studies Christopher K. Johnson and the CSIS Asia team, as it examines the factors shaping the U.S.-Japan alliance. At the request of the commission, China's robust military modernization efforts, and particularly the rapid expansion of the capability and lethality of the Chinese military, largely sit outside the scope of this assessment. A fuller treatment of the military dimension of China's rise has been assigned to other researchers involved in this project and will be published accordingly in support of the commission's efforts.

1 Introduction

The course charted by China's reemergence as a great power over the next few decades represents the primary strategic challenge for the U.S.-Japan security alliance and for the East Asian security landscape writ large. If China's economic, military, and geopolitical influence continues to rise at even a modest pace during this period, we will witness the largest shift in the global distribution of power since the rise of the United States in the late 19th and early 20th centuries. If China in the next 10 to 15 years surpasses the United States as the world's largest economy, it will mark the first time in centuries that the world's economic leader will be non–English speaking, non-Western, and non-democratic.

Of course, these are some pretty big ifs. To stay on the path toward realizing this new global balance of power, China's leaders will have to successfully navigate challenges they face both at home and abroad. They will have to demonstrate sufficient foresight and flexibility to respond to immediate tactical concerns while always staying mindful of the geostrategic long game. They will have to prove that China's political and economic rise will be as sustainable over the next 30 years as it has been over the last third of a century, even though the task they are confronting now arguably is much more complex than that faced by their predecessors. They will have to craft a workable strategic framework for channeling the country's growing wealth and power in a way that facilitates China's return to the dominant position in East Asia without sparking conflict with their neighbors or, more importantly, with the United States. And, more fundamentally, they must find an answer to the nagging question of what type of great power China wants to be in terms of whether or not to adhere to long-established global rules of the game that they had no hand in shaping.

Against this backdrop, finding a means to navigate these challenges in a way that avoids war and promotes sustained regional—and ultimately global—economic growth is essential to ensuring stability and prosperity in Asia into the future. Successfully establishing a favorable balance of power in East Asia will be impossible, however, without a clearer understanding of the fundamental underpinnings and trajectory of China's foreign policy and security strategies toward the region under the new Chinese leadership that took power in the fall of 2012. For the regional countries, understanding China will be essential to determining how they can contribute both individually and collectively to keeping Asia safe and prosperous in a period of great uncertainty and diminishing resources.

President and Chinese Communist Party (CCP) General Secretary Xi Jinping's speedy accretion of political power means that glimpses of the broad sweep of his domestic and foreign policy vision are coming into view more quickly than previous Chinese power transitions might suggest. Nevertheless, it is still very early in his presumed decade-long tenure in power, and it would be foolish to suggest at this point that we are seeing anything approximating a complete picture of where he may ultimately want to take the country. In fact, there is a solid case to be made that, aside from some general principles, Xi himself may not yet have a fully fleshed out worldview.

The challenge is compounded by the many seemingly contradictory policy inclinations that appear to be guiding Xi and his colleagues at this point in their collective term. To give just a few examples, at home, there is, at least to Western eyes, the uncomfortable pairing of a bold economic reform blueprint that calls for freeing up market forces with an unrelenting ideological retrenchment and the return of Mao-flavored rhetoric and party rectification tools not seen in several decades. Externally, leaders in China's neighboring countries are befuddled by the leadership's ostensible inability, at least so far, to sustainably reconcile the contending impulses to seek improvements in relations on China's periphery while simultaneously pushing hard to reinforce Beijing's sweeping territorial claims and to expand its military footprint.

Consequently, the goal of this enterprise is not to attempt a crystal ball–gazing exercise leading to undoubtedly dubious conclusions about China's future course. Instead, it is to craft an analytic construct that, to the degree possible, rigorously seeks to illuminate the new leadership's preoccupations, priorities, and policy predilections. As such, the project will be a success if it offers a suitable conceptual framework for interpreting new developments and a baseline assessment for conducting further research.

It will be important that the United States and Japan are guided by a common—or at least consistent—assessment of how China is using its growing power. Divergence among the major democracies and stakeholders with respect to assessments and responses to China's growing role would be highly damaging to efforts to integrate China into the rules-based order that the United States, Japan, and other democratic allies helped to build in the Asia-Pacific region over the previous six decades and that has benefited China itself in so many ways. Both the United States and Japan have a stake in China's success with myriad challenges ranging from breaking out of the middle income trap to fighting rampant corruption and rapid environmental degredation. Both the United States and Japan have a responsibility to work in concert to dissuade destabilizing behavior and encourage cooperation, transparency, and trust.

This shared regional assessment is particularly crucial because the United States and Japan sometimes focus on different aspects of China's international personality. Rising powers are typically free riders on the global stage and more revisionist on the regional front. For Japan, the revisionism regionally is immediate. For the United States, the desire for Chinese help combating proliferation, climate change, and other challenges often carries greater weight than it would for Japan. If China challenges the status quo, however, it is more likely to come in Japan's immediate neighborhood, where there must be no divergence in U.S. and Japanese approaches.

2 The Domestic Political Context: From Smooth Succession to the Dawn of the Xi Era

Every analysis on China begins with the truism that its leaders are primarily concerned with the country's many domestic challenges. However, China's amazing economic accomplishments, and the concomitant increase in its global stature and influence, have bolstered the CCP's legitimacy by showing that it (and, the CCP argues, *only* it) can "deliver the goods." Moreover, the fallout from the global financial crisis further strengthened the narrative among many in the CCP elite that China has somehow discovered a distinct "third way" that allows it to marry relative economic openness with a closed political system.[1] All of these factors suggest that the notion of fearful Politburo members anxiously expecting their imminent downfall should perhaps be revisited periodically going forward.

Still, any serious examination of the new leadership's domestic policy agenda must necessarily conclude that this axiom will remain in place for the foreseeable future. China's leaders understand, far better than any outside observer possibly can, the many risks to the party's continued grip on power. From their ceaseless preoccupation with reexamining the roots of the fall of the Soviet Union to the many indications that they deeply mistrust their own people, China's leaders are in some ways more inward-looking than ever before. On this score, then, the new leadership team is unlikely to be much different than its predecessors. They will continue to be principally preoccupied with managing an increasingly complex and uncertain domestic political and policy environment. This is where we must begin.

A Smooth, Stable Succession

With the close of the first session of the Twelfth National People's Congress in March 2013, the CCP announced its new cabinet to the world, paralleling the rollout of the revamped CCP leadership lineup at the Eighteenth Party Congress the preceding November and bringing its lengthy once-in-a-decade leadership transition to a successful conclusion. Granted, there were clear signs of intense, and sometimes messy, behind-the-scenes political

1. "China Pulls through International Financial Crisis with Determination," Xinhua, January 10, 2010, http://news.xinhuanet.com/english/2010-01/10/content_12785556.htm.

infighting along the way. To cite the most glaring example, the fall from grace of former Politburo rising star Bo Xilai in a sensational case involving corruption and even murder marked the onset of the worst domestic political scandal to hit the CCP in nearly two decades.[2] Yet the leadership succession proceeded smoothly and relatively on time. The CCP can thus claim some credit for managing to stage another relatively peaceful handover of power, even though it was the first transition staged without the guiding hand of the revolutionary-credentialed elders of a bygone era.

This is no mean achievement. Xi Jinping and his premier, Li Keqiang, hail from very different backgrounds and represent distinct interest groups within the CCP hierarchy that do not always see eye to eye. Against this backdrop, their seemingly close collaboration and unity of purpose at this admittedly early stage of their collective tenure is noteworthy and should not simply be assumed as a foregone conclusion. It is a powerful reminder that, despite the Chinese political system's lack of institutionalization and the dearth of formal rules governing political competition, the lessons of the 1989 Tiananmen crackdown concerning keeping leadership wrangling in check remain very much in the forefront of their thinking.

Much of the analysis in the wake of the Eighteenth Party Congress also speculated that Xi Jinping likely would be as constrained when it came to setting his own agenda as his predecessor, Hu Jintao, was when the latter took power at the last transition a decade ago. This is because, so such assessments claim, Xi is surrounded by Politburo Standing Committee (PBSC) colleagues he did not choose. He also is hemmed in by not just one, but two retired general secretaries—Hu and former president Jiang Zemin—whose interests must be accommodated.[3] The implication of these conclusions was that Xi would at best be captured by the same obsessively consensus-driven style of decisionmaking that predominated under Hu;[4] at worst, Xi would be subject to interference, and possibly even leadership infighting, at the hands of pushy retired party chiefs.

As events have played out, however, both of these supposed constraints, while true as matters of fact, have proved lacking in broad explanatory power. The new PBSC lineup is undoubtedly less reformist in orientation than if it included the likes of Wang Yang and Li Yuanchao, who both were relegated to seats on the full Politburo. But, as part of their political deal making, senior leaders and influential retired CCP powerbrokers appear to have deliberately traded wider representation of the broad spectrum of views within the party's ranks for greater unity within the PBSC. The key personnel developments at the Party Congress—trimming two seats from the PBSC, downgrading the party's security czar, and making Xi party boss and commander-in-chief in one fell swoop—certainly

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2. Christopher Johnson, "Beijing's Cracked Consensus: The Bo Scandal Exposes Flaws in China's Leadership Model," *Foreign Affairs*, April 18, 2012, http://www.foreignaffairs.com/articles/137413/christopher-k-johnson/beijings-cracked-consensus.

3. Jeremy Page, "Chinese Party Elders Step Back In," *Wall Street Journal*, September 6, 2012, http://online.wsj.com/article/SB10000872396390444301704577631932672679296.html.

4. Joseph Fewsmith, "The Sixteenth National Party Congress: The Succession That Didn't Happen," *China Quarterly*, no. 173 (March 2003): 3–16.

appear consistent with such a seeming desire to fully empower him. Whatever Xi's differences with his mostly Jiang-backed PBSC colleagues,[5] there presumably is far less policy daylight among them than if a more factionally balanced group had been appointed to the pinnacle of party power. The meaningfulness of these changes is further amplified if viewed through the prism of personal political power instead of misguided notions of institutionalization.

That Xi would face the same kind of substantial meddling from his retired predecessors that appeared to plague Hu Jintao also has been found wanting. The CCP's late January 2013 announcement that, at his own request, Jiang Zemin would give up his privileged position as the second-ranking leader in the party's official pecking order and henceforth be grouped with other retired leaders sent an important signal about his willingness to give Xi sufficient breathing room.[6] Jiang's intentions were further clarified in July 2013 when the official media formally released comments he made during a meeting nearly three weeks earlier with former U.S. secretary of state Henry Kissinger. In a rare display of near-hagiographic proportions, Jiang extolled Xi as "a very capable and intelligent state leader" who had acted decisively in dealing with a recent spate of unrest in China's Muslim northwest. Jiang also expressed his "full confidence in the new leadership" to tackle the many challenges confronting the nation.[7]

Likewise, Hu Jintao likely does not possess the inclination—or, more importantly, sufficient authority—to intervene in meaningful ways. Having never been designated the official core of his generation's leadership cohort,[8] Hu probably lacks adequate justification to weigh in substantially from behind the scenes. In fact, since the Party Congress, Hu has been notable only for the speed with which he appears to have departed the scene. Since retiring as party boss, he has made only two public appearances, one in September 2013 to his ancestral home in Anhui[9] and another—perhaps more politically pointed—visit to a prestigious academy in Mao Zedong's native province of Hunan in April.[10] Moreover, even though several of his protégés were elected to the full Politburo at the Party Congress, Hu's lack of a working majority on the PBSC limits his influence. Although Xi must be appropriately deferential to both Hu and Jiang and mindful of their interests, he seems far less hamstrung by such considerations than Hu.

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5. Joseph Fewsmith, "The 17th Party Congress: Informal Politics and Formal Institutions," *China Leadership Monitor*, no. 23 (Winter 2008), http://media.hoover.org/sites/default/files/documents/CLM23JF.pdf.

6. Yang Jingjie, "Jiang Zemin Requested That He Be Moved Down in Official Ranking," *Global Times*, January 24, 2013, http://www.globaltimes.cn/content/757887.shtml.

7. Zhao Shengnan, "Kissinger and Jiang See Bright Futures for Relations," *China Daily*, July 22, 2013, http://usa.chinadaily.com.cn/china/2013-07/22/content_16814167.htm.

8. Alice Miller, "The New Party Politburo Leadership," *China Leadership Monitor*, no. 40 (January 14, 2013),http://www.hoover.org/publications/china-leadership-monitor/article/137951.

9. Zhang Hong, "Former President Hu Jintao Visits Ancestral Hometown in Anhui," *South China Morning Post*, September 19, 2013, http://www.scmp.com/news/china/article/1312563/former-president-hu-jintao-visits-ancestral-hometown-anhui.

10. Russell Leigh Moses, "Loaded Leisure: The Politics of Hu Jintao's Trip to Hunan," *Wall Street Journal: China Real Time Report*, April 11, 2014, http://blogs.wsj.com/chinarealtime/2014/04/11/loaded-leisure-the-politics-of-hu-jintaos-trip-to-hunan/.

This is not to suggest that the composition of the new PBSC lineup is free of consequences for Xi, intended or otherwise. By promoting the oldest members of the previous full Politburo (save the one female contender, Liu Yandong) to the new Standing Committee, for example, five of the seven current members will again face retirement at the next five-yearly Congress in 2017 if the leadership maintains the current informal age restrictions governing service on the Politburo.[11] Based on the natural cycling of the Chinese political process, this would mean that Xi and his colleagues, already well into their second year in office, will have at most two to three more years to make policy progress in Xi's first term before the political horse trading will begin again in earnest.

The implications of this type of constraint are different than those associated with activist elders or a too-finely-balanced PBSC. Xi will have to decide, and probably fairly soon, to either abide by the traditional timelines described above, or, if he concludes he has sufficient room, to attempt a political breakout of some sort. The point is that it will be Xi's own calculus, and not exogenous factors, that fundamentally shape the path he ultimately chooses. Moreover, there are potential advantages to Xi in working with a PBSC whose majority has nothing to lose. Because the eldest five members have no political future to consider, they can afford to take the kind of risks that will be required to implement the bold reform plans necessary to jump-start the transition of China's economic growth model. Consequently, if Xi and Li can remain in sync, and agree on the way forward for implementing the revitalized reform program endorsed at the November 2013 Third Plenum of the Eighteenth Central Committee, the others on the PBSC are unlikely to stand in the way.[12]

Finally, below the Politburo level, Xi and Li are served by competent officials with substantive professional expertise and/or solid reform credentials in their respective areas of responsibility. As the day-to-day implementers of the leadership's policy direction, these officials play a critical role in managing—and occasionally shaping—China's evolving transformation. Li Keqiang's economic team is staffed with seasoned veterans with strong policy and management credentials. A few of them, including new finance minister Lou Jiwei, cut their teeth working in the State Commission for Restructuring the Economy (SCRE) in the mid-1990s under Vice Premier Zhu Rongji.[13] The period is increasingly viewed as something of a golden age for reform, especially in light of the almost complete lack of meaningful progress during the last decade. Similarly, People's Bank of China governor Zhou Xiaochuan, who was retained despite being dropped from the elite CCP Central Committee at the Party Congress, often is credited with holding strongly reformist views.

The new foreign policy team also reflects the seeming emphasis on seasoned hands. Contrary to earlier expectations, former foreign minister Yang Jiechi was elevated to state

11. Joseph Fewsmith, "The 18th Party Congress: Testing the Limits of Institutionalization," *China Leadership Monitor*, no. 40 (January 14, 2013),http://www.hoover.org/publications/china-leadership-monitor/article/137941.

12. Barry Naughton, "Signaling Change: New Leaders begin the Search for Economic Reform, *China Leadership Monitor*, no. 40 (January 14, 2013),http://www.hoover.org/publications/china-leadership-monitor/article/137931.

13. Nick Edwards, "Analysis: China heads back to the '90s in economic reform drive," Reuters, March 18, 2013, http://www.reuters.com/article/2013/03/18/us-china-economy-reform-idUSBRE92H10P20130318.

councilor, replacing Dai Bingguo as China's top foreign policy official. With the simultaneous selection of Wang Yi as Yang's successor at the Foreign Ministry, China's day-to-day foreign affairs establishment has come back under the supervision of officials with long careers in the diplomatic corps. Both men also have substantial experience managing China's more consequential relationships. Wang has spent the bulk of his career working on China's ties with its regional neighbors—even on the now-troubled relationship with Japan—and this has come through in his efforts to improve them.[14] Similarly, few Chinese diplomats can compare with Yang's strong credentials in dealing with the United States. True, Yang has been prickly in his approach to America in recent years—witness his reported outburst at the Association of Southeast Asian Nations (ASEAN) regional forum in Hanoi in 2010 in response to then U.S. secretary of state Hillary Clinton's intervention on the South China Sea.[15] But, with his successful elevation, Yang's tone has been somewhat more moderate, suggesting some of his vitriol can be chalked up to the requirements of campaigning for higher office.

In sum, the point is that the smooth and complete handover of power has provided Xi with an unusual level of stability within the leadership core of the PBSC and among the key officials supporting it. His innate confidence as a leader with a born-to-rule leadership style serves to strengthen that sense of stability. That same mindset has led him to arrange the personnel appointments to emphasize the central role of the party and strengthens his hand as general secretary by ensuring that all key decisions ultimately flow through and from him. This exceptional political aptitude has facilitated Xi's speedy accretion of political power, to which we now turn.

Xi's Domestic Political Strength: *Primus Inter Pares*, or Just Plain Primus?

Xi has emerged in a very strong political position in the wake of the Third Plenum and through his ongoing consolidation of power. Several factors have contributed to his success, but there are a few critical building blocks that merit special attention. First, Xi's princeling status as the offspring of one of the regime's founding fathers gives him a unique understanding of the nature of power within the CCP. His knack for political stagecraft is a direct result of what he witnessed as part of his privileged upbringing, but also his very personal understanding—stemming from his family's fall from grace during the Cultural Revolution—of the vagaries of operating in a political system with few formal rules. Against this backdrop, Xi clearly has adopted elements of the political methods favored by both of the lions of the CCP, Mao Zedong and Deng Xiaoping. His political style, such as his heavy emphasis on the centrality of the party and his penchant for keeping his political peers off balance, bears many of the hallmarks of Mao while also manifesting, at least in the economic

14. Teddy Ng, "Wang Yi has coped with crises and unusual career moves," *South China Morning Post*, March 16, 2013, http://www.scmp.com/news/china/article/1192238/expert-japan-becomes-chinas-new-foreign-minister.

15. Donald Emmerson, "China's 'frown diplomacy' in Southeast Asia," East Asia Forum, October 8, 2010, http://www.eastasiaforum.org/2010/10/08/chinas-frown-diplomacy-in-southeast-asia/.

sphere, some reflections of Deng's trademark pragmatism. This has allowed Xi to skillfully play to all of the tones in the CCP's ideological register.

Xi's political momentum also stems from his embrace of the notion that, in a Leninist political system like China's, the top leader must control the key levers of power to effectively wield authority. Xi's aggressive efforts to establish his personal influence over the People's Liberation Army (PLA), the security services, and the party bureaucracy all speak to his appreciation of this central organizing principle of the regime. Xi also understands intuitively that tightening his grip on these critical regime power centers is an essential building block for accomplishing his bold policy vision. The establishment at the Third Plenum of two new high-level bodies—the Central Leading Group for Comprehensively Deepening Reform and the National Security Commission—to improve policy coordination and implementation demonstrates that Xi has sufficient clout to create structural solutions at the apex of the system to get around foot-dragging at ministerial and organizational levels. Of course, it also underscores the stiff bureaucratic resistance Xi is facing in moving his reform agenda forward.

Finally, Xi has developed a defined political strategy of intimidation for managing opposition to the reform push and his related accretion of political power. His strategy emphasizes using the many tools at his disposal to keep his detractors guessing as to what may come next. For example, his expansive crackdown on corruption and a sustained campaign targeting extravagance within the CCP's ranks have created a pervasive sense of fear among many officials.[16] Xi also has presided over a deep ideological retrenchment in his first year in office, as manifested in the crackdown on the Internet and the stifling of intraparty debate on matters ranging from how to assess Mao's legacy to the authoritativeness and role of the state constitution in guiding China's political development. Similarly, Xi announced in December that the party's parallel "mass line" education campaign would intensify during its second phase running through the first half of this year,[17] suggesting that it is little more than a thinly veiled traditional party rectification drive aimed at stifling dissent within the CCP's ranks. The fact that the campaign now has been extended through September is a testament to its utility in Xi's eyes.[18]

16. "Xi Jinping Vows 'Power within Cage of Regulations,'" Xinhua, January 22, 2013, http://news.xinhuanet.com/english/china/2013-01/22/c_132120363.htm.

17. "Xi Demands Implementation of 'Mass Line' Campaign," Xinhua, December 10, 2013, http://news.xinhuanet.com/english/china/2013-12/10/c_132954371.htm.

18. "CPC Rolls out 'mass line' Rules," Xinhua, January 23, 2014, www.chinadaily.com.cn/china/2014-01/23/content_17254866.htm.

3 The Domestic Economic Context: Assigning a "Decisive Role" to the Market

Based on the vague official communiqué released at the Third Plenum's conclusion, most initial media commentary quickly pronounced the meeting disappointing—if not a total failure—causing markets to punish Chinese stocks.[1] But the new leadership team proved these judgments to be premature with the release a few days later of a comprehensive vision statement containing the most sweeping reform proposals in decades.[2] The bold reform package was a powerful demonstration of Xi Jinping's personal authority within the system after only a year at the helm of the CCP. Still, the reform treatise is light on implementation details and there are many implicit contradictions imbedded in its policy prescriptions. Moreover, substantial pushback can be expected from the powerful vested interests that have the most to lose judging from the broad outlines of the reform plan.

The Big Picture: Putting Doubts to Rest

The plenum's surprisingly comprehensive reform blueprint responds to several fundamental questions that have been dogging the new leadership since Xi and his colleagues took power. The most nagging issue in the run-up to the Third Plenum was in many ways the most basic: Does the new leadership team correctly understand China's structural economic and social problems? The plenum documents make clear that the answer is an emphatic yes. Both the plenum communiqué and the more detailed resolution passed by the Central Committee underscore the leadership's acknowledgment that China's principal ailments—declining productivity growth and the explosion of debt—are symptoms of a deeper disease relating to governance. Put simply, the CCP interferes too much in resource allocation,

1. Andrew Browne, "After Long Wind-Up, Xi Delivers Anticlimax," *Wall Street Journal*, November 12, 2013, http://online.wsj.com/news/articles/SB10001424052702303460004579193813366832736; William Pesek, "Pesek on Asia: China's Plenum Flops," *Bloomberg View*, November 13, 2013, http://www.bloombergview.com/articles/2013-11-13/pesek-on-asia-china-s-plenum-flops.

2. For the Chinese-language version of the Third Plenum resolutions, refer to "授权发布：中共中央关于全面深化改革若干重大问题的决定," *Xinhua*, November 15, 2013, http://news.xinhuanet.com/politics/2013-11/15/c_118164235.htm; for an English translation, refer to Rogier Creemers, "CCP Central Committee Resolution concerning Some Major Issues in Comprehensively Deepening Reform," *China Copyright and Media*, November 15, 2013, http://chinacopyrightandmedia.wordpress.com/2013/11/15/ccp-central-committee-resolution-concerning-some-major-issues-in-comprehensively-deepening-reform/.

excessive regulation and local protectionism make markets inefficient, and the country's broken fiscal system incentivizes local governments to engage in predatory land grabs, encourage speculative property development, and build excessive infrastructure.[3]

The plenum documents identify all of these governance issues as reform priorities. In his explanation to the Central Committee of the plenum's key decisions, President Xi addressed this issue, "A proper relationship between the market and government remains the core of China's economic reform. To build such a relationship is to settle whether the market or government plays a decisive role, and the market has proven to be the most effective."[4] In fact, the propaganda blitz that followed the plenum emphasized that its call for assigning the market a "decisive role in resource allocation" is the chief innovation coming out of the conclave.[5]

Xi in his explanation went so far as to identify the upgrading of the market's role from "basic" to "decisive" as "a major theoretical achievement" at the plenum. He carefully constructs a consistent ideological lineage for the decision by reviewing the characterization of the market's role at each of the five-yearly party congresses since the CCP, under the tutelage of then paramount leader Deng Xiaoping, first embraced the "socialist market economy" at the Fourteenth Party Congress in 1992. He gets to the point of the history lesson, concluding, "Now, the CCP Central Committee believes that the condition is ready to bring up a new theoretical expression of this issue."[6] By couching the new language on the market's "decisive" role in explicitly ideological terms, Xi has substantially raised the stakes for the plan's opponents. To challenge the decision now is to suggest that the CCP's overall ideological line is somehow in error. There is arguably no more serious charge in the CCP's political culture, suggesting that Xi is determined to show the party's competing interest groups that he means business.

Of course, theory is one thing, practical measures are another. But here, too, there is reason for some optimism. The main points of emphasis in the plenum documents suggest that the leadership also has correctly diagnosed the other key problems confronting the economy, and, at least rhetorically, is promoting meaningful solutions. For example, the documents call for streamlining the government's role in the marketplace by suggesting that its main responsibility should be to maintain macroeconomic stability through strengthening market supervision, maintaining market order, and being prepared to step in if market failure occurs. They point to the government reorienting away from supervising investment projects such as the building of infrastructure and toward the provision of

3. Arthur Kroeber, "Large and In Charge: Why Xi Jinping's Pooh- Poohed Third Plenum Reforms are Actually a Pretty Big Deal," *Foreign Policy*, November 14, 2013, http://www.foreignpolicy.com/articles/2013/11/14/xi_jinping_third_plenum_china.

4. "Key reform decision settles market-government relationship: Xi," Xinhua, November 16, 2013, http://news.xinhuanet.com/english/china/2013-11/16/c_132892309.htm.

5. "China's emphasis on market's 'decisive' role to boost economic efficiency," Xinhua, November 14, 2013, http://news.xinhuanet.com/english/china/2013-11/14/c_132887606.htm; Zhang Yang, "China embraces market forces," *China Daily*, March 4, 2014, http://usa.chinadaily.com.cn/2014-03/04/content_17322623.htm.

6. "Key Reform Decision Settles Market-Government Relationship: Xi," Xinhua, November 16, 2013, http://news.xinhuanet.com/english/china/2013-11/16/c_132892309.htm.

public services. Such a shift represents the culmination of the consistent signaling from the Xi administration since taking office that the government's regulatory system should be overhauled by more clearly delineating the functions of the market and the government and that market forces should be given a freer hand.[7] One of the new team's central policy preoccupations has been the push to dramatically reduce the stifling regulations, such as licensing and registered-capital requirements, that have impeded the formation of new private businesses.[8] The guidelines endorsed at the plenum strongly suggest that this trend will be reinforced and expanded in the months ahead.

Upgrading the market's status from "basic" to "decisive" in allocating resources was by far the Third Plenum's most controversial outcome. This is because granting the market a truly decisive role will have profound consequences for many of the regime's most powerful vested interests. In each of the areas that the plenum documents identify as key pillars of reform—particularly state-owned enterprises (SOEs), fiscal realignment, and financial sector opening—the plenum's emphasis on expanding the market's role will encounter stiff resistance from threatened state monopolies, their allies in the state planning and regulatory machinery, and even from provincial and sub-provincial officialdom.

The Xi administration appears to be betting on the establishment of the new reform leading group to overcome such opposition. If the stand-up of the group is carried out in accordance with its emerging design, it will act as a supra-coordinating body tasked with managing the entire reform process from policy formulation to design and through to implementation.[9] The center's edict that parallel bodies be set up at the provincial and sub-provincial level—each headed by the respective party secretary overseeing that jurisdiction—underscores the leadership's determination to enforce its directives down to the local level.[10] Still, there are several challenges the leading group must surmount to successfully execute its mandate. Most importantly, the structural relationship between the leading group and the policy-executing agencies required to carry out the directives must be clearly defined. The leadership must also confront the natural growing pains that come with managing the mechanics of transitioning from the small kitchen cabinet Xi established for drafting the plenum's reform manifesto to the more cumbersome leading group infrastructure tasked with overseeing its implementation.

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7. Kevin Yao, "China president takes charge of sweeping economic reform plans: sources," Reuters, May 16, 2013, http://www.reuters.com/article/2013/05/16/us-china-economy-reforms-idUSBRE94F17820130516; "Chinese pres.: Stepped-up political reform needed for economic growth," UPI (United Press International), July 24, 2013, http://www.upi.com/Top_News/World-News/2013/07/24/Chinese-pres-Stepped-up-political-reform-needed-for-economic-growth/UPI-27021374682123/.

8. Jane Cai, "Li Keqiang stresses market reforms at first press conference as premier," *South China Morning Post*, March 18, 2013, http://www.scmp.com/news/china/article/1193255/li-keqiang-stresses-market-reforms-first-press-conference-premier; Li Keqiang, "在国务院机构职能转变动员电视电话会议上的讲话," *People's Daily*, May 13, 2013, http://paper.people.com.cn/rmrb/html/2013-05/15/nw.D110000renmrb_20130515_1-02.htm.

9. "China's reform leading group holds first meeting," *China Daily*, January 23, 2014, http://www.chinadaily.com.cn/bizchina/2014-01/23/content_17252984.htm.

10. Alice Miller, "How Strong Is Xi Jinping?," *China Leadership Monitor*, no. 43 (March 14, 2014): 7–8, http://media.hoover.org/sites/default/files/documents/CLM43AM-2.pdf.

It is worth underscoring in this context that Xi and his colleagues want to set strict limits on the market's role; they have a particular viewpoint on its ultimate utility. While the plenum's "Decision" document laid out their intent to pursue comprehensive governance reform, this does not mean eroding the CCP's monopoly on power. Instead, they seek to strengthen the party's stranglehold by improving the administrative system, clarifying the roles of the market and the state, resulting in a more market-driven economy as well as a more powerful and resilient state. Xi also sees the market as a means to an end, rather than an end in itself. The respective roles and responsibilities of the state and the market will have to be more clearly defined as the reform process unfolds, but there is no doubt from the plenum documents that the state's role will remain very important. If successful, the state-focused reforms will result in more effective instruments for promoting and realizing the CCP's state-led aims.[11]

Obstacles to Successful Implementation of the Reform Agenda

With the stakes so high, the pathway ahead for Xi and his colleagues remains fraught with risk. Although there are many stumbling blocks the leadership may encounter along the way, it is worth highlighting several that come to mind even now as the implementation plans are just taking shape. The first relates to the Third Plenum manifesto itself. Largely in an effort to craft a more efficient shorthand for capturing the sweep of the reform proposals, many analyses have taken to describing the plenum's Decision document as a blueprint for reform. As China specialist Barry Naughton has observed, however, a better way of characterizing the Decision is to refer to it as a "vision statement plus a to-do list."[12] The distinction is more than mere semantics. A blueprint implies a set series of defined steps to achieve a goal, but the Decision only identifies a desired end state and specific problems to be resolved along the way; it refrains from identifying discrete solutions.

This raises the prospect of several risks that could overwhelm the reforms. The first is that, lacking a clear direction, the leadership will become stuck in the enormity of the task it has set out for itself, resulting in paralysis.[13] The leadership's sometimes wild swings among its different points of emphasis seem to underscore this danger. A separate worry is the inverse possibility that the reforms tabled at the Third Plenum, while certainly the most sweeping in more than two decades, may in fact not be bold enough. In their aggregate, they ultimately fail to go much beyond changes that have been debated for nearly that same period of time, raising questions about their suitability for addressing the transformational changes in China's economy and society over the ensuing years.

11. Arthur R. Kroeber, "After the NPC: Xi Jinping's Roadmap for China," Brookings Institution, March 11, 2014, http://www.brookings.edu/research/opinions/2014/03/11-after-npc-xi-jinping-roadmap-for-china-kroeber.

12. Barry Naughton, "After the Third Plenum: Economic Reform Revival Moves toward Implementation," *China Leadership Monitor*, no. 43 (March 14, 2014), http://media.hoover.org/sites/default/files/documents/CLM43BN.pdf.

13. Ibid.

Still another concern is that policy pronouncements since the Third Plenum suggest the leadership maintains a fundamentally different assessment of the chief risk facing the economy than the broad consensus among foreign—and even some domestic—economists and market players. According to the mainstream outside view, China's biggest economic challenge is the massive buildup of leverage in the economy following the government's response to the global financial crisis.[14] To avoid a major financial crisis, Beijing must therefore be willing to accept substantially lower growth for at least a few years. But the leadership is prioritizing financial reform, fiscal realignment, and, in a more muted way, SOE restructuring, all while maintaining growth at approximately its current rate of 7.5 percent.[15] This approach implies top policymakers see the debt problem as merely a symptom of the larger disease, the underlying structural problems in the economy, and something that can be sorted out over several years. If the leadership has miscalculated in this judgment, however, a surprise default contagion could trigger an unexpectedly sharp downturn in growth, crippling the reform effort.[16]

Separately, the high politics associated with Xi's rapid consolidation of power have been an unwelcome distraction from moving forward with the reforms. Xi's efforts to showcase his authority through deviating from long-established regime norms have alarmed influential constituencies in the CCP elite whose interests must be taken into account. For example, the pending corruption case against former PBSC member Zhou Yongkang—and particularly whether Zhou will face a public trial—reportedly has put Xi at odds with former president Jiang Zemin, without whose staunch political support Xi may never have achieved his position as top leader.[17] Chinese official media in early March 2014 began referencing Zhou by name in conjunction with cases related to his relatives, suggesting that a public trial may be likely.[18] Moreover, the political friction may persist for some time as Xi seems intent on further expanding the graft crusade to touch on the military and the networks of other key CCP powerbrokers.[19] If borne out, it would suggest that Xi is convinced that he must continue ruffling feathers within the senior party ranks to achieve sufficient power to concentrate

14. Helen Qiao, Yuande Zhu, Yin Zhang, *China Deleveraging: Shallow U, Deep U or W?*, Morgan Stanley Research, September 3, 2013, http://www.morganstanleychina.com/views/docs/ChinaDeleveraging130903_en.pdf.

15. "China Retains 7.5% Growth Target for 2014," Bloomberg, March 5, 2014, http://www.bloomberg.com/news/2014-03-05/china-retains-7-5-growth-target-for-2014-as-challenges-mount.html.

16. Kroeber, "After the NPC."

17. Jonathan Ansfield and Chris Buckley, "China Focusing Graft Inquiry on Ex-Official," *New York Times*, December 15, 2013, http://www.nytimes.com/2013/12/16/world/asia/china-presses-corruption-inquiry-of-powerful-former-security-official.html; Jonathan Sullivan, "Xi's Corruption Crackdown," *National Interest*, April 3, 2014, http://nationalinterest.org/commentary/xis-corruption-crackdown-10178.

18. "Probe into Zhou family grows," *Global Times*, March 4, 2014, http://www.globaltimes.cn/content/846010.shtml#.U07AIfldXTo; Xie Haitao, "Zhou Family Was Influential in Jiangsu City before Corruption Inquiry," *Caixin Online*, http://english.caixin.com/2014-03-04/100646588.html; Benjaming Kang Lim and Ben Blanchard, "Exclusive: China seizes $14.5 billion assets from family, associates of ex-security chief: sources," Reuters, March 30, 2014, http://www.reuters.com/article/2014/03/30/us-china-corruption-zhou-idUSBREA2T02S20140330.

19. Jonathan Ansfield, "Leader of China Aims at Military With Graft Case," *New York Times*, March 31, 2014, http://www.nytimes.com/2014/04/01/world/asia/chinese-military-general-charged-in-graft-inquiry.html; Ben Blanchard, Benjamin Kang Lim, and Sui-Lee Wee, "China charges former senior military officer with graft: Xinhua," Reuters, March 31, 2014, http://www.reuters.com/article/2014/03/31/us-china-corruption-idUSBREA2U0JX20140331. For more on Chinese military corruption, refer to John Garnaut, "Rotting from Within," *Foreign Policy*, April 16, 2012, http://www.foreignpolicy.com/articles/2012/04/16/rotting_from_within.

on reshaping the regime's incentive structure. With such serious wrangling occurring at the apex of the political system, few officials will be willing to put their careers on the line for the reforms until the political winds become calmer and more predictable.

Finally, Xi's seeming emphasis on top-down direction and information control, as well as his assessment that the state bureaucracy represents a serious impediment to his policy vision, risks sparking bitterness and recalcitrance among the institutions that must ultimately deliver on the reforms.[20] Technocrats in the key executing agencies—such as the Ministry of Finance, the central bank, and the National Development and Reform Commission—likely are annoyed that they had relatively little say in shaping the Third Plenum's Decision document. Many of the affected ministries have been tasked with crafting concrete implementation plans, despite no guarantee that Xi's brain trust will accept them or, even worse, that Xi's team is in fact already heading in a completely different policy direction. If Xi cannot keep the technocratic specialists on board, even the new policy tools at his disposal, such as the supra-reform leading group, are likely to come up short in seeing the plenum's bold agenda through to fruition.

20. "Xi: Upcoming CPC campaign a "thorough cleanup" of undesirable practices," Xinhua, June 18, 2013, http://news.xinhuanet.com/english/china/2013-06/18/c_132465115.htm; Joseph Fewsmith, "Mao's Shadow," *China Leadership Monitor*, no. 43 (March 13, 2014): 6, http://media.hoover.org/sites/default/files/documents/CLMJF.pdf.

4 Toward a New Foreign Policy Paradigm

With such a full plate at home, it is surprising that President Xi Jinping and his colleagues have managed to find the wherewithal to also craft a redesigned foreign policy strategy. As mentioned earlier, the broad contours of Xi's nascent foreign policy vision are just now coming into view. Still, he has sent enough signals concerning his approach and his priorities that some tentative conclusions can safely be drawn. One facet on which there is little doubt is that Xi is keen to nest his particular take on China's foreign policy doctrine in the ideological lexicon of the CCP.[1] This is necessary to build up his broader claim to be the ideological steward of the party, and it is essential as a strong deterrent against other powerful interests in the system deviating from his foreign policy guidelines. As with his rapid consolidation of political power, the striking feature of Xi's efforts in this area is the speed with which he is moving to put his own stamp on China's foreign affairs.

Theoretical Underpinnings

To put Xi's campaign in its proper context, it is important to review the several conceptual building blocks that undergird China's foreign policy construct. Although such concepts can seem to outside observers to be overly laden with Marxist claptrap, they represent a vital means of terminological cueing within the CCP elite that signals elements of continuity and change in the leadership's overall policy direction. As former Australian prime minister Kevin Rudd observed: "Westerners tend to dismiss such language, describing it as clunky in the extreme and ultimately meaningless. But given China is a rising power, and this is the language they choose to use to communicate with one another, we are required to do better than that and to deconstruct its content."[2]

In fact, this approach may be even more relevant under Xi's leadership than under that of his predecessors. Although it is admittedly still very early in his tenure, Xi stands out thus far for his penchant for articulating his policy prescriptions in theoretical terms.[3] Ideological

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1. Jeremy Page, "China's Leader Embraces Mao as He Tightens Grip on Country," *Wall Street Journal*, August 16, 2013, http://online.wsj.com/news/articles/SB10001424127887323455104579014960827162856.

2. Kevin Rudd, "China's Impact on Regional and Global Order" (lecture delivered as Alastair Buchan Memorial Lecture at the International Institute for Strategic Studies, London, United Kingdom, December 16, 2013), https://www.iiss.org/en/events/events/archive/2013-5126/december-c771/rudd-buchan-083c.

3. "Xi stresses adherence to Marxist philosophy," Xinhua, December 4, 2013, http://news.xinhuanet.com/english/china/2013-12/04/c_132941390.htm.

form and principles are strong motifs running through both his externally and domestically oriented policy speeches; his key subordinates have gotten the message and are following suit. If Xi does indeed view the world around him at least in part through the lens of Marxist concepts such as historical determinism and the correlation of material forces, it may help outside observers to better rationalize some of his seemingly contradictory policy directions.

Take, for example, the conflicting messages coming out of Beijing concerning its relations with its regional neighbors. On the one hand, Xi has called for improving ties with China's near abroad, such as in his address to a high-level work conference on peripheral diplomacy held in October 2013.[4] Xi's unflinching assertion of China's sovereignty claims over disputed territories in both the East and South China Seas, however, is generating a pervasive level of insecurity among China's bordering nations that risks invalidating Beijing's good neighbor policy mantra. Some analyses—especially those coming from other Northeast Asia countries—assess that these seeming contradictions are the result of behind-the-scenes turf battles between the regime's powerful constituencies, with the Chinese military often said to be pushing the civilian leadership to toughen its stance on sovereignty.[5] This line of thinking certainly represents one means for squaring the inconsistencies in China's actions, but it ultimately lacks explanatory power, especially in light of Xi's demonstrable grip on the PLA. A better means for coming to grips with China's behavior is to enhance understanding of the foreign policy tenets and concepts shaping the new leadership's approach.

The first, and arguably the most important, is the so-called "period of strategic opportunity." This concept encapsulates the CCP's primary external strategic guideline and reflects the leadership's judgment that China is enjoying a window extending through 2020 in which a benign external security environment allows it to focus on its internal development. The precept is highly authoritative within the Chinese system, having been validated and revalidated now by three party congresses (the sixteenth in 2002, the seventeenth in 2007, and the eighteenth in 2012), and it is frequently referenced in official speeches[6] and formal documents (such as China's Defense White Paper).[7] With China's rapid military modernization and sizeable year-on-year defense budget increases, it is easy to lose sight of the fact that the period of strategic opportunity acts as an important conceptual brake on a runaway military buildup. Implicit in its characterization of China's priorities is the notion that economic development—and not the path of arms races and military adventurism followed by the Soviet Union—is paramount in securing the country's return to global preeminence. As long as the concept remains in force, there will be hard limits on Beijing's

4. "Xi Jinping: China to further friendly relations with neighboring countries," Xinhua, October 26, 2013, http://news.xinhuanet.com/english/china/2013-10/26/c_125601680.htm.

5. Aki Mori, "Critical juncture for Chinese diplomacy: What follows intimidation?," *Asahi Shimbun*, December 17, 2013, http://ajw.asahi.com/article/forum/security_and_territorial_issues/japan_china/AJ201312170041.

6. Li Keqiang, "Full Text: Report on the Work of the Government" (speech delivered at the National People's Congress of the People's Republic of China, Beijing, China, March 18, 2014), http://www.npc.gov.cn/englishnpc/Speeches/2014-03/18/content_1856703.htm.

7. "The Diversified Employment of China's Armed Forces," People's Republic of China White Paper, 2013, http://www.firstediting.com/blog/index.php/editing-services/how-to-cite-white-papers-by-professional-editor/.

willingness and ability to set out on a truly revisionist course aimed at fundamentally reshaping the balance of power in East Asia.

The second fundamental touchstone for China's foreign policy approach is the concept of peaceful development, or the idea that Beijing's neighbors and other major partners may rest easy that China's rise can only be accomplished by peaceful means, and will only be pursued with an eye toward achieving win-win outcomes for all parties involved.[8] But peaceful development is not just about reassuring the international community. It also is designed to advance China's own strategic imperatives.[9] Despite a brief—and politically contentious—flirtation with the alternative formulation of "peaceful rise" in Hu Jintao's first term, like the period of strategic opportunity, peaceful development has been a mainstay of China's diplomatic canon for more than a decade.

A third major underpinning for China's interpretation of its place in the world is to understand the way in which the CCP conceptualizes two very important anniversaries that will take place in the first half of this century—one during Xi Jinping's final years in office, and another well after he will have departed the scene. The year 2021 will mark the centenary of the founding of the CCP, and the People's Republic of China (PRC) will celebrate its 100th birthday in 2049. For each of these major milestones, the CCP already has laid out fundamental—if somewhat vague—goals to be accomplished. For the first centenary celebration the CCP seeks to have met its fundamental domestic strategic benchmark—its prediction that China will have attained a "moderately well-off society" by 2020.[10] As with the period of strategic opportunity, this concept has been validated by several party congresses. For 2049 the stated goal is to "have built a modern socialist country that is strong, prosperous, democratic, culturally-advanced, and harmonious."[11] Importantly, these more ambitious and comprehensive goals for the PRC's 100th anniversary would seem to speak volumes about the leadership's assessment of the speed and trajectory of China's continued rise going forward.

It may appear at first glance that these centenaries and their related targets say more about the CCP's domestic ambitions and goals than its thinking on foreign policy. True, in their successful implementation, their primary intent is to provide the critical legitimization for sustained CCP rule. But Xi and his foreign policy lieutenants have tied them indisputably to China's foreign policy orientation under the rubric of the "two centenary goals." As Xi's formal top foreign policy adviser, State Councilor Yang Jiechi, wrote in the CCP's leading theoretical journal in August 2013, promoting healthy and stable relations with the United States, as well as with Beijing's other major diplomatic partners, is "the inherent

8. "China's development to remain peaceful: Xi," Xinhua, January 29, 2013, http://news.xinhuanet.com/english/china/2013-01/29/c_132135826.htm.

9. Rudd, "China's Impact on Regional and Global Order."

10. "Full text of Hu Jintao's report at 18th Party Congress," Xinhua, November 17, 2012, http://news.xinhuanet.com/english/special/18cpcnc/2012-11/17/c_131981259_4.htm.

11. "Xinhua Insight: New Leadership's First Year, a Good Beginning of Chinese Dream," Xinhua, January 9, 2014, http://news.xinhuanet.com/english/indepth/2014-01/09/c_133032687.htm.

requirement of the 'two centenary goals' and the inevitable demand for our overall strategy of peaceful development."[12]

Of course, the successful attainment of these objectives will have profound international consequences. Although China's leadership would never be foolish enough to declare it openly in its formally stated aims, many Chinese elites believe unquestioningly that China by 2021 will in purchasing power parity (PPP) terms have surpassed the United States as the world's largest economy. If it is efficiently channeled, that newfound economic power ultimately can shape strategic power and, therefore, geopolitical power. And while the number of voices is much smaller, and they tend to be clustered among the predictable institutions within the Chinese government, there certainly are some who expect that China in 2049 will even have attained conventional military parity with the United States,[13] and their planning now reflects all of the many strategic consequences that would flow from that achievement.

Xi's "Chinese Dream"

If all the concepts have been the longtime touchstones of Chinese foreign policy thinking and theory, then what is new here? The answer is Xi's "Chinese dream." Xi's innovation is his argument that the encapsulation of all these foundational elements of Chinese statecraft lies in the realization of a Chinese dream that culminates in "the great rejuvenation of the Chinese nation." In its most basic exposition, that great rejuvenation means that the PRC by 2049 intends to restore itself to a regional position of primacy. The Chinese dream also has a much more attractive ring than the jargon-laced catchphrases (e.g., the Three Represents; the Scientific Concept of Development) of Xi's predecessors. It also is eminently flexible in its simplicity, allowing it to encompass both domestic and foreign policy considerations.

Like promoting the market to play a "decisive" role in the economy, Xi's real accomplishment with the Chinese dream is establishing its ideological foundation so early in his tenure. State Councilor Yang described several attributes of the concept that substantially boost its status.[14] First, he praises Xi for having "carried forward the Party's fine tradition of linking theory with practice" in designing the concept. He then describes it as "a continuation and development of the important thinking of China's peaceful development in the new era," which validates its position in an unbreakable chain of authoritativeness while crediting Xi with advancing the theoretical ball. Indeed, what is most striking is Yang's repeated references to the "important thinking of the Chinese dream," a description that at least notionally puts it on par with Jiang Zemin's "important thinking" of the Three Represents, which earned Jiang his place in the party pantheon as the author of a "guiding ideology" enshrined in the CCP Constitution. In practical terms, this means that,

12. Yang Jiechi, "Innovations in China's Diplomatic Theory and Practice under New Circumstances," *Qiushi Journal English Edition* 6, no. 1 (January 1, 2014), http://english.qstheory.cn/magazine/201401/201401/t20140121_315115.htm.
13. Rudd, "China's Impact on Regional and Global Order."
14. Jiechi, "Innovations in China's Diplomatic Theory and Practice under New Circumstances."

by taking decisive action so early in his first term, Xi has bought himself the remaining nine years of his tenure to focus on policy design and implementation.

Relations with the United States: "New Style of Great Power Relations"

Under the umbrella of promoting a "new style of great power relations," Beijing continues to view stable relations with the United States as its primary foreign policy goal. Comments by senior officials from both countries suggest there is fundamental agreement between the two sides on the basic issue that must be addressed.[15] Wang Yi in his March 2014 press conference indicated that the new style of great power relations is meant "to break the historical pattern of conflict and confrontation between major countries,"[16] while former U.S. secretary of state Hillary Clinton on a visit to Beijing in September 2012 described the need for Washington and Beijing to "write a new answer to the old question of what happens when an established power and a rising power meet."[17]

Despite this seeming accord, however, Beijing's calculus regarding the terms for achieving this mutually desired stability remains unclear. In a best-case scenario, the Chinese see the development of the relationship as operating in a manner somewhat analogous to the process of détente between the United States and the Soviet Union in the Cold War. Under this approach, both countries would acknowledge that the requirements of international strategic stability dictate that they devise a mechanism for guaranteeing that "the relationship" remains above the inevitable tensions arising from the natural friction between a rising and an enduring power, thereby ensuring the absence of direct conflict. Or, more simply, the goal is to ensure that the competitive elements in the relationship—and particularly those that carry a high risk of escalation—remain firmly under policy control. In a less benign assessment, China is using the framework of a new style of great power relations to seek U.S. acquiescence to China's definition of its "core interests." This process would include overt U.S. acceptance of China's political system as it currently is configured, acknowledgment of at least the notional legitimacy of China's territorial claims, and deference to Chinese views on the shaping and applicability of international rules and regimes.

As with the seeming duality between talk of economic liberalism and a suffocating ideological retrenchment in domestic affairs, elements of both of these contradictory approaches are evident in China's behavior under the Xi administration. Perhaps the

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15. "Remarks As Prepared for Delivery by National Security Adviser Susan E. Rice" (speech delivered at Georgetown University, Washington, DC, November 20, 2013), http://www.whitehouse.gov/the-press-office/2013/11/21/remarks-prepared-delivery-national-security-advisor-susan-e-rice; Cui Tiankai, "Remarks by Ambassador Cui Tiankai at the 2013 China-US Policy Dialogue Luncheon" (speech delivered at the Embassy of the People's Republic of China, Washington, DC, June 14, 2013), http://www.china-embassy.org/eng/dszl/dsjh/t1050515.htm.

16. "Foreign Minister Wang Yi Meets the Press," Ministry of Foreign Affairs of the People's Republic of China, March 8, 2014, http://www.fmprc.gov.cn/eng/zxxx/t1135385.shtml.

17. William Wan, "Hillary Clinton, Top Chinese Officials Air some Differences," *Washington Post*, September 5, 2012, http://www.washingtonpost.com/world/hillary-clinton-top-chinese-officials-air-some-differences/2012/09/05/78487e86-f746-11e1-8253-3f495ae70650_story.html.

clearest manifestation of the more optimistic view of the concept is Xi Jinping's forceful directive to the PLA to improve military-to-military ties with the United States, thereby reducing the risk of U.S. misperception of China's strategic intentions in the military and security sphere.[18] Several episodes during Hu Jintao's tenure—most notably China's 2007 anti-satellite test and the January 2011 flight test of China's fifth-generation stealth fighter aircraft during a visit by then U.S. defense secretary Robert Gates—led many foreign observers to wonder about the extent of the PLA's policy autonomy, and even Hu's ability to control his own military. But Xi has addressed these concerns decisively by actually delivering on Hu's frequent admonitions that interactions between the two militaries should not lag so noticeably behind bilateral engagements touching on other aspects of the relationship.

Much media hoopla was generated concerning Defense Secretary Chuck Hagel's feisty interaction with his Chinese counterpart, Chang Wanquan, at a press conference during Hagel's early April 2014 visit to Beijing.[19] However, the fact that the two leaders felt comfortable speaking so candidly in public to each other is a sign of the progress that has been made. The PLA has shown very tentative signs of a greater willingness to test the waters on discussing previously taboo subjects—such as cyber warfare and the militarization of space—and there even are indications that the Chinese would be less likely to cut off the entire military relationship in the event of a future U.S. arms sale to Taiwan. While settling on agreeable modalities for notification in all circumstances will remain difficult, each side also continues to express a desire, at least publicly, to operationalize the agreement between Presidents Xi Jinping and Barack Obama to adopt a system of alerting the other with regard to upcoming military movements in the region.[20]

Lest anyone become too reassured, however, evidence of the darker view of the concept also has surfaced repeatedly in recent months. Wang Yi in his March 2014 press briefing indicated that "mutual respect" is the foundation for the new style of great power relations, but he defined that mutual respect in very parochial terms.[21] He cited respect for "each other's sovereignty and territorial integrity, social system and development path, and core interests and concerns," while making no reference to U.S. interest in the adherence to international law and global rules and norms. Similarly, Defense Minister Chang in the April 2014 press conference with Defense Secretary Hagel urged the United States to restrain Japan by keeping Tokyo "within bounds and not be permissive and supportive."[22] Chang also chided another regional U.S. ally, the Philippines, for "disguising itself as a victim" by

18. "China-US shared interested emphasized," Xinhua, April 23, 2013, http://news.xinhuanet.com/english/china/2013-04/23/c_132331972.htm.

19. "U.S. Defense Chief Gets Earful as China Visit Exposes Tensions," Reuters, April 8, 2014, http://www.reuters.com/article/2014/04/08/us-china-usa-idUSBREA370N020140408.

20. "China, US ready to enhance mutual trust," *People's Daily*, April 24, 2013, http://english.people.com.cn/90883/8219993.html.

21. "Foreign Minister Wang Yi Meets the Press," Ministry of Foreign Affairs of the People's Republic of China, March 8, 2014, http://www.fmprc.gov.cn/eng/zxxx/t1135385.shtml.

22. "Joint Press Conference with Secretary Hagel and Minister Chang in Beijing, China," U.S. Department of Defense, April 8, 2014, http://www.defense.gov/Transcripts/Transcript.aspx?TranscriptID=5411.

pursuing international arbitration in its territorial dispute with China.[23] Chang's comments are emblematic of a common mantra among Chinese officials and foreign affairs watchers who suggest that U.S.-China relations are being highjacked by U.S. support for Japan and the Philippines. Such a fundamental misunderstanding of the centrality of alliances to the U.S. approach to the region suggests Beijing wants to draw firm lines concerning the limits of the new type of great power relations when it does not align with China's strategic interests.

Relations with Other Powers: "Great Power Diplomacy"

Early in Xi's tenure, Chinese official media began making references to the concept of "great power diplomacy," which takes as its operating principle that Beijing should be wielding its newfound strategic heft in the manner of a traditional great power. The idea was repeatedly referenced in an article that appeared in April 2013 in the overseas edition of the CCP's flagship newspaper, *People's Daily*, just as Xi was embarking upon his maiden tour abroad after assuming the Chinese presidency.[24] The piece explicitly linked the great power diplomacy theme to other formulations personally associated with Xi, such as the Chinese dream and the great rejuvenation of the Chinese nation. Added to the speed with which key constructs associated with Hu Jintao, such as "harmonious world," have virtually disappeared from the leadership's foreign policy lexicon, it suggests that Xi has set upon a deliberate course for reshaping China's relations with countries other than the United States. Taiwan and other Chinese-language media quickly picked up on the concept and began debating its significance.[25] Interestingly, however, official mentions of the concept seemed to recede almost as quickly as they appeared. Like Beijing's recasting (in English; the Chinese has not changed) of the new style of great power relations as "a new model of major-country relations," it is likely that the ring of great power diplomacy was deemed too "assertive" or too anachronistic to be casually bandied about in public discourse.

In all fairness, great power diplomacy does represent something of a throwback, in that the term was first developed during the tenure of former president Jiang Zemin. At that time, the basic idea of the precept was that, while the PRC was not yet an established global player because of its relatively limited economic, military, and geopolitical clout, it should seek to play a bigger foreign policy role, particularly in the Asia-Pacific region.[26]

23. "U.S. Defense Chief Gets Earful as China Visit Exposes Tensions," Reuters, April 8, 2014, http://www.reuters.com/article/2014/04/08/us-china-usa-idUSBREA370N020140408.

24. "Xi Jinping: New Innovations in domestic and foreign policy" [习近平:内政外交新思路], *People's Daily*, April 5, 2013, http://paper.people.com.cn/rmrbhwb/html/2013-04/05/content_1221580.htm.

25. "Boao Forum Turns Into Platform for Great Power Diplomacy [欣闻：博鳌论坛成为大国外交的平台]," *Beijing Times*, last updated April 10, 2013, http://epaper.jinghua.cn/html/2013-04/10/content_1981067.htm#news; "China Commentary: Great Power Relations—Xi Jinping Abandons 'Conceal One's Strengths and Bide One's Time' Plan" [點評中國：大國外交—習近平揚棄「韜光養晦」 圖], Aboluo News Agency, December 3, 2013, http://tw.aboluowang.com/2013/1203/353529.html#sthash.OUa7Ng3Q.dpbs.

26. Willy Lam, "Beijing's New 'Balanced' Foreign Policy: An Assessment," *China Brief* 4, issue 4, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=3626#.U3obzWQW3gI.

But Jiang's version of the concept also recognized that China could only exercise great power diplomacy within the confines of the strategic constraints imposed by persistent U.S. hyperpower. As updated by Xi, the concept has cast the relationship with the United States on a much more equal footing, suggesting he sees U.S. power as a lesser constraint on China's exercise of its influence—both benign and coercive—in the region.

In fact, ties with the United States, while still meriting pride of place in the hierarchy of Beijing's foreign relationships, seem less of a preoccupation for Xi than for his predecessors. An important underlying motive in Xi's surprisingly active early diplomacy appeared to be to send the signal to Washington that "we have options." This is not to suggest that Xi is not eager for stable and healthy Sino-U.S. ties. Rather, he seems to prefer a more casual approach to the relationship that lacks the eagerness and rapt attention that characterized the policies of Hu Jintao and Jiang Zemin. This less awestruck view of U.S. power also has the important side effect of imbuing Xi with greater confidence to more deliberately court contributions from China's other important foreign partners rather than pursuing a single-minded focus on the United States. Such a mindset would seem to help explain recent commentary among Chinese foreign policy experts concerning Xi's enhanced interest in looking to Russia for political and security cooperation and to Europe for commerce and as a premier destination for Chinese investment.[27]

In practical terms, China's embrace of the exercise of great power diplomacy is already having a meaningful impact on its approach to some of its critical peripheral relationships that in turn has a direct correlation to the persistence of some regional hotspots and the possible emergence of new ones. In its management of ties with Tokyo, for example, the notion that China should behave like a traditional great power means that it must seek Japanese acquiescence to a subordinate position in both the bilateral relationship and in the overall regional power dynamic. Much of Beijing's approach, whether it be as substantial as declaring an air defense identification zone (ADIZ) or as petty as denying Japan a spot in this year's international fleet review, is designed to belittle Japan by creating a persistent sense of pressure while simultaneously increasing Tokyo's sense of isolation.

Similarly, the notion of great power diplomacy is an important leitmotif running through China's evolving relationship with North Korea. Much of Beijing's shifting approach can be chalked up to the leadership's frustration with the unpredictably of the new North Korean leader, Kim Jong-un, with the recent execution of Kim's uncle, Jang Sung-thaek, being only the latest example. But to limit Beijing's reasoning to the maddening challenge of seeking to constrain Kim is perhaps to miss the bigger picture. As important to Xi and his

27. For commentary on Sino-European cooperation see "Commentary: China, EU ready for new chapter in cooperation," Xinhua, March 31, 2013, http://news.xinhuanet.com/english/china/2014-03/31/c_133226623.htm; Ma Xueling, "Chinese Diplomacy Will Enter "Europe Season" to Create Episode of Increased China-Europe Cooperation" [中国外交将进"欧洲季" 打造中欧合作升级版], China News Agency, November 13, 2013, http://www.chinanews.com/gn/2013/11-13/5494590.shtml. For commentary on Sino-Russian cooperation see Yan Xuetong, "For a New Bipolarity: China and Russia vs. America," *New Perspectives Quarterly* 30, no. 2 (Spring 2013): 12, http://onlinelibrary.wiley.com/doi/10.1111/npqu.11366/abstract; "Feng Yujun: Joint Development—China-Russia Walk Toward Road of Prosperity" [冯玉军："共同发展"—中俄走向繁荣之路], *Haijiang Online*, last updated December 6, 2012, http://www.haijiangzx.com/2012/guojizhanlue_1206/44276.html.

colleagues is the desire to convey to Pyongyang that the “special relationship” of the past is no more, having been replaced with a so-called “normal” state-to-state relationship. With that as the premise, a Chinese leadership bent on wielding great power diplomacy will expect North Korea to accept its position as Beijing’s client. This in turn would suggest a much lower tolerance level among Xi’s leadership cohort for the type of petulant behavior that has characterized the early years of the young Kim’s rule. Given Kim’s apparent penchant to turn toward provocations when he judges he is being ignored, Beijing’s more dismissive approach could inadvertently contribute to rising tensions on the peninsula.

5 Influences Shaping Great Power Diplomacy 2.0

Several factors help explain the emergence of this more expansive approach to great power diplomacy. Many of them represent the culmination of—or at least an important inflection point in—debates or processes that have been unfolding within China for much of the last two to three decades. With that in mind, it is difficult to conclude with any certainty where those debates might turn in the future, and what new issues might crop up that would influence the discussion going forward.

Deng's Call for Restraint Recedes

China's assertiveness debate, or the dispute over how aggressively China should project its resurgent power and influence on the global stage to defend what it refers to as its core interests, has raged intermittently—but with consistent vigor—in the aftermath of the global financial crisis. The previous leadership struggled to stay on top of it, with Hu Jintao feeling compelled on numerous occasions to remind the CCP elite that the regime continued to abide by Deng Xiaoping's so-called "bide and hide" dictum, under which China adopts a low-key foreign policy approach and never takes the lead. After the burst of Chinese assertiveness that ran throughout 2009 and into 2010, most observers assessed the leadership moved decisively to quell the debate with the release of a major speech in December 2010 by State Councilor Dai Bingguo entitled "Adhere to the Path of Peaceful Development."[1] As if to drive the point home still further, the Hu leadership followed up Dai's treatise by separately releasing the *White Paper on Peaceful Development* the following September.[2]

As it turned out, the leadership was only artificially suppressing the debate as part of its campaign to maintain stability and avoid controversy through the succession period. To focus on just one outcome of that decision, the Politburo largely deferred an authoritative assessment of the implications of the U.S. strategic rebalancing toward Asia for China's security, allowing suspicions of U.S. intentions to mount. As the departing leader, Hu Jintao was unwilling to take a firm stance that might unduly tie the hands of his successor. Likewise, Xi Jinping, still serving as Hu's understudy and eager to avoid upsetting his position

1. Dai Binguo, "Stick to the path of peaceful development," Xinhua, December 13, 2010, http://news.xinhuanet.com/english2010/indepth/2010-12/13/c_13646586.htm.

2. "China's Peaceful Development," People's Republic of China White Paper, September 6, 2011, http://www.china.org.cn/government/whitepaper/node_7126562.htm.

as heir apparent, was reluctant to offer, to the degree he had them, any differing opinions on how China should respond. One consequence of the ensuing policy drift was the much vaunted deepening of "mutual strategic distrust"[3] under which mounting tensions in the security and military sphere risked getting out from under policy control.

With the leadership transition now over, however, the new team is formulating its own foreign policy strategies as Deng's injunction to "keep a low profile" internationally looks increasingly anachronistic. Perhaps the most obvious manifestation of the Xi administration's reboot of the regime's foreign policy priorities was reflected in the comments by Foreign Minister Wang Yi during his inaugural press conference at the annual legislative session in March 2014.[4] Asked how he would characterize the new leadership's diplomatic approach during its first year in office, Wang replied, " 'Active' is the most salient feature of China's diplomacy in the past year." Wang praised Xi and his colleagues for pursuing a multidirectional foreign policy that included the tabling of a "Silk Road Economic Belt" during Xi's visit to four Central Asian countries in September 2013, and a "Twenty-first Century Maritime Silk Road" with Southeast Asian countries during his and Premier Li's October 2013 visits to the region for the Asia-Pacific Economic Cooperation (APEC) and East Asia Summit (EAS) meetings, where they dispensed a plethora of trade deals and investment funds.

Strategically Employing China's Economic Leverage

Since Deng launched the reform-and-opening process in the late 1970s, China's predominant policy priority has been internal development and modernization. Beijing's external economic policies, including toward its neighbors in East Asia, have primarily been a function of that priority. They have been designed to support internal development either directly, by attracting foreign direct investment, or indirectly, by promoting the stable external environment that Beijing views as necessary for successful internal development. This is consistent with the overall strategy of China's top leaders, which has centered on pursuing economic growth as a means to both legitimize party leadership and advance China's modernization and development.

This generally inwardly focused policy has been punctuated by periods of more proactive economic diplomacy. For example, following the Asian financial crisis in 1997–1998, and again after the global financial crisis of 2008–2009, Beijing used a combination of policy restraint (notably, avoiding renminbi devaluation), financial support, and appeals to "Asian solidarity" to build goodwill with its neighbors. In addition, while strongly preferring bilateral engagement and avoiding formal commitments that might constrain internal policy options, China has since the 1990s been an active participant in regional economic

3. Kenneth Lieberthal and Wang Jisi, "Addressing U.S.-China Strategic Distrust," Brookings Institution, March 2014, http://yahuwshua.org/en/Resource-584/0330_china_lieberthal.pdf.

4. "Foreign Minister Wang Yi Meets the Press," Ministry of Foreign Affairs of the People's Republic of China, March 8, 2014, http://www.fmprc.gov.cn/eng/zxxx/t1135385.shtml.

institution building, particularly in the Association of Southeast Asian Nations (ASEAN)–centric organizations.

However, Beijing's efforts at proactive economic diplomacy in Asia have been hampered by the country's economic strength, policy actions, and statements perceived in the region as self-serving and lacking coherence. Even as China's phenomenal growth has brought increased prosperity to the region, it has also fueled anxieties among China's neighbors about competition and overdependence. What Beijing touts as win-win economic cooperation is often seen by other Asian countries as distinctly tilted in China's favor. Meanwhile, despite their position within the party-state apparatus, Chinese SOEs' and provincial actors' forays abroad have frequently taken place without any meaningful coordination with central foreign policymaking institutions, undermining the effectiveness of China's diplomacy.

China's new leadership under Xi Jinping has made an early and deliberate effort to improve overall coordination and strengthen economic ties with neighboring countries all around its periphery. In particular, it has begun heavily investing, both rhetorically and financially, in regional "connectivity," a key ASEAN priority. At the same time, Beijing's increased assertiveness in the East and South China Seas has stoked concerns in the region about its intentions and undermined the positive results of its stepped-up economic diplomacy.

It remains to be seen how the Xi administration will address these contradictions in its regional policy going forward. Sino-centric patterns of trade and investment in Asia are likely to expand as China's economic heft continues to grow. Chinese infrastructure investment is already creating a dense network of highways, railways, power lines, and pipelines that will further strengthen Southeast Asia's commercial ties to mainland China. But whether Beijing will push further to establish exclusive Asian-only economic institutions dominated by China, or will instead lend its energy and support to more open and inclusive Asia-Pacific institutional architecture, remains uncertain. The reactions of ASEAN member states thus far suggest that while they have little choice but to hitch their wagons to China economically, Beijing has a long way to go in establishing trust and positioning itself as a legitimate leader in regional affairs.

PRIORITIZING INTERNAL DEVELOPMENT

China's intense focus on internal development as the primary goal of the CCP can be traced back to Deng Xiaoping and the body of thought now codified as "Deng Xiaoping Theory." Beginning in the late 1970s Deng supported a shift away from the "revolutionary" foreign policy pursued by Mao Zedong, toward economic development through "reform and opening."[5] Along with his famous 24-character guideline, introduced in the early 1990s, which urged China's leaders to "observe calmly; secure our position; cope with affairs

5. Evan S. Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs* 82, no. 6 (November/December 2003), http://www.foreignaffairs.com/articles/59362/evan-s-medeiros-and-m-taylor-fravel/chinas-new-diplomacy.

calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership," this has served as the basis for Chinese economic strategy for the past three decades.

This intense focus on domestic development—and the desire to avoid commitments that might interfere with its pursuit—has since been repeatedly reaffirmed in major speeches by Chinese leaders and in Chinese policy documents, including two white papers released by the Ministry of Foreign Affairs in 2005 and 2011 on "China's Peaceful Development." Summarizing the position advanced by successive generations of Chinese leaders, they argue that "the central goal of China's diplomacy is to create a peaceful and stable international environment for its development," while maintaining that, as the world's largest developing country, for China "to run itself well is the most important fulfillment of its international responsibility."[6]

In fact, the hallmark of China's economic strategy during the Deng era and beyond was its emphasis on using "reform and opening" as an organizing principle for both domestic and international economic policy. Beginning with the Shenzhen Special Economic Zone in 1980, Chinese leaders began to aggressively court foreign direct investment (FDI) from more advanced partners—particularly the United States and Japan—to support rapid economic modernization. This was in sharp contrast to the early development strategies of both Japan and Korea, which had largely remained closed to inward FDI; indeed, China has maintained a larger share of FDI as a percentage of gross domestic product (GDP) than those countries through the present day. According to one source, foreign-invested enterprises continue to account for roughly half of China's total trade.[7]

Even when elements of China's economic strategy have appeared to be more outwardly oriented, the focus has remained almost exclusively on the domestic—sometimes to the detriment of China's overall foreign relations. For example, the "Going Out" strategy officially endorsed under Jiang Zemin in 2002 encouraged SOEs to invest abroad,[8] primarily in extractive industries, with an eye toward securing the commodity resources needed to fuel China's growth. But the result—far from directly ensuring China's overall resource security or improving relations with host nations—was that SOEs typically overpaid for the rights to develop resources that they then sold on the open market. The resulting environmental degradation, poor treatment of local populations, and tendency of firms to import Chinese labor helped create a negative image for China abroad.

Despite a growing sophistication and awareness of the need for a more considered and coordinated approach to advancing foreign economic relations, the primacy of internal

6. "China's 2011 Peaceful Development White Paper," Ministry of Foreign Affairs of the People's Republic of China, 2011, http://english.gov.cn/official/2011-09/06/content_1941354.htm.

7. Robert Sutter, "China's Grand Strategy in Asia" (testimony delivered to the U.S.-China Economic and Security Review Commission, Washington, DC, March 13, 2014), http://www.uscc.gov/sites/default/files/SUTTER_Testimony.pdf.

8. "Full text of Jiang Zemin's Report at 16th Party Congress," November 8, 2002, http://english.people.com.cn/200211/18/eng20021118_106984.shtml.

development is a theme that remains evident in Xi Jinping's priorities. As noted earlier, his vision of the "great rejuvenation of the Chinese nation" references the "two centenary goals" as the key benchmarks for the nation.[9] The purpose of foreign relations thus remains first and foremost to secure "good external conditions for China's reform, development, and stability," placing development alongside such cherished Chinese foreign policy objectives as securing sovereignty.[10]

PERIODIC SUCCESS IN ECONOMIC DIPLOMACY

Beijing's focus on internal development has been punctuated over the past two decades by occasional bursts of successful economic diplomacy, although even this has often been reactive rather than driven by a deliberate strategy conceived in Beijing. For much of the late 1980s and early 1990s, as China began to grow rapidly, ASEAN states came to view the country both as a trade competitor and as potentially diverting scarce investment dollars away from Southeast Asia. Chinese leaders attempted to allay these concerns by progressively normalizing relations with their southern neighbors throughout the decade. In 1996 they advanced a "New Security Concept," first at the Shanghai Cooperation Organization (SCO) and then at the fourth ASEAN Regional Forum (ARF) in 1997, which stressed that "security of sustained development" was China's primary goal.[11] But despite the normalization of China-ASEAN ties in that same year, Beijing's growth was still seen as posing a major threat to its neighbors' development.[12]

This changed with the onset of the Asian financial crisis in 1997. As a wave of defaults and devaluations hit the region, from Thailand and Indonesia to South Korea, Premier Zhu Rongji made a critical decision not to devalue the renminbi, a move that analysts had predicted would have severe destabilizing effects on the region as whole. China also contributed an estimated US$4 billion to its ailing neighbors, both through bilateral channels and through participation in bailout packages put together by the International Monetary Fund (IMF).[13]

While the reasons behind the Chinese decision to abstain from competitive devaluation were many—including a desire to avoid stoking domestic inflation and deepening a contentious bilateral trade deficit with the United States—Beijing's restraint proved a major success in improving regional relations. Not only did it lend strength to Beijing's narrative of China as a "stable and responsible economic power," but apparent American

9. "Xi Jinping: Let the Sense of Community of Common Destiny Take Deep Root in Neighbouring Countries," Ministry of Foreign Affairs of the People's Republic of China, 2013, http://www.fmprc.gov.cn/eng/zxxx/t1093870.shtml.

10. "Xi Jinping," Ministry of Foreign Affairs of the People's Republic of China, 2013, http://www.fmprc.gov.cn/eng/zxxx/t1093870.shtml.

11. Carlyle A. Thayer, "China's 'New Security' Concept and Southeast Asia," in *Asia-Pacific Security: Policy Challenges*, ed. David W. Lovell (Singapore: Institute of Southeast Asian Studies, 2003).

12. Sheng Lijun, "China-ASEAN Free Trade Area: Origins, Developments, and Strategic Motivations," working paper, Institute of Southeast Asian Studies, http://www.iseas.edu.sg/documents/publication/ipsi12003.pdf.

13. "Pro-Active Policies by China in Response to Asian Financial Crisis," Ministry of Foreign Affairs of the People's Republic of China, 2000, http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18037.htm.

indifference—10 days before the IMF approved a record US$57 billion bailout for South Korea, President Bill Clinton had described East Asia as experiencing "a few glitches in the road"—bolstered feelings of Asian solidarity.

Zhu Rongji sought to capitalize on this change of attitudes by strengthening China's relations with its neighbors. At the Third ASEAN+3 Informal Summit in November 1999, he proclaimed, "China cannot develop without East Asia, neither can East Asia prosper without China. As a member of East Asia, China attaches great importance to increased cooperation with other countries in East Asia."[14] A year later China was involved in launching the Chiang Mai Initiative, which aimed to bolster regional financial stability through the creation of a network of bilateral reserve swap agreements among ASEAN+3 countries.

Zhu also proposed a China-ASEAN free trade area, the initial framework agreement of which was signed in November 2002—the first such agreement concluded by ASEAN with an outside partner.[15] Critical to the success of this effort was an "early harvest," whereby China agreed to unilaterally reduce tariffs in a number of key areas in 2005, which was five years before the agreement was to fully take effect for Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, and a decade before Vietnam, Laos, and Cambodia would be required to open their markets to China.[16]

Five years later, with the onset of the global financial crisis of 2008–2009, China again played a major role in limiting economic damage to the region. In addition to deploying a massive economic stimulus package that bolstered domestic growth and helped avoid a downturn in regional trade, Premier Wen Jiabao pledged a Southeast Asian regional infrastructure investment fund of US$10 billion, along with a US$15 billion line of credit for poorer ASEAN states and US$39.7 million in "special aid" for Cambodia, Laos, and Myanmar.[17]

SCORING OWN GOALS

In addition to the economic benefits for China, these efforts at regional economic diplomacy helped win Beijing plaudits and goodwill in the ASEAN region. But what the right hand has given in the form of positive economic diplomacy, the left has increasingly taken away in the years following the financial crisis, as Beijing has pursued other policies that raise suspicion and fear in the region. There are long-standing concerns in ASEAN that what Beijing touts as "mutually beneficial" development will actually have the result of exporting

14. Association of Southeast Asian Nations (ASEAN), "Address by Premier Zhu Rongji of the People's Republic of China at the Third ASEAN+3 Informal Summit," 1999, http://www.asean.org/news/item/address-by-premier-zhu-rongji-of-the-people-s-republic-of-china-at-the-third-asean3-informal-summit-28-november-1999.

15. ASEAN Secretariat, "ASEAN's Free Trade Agreements," 2013, http://www.jterc.or.jp/koku/koku_semina/pdf/130306_presentation01.pdf.

16. The "early harvest" proposal—this included tariff reductions on 600 key agricultural products that went into effect in 2005. See http://www.worldtradelaw.net/fta/agreements/aseanchinafta.pdf.

17. Brian McCartan, "A helping Chinese hand," *Asia Times Online*, April 30, 2009, http://www.atimes.com/atimes/Southeast_Asia/KD30Ae01.html.

China's domestic problems, including environmental degradation.[18] Moreover, there is a widespread perception in the region that "mutually beneficial" development projects often benefit China more than the host country: most investment projects involve predominantly Chinese workers rather than local labor, and the structure of trade—whereby China primarily imports commodities from less-developed nations—has given rise to accusations of neocolonialist behavior.[19]

In addition, when China has used its growing economic sway in an attempt to advance foreign policy goals, these efforts have often backfired. Following a rare visit from President Hu Jintao to Cambodia's Prime Minister Hun Sen and the signing of new agreements on trade and aid between the two nations in 2012,[20] Beijing successfully pressured Cambodia not to release the full communiqué from the twentieth ASEAN Summit.[21] Far from achieving its goal of downplaying concerns over the South China Sea and preventing a regional consensus from forming against it, Beijing's blatant interference merely heightened concerns about Chinese behavior and spurred Indonesian action "to restore unity in ASEAN ranks." This resulted soon after in the issuing of "ASEAN's Six-Point Principles on the South China Sea," exactly the kind of outcome China had hoped to avoid.[22]

More broadly, this has elevated concerns that Beijing's long term strategy is to persuade neighboring countries to accommodate Chinese interests through the sheer size of its military and economic heft.[23] This theory puts the increasing asymmetric economic interdependence between China and its neighbors in an unfortunately sinister light, particularly as Beijing has already demonstrated its willingness to wield sticks as well as carrots, as demonstrated by its use of economic coercion against both Japan and the Philippines.

WILL XI MANAGE A BREAKTHROUGH?

Xi and his colleagues are now closer than ever to achieving the "great rejuvenation of the Chinese nation"[24] and restoring China's historical position of economic, political, and cultural

18. There are also strong concerns that China neglects significant economic and social issues such as rule of law, food and water security, and human rights. Jeffrey Reeves, "China's Unraveling Engagement Strategy," *Washington Quarterly* 36, no. 4 (Fall 2013), http://csis.org/publication/twq-chinas-unraveling-engagement-strategy-winter-2013.

19. Ibid.

20. Carlyle A. Thayer, "China's Relations with Laos and Cambodia," in *China's Internal and External Relations and Lessons for Korea*, ed. Jung-Ho Bae and Jae H Ku (Seoul: Korea Institute for National Unification, Center for International Relations, 2013).

21. Patrick Barta, "Sea Dispute Upends Asian Summit," *Wall Street Journal*, July 23, 2012, http://online.wsj.com/news/articles/SB10001424052702303919504577524133983292716.

22. Carlyle A. Thayer, "South China Sea in Regional Politics: Indonesia's Efforts to Forge ASEAN Unity on a Code of Conduct" (paper delivered at 3rd Annual CSIS Conference on "Managing Tensions in the South China Sea," Washington, DC, 2013).

23. Bonnie Glaser, "China's Grand Strategy in Asia" (testimony delivered to the U.S.-China Economic and Security Review Commission, Washington, DC, March 13, 2014), https://csis.org/files/attachments/ts140313_glaser.pdf.

24. Zhao Yinan, "'Chinese dream' is Xi's vision," *China Daily*, March 18, 2013, http://www.chinadaily.com.cn/china/2013npc/2013-03/18/content_16315025.htm.

centrality in Asia.[25] Today China accounts for roughly half of overall economic activity in East Asia and has become the world's largest merchandise trader. The country is expected to contribute the single largest share of any country to global and regional growth in 2014, and it is forecast that more than US$1 trillion of Chinese FDI will flow abroad by 2020, much of it to China's periphery.[26]

At the same time, there is a growing risk that China's current trajectory could produce a destabilizing backlash that undermines China's own stated interest in maintaining a stable periphery.[27] This results from the confluence of several factors: China's growing economic preponderance in East Asia and concerns over the consequences of a Sino-centric regional economic order; Beijing's more assertive stance in the regional security environment (and increasing willingness to back up its interests through economic coercion)[28]; and the clear gaps that exist between the self-serving vision of "mutual development" championed by Beijing and the preferences of its neighbors.

There are clear signs that current Chinese leaders are aware of these challenges. Releases from an October 2013 work conference on peripheral diplomacy emphasized the importance of greater coherence in China's overall foreign policy toward its periphery, treating regional neighbors "as friends and partners, to make them feel safe and help them develop," and fostering a sense of "common destiny" between China and its neighbors.[29]

Xi Jinping has also personally endorsed efforts to promote regional "connectivity," a key ASEAN priority. Shortly before assuming office in 2012, Xi declared at the China-ASEAN Expo in Nanning, the capital of southern Guangxi province, that regional connectivity is "a measure of strategic importance that will promote intra-regional economic integration and enhance regional competitiveness, thus contributing to a sustained and steady growth of the regional economy."[30] In visits to all 10 ASEAN nations in their first year in office, Xi and Premier Li Keqiang have further touted the concept of a modern "silk road"[31] linking key partners in South and Central Asia to the ASEAN region via China.[32] And at a speech before the Indonesian parliament in October 2013, Xi promised

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25. Denny Roy, "More Security for Rising China, Less for Others?," *AsiaPacific Issues*, no. 106 (2013), http://www.eastwestcenter.org/publications/more-security-rising-china-less-others.

26. Daniel H. Rosen and Thilo Hanemann, "An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment," special report, Asia Society Center on U.S.-China Relations and the Woodrow Wilson International Center for Scholars Kissinger Institute on China and the United States, 2011, http://asiasociety.org/files/pdf/AnAmericanOpenDoor_FINAL.pdf.

27. Daniel H. Rosen and Thilo Hanemann, "An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment," Rhodium Group, May 4, 2011, http://rhg.com/reports/an-american-open-door-maximizing-the-benefits-of-chinese-foreign-direct-investment.

28. Glaser, "China's Grand Strategy in Asia."

29. "Xi Jinping," Ministry of Foreign Affairs of the People's Republic of China.

30. Chinese Government's Official Web Portal, "Xi Jinping calls for greater connectivity between China, ASEAN," 2012, http://english.gov.cn/2012-09/21/content_2230229.htm.

31. Officially the formulation is the "Silk Road Economic Belt" and "Maritime Silk Road of the 21st Century."

32. Justyna Szczudlik-Tatar, "China's New Silk Road Diplomacy," Polish Institute of International Affairs, December 2013, https://www.pism.pl/files/?id_plik=15818.

to establish an Asian infrastructure bank, designed to provide funding for new infrastructure projects in the region.[33]

But it is unclear whether Xi will be able to achieve the goals laid out at the periphery work conference, or even whether he can orchestrate a truly coherent strategy. China's increasingly rambunctious domestic political environment and the growing array of Chinese actors directly and indirectly involved in foreign economic policy—from SOEs and provincial governments to myriad foreign aid bureaus—will all likely prove complicating factors in implementation.

Furthermore, it is unclear whether even intensive and coordinated efforts at economic diplomacy can produce sustainable positive results given China's continued narrow emphasis on domestic development and unwillingness to shoulder the burden of providing public goods. As discussed above, there is a widespread perception in the region that China's economic diplomacy is largely self-serving. Moreover, as a prominent analyst has said, "China's commitment to free trade remains selective and narrow."[34] More broadly, until China rebalances its economy away from the current investment- and export-led model toward consumption-led growth, China's contribution to regional demand will be below the level required to fulfill its stated commitment to mutual development and win-win cooperation.

China's growing economic strength, while something of a mixed blessing in terms of regional perceptions, on balance clearly gives Beijing more policy leverage in Asia. Beijing under Xi Jinping seems more likely to try to use this in the coming years to promote a more Sino-centric regional economic architecture. In the near term, the only question is whether those ambitions could be constrained either by a significant slowdown in Chinese growth, reducing the gravitational pull of China in regional trade and investment, or by an overly assertive foreign policy by Beijing, particularly on territorial issues.

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33. Speech by President Xi Jinping to Indonesian Parliament, Asian-China Centre, October 2, 2013, http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm.

34. Sutter, "China's Grand Strategy in Asia."

6 Regional Perceptions and Responses

South Korea

SOUTH KOREA'S STRATEGIC DILEMMAS WITH CHINA

There is a basic puzzle with regard to Republic of Korea (ROK) views of China: Why do South Koreans view China as the second most favorable country after the United States, but also view it as posing a major threat to them, second only to North Korea? [1] To outsiders, this characterization might sound inherently contradictory. Yet, South Korea's view of China is complex. Such complexity is not limited to public attitudes and perceptions in South Korea but is also mirrored in the South Korean government's policies toward China. Although the Park Geun-hye administration pursues strong economic cooperation with China and seeks to deepen the Sino-ROK strategic relationship, Seoul does so while at the same time hedging, if not balancing, against a rising China. Decoding South Korean views on China is therefore essential for understanding the country's future geostrategic trajectory, which directly impacts the balance of power in the region and serves as an important benchmark for Asia's future direction.

The Park Geun-hye administration's more proactive outreach to China has marked a departure from previous South Korean administrations' approaches, with the two countries enjoying a honeymoon period in their bilateral relationship. Despite the undeniable goodwill, however, President Park's Washington summit with President Barack Obama in May 2013 reassured Washington that Seoul's foreign policy center of gravity remains firmly rooted in its alliance with the United States. These seeming policy vacillations do not represent fickleness nor a contradiction in South Korea's foreign policy strategy. Instead, they reflect three fundamental dilemmas that are critical to understanding how Seoul thinks about its China strategy.

1. *China is a neighbor and an emerging great power.* The Korean peninsula shares a 1,416 kilometer (880 mile) border with China and, as a major power, China dwarfs South Korea in all the major indices that contribute to a nation's comprehensive national power. The sheer disparity between the two countries in terms of land

1. Asan Poll, "South Korean Attitudes on the Korean-U.S. Alliance and Northeast Asia," Asan Institute for Policy Studies, April 14, 2014, http://en.asaninst.org/asan-report-south-korean-attitudes-on-the-korean-us-alliance-and-northeast-asia/.

mass and total population understandably fuels Seoul's sense of strategic anxiety. Although South Korea spends more on its military as a percentage of its GDP, the total dollar amount falls well behind China's military spending; China's defense budget was US$112.2 billion in 2013 while South Korea's defense budget was US$31.8 billion. Furthermore, China's military has more men under arms than any other country in the world at close to 2.3 million in 2012.[2]

South Korea's insecurity in its relations with China is exacerbated by the two countries' incongruous value systems. South Korea—one of the most successful democratic countries in the world—undoubtedly feels uncertain about the implications of the rise of a mammoth communist state in its neighborhood. Given the history of the Korean War, the South Korean public views China as the second greatest threat to the country after North Korea. More importantly, even as South Korea engages deeply with China on trade, economics, and culture, nearly 62 percent of the public maintains a lack of trust toward China.[3]

2. *South Korea's economic dependence on China is accelerating.* Since the establishment of diplomatic ties between Seoul and Beijing in 1992, bilateral trade has increased more than 35-fold.[4] In 2004 China surpassed the United States to become South Korea's largest trade partner. Trade with China in 2013 accounted for 26 percent of South Korea's total exports.[5] The pull of Seoul's heavy dependence on trade with China has forced it to seek expanded economic ties with Beijing by negotiating several trade agreements. The two countries are currently discussing a bilateral Free Trade Agreement (FTA), concluding its tenth and latest round in March 2014. Negotiations for the Regional Comprehensive Economic Partnership (RCEP), a China-led FTA between ASEAN and its FTA partners—Australia, China, India, Japan, Korea, and New Zealand—also are ongoing.

   Despite these closer trade relations, however, economic frictions between Seoul and Beijing are not uncommon. Although neither country has submitted formal complaints to the World Trade Organization (WTO), several trade disputes have marred bilateral trade relations. Thus, while South Koreans understand that their economic future is tied to China, there are still substantial concerns about a possible economic threat from China, more so than from Japan or from the United States.[6]

3. *China's willingness to cooperate on reunification ultimately is limited by its ties with the North.* The general consensus that China's cooperation is key to a resolution of the current situation with North Korea has been a major driving force behind South

2. Asan Poll, "South Korean Attitudes on the Korean-U.S. Alliance and Northeast Asia."
3. Asan Poll, "South Koreans and Their Neighbors," Asan Institute for Policy Studies, November 27, 2013, http://en.asaninst.org/south-koreans-and-their-neigbors/.
4. Zheng Lifei and Eunkyung Seo, "China, South Korea Start Talks on Free-Trade Pact," *Bloomberg Businessweek*, May 2, 2012, http://www.businessweek.com/news/2012-05-02/china-south-korea-start-talks-on-free-trade-pact.
5. "S. Korea to boost exports, investment through deregulation, new FTAs: trade minister," *Yonhap News*, March 5, 2014, http://english.yonhapnews.co.kr/business/2014/03/04/1/0502000000AEN20140304007751320F.html.
6. Asan Poll, "South Koreans and Their Neighbors."

Korea's strategic engagement with China. As a majority of the South Korean public chose the North Korea nuclear problem (37.2 percent) and inter-Korean cooperation for reunification (20.6 percent) as the two most important issues for Sino-ROK relations,[7] there is a shared understanding that China's role is critical in effectively dealing with North Korea's growing security challenges and for Korean reunification. A December 2013 poll by the ROK Ministry of Foreign Affairs reveals, for example, that almost 50 percent of South Koreans believe China is the country whose cooperation is the most critical for reunification.[8]

Despite South Korea's efforts, its engagement strategy vis-à-vis China has not borne fruit given their misaligned national interests and priorities on North Korea. The crux of this dilemma is that although both China and South Korea support the denuclearization of the Korean peninsula, China will never abandon North Korea. Deep historic ties between China and North Korea continue to play a role in current bilateral relations. Since the inception of North Korea, China has provided economic and military assistance to its communist neighbor, as evidenced by the Chinese intervention in the Korean War. Both countries forged a veritable "lips and teeth" relationship through their common struggles that persist to this day, a unique bond reinforced through successive leadership changes.

Moreover, although China and North Korea hardly have affection for one another, they are locked in a "mutual hostage" relationship. To China, if the Korean peninsula was to be reunited (presumably under the governance of the ROK), the country would border not only a democracy but also a U.S. ally, thereby losing its strategic buffer zone. Only by allying with and supporting Pyongyang can China prevent that outcome from happening. Thus, as North Korea's largest trade partner, China has continued to provide oil as well as political and economic aid to support the regime. Trade data from 2007 to 2013, years filled with North Korean nuclear and missile tests and other provocations, reveals that trade between North Korea and China nearly tripled, reaching a record US$6.54 billion in 2013.[9] In the end, China favors stability over all else in North Korea. It bristles at every instance of North Korean bad behavior, for which Beijing is ultimately blamed by the international community, yet it will not take any punitive actions that threaten the core of the regime.

For North Korea, the lifeline provided by China is paramount to its existence. Without China, the North Korean economy would cease to function; China provides for approximately 70 percent of North Korea's total trade.[10] North Korea's mineral exports to China have been a major source of hard currency for its impoverished economy. As the largest importer of North Korean mineral products, China has participated in 20 North Korean

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7. Ibid.

8. "Half of S. Koreans pick China as key help in Korean unification: poll," *Yonhap News*, February 5, 2014, http://english.yonhapnews.co.kr/national/2014/02/05/36/0301000000AEN20140205007200315F.html.

9. Korea International Trade Association, March 18, 2014, http://global.kita.net/.

10. Kevin Stahler, "Is China Ripping Off North Korea?," *North Korea: Witness to Transformation* (blog), Peterson Institute for International Economics, January 21, 2014, http://blogs.piie.com/nk/?p=12784.

mining projects and remains Pyongyang's leading mining project investor.[11] North Korea's anthracite coal is its major export item; China is the sole recipient.[12] North Korea's anthracite exports to China increased 15.5 percent in 2013 compared to the previous year, with shipments totaling US$1.37 billion.[13] Although North Koreans bristle at Chinese treatment of them like a poor province, dictating the terms of all interactions, they have little choice given their isolated and dependent state.

Pyongyang's continued nuclear and missile tests in the face of Chinese opposition have been an embarrassment to the Chinese leadership, with frustration growing in Beijing. In response to a North Korean nuclear test in February 2013, China summoned North Korea's ambassador to communicate Beijing's strong dissatisfaction. The execution of Jang Sung-thaek in December 2013 further shocked Chinese government officials as Jang was China's main interlocutor and was regarded as a promoter of economic reform in North Korea. Thus far, Beijing has not doubled down on its North Korean stakes by embracing the young leader Kim Jong-un who has yet to pay a visit to China. But it is not clear how long China can tolerate losing its main contact inside the regime, with no evidence of a replacement.

North Korea and China's historical ties, combined with both countries' strategic and security interests, create a partnership that cannot be easily broken. Despite the noticeable and growing strains in the bilateral relationship, China continues to support and maintain its relations with North Korea because of its strategic significance. However, cracks have slowly begun to emerge. These cracks in the relationship provide an opportunity for South Korea to further engage with China and shape Beijing's policies toward Pyongyang.

A BRIEF HONEYMOON IN SINO-ROK RELATIONS

President Park Geun-hye's China strategy reflects many of the dynamics described above. Her transition team made clear at the start of her administration that Seoul would make an all-out effort to deepen the relationship with China. The drivers for this push were political in one sense—her predecessor was widely perceived as having had a bad relationship with China. They were strategic in the sense that South Korea will gain economic and strategic equities with a solid partnership with China. Lastly, they were also personal in the sense that President Park possesses a personal affinity for the country, language, and culture.

Unlike her predecessors, who often went to Japan for their second trip abroad (after the United States) President Park chose to go to China. Accompanying her on her June 2013 trip was a record 71 business leaders in the ROK delegation, signifying the importance South Korea places on its economic ties with China. The results of President Park's summit with Xi Jinping were very positive. The two leaders agreed to expand bilateral economic

11. Kyung-soo Choi, "The Mining Industry of North Korea," Nautilus Institute for Security and Sustainability, August 4, 2011, http://nautilus.org/napsnet/napsnet-special-reports/the-mining-industry-of-north-korea/#axzz2TAJOiCxP.

12. "N. Korea's coal exports to China up 15.1 pct in 2013," *Yonhap News*, January 24, 2014, http://english.yonhapnews.co.kr/northkorea/2014/01/24/19/0401000000AEN20140124006300315F.html.

13. Ibid.

ties and deepen their strategic cooperative partnership. They also issued a joint statement and agreed to work together with the aim of resuming the Six Party Talks and confirming "that denuclearizing the Korean Peninsula and keeping peace and stability there were in their common interests, and they agreed to make joint efforts to that end."[14] Furthermore, both nations reiterated their commitment to United Nations (UN) Security Council Resolutions, which called for sanctions against North Korea and for the regime to end its nuclear weapons program.[15] This joint statement marked a rare moment of solidarity between the two former Cold War enemies.

The previous Lee Myung-bak administration had testy relations with China partly because of a perceived inadequate Chinese response to North Korea's sinking of the ROK corvette *Cheonan* and the shelling of Yeonpyeong Island in 2010. Wishing to depart from President Lee's hostile policy toward China, President Park wanted to reinvigorate bilateral relations and establish a friendly and more trusting relationship between Seoul and Beijing at the start of her administration. Her efforts were magnified and helped by her personal background. President Park speaks Chinese and has a deep interest in Chinese culture, as evidenced by her personal decision to visit the ancient city of Xian during her 2013 China trip. Additionally, she also has developed a personal relationship with President Xi Jinping that provides a baseline relationship upon which to build. President Park's appeal expands further—the Chinese public is tremendously interested in the daughter of a former South Korean president who speaks their language. These factors contributed to China's warm hospitality for President Park during her trip. The Chinese media was extremely favorable toward both President Park and the summit. President Xi called President Park an "old friend of China" during their meeting, a title China reserves and bestows to a few, select foreigners.[16]

END OF THE HONEYMOON

President Park is not the first South Korean leader to seek an improvement in relations with China. And like past leaders, the initial euphoria of breaking new ground with the Chinese inevitably becomes dampened by some event or issue that demonstrates to the Koreans the limits of the relationship. China's declaration of an ADIZ in November 2013 had this effect on the Park government. China's new ADIZ overlapped with South Korea's air defense identification zone (KADIZ). China's ADIZ covers a 20 by 115 kilometer sliver of KADIZ off the southern coast of Jeju Island, as well as a submerged rock whose ownership has been widely disputed between China and Korea, referred to as Suyan Rock and Ieodo by China and South Korea, respectively.

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14. Kwanwoo Jun, "Park Boosts Ties With China Visit," *Korea Real Time* (blog), *Wall Street Journal*, July 1, 2013, http://blogs.wsj.com/korearealtime/2013/07/01/park-boosts-ties-with-china-visit/.

15. Sang-hun Choe, "China and South Korea Reaffirm Efforts Aimed at North," *New York Times*, June 27 2013, http://www.nytimes.com/2013/06/28/world/asia/china-and-south-korea-reaffirm-efforts-to-end-north-koreas-nuclear-threat.html?action=click&module=Search&region=searchResults%230&version=&url= http%3A%2F%2Fquery.nytimes.com%2Fsearch%2Fsitesearch%2F%23%2Fsouth%2Bkorea%2B%2B%2Bchina%2F.

16. Ju-Min Park and Sui-Lee Wee, "China, South Korea push for North Korea talks," Reuters, June 27, 2013, http://www.reuters.com/article/2013/06/27/us-china-korea-summit-idUSBRE95Q0HN20130627.

South Korea initially responded to the ADIZ fiasco by using the pre-scheduled third China-ROK vice defense ministerial-level strategic dialogue on November 28 to quietly request that China redraw its ADIZ to remove the overlap with KADIZ. Beijing rejected Seoul's proposal outright. This shocked the Park government because it had felt it had built enough equity in the relationship to make such a request. It was a sobering experience for Seoul and invariably pushed South Korea back into alignment with U.S. and Japanese protestations of Chinese actions.

In retrospect, both Seoul's request and Beijing's response constituted quiet but pivotal moments in ROK strategy. By attempting to negotiate with China directly, rather than taking a united position with Japan and the United States, Seoul was essentially de-linking its problems with China from that of the United States. This was not consistent with Park's overall views on the alliance and actually represented more of a balancer strategy reminiscent of the Roh Moo-hyun government. Had China accepted Seoul's request, this might have led to a critical breakdown in U.S.-Japan-South Korea trilateral coordination (which was already battered because of Japan-ROK historical disputes). China had an opportunity to peel South Korea off, but for unknown reasons it chose not to take advantage of it.

The net effect was that China's rejection was a wakeup call to South Korea. It infused the Park government's approach with a more sober enthusiasm than in its first year. Even though the honeymoon is over, one should not retain a false sense of confidence that South Korea is permanently disenchanted with China. The picture is decidedly mixed and will remain so. For example, the ADIZ had little impact on South Koreans' general favorability of China.[17] Although a vast majority of Koreans (87.1 percent) believe South Korea should not observe China's new ADIZ, South Koreans' favorability of China did not change significantly in December 2013.[18] On the other hand, South Koreans' anxieties about China's rise are evident in the high public support (63.9 percent) for the necessity of security cooperation with Japan despite strained relations between the two.[19] Moreover, although South Korea eventually joined the United States and Japan to cooperate against China's ADIZ, they saw China's ADIZ expansion in the context of growing U.S.-China competition and remained wary about being dragged into the conflict.[20]

CHALLENGES AND OPPORTUNITIES FOR THE CHINA-ROK RELATIONSHIP

There is no country in Asia that has a more complex and nuanced relationship with China than South Korea. The complexity derives from the converging economic, geographic, and unification dilemmas it experiences and the deep entrapment fear it has

17. Asan Poll, "South Korean Attitudes on the Korean-U.S. Alliance and Northeast Asia."

18. "Survey Poll: 87.1% Disagrees with China's ADIZ," *JTBC News*, November 29, 2013, http://news.jtbc.joins.com/article/article.aspx?news_id=NB10384694.

19. Jiyoon Kim et al., "Challenges and Opportunities for Korea-Japan Relations in 2014," Asan Institute for Policy Studies, http://en.asaninst.org/challenges-and-opportunities-for-korea-japan-relations-in-2014/.

20. Ibid.

regarding growing U.S.-China competition. There are several signposts that will indicate the direction of South Korea's strategy:

- *South Korea's ongoing bilateral security dialogues with China.* The growth and regularization of these exchanges are important indicators of growing closeness in relations.
- *China's invitation for a Kim Jong-un visit.* Should Xi invite Kim for a summit, this will be an important indicator of how China is assessing the best way to achieve stability in the aftermath of Jang Sung-thaek's execution. It will also represent a failure of Seoul's attempts to draw Beijing more to its side.
- *South Korean interest in the Trans-Pacific Partnership (TPP).* Seoul's continued interest in the TPP will be an important indication of its alignment with an open, high-quality regional free trade order along U.S. lines, rather than China's RCEP concept. It is entirely plausible, however, that the ROK will triangulate (i.e., go for both RCEP and TPP).
- *South Korea-China FTA.* Though the negotiations are now much more difficult as the two parties enter the second phase of market-opening talks, this will be an important indicator of ROK-China relations. Achievement of such an FTA does not necessarily hurt U.S. equities, however, as it may increase Chinese interests in its relations with South Korea (vis-à-vis North Korea).
- *Pandemic cooperation.* South Korea and China are both experiencing outbreaks of a new strain of avian flu (H5N8). This might provide incentives for new types of cooperation between the two governments that could build confidence and enhance trust.
- *Japan historical issues.* Further historical spats could drive Seoul closer to Beijing. Seoul has resisted the temptation thus far to side with China in the form of joint statements against Japanese historical issues.

Southeast Asia

SOUTHEAST ASIAN LEADERS FOCUSED ON XI

Southeast Asian leaders have watched closely as Xi Jinping has consolidated his leadership in Beijing. They are looking for answers to questions they consider to be existential, namely, "What is the new China?" and, "What does China want to be?" China's geopolitical heft and proximity put these questions atop every country's list of exogenous national security issues, and economic opportunities and threats. While all 10 members of ASEAN are asking the same questions, none believes it has the answers.

Divining China's intentions is a foreign policy priority within ASEAN. Related to this is a preoccupation with understanding the intentions and capabilities of the United States, along with other geostrategically relevant countries such as Australia, India, Japan, South Korea, and, to some extent, the members of the European Union. The United States is the most important of these. ASEAN seeks, above all else, a balance of power in the Indo-Pacific region.[21] This is why ASEAN's members spend equal time and energy trying to understand China's intentions and the United States' commitment and capability to remain a leader in the region.

While common themes dominate ASEAN members' perceptions of China's evolving foreign policy, specific countries' perspectives vary based on a number of factors, including geography, economic relations, sociocultural ties (including linkages to indigenous Chinese populations), history, and maritime and territorial disputes. In general, ASEAN leaders currently share the following perceptions of China's evolving foreign policy under President Xi:

- *Xi is in charge.* ASEAN leaders generally hold the view that Xi Jinping has been able to consolidate power more quickly and effectively than any Chinese leader since Deng Xiaoping. Xi's ability to create a new high-level national security structure and lead reform of the military and economy point to a uniquely strong Chinese leader. ASEAN believes a decisive and powerful leader in Beijing will answer one important question that was hard to judge under his predecessors: Are provocations by Chinese maritime authorities and military assets in the South China Sea the result of autonomous decisions by commanders and local officials, direct instructions from Beijing, or some combination of the two?

- *Xi is a nationalist.* Given Xi's consolidation of power, understanding the man's intentions is being equated with understanding what China wants. ASEAN believes Xi is a strong nationalist who will put China's interests, including its priorities regarding sovereignty, above all other considerations. While early statements from Xi's government indicated a policy of good neighborliness toward ASEAN,[22] China's actions have not always aligned with this rhetoric. Those actions have demonstrated that China intends to aggressively push its advantage in the South China Sea and other areas.[23]

- *Xi presents an opportunity.* An optimistic and hopeful thread running through ASEAN foreign policy is the view that once Xi consolidates power, he might use that clout to reform and strengthen China's economy, enhance his personal control over the Chinese military, and shift China's foreign policy toward a focus on working with its neighbors rather than challenging or controlling them. This view has been repeatedly undercut by recent Chinese actions, including aggressive measures against Vietnamese and Filipino fishermen in the South China Sea, the deployment

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21. The Indo-Pacific is a region whose definition is still evolving. It generally includes the traditional Asia Pacific—East Asia, the Pacific Islands, and parts of the Americas—along with the eastern Indian Ocean and its littoral states, especially India. The region encompasses all 18 members of the East Asia Summit: the 10 ASEAN states of Brunei, Cambodia Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, along with Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States.

22. "Xi Jinping: China to Further Friendly Relations with Neighboring Countries," Xinhua, October 26, 2013, http://news.xinhuanet.com/english/china/2013-10/26/c_125601680.htm.

23. Carl Thayer, "China Escalates Fishing Disputes in the South China Sea," *cogitASIA*, January 13, 2014, http://cogitasia.com/china-escalates-fishing-disputes-in-the-south-china-sea/; Phuong Nguyen, "China's Air Defense Zone Highlights Need for Contingency Planning in Southeast Asia," *CSIS Commentary*, December 12, 2013, http://csis.org/publication/chinas-air-defense-zone-highlights-need-contingency-planning-southeast-asia.

of a massive oil rig within Vietnam's territorial waters, and attempts to induce Manila to forego submitting a memorial against China's South China Sea claims to a UN arbitration tribunal, which it did in late March 2014.

- *Xi is a threat.* A more realistic and pervasive concern among ASEAN countries is that despite warm Chinese rhetoric, its actions speak louder than its words. ASEAN leaders fear that a focused Xi wielding real power could mean a much more assertive Chinese foreign policy, especially if Beijing perceives weakness and relative inattention in Washington. This is the worst-case scenario for ASEAN, as it would destabilize the region and force ASEAN to reach out even more emphatically to the United States, Japan, Australia, and others, including India, to counter Chinese aggression.

FACTORS SHAPING SOUTHEAST ASIAN SECURITY PERCEPTIONS

In addition to perceived changes in policy under Xi, the ASEAN states share certain perspectives on Chinese foreign policy and its approach to the Asia Pacific more broadly. These include:

- *China perceives weakness in Washington.* ASEAN countries believe Chinese behavior is dependent to some degree on what Beijing believes Washington can and will do, specifically its commitment to the rebalance Asia and its capacity to follow through. They worry that China sees weakness and inconsistency when it looks at Washington's foreign policy in general and commitment to Asia in particular. ASEAN believes China sees a United States in a cycle moving toward isolation, a well-established historical pattern following engagement in costly foreign wars (in this case, Afghanistan and Iraq). U.S. decisionmaking on Syria and Ukraine are seen as symptomatic of this phenomenon. China also perceives the United States as backing off its support for the Philippines, a treaty ally, by not retaliating when Beijing broke a 2012 agreement with Manila to leave the disputed Scarborough Shoal.[24]

  China sees a United States divided by partisan ideology and not driving toward national interests, which resulted in President Obama having to cancel his planned Asia trip and participation in the EAS and APEC leaders meeting in October 2013. Beijing also questions the sustainability of the U.S. economic recovery and its ability to fund a modern defense force posture that aims to place 60 percent of U.S. military assets in its Pacific Command's area of responsibility. ASEAN members do not see President Obama or congressional leaders building a political foundation for U.S. engagement in Asia. This is causing them to pursue hedging strategies, reserving the opportunity to accommodate China if the United States fails to focus comprehensively.

- *Economics is security in Asia.* ASEAN countries believe economic engagement is the core of a sustainable security strategy in Asia. Economic might drives a nation's

24. Keith Bradsher, "Philippine Leader Sounds Alarm on China," *New York Times*, February 4, 2014, http://www.nytimes.com/2014/02/05/world/asia/philippine-leader-urges-international-help-in-resisting-chinas-sea-claims.html?_r=1.

geostrategic mandate. Many ASEAN countries are concerned that China will use its growing economic power to drive its sovereignty agenda, which explicitly includes victory in its disputes with Brunei, Malaysia, the Philippines, and Vietnam in the South China Sea. China has become either the largest or second largest trading partner of almost every ASEAN country over the past decade.[25] While China is not a large investor in ASEAN yet, capital flows from Chinese entities to Southeast Asia are on the rise.[26]

ASEAN members worry that U.S. trade and economic policy is ideological and inconsistent with America's geostrategic objectives. For instance, instead of engaging ASEAN and other important Asian markets, either individually or through attempting to join the ASEAN-centered RCEP—the preferred economic engagement vehicle of most of the EAS[27]—the United States has focused on the TPP, which involves only 4 of 10 ASEAN countries and for which only 7 of 10 are eligible.[28]

- *China benefits from a weak ASEAN.* Southeast Asian nations believe that China does not want to see a strong and integrated ASEAN as envisioned in the group's charter.[29] China has repeatedly acted to divide ASEAN in its quest to press its case in the South China Sea disputes. This was on display most prominently at the 2012 ASEAN ministerial meeting in Phnom Penh, when the group for the first time failed to issue a joint communiqué due to Chinese pressure on Cambodia as the host to keep mention of the South China Sea out of the document despite the wishes of the other ASEAN members.[30]

- *China tolerates regional architecture but seeks bilateral leverage.* ASEAN members hope to use ASEAN-centric regional architecture such as the EAS to socialize China into norms of regional discussion, rulemaking, and legal compliance. ASEAN understands this model of structural accommodation because four of the original members—Malaysia, the Philippines, Singapore, and Thailand—successfully used it to bring the fifth—a large and hard-to-understand Indonesia—into the regional fold when they founded ASEAN in 1967.[31] However, ASEAN recognizes that China prefers to use its size to dominate its regional relationships by focusing on bilateral ties or on regional structures that China can dominate.

Two examples of this phenomenon are China's strong desire to resolve the South China Sea maritime and territorial disputes bilaterally while dragging out

25. World Trade Organization (WTO), *Trade Profiles 2013* (Geneva: WTO, 2013), 32, 36, 89, 116, 130, 146, 163, 180, 198, http://www.wto.org/english/res_e/booksp_e/trade_profiles13_e.pdf.

26. "Table 26: Top Ten Sources of Foreign Direct Investment Inflows in ASEAN," ASEAN Statistics, as of October 30, 2013, http://www.asean.org/images/resources/2014/Jan/StatisticUpdate28Jan/Table%2027.pdf.

27. The RCEP negotiations include all of the EAS members except Russia and the United States, which are the only members of the summit without a free trade agreement (FTA) with ASEAN.

28. The TPP negotiations include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The agreement is only open to members of APEC, which does not include Cambodia, Laos, or Myanmar.

29. The ASEAN charter declares the organization's ultimate goal as the creation of a more integrated community involving three pillars: "political, economic, and socio-cultural cooperation." See "ASEAN Charter," ASEAN Secretariat, 2008, 3, http://www.asean.org/archive/publications/ASEAN-Charter.pdf.

30. Ernest Z. Bower, "China Reveals its Hand on ASEAN in Phnom Penh," *CSIS Commentary*, July 20, 2012, http://csis.org/publication/china-reveals-its-hand-asean-phnom-penh.

31. Shaun Narlne, *Explaining ASEAN: Regionalism in Southeast Asia* (Boulder, CO: Lynne Rienner, 2002), 14–15.

negotiations to establish a legally binding code of conduct, and China's preference for the ASEAN+3 process, which includes the ASEAN's 10 members and China, Japan, and South Korea, to drive economic integration in Asia. ASEAN's economic and financial leaders report that China dominates and drives the ASEAN+3 meetings. This is one reason most ASEAN countries have worked to bring the United States and other countries into the EAS and embraced the RCEP as an alternative to the Sino-centric ASEAN+3.

7 Things to Watch

With more than three-quarters of his presumed decade in power still in front of Xi Jinping, and his seeming appreciation for the political utility of wielding the strategic use of unpredictability, it would be foolish—perhaps even impossible—to try to predict with any reliability Xi's exact future course. Instead, it is important to identify particular elements of his political toolkit, and, where applicable, specific policies or plans, that bear watching as likely indicators of where he might be heading. Two areas come to mind as central to his approach thus far.

Structural Solutions

Perhaps the strongest theme coming out of the Third Plenum, and possibly the entirety of Xi's time in office so far, is that he favors using structural solutions to get around the problems of bureaucratic entitlement and parochialism. Declaring himself the chair of at least nine new leading groups underscores Xi's reliance on this tactic while also demonstrating that he has the confidence and the clout to force their creation. Although the success of the new supra-reform leading group will be essential to the maintenance of China's economic—and therefore global—rise, the onward trajectory of the new National Security Commission (NSC) may have the most bearing on whether China can successfully, and preferably peacefully, execute its emerging great power strategy.

In Xi Jinping's explanation to the Central Committee concerning the establishment of the NSC, he stressed that the "main responsibilities of the National Security Commission will include construction of the rule of law system concerning state security, research, resolving major issues of national security, setting principles and policies, as well as stipulating and implementing strategies."[1] In other words, whereas official descriptions of the raison d'être for the supra-reform leading group place a heavy emphasis on its policy *coordinating* function, similar treatments of the NSC's basic purpose stress policy *formulation* and *execution*. This helps explain why the rollout of the NSC seems to be more halting than that of the reform leading group. For example, while the membership list of the reform group has not been formally published publicly beyond the positions of its chair and vice chairs, Chinese official television was allowed to broadcast footage of the group's first

1. "Xi Jinping expounds security commission role," Xinhua, November 15, 2013, http://news.xinhuanet.com/english/china/2013-11/15/c_132892155.htm.

meeting that detailed the group's composition.[2] By contrast, the evening news broadcast showed no footage at all when covering the first meeting of the NSC in mid-April 2014, relying instead on the typical graphics filled with characters describing the meeting's content.[3]

This suggests that the NSC probably is more controversial within the system than the supra-reform body. This should come as no surprise. The idea of creating some sort of U.S.-style National Security Council has been raised periodically within the Chinese system for nearly 20 years. Among the many reasons why it was never established previously, a primary deterrent was a deeply held view among the members of previous PBSCs that that body effectively served as the NSC, making standing one up unnecessary. There also was the thorny issue of determining which leaders would head such a body and oversee its day-to-day operations, both nettlesome problems in the hyperconsensus-oriented leadership milieu of the last decade. Xi clearly has cast such concerns aside, but this does not mean that he has completely broken the spirit of its opponents. In fact, some of the most powerful elements in the regime—the party machinery, the military, and the intelligence and security services—will lose at least some policy autonomy under this new framework. Consequently, whether the NSC can effectively execute its mandate will go a long way toward determining if the leadership's interest in bringing the regime's sprawling military and security organs more firmly under the top leadership's policy control will be achievable.

A second proposed structural change with substantial implications for China's behavior as an emerging great power is the sweeping defense reforms tabled at the Third Plenum. Like the proposal to set up an NSC, the prospect of a substantial retooling of the PLA's command structure has been periodically raised since the last major restructuring in 1985. In those earlier instances, however, it was always easy for the vested interests in the PLA opposed to the reforms to dismiss such proposals as "groundless" and "rumors." This time, however, Xi Jinping has made it almost impossible for his commanders to revisit those tactics. This is because the new proposal was announced *publicly*, and in a very *authoritative* manner—through the Decision document of a Central Committee plenum.[4]

Of particular interest is the Decision document's specific description of the exact structural reforms to be pursued. It calls for the creation of a "sound Central Military Commission joint operations command structure and theater joint operations command system," as well as the advancement of "reform of the joint operations training and support system."[5] After nearly two decades of rapid military modernization, there is no doubt that the PLA has developed an impressive array of tools on the hardware side of the ledger. But, by the

2. "[视频]习近平主持召开中央全面深化改革领导小组第一次会议," China Central Television, January 22, 2014, http://news.cntv.cn/2014/01/22/VIDE1390396684079607.shtml.

3. "[视频]习近平主持召开中央国家安全委员会第一次会议强调 坚持总体国家安全观 走中国特色国家安全道路 李克强," China Central Television, April 15, 2014, http://politics.cntv.cn/special/gwyvideo/likeqiang/201404/2014041501/index.shtml.

4. For the Chinese-language version of the Third Plenum resolutions, refer to "授权发布：中共中央关于全面深化改革若干重大问题的决定";for an English translation, refer to Creemers, "CCP Central Committee Resolution concerning Some Major Issues in Comprehensively Deepening Reform."

5. James Mulvenon, "Rearranging the Deck Chairs on the Liaoning? The PLA Once Again Considers Reorganization," *China Leadership Monitor*, no. 43 (2014), http://www.hoover.org/publications/china-leadership-monitor/article/170901.

account of its own senior commanders and military scholars, the PLA retains substantial shortcomings when it comes to questions of software, and particularly its inability to translate weapons modernization into combat power for conducting truly integrated joint operations. Against this backdrop, if the reforms proposed at the Third Plenum are successfully implemented, the PLA will emerge as a much more capable, lethal, and externally focused fighting force.

Relying on a Sense of Urgency

The second key theme running through Xi's tenure thus far is his seeming preoccupation with maintaining a sense of urgency or crisis to help justify both his nearly unrivaled accretion of political power and the scope and boldness of the reforms he is pursuing. Xi knows that the reforms are difficult, and that there will be winners and losers in the process. With that in mind, Xi has to paint some of the party's difficult choices in the most existential terms possible in order to maintain progress. At least three areas come quickly to mind when thinking about Xi's frequent use of this particular instrument from his toolkit.

The first relates to Xi's heavy emphasis on maritime matters. Hu Jintao put the issue squarely on the table in his farewell keynote address at the Eighteenth Party Congress.[6] He noted that "we should enhance our capacity for exploiting marine resources, resolutely safeguard China's maritime rights and interests, and build China into a maritime power." Xi's contribution has been to move from this more matter-of-fact description to a more threat-oriented message that paints the maritime challenges China is facing in stark and uniquely strategic terms. At a study session of the full Politburo in July 2013 on maritime issues, Xi told colleagues that the maritime domain has a very important role to play in a country's development in the 21st century, especially when it comes to safeguarding the nation's "state sovereignty, national security, and development interests." Making the point still sharper, Xi underscored that "the oceans and seas have an increasingly important strategic calculus concerning global competition in the spheres of politics, economic development, military, and technology."[7] With such comments as the backdrop, it should come as no surprise that Beijing announced its ADIZ as a means for helping China safeguard its maritime ambitions, including its interest in regularly operating out to and beyond the first island chain.

Another manifestation of Xi's penchant for maintaining a steady base level of tension is the subtle suggestion under his leadership that the period of strategic opportunity, while still in effect, is under unprecedented stress. For example, Xi justified the establishment of the NSC to the Central Committee by stating that "the variety of predictable and unpredictable risks" in the world has been increasing markedly, and that a "powerful platform" was

6. "Full text of Hu Jintao's report at 18th Party Congress," Xinhua, November 17, 2012, http://news.xinhuanet.com/english/special/18cpcnc/2012-11/17/c_131981259.htm.

7. "Xi Advocates Efforts to Boost China's Maritime Power," Xinhua, July 31, 2013, http://news.xinhuanet.com/english/china/2013-07/31/c_132591246.htm.

a necessity for helping manage those risks.[8] Painted in this light, Xi's frequent admonitions to the PLA to be prepared to "fight and win wars" take on added significance.[9] Along with the Third Plenum's defense reforms aimed at improving the PLA's combat effectiveness, it leaves an impression that the leadership is signaling that it judges the risk of conflict in the region to be on the rise. Xi's establishment of the ADIZ can therefore be seen as contributing to the seeming sense of foreboding that Xi is seeking to foster in shaping the regime's response to this threat assessment.

Finally, Xi seems to be at least subtly peddling the notion that the source of the unprecedented stress on the period of strategic opportunity is the U.S. rebalance to Asia. This line of reasoning helps explain the logic behind the many recent admonitions to the United States from a wide range of senior Chinese officialdom that Washington should do a better job of constraining its allies who have been unduly stirred up by the rebalance policy. It also suggests that Xi has tacitly sanctioned stepped-up criticism of the rebalance. As just one example, Defense Minister Chang Wanquan, during his visit to the Pentagon in August 2013, voiced concerns over the U.S. rebalance, saying he hoped the "strategy can bring peace to the Pacific region instead of seeking to weaken China."[10]

This then leads back to several questions that are vital to understanding how to come to grips with China's emerging great power strategy. A key line of inquiry is to examine what the implications are of dealing with a leader who seems to have concluded that maintaining a modest level of tension, both domestically and externally, is essential to achieving his policy goals. A proper appreciation of that dynamic has important consequences for how the United States chooses to comport itself in the region, but also for how it manages its critical alliance relationships and partnerships in the region going forward.

8. "Xi Jinping expounds security commission role."
9. "Xi orders PLA to intensify combat awareness," Xinhua, December 12, 2012, http://news.xinhuanet.com/english/china/2012-12/12/c_132036566.htm.
10. "Expanded Sino-US exchanges to stabilize ties," *China Daily*, August 21, 2013, http://usa.chinadaily.com.cn/china/2013-08/21/content_16909055.htm.

8 Lessons for the U.S.-Japan Alliance

This assessment of Chinese strategic behavior, incorporating both domestic drivers and regional responses, suggests a series of principles that should guide U.S.-Japan alliance planning. In their April 25, 2014, summit in Tokyo, President Barack Obama and Prime Minister Shinzo Abe addressed the need for greater bilateral cooperation on regional issues.[1] Both leaders should incorporate the following principles as they build on that commitment:

1. The United States and Japan should continue sharing regional assessments. It will be important that Tokyo and Washington examine developments in Southeast Asia and the Korean peninsula in ways that consider the domestic drivers and considerations for those partners rather than examining statecraft through the narrow lens of China itself. This paper focused on China's relations with key players within the Asia-Pacific region, but noted that the China policy of these players begins with domestic considerations and not the strategic problem of China itself. This context is critical for understanding the relative failures and successes and the threats and opportunities inherent in China's Asia policy. U.S. and Japanese assessments will also be enhanced by increased trilateral dialogue including Australia, India, and other nations that may have a different view of Chinese power than the United States and Japan.
2. The United States and Japan cannot predict that China will be either a fully cooperative stakeholder in the international system or, conversely, a strategic rival in the years ahead. As allies, we must therefore develop a strategy that combines deterrence, dissuasion, *and reassurance*. Both the United States and Japan have to be conscious of the fact that no neighbor in Asia wants to have to choose between the United States and China, even as they seek reassurance. The U.S.-Japan alliance, through mechanisms such as the Two-plus-Two and the Defense Guidelines, is well positioned to take steps to enhance deterrence and dissuasion vis-à-vis China, but less so reassurance. This is an area where greater coordination is critical. This is not to say that the alliance will necessarily have to incorporate China into dialogue in a way comparable to the North Atlantic Treaty Organization (NATO) Partnership for Peace (nor would Beijing necessarily welcome such a proposal), but Tokyo and

1. Office of the Press Secretary, "Fact Sheet: U.S.-Japan Global and Regional Cooperation," White House, April 25, 2014, http://www.whitehouse.gov/the-press-office/2014/04/25/fact-sheet-us-japan-global-and-regional-cooperation.

Washington should spend ample time considering confidence-building measures, declaratory policy, and engagement opportunities that would reinforce the stake that both allies have in China's successful economic development and political evolution. The United States and Japan should reinforce each other's efforts to encourage China to participate in mutual confidence-building and transparency measures.

3. The United States and Japan should coordinate with like-minded states to ensure that multilateral forums such as the ARF and the EAS reinforce the regional commitment to a rules-based international system where coercive tools are not accepted. In the past, U.S. and Japanese support for smaller states willing to advance this principle has been important. Increasingly, states such as Indonesia and Malaysia that have hitherto been reluctant to state positions publicly on these principles have been more forthcoming.

4. The United States and Japan should continue helping states develop the self-capacity to manage disasters and maritime domain awareness so that they are not vulnerable to great power pressure. Coordinated efforts will be important as well. For example, the new U.S.-Philippines Enhanced Defense Cooperation Agreement (EDCA) could be extended for joint training with the Japan Self Defense Forces, while Japan's relaxation of the Three Arms Export Principles and subsequent provision of patrol craft to the Philippines could provide opportunities for joint training with U.S. and Japanese naval and coast guard units.

5. The United States and Japan should align development assistance strategies for South and Southeast Asia more closely. Strategic aid dialogue can help to reinforce shared priorities.

On the whole, this report concludes that China's political and economic influence will rise in Asia. In many respects that represents a return to earlier eras of Asian international economy. At the same time there have been enormous changes in the fabric of Asian international relations. In contrast to the tributary states of the past, the vast majority of modern nation states in Asia are committed to international law and global rules and norms of the 21st century; they are determined not to have their national interests undermined through coercion by any larger power. This presents a highly favorable regional environment for U.S. and Japanese interests and an important influence on China's own choices, as long as U.S. alliances, most importantly with Japan, are secure.

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