
1. Challenges in US–China relations

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THE US–CHINA RELATIONSHIP AND WHY IT MATTERS

The rise of China and the challenge it poses to US global dominance is regarded by many to be one of the most important issues in international relations today. The relationship between the two is perceived to be pivotal for global peace and stability, particularly as they are, based on their GDP, the second-largest and largest economies in the world respectively in 2016. Indeed, according to US scholars James Steinberg and Michael O’Hanlon, ‘few dispute the notion’ that ‘the US–China relationship is today the most consequential bilateral relationship of our time’.¹ Similarly, with some hyperbole, Liu Jieyi, a senior Chinese diplomat, asserted that the two governments ‘have responsibility for the whole world and the development of humanity in the twenty-first century’.²

As Bergsten et al. observed, China’s rise as a globally significant great power presents difficult strategic questions for the United States and its global leadership. Can China be integrated into the US-dominated post-1945 international system? What are the challenges and opportunities presented by China’s rise? These are the questions that increasingly define the challenges facing their bilateral relationship.³ Then US Secretary of State Hillary Clinton described China’s challenge most succinctly when she stated in 2012:

The United States is attempting to work with a rising power to foster its rise as an active contributor to global security, stability and prosperity while also sustaining and securing American leadership in a changing world. And we are trying to do this without entering into unhealthy competition, rivalry, or conflict; without scoring points at each other’s expense and thereby souring the relationship; and without falling short on our responsibilities to the international community. We are, together, building a model in which we strike a stable and mutually acceptable balance between cooperation and competition. This is uncharted territory. And we have to get it right, because so much depends on it.⁴

Much of the contemporary discussion about China's rise has been underpinned by power transition theory, which was first developed by Organski in the late 1950s and which he later refined. Organski conceptualized a hierarchical international system in which a dominant power heads an international order that also includes other major powers that are generally satisfied with the status quo. The problem, however, is when the old leader is challenged by newly industrializing nations. As Organski explained, 'a recently industrialized nation may be dissatisfied with the existing international order because it rose too late to receive a proportionate share of the benefits'. Such a nation may pose a real challenge to the dominant power as it 'may succeed in drawing to its side lesser nations who are also dissatisfied because they are exploited by the nations that dominate the existing order'.⁵ Under power transition theory, war is most likely when a dissatisfied challenger increases in strength and begins to overtake the dominant power. It is this combination of parity, overtaking and dissatisfaction that leads to war.⁶ Thus, in a situation where a rising power is confronted by a dominant power, war almost inevitably results, since the dominant power is not likely to easily yield its position to the challenger. As Organski asserted, 'the major wars of recent history have all been wars involving the dominant nation and its allies against a challenger who has recently risen in power thanks to industrialization'.⁷ It was with this in mind that Hillary Clinton thus observed in 2012 that 'we are now trying to find ... a new answer to the ancient question of what happens when an established power and a rising power meet'.⁸ Recognizing however, that both countries now live in an interdependent world and whose economies are deeply intertwined, she also observed that 'interdependence means that one of us cannot succeed unless the other does as well'.⁹ Clinton's comments succinctly capture the complexity of the bilateral relationship – containing both cooperation and competition.

The implications of the US–China bilateral relationship for the international system can be better understood through the lens of hegemonic stability theory, which posits that stability in the global system requires a hegemon to develop and enforce the rules of the system.¹⁰ According to Gilpin, global or 'hegemonic war' creates a new hegemon, which will create a new international system according to its own preferences. Thus, the United States became dominant following the end of World War II, and it attempted to keep the newly founded world order through the provision of public goods.¹¹ However, hegemons are also prone to imperial overstretch and eventually decline.¹² In recent times, China's rise poses a challenge to the dominance of the international system by the United States, itself facing long-term fiscal and economic problems, in

turn posing a challenge to the current system of hegemonic stability. This development has potentially serious implications for the international system as well as global stability. In view of their mutual suspicions and intensifying rivalry, Bilahari Kausikan, a senior Asian diplomat, thus observed recently that states in Asia hope that both the United States and China will eventually develop ‘a stable and predictable pattern of relations’, although he recognized that ‘the critical factors will be bilateral between these two key major powers’.¹³

The US–China relationship is therefore crucial for regional stability in Asia, and also has implications for the future shape and stability of the evolving post–Cold War international system. This relationship has been shaped by historical and contemporary developments that form the context of their present-day interaction and rivalry. The rest of this chapter examines the dramatic rise of China and its challenge to the US-led international system, and the historical relationship that continues to affect perceptions that they have towards the other. It concludes with an analysis of the challenges facing the US–China relationship.

CHINA’S RISE AND ITS CHALLENGE

China’s dramatic economic rise in recent decades has underpinned its growing challenge to the current US- and Western-dominated international order. Since the promulgation of its Open Door Policy under Deng Xiaoping in 1978, China has embraced market capitalism and the global economy with alacrity, in the process achieving dramatic economic growth. From 2000 to 2011, China’s economic growth averaged 10.8 per cent, although this fell to an estimated 7.9 per cent and 8.4 per cent in 2012 and 2013 respectively, still very high compared to global averages. By comparison, the United States grew an average of 1.6 per cent from 2000 to 2011, while the world averaged 2.7 per cent over the same period.¹⁴ As a result of its economic malaise, Japan, hitherto the world’s second-largest economy, was overtaken by China in 2010.¹⁵ China’s rise has been much faster than expected. In fact, according to the International Monetary Fund (IMF), China’s economy, measured in terms of purchasing power parity (PPP), surpassed the United States in 2014 to become the world’s largest economy.¹⁶ Despite maintaining a supposedly communist system of government dominated by the Chinese Communist Party (CCP), China today runs a very efficient and competitive capitalist free-market economy that has propelled China into a significant regional and global player.

As David Shambaugh noted, China is today a ‘trading superstate’, having surpassed Germany in 2009 as the world’s largest exporter. He also observed that China possesses the largest foreign exchange reserves in the world, estimated at US\$3.2 trillion in 2011, is the largest foreign holder of US government debt, and has the world’s largest number of millionaires and billionaires.¹⁷ In 2009, it also became the world’s largest total energy consumer, with the bulk of its oil imports coming from the Middle East.¹⁸ China is also rapidly becoming an important economic player in every major continent in the world, as it searches for raw material and energy resources, and develops new markets as well as destinations for its overseas direct investments (ODIs). Indeed, China is today a significant economic player in Asia, Africa, Latin America and the Middle East. For instance, China’s overseas aid programme in Africa alone is claimed to have completed 900 projects, involving railroads, highways, stadiums and hospitals.¹⁹

In contrast to China’s dramatic rise and economic dynamism, the United States has in recent times stumbled economically and politically. The global financial crisis (GFC) in 2008, sparked by the sub-prime housing loan crisis, revealed the extent of the fundamental fiscal and economic problems affecting the United States. The burgeoning debt crisis, estimated at US\$18 trillion by March 2015, has led to sequester (i.e., automatic budget cuts), a process that has uncertain consequences for US investment in infrastructure necessary to sustain its economic future, as well as for meeting its global military and security responsibilities.²⁰ More seriously, its global image and soft power have been undermined by its controversial wars in Afghanistan and Iraq after 2001, which have alienated the Muslim world and divided its allies. In addition, recent exposés by Edward Snowden of the extent of US global electronic surveillance have shocked and enraged allies and their publics. This is not to say that the United States is in terminal decline, as it remains an unrivalled global military power and has managed its dominance in such a way that it has not sparked a containment alliance against it by other great powers.²¹ Nonetheless, its tepid economic performance and the severity of its fiscal woes, coupled with its recent political missteps on the international stage, have led to renewed questions over US capacity and resolve in managing its global responsibilities.

It is this context that China is perceived to be a serious and rising challenge to US regional dominance in Asia, and to its position globally. In recent years, China’s startling economic success has led to the emergence of the so-called Beijing Consensus, which is based on innovation and flexibility, sustainable and equitable development, and independence from outside powers.²² This has presented to the non–

Western world a serious alternative to the Washington Consensus or Western model of development based on free markets, privatization and deregulation that has formed the foundation of US-led multilateral institutions since the end of World War II.²³

The inevitability of China's rise and its potential to eventually supplant the United States have become recurring themes in the Western academic and policy literature on China. As Paul Starobin asserted, 'if the American Century ends, then the leading contender to succeed the United States is China'.²⁴ Such a prospect has alarmed many in the West. In 2010, for instance, Martin Jacques asserted in his popular book, *When China Rules the World*, that not only is China's rise inevitable, it would also lead to the end of Western dominance in every sphere. More controversially, Jacques argued that China as a great global power would 'in time require and expect a major reordering of global relationships'.²⁵ This implied that China would challenge the current status quo and would seek to replace the United States as the world's dominant power. Leading realist scholar John Mearsheimer has also argued that China would behave in a similar way as other great powers in history, and would attempt to establish its own regional hegemony.²⁶ Thus, China's rise is not likely to be peaceful, as it would pose a challenge to the prevailing international system.

Chinese writers however, have sought to counter such alarmist views by promoting the 'Peaceful Rise' thesis. Zheng Bijian, for instance, pointed out the many challenges that China faces in its long-term objective of securing a more comfortable life for its people and achieving the status of a 'modernized, medium-level developed country' by 2050.²⁷ He argued instead that 'China's peaceful rise will further open its economy so that its population can serve as a growing market for the rest of the world, thus providing increased opportunities for – rather than posing a threat to – the international community'. Zheng also asserted that 'China does not seek hegemony or predominance in world affairs', since its development depends on world peace, one that 'its development will in turn reinforce'.²⁸

THE EVOLUTION OF US–CHINA RELATIONS

US–China relations today are the product of a long and continuous association that began long before World War II, and that continue to affect perceptions they have towards each other. Many accounts of the historical US relationship with China emphasize the positive elements, such as: the role of US missionaries in improving conditions in the

country, for instance, in education; the support of the United States for the territorial integrity of China during the age of colonial imperialism; and the cooperation against Japan during World War II. However, as Robert Sutter observed, such accounts are partial and misleading, as there are underlying historical reasons for the distrust and wariness that continue to affect the present-day relationship.²⁹ In fact, according to Sutter, historical experiences of their differences, ‘have the potential to seriously disrupt and upset Sino-American relations’.³⁰

World War II and the Cold War

According to Nancy Tucker, the US–China relationship has historically been ‘how the Americans, preoccupied with the affairs of Europe, thought they could use China, subordinating its needs and interests to the realization of weightier objectives elsewhere’.³¹ During the course of World War II and its aftermath, the United States repeatedly sought to use China for its own strategic purposes. Thus, during World War II, the United States sought China’s support in the fight against the fascist powers, namely, Japan and Germany. In doing so, the United States inadvertently encouraged the nationalists in China to adopt an unrealistic assessment of its importance to the United States. In reaching out to the communists during that time, the United States also inadvertently disappointed them. At the Yalta Conference in 1945, President Roosevelt had little compunction in sacrificing China’s control over Outer Mongolia, Port Arthur and Dairen to the Soviets in the interest of a swifter end to the war.³² As Tucker concluded, ‘not surprisingly, disappointment (has) plagued this distorted relationship ... neither country seemed willing or able to fulfil the expectations of the other’.³³

In 1949, the United States washed its hands of Chiang Kai-Shek and the nationalists as its defeat to the communists in China’s civil war seemed imminent, and appeared to be prepared to allow the communists to take Taiwan and complete their victory.³⁴ This, however, was swiftly reversed when the Korean War broke out in 1950, which eventually led to China’s military intervention and direct conflict with the United States on the Korean Peninsula. This also meant a reversal over Taiwan, as the United States now used its naval forces to prevent the reunification of Taiwan by China, an action that China interpreted as the re-entry of the United States into the Chinese Civil War.³⁵ In the ensuing Cold War, the United States supported the Republic of China (ROC) regime in Taiwan and protected it from China through the Mutual Defense Treaty of 1954.³⁶ In the charged Cold War atmosphere, debates broke out in the United States over ‘who lost China’.³⁷ Thereafter, the United States

constructed a post-war security architecture in East Asia that ensured US military, political and economic dominance in the region, and that continues to shape the strategic landscape today. During the Cold War, the United States established alliances throughout the Asia-Pacific, and stationed troops in the Philippines, Thailand, Taiwan, South Korea and Japan as part of its containment strategy against the supposedly monolithic threat from communism. This isolated China in Asia to a large degree, ensuring it had little choice but to rely on the Soviet Union for assistance.

However, US policy over China changed on account of the Sino–Soviet split in the late 1960s. The United States saw an opportunity to drive a wedge between China and the Soviet Union, and thus preserve the US position in Asia, which appeared to be under threat following its failure to win the Vietnam War. This time, the United States was prepared to sacrifice Taiwan for the sake of wider strategic interests. In the Shanghai Communiqué in 1972, the United States removed the one major obstacle to the normalization of relations and the establishment of a quasi Sino–US strategic alliance against the Soviet Union, by acknowledging that Taiwan was part of China under the ‘One-China’ principle.³⁸ Following this, the United States tore up the Mutual Defense Treaty in 1979 and removed its troops from Taiwan. However, the domestic political backlash in the United States led to the passage of the Taiwan Relations Act, which ensured that Taiwan would still be treated as a country and under which the United States reserved the right to ‘make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability’.³⁹ This perfidy did not fool China for very long. While China was prepared to pragmatically set aside the Taiwan issue for the time being in view of broader strategic objectives, namely, countering the hostility of the Soviet Union and pursuing economic development through its Open Door Policy promulgated in 1978, it has remained a serious thorn in bilateral relations between the United States and China.

The End of the Cold War and the Tiananmen Massacre

The end of the Cold War and, in particular, the shock of the Tiananmen massacre in 1989, deeply affected Sino–US relations. The end of the Cold War ended the strategic relationship directed at the Soviet Union. More seriously, the massacre of pro-democracy activists at Tiananmen Square in Beijing in June 1989 led to popular revulsion in the United States at China’s communist regime, which now appeared to be an unjust and oppressive government at odds with US values of democracy and

liberalism.⁴⁰ On the part of China, however, a similar ambivalence also developed regarding the United States, which appeared in subsequent years to be engaged in attempts to penalize China for its human rights abuses as well as obstruct China's rise.

During the 1990s, US–China relations were dominated by human rights issues, Taiwan, non-proliferation and allegedly unfair trade practices by China.⁴¹ Increasingly, China's economic rise led to attention in the United States on the allegedly unfair and disadvantageous aspects of the bilateral economic relationship. These include the large US trade deficits with China, unhappiness over intellectual property rights and protection in China, alleged Chinese government subsidies for various products amounting to export subsidies, which in turn undermined US industry, and Chinese product safety.⁴²

Given this context, the post-Tiananmen bilateral relationship markedly deteriorated. In 1992, the United States sold 150 F-16 combat aircraft to Taiwan, in violation of the 1982 Joint Communiqué on arms sales in which it had pledged to reduce the quantity of arms sold to Taiwan.⁴³ In 1995, the unofficial visit of the pro-independence President Lee Teng-hui of Taiwan to Cornell University, his alma mater in the United States, led to strong protests from China, which viewed this as a violation of the One-China principle.⁴⁴ These events resulted in China resorting to assertive measures, namely, the conduct of missile tests near Taiwan in 1995–96 as a warning that it should not push its independence agenda too far. The United States responded by moving two aircraft carrier battle groups to waters near Taiwan to deter China.⁴⁵ This was the most serious crisis in Sino–US relations since the normalization of relations.

It was this context of revulsion at China after Tiananmen, its startling economic rise and the perception of an aggressive China that the perception of a 'China threat' began to take hold in the United States. In March 1992, a US defence document supervised by Paul Wolfowitz delineated the central challenge the United States now faced after the end of the Cold War, namely that it 'must now refocus on precluding the emergence of any future potential global competitor'.⁴⁶ It did not take very long for China to be identified as the new potential global competitor. In 1994, Larry Wortzel, a US intelligence officer with a PhD from the University of Hawaii, published his seminal paper first presented in August 1993 at the American Enterprise Institute, in which he observed that China 'is not playing wholeheartedly in the new world order, nor is it posturing itself for an order of multilevel interdependence ... instead, it seems locked in pre-cold war, almost turn-of-the-century modes of quasi-imperial competition for regional hegemony'. Wortzel also asserted that 'China seems to be patiently embarked on a new "Long

March” to become the first among roughly equal great powers that can enjoy freedom of action through a strong military presence and posture in a neo-imperial manner’.⁴⁷ Further, he warned apocalyptically that ‘the future in Asia will be very painful if the Chinese decide to move through the stages and processes of the twentieth century by building major blue water forces and engaging in hegemonic politics in the region’.⁴⁸

In 1997, the *Quadrennial Defense Review* named China (and Russia) as possible global peer competitors beyond 2015.⁴⁹ By 2000, the United States became sufficiently concerned to begin an annual report on the military power of China.⁵⁰ The language and tone regarding the ‘China threat’ gradually began to assume gravity and alarm. In 2006, John Mearsheimer asserted that China’s rise would not be peaceful, if the history of the rise of great powers in the past was any guide. He thus expected that China would attempt to establish own regional hegemony.⁵¹ This implied a coming conflict and challenge to the US position in Asia at the very least. In 2011, Aaron Friedberg, in his self-explanatory book entitled *A Contest for Supremacy: China, America and the Struggle for Mastery in Asia*, warned of the danger that a rising China posed to the United States. Citing its ‘vast human and natural resources’ as well as its market-oriented development that had produced very rapid economic growth and technological progress, Friedberg asserted that China had now become a much more serious strategic competitor than Germany and Japan during World War II, and the Soviet Union during the Cold War.⁵² Indeed, if current trends continued, ‘we are on track to lose our geopolitical contest with China’.⁵³ China’s military build-up, coupled with US fiscal constraints and other impediments, could lead to the United States being ‘pushed to the margins of Asia if not out of the region altogether’.⁵⁴ With the United States gone from Asia, China could then use its dominant position in Asia as the springboard to challenge the US position globally, such as in the Middle East, Africa and Latin America. Friedberg thus warned that ‘if we permit an illiberal China to displace us as the preponderant player in this most vital region, we will face grave dangers to our interests and our values throughout the world’.⁵⁵

The Rise of Chinese Nationalism

The deterioration of bilateral relations during the 1990s culminated in the unfortunate bombing by NATO warplanes of China’s embassy in Belgrade in 1999 during the Kosovo conflict. While this was officially explained by NATO and the United States as an accident due to the purported use of an outdated map, Britain’s *The Guardian* newspaper

asserted that the attack was in fact deliberate; the Chinese embassy was attacked because it had allegedly provided assistance to the Milosevic regime in Serbia in communicating with its forces as it was at the time subjected to NATO electronic and communications jamming.⁵⁶ China also became caught up in domestic US politics during the run up to the 2000 presidential campaign, which was eventually won by George W. Bush. During the run up, Bush played to the growing anti-China sentiments in the United States when he stated that China was not a strategic partner but a competitor. Thus, ‘we must make it clear to the Chinese that we don’t appreciate any attempt to spread weapons of mass destruction around the world, that we don’t appreciate any threats to our friends and allies in the Far East’.⁵⁷ Soon after, an unfortunate incident highlighted the growing tensions between the two countries. In April 2001, a fighter aircraft from China’s Air Force intercepted a US EP-3 surveillance aircraft operating near China with a crew of 24. A collision occurred in which the Chinese pilot of the fighter aircraft was killed, and the damaged US aircraft was forced to land on the island of Hainan in China.⁵⁸

China’s dramatic economic and military rise, and the conscious efforts by the ruling Communist Party to cultivate nationalism as a source of legitimacy, have prompted a strong nationalistic response from the Chinese public to what has appeared to be unfriendly US actions. This has been epitomized by the popularity of books with a nationalistic theme. One example is the popular *China Can Say No*, which was published in 1996 at the height of tensions with the United States over Taiwan and other issues. In this book, the Chinese co-writers describe the United States as a ‘spoiled child’, and US foreign policy as ‘insincere and irresponsible’.⁵⁹ The authors also challenged the United States to go to war with China over Taiwan, taunting ‘do you dare?’⁶⁰ More recently, Liu Mingfu’s nationalistic anti-US book, *China Dream*, published in 2010 (ironically by the China Friendship Publishing Company), has been very popular in China on account of its suggestion that China could, and in fact should, displace the United States in the wake of the GFC in 2008. Liu, an army colonel, asserted that China’s ‘grand goal’ should be to ‘become number one in the world’. This, he stated, would require displacing the United States. Further, he asserted that China’s rise would lead to regional and global peace and prosperity, as China was not an imperialist or hegemonic power. More ominously, he advocated the cultivation of a ‘martial spirit’ and the need for a military rise to accompany China’s economic rise.⁶¹

Present-day Tensions and the US Pivot

The terrorist attacks in the United States in September 2001 and the subsequent Global War on Terrorism as well as the US-led wars in Iraq and Afghanistan led to the China issue being consigned to the backburner for the time being. However, it was bound to resurface once the United States began winding down its wars in Iraq and Afghanistan, particularly after the coming to power of the Obama administration in 2008. Moreover, in the wake of the GFC in 2008, a much more confident and nationalistic China began to assert China's territorial claims over maritime territory in the potentially oil and gas-rich South China Sea and the East China Sea, moves that challenged the position of the United States in East and Southeast Asia. This led to the Obama administration paying greater attention to strategic developments in Asia.

China's assertive moves in the South China Sea, the entirety of which it claims, has brought it into conflict with other Southeast Asian claimants, since China's expansive claims overlaps with the Exclusive Economic Zones (EEZs) of, in particular, Vietnam and the Philippines.⁶² As the United States too does not recognize China's claims, it did not take long for both to directly confront each other. In March 2009, Chinese ships surrounded and harassed a US Navy surveillance vessel, the *Impeccable*, which was sailing through the South China Sea. China accused the US vessel of trespassing Chinese waters, but the United States protested that the South China Sea constituted international waters.⁶³ The United States then reinforced its point by despatching a Navy destroyer, the *USS Chung Hoon*, to accompany the *Impeccable*.⁶⁴ Two months later, in May 2009, then US Secretary of State Hillary Clinton asserted that the United States would remain engaged in the region and that it 'is not ceding the Pacific to anyone'.⁶⁵

Despite these evident tensions, the Obama administration that came to power in 2008 in the United States initially took a more measured approach towards China in the hopes that China would support the United States on issues such as climate change and Iran's nuclear programme. This was epitomized by President Obama's decision to decline meeting the Dalai Lama in 2009 in order to avoid offending China. However, China proved to be less willing to accommodate the United States on a range of issues, and its assertive behaviour in Asia also appeared to be a direct challenge to the US position.⁶⁶ Thus, Obama announced a new approach to Asia in a major policy speech delivered in Australia on the occasion of his state visit in November 2011. In his 'Asia pivot' speech, Obama declared that the future of the United States lies with the Asia-Pacific, as it has the world's fastest-growing region and

is home to more than half of the global economy. He also asserted that ‘with most of the world’s nuclear powers and some half of humanity, Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress’. Thus, ‘the United States will play a larger and long-term role in shaping this region and its future, by upholding core principles and in close partnership with allies and friends’. To achieve this objective, Obama promised that ‘reductions in US defence spending will not ... come at the expense of the Asia-Pacific’. Further, the United States would ‘allocate the resources necessary to maintain our strong military presence in this region ... we will preserve our unique ability to project power and deter threats to peace’.⁶⁷

Following the speech, the United States and Australia signed an agreement allowing the United States to station up to 2500 troops in Australia’s Northern Territory for six months every year. The agreement also allowed more US ships and military aircraft, including B-52 bombers, to operate from Australian bases.⁶⁸ In June 2012, the United States and Singapore reached an agreement allowing four of the US Navy’s latest Littoral Combat Ship (LCS) vessels to be stationed in Singapore on a rotational basis.⁶⁹ Indeed, throughout 2012, a presidential election year in the United States, China emerged as a major domestic political issue, leading Obama to take a noticeably harder line on China over trade issues and North Korea.⁷⁰ Significantly, just two days following his re-election as president in 2012, Obama announced that his first visits overseas would be to Cambodia, Thailand and Myanmar, in a clear statement that his administration would have a strong Asia focus.⁷¹ This was also an attempt to loosen their linkages to China, as all three countries are friendly to the latter. In April 2014, Obama also visited Japan, South Korea, Malaysia and the Philippines as part of the US pivot to Asia, now rebranded ‘rebalancing’.⁷²

Thus, the Obama administration has, since the announcement of the Asia pivot, taken visible steps to enhance the US military presence as well as strengthen its alliances and make new ones. While this new focus on Asia has been rebranded as ‘rebalancing’, to China they have been perceived, probably correctly, as moves designed to contain it.⁷³ On its part, China has been in no mood to compromise, upping the ante in 2012 when it became embroiled in a tense naval stand-off with the Philippines over Scarborough Shoal, which lies within the EEZ of the Philippines.⁷⁴ China continued its creeping annexation of the South China Sea through various measures such as authorizing its coastguard to board and search foreign vessels found in the disputed area.⁷⁵ In 2012, China also issued passports showing disputed territory in the South China Sea, East China

Sea and along the India–China border as belonging to it.⁷⁶ In late 2015, the United States openly challenged China’s expansive claims in the South China Sea by provocatively sailing a guided missile destroyer within 12 nautical miles of one of the land formations that China claims. As a top US military officer declared, ‘our military will continue to fly, sail, and operate whenever and wherever international law allows ... the South China Sea is not – and will not – be an exception’. China angrily described this action as ‘an attempt to deprive China of its self-defence right as a sovereign state’, while the official Xinhua news agency warned that it was ‘a serious situation between frontline forces’, and ‘a minor incident that could spark conflict’.⁷⁷

China has also laid down the gauntlet in the East China Sea by asserting its claim over the disputed Senkaku Islands, currently administered by Japan. Following the government of Japan’s nationalization of the territory through its purchase from private Japanese owners in September 2012, violent anti-Japanese protests broke out in China, accompanied by attacks on Japanese businesses and the temporary suspension of production at Japanese-owned factories.⁷⁸ In January 2013, in a dangerous escalation of tensions, Chinese warships allegedly locked their fire-control radars onto a Japanese destroyer.⁷⁹ In late 2013, China declared an ‘air-defence identification zone’ around the Senkaku Islands, prompting the United States to challenge this by flying two B-52 bombers over the islands.⁸⁰ By 2013, tensions had reached their highest levels since the end of World War II in 1945, with the increased risk of miscalculation and accidental war.⁸¹ Given its defence treaty obligations towards Japan, any open conflict would invariably involve the United States and potentially escalate into a broader war.

Indeed, the expansion of China’s military capabilities has increasingly preoccupied the United States. In 2013, China’s armed forces boasted very large and increasingly capable conventional capabilities, with 6840 main battle tanks and 7952 armoured personnel carriers in its army, 2525 combat aircraft in its Air Force, and 70 principal surface warships and 70 submarines in its Navy, including nuclear ballistic missile submarines.⁸² In 2013, it deployed its first aircraft carrier, the *Liaoning*, albeit a refurbished Russian vessel, with another three locally built aircraft carriers planned.⁸³ It is also developing a fifth-generation combat aircraft, the J-20, allegedly from the stolen blueprints of the US next-generation F-35 Joint Strike Fighter that is just coming into service.⁸⁴

More significantly however, China has developed effective anti-access and area denial capabilities, known in US military language as ‘A2/AD [Anti-Access/Area Denial] capabilities’, which are designed to deny US naval forces the capability to operate near Chinese waters and thus give

China relative freedom of action in the West Pacific and East Asia during times of tension or actual conflict. These A2/AD capabilities include anti-satellite capabilities, sea-mines, ballistic missiles, long-range anti-ship cruise missiles, conventional submarines and small missile-armed vessels. To deal with A2/AD and to preserve the ability of the United States to project its power in Asia, the US *Quadrennial Defense Review* in 2010 thus directed the US Air Force and Navy to develop a new war-fighting doctrine, known as ‘AirSea Battle’.⁸⁵ Given that its Cold War doctrine in dealing with the Soviet Union was known as ‘AirLand Battle’, this appeared to herald the potential of a new cold war but with a different communist adversary. As explained by a former US Navy captain, AirSea Battle would require the ability to withstand an initial attack and to limit damage to US and allied forces and bases, followed by a suppression campaign against PLA (People’s Liberation Army) long-range strike systems. This would require attacking Chinese satellites, ground stations, counter-space capabilities and over-the-horizon radars as the top priority.⁸⁶ In other words, AirSea Battle envisioned direct attacks on China’s communications and command centres on the Chinese Mainland in the event of major hostilities, which in turn could prompt a dangerous escalation into the use of nuclear weapons by a cornered China.

CHALLENGES IN US–CHINA RELATIONS

The rise of China and the challenge it poses to US dominance is regarded as one of the most important issues in international relations today. The problem, according to power transition theory, is that in a situation where a rising power is confronted by a dominant power, war almost inevitably results, since the dominant power is not likely to easily yield its position to the challenger. The challenge of China’s rise is complicated by the long-term financial and economic difficulties that the United States has been facing since the GFC in 2008. This has potentially serious impacts on the will and capacity of the United States in continuing in its role as the global hegemon. According to hegemonic stability theory, stability in the global system requires just such a hegemon to develop and enforce the rules of the system. The challenge from China therefore has serious implications not just on the dominant position of the United States but also on the stability of the evolving post–Cold War international system.

The relationship between the world’s two largest economies is thus crucial. Should they succeed in coming to an understanding, war will be avoided and a new regional and global equilibrium will be the result.

Should the relationship deteriorate further or even fail, the consequences are likely to be continuing tensions, instability and possibly, though not inevitably, open conflict. As this chapter has demonstrated, the US–China relationship has been shaped by historical and contemporary developments that form the context of their present-day interaction and rivalry. Their strategic rivalry today is centred around East and Southeast Asia, as well as a broader rivalry for global influence. In East and Southeast Asia, the strategic rivalry is epitomized by opposing perspectives on regional flashpoints, such as in the South China Sea, the East China Sea, the Korean peninsula and over Taiwan. Globally, the Beijing Consensus is posing an increasingly strong challenge to the US-led Washington Consensus that has underpinned the post-1945 international system, given the economic inroads that China has made in Africa, Latin America, Asia and the Middle East. Apart from these challenges, there are also a range of serious bilateral issues between the two countries. The issue of human rights in China came to the fore after the Tiananmen massacre of pro-democracy activists in Beijing in 1989, after which the relationship has been on a downward spiral, with evident tensions in the 1990s over Taiwan. China's economic rise has also focused attention in the United States over the allegedly unfair and disadvantageous aspects of the bilateral economic relationship, such as the inadequacies of intellectual property rights and protection in China, and alleged Chinese government subsidies for various products amounting to export subsidies, which in turn undermine US industry.⁸⁷

Accompanying China's economic rise has been its military rise, which has prompted apprehensions in the United States over China's increasing ability to restrict US military access to East and Southeast Asia. This challenge is epitomized by China's anti-access A2/AD capabilities, as well as its fast-improving conventional capabilities, epitomized by its development of stealth naval warships, quiet conventional and nuclear submarines, aircraft carriers and fifth-generation stealth combat aircraft. In addition, there has been an ongoing low-level cyberwar competition between the two, with accusations by the United States that China is responsible for cybercrime and cyberespionage.⁸⁸

What are the future prospects for US–China relations? Veteran statesman Henry Kissinger, who has observed the relationship since his secret diplomacy led to the normalization of relations between the two countries in 1972, has this to say:

The question ultimately comes down to what the United States and China can realistically ask of each other. An explicit American project to organize Asia on the basis of containing China ... is unlikely to succeed, in part because

China is an indispensable trading partner for most of its neighbors. By the same token, a Chinese attempt to exclude America from Asian economic and security affairs will similarly meet serious resistance from almost all other Asian states, which fear the consequences of a region dominated by a single power.⁸⁹

Thus, Kissinger concluded, ‘the appropriate label for the Sino-American relationship is less partnership than co-evolution’.⁹⁰ However, as this chapter has attempted to demonstrate, the process of working out the *entente cordiale* that would underpin such a co-evolution is complicated by a number of serious challenges. It remains to be seen if this could be achieved before growing mutual mistrust and misperception lead to open conflict.

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