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THESIS

**FROM COOPERATION TO COMPETITION:
COMPARING U.S. RESPONSES TO THE RISE OF
POST-WAR JAPAN AND CONTEMPORARY CHINA**

by

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TO THE RISE OF POST-WAR JAPAN AND CONTEMPORARY CHINA**

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ABSTRACT

The United States and China are engaged in great power competition following a period of relative cooperation. Understanding how states transition to great power competition is important for revealing the catalyst of competition and mitigating the potential for great power conflict. The United States' relationship with post-World War II Japan offers an apt historical comparison from which to observe a similar competitive transition. It also indicates the means by which competition can transition back toward cooperation. The primary time frame for the historical comparison is 1980–2000 for U.S.-Japan competition and 2000–2018 for the Sino-American competition. This thesis finds that both bilateral relationships offer examples of how economic near-peer competition initiates the transition to great power competition with security and political-ideological consequences. The outcome of those security and political-ideological consequences differs in the two cases due to their respective circumstances. Both, however, reveal a cycle of grievance and negotiation between the competing states. Each case also shows that competition can be mitigated through dialogue, engagement, and negotiation.

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LIST OF ACRONYMS AND ABBREVIATIONS

ADIZ	Air Defense Identification Zone
AIIB	Asian Infrastructure and Investment Bank
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
FOIP	Free and Open Indo-Pacific
FONOP	Freedom of Navigation Operation
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GNP	Gross National Product
JSDF	Japanese Self Defense Force
LCS	Littoral Combat Ship
LDP	Liberal Democratic Party
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
NSS	National Security Strategy
PRC	Peoples Republic of China
PLA	Peoples Liberation Army
PLAN	Peoples Liberation Army Navy
SIPRI	Stockholm International Peace Research Institute
SOE	State Owned Enterprise
THAAD	Terminal High Altitude Area Defense
TPP	Trans-Pacific Partnership
UN	United Nations
USD	United States Dollars
WTO	World Trade Organization

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I. INTRODUCTION

A. GREAT POWER COMPETITION: WHY COMPARING CHINA AND JAPAN MATTERS TODAY

Sino-American relations have transitioned to great power competition due to China's rise as a near-peer adversary of the United States. The potential that China could reach parity, or even surpass, the United States as the top economy and military has generated divergent predictions for the future of the United States' role in East Asia and potentially the world. Given the attention and concern generated from China's economic and military development, it is important to explore how the United States has engaged in great power competition with a near peer in the past.

The comparison of Sino-American relations to post-war U.S.-Japanese relations has garnered scant recent attention due to the questionable status of Japan as a global power. However, Japan's rapid postwar growth made it the nearest-peer of the United States in economic output and military spending by 1994.¹ Despite the political closeness of the U.S. and Japan, aspects of great power competition were present due to Japan's rise in the late twentieth century and was a major source of geopolitical concern just two decades ago. The ascendance of Japan resulted in a similar policy debate to the one taking place today: how does the United States best engage a near peer? Whether the United States should seek cooperation, competition, or confrontation were all possibilities in the recent past.

When comparing the U.S. relationships with Japan and China, it is important to take into account significant differences. Japan's period as a near peer occurred within the context of decades of close collaboration and a dependent defense relationship with the United States. Japan, as a peer competitor, also possessed limiting domestic factors that constrained conflict, such as its constitutional prohibition on warfare. China's rise as a peer competitor faces fewer domestic and foreign restraints in terms of defense culture and

¹ SIPRI Military Expenditure Database (object name: military spending; accessed September 1, 2019), <https://www.sipri.org/databases/milex>.

resources. The historical significance of China's rise is also very much tied to the magnitude of its current population size and future economic potential.² These differences should not prevent a comparison of the U.S. relationship with China and Japan. It is still useful to compare the United States' relationship with these two countries for three reasons. First, the comparison sheds light on the debates and policies that the United States engages in and pursues when faced with a near peer. Second, understanding how the United States handled a near peer competitor in the past has the potential to help develop policies to better deal with the rise of China. Lastly, this study can help reveal how cooperation transitions into competition between two interdependent states.

This thesis identifies the commonalities between 1980s and 1990s U.S.-Japanese relations and contemporary Sino-American great power competition by analyzing the economic, security, and ideological aspects. In comparing the two relationships this thesis contributes to the contemporary debate surrounding great power competition and highlights national strategies used in the past, why they were used, and the results of those interactions. By comparing a historically recent near-peer relationship under strain, we uncover trends and cycles underlying interstate cooperation and competition.

In both cases, great power competition had an underlying economic cause. As the rising economic competitor approached near-peer status with the United States, there was a spill-over effect into the security and political-ideological aspects of the respective relationships. The significance of the security competition differed in the two cases due to the nature of their prior existing security dynamics. As a U.S. ally, Japan's modernization and increased global role accommodated U.S. demands and reduced tensions. China's military modernization and increased global role generated a significant counter response by the United States and has increased competition. Lastly, the political-ideological aspects of bilateral tensions did not cause competition in either case, and failed to ever play a significant role in competition with Japan. In China's case, however, authoritarian consolidation arose later as a significant aspect of the broader competition with the United

² Graham Allison, *Destined For War: Can America and China Escape Thucydides's Trap?* (Boston: Mariner, 2018), 3,8.

States due largely to the initiatives of Xi Jinping. The Japan case shows that even ineffectual interstate dialogue may alleviate political pressure until wider circumstances shift the context of bilateral relations away from competition. A similar mechanism may mitigate escalating competition with China, and has proven fruitful in the recent past. Alternatively, aggressive foreign policy actions, such as those China engaged in following the 2009 Global Financial Crisis, may result in conflict during a period of heightened competition and increased regional security presence by the United States.

B. SIGNIFICANCE

A major danger of great power competition is the risk of great power conflict. Between the United States and China, a worst-case scenario would involve death and destruction on a scale not seen in human history. Both nations are populous, technologically modern, and nuclear armed.³ Any potential conflict holds at risk over a billion lives. The United States has already transitioned from economic competition to economic war, via tariffs and rhetorical tit-for-tat. Chinese global projects via Huawei or the Belt-and-Road-Initiative (BRI) are targets for U.S. political interdiction. The militaries of both countries also are preparing for conflict with one another.⁴ In the current environment, economic and security competition are increasingly moving toward conflict—with the potential for catastrophic consequences.

Is war inevitable with an upstart peer? Can the United States manage a relationship with a nation with a modernized military, competitive economy, and regional aspirations? These questions may apply to China today, but they were also asked of Japan in the 1990s. Four decades after the Second World War Japan was the second largest economy in the world and one of the most powerful militaries in the Asia-Pacific region.⁵ Despite high tensions surrounding fair trade and business practices by Japan, the United States did not engage in a spiral of conflict and confrontation. Different schools of thought at the time

³ John Mearsheimer, “Can China Rise Peacefully,” *The National Interest*, October 25, 2014, excerpt from *The Tragedy of Great Power Politics* (New York: Norton, 2014), 23, <https://nationalinterest.org/print/commentary/can-china-rise-peacefully>.

⁴ White House, *National Security Strategy* (Washington, DC: White House, 2017), 45.

⁵ Brian Bridges, *Japan: Hesitant Superpower* (London: Eastern Press Limited, 1993), 20.

attempted to predict what would come of U.S.-Japan relations due to those tensions. Some predicted conflict, others cooperation. Both schools of thought revolved around economic, security, and ideological dimensions of the United States' closest global peer.

The recent recognition of China as a near-peer to the United States has generated a similar transition in perspective to the one that took place over Japan more than two decades ago. Whether predicting conflict or cooperation, the schools of thought surrounding China's future with the United States have also revolved around the same framework of economics, security, and ideology. This thesis is significant because the comparison to U.S.-Japan relations will illuminate how the United States has approached near peer competition in the past with an East Asian power. By utilizing lessons learned from the past, the United States may find tools to successfully engage in great power competition while mitigating the prospects of catastrophic conflict.

C. LITERATURE REVIEW

This literature review focuses on the economic, security, and ideological issues at play in U.S.-Japan relations between 1980–2000 and the Sino-American relationship from 2001-present. This review incorporates sources analyzing the post-War U.S.-Japanese relationship leading to the perspectives present at Japan's geo-political apex in the 1990s. What arises from the literature are two competing arguments for the U.S. relationship with China and Japan respectively predicting either conflict or mitigation.

- (1) Argument I: U.S.-Japan relations were destined for war because of Japan's conflicting economic interests and cultural viewpoints.

Though alarmist in hindsight, the 1991 book *The Coming War with Japan* reflects a strain of scholarship on U.S.-Japanese relations that observed economic and security strains and drew a straight line out to future conflict. George Friedman and Meredith Lebard argued that Japan's dependence on raw material imports would drive Japan to rearm and secure its sea access to commodities. The drive to secure natural resources to sustain the economy would inevitably lead to a conflict between the U.S. over competing sea

power in East Asia.⁶ The authors argue that the same causal framework that led the Japanese to attack the United States in 1945 would repeat itself in the near future.

A less alarmist recounting of U.S.-Japan conflict is present in *The Clash* by Walter LaFeber. *The Clash* framed U.S.-Japan relations as a series of conflicts or crises erupting perennially since the end of hostilities in 1945. The paramount driver for recurring conflict was economics and trade policy. LaFeber emphasized Japan's opportunism in building wealth by profiting during times of U.S. conflict.⁷ LaFeber cited that Japan's growth also came at the expense of U.S. industries, as Japan's exports dominated the U.S. domestic market while being sheltered from competition at home.⁸ LaFeber showed that the security dimension of Japan's resurgence was bound to economic development—with the development of dual use technologies and its ascendant economy resulting in the third largest military in total spending by the 1980s despite only spending approximately 1% of GNP on defense overall.⁹ LaFeber's model shows that a cycle of exploitation and economic conflict were the defining characteristics of U.S.-Japan relations leading into the 1990s.

Samuels' two works, *Rich Nation Strong Army* and *Securing Japan*, concur with LaFeber in emphasizing economic development and technological primacy as having a corrosive effect on the U.S.-Japan relationship.¹⁰ During the Cold War, the United States sectioned off economic issues from national security, allowing asymmetrical trade advantages to develop for Japan.¹¹ In Japan, economic development was the grand strategic vision of their security policy.¹² The post-war Yoshida Doctrine viewed relentless

⁶ George Friedman and Meredith Lebard. *The Coming War With Japan* (New York: St. Martin's Press, 1991), 29, 34.

⁷ Walter LaFeber, *The Clash: A History of U.S.—Japan Relations* (New York: Norton, 1997), 366.

⁸ LaFeber, 372.

⁹ LaFeber, 373.

¹⁰ Richard J. Samuels, *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia* (Ithaca: Cornell University Press, 2007) 38.

¹¹ Richard J. Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan* (Ithaca: Cornell University Press, 1994) 1.

¹² Samuels, *Rich Nation, Strong Army*, 2.

development as the path to national strength while carving out sufficient political concessions to the United States that ensured external defense.¹³ This drive for development became increasingly focused on high-end technological development that was seeded by U.S. defense technology transfers.¹⁴

Chalmers Johnson and Ezra Vogel highlighted the fundamental differences in Japanese society that lead to their economic successes. Johnson argued that Japan as a state is not as liberal or democratic as it would seem, but is rather a “soft-authoritarian” state that utilizes aspects of societal control to maneuver economic development.¹⁵ Ezra Vogel’s *Japan as Number One* points to the communal cultural structure of the Japanese people as being key to their success relative to the United States.¹⁶ Taken together, these authors sought to explain Japanese exceptionalism as rooted in their ideological and cultural differences.

- (2) Argument II: U.S.-Japan relations were strained, but never in danger of conflict because of overarching security needs common to both nations.

Though economic and trade issues certainly resulted in strained U.S.-Japanese relations, the alliance was never at risk of devolving into rivalry or war. Roger Buckley’s monograph *U.S.-Japan Alliance Diplomacy 1945–1990* recounts that while trade tension dominated the relationship from the 1960s onward, there was never a consensus on the U.S. side as to whether Japan’s success was an economic threat or a security asset. At tension with the interests of U.S. domestic industry was the international image of Japan as the liberal-democratic success story amongst East Asian nations during the Cold War.¹⁷ The U.S. also went through cycles of encouraging Japan to rearm and become a more active

¹³ Samuels, *Rich Nation, Strong Army*, 340.

¹⁴ Samuels, *Securing Japan*, 90.

¹⁵ Chalmers Johnson, “Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea, and Taiwan,” *Political Economy of the New Asian Industrialism* (Ithaca: Cornell University Press, 1987) 137

¹⁶ Ezra Vogel, *Japan as Number One: Lessons for America* (Cambridge: Harvard University Press, 1979), ix, 151.

¹⁷ Roger Buckley *U.S.-Japan Alliance Diplomacy 1945–1990* (Cambridge: Cambridge University Press, 1992) 109, 140.

global player, taking expeditionary excursions alongside the United States.¹⁸ In Buckley's view, the U.S. was not of one mind on whether Japan's economic success was good or bad, and militarization was often preferred as a means of enhancing global security.

Jennifer Miller's *Cold War Democracies* stepped away from the economic arguments and instead relied on security and ideological drivers. In Miller's analysis, Japan and the United States were two elite-dominated democracies that were fused together by the mutual security demands of the Cold War.¹⁹ The threat of external and internal upheaval posed by international communism and the Soviet Union bound U.S.-Japan relations together.²⁰ After the Cold War ended, the alliance's shared values are overlooked as the sustaining force in U.S.-Japan cooperation.²¹ The importance of ideological values is reinforced in Sheila Smith's *Japan Rearmed*, which posits that Japanese restraint in rearmament is based on genuine domestic support for Article 9's restrictions on military forces and warfare.²²

- (3) Argument III: Sino-American relations are leading to conflict because of irreconcilable economic, security, and cultural differences.

The scholarship predicting a high likelihood of conflict between the United States and China primarily builds on the economic rise of China and its potential to expand its security policies in conflict with the United States. The literature that favors conflict does not claim that conflict will occur, but rather that it is highly likely due to the dynamics of China's expanding national power. Again, national power is always related to the economy of a nation and its military capabilities. Ideology or culture fits less comfortably within these arguments but is usually offered as a third and lesser contributor to the deleterious Sino-American relationship.

¹⁸ Buckley *U.S.-Japan Alliance Diplomacy*, 159.

¹⁹ Jennifer M. Miller, *Cold War Democracy: The United States and Japan* (Cambridge: Harvard University Press, 2019) 11, 25.

²⁰ Miller, *Cold War Democracy*, 22–23.

²¹ Miller, 274.

²² Sheila A. Smith *Japan Rearmed: The Politics of Military Power* (Cambridge: Harvard University Press, 2019), 13.

John Mearsheimer's *The Tragedy of Great Power Politics* argues that a U.S.-China conflict is more likely because of the structural imperatives of a growing economic power. Mearsheimer posits that "latent power" (i.e., the national economy) allows a nation, at a time of its choosing, to convert economic power to military power and achieve foreign policy objectives reflecting its capacity relative to other states.²³ If and when China transitions its latent power fully into military power, its security objectives will come at the expense of U.S. power in East Asia. Because the United States is broadly aware of the threat of power dislodgment, it will be incentivized into a countering response before a point of no return precludes U.S. influence permanently.²⁴

Graham Allison's *Destined for War* also concludes that conflict between the U.S. and China is likely. Allison makes a historical comparison of sixteen great power transitions and concludes that twelve ended in conflict, with the remaining four requiring a great deal of compromise to avoid conflict.²⁵ The primary drivers for Sino-American conflict most closely resemble the economic rise of Germany to displace Great Britain prior to the First World War.²⁶ Allison also cites incompatibilities with China's regional aspirations with the current role of the United States in East Asia, which mirrors Mearsheimer's argument.²⁷

Friedberg's *Contest for Supremacy*, like Mearsheimer and Allison, predicts conflict based on the rising power dynamic, with economics as the baseline metric.²⁸ Friedberg notes that the increase in China's national power will come at the expense of the United States. Friedberg particularly highlights the role that national power plays on expanding national influence and that China's "unknowable" ambitions to expand as their power

²³ John Mearsheimer, "Can China Rise Peacefully" *The National Interest*, October 25, 2014, excerpt from *The Tragedy of Great Power Politics*. (New York: Norton, 2014), 25. <https://nationalinterest.org/print/commentary/can-china-rise-peacefully>

²⁴ Mearsheimer, "Can China Rise Peacefully?" 21–22.

²⁵ Graham Allison, *Destined For War: Can America and China Escape Thucydides's Trap?* (Boston: Mariner, 2018), vii.

²⁶ Allison, *Destined For War*, 84.

²⁷ Allison, 126.

²⁸ Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: Norton, 2011), 1, 32.

increases.²⁹ While engagement will still be a necessary component of Sino-American relations, containment will become the dominant purpose of U.S. policy toward China.³⁰

Though largely aligned on the importance of economy and security, the literature that predicts Sino-American conflict places mixed emphasis on a third element—broadly called ideology, or sometimes described as culture. Analysis of this third less tangible element reflects less sureness of its importance when compared to other causes of international tension. Mearsheimer, for example, largely discounts ideology as a significant cause for international conflict. He does afford some influence to nationalism as a contributing risk to international stability, but remains focused on non-ideological drivers of international relations.³¹ Friedberg, however, places equal importance on ideology as a factor, with authoritarian and liberal democratic states being unable to trust one another.³² Allison takes the most expansive view of the ideological divide, endorsing Samuel Huntington’s “clash of civilizations” dynamic.³³ Allison agrees that cultural divides, like those between the U.S. and China, contribute to distinctly different world-views that exacerbate international policy differences. Taken together, the scholarship agrees that economics and security issues are causes of a potential Sino-American clash. As for a third less tangible contributor like ideology or culture, the literature shows divergent interpretations and emphases.

- (4) Argument IV: Sino-American relations are competitive, but not belligerent, because China has an economic, political, and security interest in avoiding large-scale conflict

A final body of scholarship proposes that Sino-American conflict is not predestined, nor even likely. Former senior diplomat Thomas Christensen’s *The China Challenge* acknowledges many of the same security, economic, and political challenges of a rising China while predicting a much tamer outcome—diplomatic competition.

²⁹ Friedberg, *A Contest for Supremacy*, 36.

³⁰ Friedberg, 252.

³¹ Mearsheimer, “Can China Rise Peacefully?” 36.

³² Friedberg, *A Contest for Supremacy*, 1–2.

³³ Allison, *Destined For War*, 138.

Christensen places emphasis on the international institutional context within which China's rise has occurred; its membership in the United Nations, World Trade Organization, and International Monetary Fund have greatly aided its ascent.³⁴ Though China will wield greater influence in these regimes, it is unlikely to upend them due to the benefits they provide China.³⁵ Christensen points out that China's development has been a foreign policy goal of the United States until recently.³⁶ Though China's influence has grown, its threat is largely a diplomatic issue.³⁷

Bruce Cumings *Parallax Visions* argues that U.S. preconceptions of China's rise, and subsequent alarmism, is based upon U.S. security myopia.³⁸ Cumings deconstructs the security and economic alarmism noting China's history of "benign neglect" of its neighbors and present entanglement in the international economy. Rather than another Cold War containment struggle, Cumings' view is that the U.S. is failing to recognize that it has largely achieved what it desired in East Asian security: a group of economically interdependent nations. Both readings point toward China's interest in avoiding large foreign conflicts, which it has largely done in the post-Mao era.

Bruce Dickson in *Dictator's Dilemma* analyzes the internal dynamics of the Chinese state. Though his work is focused on the internal dynamics of Chinese politics, it supports the argument that conflict is unlikely with the United States. After Mao's death, the ruling Chinese Communist Party (CCP) abandoned global revolution as its chief aim. Instead, the party oriented itself toward maintaining power in China.³⁹ The CCP will still have foreign policy ambitions that are at odds with the United States, particularly when

³⁴Thomas J. Christensen, *The China Challenge: Shaping the Choices of a Rising Power* (New York: Norton, 2015), 40.

³⁵ Christiansen, 57.

³⁶ Christiansen, xix.

³⁷ Christiansen, 9.

³⁸ Bruce Cumings, *Parallax Visions: Making Sense of American-East Asian Relations at the End of the Century* (Durham: Duke University Press, 1999), 151.

³⁹ Bruce J. Dickson, *The Dictator's Dilemma: The Chinese Communist Party's Strategy for Survival* (New York: Oxford University Press, 2016), 6–7.

U.S. policies favor regime change or liberalization.⁴⁰ But a regime that is fundamentally seeking survival amongst democratic states is unlikely to antagonize or engage in aggression that would undermine the prospect of perpetual rule.

D. POTENTIAL EXPLANATIONS

The discussion of U.S. relations with Japan and China utilized a framework of economy, security, and ideology as the observable dimensions of those relationships. To draw useful conclusions on the near-peer relationships this thesis considered each factor and its role in supporting conflict or cooperation for both U.S.-Japan and Sino-American relations. The following are the leading explanations based on the current discussion of how those factors interact to support or mitigate conflict.

- (1) Security interests mitigated conflicting ideological differences and economic competition in U.S.-Japan and Sino-American relations.

For Japan, military conflict or confrontation with the United States presented both domestic and foreign consequences that were too severe to undertake. As discussed by Roger Buckley, the U.S. acted as the security guarantor for Japan against outside actors and was the cornerstone of Japan's defense policy. Domestically, Japan's post-war pacifism enjoyed significant support from the population. Together, these factors limited the extent to which bilateral tensions could become outright conflict. For China, the threat of catastrophic conflict or destabilizing confrontation may carry similarly unacceptable costs.

China has major conflicting security goals with the U.S.; particularly with Taiwan, the East China, and South China Seas. However, China's overarching interest is national stability. Economic growth is not a drive for eventual military dominance. It is a product of internal political needs. The Chinese Communist Party relies on economic growth as a source of legitimacy. In that pursuit, China has transitioned away from revolutionary politics and Maoism in practice, as discussed by Dickson. Though incidental competition in the economic realm has developed, the overarching security concerns of the Chinese

⁴⁰ Dickson, *The Dictator's Dilemma*, 302.

Communist Party will result in a diplomatically tense Sino-American relationship below the threshold of conflict.

- (2) Economic competition drove bilateral relations toward conflict due to the scarcity of resources, the need to control and expand markets, and domestic pressure to respond to competition.

The literature agrees that economic strains were a major contributor to U.S.-Japanese tensions leading up to the 1990s. Technology transfers that built up Japan's economy were no longer seen as worth the cost in U.S. competitiveness for U.S. policy makers. For Japan, the prospect of losing U.S. technological support threatened a core aspect of Japan's grand strategy. As highlighted by Samuels, technological advantage was integral to national strength. Lastly, Japan's economic strength was resulting in increasing rearmament. As LaFeber discussed in *The Clash*, a 1% GDP defense limit still resulted in Japan rising to second in overall military expenditures globally. Had Japan not suffered a financial collapse in the 1990s, economic competition would have led to a schism in relations with the United States.

Competition with China followed a similar, more severe version of this pattern. Though the United States initially saw economic liberalization in China as a foreign policy success, that view shifted as U.S. competitiveness was in doubt during the 2009 Global Financial Crisis. Losses in manufacturing to Chinese firms, intellectual property loss, and increased defense expenditures were all causes of escalating confrontation with China. As discussed by Mearsheimer, the transition of China's latent economic power to military power has granted China the irresistible capability of achieving foreign policy objectives. Since several irreconcilable differences exist in China's security objectives, cooperation has become untenable.

- (3) Ideological differences have a limited effect on bilateral relations since both Japan and China have experienced cooperation and tension with the United States while possessing largely unchanging ideological characteristics.

The ideological commonalities between the United States and Japan were only skin deep. As discussed by LaFeber, U.S. policy makers frequently overlooked the substantive differences in political culture between the two erstwhile democracies. Chalmers Johnson

labels Japan's political system as soft-authoritarianism, distinct from the liberal-democratic politics familiar to the United States. As strategic and economic interests began to diverge in the 1990s, these political and ideological differences manifested more clearly, and receded only when relations were otherwise cooperative. This suggests that ideology had a limited role in bilateral relations.

The U.S. relationship with China lacks the veneer of commonality present in the U.S.-Japan relationship. China is an outright authoritarian single-party regime, yet Thomas Christensen points out in *The China Challenge* that the U.S. can engage in cooperative diplomacy with China. Aaron Freidberg, in contrast, casts doubt on the idea that an authoritarian state could trust a democratic one favoring regime change. Though it may be difficult to do so, the evidence presented by Christensen suggests that these ideological divides can be bridged, although with great effort. This again suggests that ideology is a component in bilateral relations, but is not causative in escalating competition.

E. METHODOLOGY OF COMPARISON, SCOPE, AND TIMEFRAME

This thesis is divided into four chapters. This first chapter has reviewed the objective of this thesis, a review of existing literature, potential explanations, and methodology. The second chapter will discuss the United States-Japan relationship between 1980 and 2000. The third will discuss the Sino-American relationship from 2000–2018. The fourth chapter will review findings, compare the two case-studies, and draw conclusions on patterns in U.S. near-peer competitions.

The historical periods were chosen to best capture the closest approach of Japan and China to peer status with the United States in the economic and security domains. This thesis relies upon the existing literature of Japan and China's relations with the United States to include peer reviewed secondary sources, government hearings, newspaper articles, and white papers. The sources have been limited to English language which results in a tendency toward U.S. academic sources. Chapters two and three recreate a history of the major economic, security, and ideological changes in the United States' respective relationships with Japan and China. Chapters two and three also each review the responses of the United States to those developments. This has revealed in each case a cycle of

escalating tensions, episodes of diplomatic conflict, and finally temporary resolution. In the case of Japan, great power competition ceased once structural shifts in the economic and security relationship occurred—something that has not yet happened in the ongoing competition with China.

II. GREAT POWER COMPETITION WITH MODERN JAPAN

This chapter will argue that the post-World War II history of U.S.-Japan relations transitioned from cooperation to competition in the late 1980s and early 1990s. This competition affected the three major aspects of the international relationship: economic, defense, and political-ideology. In each aspect of national power we will see that cooperation shifted to competition as Japan rose to near-peer status with the United States in the economic realm. Peak tensions occurred simultaneously with the decline of the Soviet threat in the late 1980s and early 1990s. The transition of great power competition away from the Soviet Union to Japan led to an overcorrection in public characterizations of Japan as a threat to the U.S. Tensions eventually abated due to the economic stagnation of Japan, the increased role of Japan's military abroad, and the United States' strategic shift to the Global War on Terror.

The first section of this chapter will detail the economic rise of Japan and its transition to competition with the U.S. The second section will cover the security implications of near-peer competition and how Japan's economic prosperity changed security expectations within the alliance. The final section will briefly review the way political-ideological critiques were employed against Japan during the period of economic competition. Overall, the economic competition permeates all other areas of the diplomatic relationship and serves as the ultimate cause for the competitive cycles the U.S. and Japan engaged in throughout the 1980s and early 1990s.

A. ECONOMIC COOPERATION LEADS TO GREAT POWER COMPETITION

1. Cooperative Economies with a Competitive Future

Japan's economic development after 1952 was notable for its speed and scope. From 1952–1980 Japan transitioned from being an occupied state to an international power. Following the U.S. occupation, Japan embarked on a decades long national project of deliberate economic development through state driven industrial policy.⁴¹ Chalmers Johnson

⁴¹ Chalmers Johnson, *MITI and the Japanese Miracle* (Redwood City: Stanford University Press 1982), 26.

dubbed this model the “developmental state.”⁴² Japan utilized deft bureaucratic direction to shape corporate behavior, protect new industry, and develop globally competitive firms. The state utilized tools such as selective protectionism, technology acquisition, and credit management to ensure growth of native industries and markets.⁴³ Though the success of Japan’s state led policies relative to fundamental market forces are continually debated, the results were undeniable. Between 1960 and 1980 Japan’s economy had increased from \$44 billion to \$1.105 trillion in current USD.⁴⁴

The development of Japan’s economy was considered a net good for the United States from 1950–1985. Like post-war Europe, the shambles economy of post-war Japan was seen as fertile soil for communist agitation and uprising.⁴⁵ Reconstruction of Japanese industry supported U.S. war efforts in Korea and later in Vietnam.⁴⁶ Lastly, the economic development of Asia’s sole democracy was seen a showcase for the U.S. vision for global order.

Even up to 1979 academic and policy discussion in the U.S. about Japan’s economy characterized it as a miracle. Ezra Vogel’s *Japan as Number One* serves as the premier example of this view point. Published in 1979, Vogel’s book became a best-selling evaluation of Japan as a success story.⁴⁷ The U.S. audience at the close of the 1970s was eager for an explanation for Japan’s comparative resilience after both nations had weathered the turbulent post-war period and economically fraught 1970s. Vogel’s tone, and the wider debate, were envious. Vogel asserted that the United States had something to learn.⁴⁸ Exploration of Japan’s success would continue into the 1980s, though with differing urgency and tone.

⁴² Johnson, *MITI and the Japanese Miracle*, 17.

⁴³ Johnson, 11–12.

⁴⁴ World Bank Open Data (object name JPN GDP; accessed January 1, 2020), <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=1980&locations=JP&start=1960>

⁴⁵ Elise K Tipton, *Modern Japan: A Social and Political History* (New York: Routledge 2002), 155,162.

⁴⁶ Tipton, 179.

⁴⁷ Narrelle Morris, *Japan-Bashing: Anti-Japanism since the 1980s* (New York: Routledge 2011), 41.

⁴⁸ Ezra Vogel, *Japan as No. 1: Lessons for America* (Cambridge: Harvard University Press, 1979), 4.

The 1980s would see two major shifts in the character of Japan's economy that were major contributors to a competitive shift in U.S.-Japan relations: export expansion and increased foreign investment. By 1980 Japan's economy, at \$1.1 trillion in GDP, had become the second largest in the world behind the United States' \$2.8 trillion.⁴⁹ Throughout Japan's economic rise it had developed a large manufacturing export sector in order to accumulate foreign cash reserves for use on energy imports.⁵⁰ Being resource scarce, the need for energy imports was particularly vital to Japan's energy intensive industries.⁵¹ During the 1970s Japan experienced both the OPEC oil price shocks and President Nixon's de facto devaluation of the dollar which resulted in the worst economic conditions in post-occupation Japan's history.⁵² The motivation to continue to buffer currency reserves via an export surplus in the uncertain global environment was a matter of national preservation.

Japan was able to expand exports by relying on the maturation of several key industries. Fuel-efficient low emission automobiles had become a specialty of Japanese automakers and were in demand after the global oil price shocks.⁵³ The fruits of large research investments began to yield high quality robotic machine tools, semi-conductors, and computers—all of which had ample demand in the U.S. market.⁵⁴ Japan's share of the world's high-technology exports expanded from 7% in 1970 to 16% in 1989, while the United States saw a contraction in high-tech exports from 29.5 to 20.6 over the same period.⁵⁵ Japan in 1989 represented 16% of total global wealth and was home to the world's

⁴⁹ World Bank Open Data (object U.S. Japan; accessed January 2020), <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2001&locations=JP-US&start=1960>.

⁵⁰ Dennis B Smith, *Japan since 1945: The Rise of an Economic Superpower* (New York: Macmillan 1995), 135.

⁵¹ Motoshige Itoh et al., *Economic Analysis of Industrial Policy* (Cambridge: Academic Press, 1991), 23.

⁵² Itoh.

⁵³ Smith, *Japan since 1945*, 136.

⁵⁴ Smith.

⁵⁵ T.J. Pempel, "Toward an Understanding of Japan's Changing Political Economy," *Whither Japan* (Washington, DC: National Bureau of Asian Research, 1993), 19.

five largest banks and seven of the world's ten largest companies.⁵⁶ Japan had begun to displace U.S. market share in areas it had once enjoyed market hegemony.

Overall exports from Japan reached an all-time high from 1980–1985, averaging 13.7% of its economic output.⁵⁷ Japan's increasingly competitive and high demand industries were complemented by a growing domestic market. Japan experienced sharp increases in births in the late sixties and by the mid and late 1980s that generation had begun to age into the workforce and growing consumer economy.⁵⁸ The 1960 population of 92.5 million grew to 123.5 million by 1990 and would plateau at 128 million in the late 1990s, eventually declining in the late 2000s.⁵⁹ Japan's post-war boom generation also saw the highest yearly earnings in the history of Japan. In 1980 Japan's per capita income was \$8,400, \$4,000 less than U.S. average annual income. By 1988 Japan's per capita income rose to \$25,000, nearly \$3,000 more than U.S. yearly income at the time. The gap was at its largest by 1995 when Japan's per capita income had risen to \$43,000, \$15,000 more than the U.S. average.⁶⁰ U.S. per capita income would not return to par with Japan until 2001.⁶¹ Japan's economy throughout the 1980s was at its largest and most outward facing in its modern history.

During this period of high earnings and general growth, Japan saved more than it consumed. In previous decades, surplus savings had been utilized for internal investment with only \$3.6 billion being invested abroad in 1970. Furthermore, aggregate trade surpluses and foreign cash reserve accumulation in the past had typically balanced out against purchases of raw materials and advanced technology.⁶² In the 1980s, that pattern ceased as savings turned abroad and foreign investment expanded to \$160 billion and became \$2

⁵⁶ Brad Glosserman, *Peak Japan* (Washington, DC: Georgetown University Press, 2019), 10.

⁵⁷ World Bank Open Data (object Japan; accessed January 2020), <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?end=1998&locations=JP&start=1960>

⁵⁸ World Bank Open Data.

⁵⁹ World Bank Open Data.

⁶⁰ World Bank (object US; accessed January 2020), <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2018&locations=JP-US&start=1960&view=chart>

⁶¹ World Bank.

⁶² World Bank.

trillion by 1991.⁶³ Japan transformed into the world's largest creditor nation during the 1980s, funding projects globally, buying industries, and purchasing U.S. debt.⁶⁴ The balance of payments deficit between the U.S. and Japan accelerated during a period of high visibility for Japanese corporations and products.

Japan's expanding export sector, high savings rate, and global creditor status coupled inversely to the United States of the 1980s. After a century of being an exporting and saving economy the United States' had transitioned into a net importer and deficit spender.⁶⁵ Though the United States year over year GDP growth expanded three times in size from 1980–2000, the United States faced declining relative strength in key industries and in international market competitiveness during the economic transformation of Japan from the 1980s. The inverse economic character of the U.S. and scale of Japan's economic development created the environment in which economic cooperation would become competition.

2. Economic Competition Leads to Reassessment and Tension

Prior to the 1980s there were certainly critical views of Japan's economic development, best encapsulated by President Nixon when he said in 1971 "[Japan's] threat is far more serious than the challenge that we confronted even in the dark days of Pearl Harbor."⁶⁶ The broader shift in U.S. outlook corresponds to the divergence in the two economies: the U.S. recession in the 1980s and Japan's export driven economic acceleration during the same period. Industrial workers in the United States faced job losses and increased competition from major Japanese brands. The U.S. was losing jobs and market share in its own domestic market.⁶⁷ Academic and policy professionals began to inspect the nature of Japanese success with a more skeptical view.

⁶³ Kenneth B. Pyle, *Japan Rising* (New York: Public Affairs, 2007), 256.

⁶⁴ Pyle.

⁶⁵ Brien Reinbold and Yi Wen, *Historical U.S. Trade Deficits* (Federal Reserve Bank of St. Louis, May 2019), <https://research.stlouisfed.org/publications/economic-synopses/2019/05/17/historical-u-s-trade-deficits>.

⁶⁶ Narrelle Morris, *Japan-Bashing*, 40.

⁶⁷ Morris, *Japan-Bashing*, 69.

Arguably the most influential early reconsideration of Japan's economy was Chalmers Johnson's *MITI and the Japanese Miracle*, which provided a detailed explanation of the institutional causes for Japan's development. Johnson argued that the government planned or guided capitalism at the micro and macro levels, in a novel arrangement distinct from U.S. style laissez faire capitalism.⁶⁸ Subsequent critiques of Japan became increasingly linked to the issue of direct U.S. competition.⁶⁹ Clyde Prestowitz, formerly President Reagan's Secretary of Commerce, framed the competition as one that directly threatened to displace the United States if it did not begin to open Japan's markets and protect its own. In 1987, he wrote "forty years after the end of World War II, Japan and the U.S. are again engaged in conflict."⁷⁰ His views were further explained by his 1988 book *Trading Places: How We Allowed Japan to Take the Lead*. James Fallows, a former speech writer for President Carter, wrote in 1988 that "unless Japan is contained...America will be jeopardized."⁷¹ The critical and increasingly weary group of scholars and former officials were dubbed revisionists who contrasted the previous establishment perspective on Japan's economic development. The revisionists captured a concern distinct from prior scholars like Vogel—the idea that Japan was not engaging in capitalism by the same set of rules as the United States.

Public pressure and economic concerns resulted in increasing congressional scrutiny of Japan's economic practices. The U.S. Senate Subcommittee on East Asian and Pacific Affairs in 1984 held hearings titled "United States-Japan Trade: The \$30 Billion Gap." The hearing is reflective of growing trade concerns though its summary findings were still cooperative in tone. The committee did fault Japan for some regulatory issues and the low exchange rate for the yen. However, the committee chair believed the need for a more

⁶⁸ Chalmers Johnson, *MITI and the Japanese Miracle*, 16.

⁶⁹ Morris, *Japan-Bashing*, 59.

⁷⁰ Clyde V. Prestowitz Jr, "U.S.-Japan Trade Friction Creating a New Relationship," *California Management Review* vol 29 issue 2 (January 1987): 9.

⁷¹ James Fallows, "Containing Japan," *The Atlantic* May 1989, <https://www.theatlantic.com/magazine/archive/1989/05/containing-japan/376337/>.

comprehensive trade and commercial strategy on the part of the executive branch was the main issue driving the deficit in the balance of payments for the United States.⁷²

3. U.S. Pushback as Great Power Competition

The tone in the U.S. Congress had changed by the mid-1980s. In 1985 the U.S. Senate labeled Japan an “unfair trading partner” and increasingly saw Japanese practices as the cause of reduced U.S. competitiveness.⁷³ In a hearing titled “Impact of Employment on United States-Japan Auto Relations,” Senator Dan Quayle highlighted the struggle of auto parts manufacturers to access Japan’s domestic market. The senator also faulted the *zaibatsu*, or Japanese big business, for colluding on anti-competitive business practices with the Japanese government.

The first significant attempt to redress economic competition with Japan was the 1985 Plaza Hotel ministerial meeting. Finance ministers from the world’s five largest economies agreed to adjust currency exchanges in order to devalue the dollar against the yen.⁷⁴ The Reagan administration, represented by Treasury Secretary James Baker, believed that yen appreciation against the dollar would increase demand for U.S. exports and fairly price Japan’s exports.⁷⁵ Though the yen did rapidly appreciate following the agreement, it failed to stymie the growing trade deficit. An unintended result for Japan was a major shift in production to Asia fueled by Japanese investments.⁷⁶ The strong yen also led to an inflow of foreign capital, wherein Japan’s stock market surged with speculative foreign capital.⁷⁷ The enrichment of Japan’s stockholders and increasing investment power abroad strengthened Japan’s global economic position while having no effect on the trajectory of the U.S. trade balance.

⁷² *United States-Japan Trade: The \$30 Billion Gap* Hearing before the Subcommittee on East Asian and Pacific Affairs of the Committee on Foreign Relations, U.S. Senate, 98th Congress (October 3, 1984) S. Hrg. 98–1160

⁷³ Smith, *Japan Since 1945*, 156.

⁷⁴ Walter LaFeber, *The Clash: A History of U.S.—Japan Relations* (New York: Norton, 1997), 376.

⁷⁵ LaFeber.

⁷⁶ LaFeber, 377.

⁷⁷ LaFeber, 377.

While trade negotiations and intensifying U.S. rhetoric became a regular aspect of the U.S.-Japan relationship, official U.S. strategic policy still favored Japan's development. The National Security Strategies from 1987–1990 addressed the trade deficit with Japan as a balance of payments issue on the U.S. side, and that U.S. savings needed to increase. This technocratic response would be identical in how prominent Japanese intellectuals, such as Osamu Shinomura, would later defend against Japan critics who sought to shift blame across the Pacific.⁷⁸ The Reagan administration was generally interested in compartmentalizing trade tensions, engaging in negotiation, and sustaining the broader alliance. To that end, President Reagan's largest attempt at removing Japan's domestic barriers to foreign competition culminated in the 1986 Market-Oriented Sector-Selective negotiations.⁷⁹ Though both sides agreed to remedy each other's perceived economic issues, little progress was made on U.S. core concerns as Japan's economy and exports continued to expand.

The visibility of Japan's economic expansion, overseas investments, and exports generated a broadly negative public consensus in the U.S. culminating in the late 1980s. The concept of a Japan miracle transitioned into the "Japan Problem."⁸⁰ Increased economic competition, new perspectives, and the receding threat from the Soviet Union created a dynamic strategic policy environment. By 1989 prominent Japan scholar George Packard declared in the *Washington Post* "Japan-Bashers are poisoning foreign policy." Packard feared that the critiques of the Japanese economic system by revisionists had led to an outpour of negative popular sentiments in the United States. This was also inflaming latent nationalists in Japan, who credited their relative economic success as vindication of national superiority. As the two mutually hostile lobbies in each country began to redefine U.S.-Japan relations, they also marginalized reconciliatory views in their own countries.⁸¹ Though the Reagan administration had tried to compartmentalize the economic competition, the failure

⁷⁸ Alison Butler, *Trade Imbalances and Economic Theory: The case for a U.S.-Japan Trade Deficit* (Federal Reserve Bank of St. Louis, March 1991), 16. https://files.stlouisfed.org/files/htdocs/publications/review/91/03/Imbalances_Mar_Apr1991.pdf

⁷⁹ LaFeber, *The Clash*, 379.

⁸⁰ Morris, *Japan-Bashing*, 51.

⁸¹ George R Packard, "The Japan-Bashers are Poisoning Foreign Policy," *The Washington Post*, October 8, 1989, ProQuest.

to gain an advantage after rounds of negotiations soured relations further. The diplomatic gap widened and reconciliation through negotiation became more difficult. By 1989 a public opinion survey showed over 68% of Americans identified Japan as a serious threat. The Soviet Union, in contrast, was only seen as a threat by 22% of respondents.⁸² Later that year a separate survey identified the economic power of Japan, at 52% of respondents, as a greater threat than the military of the Soviet Union, of which only 33% were concerned.⁸³

4. Economic Stagnation and Delayed De-escalation

The 1990s would see a change in Japan's economic outlook. In 1989 the Bank of Japan and Ministry of Finance (MOF) attempted to prevent an uncontrolled asset collapse following skyrocketing stock and real estate prices. To that end, the Bank of Japan sharply increased interest rates while the MOF placed limits on lending.⁸⁴ The MOF policy resulted in the exact asset collapse that it sought to head off. Collateralized assets began to default or collapse in value. The effect rippled throughout the economy and wiped out trillions of dollars' worth of wealth.⁸⁵ Bank closures, restrictive credit markets, and a drop in domestic demand inaugurated what would become Japan's "lost decade" of 1% average yearly growth until 2001.⁸⁶ The long-term decrease in credit coincided with the mid-1990s contraction of the labor force as a result of the broader population plateau.⁸⁷ Japan remained a major exporter but ceased its economic momentum to overtake the United States, though this was not understood by most observers at the time.

To the U.S. audience at the time, Japan was still the second largest economy in the world, and still possessed many of the attributes that had brought its economy to near parity with the United States. This is why competition with Japan culminates in the early 1990s rather than immediately receding. In fact, the most consequential reassessment of Japan

⁸² Morris, *Japan-Bashing*, 46.

⁸³ Morris.

⁸⁴ Glosserman, *Peak Japan*, 13.

⁸⁵ Glosserman, 13

⁸⁶ Glosserman, 9

⁸⁷ Naoyuki Yoshino and Farhad Taghizadeg-Hesary, "Japan's Lost Decade: Causes and Remedies," *Japan's Lost Decade: Lessons for Asian Economies*, Yoshino Naoyuki, ed. (Singapore: Springer, 2017), 2.

manifests in 1991, as Japan took center stage as a strategic rival. The *National Security Strategy* of 1991 states:

[The United States and Japan] frequently find ourselves competitors—sometimes even bitter competitors—in the economic arena. These frictions must be managed if we are to preserve partnerships... ongoing trade negotiations now share some of the strategic importance we have traditionally attached to arms talks with the Soviet Union.⁸⁸

The most aggressive unilateral tool the U.S. utilized was the Super 301 trade law of 1988 and the Structural Impediments Initiative of 1989–1990. These measures granted the President greater flexibility in initiating retaliatory trade measures against several foreign export economies, with Japan particularly in mind. When congress labeled Japan an unfair trade state, the Bush Administration used the Super 301 provision of the Structural Impediments Initiative to threaten tariffs and trade restrictions. President Bush demanded Japan increase foreign market access and consumer spending, and was partially successful in increasing semi-conductor exports and auto restrictions.⁸⁹ President Clinton also periodically threatened Japan with Super 301 status in 1990 and 1993, but removed Japan in both cases following negotiation.⁹⁰

Overall, the economic relationship and perceptions of how Japan achieved its near-peer status pressurized the U.S.-Japan relationship. The process of intellectual and popular reassessment of Japan's economy in the 1980s had reshaped strategic policy, leaving a lasting framework that endured throughout the Clinton administration. The skeptical trade approach to Japan crystalized simultaneous with the stagnation of Japan's economy in 1990. Despite the significant change in Japan's economic outlook, market access issues were revisited continuously by the United States as primary cause for tension as late as 1997.⁹¹ The transformation of the U.S. relationship with Japan due to economic concerns also affected

⁸⁸ White House, *National Security Strategy* (Washington, DC: White House 1991), 6, <https://history.defense.gov/Historical-Sources/National-Security-Strategy/>.

⁸⁹ Morris, *Japan-Bashing*, 83

⁹⁰ Susumu Awanohara, "Super 301: The Sequel" *Far Eastern Economic Review* vol 155, no. 21 (May 1992), 49, ProQuest.

⁹¹ White House, *National Security Strategy* (Washington, DC: White House, 1997), 20.

the security realm. The intersecting security challenges of the 1990s and subsequent low-points in the relationship will be discussed further in the next chapter.

B. SECURITY IMPLICATIONS OF COMPETITION FOR THE U.S.-JAPAN RELATIONSHIP

1. Defense Interdependence and Cooperation prior to 1990

Similar to the economic relationship, a pattern of cooperation, tension, and pushback can be observed in the U.S.-Japan security relationship. As competition arose in the economic realm, the U.S. reevaluated the security ties that bound the world's two largest economies. Prior to economic competition, the U.S.-Japan security alliance was robust. The San Francisco Peace Treaty of 1951 (in effect in 1952) and U.S.-Japan Security Treaty created political independence for Japan while ensuring security interdependence for both countries.⁹² The United States was obligated to defend Japan while Japan would provide basing and support in return.⁹³ Shortly after those treaties were signed the Korean and Vietnam wars proved the utility of Japan as a security partner in East Asia.

From the Korean War in the 1950s and well into the 1960s the U.S. regularly encouraged Japan to expand its military capability and reach.⁹⁴ Japan routinely responded to U.S. pressure with limited accommodation. During the Korean War Prime Minister Yoshida answered U.S. calls for rearmament by transforming the national police into the Self Defense Force.⁹⁵ And instead of sending armed forces to Korea or Vietnam, Japan sent materiel.⁹⁶ Japan's major contribution to U.S. conflicts in East Asia was providing the arsenal and forward staging base for the U.S.

⁹² Tipton, *Modern Japan*, 159

⁹³ Tipton.

⁹⁴ Sheila A. Smith, *Japan Rearmed: The Politics of Military Power* (Cambridge: Harvard University Press, 2019) 6, 10.

⁹⁵ Smith, 28.

⁹⁶ Tipton, *Modern Japan*, 179.

For decades the U.S.-Japan alliance served as a firewall against the communist states of Asia; the Soviet Union, North Korea, and at times China.⁹⁷ Defense against the communist states took on particular urgency in the 1970s and 1980s. The Soviet Union's invasion of Afghanistan in 1979 was seen as highly aggressive by Japan's policy makers.⁹⁸ Japan's concerns over Afghanistan combined with increased Soviet military activity in the Pacific and moved Japan's leadership into alignment with the United States regarding increased military spending, expanded defense reach, and increased interoperability.⁹⁹

By the late 1970s Japan's military had evolved into a significant force and contributing partner to the U.S.-Japan alliance. The final Defense Buildup Plan concluded in the 1970s and resulted in one of the largest and most well equipped militaries in the region.¹⁰⁰ The ground forces numbered 180,000, Air Self-Defense Forces were comprised of ten interceptor squadrons and over 47,000 airmen, and the Maritime Self-Defense Forces were comprised of fifty-two destroyer escorts, fourteen submarines, and over eighty aircraft.¹⁰¹ Complementing the JSDF were the U.S. military forces, numbering 45,700 personnel distributed amongst ground, air, and naval elements.¹⁰² The late 1970s and early 1980s saw some of the first steps at genuine integration of the allied militaries. The U.S. military and JSDF held combined exercises with integrated command and control based on mutually developed contingency plans.¹⁰³ Also, both forces had begun common projects toward military acquisitions and mutual technology development rather than direct transfers.¹⁰⁴ The combined forces of the U.S. and Japan had become a deeply integrated force.

⁹⁷ Mike M Mochizuki, "American and Japanese Strategic Debates," *Toward a True Alliance*, Mike Mochizuki, ed. (Washington, DC: Brookings, 1997), 57.

⁹⁸ Tetsuya Kataoka and Ramon H. Myers, *Defending an Economic Superpower: Reassessing the U.S.-Japan Security Alliance* (Colorado: Westview Press, 1989), 46.

⁹⁹ Kataoka and Myers.

¹⁰⁰ Smith, *Japan Rearmed*, 47

¹⁰¹ Kataoka and Myers, *Defending an Economic Superpower*, 75–76.

¹⁰² Kataoka and Myers, 78.

¹⁰³ Kataoka and Myers.

¹⁰⁴ Kataoka and Myers.

Though the United States had supported rearmament, interests inside and outside of Japan were wary. The Article IX's constitutional restriction on war was institutionally ingrained by the 1980s.¹⁰⁵ In addition to the self-defense limitation Japan placed on the use of its forces, the government of Japan kept its military expenditures to a small fraction of its overall economy. From the 1950s to 1987 Japan kept military spending to less than 1% of GDP.¹⁰⁶ In absolute terms this still meant tremendous spending growth due to Japan's rapid economic expansion. In current USD, military expenditure in 1967 was over \$1 billion, by 1979 it had grown to \$9 billion.¹⁰⁷ These figures also discount the vital role the civilian economy played in Japan's defense sector. The government of Japan placed strategic emphasis on possessing a technologically advanced economy as the source of its national power.¹⁰⁸ Japan also kept its militarization subdued with the development of dual-use technologies. Japan became a high tech economic power, making the nation an indispensable trading partner, while it co-supported development of high quality weapon systems.¹⁰⁹ The fall of the Soviet Union and the large relative size of Japan's economy resulted in several years where Japan was the second largest military spender in the world.¹¹⁰ This led to a paradoxical situation in the 1980s, as the United States was still obligated to defend its Japanese ally who possessed a world-class military and near-peer economy. Why should one competing economic great power provide military security for another economic great power?

¹⁰⁵ Sheila Smith, *Japan Rearmed*, 28

¹⁰⁶ SIPRI Military Expenditure Database (object name Military Expenditures to GDP; accessed November 2019), <https://www.gapminder.org/tools/>

¹⁰⁷ SIPRI Military Expenditure Database (object name Military Expenditures Total; accessed December 2019), <https://data.worldbank.org/indicator/>.

¹⁰⁸ Richard J. Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*, 30–31.

¹⁰⁹ Samuels, 320.

¹¹⁰ SIPRI Military Expenditure Database (object name Military Expenditures Total; accessed December 2019) <https://data.worldbank.org/indicator/>

2. Tension and Gradual Compromise

Interestingly, it was Japan's military restraint in the international arena that became the political flashpoint for U.S.-Japan relations. Japan's legacy of pacifism continued to limit the employment of Japan's de facto military regardless of the JSDF's size or complexity.¹¹¹ As economic competition arose between the two allies, U.S. policy makers either ignored or grew weary of Japan's domestic political limitations.¹¹² U.S. critics began to recast Japan as a free-rider in the international system.¹¹³ Two major touch points illustrate this issue: tanker escorts in the Persian Gulf during the 1980s, and the Gulf War from 1990–1991.

Both Japan and the United States relied on stable energy exports from the Middle East during the 1980s. From 1984–1989 hundreds of merchant ships were attacked as the Iran-Iraq War spilled over into the maritime realm with attacks on neutral merchant shipping.¹¹⁴ Six Japanese flagged tankers, in addition to many non-sovereign ships destined for Japan, were attacked during the conflagration.¹¹⁵ The United States assembled a maritime escort coalition of several NATO countries and requested Japan's naval support. Though Nakasone, Japan's Prime Minister, supported expanding the role of the military abroad he faced insurmountable resistance within his cabinet.¹¹⁶ Japan declined to participate in the escort coalition. To the U.S. audience, Japan would benefit from the U.S. defending oil exports in the Persian Gulf, while Japanese destroyers remained in Japan. In response, the U.S. Congress began formal reviews regarding the cost and necessity of defending Japan given their capabilities and unwillingness to contribute to U.S. missions abroad. Japan answered its U.S. critics with a compromise—Japan would share more of the burden, but only in Japan. The government of Japan increased subsidies for the cost of U.S.

¹¹¹ Smith, *Japan Rearmed*, 29.

¹¹² Smith, 56.

¹¹³ Smith, 177.

¹¹⁴ Ronald O'Rourke, "Tanker War" Proceedings, vol. 114/5/1, 023 May 1988, <https://www.usni.org/magazines/proceedings/1988/may/tanker-war>.

¹¹⁵ O'Rourke.

¹¹⁶ Smith, *Japan Rearmed*, 45.

basing, upkeep, and security.¹¹⁷ Japan had long paid for a portion of base upkeep and manpower, but throughout the 1980s this expanded to facilities construction and utility upkeep.¹¹⁸

Japan had been able to redirect U.S. calls for burden sharing toward a domestic and localized context in the 1980s. And major challenges to the nature of the alliance were safe since the alliance was still the cornerstone communist containment in East Asia.¹¹⁹ However, the 1980s resulted in several major shifts in the security environment. The end of the Eastern Bloc, weakening Soviet Union, and sustained rapprochement with China removed many Cold War exigencies that previously undergirded the alliance.

In the 1990 U.S. National Security Strategy, President Bush declared the success of containment and the breakup of the Soviet threat. The United States had less reason than at any point post-occupation to subsidize the defense of its strategic economic rival Japan. The U.S. renewed calls for burden sharing in a broader context--sharing the burden of international peacekeeping.¹²⁰ The National Security Strategies of the Reagan and early Bush administrations reflected a desire to see increased defense spending on the part of Japan and were supportive of further militarization. In the new post-Cold War global order, the U.S. desired its powerful ally, Japan, to employ that military in pursuit of global security, not only in East Asia.

The Gulf War from 1990 to 1991 became a test for that new post-Cold War role for the U.S. and its allies. Iraq's invasion of Kuwait was an aggressive and destabilizing act that threatened the energy security of industrial states like the United States and Japan.¹²¹ President Bush assembled a broad international coalition endorsed by the United Nations. When the U.S. requested support from Japan, the mix of institutional and political roadblocks

¹¹⁷ Smith.

¹¹⁸ Smith, *Japan Rearmed*, 46.

¹¹⁹ White House, *National Security Strategy* (Washington, DC: White House 1988), 30–31.

¹²⁰ Smith, *Japan Rearmed*, 177.

¹²¹ Smith, 57.

still prevented Japan from sending military support abroad even though Japan and U.S. interests aligned.¹²²

Japan's non-participation in the Gulf War catalyzed some of the worst anti-Japan sentiment in the history of the alliance. The ultimately successful bid by the Bush administration to expel Iraqi forces from Kuwait was done with a broad coalition of participants.¹²³ Though Japan ultimately sent \$4 billion of funding and six minesweepers to support the war and aid effort in Kuwait, the government of Japan faced overwhelming resistance to any further participation.¹²⁴ Dubbed checkbook diplomacy, this episode became a major source of consternation in Japan's foreign policy.¹²⁵ Public opinion of Japan in the United States plummeted following the Gulf War episode, with a corresponding rise in negative sentiment.¹²⁶

The Gulf War inspired a contradictory blend of critiques for Japan from the United States. While the political and diplomatic sphere pushed for greater military involvement by Japan—several quarters of intellectual and popular writing supposed a more fearful examination of Japanese power. The *Coming War with Japan*, published in 1991, is the starkest example of scholarship that predicts conflict. George Friedman and Meredith Lebard argued in their book that Japan's dependence on raw material imports would drive it to rearm and secure its sea access to commodities—resulting in war with the U.S.¹²⁷ Concerns of military conflict did not reflect national policy documents, debates, or the preponderance of academic thought regarding U.S.-Japan competition at the time. However, in popular culture, fears of a militarist Japan did find audience. Novels like *Silent Thunder* and *Kenzie* in the early 1990s combined Japanese stereotypes of ninjas and warriors with violence directed at

¹²² Mochizuki, "American and Japanese Strategic Debates," 56.

¹²³ Smith, *Japan Rearmed*, 58.

¹²⁴ LaFeber, *The Clash*, 388.

¹²⁵ Smith, *Japan Rearmed*, 57.

¹²⁶ Morris, *Japan-Bashing*, 128.

¹²⁷ George Friedman and Meredith Lebard. *The Coming War with Japan* (New York: St. Martin's Press 1991) 29, 34.

American characters.¹²⁸ The most prominent and popular was the novel and film *Rising Sun* by Michael Crichton. The novel links the threat of economic domination with a secret militant conspiracy.¹²⁹ What these predictions of war shared with the broader policy establishment was this: Japan's economic power was incongruous with its restrained military character.

Overall, Japan's mitigating strategies failed in the case of Gulf War checkbook diplomacy because security tensions were predicated upon larger unresolved grievances over Japan's economic expansion. The Gulf War crisis for Japan was an exacerbating factor caused by an absence of an expanded security role commensurate with its economic power. To critics of Japan, Japan's economic prominence was incongruous with their continued pacifism and reliance on the U.S. for broad geopolitical security.

3. Causes of De-escalation

The U.S.-Japan security alliance stabilized in the late 1990s and early 2000s due to Japan's increased participation in global peacekeeping; Japan's stagnant economy; and the strategic pivot of the United States to international terrorism. Following the Gulf War, participation in global peacekeeping became a high priority for the government of Japan. Decades of pressure by the U.S. joined increased domestic support for expanding the role of the SDF following the failure of checkbook diplomacy.¹³⁰ The government of Japan shifted to a proactive framework for responding to international crises to prevent the cycle of reactive policies employed during the Gulf War.¹³¹ The 1992 International Peace Cooperation law set up the first post-World War II mechanism through which Japan could participate in UN peacekeeping or humanitarian operations abroad.¹³² It allowed Japanese troops to deploy in strict non-combat roles to UN sanctioned missions. Japan then sent hundreds of SDF soldiers to Cambodia, Mozambique, Rwanda, and East Timor in the years

¹²⁸ Morris, *Japan-Bashing*, 135.

¹²⁹ Morris, 138–139.

¹³⁰ Smith, *Japan Rearmed*, 57.

¹³¹ Smith, 68.

¹³² LaFeber, *The Clash*, 389.

following the passage of the law.¹³³ Following the September 11, 2001 terrorist attacks in the United States and the subsequent second Gulf War, Japan proactively volunteered non-combat military to support to U.S. forces.¹³⁴ As new crises arose, Japan was capable of shaping its response ahead of public opinion rather than waiting for external pressures to mount.

The September 11 attack and subsequent refocus of the United States on terrorism drew focus away from friction points in the U.S.-Japan relationship and the calls for burden sharing. President Clinton's final *National Security Strategy* in 2000 mentions Japan thirty-two times, recalling its role as a regional and global power with economic and security responsibilities. By contrast the *National Security Strategy* of 2002 issued by President Bush after the terrorist attacks only mentioned Japan five times. Of those five mentions, Japan was characterized as the ally whose "return to strong economic growth...is vital to U.S. national security interests."¹³⁵ The United States in 2001–2002 had recognized the decade long process of stagnation in Japan's economy while also redesigning its global security focus away from competition and burden sharing with Japan. The United States had, once again, reconsidered Japan. It was no longer a threat, and the great power competition had ended.

C. POLITICAL-IDEOLOGICAL

1. Democratic Allies

Like the economic and security relationship, political-ideological links between the U.S. and Japan were also challenged during the 1980s and early 1990s. Japan and the United States emerged from the occupation period not only as security allies, but also as promoters of democracy to East Asia. Unlike the economic and security aspects of the relationship, ideological critiques that arose of Japan's democracy in the United States did not have a direct effect on policy. The two nations, at a national level, still officially saw each other as

¹³³ Smith, *Japan Rearmed*, 65.

¹³⁴ Smith, 69, 70, 82.

¹³⁵ White House, *National Security Strategy* (Washington, DC: White House 2002), 18.

ideologically similar. The doubts about Japan that circulated were restricted to the academic discourse generated during the periods of greatest economic and security strains.

The post-World War democratic system in Japan largely remained intact since its inception in 1947 - a majoritarian parliamentary system with universal suffrage.¹³⁶ Minority parties, largely sidelined, at times successfully gained redress through protest and pressure.¹³⁷ The product of the U.S. occupation, U.S. leaders could point to Japan's institutions as the foundations of a common democratic world outlook.¹³⁸ In President Reagan's address to the Diet in 1983 he said:

One cannot stand in this chamber without feeling a part of your proud history of nationhood and democracy, and the spirit of hope carrying the dreams of your free people. Of all the strengths we possess, of all the ties that bind us, I believe the greatest is our dedication to freedom. Japan and America stand at the forefront of the free nations and free economies in the world... I believe the people represented by this proud parliament and by my own United States Congress are of one heart in their devotion to the principles of our free societies.¹³⁹

These sentiments were echoed by retired Prime Minister Nakasone (in office 1982–1987) “[The U.S. relationship]...is built on an alliance and on shared values of liberal democracy, and on its shared ideals.”¹⁴⁰ Jennifer Miller's *Cold War Democracies* concurs with Nakasone's statement. In Miller's analysis, Japan and the United States were two elite-dominated democracies that were fused together by the mutual security demands of the Cold War.¹⁴¹ The threat of external and internal upheaval posed by international communism and

¹³⁶ Louis D. Hayes, *Introduction to Japanese Politics* (New York: Paragon House 1992) 45

¹³⁷ Hayes, *Introduction to Japanese Politics*, 108.

¹³⁸ Hayes, 45.

¹³⁹ Reagan Presidential Library and Museum, *Address Before the Japanese Diet in Tokyo* (1983) <https://www.reaganlibrary.gov/research/speeches/111183a>

¹⁴⁰ Martin Fackler, “Japan's Elder Statesman Is Silent No Longer,” *The New York Times*, Jan 29 2010, ProQuest.

¹⁴¹ Jennifer M. Miller, *Cold War Democracy: The United States and Japan* (Cambridge: Harvard University Press, 2019) 11, 25.

the Soviet Union bound U.S.-Japan relations together.¹⁴² After the Cold War ended, Japan lost some of its privileged status in the security architecture.¹⁴³

2. U.S. Critiques of Japan's Democracy

Prior to Japan's ascent to near-peer status the United States largely emphasized the ideologically common elements more than those that differed. But as competition increased, so did the perception that Japan may not have been of same mind ideologically with U.S. democratic norms or practices. Revisionist assessments of Japan's economic system in the 1980s cast doubts on the depth of ideological commonality between the U.S. and Japan. The intellectual and policy advocates who emphasized commonalities were dismissed by revisionist critics as the "Chrysanthemum Club".¹⁴⁴ Revisionists saw Japan's governing institutions as a veneer papering over complex differences in public and private norms at odds with U.S. democratic values.¹⁴⁵ Some of those critiques grew into a broader commentary on how fundamentally different Japanese society was in all respects.

By the 1980s Japan's democracy looked suspiciously static to U.S. critics. The regime that followed U.S. occupation demilitarized Japanese society and established an electoral system, while leaving in place several conservative institutions and leaders.¹⁴⁶ Though the emperor and military lost political authority, the surviving leaders and administrators of wartime Japan were recast as the founding leaders of the Liberal Democratic Party (LDP).¹⁴⁷ The LDP enjoyed broad support in Japanese society and held the majority in government from 1955 to 1993.¹⁴⁸ The LDP's long tenure as majority party allowed it to dominate policy during Japan's peak years of competition with the United

¹⁴² Miller, 22–23.

¹⁴³ Miller, 274.

¹⁴⁴ Morris, *Japan-Bashing*, 74.

¹⁴⁵ Karel Van Wolferen, *The Enigma Of Japanese Power* (New York: Macmillan, 1989), 188.

¹⁴⁶ Hayes, *Introduction to Japanese Politics*, 37.

¹⁴⁷ Johnson, *MITI and the Japanese Miracle*, 34.

¹⁴⁸ Tipton, *Modern Japan*, 163.

States. Though there were free elections and minority parties, the LDP became increasingly suspect to critics in the United States.

This unitary party government was also highly bureaucratic. Chalmers Johnson's 1995 work titled "*Japan: Who Governs?*" asserted that the state, and even its elected leaders, were detached from the will of the people. Though Johnson still saw it as nominally democratic, the inertia of Japan's authoritarian past still weighed on its modern society.¹⁴⁹ Chalmers Johnson, who was largely credited with initiating the revisionist critique, labeled Japan as a "soft-authoritarian" state that utilized aspects of societal control to maneuver economic development.¹⁵⁰ Other critics pointed to the unrepresentative and corrupt LDP as purveyors of a corrupt one-party pseudo-democracy.¹⁵¹ The LDP in the late 1980s was plagued with scandals and lost significant support domestically, yet still retained power.¹⁵² It begged the question of some scholars as to whether Japan's democracy was genuine or illusion. Bruce Cumings paraphrased those critics: "...many observers still assume Japan to be somehow outside the hallowed liberal realm...closed and inscrutable, run by a mysterious 'system.' Its people do not recognize or believe in (Western) abstract universals."¹⁵³

Within the academic debate over Japan's political character, Karel van Wolferen's *The Enigma of Japanese Power* was arguably the most strident in its assertion that Japanese society is fundamentally different in several negative respects. Wolferen was concerned with overturning the views of "Japan's buffers and informant's...propaganda."¹⁵⁴ The propaganda Wolferen accused others of spreading was the idea that Japan was a pluralist democracy with a free-market economy.¹⁵⁵ In Wolferen's interpretation Japan's societal

¹⁴⁹ Chalmers Johnson, *Japan: Who Governs?: the Rise of the Developmental State* (New York: Norton, 1995), 139–140.

¹⁵⁰ Chalmers Johnson, "Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea, and Taiwan," *Political Economy of the New Asian Industrialism* (Ithaca: Cornell University Press, 1987), 137.

¹⁵¹ Peter J. Herzog, *Japan's Pseudo-Democracy* (New York: NYU Press, 1993), 257.

¹⁵² Herzog, *Japan's Pseudo-Democracy*, 195.

¹⁵³ Bruce Cumings, *Parallax Visions: Making Sense of American-East Asian Relations at the End of the Century* (Durham: Duke University Press, 1999), 32.

¹⁵⁴ Karel Van Wolferen, *The Enigma Of Japanese Power* (New York: Macmillan, 1989), 17.

¹⁵⁵ Karel Van Wolferen, 17.

arrangement precluded representative government and made subjects of its citizens.¹⁵⁶ Japanese society was dominated and animated by an unseen hand—the bureaucratic “System” of elites.¹⁵⁷

3. The Ideological Critique Fails to Catch On

The critiques of Japan and Japanese society as an un-democratic “other” found an audience amongst those who had already critically reconsidered the U.S.-Japan relationship for economic reasons.¹⁵⁸ The reception was less well received in national policy circles.¹⁵⁹ Though economic and security differences were targets of U.S. administrations from Reagan to Clinton, the ideological narrative surrounding Japan was settled policy throughout the era of greatest competition between the two countries. In national security policy and diplomatic rhetoric, the official policy showed no changes in the fundamental understanding that the U.S.-Japan relationship was one of two democratic states.

Four developments undermined the critique that Japan was a pseudo-democracy in the 1990s. First, the LDP lost control of the government in 1993 for the first time in thirty-eight years. A string of high profile individual scandals throughout the 1980s, the economic crisis of the 1989–1990, and the failure to adopt electoral reform fractured the party. A weak coalition government took its place.¹⁶⁰ Though that government only survived ten months, it was a clear sign that there were dynamic processes occurring within Japanese democracy. The second major blow to Japan critics was Japan’s economic stagnation. Ideological arguments about a shadowy and shrewd economic regime driving Japan from the shadows failed to resonate given the decade of economic decline.¹⁶¹ Third, the response to ideological critiques by revisionists in the U.S. generated a robust public discourse in Japan itself. This discourse led to efforts on the part of the government and civil society to remedy perceptions

¹⁵⁶ Karel Van Wolferen, *The Enigma of Japanese Power*, 348.

¹⁵⁷ Karel Van Wolferen, 48.

¹⁵⁸ Morris, *Japan Bashing*, 120.

¹⁵⁹ Morris, 60.

¹⁶⁰ Ellis S. Krauss and Robert J. Pekkanen, “The Rise and Fall of Japan’s Liberal Democratic Party,” *The Journal of Asian Studies* Vol. 69, No. 1 (2010), 5.

¹⁶¹ Morris, *Japan Bashing*, 163.

about Japanese society.¹⁶² Fourth and finally, the underlying economic competition subsided by the late 1990s, undermining the original animating purpose of the political-ideological reexamination of Japan.¹⁶³

Japan's recasting as an unfair and undemocratic ally appears largely as a consequence of its economic competitiveness in the mid-1980s. In the process of explaining Japan's economic exceptionalism a broader reconsideration of Japan's political and ideological underpinnings took place in the 1980s which colored academic discourse through the early 1990s. The shifting security environment generated further opportunities for resentment as Japan's military expansion into global affairs occurred at a slower pace than U.S. administrations preferred. The critiques of Japanese society provided a blend of illuminating observations and distracting conclusions. Aspects of Japan's institutional character were under-investigated prior to Japan's years of peak competition with the United States. However, the idea that Japan was a crypto-authoritarian state was likely an overreaction to the broader tensions and threat generated from the rise of Japan's relative economic strength in the 1990s.

D. CONCLUSION

The transition from cooperation to competition between the United States and Japan was a product of the narrowing economic power disparity between the two countries. Without the economic approach of Japan there would have likely been no calls for defense burden sharing or a broader reconsideration of Japan's democratic character. The relationship before and after Japan's period of peak economic parity are the pivot point between the cooperative and competitive shifts in the U.S.-Japan relationship.

Once economic parity occurred between the U.S. and Japan, both countries entered a cycle of grievance, tension, and negotiation. The negotiations were usually initiated by U.S. demands on Japan, and were typically resolved by Japan reaching accommodation with the

¹⁶² Morris, 124.

¹⁶³ Morris, 164.

U.S. Japan's accommodations were incremental, as in the case of expanding the role of the Self-Defense Force or opening its domestic market to U.S. imports.

External factors also played a contributing role in exacerbating competition and eventually relieving it. The end of the Cold War removed the largest existential threat from the U.S. foreign policy agenda at a time when Japan's economic competition with the United States was a major concern. The Soviet collapse simultaneously reduced the utility of the U.S.-Japan alliance while affording room for significant negative focus on Japan. The Global War on Terror would later transition the official foreign policy focus, as reflected in the National Security Strategy, away from economic competition with Japan. By 2002, however, this was a fait accompli. Japan's lost decade of the 1990s had already removed the driving cause of competition; economic parity.

The Sino-American relationship has recently entered a similar cycle to the one that the U.S. and Japan engaged in during the 1980s and early 1990s. The Sino-American relationship transitioned from cooperation to competition over the last two decades and economic competition has been the leading factor in that transition. Again, as with Japan, the U.S. and China are engaged in a cycle of tension, pushback, and negotiation that has not yet reached its resolution. Important differences remain, particularly in the defense realm, but the great power competition between the United States and China bears notable similarities to the competition with Japan and will be explored further in the following chapter.

III. GREAT POWER COMPETITION WITH CHINA 2001–2018: SOURCES OF COOPERATION SEED COMPETITION

This chapter will argue that great power competition arose between the United States and China following the Global Financial Crisis (GFC) due to a shift in China's perception of its economic power. As the Chinese Communist Party (CCP) perceived a change in its international status, it afforded the opportunity to shift to a confrontational foreign policy after 2009, to which the United State has since responded. Prior to the period of competition, China and the United States strove to overcome security issues in order to build a cooperative relationship from 2001 to 2008. The accelerated expansion of China's economy after it joined the World Trade Organization, further coupled with its unique recovery from the GFC, generated conditions that made cooperation increasingly untenable. Once China's economy reached near-peer status with the United States after 2009, the competition entered a cycle of escalation that has affected all areas of great power relations: economic, security, and ideological. The escalation of the Sino-American competition is ongoing as of 2020. The roots of this competition stem from similar economic conditions as the U.S.-Japanese competition in the 1980s and 1990s, though with a significant difference in the major underlying security issues. Still, a similar cycle of cooperation, tension, and negotiation has taken place between the U.S. and China during this competition.

This chapter will be divided into three sections. The first will analyze the character of China's economic expansion, the U.S. cooperation during that expansion, and causes of the transition to competition. The second section will show how the security relationship between the U.S. and China was cooperative in some respects, but foundered due to China's military modernization, defense spending growth, and regional aggression. The final section will discuss the political-ideological aspects of the Sino-American relationship; U.S. concerns of a new authoritarian model being exported by Xi Jinping. Overall, we will find that the economic rise of China catalyzed the cycle of tension and competition across all areas of national power where once there was cooperation with the United States.

A. ECONOMIC COOPERATION LEADS TO GREAT POWER COMPETITION

1. China's Economic Reforms and the U.S. Role in China's Growth

The most consequential geo-political development of the past twenty years has been the sustained economic rise of the People's Republic of China (PRC). Though China has been growing since its transition to a market economy in the 1970s, the last twenty years saw China achieve peer economic status with the United States. The United States was a major supporter of China's economic development in four aspects: liberalization of trade relations, reduction in export restrictions, compartmentalization of trade issues, and regular engagement. For China's part, foreign policy was a means to support the paramount domestic goal: sustained economic growth.

The Chinese Communist Party prior to 1999 had already gone through market oriented internal reforms to become a de facto market economy. But the China of 1999 was still a relatively underdeveloped economy given its size. Though agriculture was not a major share of production or growth, China's labor force was still largely agrarian at 50% of the workforce. Only 25% were employed in industry and 25% in the nascent service sector.¹⁶⁴ In 1999 the total gross-domestic product of China was \$1.09 trillion.¹⁶⁵ The United States' GDP at the time was measured at \$9.09 trillion. This placed China behind Japan (\$4.5 trillion) and Germany (\$2.2 trillion) in total economic size at the turn of the 21st century.¹⁶⁶ If measuring in terms of purchasing power parity, China was narrowly above Japan and Germany. China had leveraged its tremendous population as cheap labor on the international market. In 1999 China's population was an estimated 1.29 billion. While the size of its labor force fueled impressive net growth, the share of individual wealth was still dismal compared to the other top economies of the world. In 1999, the per capita

¹⁶⁴ International Labour Organization ILOSTAT database (object name China Labor accessed November 2019), <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=CN>

¹⁶⁵ World Bank Open Data (object name USD CHINA GDP accessed 2019), <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD>.

¹⁶⁶ World Bank Open Data.

income in China was \$873 compared to \$34.5k in the United States. China still had much more room to grow, but would need internal reform and external markets to do so.

The World Trade Organization (WTO) was the means to achieve that internal reform and external market access, but access had been blocked by the United States. The Clinton Administration throughout the 1990s opposed China's entry to the WTO, labeling it a non-market economy. Particularly at issue, the U.S. wanted China to abandon the market insulated State Owned Enterprises (SOEs). Following the Asian Financial Crisis (AFC) in 1997 the CCP largely agreed, as SOEs proved to be the most inefficient in good times, and most at risk of major collapse in another crisis. The CCP used the U.S. negotiating position as cover for firing millions of workers and privatizing, reorganizing, or reforming the remaining SOEs to be more market oriented.¹⁶⁷ The CCP also put in place institutional mechanisms for adjudicating intellectual property and ownership rights. The reforms satisfied the Clinton administration's demands, leading to the endorsement of China's WTO application. The Bush administration finished what the Clinton administration started, facilitating China's membership in the WTO in early 2001 and later granting permanent normal trade relations by the end of that year. The combination of WTO membership and permanent normal trade relations with the U.S. afforded China newly unfettered access to world markets during a global boom.

China, like many East Asian countries, utilized the international environment to develop its economy. As China gained wider access to international markets it also welcomed foreign direct investment at a greater pace. Though that foreign direct investment never represented a significant amount of the overall Chinese economy, averaging between 3–4% from 2001–2007, it was transformative for its indirect effects.¹⁶⁸ Technology, best practices, and high quality goods accompanied the foreign cash flow and contributed to greater total factor productivity (TFP) gains than China had seen.¹⁶⁹ The

¹⁶⁷ Dwight H. Perkins, *East Asian Development: Foundations and Strategies* (Cambridge: Harvard University Press 2013), 135.

¹⁶⁸ World Bank Open Data (object GDP FDI; accessed December 2019), <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=CN-DE-JP>.

¹⁶⁹ Perkins, *East Asian Development*, 161.

open global market and increasing efficiencies led to even greater export expansion. As a percentage of GDP, exports were 20% in 2000 and peaked at over 35% prior to the Global Financial Crisis in 2008.¹⁷⁰ During the same time period China became the top trading partner of the United States, a major purchaser of U.S. treasury bonds.

Changes in export control policy are a good indicator for how the U.S. perceived China's economic growth during this transitional period. In the 1990s, semiconductor technology and dual use high end manufacturing were considered too sensitive for the U.S. to trade to non-allies. Export control restrictions had been a vital tool in preventing the Soviet Union from acquiring those technologies during the Cold War. However, in the late 1990s the global economy had become more diverse. International firms competing with U.S. industries would only gain market share if the U.S. broadly restricted technology trade with China. Export controls would only reduce profits in U.S. firms while failing to achieve strategic technological superiority. By the George W. Bush administration, the U.S. policy community spanning from executive agencies to congress had aligned with the U.S. business community to ease restrictions on all but a narrow set of specific technologies (particularly space/satellite related systems). The U.S. would "run faster" by profiting from sales to the Chinese market and reinvesting in further innovation to maintain technological superiority.¹⁷¹ Though the rapid economic growth of a non-aligned China posed strategic risks, the rewards eventually outweighed the risks in the eyes of policy makers.

The reduction in export controls and thickening of trade ties led to a compartmentalization of the economic relationship between the U.S. and China. Though major security issues persisted, economic interdependence was seen as a stabilizer in Sino-American relations that would balance against occasional tensions in other domains of the relationship.¹⁷² The Bush administration also sought a collateral benefit in trade liberalization—the eventual democratization of China:

¹⁷⁰ World Bank Open Data (object Exports to GDP; accessed December 2019), <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=CN-DE-JP>.

¹⁷¹ Hugo Meijer, *Trading with the Enemy: The Making of U.S. Export Control Policy toward the People's Republic of China* (Oxford: Oxford University Press 2016), 17–18.

¹⁷² Philip Stephens, "Bush's China policy may outlast his presidency," *Financial Times*, June 26 2008.

The United States' relationship with China is an important part of our strategy to promote a stable, peaceful, and prosperous Asia-Pacific region. We welcome the emergence of a strong, peaceful, and prosperous China. The democratic development of China is crucial to that future.¹⁷³

The Bush administration, as evidenced in the 2002 *National Security Strategy* (NSS), believed that the liberalization of China's economy would coincide with a liberalization of the ruling regime. Increased prosperity and a growing middle class would, as Nicolas Kristof wrote in 2004, lead to greater demands for choice in politics.¹⁷⁴ President Bush developed the agenda of democracy promotion throughout his presidency, particularly following the Iraq invasion. Advancing freedom and democracy was "the only realistic way to protect our people..."

Export controls were also lifted on commercial dual use technologies. In the 2000s, several restrictions and export controls still existed on high-end commercial technologies that had the potential to accelerate China's military modernization. Throughout the post-Cold War period and culminating in the 2000s was a policy consensus that the diffusion of technological capacity in the global market had reached a point where export controls could no longer successfully prevent China's modernization. However, such export controls would work to hamper U.S. private industry and its ability to reinvest profits in future technologies that would sustain U.S. technological primacy. Thus, growing technological trade would support U.S. defense industries in the long run.

Overall the United States had several domestic and security causes for increasing economic ties with China. U.S. companies would benefit. Prosperity would be shared by both nations. China's further liberalization was possible in the future. By the 2006 National Security Strategy, the Bush administration raised concerns over enforcement of WTO reforms, particularly the protection of intellectual property, and currency manipulation of the artificially low renminbi, which were also regular topics in bilateral meetings with

¹⁷³ White House, *National Security Strategy* (Washington, DC: White House 2002), 6.
<https://history.defense.gov/Historical-Sources/National-Security-Strategy/>

¹⁷⁴ Nicholas D. Kristof, "The Tiananmen Victory" *The New York Times*, June 2, 2004, ProQuest.

China's leadership. Though these concerns presaged the cleavages seen in later phases of competition, they served only as talking points in the ongoing dialogue between the two countries.¹⁷⁵ As for China, the CCP continued to prize economic growth above all else.¹⁷⁶

2. Global Financial Crisis: The Competition Inflection Point 2008–2014

The Global Financial Crisis of 2008 was a major inflection point in Sino-American relations. For the United States, it suffered the worst financial crisis and economic contraction since the Great Depression. China, a disproportionately export oriented economy, was highly vulnerable to the contraction in demand from the U.S. and later the world. However, the contrast in each nation's recovery, and China's perception of itself afterward, had major effects on the Sino-American relationship that transitioned it away from cooperation and into competition. China would emerge quickly from the crisis with a near immediate return to economic growth. The United States had a longer and less certain recovery.

Prior to the Global Financial Crisis, China was at greater risk from the drop in global demand due to its export oriented economy. Furthermore, the CCP relied on the same export oriented economic expansion for domestic stability and legitimacy. China's domestic economy was asymmetrically balanced toward its export sector without meaningful domestic consumption. Furthermore, the character of the Chinese export sector was still skewed toward easily replaceable, and demand volatile, low end manufacturing.¹⁷⁷ Facing the prospect of economic, and potentially political crisis, the CCP moved quickly to substitute for the gap in demand via aggressive government stimulus. With 4 trillion yuan China's stimulus in 2008 was 12% of its GDP at a minimum, and may have been nearly three times that when adding the spending from 2009–2010.¹⁷⁸

¹⁷⁵ Thomas J. Christensen *The China Challenge: Shaping the Choices of a Rising Power* (New York: Norton, 2015), 220.

¹⁷⁶ Francois Godement, "How do Monetary and Financial Issues Interact with China's Foreign Policy Making?" *China's Foreign Policy*, Gilbert Rozman, ed. (New York: MacMillan, 2012), 245.

¹⁷⁷ Perkins, *East Asian Development*, 137.

¹⁷⁸ Barry Naughton, "China and the Two Crises" *Two Crisis, Different Outcomes*, T. J. Pempel and Keiichi Tsunekawa, eds. (New York: Cornell University Press, 2014), 118.

The immediate effect was successful in maintaining a 9% GDP rate of growth despite continued global contraction. The government was also successful in reducing China's dependence on its export sector through a combination of currency appreciation and incentivizing domestic housing expansion.

The United States was, in 2008, still the largest global economy in the world. Though China was second, it was a distant second being a third the size of the U.S. economy in nominal GDP.¹⁷⁹ But the U.S. recovery was longer in taking hold than China's. The U.S. labor market did not achieve pre-recession levels until late 2015, seven years after onset.¹⁸⁰ The National Bureau of Economic Research recorded U.S. economic contraction from late 2007 until 2009, when growth resumed at an average of approximately two percent.¹⁸¹

As each nation's respective recovery played out, these distinctly different trajectories emerged and played a major role in diminishing China's perception of U.S. power and legitimacy. The robust and fast acting stimulus program implemented by the CCP resulted in a rapid recovery and return to growth during a period when the U.S. recovery was in doubt.¹⁸² China saw the U.S. laissez faire economics as contributing to the onset of its financial collapse. The U.S. was a danger to itself and the global economy—but most importantly to China—stability within China. Also, the contraction of the U.S. market relative to China's growth culminated in a closing GDP gap, where China reached peer status by 2013 in purchasing power parity, though nominally China was still 59% the size of the U.S. economy.¹⁸³ China recognized the calamitous moment as a vindication of

¹⁷⁹ World Bank Open Data (object China GDP; accessed February 2020), <https://data.worldbank.org/indicator/>

¹⁸⁰ Evan Cunningham, "Great Recession, great recovery? Trends from the Current Population Survey," *Monthly Labor Review*, U.S. Bureau of Labor Statistics, April 2018, <https://doi.org/10.21916/mlr.2018.10>.

¹⁸¹ World Bank Open Data (object China GDP; accessed February 2020), <https://data.worldbank.org/indicator/>.

¹⁸² Naughton, "China and the Two Crises," 117.

¹⁸³ World Bank Open Data (object U.S. Japan; accessed February 2020), <https://data.worldbank.org/indicator/>.

its political-economy, and the acceleration of its great power ascendance.¹⁸⁴ The closing gap in United States' and China's status allowed China to engage in a domestically popular series of aggressive foreign policy standoffs. Though the day-to-day character of the U.S.-China economic relationship remained steady a new security policy was emerging due to the change in relative economic power. The details of China's foray into an aggressive foreign policy will be discussed in the section titled "Security Relations: Limited Cooperation and Intractable Differences."

The rise of Xi Jinping as leader of the CCP and China in 2012 is the culmination the post GFC CCP shift. Though much of Xi's "China Dream" of national rejuvenation is inward looking, it possesses significant outward consequences.¹⁸⁵ The reclamation of China's role as a great power is the ultimate outcome of economic and military growth that makes up some of the most consequential aspects of Xi's national program. Also, in 2013, the One Belt, One Road initiative, later renamed Belt and Road Initiative (BRI), gave a framework for how China's economic power would begin to shape its global approach.¹⁸⁶ Alongside the Asian Infrastructure and Investment Bank (AIIB), China pledged \$40 billion in infrastructure investment to integrate with the economies of East and Central Asia.¹⁸⁷ By 2018 the investments had reached \$200 billion in a mix of loans and investment across 60 countries.¹⁸⁸ The plan for these investments projected China's new agency in the international economy. It sought not just access to markets, but to shape the global market to support itself.

¹⁸⁴ Michael Pillsbury, *The Hundred-Year Marathon* (New York: Henry Holt and Co., 2015), 16.

¹⁸⁵ Stig Stenslie and Chen Gang, "Xi Jinping's Grand Strategy," *China in the Era of Xi Jinping*. Robert S. Ross and Jo Inge Bekkevold, eds. (Washington, DC: Georgetown University Press, 2016), 121.

¹⁸⁶ Stenslie and Gang.

¹⁸⁷ Robert S. Ross and Mingjiang Li, "Xi Jinping and the Challenges to Chinese Security," *China in the Era of Xi Jinping*. Robert S. Ross and Jo Inge Bekkevold, eds. (Washington, DC: Georgetown University Press, 2016), 248.

¹⁸⁸ Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," *Council on Foreign Relations*, January 28 2020, <https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>.

3. Economic Competition: From TPP to Trade War 2014–2018

The Obama administration's pivot to Asia and promotion of the Trans-Pacific Partnership (TPP) began the first phase of great power competition with China. The U.S. strategy during that first phase from 2011–2017 was dual tracked. On the one hand, the United States was still engaging in a large trade deficit with China and attempting to remedy issues with intellectual property and currency manipulation through the WTO. On the other hand, the United States was engaging in negotiations with many of China's neighbors to form an economic zone whose rules favored a U.S. vision for the future of East Asia.

The Obama administration had set out early on to focus more on Asia and less on wars in Iraq and Afghanistan. This trend was accelerated by the turn in China's foreign policy following the GFC. In 2011, Secretary of State Clinton began to signal the U.S. was focusing coordinated political, military, and economic strategy toward the Pacific.¹⁸⁹ In a January 2012 interview President Obama stated:

The United States has pivoted to focus on the fastest-growing region of the world...an area of the world that we had neglected over the last decade because of our intense focus on ...the Middle East.¹⁹⁰

President Obama sought to frame the strategy as a coordinated strategic engagement, rather than containment. To that end, the Obama administration began promotion of the Trans-Pacific Partnership, a free-trade agreement originating from Bush administration negotiations with Southeast Asian countries.¹⁹¹ The expanded TPP that took shape in negotiations included Japan, Vietnam, Brunei, Malaysia, Singapore, Australia, New Zealand, Canada, Mexico, Peru, Chile, and the United States. Though not originally envisioned as an anti-China trade pact, it became the means for "the United

¹⁸⁹ Hillary Clinton, "America's Pacific Century," *Foreign Policy* October 11, 2011, <https://foreignpolicy.com/2011/10/11/americas-pacific-century/>.

¹⁹⁰ Christiansen, *The China Challenge*, 248.

¹⁹¹ Christiansen, 249.

States—and not countries like China—[from] writing this century’s rules for the world’s economy.”¹⁹²

During this time period, the U.S. policy and business communities became wearied by China’s trade practices. The exploitation of intellectual property by foreign firms being granted joint ventures in China had resulted in \$225-600 billion in lost revenue per year.¹⁹³ And the renminbi, which had been allowed to slowly appreciate against the dollar, was dramatically lowered in value in 2015.¹⁹⁴ The depressed relative value of China’s currency allowed goods exported from China to be priced more competitively than goods elsewhere, particularly in the United States with its high labor costs. This was further compounded by the resurgence of post-WTO State Owned Enterprises, which combined strong profitability (due to earlier market reforms) with beneficial treatment by the state. Though the U.S. filed numerous WTO claims, and won, the broader systemic issues tied to the balance of trade between the two countries and economic policy within China generated more resentment than could be resolved through piecemeal adjudication.¹⁹⁵

The 2017 arrival of the Trump administration began a major shift in U.S. policy toward global trade. Within a month of taking office, President Trump signed an executive order to withdrawal the U.S. from the TPP, fulfilling a campaign promise and citing favor for bilateral trade negotiations. China in particular became a primary target in U.S. trade strategy. China’s “trade and investment practices collectively posed an existential threat to the U.S. economy, which the administration saw as the main foundation for American

¹⁹² Barack Obama, “Writing the Rules for 21st Century Trade,” President Obama White House Archives February 18, 2015, <https://obamawhitehouse.archives.gov/blog/2015/02/18/president-obama-writing-rules-21st-century-trade>.

¹⁹³ Commission on the Theft of American Intellectual Property, *Update to the IP Commission Report* (Seattle: National Bureau of Asian Research 2017), 1, http://www.ipcommission.org/report/IP_Commission_Report_Update_2017.pdf.

¹⁹⁴ Helge Hveem and T.J. Pempel, “China’s Rise and Economic Interdependence” *China in the Era of Xi Jinping*. Robert S. Ross and Jo Inge Bekkevold, eds. (Washington, DC: Georgetown University Press, 2016), 217.

¹⁹⁵ Geoffrey Gerts, “Phase one China trade deal tests the limits of U.S. power,” *Brookings*, March, 11 2020, <https://www.brookings.edu/opinions/phase-one-china-trade-deal-tests-the-limits-of-us-power/>.

national security.”¹⁹⁶ Though President Trump’s tour of Asia and direct talks with Xi Jinping forestalled some action on a new trade agenda, the pause belied ongoing development of a new national strategy that identified China as the chief rival in the international realm.

In 2018 the Trump administration initiated a broad recalibration of its trade relationships, with China as the biggest target. Multiple investigations by U.S. executive agencies issued reports that condemned China’s lack of intellectual property enforcement, solar panel subsidies, as well as washing machine, steel, aluminum, and automotive export practices.¹⁹⁷ The executive agencies’ investigative findings formed the legal basis for President Trump’s initial tariffs in January 2018 of \$10.3 billion against solar panel and washing machine imports. The Chinese government responded with a 178.6% tariff against sorghum imports the following month. By the spring of 2018 President Trump utilized Section 301 of the 1974 Trade Act to levy tariffs against steel and automotive imports totaling \$50 billion. These were answered by China with \$50 billion in tariffs on select U.S. imports, many of which were agricultural. The 2018 trade-war had a distinct tit-for-tat cycle where any U.S. tariff was met with a tax of equal value, and punctuated by brief attempts at negotiation that failed to achieve a permanent solution to U.S. demands for fair trade practices.

The 2018 trade war took place amidst sustained interdependence. Goods and services imported from China increased by 6.7% compared to 2017, representing 21.1% of goods imported to the U.S.¹⁹⁸ China remains the largest foreign holder of Treasury securities at 17% of foreign holdings, having overtaken Japan in 2009.¹⁹⁹ Food exports to

¹⁹⁶ Robert Sutter, “The U.S. and Asia in 2018: North Korea Easing, Confronting China,” *Asian Survey*, 59, no. 1 (February 2019), 14, <https://as.ucpress.edu/content/ucpas/59/1.toc.pdf>.

¹⁹⁷ Chad P. Bown and Melina Kolb, “Trump’s Trade War Timeline: An Up-to-Date Guide,” (Washington, DC: Peterson Institute for International Economics, 2020), 2, <https://www.piie.com/sites/default/files/documents/trump-trade-war-timeline.pdf>.

¹⁹⁸ Susan V. Lawrence et al., *U.S.-China Relations*, CRS Report No. R45898 (Washington, DC: Congressional Research Service, 2019), 13, <https://fas.org/srg/crs/row/R45898.pdf>.

¹⁹⁹ Lawrence et al.

China were the most affected by the trade war, declining 53% since 2017 and contributing to an overall increase in the U.S. trade deficit with China.²⁰⁰

Despite poor outcomes for the United States, the National Defense Authorization Act of Fiscal Year 2019 (passed in 2018) indicates a permanent rollback in the trade relationship and reorientation of U.S. policy. The law codified U.S. opposition to China's "predatory acquisition of and investment in U.S. high technology firms, seeking dominance in the advanced manufacturing industries critically important to American power and leadership."²⁰¹ The law passed with support from both U.S. political parties, indicating a fixed trend away from liberalized trade with China and a move toward whole-of-government effort to engage in competition.

B. SECURITY RELATIONS: LIMITED COOPERATION AND INTRACTABLE DIFFERENCES

1. Sino-U.S. Security Cooperation and Limitations 2001–2009

This section will discuss the extent of Sino-American cooperation in the security realm from 2001–2009. Overall, this period saw some opportunities for cooperation that were able to progress only as long as issues regarding claimed territories, Taiwan in particular, remained muted. The intractable issues regarding Taiwan, maritime claims, and military modernization have been major structural impediments to cooperation between the two countries. For the Bush administration and early in the Obama administration, cooperation on several common strategic issues shaped the security relationship more than those issues in contention. Areas of Sino-American cooperation were most notable in the Global War on Terror, nuclear non-proliferation for North Korea, and in limited episodes for humanitarian assistance, and military-to-military relations.

From 2009–2010 China shifted its response to U.S. regional activity to be more confrontational, while also asserting territorial claims more forcefully. U.S. exercises with Japan and South Korea, and arms sales to Taiwan, engendered strident protests. North

²⁰⁰ Lawrence et al., 14.

²⁰¹ Sutter, "The U.S. and Asia in 2018," 6.

Korean engagement increased despite its sinking of the South Korean vessel *Cheonan*.²⁰² Google was very publicly ousted from the country.²⁰³ From 2011–2014 major maritime incidents increased tension with China’s neighbors: particularly leading to stand-offs with the Philippines and accelerated militarization of South China Sea outposts.²⁰⁴

The September 11, 2001 terrorist attacks in the United States delayed strategic competition with China and mended diplomatic ties that had frayed after two major security crises. From the 1999 Belgrade Embassy bombing to the April 2001 EP-3 crash, U.S.-China relations were at a post-Tiananmen low. Furthermore, President George W. Bush campaigned against China. Once elected, his administration intended to redefine China as global strategic competitor, in contrast to the strategic engagement of the previous two administrations.²⁰⁵ The circumstances of the early Bush administration changed drastically after the September 11 attack, shifting the focus of U.S. security to terrorism and Afghanistan.

After the September 11 attack, China’s president Jiang Zemin was quick to show support to the United States rhetorically.²⁰⁶ Though China did not provide material support to the U.S. war in Afghanistan, it played a diplomatic role. Both aid and foreign ministerial personnel were dispatched to Islamabad with the goal of facilitating cooperation between the U.S. and Pakistan.²⁰⁷ From 2002–2004, Bush and Jiang held direct dialogues which muted contentious issues. When Taiwan’s president made allusions to independence in 2002, China responded with minor diplomatic cancelations with no permanent changes in status. When the United States sought United Nations resolutions against Iraq in 2003, China was either supportive or non-obstructive even as the use of force in Iraq appeared

²⁰² Robert S. Ross, “Chinese Nationalism and the American Response: Sources of Tension and Prospects for Renewed Cooperation,” *China’s Foreign Policy: Who Makes it, And How is It Made?* (New York: Macmillan, 2013), 194.

²⁰³ Ross.

²⁰⁴ Richard Q Turcsanyi, *Chinese Assertiveness in the South China Sea: Power Sources, Domestic Politics, and Reactive Foreign Policy* (New York: Springer, 2018), 170.

²⁰⁵ Warren I. Cohen, *America’s Response to China: A History of Sino-American Relations* (New York: Columbia University Press 2010), 268.

²⁰⁶ Cohen, *America’s Response to China*, 269.

²⁰⁷ Christiansen, *The China Challenge*, 204.

imminent. The Bush administration also declined to sponsor its perennial resolution condemning China for human rights violations.²⁰⁸ The relationship between the two leaders allowed strategic space for cooperative security diplomacy.

From 2004–2006 the Bush administration’s relationship with China was consumed with navigating U.S. support to Taiwan in the face of Chinese military mobilization. Though the U.S. and China received little satisfaction in resolving the issue, direct dialogue between President Bush and Hu Jintao again led to de-escalation in tensions.²⁰⁹ In 2005 the Bush administration began using the high level dialogues to also promote China’s rise in the context of it assuming the role of a “responsible stakeholder.”²¹⁰ The term was debuted in a speech by Deputy Secretary Zoellick in 2005 and echoed in the U.S. *National Security Strategy* of 2006. As a “responsible stakeholder” the U.S. hoped to channel China’s growing economic and military power into international security projects such as humanitarian assistance and nuclear counter-proliferation. The stakeholder concept, welcomed by Jiang, served China’s interests by providing diplomatic recognition of China’s growing national power and endorsing a global role.

The United States had mixed success in steering China’s role as a responsible stakeholder. In non-proliferation, China participated in 6-party talks with North Korea and endorsed sanctions in 2006 which led to the successful inspection and disabling of the Yongbyon facility in 2007.²¹¹ Similar success, was not replicated with Iranian denuclearization—which lacked the proximity and urgency of the North Korean case.²¹²

In the humanitarian sphere there were also mixed results. China was goaded by U.S. pressure to influence the crisis in Darfur, Sudan. Since 2003, the Sudanese government had carried out a genocide on a regional minority group.²¹³ China, until 2007,

²⁰⁸ Cohen, *America’s Response to China*, 270.

²⁰⁹ Cohen, 274.

²¹⁰ Christiansen, *The China Challenge*, 212.

²¹¹ Christiansen, 231

²¹² Christiansen, 233

²¹³ Christiansen, 235

had sheltered the government in Sudan from U.N. sanctions. Due to U.S. diplomatic and popular pressure, China changed policy and began to influence the regime to settle the Darfur crisis peacefully. China eventually contributed 300 non-combat military personnel to a Darfur peacekeeping mission.²¹⁴ By December of 2008, China also agreed to participate in multi-nation naval counter-piracy operations in the Gulf of Aden, a significant step in safeguarding a global commons far from China's borders.²¹⁵ The same level of support, however, was not replicated in other humanitarian crises in Zimbabwe or Burma, where China continued to shelter brutal regimes with veto power in the U.N. Security Council.

In terms of direct military cooperation from 2002–2014, China and the United States saw an incrementally expanding military-to-military relationship. In April of 2002 Hu Jintao, at that time the Vice President and Vice Chairmen of Defense, visited the U.S. to reestablish military exchanges following the U.S. EP-3 incident. Following reestablished defense ties, all U.S. Secretaries of Defense have visited China or otherwise held face-to-face meetings with their Chinese counterpart. In 2003, U.S. naval vessels called on ports in mainland China, while Chinese warships visited Guam. For the next 15 years, carrying into the Obama administration, military exchanges took place between the major commanders and select mid-career officers from staff colleges. In periods of high tensions, particularly regarding Taiwan, these exchanges would be the first diplomatic token sacrificed in protest. But the exchanges resumed as episodes of tension abated, even culminating in major mutual exercises such as China's 2014 attendance at the U.S. Rim of the Pacific exercise.²¹⁶

Through these exchanges, the two militaries originally sought to increase trust. As the relationship transitioned to competition, the importance of providing doctrinal and operating clarity became more important as a means to prevent crisis generated by

²¹⁴ Christiansen, 236

²¹⁵ Christiansen, 239

²¹⁶ Jingdong Yuan, *Dragon and Eagle Entangled: Sino-US military exchanges, 2001–2016* (Barton, Australia: Australian Strategic Policy Institute, 2017), 23.

misunderstandings.²¹⁷ China also gained the benefit, once again, of great power acknowledgement—particularly given the level of attention from high level defense leadership. The military to military relationship, though often sacrificed during short duration crises, has been a sustaining element in Sino-America cooperation though to the present.

2. Economic Growth Affords Modernization and Assertiveness

The post-2001 economic expansion of China, coupled with its stronger global position after the Global Financial Crisis, inflamed the intractable elements of Sino-American relations. Though issues with Taiwan, maritime claims, and military modernization had all been present during the period of cooperation, the economic rise of China made ignoring those differences more difficult. The period of competition that has emerged after 2009 is the product of China's economic rise exacerbating pre-existing security contentions.

China's military spending presents a mixed picture for the U.S. to interpret. China has been able to conduct year over year increases in overall defense spending while not increasing the size of that spending relative to the overall economy. Since 2002 military spending held steady between 1.9-2.2% of GDP. In the same time period, military spending actually fell as a portion of government spending, falling from 12% to less than 7%.²¹⁸ These numbers include an additional 50% in expenditures not represented in China's official disclosures.²¹⁹ But given China's consistent economic growth, which accelerated after 2001, real military spending has ballooned from under \$50 billion in 2001, to \$131 in 2009, and was \$239 billion based on SIPRI estimates. This poses an issue with strategic interpretation—are these military expenditures a natural outcome of military capability

²¹⁷ Yuan, *Dragon and Eagle Entangled*, 13

²¹⁸ CSIS China Power Team. "What does China really spend on its military?" China Power. December 28, 2015. Updated August 6, 2019. Accessed April 30, 2020. <https://chinapower.csis.org/military-spending/>

²¹⁹ Sam Perlo-Freeman, "Deciphering China's latest defense budget figures," *SIPRI*, 31 March 2014, <https://www.sipri.org/node/377>.

increasing in-step with national growth, as the steady GDP ratio suggests? Or are the changes in China's military a targeted attempt to erode U.S. power?

China's military modernization and spending have been a long term concern of the United States with concern to China. Defense analysts and advocates began calling attention to the issue in the late 1990s, when China was growing rapidly but still ranked behind the top eight global economies. The acceleration of China's modernization late in the Clinton administration led to a provision in the FY2000 National Defense Authorization Act wherein the Department of Defense would brief congress yearly on the status of China's military power. Though initially the report assessed that China was not a peer threat, it was seeking means to counter U.S. power in the region while increasing China's freedom of action in the region.

The leaps in military expenditures afforded by the Chinese economy led to major leaps in China's military capability. The nuclear forces have become more robust, increasing in their warhead count and delivery capabilities. The first ballistic missile capable submarines were fielded. China's navy transitioned from local (green-water) to global (blue-water) status with numerous destroyers and the first operational aircraft carrier. The air force developed indigenous 5th generation fighter craft, and the conventional missile forces have been specifically developed to target ships at sea.²²⁰ The sum totality of China's modernization and defense spending led the Department of Defense to conclude in the 2008 assessment that China's development "has the greatest potential to compete militarily with the United States and offset traditional U.S. military advantages."²²¹

From 2009–2010, the trends of economic development and military modernization had reached a critical juncture. China's leadership perceived itself as being much closer to

²²⁰ Christopher P. Twomey, "Military Developments," *Debating China: The U.S.-China Relationship in Ten Conversations*, Nina Hachigian, ed. (New York: Oxford University Press, 2014), 153–154.

²²¹ Department of Defense, *Military Power of the People's Republic of China 2008 Annual Report to Congress* (Washington, DC: Department of Defense, 2008), 1, <https://archive.defense.gov/pubs/>.

parity with the United States than ever before.²²² Also, economic unrest generated uncertainty for the CCP during the early phases of the Global Financial Crisis. The combination of international confidence with domestic uncertainty drove the CCP to engage in antagonistic encounters in its near abroad to stoke domestic nationalism and test the regime's influence abroad.²²³ In 2009 Chinese fishing vessels harassed U.S. Naval surveillance vessels in the Yellow Sea. China escalated its naval presence in South China Sea claimed areas as well as the Senkaku Islands. China also elevated its diplomatic opposition to U.S. military support and cooperation toward Taiwan and South Korea.²²⁴ Surveillance operations in the Yellow Sea, military sales to Taiwan, and exercises with South Korea were all periodic aspects of U.S. activity in East Asia. China, in its newly perceived role, shifted its response to these semi-regular events in a new non-conciliatory stance below the threshold of conflict.²²⁵

The pattern of recalcitrance continued in 2010, when China increased diplomatic support to North Korea even after the attack on South Korean naval vessel *Cheonan*.²²⁶ In 2012 a major maritime standoff developed between China and the Philippines in the mutually claimed Scarborough Shoal, where fishermen were blockaded from the fishing reef.²²⁷ In 2012, following Japan's transfer of the Senkaku Islands from private to public ownership, China allowed violent anti-Japanese protests that resulted in injury to Japanese people working in China.²²⁸ Shortly after Xi Jinping took office, in 2013 China declared an air defense identification zone (ADIZ) into the East China Sea that included the Senkaku Islands and overlapped with Japan and South Korean air defense zones.²²⁹ And lastly, the

²²² Godement, "How Do Monetary and Financial Issues Interact with China's Foreign Policy Making," 245.

²²³ Ross "Chinese Nationalism and the American Response," 197

²²⁴ Ross, "Chinese Nationalism and the American Response," 194

²²⁵ Christiansen, *The China Challenge*, 261

²²⁶ Ross, "Chinese Nationalism and the American Response" 194

²²⁷ Christiansen, *The China Challenge*, 260.

²²⁸ Christiansen, 262.

²²⁹ Christiansen, 263.

2013 construction and militarization of artificial islands in the South China Sea elevated the seriousness of China's maritime claims to a new strategic phase.²³⁰

The aforementioned incidents of the post-GFC period aggravated China's neighbors and, more significantly, shifted the U.S. perception of China's intentions²³¹ Though China's security actions were systematically a response to a regional security issue, they reflected a policy of aggressive reactivity—rather than reconciliatory diplomacy. To recall earlier in this chapter, Xi Jinping's China Dream and Belt-and-Road initiative combined with the deteriorating security environment which led to the U.S. strategic reassessment of China. Though dialogue and economic interdependence continued, Sino-American relations had reoriented toward competition.

3. Outcomes on the Sino-American relationship: U.S. Moves to Counter

This section will analyze the U.S. response to China's aggressive foreign policy following the Global Financial Crisis and argues that the period of competition between the United States and China began shortly after the Global Financial Crisis in 2009. The U.S. foreign policy response to China has gone through two major shifts, each corresponding to the administrations of presidents Obama and Trump. Though the branding has changed between the administrations, the strategies are aligned as an escalating U.S. military orientation toward the Pacific.

President Obama's 2011 pivot to the Pacific sought to engage with China diplomatically and economically while simultaneously hedging against it. To that end, the United States broadened its security relationships, deepened existing alliances, and increased military presence and activities. Australia agreed to host 2,500 additional U.S. soldiers redeployed from U.S. drawdowns in the Middle East. Singapore became homeport for a squadron of four of the U.S. Navy's newly developed Littoral Combat Ships

²³⁰ Richard McGregor, *Xi Jinping: The Backlash* (New York: Penguin Books, 2020), 1.

²³¹ Robert S. Ross, "Chinese Nationalism and the American Response" 195

(LCS).²³² The pivot was in addition to the existing U.S. force deployment of over 80,000 U.S. military personnel in Japan, South Korea, and Guam.²³³ Over 60% of the U.S. Naval and Air Force shifted to Pacific bases. The U.S. also further integrated with Australia, South Korea, and Japan's armed forces through shared command and regular exercises.²³⁴ The Terminal High Altitude Air Defense missile system (THAAD) was also deployed in South Korea. Though nominally aimed at defending against attacks from North Korea, the missile defense umbrella was perceived by China as a major challenge to its robust missile forces.²³⁵

U.S. military doctrine and activity also reoriented in important ways to counter China. The U.S. Department of Defense developed, and openly debuted, the Air-Sea Battle Concept, a tactical methodology that was the “solution to the anti-access/area-denial challenge in the global commons.”²³⁶ The official document does not directly address China. However, the concept was broadly perceived by the policy community and China as an answer to China's military modernization.²³⁷ If China attempted to use its modernized military technologies to deny U.S. access to the water and airspace of its near abroad, then the U.S. military would overcome that threat through networked multi-domain operations. To counter the maritime claims of China in the South China Sea, the U.S. Navy began sailing near or within the claimed territorial waters of Chinese outposts. The first Freedom of Navigation Operation (FONOP) in the South China Sea was in 2015 when the USS LASSEN passed within 12 nautical miles of Subi Reef. FONOPs have continued,

²³² Mark E. Manyin et al., *Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia*, CRS Report No. R42448 (Washington, DC: Congressional Research Service, 2010), 5, <https://fas.org/sgp/crs/natsec/R42448.pdf>.

²³³ Manyin et al., *Pivot to the Pacific?*, 24.

²³⁴ Robert Sutter, “The United States and Asia: Following through on the pivot,” *The Routledge Handbook of Asian Security Studies*, Sumit Ganguly, ed. (Abington, U.K.: Routledge, 2017), 381.

²³⁵ Robert Sutter, “The United States and Asia in 2017: Impact of the Trump Administration,” *Asian Survey* 58 No. 1 (February 2018), 15.

²³⁶ Air-Sea Battle Office, Department of Defense, *Air-Sea Battle* (Washington, DC: Pentagon, 2013), 7, <https://archive.defense.gov/pubs/ASB-ConceptImplementation-Summary-May-2013.pdf>.

²³⁷ Sutter, “The United States and Asia: Following through on the pivot,” 373.

and increased through both the Obama and Trump administrations leading to close interaction between the Chinese and U.S. navies, including one near collision in 2018.

Diplomacy with regional states was also a major feature of Obama's strategy. The previously lapsed military relationship with Indonesia was renewed—leading to port calls, security exercises, and military exchanges. A new security relationship was initiated with Vietnam, though limited in scope.²³⁸ New Zealand, India, and Malaysia all saw increased diplomatic engagement and some minor security cooperation and exercises. The overall intention of this was received by China as a challenge, though the Obama administration sought to balance the new regional focus with reassurances to China that the strategy was not predicated on conflict, but to encourage cooperation.²³⁹

The second competition regime has been the Trump administration's Free and Open Indo-Pacific (FOIP) strategy. FOIP is largely a discontinuation of the economic aspects of President Obama's pivot and a continuation of its security characteristics. The vision FOIP presents is a region where free trade flows between nations across Asia without coercion.²⁴⁰ Notably, FOIP advocates for its vision of free-trade without advancing a trade regime. This certainly reflects the Trump administration's preference for bilateral rather than multilateral trade agreements. Regarding security, FOIP sustains the engagement and rebalancing started during the Obama administration, with an emphasis on India as a potential security partner. The shift of strategic focus to include India is arguably at the expense of Southeast Asia, which has received less diplomatic engagement as part of the overall strategy.

²³⁸ Ross, "Chinese Nationalism and the American Response," 198–199.

²³⁹ Sutter, "The United States and Asia: Following through on the pivot," 374.

²⁴⁰ Bruce Vaughn et al. *The Trump Administration's "Free and Open Indo-Pacific": Issues for Congress*, CRS Report No. R45396 (Washington, DC: Congressional Research Service, 2018), 3, <https://crsreports.congress.gov/product/pdf/R/R45396>.

C. IDEOLOGICAL UNDERCURRENTS OF SINO-AMERICAN COMPETITION

1. Authoritarian Hardening in China 2000–2018

This section will analyze the role political-ideological differences played in great power competition between the United States and China. The first section will discuss the changes in China's political character since 2000, and the second will analyze the ways U.S. perception and policy have responded to those developments. As China's economic and military power has grown, so too have its international ambitions and its ability to realize those ambitions. We will see that it is not the ideological differences per se that contribute to the conflict, but the way in which China's rising influence has afforded more opportunities for soft-power on the global stage. As China approached near-peer status with the United States economically, and Xi Jinping reconstituted an autocracy, U.S. policy makers and intellectuals came to grips with a near-peer authoritarian state contending with the U.S. globally. The outcome has culminated in U.S. opposition to China's international outreach on projects like the Belt-and-Road Initiative (BRI), Huawei 5G network installation, and a broad skepticism of China's intentions in its use of global influence.

The Chinese Communist Party persists as the sole ruling party in the world's second largest market economy. This ideological mismatch arose in the 1980s as the CCP looked at failures within its own economy, as well as the Soviet Union, and pragmatically abandoned the major economic aspects of the Marxist system.²⁴¹ In doing so, it preserved the authoritarian one-party state. The trappings and traditions of the CCP are still Marxist-Leninist, but its sustained rule is based on the growth and stability afforded by a largely capitalist system.²⁴² What this revealed was the shrewdness and ideological flexibility the CCP was capable of. The CCP was willing to sacrifice ideological coherence to preserve the one party state.

²⁴¹ Susan V. Lawrence and Michael E. Martin, *Understanding China's Political System*, CRS Report No. R41007 (Washington, DC: Congressional Research Service, 2018), 11, <https://crsreports.congress.gov/product/pdf/R/R41007>.

²⁴² Lawrence and Martin, *Understanding China's Political System*, 11.

From the reform era under Deng Xiaoping until 2008, China's comprehensive vision had changed little from Deng's *taoguang yanghui*, or "keep a low profile."²⁴³ The result was an inward looking China and a piecemeal foreign policy. If anything, China sought markets, not revolution. Economic growth was the cornerstone of national stability and legitimacy for the CCP.²⁴⁴ During the 1990s economic growth was even more vital to the regime; the CCP persisted even after a global wave of post-Soviet democratization and its own protest movement resulting to the Tiananmen Square Massacre. Until the tumult of the Global Financial Crisis, the CCP rested at an uneasy tension between authoritarian government and market liberalism in a world dominated by liberal democracies.

The Global Financial Crisis of 2008 threw China's internal ideological balance into crisis. As job losses accumulated and international demand contracted, parallels to the Soviet collapse engendered fear in the CCP. To sustain popular support while the economy stabilized, the CCP engaged in provocative nationalist security and diplomatic responses in the near abroad from 2009–2013.²⁴⁵ Even this systematically provocative phase did not amount to a new ideological vision, though both the regime and the public emerged from that crisis with more confidence as a great power.²⁴⁶ It was a tactical diversion serving a domestic political necessity.

The arrival of Xi Jinping changed the political-ideological outlook of China. Since assuming power, Xi has put forth a series of major comprehensive ideas on almost every aspect of Chinese life, society, and ambitions. These big ideas were first outlined early in Xi's leadership with the 2012 "China Dream" speech, and exhaustively detailed in Xi Jinping Thought and subsequent writings.²⁴⁷ Xi's vision is one of China's national

²⁴³ Stenslie and Gang, "Xi Jinping's Grand Strategy," 121.

²⁴⁴ Richard McGregor, *The Party* (New York: Harper Collins, 2010), 269.

²⁴⁵ Joseph Fewsmith, "The Challenges of Stability and Legitimacy," *China in the Era of Xi Jinping: Domestic and Foreign Policy Challenges*, Robert S. Ross and Jo Inge Bekkevold, eds. (Washington, DC: Georgetown University Press, 2016), 110.

²⁴⁶ Linda Jakobson, "Domestic Actors and the Fragmentation of China's Foreign Policy," *China in the Era of Xi Jinping: Domestic and Foreign Policy Challenges*, Robert S. Ross and Jo Inge Bekkevold, eds. (Washington, DC: Georgetown University Press 2016), 145.

²⁴⁷ Suisheng Zhao, "The Ideological Campaign in Xi's China," *Asian Survey* 56 no. 6 (December 2016), 168, <https://as.ucpress.edu/content/56/6>.

rejuvenation through continued development. Where Mao's founding of the People's Republic of China marks the end of the era of national humiliation, the China Dream forms the pivot to China's return to national strength, and thus great power status.

These ideas carry particular weight due to Xi's centralization of power to himself alongside his campaign to return Chinese Communist Party centrality to Chinese society.²⁴⁸ The China Dream and Xi Jinping Thought are primarily oriented toward domestic policy; development, anti-corruption, ideological purity. But those same domestic goals compete in a modern information space, with international democracy being pervasive in the international environment. To counter, Xi's vision for the CCP became distinctly anti-liberal. In 2013, in the leaked and widely read Document No. 9 directives to communist party members, party leadership was warned against Western constitutional democracy, neo-liberalism, and Western views of press-freedom as challenges to control of ideology and thus the CCP itself.²⁴⁹ Xi Jinping's program of national development has, since its beginning, had at its core an ideological agenda to fuse the history and role of the communist party with market development while expressly rejecting Western political-ideology.

To achieve the China dream, the CCP developed new authoritarian tools and institutions. At first these tools and institutions were a counterweight to western influence, but the CCP progressed from coping to capitalizing on technological challenges to regime control. The "Great Firewall of China" grew beyond a content filter.²⁵⁰ By 2018 it comprised a combination of software, hardware, and active monitors that formed a robust barrier to outside influence. The state controlled telecommunication infrastructure has formed the backbone of a robust state surveillance system and propaganda distribution

²⁴⁸ David Shambaugh, "All Xi All the Time: Can China's President Live Up to His Own Top Billing?," *Global Asia* 13 No. 3 (September 2018), 15.

²⁴⁹ Chris Buckley, "China Takes Aim at Western Ideas," *The New York Times* Aug 19 2013, ProQuest.

²⁵⁰ Alina Polyakova and Chris Meserole, *Exporting digital authoritarianism: The Russian and Chinese models* (Washington, DC: Brookings Institute, 2019), 2, <https://www.brookings.edu/research/exporting-digital-authoritarianism>.

mechanism.²⁵¹ Xi's communist party has fused ideology, technology, and economic development into a novel authoritarian model with aspects that are being mimicked or exported to other one-party regimes.

The Belt and Road Initiative (BRI), though largely an outlet for China's economic surpluses, has important links to Xi's ideological vision. The name of the initiative is borrowed from the Silk Road, and harkens China's once dominant pre-modern economy.²⁵² The timing and scope of the initiative coincide with Xi's push for national rejuvenation. The program presents a framework for China's relationship with underdeveloped economies that is more comprehensive in scope, though it has not been without fault. The implementation of BRI has not been a resounding success and resulted in loan defaults, asset seizures, and uneven successes in the target countries.²⁵³ The Belt-and-Road initiative has not made China the center of a new international economic order, but it shows that the CCP has taken one step in realizing that possibility.

In summary, China's ideological makeup has gone through an authoritarian reconsolidation that coincides with its economic rise and escalating competition with the United States. And the single most important factor causing the retrenchment is Xi Jinping's premiership. Xi's premiership is not causative in initiating great power competition between the United States and China. However, his China Dream and Belt-and-Road Initiative sharpened Sino-American competition and created real political-ideological dimensions of the competition where it had not previously existed.

2. The U.S. Reassessment: Ignoring and then Competing with Authoritarianism

With the exception of the Tiananmen Square Massacre in 1989, China's ideological differences have been pragmatically ignored by U.S. administrations. Security cooperation and economic opportunity overrode domestic political differences since President Nixon

²⁵¹ Polyakova and Meserole.

²⁵² Andrew Chatzky and James McBride, *China's Massive Belt and Road Initiative* (New York: Council on Foreign Relations, 2020) <https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>

²⁵³ Lawrence et al., *U.S.-China Relations*, 26.

established relations with the communist government in the 1970s.²⁵⁴ By the early 2000s the United States promoted liberalization for China through passive means. A major justification for the China's WTO membership by the Clinton and Bush administrations was the potential to increase prosperity and thereby accelerate an inevitable trend toward democracy.²⁵⁵ President Bush was largely restrained in his comments regarding China, democracy, and liberalization. This was a notable contrast to the Bush administration's major democratizing agenda for the Middle East. The U.S. approach to China was to engage and integrate.²⁵⁶ Early voices such as James Mann in 2007 accused policy elites of error: "the entire paradigm may turn out to be wrong..." that "China's Leninist regime" would liberalize through integration.²⁵⁷

As economic and security developments in China unfolded with the 2009 Global Financial Crisis, the United States national security community moved away from hopes that China would liberalize. China scholars like Michael Pillsbury took Chinese triumphalism, militarism, and ideological changes as proof of a CCP master plan, the Hundred Year Marathon, to displace the United States as a global power. These developments coincide with changes in public opinion.

Though Xi Jinping's rise to power occurred after competition with the United States accelerated from 2009–2012, Xi's initiatives have served to solidify a U.S. constituency against China composed of "businessmen, academia, human rights activists, and...defense [officials]."²⁵⁸ The nationalist antagonisms evident after the GFC were folded into Xi's 2013 China Dream, which promoted a concept of China's national rejuvenation domestically and abroad.²⁵⁹ The foreign policy aspect of Xi's vision is the Belt and Road Initiative, which has included infrastructure projects that support authoritarian

²⁵⁴ Cohen, *America's Response to China*, 263.

²⁵⁵ James Mann, *The China Fantasy* (New York: Viking, 2007) 26–27, 87.

²⁵⁶ Mann, *The China Fantasy*, 87.

²⁵⁷ Mann *The China Fantasy*, 103.

²⁵⁸ McGregor, *Xi Jinping: The Backlash*, 6.

²⁵⁹ Elizabeth Economy, *Excerpt: The Third Revolution* (Oxford: Oxford University Press, 2018) <https://www.cfr.org/excerpt-third-revolution>

governments.²⁶⁰ China's authoritarian system has also led to a technologically advanced security apparatus that is being exported, leaving U.S. critics to fear that democratization could stall as those regimes become more agile at suppression.²⁶¹ Sustained global reach for China gave rise to the idea that China's model had fed into a global "democratic recession."²⁶² From 2005–2010, American attitudes toward China averaged 45% favorable and 36% unfavorable. In 2011 attitudes were split 40% each. From 2012–2018 attitudes inverted significantly with only 38% favorable and 51% unfavorable.²⁶³

By the arrival of the Trump administration in 2017, the environment was ripe for recasting China and the United States as involved in a great power competition. In the words of President Trump's first National Security Advisor H.R. McMaster:

China has become a threat because its leaders are promoting a closed, authoritarian model as an alternative to democratic governance and free-market economics. The Chinese Communist Party is not only strengthening an internal system that stifles human freedom and extends its authoritarian control; it is also exporting that model and leading the development of new rules and a new international order that would make the world less free and less safe... the integrated nature of the Chinese Communist Party's military and economic strategies is what makes it particularly dangerous to the United States and other free and open societies.²⁶⁴

General McMaster's analysis of China best encapsulates the melding of economic and military aspects of the Sino-American competition with its political-ideological component. The outlines of this are also evident as Vice President Pence, often a surrogate for the administration in East Asia, speaks at summit meetings: "China has an honored

²⁶⁰ Abbas Faiz, "Is China's Belt and Road Initiative Undermining Human Rights?" *The Diplomat* June 07, 2019, <https://thediplomat.com/2019/06/is-chinas-belt-and-road-initiative-undermining-human-rights/>

²⁶¹ Polyakova and Meserole, *Exporting Digital Authoritarianism*, 11.

²⁶² Larry Diamond, "Facing Up to the Democratic Recession." *Journal of Democracy* 26, no. 1 (2015): 141–55.

²⁶³ Richard Wike and Kat Devlin, *As Trade Tensions Rise, Fewer Americans See China Favorably* (Washington, DC: Pew Research Center August, 2018), 2, <https://www.pewresearch.org/global/2018/08/28/as-trade-tensions-rise-fewer-americans-see-china-favorably/>.

²⁶⁴ H. R. McMaster, "How China Sees the World," *The Atlantic*, May 2020. <https://www.theatlantic.com/magazine/archive/2020/05/mcmaster-china-strategy/609088/>.

place in our vision of a free and open Indo-Pacific if it chooses to respect its neighbors' sovereignty; embrace free, fair, and reciprocal trade; uphold human rights and freedom.”²⁶⁵

To conclude this section on the ideological aspect of Sino-American competition: the ideological fault lines in Sino-American competition are real, but are not causative. The tensions generated by China's increasing economic power and security assertiveness after 2009 generated an environment where ideological critiques gained salience. In the case of the United States, authoritarianism in China has periodically been a point of contention, but was not a driving cause for most U.S. policy on China since the Nixon administration.²⁶⁶ Critiques regarding the political-ideological character of China became a potent aspect of the nexus of concerns affecting Sino-American relations particularly after Xi Jinping, and may escalate as a driving force in competition.

D. CONCLUSION

This section will conclude the analysis of Sino-American great power competition from 2000–2018. The cause of great power competition between the United States and China can ultimately be attributed to the shift in China's foreign policy following the Global Financial Crisis. The transition to competition is a direct result of both the economic acceleration that followed the 2001 accession of China to the WTO, and the jeopardy of that economic development as a result of the Global Financial Crisis. The Chinese Communist Party, needing to shore up its legitimacy, implemented foreign policy security measures that catalyzed changes in U.S. policy toward China. The great power competition, codified in the U.S. *National Security Strategy* of 2017, would not have occurred without the export dependent economic growth of China since 2001.

The Sino-American transition to great power competition featured significant security related aspects. The period of relative cooperation from 2001–2008 rested heavily

²⁶⁵ Vice President Michael Pence, *Remarks at the 2018 APEC CEO Summit* (Washington, DC: White House, 2018), <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea/>

²⁶⁶ McGregor, *Xi Jinping: The Backlash*, 83.

on the heads-of-state engaging in dialogue that muted flashpoint issues, particularly related to Taiwan. The series of provocative incidents undertaken by China in its near abroad from 2009–2013 are also a product of those long-standing security asymmetries between the United States and China. The difference was in China’s military capability, self-perception, and domestic tensions. As China increased its security posture in its near abroad, U.S. policy began to shift into a competitive posture.

Political-ideological developments were not a major driving factor in starting the transition to competition, but have been important in solidifying a new narrative for both China and the United States. China under Xi seeks to justify rule by the Chinese Communist Party as effective and essential to China’s success. Xi makes his case to a domestic and international audience, and has taken early steps in shaping global politics. Presidential administrations in the United States had been dormant in confronting China on ideological grounds, hoping time would bridge the divide. As those prospects ended, critiques of China’s authoritarian system were integrated into U.S. foreign policy.

The Sino-American relationship has been in a state of competition for nine years. When the 2017 *National Security Strategy* declared the return of great power competition, it was already underway. Though the Sino-American competition is ongoing, its resemblance to aspects of the U.S.-Japan great power competition may provide insights to the structure of U.S. responses to near-peer competition, to prospects for conflict mitigation, and to those aspects of great power competition that are the most consequential.

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IV. CONCLUSION

A. FINDINGS ABOUT TWO CASES

This chapter will review the findings of each case study in this thesis. First, this section will review the major trends in the U.S.-Japan great power competition of the 1980s and 1990s. It will also review the major exogenous crises that affected that competition. Second, this section will review the major trends in Sino-American great power competition from 2000–2018 and the major exogenous crises that have contributed to the decrease in cooperation since 2009.

The root of great power competition between the U.S. and Japan in the late 1980s was the near-peer economic dynamic that followed Japan's rapid post-war growth. The United States economy in the 1980s had a tremendous demand for debt and imports. Japan was uniquely positioned to benefit from that dynamic as an export driven economy with a high public and private savings rate. That export driven growth propelled Japan to become the second largest economy in the world while it strengthened Japan's position as the United States' primary economic competitor. Japan's direct economic competition in automobiles, consumer electronics, and semi-conductors applied pressure to formerly dominant U.S. industries, whose labor and business constituents pressed for redress via the U.S. Congress and presidential administrations from Reagan to Clinton. This initiated the cycle of grievance, negotiation, and accommodation that structured the competition between the United States and Japan through the early 1990s.

This thesis also found that economic competition between the United States and Japan spilled over into the security relationship. Japan's global economic strength contrasted sharply with its reliance on the U.S. military for its security in Asia and for protection of Japan's interests abroad. As threats from China and the Soviet Union receded, the U.S. presence in Japan lost a major benefit of its original purpose. The Tanker War and first Iraq War were major episodes where U.S. pressure on Japan to burden-share put major stresses on the alliance. Japan responded with gradual security accommodation. This resulted in

substantive changes in Japan's military toward modernization, U.S. integration, and global participation.

The 1980s interstate competition with Japan also led to a reconsideration of Japan's political-ideological system by some academic and policy intellectuals. To some critics of Japan, its success was the product of a non-capitalist, semi-authoritarian model that posed a risk to U.S. interests in the world. A subset of those critics assessed Japan would use its economic power to overthrow the U.S. role in East Asia by force. Though this line of critique did not have significant impact on diplomatic policy, it gained academic and popular attention and contributed to negative public sentiment between the two nations.

In the case of Sino-American great power competition from 2000–2018, this thesis finds an underlying economic driving cause similar to the U.S.-Japan case. The U.S. sought to both liberalize and benefit from China's integration into global trade. As a result, China's export driven growth propelled it to a near-peer status with the United States, in part due to the United States' own aggregate demand for imports and debt. Economic cooperation had been preserved from major disruption until 2018, when the Trump administration made trade warfare a major aspect of Sino-American competition. This is, again, similar to the process of grievance and negotiation that was seen in the Japan case. As of this writing, there have been signs of negotiated reprieve from the trade war, though it remains to be seen if that will suspend economic tensions in a manner similar to the Japan case.

This thesis finds that the Sino-American competition has only minor similarities in its security aspects. There is an economic-to-security spillover effect where economic dynamics set up security competition. However, due to the nature of the U.S. and China's security relationship along with China's unresolved claims in its near abroad, the fallout from security competition has been more significant. Japan's modernization alleviated security tension. While in China's case, its military development and aggressive foreign policy precipitated a strategic pivot from the United States. Though the name of the U.S. strategy changed between the Obama and Trump administrations, U.S. security posture in the Indo-Pacific definitively oriented itself toward security competition and conflict.

The Sino-American competition, unlike the Japan case, has acquired an important political-ideological dynamic. Though critiques of China's political system and oppressive nature had been present for decades, those concerns did not typically affect bilateral relations. The exception being the fallout from Tiananmen Massacre in 1989. Xi Jinping's chairmanship in 2012 is the pivot point for ideological competition between the U.S. and China. Xi's reconsolidation of authoritarianism, China Dream, anti-liberal edicts, and global vision have garnered a competitive response from the United States. Both nations view the other as attempting to propagate a political-ideological system on the other, and seek to resist it via a global competition. Initiatives and strategies like FOIP, BRI, and TPP are examples of an increasingly comprehensive competition escalating between the United States and China.

Taking the larger view across the two cases, this thesis has also found that exogenous crises, outside of the control or intent of either state, played an important role in creating competition and in Japan's case alleviating it. The competitive cycle between the U.S. and Japan in the 1980s and 1990s had several important exogenous crises which affected the interstate dynamic at important points. The U.S. recession in the 1980s played a major part in depressing jobs, manufacturing, and U.S. competitiveness at a time when Japan's export economy was accelerating. From the late 1980s to 1991, the decline and fall of the Soviet Union created a vacuum in U.S. security policy and ideological competition. Also, in 1989 the economic collapse of Japan's financial sector led to a decade long stagnation that by the mid-1990s had eroded the biggest driving cause of U.S.-Japan competition. Lastly, by the year 2001 U.S. foreign policy had reoriented itself in a major security and ideological campaign against terrorism, which removed the last policy vestiges of U.S.-Japan competition from U.S. security strategy. These exogenous economic and security crises served as catalysts for change. They shifted either the domestic or international paradigm in which the U.S.-Japan relationship operated to either initiate or resolve bilateral tensions.

The Sino-American competition has also been affected by major exogenous crises. The September 11, 2001 attacks on the United States suspended the Bush administration's intent to compete with China. It also created opportunities for security cooperation between the United States and China. The Global Financial Crisis of 2009 looms large as a pivotal

episode in shifting Sino-American relations into open competition. The GFC at first made the Chinese Communist Party fearful of collapse, resulting in the more aggressive foreign policy. Following China's recovery, the CCP perceived itself as successful and relatively strong. These dynamics of opportunism and relative economic strength were accelerated by the Global Financial Crisis.

B. PROSPECTS FOR THE FUTURE

Great power competition between the United States and China may continue in competition or escalate to conflict. The U.S.-Japan case reveals some trends that may allay the possibility of escalating conflict. Throughout the U.S.-Japan competition in the 1980s and 1990s summits and negotiations rarely resolved underlying economic or security issues successfully. The negotiations did, however, prevent further deterioration of bilateral relations. The United States and China may also be able to maintain trust and stability in the face of mounting economic competition through bilateral dialogue. Many of the structural economic issues in both competitive cases are tied to a balance of payments issue—with the United States' demand for imports feeding growth of China's export sector. Like the Japan example, it will take a different economic structural arrangement to alleviate the asymmetrical economic dynamic between the two sides. Dialogue and attempts at problem solving via bilateral diplomacy have proven useful in alleviating the political pressures generated from economic competition.

Calls for burden-sharing in support of international peace and stability may also alleviate mistrust. Japan's participation in global peacekeeping and humanitarian missions accommodated the United States. Though trust is markedly lower between the U.S. and China, sustained international participation in counter-terrorism and peacekeeping allowed cooperation in the recent past, and may be an important counterweight to the pressures generated by security competition. If China's global role proves to be largely benign or even positive, then this would also alleviate fears of authoritarian expansionism.

On the other hand, the U.S. and China competition may devolve into conflict. Security conflict over Taiwan is often considered the potential flashpoint for the U.S. and China. This thesis, however, argues that even aside from Taiwan, there are major structural dangers that

increase the chance for conflict. Economic uncertainty has in the recent past exposed a dangerous dynamic. During the 2009 Global Financial Crisis, the prospect of economic hardship shifted the Chinese Communist Party toward aggressive foreign policy actions. If the United States were to destabilize China's economy through economic warfare, it may generate similar aggressive responses from the survival driven CCP. With the United States in a heightened security posture in the Indo-Pacific, the prospects for direct confrontation have increased, and trust in the long term intentions of both parties has decreased.

Like the Japan scenario, economic and demographic contraction may ultimately end the competitive cycle between the U.S. and China. Once Japan's economic threat receded in the early 1990s, the urgency of economic competition largely ceased, security cooperation increased, and ideological criticism vanished. And while Japan's lost decade is maligned as a domestic policy failure, Japan retained its status as a highly developed and stable nation. The same may yet be true for China. There are increasing signs that China's export led growth is declining.²⁶⁷ And, though loose lending and stimulus buoyed China through the GFC, China's overall debt has soared to 230% of GDP and continues to grow post-recovery.²⁶⁸ Also, though China's one-child policy has ended, its effect on China's demographics are permanent, resulting in a declining workforce. China may be on the brink of a hard economic transition, or a failed one, that ultimately alleviates the bilateral competition.

This thesis has shown that the dynamics of great power competition have interrelated economic, security, and ideological components. In the two cases studied, economic near-peer status generated the pre-conditions for competition. The Japan example ended without conflict due to sustained dialogue and accommodation during competition, followed by major exogenous crises that changed the context of the relationship. The same may yet be true for the U.S. and China. Sustained diplomatic dialogue can relieve political pressure until broader circumstances favor cooperation rather than conflict in the Sino-American great power competition.

²⁶⁷ Kroeber, *China's Economy*, 221.

²⁶⁸ Kroeber, 220.

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