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14. ABSTRACT In the longer term, Chinese political liberalization will enable a cooperative relationship to develop between the nations. Currently, numerous sources of instability plague China's national leadership, including challenges to territorial sovereignty, outside provocations, and domestic discontent. While all of these problems are significant in their own right and China is dealing with them with varying degrees of success, by their nature none seem likely to individually or collectively push the greater Sino-American relationship off track. Lack of open confrontation, however, does not equal a cooperative relationship. While the Chinese belief in a strong central government is unlikely to change, several factors point to the increasing likelihood of a significant political liberalization. First, CCP leadership believes that sustained growth is critical to maintaining social stability. Second, this social stability is far more important to them than Communist party ideology. Third, China is at the point where its illiberal government is beginning to inhibit economic progress, which will ultimately drive the abandonment of current authoritarian practices. The question for the U.S. becomes how it can best encourage such developments within China, without antagonizing it in the process. Current U.S. policy speaks to cooperation but treats China mostly as a competitor and seeks to contain its growing influence regionally and globally. This overt containment strategy risks perpetuating the cycle of distrust between the countries and dampening prospects for cooperation. While a degree of hedging is required while China remains an opaque, authoritarian government, shifting the balance in American rhetoric and engagement actions toward a "co-evolution" strategy would provide the Chinese government and people the political breathing room needed for internal forces of liberalization to take hold and develop.		

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Executive Summary

Title: Conflict vs Co-evolution: The Future of Sino-American Relations

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Thesis: Chinese political liberalization, undertaken as a means of sustaining economic growth, will result in closer alignment of U.S. and Chinese future paths, dampening the potential for a confrontational scenario between the two powers.

Discussion: While China and the U.S. find themselves at odds regarding politics, philosophy, human rights and other issues, economic interdependence will in the near term dissuade the possibility of any of those factors escalating toward conflict. In the longer term, Chinese political liberalization will enable a cooperative relationship to develop between the nations. Currently, numerous sources of instability plague China's national leadership, including challenges to territorial sovereignty, outside provocations, and domestic discontent. While all of these problems are significant in their own right and China is dealing with them with varying degrees of success, by their nature none seem likely to individually or collectively push the greater Sino-American relationship off track. Lack of open confrontation, however, does not equal a cooperative relationship. While the Chinese belief in a strong central government is unlikely to change, several factors point to the increasing likelihood of a significant political liberalization. First, CCP leadership believes that sustained growth is critical to maintaining social stability. Second, this social stability is far more important to them than Communist party ideology. Third, China is at the point where its illiberal government is beginning to inhibit economic progress, which will ultimately drive the abandonment of current authoritarian practices. The question for the U.S. becomes how it can best encourage such developments within China, ideally without antagonizing it in the process. So far, it appears to have mostly embraced a thinly-veiled containment-type strategy while preaching cooperation. An alternative option described by Henry Kissinger would be one of "co-evolution," in which the countries pursue their domestic imperatives while actively seeking to identify and develop complementary interests and adjusting relations to minimize conflict.

Conclusion: Current U.S. policy speaks to cooperation but treats China mostly as a competitor and seeks to contain its growing influence regionally and globally. This overt containment strategy risks perpetuating the cycle of distrust between the countries and dampening prospects for cooperation. While a degree of hedging is required while China remains an opaque, authoritarian government, shifting the balance in American rhetoric and engagement actions toward a "co-evolution" strategy would provide the Chinese government and people the political breathing room needed for internal forces of liberalization to take hold and develop.

Many recent events have put the Chinese-American relationship at center stage in world affairs, with no shortage of commentary from both sides of the Pacific. Much of this discourse appears confrontational in nature. Stories about shoot-downs of satellites, American arms transfers to Taiwan, accusations of currency manipulation, and others color the way both the leadership and the population of these two countries view one another. It puts into question whether China's emerging global economic and military power, coupled with its nationalist ideology put it on a collision course for open conflict with the United States. The answer to such a question is critical to the future paths of both countries. If a cooperative, non-expansionist China emerges, significant areas for mutual support and economic benefit result. As things currently stand, however, the possibility exists of a very expensive arms race, and even a scenario reminiscent of the Cold War at a time when the global economy finds itself fragile. The stakes could not be much higher.

This paper will argue that the particulars of China's rise do not put it on a likely course for conflict with the United States. The U.S. and China are currently inextricably tied to one another by economic interdependence, and in the short term this will prevent differences and tensions from escalating to the level of violent conflict. In the longer term, likely Chinese political liberalization for sustaining economic growth will result in closer alignment of U.S. and Chinese future paths, dampening the potential for a confrontational scenario.

This paper will first summarize the main influences upon modern Chinese foreign policy thinking. It will then examine the sources of instability currently plaguing the Sino-American relationship, and offer a rationale as to why these are unlikely to deter efforts at continued forward progress in relations. The second section of the paper will deal with the likelihood of political liberalization in China and why that is set to occur. Finally, the third section will

identify what the implications of this liberalization mean for the U.S., and provides a policy recommendation for future engagement.

Background

The economic links present today between China and the United States will preclude tensions in the short term from escalating to conflict. Total trade between the two countries in 2011 reached nearly \$400 billion, with China behind only Canada as America's largest trading partner. Of that trade, nearly \$300 billion consisted of imports of Chinese goods to American consumers.¹ The U.S. is in fact the number one export destination for Chinese products, with Hong Kong in a distant second at \$218 billion and Japan third at \$121 billion.² As of October 2012 China was the largest foreign holder of U.S. treasury securities, at \$1.16 trillion. This is only slightly greater than Japan at \$1.13 trillion, but much greater than all other foreign governments.³ This level of economic interaction has drawn criticism from both Chinese and American scholars, many of whom argue that such mutual dependencies are unhealthy and come with the side effects of restraining freedom of action, or at least altering leverage in the balance of other sources of national power. (Others believe this to be a good thing, as it provides incentives to work together on otherwise contentious issues.)⁴ Regardless of how one sees this level of interaction, there is no question that it must factor heavily in national decision making. While periodic flare-ups over individual issues will occur regularly, neither side will allow these to progress beyond manageable levels – the stakes are simply too high.

While the near term implications of economic interdependence appear clear, the larger question becomes what relations might develop into five to ten years down the road or more. It

is possible to envision a future where animosities develop to the point at which the countries begin to disengage significantly from one another, with more openly antagonistic policies. The question of what might prevent that from happening is the focus of the remainder of this paper. To understand the roots of current Chinese foreign policy requires a glimpse into some of the major events of recent Chinese political history.

One of the clearest differences between how China and the U.S. view foreign policy stems from the very different time horizons of their national character. While Americans view the idea of “recent history” as perhaps the past few decades, for Chinese such a term could be measured in centuries. The most consequential event that has shaped Chinese foreign policy in recent history is known as the “one hundred years of humiliation.”⁵ This period, stretching from the First Opium War of the 1830s through the conclusion of World War II, marked a period in which China was dominated by outside actors. Noteworthy events during this period included the Opium Wars, the Taiping and Nian Rebellions, the ceding of Taiwan to Japan in 1894, Russian territorial gains in Manchuria, the quashing of the Boxer rebellion in 1900, and Japanese imperial conquests in World War II. All of these brought great shame to Chinese leadership. China’s long history of regional preeminence stands in sharp contrast to this period, making it a particularly bitter legacy for Chinese today.

With the end of World War II came the start of the Cold War. China now had the breathing room it needed to get back on its feet and build a stable government, which it did with the conclusion of its own civil war between the forces of Mao and Chiang Kai-shek. How much of this stability should be credited to Mao is debatable, but the fact is since the Chinese Communist Party (CCP) took control in October 1949 the country has generally avoided any mass internal upheaval along the lines of what it experienced in the 100-plus years prior to that.

Meanwhile, its economy stagnated under Communist rule, never gaining momentum until the reforms put in place during the Deng Xiaoping period starting in 1978. Gradual market oriented reforms led to the explosive growth that characterized the 1990s and continues to this day.

Today, the two primary strategic goals of Chinese foreign policy are protecting national sovereignty, and acquiring the necessary resources to support continued development. The latter of these two became apparent following Deng's reforms as China began to industrialize in earnest, and available resources and raw materials quickly proved inadequate to sustain the pace of economic growth. Protecting sovereignty, on the other hand, has its origins directly in China's legacy of abuse at the hands of imperialist powers. Former Premier Wen Jiabao summarized the motivation behind China's policy of "non-interference" in the internal affairs of other states:

Respect for sovereignty and non-interference in the internal affairs of other countries is the prerequisite for sound state-to-state relations. The Chinese people have learned from their modern history of humiliation that when a country loses sovereignty, its people lose dignity and status.⁶

The non-interference principle has become a hallmark of Chinese foreign policy, in stark contrast to what it believes it receives from the U.S. and Western powers in general. China sees evidence of a coordinated Western effort to contain China's rise, and encourage domestic forces that are bent on the overthrow of the CCP. Against the backdrop of these ideas, this paper will thus examine current sources of instability in Sino-American relations.

Sources of Instability

While in the short term China and the United States find their economies linked together so thoroughly that a precipitous separation becomes highly unfeasible, it does not suffice to say

that this reasoning necessarily carries through for the long term. An examination of the current sources of instability within China will serve to shed light upon the issues that have historically driven a wedge between China and the rest of the world. While these problems pose serious concerns, their eventual resolution remains unlikely to derail overall normalization of future Sino-American policy goals. These sources of instability fall along three broad lines: sovereignty issues, outside provocations, and domestic discontent.

China faces several issues with regard to its territorial sovereignty. Taiwan, claims in the South China Sea, and Tibet rank among the most sensitive and volatile of these. Taiwan's unique status as a province of China that considers itself the legitimate government of all of China persists and has only shown signs of improvement in the last 5 years. Taiwanese President Ma Ying-jeou deserves primary credit for this easing of tensions. Ma espouses a "special relationship" and presses home the principles of the "1992 consensus," which essentially allows Taiwan and the PRC to recognize the existence of a single China, but to "agree to disagree" on who possesses the legitimate seat of its government.⁷ He has continually worked for a shelving approach to PRC-Taiwan relations, serving as a balancing force against elements for Taiwanese independence – a move certain to invoke a harsh military response from the PRC. While tensions have cooled, the potential for instability remains as both sides desire eventual unification – but neither is willing to accept the other's form of government. Both the PRC and the Republic of China (ROC), as Taiwan refers to itself, continue to maneuver for position, in fact, with Ma recently referring to the "one ROC, two areas," policy – a slight departure from the accepted "one China, two areas."⁸ While both sides occasionally trade barbs over a future status that all recognize requires further reconciliation, the near-term stability is firmly in the hands of Ma and successive generations of Taiwanese leadership. The Ma era seems to have proven that

with cool heads in control, the status quo can be effectively maintained until such time as both sides can agree to a process of reunification.

Territorial claims in the South China Sea and surrounding waters have produced sovereignty challenges receiving quite a bit of attention recently. The Spratly, Paracel, and Senkaku/Diaoyu island groups remain the most volatile of these impasses, and full resolution does not appear likely in the near term. While the parties to these particular disagreements differ, the nature of the disputes themselves are similar. At the heart of the dispute lies the economic benefit that exclusive ownership of these island groups would confer upon the nation that could successfully claim them. Valuable fisheries and oil and natural gas deposits estimated at 7 billion barrels and 900 trillion cubic feet respectively point to the true reason behind the recent rhetoric and threatening gestures of the participants.⁹ To claim that these disputes revolve solely around natural resources, however, would grossly oversimplify the problem. For one thing, in many cases nations already have some agreements in place for shared exploitation. Shelly Zhao describes the situation as, “both the SCS [South China Sea] and ECS [East China Sea] are geopolitically significant and represent an intersection of history, sovereignty and territory, geostrategy, and energy security, impacting China’s relations with its neighbors.”¹⁰

In reality, the emotional influences of national prestige and historical grievances between countries, many of whom have fought wars among one another must be understood in coming to grips with the nature of the problem. Bitter sentiments toward Japan’s legacy of aggression towards China factor into this, along with Taiwan’s status, which first opened the door to Chinese claims in the 1970s in the case of the Senkaku/Diaoyus when the U.S. returned them to Japan’s “administration.”¹¹ Similar bad feelings persist with Vietnam and the Philippines regarding past clashes over the Spratlys and Paracels, some violent. Differing interpretations of

and vagaries within international law can play a part as well, such as regarding the United Nations Convention on the Law of the Sea (UNCLOS). One recent debate between China and Japan involved whether the “trough” in the continental shelf between the Senkaku/Diaoyus and Japanese Ryukyu islands acts as an end to the potential Exclusive Economic Zone (EEZ) that would surround the islands.¹² In the end, all sides have conflicting yet (particularly in their own views) legally and historically defensible narratives which they feel unable to back away from without appearing weak. Constantly in the background remains U.S. interest and influence in the matter. On the one hand, tight U.S. relations with many of the parties to the dispute deters China from resorting to forceful means to resolve them. On the other hand, these same relations serve to prolong the dispute – and contributes to Chinese mistrust of American intentions. Similarly, American interest in the Chinese province of Tibet continues to create friction in Sino-American relations.

Although international consensus on Tibet’s status as a part of China vice an independent state was reached some years ago, protests and significant PRC crackdowns as recently as 2008 have led to reactions from the U.S. Congress and the international community that fuel this longstanding sovereignty issue. While the Dalai Lama himself requests only autonomy in Tibet’s internal affairs vice independence from the PRC,¹³ ongoing attention-grabbing actions such as self-immolations in Tibet keep the controversy over the region’s status in the international headlines. Tibet will likely continue to stoke tensions in Sino-American relations. America, on the one hand holds freedom of speech and religion as founding principles and basic human rights, and often feels a moral imperative to speak out in matters where it sees these as violated. The U.S. also sees the potential for self-determination in Tibet and has trouble ignoring populist calls to support it. China, meanwhile sees American intrusion on the matter as further

evidence of American meddling and an attempt to contain China's advancement. Initiatives such as House Resolution 5668 in April 2008, a response to the protest crackdowns that would prohibit U.S. federal government officials from attending the opening ceremonies of the Beijing Olympics held that year,¹⁴ were seen as deeply offensive and the latest in a string of American provocations regarding Tibet dating back to the 1950s. Like Taiwan and the island groups of the South and East China Seas, Tibet will stand as a subject that continues to remain in some ways unresolved, in which the U.S. sees itself as standing on principle, and China sees itself on the receiving end of coercion and intrusiveness.

The influence of intrusiveness from outside provocations – perceived or actual, and particularly by the United States – has a profound impact upon relations with China. These influences fall loosely into two categories; the idea of an American strategy of “containment” that would attempt to limit China's rising power, and pursuit of actions intended to lead to political liberalization in China. While some view such charges as paranoia on the part of the CCP's leadership, they are in fact well founded as long as we clearly define what containment and political liberalization mean. For instance, the U.S. views the idea of a containment policy towards China very narrowly—and that such a policy would look very aggressive and overt in its design and execution. Open opposition of Chinese acquisition of resource contracts, support for Tibetan independence, or unilateral coercion with regard to the South China Sea island disputes could serve as examples of what the U.S. would see as containment. This strict definition enables U.S. officials such as former Undersecretary for Defense Policy Michele Flournoy to deny a containment policy towards China in the fall of 2011¹⁵—even as Michael Klare in an article titled, “Containing China: The US's real objective,” points out that our own 2006 Quadrennial Defense Review (QDR) seems to indicate otherwise.¹⁶ Klare also cites a 2000

article written by Condoleezza Rice in which she refers to “containing Chinese power and security ambitions.”¹⁷ In a section referring primarily to China, the QDR does describe U.S. intentions to “dissuade any military competitor from developing disruptive or other capabilities that could enable regional hegemony or hostile action,” and intends to create “prudent hedges against the possibility that cooperative approaches by themselves may fail to preclude future conflict.”¹⁸ While senior U.S. officials may describe their efforts not inaccurately as “hedging,” to Chinese eyes these statements and others like them provide proof of American intent to stifle their rising power. “The United States is making much of its ‘return to Asia’, has been positioning pieces and forces on China’s periphery, and the intent is very clear – this is aimed at China, to contain China,” writes Major General Luo Yuan.¹⁹ Recent renewed US interest in basing rights in Australia and the Philippines and a September 2011 multibillion dollar arms agreement with Taiwan send a clear signal to Beijing that U.S. interest in the western Pacific has everything to do with preventing China from becoming the dominant power in that region.

Perceived or real, the containment issue has roots in the fact that China’s burgeoning military development remains shrouded in secrecy, something that the U.S. believes greater political openness would mitigate. However, American efforts at promoting political liberalization in China also drive instability in Sino-American relations. This can take several forms, including pressing for the curbing of human rights abuses, respect for intellectual property rights, and less state control of sectors of the economy. Ties exist between some of these, such as the human rights issue, to other sources of instability such as Tibetan sovereignty. In any case, such efforts are routinely rebuffed by Chinese leadership which sees them as a threat to CCP control, without which it fears separatism, domestic instability and ultimately chaos would result. Chinese president Xi Jinping offered a stern rebuke to these policies in February 2009

when he stated, “there are a few foreigners, with full stomachs, who have nothing better to do than to try to be backseat drivers of our country’s own affairs. China does not, first, export revolution; second, export poverty and hunger; and third, cause unnecessary trouble for you. What else is there to say?”²⁰

China has good reason to be concerned about outside sources of pressure and their effects on its system, considering fragilities within its own internal domestic affairs. Corruption among officials, unequal wealth distribution, and pollution and environmental concerns rank amongst the greatest drivers of potential internal instability. Corruption can take many forms, and manifests itself at multiple levels within the Chinese governmental structure. Reasons for its ability to flourish stem first from leaders not accountable to their constituents by means of voting and elections. Second, its closed and non-transparent political system creates difficulty for identifying fraud, thus encouraging it at a time when money moves through the economy more freely and in greater quantities than ever before. Third, the Chinese judicial system does not exist independently from the Communist party, which can present additional roadblocks to impartially prosecuting corruption. The problem has grown to such magnitude that outgoing President Hu Jintao recently “acknowledged the problem in general by forcefully calling for indictment of all corrupt individuals no matter their rank. He went so far as to warn the congress that corruption could cause the fall of the state.”²¹ These remarks, as well as the ousting of Bo Xilai from the Party and charges in a *New York Times* article that Premier Wen Jiabao’s family has amassed \$2.7 billion during his political career hung over the proceedings of the 18th Party Congress.²² These sort of charges have done damage to the legitimacy of the CCP in the eyes of the people, one of the leadership’s greatest fears—for Chinese thinking reasons that if the Party loses control, social instability and upheaval leading to chaos would likely result.

Inequality in wealth distribution has also held considerable concern for Chinese leadership particularly since the reforms under Deng that opened up the economy to outside investment. Since that time, more urbanized coastal provinces have fared much better than the rural interior; The Organization for Economic Cooperation and Development (OECD) reported relative per capita Gross Domestic Product (GDP) peaking in 2009 with a ratio of 3.3 to 1, urban to rural.²³ That same OECD report does note that the serious income disparities that took root in the 1990s have begun to decrease during the 11th Five Year Plan, which encompassed the years 2006-2010, to some extent due to government actions that aimed to redistribute wealth towards rural areas. Some of this was accomplished through infrastructure spending on inland areas, which along with wage increases in the coastal provinces, incentivized companies to relocate factories away from the coast.²⁴ Serious disparities remain however, fueling public discontent in some sectors; for instance by many measures China has recently become the second richest nation in the world in the aggregate, but still ranks 90th in per capita GDP, with 150 million of its people living below the poverty line.²⁵ China's household registration, or *hukou* system exacerbates the difficulty of rural peasants wishing to better their situation. Established in its current form in 1958, the *hukou* registration system, with pension, education and housing benefits tied to it, ensured farmers stayed put and produced cheap food to sustain industrialization.²⁶ Today, estimates of 200 million migrant urban workers hold rural *hukous*, keeping families separated and limiting the migrants' employment opportunities among others.²⁷ The *hukou* issue also serves to somewhat distort the previously noted reduction in rural areas' income, as some of that is attributable to earnings of migrants living elsewhere. Leadership has recently begun to explore reform to this system, attempting to balance the desire to capitalize on

available manpower and appease discontent with the system while avoiding a rapid migrant flood that the cities could not absorb.

Although inequalities have and do occur, one cannot forget that for the past two decades China has sustained incredible real GDP growth rates averaging 9 percent annually, assisting in lifting hundreds of millions of Chinese out of poverty.²⁸ That explosive growth has come at a price though, particularly in terms of pollution and environmental impacts, a growing concern to the Chinese populace and their government by extension. A study by the World Health Organization released in September 2011²⁹ ranking urban areas around the world on air quality had China as 77th among 91 countries. Thirty-two Chinese cities were tested, all of which were well above the 20 microgram maximum recommended for PM10's (microscopic vehicle and dust specks less than 10 micrometers).³⁰ In fact the cleanest Chinese city tested was Haikou, Hainan at 38 mcg – nearly twice the level the WHO considers the maximum safe for PM10's (Beijing ranked as 5th most polluted city in China, with 121 mcg.) The OECD report appears to coincide with these findings, projecting that absent efforts to address environmental concerns, by the year 2050 urban air pollution would be set to become the top environmental cause of premature mortality globally—and total deaths could easily double to well over 3 million with most occurring in China and India.³¹ As economic opportunity has expanded dramatically in recent decades and brought significant improvements to quality of life, the populace is demanding its government address this looming problem in an effective manner—and the future of the regime likely depends upon their doing so.

The preceding section identified some of the most pressing sources of potential instability in Sino-American relations as the countries move forward. Singularly they have potential to pose significant challenges to the relationship; when taken together, they initially can seem

particularly daunting. Nevertheless, even in sum these dynamics will not seriously impede successful progress in the two nations' association. With regard to sovereignty issues, the Chinese ability and historical trend to 'shelve' intractable problems – that is, to put them aside in the near-term, neither conceding nor demanding quick resolution on their terms from opponents – will prevent these from degenerating in an out-of-control manner. The Taiwan status question has reached a status quo very acceptable to both the U.S. and the PRC. While the possibility of future Taiwanese leadership pushing an aggressive independence stance always exists, the U.S. has made clear it would not back them in the hostilities that would follow such a move.³² The question of Tibet thus becomes less contentious from a geopolitical perspective. While Chinese respect for human rights and religious liberty will always hold concern for the U.S., its status as part of China has not been seriously contested – so as China grows in power and influence and the importance of its ties to the U.S. grow with it, neither side will allow this to drive a wedge between relations. As this paper will argue in a later section, political liberalization will in time largely solve problems like the status of Tibet.

The South and East China Sea island disputes do not share the same sort of status quo stability exhibited by Taiwan and Tibet. Resolution of these appears tied to the question of how provocative a U.S. containment strategy looks to China. The military 'capabilities race' that China embarked upon in the 1990's will continue, but all experts agree that for China to approach U.S. capability in the region will take several decades. During that time, two things will happen: China's neighbors, including Japan and South Korea, will continue to expand their own capabilities, making the prospect of open conflict in the region more dangerous and less likely. Second, the previously mentioned political liberalization will begin to take place, providing greater transparency into Chinese intentions, more opportunity for military

cooperation vice competition, and lessen any need for a U.S. containment strategy. The agreements for joint resource exploitation that have already begun to develop will further lessen the motivation for conflict and delegitimize the use of force.

Finally, the internal drivers of instability also appear unlikely to cause major imbalance in Sino-American relations. The corruption problem as mentioned in earlier discussion stems largely from officials unaccountable to their constituents and a massive and opaque governmental system. Recognizing the legitimacy problem this is causing them, Communist party leadership has already taken steps to scourge the more egregious instances of fraud, and with the greater systemic liberalization that this paper predicts will occur with time this trend will continue and the problem will become less acute. Inequalities in wealth distribution will likely always exist, however they too will become less acute with time. Initiatives such as the reform of the *hukou* system, committed to by Premier Wen Jiabao last year will assist in this process;³³ others contend that land reform, particularly allowing land ownership (and thus the ability to sell it) is a complementary action necessary to truly stabilize rural versus urban population distortions.³⁴ Environmental damage certainly presents a tremendous concern both nationally, regionally and globally. The interconnected nature of this problem also contains the seeds for its solution though. Assessments of the 12th Five Year Plan show a Chinese leadership that recognizes the magnitude of the problem and has begun to prioritize appropriately towards its resolution.³⁵ Due to the global impact of Chinese environmental decisions, this particular source of instability makes it a priority for all developed nations, and a clear focus for internationally cooperative initiatives vice competitive ones.

Likelihood of Political Liberalization

Having established that while numerous internal and external sources of instability exist, all appear unlikely to force major degeneration in Sino-American relations, the question remains of why these indicate that political liberalization in China will occur. To do so, this demands first a definition of the components required in order to call various reforms liberalization. Three factors in particular would connect the people to their government in a substantive way that will put the U.S. and China on closer terms, reduce uncertainty and lead to an environment of less hostile confrontation and more friendly competition. First, freedom of speech in order for all elements of the population to associate, voice concerns and identify sources of discontent or corruption to leadership is a critical component. Second, government leadership accountable at all levels to their constituents by means of free and fair elections to prevent consolidation of power in the hands of a small group that can disregard the desires of the populace with impunity. Lastly, a basic human rights guarantee that minimally ensures that government respects life, liberty, security of person, due process and equal protection under the law. The United Nations International Covenant on Civil and Political Rights provides a basic framework encompassing the rights described above, and has been signed by China although is not yet ratified.³⁶ While particular elements of this covenant may not be acceptable to China, such as a vagueness in its Article 1 regarding rights of self-determination of all peoples, certainly a liberalization process that included most of its elements would have the effect this paper describes as fundamental to improving the Sino-American relationship. Three factors in particular point to the likelihood of these reforms occurring within the next decade: first, CCP leadership believes that sustained growth is critical to maintaining social stability. Second, it is this emphasis on stability that

dominates debate within the CCP leadership, as opposed to ideology. Lastly, the growth and development that the Party considers most critical to maintaining social stability is at the point of being limited by the illiberal nature of government, which will ultimately drive the abandonment of the current authoritarian practices.

Much evidence points to the first point, regarding belief in growth and development as key to social stability. Recent years in fact have seen criticism of what many refer to as a “growth at all costs” policy, underway since the reforms put in place by Deng Xiaoping in the late 1970s. As recently as 2008 amid forecasts of economic slowdown, former Prime Minister Wen Jiabao warned that high growth was needed to maintain social stability, and that “without a certain pace of economic growth, there will be difficulties with employment, fiscal revenues and social development . . . and factors damaging social stability will grow.”³⁷ Since then, Chinese leadership has recognized that a certain amount of slowdown is inevitable in an economy recently described by analysts as overheated, and current CCP general secretary Xi Jinping has lately emphasized the crucial need for reform; seen here in the Chinese *People’s Daily*:

Economic reform directly decides the growth and distribution of wealth, people’s living standards and social confidence. It is in line with the trend of placing emphasis on adjusting the nation’s economic development model. After three decades of speedy development, the nation should take another look at the advantages it once relied upon. The era in which prosperity can be realized through labor-intensive industries and extensive production is becoming a thing of the past.³⁸

One finds reflections of this need for reform throughout the latest Five Year Plan, released in 2011 – emphasizing ideas of a need for growth to continue in an environmentally sustainable manner, for better income distribution, a need for greater technological innovation, imbalance between investment and consumption, and a whole host of additional changes. One theme that does not change is the perception that continued growth – if not at quite the same quantitative levels, then certainly greater qualitatively, remains central to China’s continued state viability.

While continued improvement to the economy remains critical, Chinese leadership shows signs of recognition that the Chinese Communist Party's grip on authoritarian power has weakened substantially in the internet age. Fortunately it is social stability that the leadership is steadfastly devoted to, much more so than any Communist ideology. Traditionally the conventional wisdom held that it was only under the strong hand of the CCP that the nation's vast territory and populace were kept united, but recent trends indicate that the people, many of whom never knew life under Mao, do not see it the same way – and their leaders are listening. References to “Mao Zedong Thought,” previously common enough in Party literature to sound like a mantra, were conspicuously absent from two recent Politburo statements just prior to the 18th Party Congress meeting in November, as well as standard references to Marxism-Leninism.³⁹ Some, such as writer and scholar Wang Lixiong believe that with Mao's passing China was stripped of its Communist ideology, with no convincing value system to fill the gap. “Today the interest groups have no ideology,” he said. “Their goal is to protect their own profit and power. They can only rely on power to rule, because they have no goal that convinces the people. So the state relies on power to suppress society and attain its objectives. I think there's no other route the power holders can go.”⁴⁰ Scholars disagree on how tightly the Party will cling to power, as those at high levels prosper mightily under the status quo and conversely have much to lose in a potential new era of openness and accountability to the Chinese people. Nevertheless, the choice may get made for them as the country continues to struggle for a decent standard of living, and increasingly comes to see their iron-fisted rulers as more of an impediment than a benefit.

When a deeply held commitment to continued growth and development outweighs the leadership's dedication to their ideology, and the capacity for growth becomes inhibited by that

ideology, it follows that commitment to the ideology can be expected to be jettisoned in favor of growth and stability. This is the dilemma faced by Xi Jinping and the Politburo going forward. Reasons abound as to why the CCP's hold on power becomes more and more tenuous as time goes on, but in the end, limitations upon the economy inherent to an autocratic regime are ultimately what will soon hold China back from continuing to progress in its development. In a slightly tangential but telling argument that indicates the underlying problem to adopting the Renminbi as a reserve currency:

“China lacks fundamental institutions, such as the rule of law and democratic leadership selection, that provide what analysts call “credible commitments” to the financial market about the sanctity of debt and derivative instruments.... The government has not been able to credibly demonstrate to private investors that it will keep its hands off their money.”⁴¹

In fact, a lack of institutions may not quite get it right in this case. According to Minxin Pei, the crux of the problem lies with *unchecked* Chinese institutions:

China has progressed about as far as it can within its existing political framework. Further reform would threaten the Communist Party's hold on power, so it will not sponsor change of that sort. As Minxin Pei of Claremont McKenna College has pointed out, a market economy requires the rule of law, which in turn requires “institutional curbs” on government. Because these two limitations on power are incompatible with the Party's ambitions to continue to dominate society, China cannot make much progress toward them within the current system. China, Pei has argued, is now trapped.⁴²

Some would utilize Pei's argument to assert that the present deteriorating situation points to a likelihood of the CCP ruthlessly clinging to power; that we can expect to see CCP leadership consolidate their power and become ever more repressive. One could point to the fact that state spending on internal security services in 2009 was 514 billion RMB, nearly the same as that for military spending as an indicator to this effect.⁴³ The preponderance of evidence, however, continues to mount that indicates leadership divisions are strong and growing stronger. The discarded references to Mao Zedong Thought previously mentioned provide an example of this – and more examples seem to crop up almost daily. In an article published in October, the *Study*

Times, a newspaper published by the Central Party School which trains rising officials, lauded Singapore's form of closely managed democracy and its long-ruling main party for having genuine popular support.⁴⁴ Xi has shown interest in a potential move in this direction for China,⁴⁵ and although this would represent incremental progress considering the dominance of Singapore's People's Action Party, it would nevertheless pave the way for potential further advances. While the temptation undoubtedly exists for some in the ruling elite to consider a plan to crush resistance to continued Communist rule, it appears the tides move in the direction of political reform.

As the balance shifts towards political reform, a few points bear mentioning that make the consideration of continued repressive crackdown an impractical choice. First, the masses appear firmly on the side of liberalization. As the government's stranglehold on the media has released some in recent years, demands for liberalization pour out continuously. Second, as this more contentious society rises, this increases the cost of repression for China's authoritarian rulers, and when the cost of repression is too high democratic reform probably becomes a rational choice for the elites to avoid a revolution.⁴⁶ Third, recent potential clashes with the security apparatus show them less willing to take harsh measures than ever before. Since 2012, government has backed down in numerous high-profile collective protests – such as the land dispute in Wukan in Guangdong and the environmental protests in Dalian, Shifang, and Qidong.⁴⁷ The response to protests that resulted from the *Southern Weekly* censorship incident at the New Year showed further evidence of this tendency. While the Central Propaganda Department declared that, “Communist Party control over Chinese media is ‘unshakable’” and accused “‘external’ agitators of fomenting the unrest,” the police have largely stayed on the sidelines and let the protests continue – a rarity in China, where public demonstrations are

normally not allowed.⁴⁸ Thus the Chinese find themselves at a crossroads: an elite divided and uninspired by the tired ideology that appears well past its time, and a people aware of the major problems that beset their country and unwilling to *kowtow* to the Party leadership that they hold responsible for the state of affairs. The stage appears to be set for change.

Implications for the U.S.

With a better understanding of Chinese foreign policy philosophy and the unique challenges the country currently faces, as well as the presence of convincing indicators that drive China towards liberalizing politically, certain implications can be drawn. This section will identify how China's rising power affects the U.S. in the present and in the near future, what realistic strategic options are available for dealing with China, and finally present some policy recommendations and their rationale.

From a sources of national power perspective, the rise in Chinese power and influence over particularly the last three decades has had and continues to have significant effect upon the United States. Economically, China's appetite for resources and commodities and its vast exports have both put it in competition with the U.S. at times, as well as collusion in terms of cheap consumer goods that most economists agree have helped keep inflation low worldwide. Certainly potential exists in this realm for competition, and it appears in the near term this is likely to be the case, indicated by remarks from U.S. Secretary of State Hillary Clinton during an African visit in August. While she did not mention any country by name, it could not have been clearer that she was targeting China and lobbying African leaders to cooperate with the U.S. Clinton said in Senegal that the US was committed to "a model of sustainable partnership that

adds value, rather than extracts it" from Africa. She said unlike other countries, the U.S. "will stand up for democracy and universal human rights even when it might be easier to look the other way and keep the resources flowing".⁴⁹ This potential competition in the economic realm trickles over directly into the diplomatic and informational realms, as both nations court countries for support in a manner that cannot help but have Cold War similarities – the difference now being that the U.S. presses for democratic reforms as a prerequisite for sustained economic development, and China looking at the dilemma of the developing world from just the opposite perspective. From a military power viewpoint, China's rise has had a net competitive effect to date, though not without some cooperative elements, such as its assistance combating piracy off the coast of Somalia, and its recent support (albeit small scale and delayed,) to the United Nations – African Union Mission in Darfur (UNAMID). Counterterrorism also seems an issue poised to begin negatively affecting China as its stature rises, which has clear potential for significant cooperation with the U.S. and the West. Nevertheless, in the near term the primarily competitive relationship will continue with regard to military power, as neither side trusts the intentions of the other and seeks to avoid being contained – or in the case of the U.S., from being limited in its range of action. Thus, the U.S. is essentially presented with a choice between two strategic policies: one of containment, or one of partnership.

Abundant evidence exists of U.S. efforts at a containment strategy; and to date it remains the primary policy that the Obama administration has pursued, even while official rhetoric insists that our intended relationship is one of cooperation. To a degree this is unavoidable, due to the opaque nature of the Chinese government's intentions, it would be irresponsible for the U.S. to not hedge its bets and plan for some worst-case contingencies. There is a big difference, however, between prudent precautions, and an aggressive campaign to put limits upon a potential

competitor. The problem with this sort of approach, first and foremost, is expense – with the Chinese’s well-documented large investments in anti-access/area denial (A2/AD) capabilities, the U.S. can easily find itself in a modern arms race, at a time in which our flagging economy and staggering debt leave us in a poor state to wage one. Additionally, this will lead to certain escalation, with success less than assured at a time when the confluence of tensions driving China in the direction of political liberalization could be halted or reversed if the CCP were to succeed in deflecting popular anger toward a perceived belligerent United States. An alternative to aggressive containment is described by Henry Kissinger in his book, *On China*, as “co-evolution,” a term he credits to Joshua Cooper Ramo. Kissinger describes a relationship in which, “both countries pursue their domestic imperatives, cooperating where possible, and adjust their relations to minimize conflict. Neither side endorses all the aims of the other or presumes a total identity of interests, but both sides seek to identify and develop complementary interests.”⁵⁰ This approach has the added benefit of better aligning national strategy with the economic reality of Sino-American interdependence, and if implemented with a strong and comprehensive information campaign could go a long way towards repairing some of the distrust that has accumulated in recent years. While a degree of balancing with regard to Chinese military buildup would remain a necessity, this could easily take more of a quiet background role than it does now, with the preponderance of effort and official attention directed towards the areas of mutual overlapping interests.

This policy of co-evolution can work, and is thus the recommended course of action here. Co-evolution removes the incentive for the CCP to paint the U.S. as an ‘enemy,’ which is much more conducive to fostering the stable environment necessary for the CCP to allow political liberalization – the event that will ultimately bring the U.S. and China together in a

constructive manner. Second, as robust as the media paints China as a result of its economic boom, China has very significant problems of its own, such as a huge and rapidly aging population. Considering the size of the Chinese economy and the world's ties to it, a strong and productive China benefits the U.S. much more than a weak and impotent one. Third, the U.S. would do well to recall that history has shown economics is not a zero-sum game – China proved that itself when it lifted hundreds of millions of its own people out of poverty after accepting market-based reforms. Avoiding the trap of being perceived as suppressing the rise of a developing country has value in maintaining U.S. credibility with the rest of the world, and eroding some of the incentive some “fence-sitting” nations see toward siding with China on critical issues. A fourth reason that a co-evolution policy can work lies in the fact that recent world events already drive the U.S. and China closer philosophically in some areas, and co-evolution will further that progress. American experiences conducting counterinsurgency in Iraq and Afghanistan for the past decade, combined with imminent cuts to American defense spending portend a U.S. that is far less inclined to conduct interventions in situations not deemed “nationally critical,” driving it closer to Chinese ideas of non-intervention. Similarly, Chinese participation in intergovernmental organizations expose it to and force it to acknowledge widely held Western beliefs in respect for the individual and human rights, ideas its own people are clamoring for. Lastly, the already alluded to fact that containment is expensive – and U.S. debt and deficits sit at historically unheard of levels – force a very real consideration of what is even fiscally feasible for the U.S. going forward. Many would argue that expending our final resources in a capabilities race with the Chinese may ultimately cause continued American decline, followed by Chinese preeminence.

Conclusion

The future of the Sino-American relationship remains uncertain. The U.S. still has, however, the opportunity to push this relationship in the direction of greatest benefit to both itself and the international community. This paper contends that in both the short and long term, China's rising status will not lead to open conflict, but ultimately greater cooperation once likely political liberalization occurs within China. While various sources of instability affect Sino-American relations, none of these are likely to derail the potential for co-evolution to occur. Furthermore, a confluence of forces is driving China towards political liberalization and the CCP is increasingly unwilling to suppress with force the internal elements behind them. For the U.S., a choice presents itself between approaching China with a strategy that stresses containment over cooperation, as it has done to date, or to shift towards a policy of co-evolution. It is important to acknowledge the possibility for either strategy, or perhaps more accurately the degree of application of either strategy, to fail in deterring open conflict and instead result in major disagreement, even combat. Kenneth Lieberthal and Wang Jisi assert that presently, "strategic distrust is growing on both sides and this perception can, if it festers, create a self-fulfilling prophecy of overall mutual antagonism."⁵¹ This distrust, which appears rational and understandable from both sides of the equation, is arguably the most corrosive element to Sino-American relations, and something which will persist to some degree as long as the two countries remain philosophically at odds. Lieberthal and Wang provide good recommendations toward stemming this tide of distrust and beginning to turn it back, however it begs the larger question of defining precisely how the U.S. "grand strategy" views the rise of China.

While China is still far from surpassing the U.S. in economic and military power, the degree to which it has closed the gap in just the past decade demands consideration on how we view China's rise. While it seems clear that we are not ready to accept an authoritarian China overtaking us, America should be asking the question of whether we really are serious about accepting a powerful but open and democratic China as a peer superpower, and the possibility of it passing us as the most powerful nation in the world. While this may offend the sensibilities of many Americans, this is a real possibility and warrants serious consideration. In the end, a degree of containment will and should persist until such time as China becomes largely politically liberal, assuming such a transition does occur. Only at such time as that were to happen does it become feasible for the U.S. to assume a stance of unfettered co-evolution. For this progress to happen, the U.S. needs to drive the "percentage" more towards co-evolution and away from explicit containment. Statements such as Secretary Clinton's in Africa are unhelpful and risk further strategic distrust.

It is worth noting that in adopting co-evolution we risk being attacked as tacitly endorsing the illiberal policies that currently cause friction in Sino-American relations. It does not, and it is important to recognize that in its *present state*, China is on the whole more a threat than an ally. Be that as it may, a policy that endeavors toward co-evolution and away from overt containment provides the political 'breathing room' the Chinese need in order to foster the kind of political liberalization necessary for our countries to avoid a permanently adversarial relationship that is in nobody's best interests.

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