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**CHINA'S GRAND STRATEGY AND U.S. PRIMACY:  
IS CHINA BALANCING AMERICAN POWER?**

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## ABSTRACT:

In a world in which the United States holds a preponderance of power, how does China design a grand strategy to advance its security interests? In this article, I argue that China is balancing American power in a “smart” manner. Currently, Beijing is pursuing a grand strategy that combines both internal balancing and external “soft balancing.” The strategy of internal balancing aims to increase China’s relative power through economic development and military modernization with an emphasis on asymmetric capabilities, whereas the strategy of soft balancing is designed to limit or frustrate U.S. policy initiatives deemed detrimental to Chinese interests through diplomatic efforts in multilateral institutions and bilateral partnerships. The strategic logic is to maintain a stable external environment for China to concentrate on economic growth and accumulate relative power—without provoking a vigorous U.S. response. In the long run, however, a strong and prosperous China would likely shift to a more assertive stance in foreign affairs.

The United States is the world's only superpower. It now produces more than a quarter of the world's total economic output and accounts for nearly half of the world's total military expenditures. No other state in modern history has achieved such a preponderance of wealth, might, and influence. The People's Republic of China, on the other hand, is a rising power with the potential to compete with the U.S. in international affairs. In a world in which America holds a preponderance of power, how does China design a grand strategy to advance its security interests?

The realist theory of international relations predicts that China will balance against American power. Yet, more than fifteen years have passed since the end of the Cold War, and no state has taken serious measures to form a balancing coalition to counter American dominance. Critics of realism point to the absence of countervailing alliances as proof that the balance-of-power theory is ill-suited for the post-Cold War world.<sup>1</sup> Have states really abandoned balance-of-power strategies? Is China balancing American power?

In this article, I make two sets of arguments. First, I argue that the logic of balancing still holds in international politics. Critics of balance-of-power theory have missed a piece of the puzzle—internal balancing. Although states have not resorted to external balancing by forming a counterbalancing alliance, they can still undertake internal efforts to mitigate the power gap with the dominant state. Second, to balance American power, I argue that China is pursuing a grand strategy that combines elements of internal balancing and external “soft balancing.” The strategy of internal balancing aims to increase China's relative power through economic development and military modernization with an emphasis on asymmetric warfare, whereas the strategy of external soft balancing is designed to limit or frustrate U.S. policy initiatives deemed detrimental to Chinese interests through diplomatic efforts in multilateral institutions and bilateral partnerships. The strategic logic is to maintain a stable external environment for China to concentrate on economic growth and accumulate comprehensive national power, without provoking a vigorous U.S. response. For Beijing, China's security can be best ensured by following such a strategy in the near term.

The following sections examine China's strategic objectives and threats to its security interests. I then discuss why a counterbalancing coalition has yet to occur and review the literature on soft balancing. Next, I analyze China's grand strategy of internal balancing and external soft balancing. Finally, I discuss whether China's current grand strategy is sustainable in the long run and describe the policy implications for the United States.

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<sup>1</sup> For an excellent survey of opposing views on whether the balance-of-power theory is still relevant, see G. John Ikenberry, ed., *America Unrivaled: The Future of the Balance of Power* (Ithaca, NY: Cornell University Press, 2002).

## Structural Realism and China's Strategic Objectives

Grand strategy deals with the causal links between a nation's strategic objectives and the means to achieve them. According to Barry Posen, grand strategy is a theory about how a state can best "cause" security in light of national resources and international constraints.<sup>2</sup> The making of a state's grand strategy, therefore, is contingent upon the judgment of its leaders about how the world works, which in general parallels the theories of international relations. To formulate a sound grand strategy, leaders must be able to accomplish two tasks: first, they must select a strategy that is appropriate for a) the power of their country, and b) the shape of the international system; and second, they must be able to cope with the inevitable and unexpected challenges to that strategy that emerge along the way.

It is important to note that grand strategy is not coterminous with foreign policy. Foreign policy refers to the diplomatic, military, and economic means a state employs to advance and protect its interests. Grand strategy is not a comprehensive description of a nation's foreign policies; it is narrower in scope because it specifically deals with the causal links between these three means and the security objectives of the state.<sup>3</sup> This focus on causal logic and security interests is a distinctive feature of grand strategy.

How do we analyze a nation's grand strategy? To study grand strategy, international relations scholarship has put forth a useful framework, succinctly summarized by Christopher Layne: "Grand strategy is a three-step process: determining a state's vital security interests; identifying the threats to those interests; and deciding how best to employ the state's political, military, and economic resources to protect those interests."<sup>4</sup> In practice, however, the grand strategies of states are rarely crafted with such precision, but this conceptualization provides a useful guide to "ferret out" the grand strategy of a state.<sup>5</sup>

Following the three-step conception of grand strategy, what are China's vital security interests? China's Defense White Papers have outlined the country's security interests in various ways, which can be summarized as having three main themes: 1) protecting the country from external threats; 2) curbing separatism and preventing Taiwan from declaring de jure independence; and 3) preserving domestic order and social

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<sup>2</sup> Barry Posen, *The Sources of Military Doctrine: France, Britain, and Germany between the World Wars* (Ithaca, NY: Cornell University Press, 1984), 13; Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell University Press, 1987), 2.

<sup>3</sup> Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford, CA: Stanford University Press, 2005), 19.

<sup>4</sup> Christopher Layne, "From Preponderance to Offshore Balancing: America's Future Grand Strategy," *International Security* 22, no. 1 (Summer 1997): 86-124, at 88. See also Posen, *The Sources of Military Doctrine*, 13; Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, 1992), ix; Barry R. Posen and Andrew L. Ross, "Competing Visions for U.S. Grand Strategy," *International Security* 21, no. 3 (Winter 1996/97): 5-53, at 5.

<sup>5</sup> Posen, *The Sources of Military Doctrine*, 13. Chinese military strategists use term the "grand strategy" to mean: "the overall strategy of a nation or alliance of nations in which they use overall national strength' to achieve political goals, especially those related to national security and development." Office of the Secretary of Defense, "Annual Report to Congress: The Military Power of the People's Republic of China, 2005," ed. Department of Defense (2005), 9.

stability.<sup>6</sup> To protect these interests, China must increase its political, military, and economic capabilities. In short, China must rise.

### *Long-Term Objective: Regional Primacy*

Studies have shown that China has been acting like a realist power on the world stage and, in the words of Thomas Christensen, “may well be the high church of realpolitik in the post-Cold War world.”<sup>7</sup> Chinese analysts frequently write in terms of power and are skeptical of the idea of humanitarian intervention and promotion of democracy. The Chinese government is known to conduct business with states, such as Sudan, Zimbabwe, and others, whose internal governance is questionable by international standards, and it avoids commenting on or attempting to alter those governments’ internal or external behaviors. Hence, to study China’s grand strategy, realism provides a useful starting point.

The realist theory of international relations predicts that the long-term objective of China’s grand strategy is to be the dominant power in Asia. In a world in which no central authority exists to protect states from aggression, a great power will strive to amass more power relative to others and attempt to dominate the system—regional or global—so that it has the capability to set the agenda and dictate the “rules of the game.” In an anarchic world, prudence dictates that states not base their security on other nations’ assurances of benign intentions.<sup>8</sup> After all, intentions are difficult to fathom and, even if known, can change in the future. Uncertainty about intentions—an enduring feature of the anarchic system—pushes states to aim for domination. The benefits of being the world’s strongest state are tremendous. Such a state enjoys not only a broader set of foreign policy options, but is also more capable of protecting its vital interests and consequently has the best chance of survival. Once a state has achieved that preeminent position, it will strive to prevent potential rivals from challenging its dominance.<sup>9</sup>

China’s modern history attests to Thucydides’ observation about power: “The strong do what they can and the weak suffer what they must.”<sup>10</sup> The Qing Dynasty’s relative weaknesses in the nineteenth century enabled the Western powers and Japan to

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<sup>6</sup> China began publishing defense white papers in 1995, and beginning in 1998 it released a new version every two years. For the English translations of these documents, see <http://www.china.org.cn/e-white/index.htm>.

<sup>7</sup> Thomas J. Christensen, “Chinese Realpolitik,” *Foreign Affairs* 75, No. 5 (Sept.-Oct. 1996): 37-52, at 37; Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton, NJ: Princeton University Press, 1995); Goldstein, *Rising to the Challenge*, 198; Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China’s Search for Security* (New York: W.W. Norton, 1997), 4.

<sup>8</sup> A good illustration of China’s belief in this maxim is the remarks made by China’s chief arms negotiator, Sha Zukang, about the subject of U.S. missile defense: “How can we base our own national security on your assurances of good will?” Eric Eckholm, “China Says U.S. Missile Defense Shield Could Force a Nuclear Buildup,” *New York Times*, May 11, 2000.

<sup>9</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton, 2001). See also Stephen M. Walt, *Taming American Power: The Global Response to U.S. Primacy* (New York: W.W. Norton, 2005), 1.

<sup>10</sup> Robert B. Strassler, ed., *The Landmark Thucydides: A Comprehensive Guide to the Peloponnesian War* (New York: Free Press, 1996), 352.

encroach upon China's sovereignty and territorial interests, causing the infamous "century of humiliation." To free the country from further suffering, generations of Chinese leaders since the Opium War in 1839 have endeavored to rebuild a powerful nation. They understood that in international politics weakness invites aggression, and strength begets security. The desire for a strong country was a major reason that Dr. Sun Yat-sen led the revolution to overthrow the Qing Dynasty and establish the Republic of China in 1912. Later on, Chiang Kai-shek continued the agenda of building a strong China but was thwarted by Japanese invasion. In 1949, Mao Zedong, emerging as the victor in the Chinese civil war, proclaimed atop the Tiananmen Square: "The Chinese people have stood up!" It is hardly surprising that New China was a revisionist state bent on changing the balance of power in its favor. China's century of humiliation demonstrated to the CCP leadership that power is the key to state survival.<sup>11</sup> Thus, "strong country" (*qianguo*) is a constant theme of contemporary Chinese statecraft and an aspiration of the populace. As one of China's leading experts of foreign affairs notes, having the status of a great power brings "confidence and dignity to billions of Chinese people, significantly reduces the likelihood of China being suppressed or bullied by today's superpower, significantly alleviates the potential and actual threats posed by countries hostile to China, significantly helps China secure the cooperation and support of other countries (including other great powers) and more effectively maintain and pursue the international interests that China deserves."<sup>12</sup>

But how strong should China be? There is no clear answer in the policy and academic communities in China. The official mission of the Chinese Communist Party calls for "the great rejuvenation of the Chinese nation" (*zhonghua minzu weida fuxing*), as reiterated nine times in former General Secretary Jiang Zemin's report to the 16<sup>th</sup> Party Congress in 2002. But this does not answer the question of how much power is enough. The writings of Chinese analysts are also unclear about how much power the country should eventually possess.<sup>13</sup> Does China wish to revive its status as the dominant power in Asia? Most agree that China should become a "world great power" (*shijie daguo*), but do not specify whether China should be "first among equals" or just equal.<sup>14</sup> Some

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<sup>11</sup> Jian Chen, *China's Road to the Korean War: The Making of the Sino-American Confrontation* (New York: Columbia University Press, 1994), 22-24. Sergei N. Goncharov, John W. Lewis, and Litai Xue, *Uncertain Partners: Stalin, Mao, and the Korean War* (Stanford, CA: Stanford University Press, 1993), 47.

<sup>12</sup> Shi Yinhong, "Guanyu zhongguo daguo diwei ji qi xingxiang de sikao" (Thoughts Concerning China's Great Power Status and its Image), *Guoji jingji pinglun (International Economic Review)* (Sept.-Oct. 1999): 43-44, at 44.

<sup>13</sup> Niu Jun, a foreign policy expert at Peking University, suggests that in the past one hundred years, most Chinese, including Mao Zedong, viewed the United States as a model to emulate and wished to become as powerful and dominant as the U.S., but notes that such a term as "great strong country" (*weida qianguo*) lacks a clear definition. Niu Jun, "'Zhongguo Jueqi': Mengxiang Yu Xianshi Zhi Jian De Sikao ['China's Rise': Reflections between Dream and Reality]," *Guoji jingji pinglun [International Economic Review]* (Nov.-Dec. 2003): 45-47. Meng Honghua, an analyst at the Communist Central Party School, summarizes the various views expressed in Chinese scholarship and places them in four categories: regional great power, Asia-Pacific regional great power with global influence, great power with global influence, and world great power. But as he points out, there are debates over these options. Meng Honghua, *Jiangou Zhongguo Dazhanlue De Kuangjia [China's Grand Strategy: A Framework Analysis]* (Beijing: Peking University Press, 2005), 283-286.

<sup>14</sup> See, for example, Shi Yinhong, "Feng Wu Chang Yi Fang Yan Liang: Lun Zhongguo Yingyou De Waijiao Zhexue He Shijixing Dazhanlue [To Have a Long Vision: On China's Diplomatic Philosophy and

suggest that China should play a “dominant” (*zhudao*) role in regional, if not global, affairs, and should “reshape” (*chongshu*) a world order that better suits Chinese interests.<sup>15</sup> Others put forth a somewhat qualified view and suggest that China should play a preeminent role in regional security affairs, with global economic interests, but should not become a global military power.<sup>16</sup>

This lack of clarity in Chinese writings is hardly surprising, considering that the mantra of China’s foreign policy since 1949 has been opposition to any forms of power politics and hegemonism—not to mention that China does not yet have the capability to assume the leading role in Asian affairs. To learn about the future direction of China’s strategic objectives, I turn to realism for guidance. Therefore, my claim about China’s long-term objective of regional primacy is a theory-based inference.

### *Pax Americana and Pax Sinica*

The explanatory (and predictive) power of realist theory can be illustrated by examples from both America’s and China’s own histories. Consider today’s reigning superpower—the United States. Since the first days of U.S. independence, American leaders have consciously sought to build a country dominant in the Western Hemisphere—in the words of John Quincy Adams in 1811 before he became president, “a nation, coextensive with the North American continent, destined by God and nature to be the most populous and most powerful people ever combined under one social compact.”<sup>17</sup> Manifest Destiny aside, in 1823 the United States announced the Monroe Doctrine to prevent European powers from meddling in its backyard. Clearly, American leaders understood that its security would be best served by becoming the hegemonic power in the Western Hemisphere.

As U.S. power grew in the twentieth century, its policy transmuted: deny other powers the possibility of becoming hegemon in any other region. “The interest of the United States of America,” declared President John F. Kennedy in 1963, “is best served by preserving and protecting a world of diversity in which no one power or no one combination of powers can threaten the security of the United States.”<sup>18</sup> The White House’s *National Security Strategy* of 2002 explicitly states: “Our forces will be strong enough to dissuade potential adversaries from pursuing a military build-up in hopes of

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the Grand Strategy of the Century],” *Ha'erbin gongye daxue xuebao (shehui kexue ban) [Journal of HIT (Social Sciences Edition)]* 3, no. 2 (June 2001): 13-20; Chu Shulong, “Quanmian Jieshe Xiaokang Shiqi De Zhongguo Waijiao Zhanlue [Comprehensively Constructing China’s Diplomatic Strategy During the Period of Relative Wealth],” *Shijie jingji yu zhengzhi [World Economics and International Politics]*, no. 8 (2003): 8-13.

<sup>15</sup> Ye Zicheng, “Zhongguo Shixing Daguo Waijiao Zhanlue Shi Zai Bi Xing [China Must Implement the Strategy of Great Power Diplomacy],” *Shijie jingji yu zhengzhi [World Economics and International Politics]*, no. 1 (2000): 5-10.

<sup>16</sup> Tang Shiping, “Zailun Zhongguo De Dazhanlue [China’s Grand Strategy Revisited],” *Zhanlue yu guanli [Strategy and Management]*, no. 4 (2001): 29-37.

<sup>17</sup> Quoted in John Lewis Gaddis, *Surprise, Security, and the American Experience* (Cambridge, MA: Harvard University Press, 2004), 26.

<sup>18</sup> Quoted in John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy* (New York: Oxford University Press, 1982), 201.

surpassing, or equaling, the power of the United States.”<sup>19</sup> Similarly, the Pentagon’s Quadrennial Defense Review (QDR) of 2006 states that the United States will “seek to ensure that no *foreign* power can dictate the terms of regional or global security. It will attempt to dissuade any military competitor from developing disruptive or other capabilities that could enable regional hegemony....”<sup>20</sup>

Thus, as realist theory predicts, American foreign policy aims to preserve its global dominance and prevent the rise of a regional hegemon in Europe or Asia. Such a regional hegemon could challenge America’s interests and threaten its security. Liberals and realists alike generally agree on this strategic goal. Joseph S. Nye, former Assistant Secretary of Defense for International Security Affairs, argues that maintaining regional stability and “detering the rise of hegemonic forces” constitutes the rationale for stationing American troops in East Asia.<sup>21</sup> Along the same line, Samuel Huntington argues: “A world without U.S. primacy will be a world with more violence and disorder.”<sup>22</sup> Furthermore, former Secretary of State Henry Kissinger emphasizes that “it is in the American national interest to resist the effort of *any* power to dominate Asia.”<sup>23</sup> For most Americans, the United States should maintain a preponderant position in global affairs and prevent the emergence of a hostile hegemon in Eurasia that could threaten American security. As Stephen Walt notes, “one would be hard pressed to find a prominent U.S. politician who would openly endorse anything less than the continuation of the nation’s dominance.”<sup>24</sup>

The same realist logic that led the U.S. to attain and maintain the status of regional hegemon in the Western Hemisphere motivated China’s regional strategy over many centuries. Throughout most of history, China was the regional hegemon in East Asia. The Middle Kingdom was the most powerful state in the region and was able to set the rules for trade and tribute with neighboring and even faraway states. Chinese dominance was expressed through a tribute system that required regional states to acknowledge Chinese supremacy and accept their inferior status as vassals. Their envoys brought tribute to the Chinese court and performed certain rituals, including the *kowtow*, to symbolize their submission to the emperor. In return, they were lavished with a much higher value of Chinese goods and luxuries such as silk, tea, treasures, and agricultural products. The vassal states were required to adopt the Chinese calendar, and their rulers

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<sup>19</sup> George W. Bush, *The National Security Strategy of the United States of America* (Washington, DC: The White House, September 2002). In the most recent *National Security Strategy* released in March 2006, President George W. Bush reiterates: “We must maintain a military without peer.... America must continue to lead.”

<sup>20</sup> Donald Rumsfeld, *Quadrennial Defense Review Report* (Washington, DC: The Department of Defense, February 2006), 30. [emphasis added]

<sup>21</sup> Joseph S. Nye, “The Case for Deep Engagement,” *Foreign Affairs* 74, no. 4 (July/August 1995): 90-102, 91. See also Joseph S. Nye, *The Paradox of American Power: Why the World’s Only Superpower Can’t Go It Alone* (New York: Oxford University Press, 2002). Nye argues that “Pax Americana is likely to last” (p. 17) because of its hard and soft powers.

<sup>22</sup> Samuel P. Huntington, “Why International Primacy Matters,” *International Security* 17, no. 4 (Spring 1993): 68-83, at 83.

<sup>23</sup> Henry Kissinger, *Does America Need a Foreign Policy? Toward a Diplomacy for the 21st Century* (New York: Simon & Schuster, 2001), 135. [emphasis original]

<sup>24</sup> Stephen M. Walt, “American Primacy: Its Prospects and Pitfalls,” *Naval War College Review* LV, no. 2 (Spring 2002): 9-28, at 10.



were enfeoffed by the Chinese emperor. They could also call for Chinese help if attacked. By paying tribute and receiving Chinese goods and culture, it was hoped, the foreigners would be transformed into civilized peoples and would not be a threat to China. In this sense, the tribute system served as a “defense mechanism” to protect China from foreign attacks.<sup>25</sup>

Many scholars consider Imperial China’s tribute system voluntary and peaceful. China specialists frequently use the tribute system to argue that the Chinese world order was a benign one, and that China has not historically followed the dictates of realism.<sup>26</sup> A careful look at Chinese history, however, reveals a different story. First, Chinese statecraft was not as benign (or non-coercive) as is often depicted in the Sinocentric literature. Although those who accepted Chinese suzerainty were granted tributary trade privileges, those who did not “were defined as inhuman, therefore deserving extermination,” in the words of historian Peter Purdue. In the seemingly pacific tribute system, “the iron fist always was held in reserve behind the smooth ritual mask.”<sup>27</sup> Second, the bedrock of the tribute system was Chinese power. When China was powerful, it was able to preserve and protect the tribute system. When China was in decline, its ability to maintain the system dropped in tandem.<sup>28</sup> For instance, in the sixteenth century, as the Mongol threat mounted, the declining Ming China was forced to watch helplessly as its tributary state of Hami in Inner Asia fell prey to the nearby state of Turfan. Frequently overlooked in the tribute system literature is that, for three hundred years, the weaker Song Dynasty (960-1279) had to pay tribute to a more powerful adversary in northern China and grudgingly accepted China’s inferior status. Third, security through expansion was not uncommon in Chinese history. For example, Han China conquered the Korean state of Choson around 108 BC and established four commanderies on the peninsula. Tang China expanded into Korea by conquering Koguryo in 668. In the south, the Han, Tang, and Ming dynasties conquered and reconquered the northern part of Vietnam and incorporated it into the imperial administrations. In the seventeenth and eighteenth centuries, Qing China under the Manchus was an expansionist power bent on dominating Asia.<sup>29</sup> Finally, in addition to viewing the tribute system through a Chinese lens, analysts would benefit from the viewpoints of those at the receiving end of Chinese power—the tributary states. These states’ understanding of the tribute system was different from Chinese interpretation. Since Chinese return of goods was usually in excess of the tribute, the vassal states saw this as payment for their cooperation. As historian Henry Serryus aptly observes of Sino-Mongol relations during the Ming

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<sup>25</sup> Morris Rossabi, ed., *China among Equals: The Middle Kingdom and Its Neighbors, 10th-14th Centuries* (Berkeley, CA.: University of California Press, 1983), 1; J. K. Fairbank, “Tributary Trade and China’s Relations with the West,” *The Far Eastern Quarterly* 1, no. 2 (Feb. 1942): 129-149, at 137.

<sup>26</sup> For instance, David Shambaugh asserts that “China does not have a significant history of coercive statecraft....The tribute system may have been hegemonic, but it was not based on coercion or territorial expansionism.” David Shambaugh, “China Engages Asia: Reshaping the Regional Order,” *International Security* (Winter 2004/05): 64-99, at 95.

<sup>27</sup> Peter C. Perdue, *China Marches West: The Qing Conquest of Central Eurasia* (Cambridge, MA: The Belknap Press of Harvard University Press, 2005), 548.

<sup>28</sup> Gary Ledyard, “Yin and Yang in the China-Manchuria-Korea Triangle,” in Rossabi, ed., *China among Equals*, 313-353.

<sup>29</sup> Perdue, *China Marches West*.

Dynasty, “the Mongols thought of the tribute system as a tribute paid to them, not the other way about.”<sup>30</sup>

This depiction of the Sinocentric order undoubtedly differs in culture and form from Pax Americana as well as other regional hegemonic systems. They share a core element, however: a recognition that security is best ensured by becoming the most powerful state in their region. The regional hegemon can dictate the boundaries of acceptable behavior and possesses the means to enforce them, if necessary, by the threat or use of force. Neither American nor Chinese leaders would prefer to see their nations overshadowed by a stronger great power next door.

### *Near-Term Objective: Peaceful Development*

While there is some debate in China about the nation’s long-term objectives, there is more agreement in Chinese writings regarding near-term objectives, as embodied in the official policy theme of “peaceful development” (*heping fazhan*). Beijing recognizes that, for the nation to rise in power, economic development is a necessity and can only occur amid a peaceful international environment. Furthermore, economic growth—along with nationalism—can provide a much-needed source of legitimacy for the Communist Party in an era when Communism has lost its appeal among the populace. Currently, Beijing has a wide range of internal and external problems that it must overcome. Internally, Beijing must sustain economic growth and maintain domestic order. Externally, Beijing must weigh the possible responses of other states, particularly the United States, to China’s rise and assure them of China’s benign intentions. As will be discussed below, such a near-term objective is a rational, calculated response to the international constraints imposed by America’s preponderance of power.

The Bush administration came into office in 2001 seeing China as a “strategic competitor,” and was poised to take a more adversarial approach toward Beijing than its predecessor. The September 11, 2001, terrorist attacks shifted the administration’s strategic focus. With America’s strategic spotlight focused on counterterrorism and Iraq, China perceived a “period of strategic opportunity” (*zhanlue jiyu qi*) in which it could concentrate on developing its “comprehensive national power.”<sup>31</sup> As an analyst from the Communist Central Party School pointed out, “As long as the United States does not put its efforts in earnest against China, China will have a more relaxed international environment.”<sup>32</sup> An article published in a Communist Party magazine *Outlook Weekly* noted that post-9/11 America did not approach China as a strategic competitor, thus “reducing the strategic pressures on China.” Both countries could now build a cooperative relationship in counterterrorism, trade, and curbing Taiwan independence.

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<sup>30</sup> Henry Serruys, *Sino-Mongol Relations during the Ming II: The Tribute System and Diplomatic Missions (1400-1600)* (Brussels: Institut Belge des Hautes Etudes Chinoises, 1967), 21.

<sup>31</sup> Yang Jiemin, “Zhongyao Zhanlue Jiyu Qi Yu Zhongguo Waijiao De Lishi Renwu [Important Period of Strategic Opportunity and the Historical Mission of Chinese Diplomacy],” *Mao Zedong Deng Xiaoping lilun yanjiu [Study of Mao Zedong and Deng Xiaoping Theories]*, no. 4 (2003): 60-67.

<sup>32</sup> Liu Bin, “Shilun Ershi Nian De Guoji Zhanlue Jiyu Qi [On Two Decades of the Period of International Strategic Opportunities],” *Guoji guanxi xueyuan xuebao [Journal of the University of International Relations]*, no. 6 (2003): 19-21.

However, China's period of strategic opportunity might come to an end, the article cautions, once America's counterterrorism efforts cease to be the priority.<sup>33</sup>

### *How China Eyes the U.S.*

As the predominant power in the world, the United States has kept a close watch on the rise of a potential hegemon and has made clear that the Asian balance-of-power must be maintained. The U.S. believes that its security interests will be best served by not allowing another power to dominate Asia (or Europe). China's aspirations of becoming the dominant power in Asian affairs thus conflict with American policy as well as the current configuration of power in the region. This "structural contradiction" is well recognized by most Chinese analysts, who see the United States as determined to maintain its dominant position in the Asia-Pacific and to constrain China's rise.<sup>34</sup> Although disagreement exists over whether Chinese and American strategic objectives can be made compatible, most Chinese analysts see the United States as taking a hostile attitude toward China. From the Chinese standpoint, "the United States sees China as the potential threat and strategic adversary in the 21<sup>st</sup> century."<sup>35</sup> China has become the "main adversary" (*zhuyao duishou*) in America's Asia strategy because "China's rise will bring structural challenge to American hegemony in the Asia-Pacific region."<sup>36</sup>

Uncertainty about each other's intentions is driving the security dilemma between U.S. and China. Each side sees its actions as defensive but views the other's as threatening. The U.S. sees its forward military presence in Asia as conducive to peace and prosperity in the region, but China is apprehensive about American "hegemonic behavior" in Asia and elsewhere. Similarly, the Chinese government goes to great lengths to emphasize that China's military modernization is defensive in nature, but the U.S. (as well as China's neighbors) is not so sure about Beijing's intentions. For instance, citing China's increasing arms purchases, U.S. Defense Secretary Donald Rumsfeld asks: "Since no nation threatens China, one must wonder: Why this growing investment?"<sup>37</sup> This skeptical view is reinforced in the Pentagon's QDR published in 2006: "Of the major and emerging powers, China has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional U.S. military advantages absent U.S. counter strategies."<sup>38</sup>

China's view, however, is quite different. As one of China's leading America watchers writes: "China obviously does not pose a threat to the United States, but the United States poses a certain threat to the security of China's core national interests [e.g.,

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<sup>33</sup> Liu Jianfei, "'Zhanlue Jiyu Qi' Yu Zhongmei Guanxi ['Strategic Opportunity' and Sino-American Relations]," *Liaowang xinwen zhoukan [Outlook Weekly]*, no. 3 (January 20, 2003): 56-57.

<sup>34</sup> See, for example, Wang Yizhou, "Zhongguo Yu Duobian Waijiao [China and Multilateral Diplomacy]," *Shijie jingji yu zhengzhi [World Economics and International Politics]*, no. 10 (2001): 4-8, at 5.

<sup>35</sup> Chu Shulong, "Meiguo Dui Hua Zhanlue Ji Zhongmei Guanxi Zouxiang [U.S. Strategy toward China and the Trends in Sino-American Relations]," *Heping yu fazhan [Peace and Development]*, no. 2 (2001): 39-41.

<sup>36</sup> Wang Jisi, "Meiguo Baquan Yu Zhongguo Jueqi [America's Hegemony and China's Rise]," *Waijiao pinglun [Foreign Affairs Review]*, no. 84 (Oct. 2005): 13-16.

<sup>37</sup> Thom Shanker, "Rumsfeld Issues a Sharp Rebuke to China on Arms," *The New York Times*, June 4, 2005.

<sup>38</sup> Rumsfeld, *Quadrennial Defense Review Report (2006)*, 29.

sovereignty and socio-political stability]...<sup>39</sup> There is a near-consensus among Chinese commentators that in the aftermath of the Cold War the United States is determined to pursue a policy of “sole hegemony” (*du ba*), and to build a unipolar world to its liking.<sup>40</sup> China’s rise will challenge the dominant position of the U.S., who in turn will strive to preserve its dominance by constraining China. Thus, in the eyes of the Chinese, “the United States poses the biggest external security threat to China.”<sup>41</sup>

Despite repeated statements from the White House that “we welcome the emergence of a strong, peaceful, and prosperous China,”<sup>42</sup> (interestingly, the word “strong” was dropped out in subsequent U.S. policy statements), Chinese analysts frequently accuse the U.S. of pursuing a double-faced strategy vis-à-vis China—officially seeking to engage China in the political, economic, and military realms while at the same time taking measures to constrain or even contain China’s rise.<sup>43</sup> For many Chinese analysts, disagreements over human rights and democracy are just a red herring. For them, the real issue is America’s desire to preserve its hegemonic position and to guard against China’s rise.

U.S. diplomatic and military actions along China’s periphery after the end of the Cold War increased China’s fear of the American threat and strategic encirclement. Washington moved to strengthen the U.S.-Japan alliance and encouraged Japan to expand its military capabilities and assume a larger role in regional affairs. Washington is also

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<sup>39</sup> Yang Jiemian, “Shilun zhongmei zonghe guojia anquan hudong guanxi” [“On the Interacting Relationship in Sino-American Comprehensive National Security”], in Ni Shixiong and Liu Yongtao eds., *Meiguo wenti yanjiu [Studies on American Issues], Vol. 4* (Shanghai: Shishi chubanshe, 2005): 134-150, at 141-142.

<sup>40</sup> See, for example, Ni Shixiong, “Cong Shijie Geju Kan Zhongmei Guanxi [Viewing Sino-American Relations from the World’s Configuration of Power],” *Zhongguo renmin daxue xuebao [Journal of the Renmin University of China]*, no. 5 (2001): 10-12; Chu Shulong and Gao Zugui, “Meiguo Yatai Ji Dui Hua Zhanlue Sixiang Fazhan Xin Dongxiang [the New Trends of Development in U.S. Strategic Thinking over Asia-Pacific and China],” *Heping yu fazhan [Peace and Development]*, no. 3 (2000): 32-37. As David Shambaugh points out, “For many years, Chinese analysts have accused the United States of pursuing global hegemony.” David Shambaugh, “China or America: Which Is the Revisionist Power?” *Survival* 43, no. 3 (Autumn 2001): 25-30, at 25.

<sup>41</sup> Wang Jisi, “Lengjing, Lengjing, Zai Lengjing: Dui Dangqian Meiguo Yu Zhongmei Guanxi De Jidian Guancha [Calm Down, Calm Down, Calm Down Again: A Few Reflections on the Current U.S. and Sino-American Relations],” *Guoji jingji pinglun (International Economic Review)* (Sept.-Oct. 2004): 5-8, at 7. Note that Wang does not equate “security threat” with “enemy.” In his study of Chinese military modernization, David Shambaugh notes: “There is little doubt that Chinese leaders and strategists view the United States as the greatest security threat to world peace, as well as to China’s own national security and foreign policy goals.” David Shambaugh, *Modernizing China’s Military: Progress, Problems, and Prospects* (Berkeley, CA: University of California Press: 2002), 289. Evan Medeiros notes that “many Chinese policymakers and analysts are convinced that the United States poses the most significant long-term external threat to China’s national rejuvenation and regional aspirations.” Evan S. Medeiros, “Strategic Hedging and the Future of Asia-Pacific Stability,” *The Washington Quarterly* 19, no. 1 (Winter 2005-06): 145-167, at 154.

<sup>42</sup> Bush, *The National Security Strategy of the United States of America*.

<sup>43</sup> See, for example, Chu Shulong, “Meiguo Dui Hua Zhanlue Ji Zhongmei Guanxi Zouxiang.”; Liu Bin, “Shilun Ershi Nian De Guoji Zhanlue Jiyu Qi [On Two Decades of the Period of International Strategic Opportunities].” The U.S. policy of engagement may have reflected the idealist strand in American foreign policy. But, as Mearsheimer points out, in practice, liberal America has acted like a realist power in the world. Mearsheimer, *The Tragedy of Great Power Politics*.

strengthening its own forward military presence by redeploying troops from Europe to East Asia and stationing nuclear-powered submarines and long-range bombers at Guam. The enhanced maritime forward presence gives the U.S. “the power to blockade mainland ports in the event of war” and the increased air power at Guam will permit U.S. aircraft to “target Chinese military and civilian assets while remaining out of range of China’s air defenses.”<sup>44</sup> In Central Asia, the U.S. has established a military presence to prosecute the post-9/11 war on terrorism. In South Asia, Washington has accepted India’s nuclear status and moved to strengthen ties with this “key strategic partner.”<sup>45</sup>

Of all the issues in U.S.-China relations, Beijing considers Taiwan to be the most important and potentially disruptive. Chinese analysts of various stripes—hardliners, moderates, or liberals—unanimously regard the island democracy of Taiwan as an integral and essential part of China, and support Beijing’s use of force should Taiwan declare de jure independence.<sup>46</sup> Beijing charges that Washington’s improved military ties with Taiwan are emboldening the island to pursue independence, and are thus damaging to China’s vital interest. As former vice-premier Qian Qichen notes in his memoir, “Supporting the Taiwan authority and promoting [the strategy of] ‘using Taiwan against China’ has been the established policy of the various administrations of the United States.”<sup>47</sup> U.S. provision of defensive armaments to Taiwan (only defensive weapons are allowed under the Taiwan Relations Act) are seen by Beijing as threatening to Chinese nationalism.<sup>48</sup>

To sum up, the pursuit of power is high on Beijing’s agenda. In the anarchic system, China views the U.S. as the biggest threat to its security and believes that its sovereignty and territorial integrity can be best ensured by becoming the leading great power in Asian affairs. However, China’s rise is faced with the constraints of the U.S.-dominated unipolar structure of international politics. How does Beijing respond to U.S. primacy?

### **Balance of Power Redux**

Realist theories of international politics predict that states will balance against the dominant power. More than fifteen years into the end of the Cold War, however, a counterbalancing coalition against America’s preponderance of power has not occurred. This lack of hard balancing is puzzling for some international relations scholars.<sup>49</sup> To explain the lack of counterbalancing, William Wohlforth has provided a useful starting

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<sup>44</sup> Robert S. Ross, “Bipolarity and Balancing in East Asia,” in *Balance of Power: Theory and Practice in the 21st Century*, ed. T.V. Paul, James J. Wirtz, and Michel Fortmann (Stanford: Stanford University Press, 2004), 281.

<sup>45</sup> Rumsfeld, *Quadrennial Defense Review Report (2006)*, 28.

<sup>46</sup> Chinese officials stopped publicly using the term “peaceful rise” (*heping jueqi*) to describe their country’s development after April 2004 partly over concerns that it precluded the option of using force in the Taiwan Strait. Robert L. Suettinger, “The Rise and Descent of ‘Peaceful Rise,’” *China Leadership Monitor*, no. 12 (Fall 2004): 1-10.

<sup>47</sup> Qian Qichen, *Waijiao shi ji [Ten Episodes in Diplomacy]* (Beijing: Shijie zhishi chubanshe 2003): 306.

<sup>48</sup> Thomas J. Christensen, “The Contemporary Security Dilemma: Deterring a Taiwan Conflict,” *The Washington Quarterly* 25, no. 4 (Autumn 2002): 7-21.

<sup>49</sup> For various viewpoints, see the articles in Ikenberry, ed., *America Unrivaled*.

point: the United States, as an offshore power enjoying the advantages of geography, is so far ahead of the other states in almost every dimension of power that coordinating a counterbalancing coalition would be extremely difficult, if not impossible. Given the huge power disparity, no state in its right mind would want to provoke the “focused enmity” of the United States. The incentives for free-riding and buck-passing are strong. Moreover, a state that resorts to military buildups would likely trigger counterbalancing by local states, who would see the distant U.S. as an attractive alliance partner. Balancing America’s preponderant power will be especially hard and prohibitively costly.<sup>50</sup>

Thus, U.S. geographical location and the tremendous power advantage that it enjoys account for the absence of counterbalancing. Wohlforth, however, has been too quick to assert that no states dare to challenge U.S. preponderance of power. The absence of a counterbalancing coalition does not necessarily mean that states have foregone the balancing strategy. They may be balancing American power in a “smart” manner, without inviting America’s “focused enmity.” As Kenneth Waltz writes, “As nature abhors a vacuum, so international politics abhors unbalanced power. Faced with unbalanced power, some states try to increase their own strength or they ally with others to bring the international distribution of power into balance.”<sup>51</sup> Threatened states can resort to either “internal balancing” (mobilizing domestic military and economic resources) or “external balancing” (forming military alliances), or they may do both. Thus, by focusing on external balancing, critics of realism have missed the internal measures that states may employ to offset a power gap. Whatever strategies states select, the goal is to increase their capabilities so that the dominant state cannot do things damaging to their interests.

Recent international relations scholarship has distinguished between “hard balancing” and “soft balancing.”<sup>52</sup> Hard balancing is practiced by pursuing traditional military buildups and formal alliances, whereas soft balancing, as defined by T.V. Paul, “involves tacit balancing short of formal alliances. It occurs when states generally develop ententes or limited security understandings with one another to balance a potentially threatening state or a rising power. Soft balancing is often based on a limited arms buildup, ad hoc cooperative exercises, or collaboration in regional or international institutions; these policies may be converted to open, hard-balancing strategies if and when security competition becomes intense and the powerful state becomes threatening.”<sup>53</sup> Put in the context of U.S. primacy, notes Stephen Walt, “soft balancing is the *conscious coordination of diplomatic action in order to obtain outcomes contrary to U.S. preferences—outcomes that could not be obtained if the balancers did not give each*

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<sup>50</sup> William C. Wohlforth, “The Stability of a Unipolar World,” *International Security* 24, no. 1 (Summer 1999): 5-41. See also Stephen G. Brooks and William C. Wohlforth, “American Primacy in Perspective,” *Foreign Affairs* 81, no. 4 (July/August 2002): 20-33.

<sup>51</sup> Kenneth N. Waltz, “Structural Realism after the Cold War,” *International Security* 25, no. 1 (Summer 2000): 5-41, at 28.

<sup>52</sup> Robert A. Pape, “Soft Balancing against the United States,” *International Security* 30, no. 1 (Summer 2005): 7-45; T. V. Paul, “Soft Balancing in the Age of U.S. Primacy,” *International Security* 30, no. 1 (Summer 2005): 46-71; Walt, *Taming American Power*, 126-132.

<sup>53</sup> T. V. Paul, “Introduction: The Enduring Axioms of Balance of Power Theory and Their Contemporary Relevance,” in *Balance of Power: Theory and Practice in the 21st Century*, ed. T.V. Paul, James J. Wirtz, and Michel Fortmann (Stanford, CA: Stanford University Press, 2004), 3.

*other some degree of mutual support.* By definition, ‘soft balancing’ seeks to limit the ability of the United States to impose its preferences on others.”<sup>54</sup>

Most of the soft-balancing literature focuses on “external” balancing measures, i.e. diplomatic efforts in international institutions to chip away at U.S. foreign policy initiatives. Less discussed are the “internal” balancing efforts that second-tier major powers adopt to offset the power advantage of the U.S. This inattention is unfortunate because internal balancing, along with external balancing, constitutes an integral part of the balancing strategy. Internal balancing refers to the military, economic, and political efforts undertaken *within* a state aimed at increasing its capability in countering the threat posed by a more powerful rival.<sup>55</sup> Internal balancing can take two forms. A state can embark upon a major military buildup by upgrading armaments and training military personnel. This type of internal balancing, however, is likely to arouse immediate security concerns among other states, who will likely fear that these military buildups may be used against them. Alternatively, a state can increase its potential power by focusing on economic development, and convert its wealth into military might at a more propitious time, assuming resources are fungible. This type of internal balancing is less likely to arouse immediate security concerns among other states. States can, of course, engage in both types of internal balancing, assigning different weight to military or economic capabilities. Politically speaking, a state can try to maneuver into a delicate balance between these two types of internal balancing in order to minimize fears among others.

China’s current power position lags far behind that of its “biggest external security threat”—the United States. As much as China would welcome the emergence of a multipolar system, an increasing number of Chinese analysts recognize that American unipolarity will likely continue in the foreseeable future and that China is in no position to directly confront the U.S. at present.<sup>56</sup> As one influential Chinese foreign policy expert observes, “Since the end of the Cold War, we have been expecting the decline of U.S. hegemonic position and the arrival of a multipolar world. But the fact is, it has become increasingly clear that U.S. global hegemonic position has been consolidated.”<sup>57</sup> Even when China becomes more fully modernized over the next few decades, the United States will continue to grow in power and will likely remain in a predominant position. Thus, China wishes to close the power gap with United States, but is constrained by the difficulty of balancing in a unipolar system.

How, then, does China respond to unbalanced American power?

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<sup>54</sup> Walt, *Taming American Power*, 126-127. [italics original].

<sup>55</sup> For Waltz, internal balancing efforts include “moves to increase economic capability, to increase military strength, [and] to develop clever strategies.” Kenneth N. Waltz, *Theory of International Politics* (Reading, PA: Addison-Wesley Publishing Co., 1979), 118.

<sup>56</sup> Kuo Shuyong, “Lun Zhongguo Jueqi Yu Shijie Zhixu De Guanxi [On the Relationship between China’s Rise and World Order],” *Taipingyang xuebao [Pacific Journal]*, no. 6 (2005): 3-11; Meng Honghua, “Lengzhan Hou Meiguo Dazhanlue De Zhengming Ji Qi Qishi Yiyi [Debates over American Grand Strategy after the Cold War and Their Implications],” *Taipingyang xuebao [Pacific Journal]*, no. 2 (2003): 18-26.

<sup>57</sup> Wang Jisi, “Meiguo Baquan De Luoji [The Logic of American Hegemony],” *Meiguo yanjiu [American Studies Quarterly]* 17, no. 3 (2003): 7-29, at 28.

The key strategic question for Beijing is how to maximize China's relative power and ensure that the process remains peaceful. Such a strategy entails increasing economic and military capabilities and at the same time minimizing international concerns over China's rising power. As the United States is the country most capable of obstructing China's rise, it occupies a central place in China's grand strategy. By necessity, Beijing strives to keep bilateral relations on good terms lest Washington decide to take serious measures to impede China from developing economic and military capabilities. In short, Beijing needs to find a way to survive, and thrive, under U.S. hegemony.

### **Internal and External Balancing**

To counter the U.S. preponderance of power, Beijing is currently pursuing a two-pronged strategy that combines elements of both "internal balancing" and external "soft balancing." The strategy of internal balancing entails accelerated economic growth and military modernization that emphasizes asymmetric strategies, whereas the strategy of soft balancing calls for joining, and even creating, multilateral institutions and engaging in "great power diplomacy" (*daguo waijiao*). The internal balancing strategy is designed to increase China's relative power and shrink the power gap with the United States, whereas the soft balancing strategy aims to "delay, frustrate, and undermine" U.S. hegemonic behavior through diplomatic efforts.<sup>58</sup> The gist of this grand strategy is well captured in the official policy theme of "peace and development": Beijing wishes to maintain a peaceful external environment that is most amenable to the development of China's comprehensive national power. An outright, hard balancing effort would likely provoke an active U.S. response (such as containment), which would not serve China's current interests. Revealingly, China defines grand strategy as one of "maintaining balance among competing priorities for sustaining momentum in national economic development" and "maintaining favorable trends in the security environment within which such economic development can occur."<sup>59</sup>

#### *Internal Balancing*

The first pillar of China's grand strategy is internal balancing. Because hard, external balancing is difficult in a unipolar world, the primary means that Beijing is employing to close the power gap with the U.S. is through internal efforts to increase China's capabilities. As Robert Ross points out, "Beijing is relying primarily on domestic resources to balance U.S. power."<sup>60</sup> Whether China will be able to rise to the rank of "world great power" and become the leading state in Asia will ultimately depend on its economic wealth, technological prowess, and military might. Accordingly, Beijing is setting economic development as its principal task, and in the mean time embarking upon a military modernization program with an emphasis on asymmetric capabilities that is designed to enable it to prevail, or to hold its own, in the event of conflict with the U.S. In short, Beijing hopes to find an optimal balance between "guns" and "butter."

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<sup>58</sup> Pape, "Soft Balancing against the United States," at 10.

<sup>59</sup> Office of the Secretary of Defense, "Annual Report to Congress: Military Power of the People's Republic of China, 2006," ed. Department of Defense (2006), 9.

<sup>60</sup> Ross, "Bipolarity and Balancing in East Asia," at 288.



## *The Primacy of Economic Development*

In a famous talk with leading members of the Central Committee in 1990, senior leader Deng Xiaoping instructed: “If China wants to withstand the pressure of hegemonism and power politics and to uphold the socialist system, it is crucial for us to achieve rapid economic growth and to carry out our development strategy.”<sup>61</sup> The Chinese leadership has taken this dictum to heart, and China’s grand strategy takes economic development as its primary goal. China’s ability to protect its vital security interests ultimately rests on its military might, which in turn rests on wealth and advanced technology.

The collapse of the Soviet Union offers an important lesson to Beijing about the adverse consequences of prioritizing the military and distorting economic infrastructure—China should maintain an optimal balance between economic development and military modernization.<sup>62</sup> Moreover, China’s rise requires minimizing concerns over its newfound capabilities and military posture in Asia. Assigning priority to economic issues is less likely to alert neighbors and attract counterbalancing efforts than embracing a Soviet-style military modernization that aims to surpass the armaments of the other superpower.<sup>63</sup> Indeed, Chinese leaders have been at pains to stress that China’s rise presents tremendous economic opportunities, not military threats, to other states.

Furthermore, economic development not only can increase China’s potential power but also can bring political benefits to the Communist leadership in Beijing—making the country prosperous will earn legitimacy for the Communist Party and help it stay in power. The regime has taken credit for feeding 1.3 billion people and turning China from a backwater into an economic powerhouse, and frequently sets goals to continue and accelerate this growth. For instance, China’s 11<sup>th</sup> Five-Year Plan, passed in 2005 by the National People’s Congress, aims to double the nation’s 2000 per capita GDP by 2010, and to have an overall GDP of U.S.\$4 trillion by 2020. In order to meet these objectives, Beijing must solve a host of domestic governance problems—rural poverty, the coastal-interior development gap, income inequality, the reform of state-owned enterprises, and corruption, to name just a few. This daunting task is not to be taken lightly. As Zheng Bijian, the architect of the “peaceful rise” theory, repeatedly emphasizes: “China has a population of 1.3 billion. Any small difficulty in its economic or social development, spread over this vast group, could become a huge problem”<sup>64</sup>—a theme reiterated by President Hu Jintao during his visit to the U.S. in 2006. Hence, Beijing has every incentive to highlight the peaceful aspect of its foreign policy

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<sup>61</sup> “Guoji xingshi he jingji wenti” [“The International Situation and Economic Problems”], in *Selected Works of Deng Xiaoping*, vol. 3, (Beijing: Renmin Chubanshe, 1993), p. 356.

<sup>62</sup> Ye Zicheng, “Zhongguo Maixiang Shijie Daguozhi Ru [China’s Road to a World Great Power],” *Guoji zhengzhi yanjiu [Studies of International Politics]*, no. 3 (Aug. 2003): 73-86; Shen Jiru, “Duobian Waijiao He Duoqi Shijie [Multilateral Diplomacy and Multipolar World],” *Shijie jingji yu zhengzhi [World Economics and International Politics]*, no. 10 (2001): 20-24.

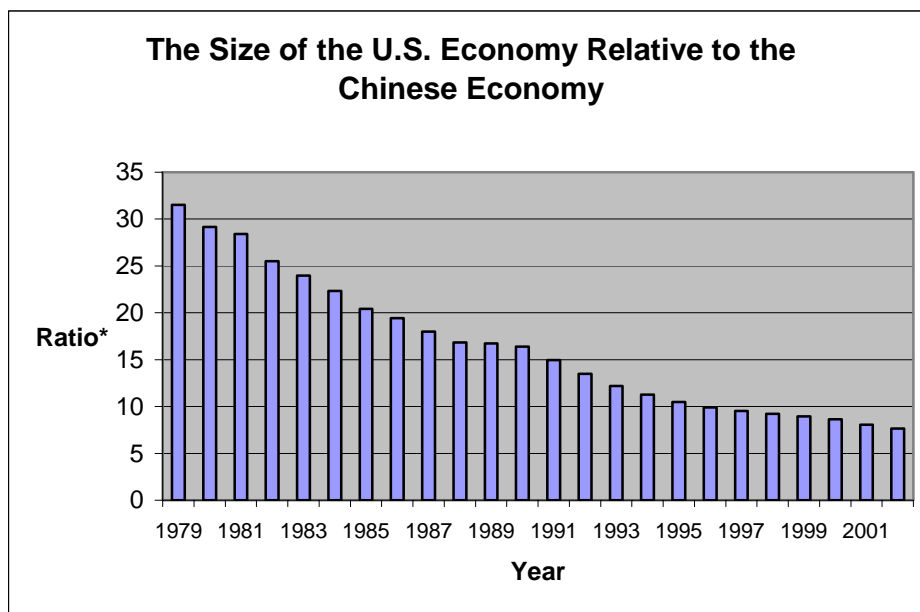
<sup>63</sup> Goldstein, *Rising to the Challenge*, 31, 216.

<sup>64</sup> Zheng Bijian, “China’s ‘Peaceful Rise’ to Great-Power Status,” *Foreign Affairs* 84, no. 5 (October 2005).

behaviors—it cannot afford an unstable international environment, at least in the short run. By emphasizing economic development and the trade and investment opportunities it presents to the outside world, and at the same time downplaying its military might, Beijing hopes to alleviate regional fears of China’s rising power.<sup>65</sup>

Economic development is the area of Chinese grand strategy that has been most successful so far. The economic gap between China and the U.S. is gradually shrinking (Figure 1). In 1979, the year Deng Xiaoping started the “reform and opening up” policy, the size of the U.S. economy was approximately 31.5 times that of China. In 2002, the size of the U.S. economy (U.S.\$9.22 trillion) was only 7.6 times larger than China’s (U.S.\$1.21 trillion). The gap is expected to shrink further if China sustains its current growth rate.

**Figure 1**



\* U.S. GDP divided by China’s GDP (constant 1995 U.S.\$)  
 Source: World Bank, *World Development Indicators Online* (Washington, DC.: World Bank, various years).

*Asymmetric Military Strategy*

China’s military modernization fits into the concept of hard (internal) balancing, an area that has aroused the most concerns in the region. Official defense expenditures have been on a double-digit increase every year since 1989 (averaging 14.5% per year),<sup>66</sup> reaching U.S.\$35.3 billion in 2006, a 14.7% rise over the previous year. The number for actual defense spending, however, is usually two to three times above the official figure, making China the third largest military spender in the world, behind the U.S. and

<sup>65</sup> Bates Gill, “China’s Evolving Regional Security Strategy,” in *Power Shift: China and Asia’s New Dynamics*, ed. David Shambaugh (Berkeley, CA: University of California Press, 2005).

<sup>66</sup> David Shambaugh, “China’s Military Modernization: Making Steady and Surprising Progress,” in *Strategic Asia 2005-2006: Military Modernization in an Era of Uncertainty*, ed. Ashley J. Tellis and Michael Wills (Seattle, WA: The National Bureau of Asian Research, 2005), 80.

Russia.<sup>67</sup> These figures, however, should be interpreted with caution. Chinese defense expenditures, though rising, remain a fraction of the U.S. defense budget (Figure 2). China's official defense budget accounts for about 1.4% of its GDP; when adjusted for extra-budgetary revenue allocated to the PLA, China spends roughly the same percentage of GDP as the U.S. does on defense, which stands at about 3-5% (Figure 3). In contrast, the former Soviet Union spent as much as 20% of its GDP on defense. Given the growing size of the Chinese economy, Beijing could have allocated more money to defense. But as David Shambaugh and others have argued, there is "scant financial evidence of a significant military buildup."<sup>68</sup> As noted above, China's grand strategy is to find an optimal balance between economic development and military modernization so that its efforts to increase defense capabilities do not jeopardize economic growth. An all-out effort to increase China's military capabilities would not only provoke a counterbalancing effort by neighbors but also risk distorting its economic structure, as the Soviet Union did.

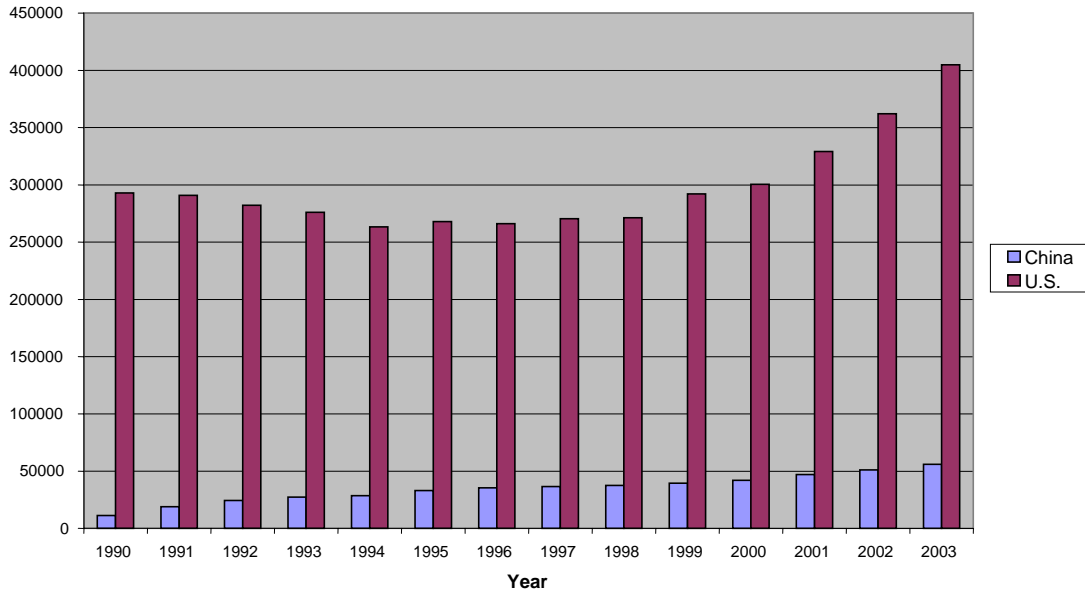
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<sup>67</sup> Office of the Secretary of Defense, "Annual Report to Congress: The Military Power of the People's Republic of China, 2005," 21-22.

<sup>68</sup> Shambaugh, *Modernizing China's Military*, 223-224. Similarly, Goldstein argues that "the belief that China was rapidly increasing its military capabilities was unduly alarmist." Goldstein, *Rising to the Challenge*, 55.

Figure 2

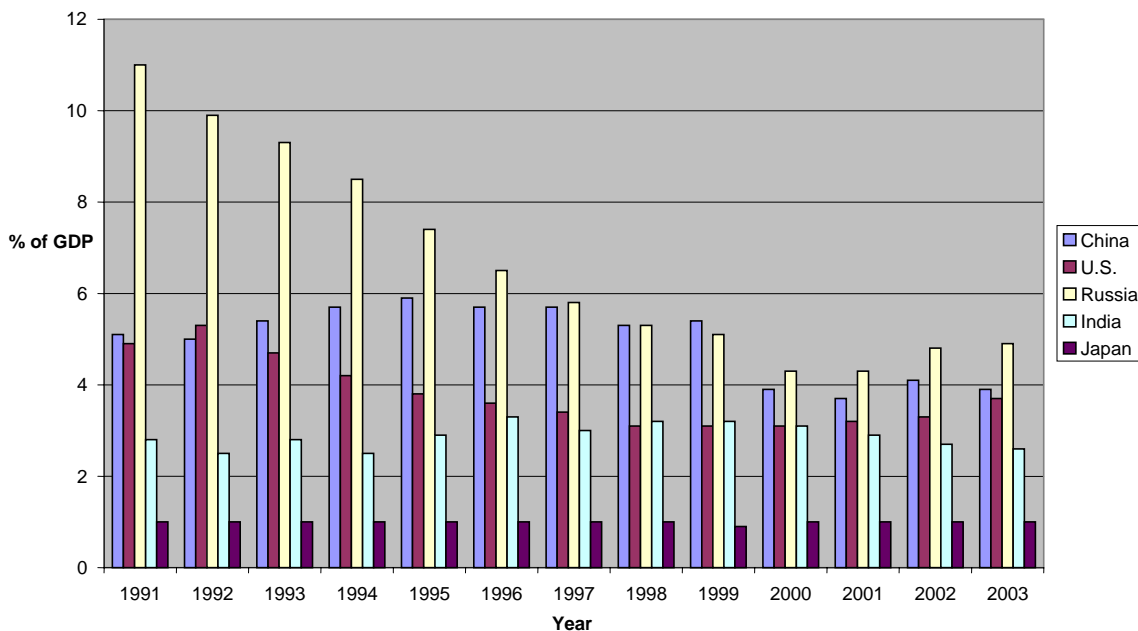
China and U.S. Defense Budget (Millions of U.S. dollars)



\*Source: International Institute of Strategic Studies (IISS), *The Military Balance* (various years), made available through the Strategic Asia database of the National Bureau of Asian Research (NBR) at <http://strategicasia.nbr.org/Data/DataSheet/Criteria.aspx>.

Figure 3

Defense Budget as % of GDP



\*Source: International Institute of Strategic Studies (IISS), *The Military Balance* (various years), made available through the Strategic Asia database of the National Bureau of Asian Research (NBR) at <http://strategicasia.nbr.org/Data/DataSheet/Criteria.aspx>

Much of China's military buildup is geared toward balancing American power, particularly in a conflict over Taiwan. Such a balancing motive is evident in the PLA's acquisition of advanced air, naval, and missile capabilities to achieve local access denial. The PLA is developing capabilities to "interdict, at long ranges, aircraft carrier and expeditionary strike groups that might deploy to the western Pacific."<sup>69</sup> In response to U.S. military power in the theater, the Chinese military is acquiring medium-range ballistic missiles, an extensive C4ISR system, advanced submarines, anti-ship cruise missiles (ASCMs), and precision-strike aircraft. Through this coordinated "layered defense," China aims to deter or disrupt third-party intervention in the Taiwan Strait.<sup>70</sup>

The long-term effects of the PLA's increased capabilities, however, go beyond the Taiwan Strait. The Pentagon reported in 2006 that: "Analysis of PLA acquisitions also suggests China is generating military capabilities beyond a Taiwan contingency."<sup>71</sup> After all, military capabilities can be reconfigured for other contingencies. Presumably, China's most advanced weaponry, such as short-range ballistic missiles (SRBMs) or the Russian-made Sovremenny-class destroyers and Kilo-class submarines, can be redeployed for other regional contingencies not involving Taiwan. The PLA's airborne

<sup>69</sup> Office of the Secretary of Defense, "Annual Report to Congress: Military Power of the People's Republic of China, 2006," 24.

<sup>70</sup> *Ibid.*, 25-26.

<sup>71</sup> *Ibid.*, 11.

early warning and aerial-refueling programs will extend its air power into the South China Sea. In fact, some of China's military planners have proposed a larger military role well beyond contingencies in the Taiwan Strait. In an interview conducted in March 2005, General Wen Zongren, then-Political Commissar of the Academy of Military Science, laid out a strategic (not nationalistic) view of why China must acquire Taiwan: controlling the island is of "far reaching significance to breaking international forces' blockade against China's maritime security.... Only when we break this blockade shall we be able to talk about China's rise.... [T]o rise suddenly, China must pass through oceans and go out of the oceans in its future development."<sup>72</sup>

China's efforts to modernize its military have produced mixed results. The PLA has encountered bottlenecks in innovation, and its attempts to produce indigenous military equipment have not yet yielded significant outcomes, with the exception of missile technology and perhaps submarines. The PLA's conventional capabilities still lag behind the state-of-the-art by at least twenty years, and the gap is widening.<sup>73</sup> The PLA has studied the lessons of the 1991 Gulf War and consequently adapted its doctrine to "local war under high-technology conditions." The Kosovo campaign of 1999 reinforced this doctrine. China's 2004 Defense White Paper acknowledged that the "technological gap resulting from the Revolution in Military Affairs" will have a "major impact on China's security," and adjusted the PLA's doctrine to "local war under the conditions of informationization."<sup>74</sup> In order to close the gap, the PLA has emphasized the strategy of "leap ahead" development (*kuayueshi fazhan*), using information technology as a force multiplier for the PLA. According to Major General Wang Baocun of the Academy of Military Science, the key to mitigating the gap between the PLA and the armed forces of advanced countries is the development of information technology. The PLA should take advantage of the advances in China's civilian IT sector, such as the progress made by Lenovo, to build "informationized" (*xinxihua*) armed forces. Major General Wu Yujin of the Armored Force Engineering Institute, recognizing that the PLA is facing "grave challenges" in improving its backward armaments and equipment, points out that China does not need to complete the whole process of mechanization before embarking upon informationization, as the militaries of advanced countries have done. Instead, informationization and mechanization can go hand in hand, and the former can even lead the latter. The goal is to catch up with the advanced militaries in the shortest amount of time. Otherwise, China "would likely be in a passive position in future military struggles."<sup>75</sup>

The PLA's modernization will likely take a long time; whether it can catch up with U.S. military capability in the next few decades remains an open question. To deal with American military forces in the short run, Chinese military experts have been

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<sup>72</sup> Quoted in Office of the Secretary of Defense, "Annual Report to Congress: The Military Power of the People's Republic of China, 2005," 12. This quote is cited again in the 2006 version of the report.

<sup>73</sup> Shambaugh, *Modernizing China's Military*, 243; Office of the Secretary of Defense, "Annual Report to Congress: The Military Power of the People's Republic of China, 2005," 24.

<sup>74</sup> Information Office of the State Council of the People's Republic of China, "China's National Defense in 2004," <http://www.china.org.cn/e-white/20041227/index.htm>.

<sup>75</sup> "Zhongguo Jiangjun Zhonglun Jiyu He Tiaozhan [China's Generals Comment on Opportunities and Challenges]," *Liaowang (Outlook)*, no. 28 (July 14, 2003): 21-24.

studying how a weaker force can prevail over a much stronger one, especially in the event of a Taiwan conflict. For instance, Colonel Jiang Lei, who in 1997 was among the first to receive a doctorate in military affairs in China, writes: “Realistically speaking, in the future, winning a ... limited war under high-technology conditions means that, as strategic guidance, [we must] be prepared to fight superior enemies equipped with high-technology armaments, and, under the new historical conditions, implement [the strategy of] defeating better-equipped enemies by using inferior equipment.... [Such a strategy] will be particularly necessary in the next two or three decades.”<sup>76</sup> In an internally circulated PLA textbook, *Zhanyi Xue* (The Study of Campaigns), leading Chinese military officers argue: “Our weaponry has improved greatly in comparison to the past, but in comparison to the militaries of the advanced countries, there will still be a large gap not only now but long into the future. Therefore, we not only must accelerate our development of advanced weapons, thus shrinking the gap to the fullest extent possible, but also [we must] use our current weapons to defeat enemies.... [We must] explore the art of the inferior defeating the superior under high-tech conditions.”<sup>77</sup> Similarly, the much-hyped book by two Chinese colonels entitled *Unrestricted Warfare* (*Chaoxianzhan*, literally meaning “war beyond limits”) reflects the search for an asymmetric strategy to exploit the vulnerabilities of a much more advanced armed force, even through nonmilitary means such as cyberwarfare or targeting financial institutions or the media.<sup>78</sup> The goal of an asymmetric strategy is not to challenge U.S. global preponderance or to defeat the U.S., but, as Thomas Christensen points out, “to develop politically useful capabilities to punish American forces if they were to intervene in a conflict of great interest to China.”<sup>79</sup>

### *Soft Balancing*

The second pillar of China’s grand strategy is to maintain a peaceful international environment by soft balancing American power. As noted above, Beijing views certain aspects of the U.S. preponderance as menacing to Chinese security interests and believes that the U.S. is taking measures to constrain China’s rise. Therefore, Beijing needs to build a coalition of friendly states to “minimize Washington’s ability to contain or constrain China in the region.”<sup>80</sup> Importantly, such diplomatic coordination efforts must not appear to be outright balancing against the U.S. The rationale is straightforward: Military alliances with the purpose of hard balancing would provoke a vigorous U.S.

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<sup>76</sup> Jiang Lei, *Xiandai Yi Lie Sheng You Zhanlue: Guanyu Yi Lieshi Zhuangbei Zhansheng Youshi Zhangbei Zhi Di De Zhanlue Zhidao* [Modern Strategy of Pitting the Inferior against the Superior: Strategic Guidance for Defeating the Enemy with Better Equipment] (Beijing: National Defense University Press, 1997), 2. This is his dissertation selected for publication by the National Defense University Press.

<sup>77</sup> Lieut. Gen. Wang Houqing and Maj. Gen. Zhang Xingye, chief eds., *Zhanyi Xue* [The Study of Campaigns] (Beijing: National Defense University Press, May 2000) (military circulation only): 28, quoted in Thomas J. Christensen, “Posing Problems without Catching Up: China’s Rise and Challenges for U.S. Security Policy,” *International Security* 25, no. 4 (Spring 2001): 5-40, at 9.

<sup>78</sup> Qiao Liang and Wang Xiangshui, *Chao Xian Zhan: Dui Quanqiuhua Shidai Zhanzheng Yu Zhanfa De Xiangding* [Unrestricted Warfare: Scenarios About War and War-Fighting Methods in the Era of Globalization] (Beijing: Jiefangjun Wenyi Chubanshe, 1999).

<sup>79</sup> Christensen, “Posing Problems without Catching Up: China’s Rise and Challenges for U.S. Security Policy,” at 9. See also Walt, *Taming American Power*, 136.

<sup>80</sup> Medeiros, “Strategic Hedging and the Future of Asia-Pacific Stability,” at 154.

response, whereas soft balancing by diplomatic coordination could frustrate American policy objectives detrimental to Chinese interests without drawing the “focused enmity” of U.S. preponderant power.<sup>81</sup> To soft balance American power, Beijing is currently engaging in multilateral diplomacy and building bilateral partnerships in an effort to construct an international environment favorable to China’s development of comprehensive national power.

### *Multilateral Institutions*

Before the mid-1990s, Beijing viewed multilateral institutions with suspicion because it feared that those institutions could be used by other countries to “gang up on” a weaker China. Instead, Beijing preferred bilateral relationships, in which it could hope to have more leverage. By 1996, however, Beijing realized that multilateral diplomacy could help ameliorate concerns over China’s rising power. This shift was evident in General Secretary Jiang Zemin’s report to the 15<sup>th</sup> Communist Party Congress in 1997 which included the line, “We must actively participate in multilateral diplomatic activities.” Additionally, by Beijing’s calculation, membership in international organizations would give China the right to reshape their rules to better suit Chinese interests—Beijing had viewed most institutions as serving Western interests.<sup>82</sup> As Beijing became more confident of its power, it gradually saw the benefits of institutions as instruments of statecraft. Such an instrumental view of multilateral institutions is substantively different from socialized acceptance of supranational rules and norms.<sup>83</sup> Hence Beijing’s use of multilateral institutions accords with a realist interpretation: “international institutions serve primarily national rather than international interests.”<sup>84</sup>

More importantly, multilateral institutions provide a vehicle for China to soft-balance American power. In the words of a noted Chinese foreign policy expert: “To be clear, an important reason why China now increasingly values multilateral diplomacy is U.S. hegemonic behavior after the Cold War and its superpower position. The hegemonic thinking and unilateralism in handling great power relations by some forces in the U.S. have not only exacerbated great power relations, causing possible imbalances in the international strategic structure, but have also created wide-ranging and persistent

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<sup>81</sup> See also Robert Sutter, “China’s Regional Strategy and Why It May Not Be Good for America,” in *Power Shift: China and Asia’s New Dynamics*, ed. David Shambaugh (Berkeley, CA: University of California Press, 2005), 291, 296.

<sup>82</sup> Jin Xin, “Guanyu Kaituo Xinshiji Woguo Duobian Waijiao Gongzuo De Jidian Sikao [A Few Thoughts Regarding Extending Our Country’s Tasks of Multilateral Diplomacy in the New Century],” *Shijie jingji yu zhengzhi [World Economics and International Politics]*, no. 10 (2001): 36-41; Chu Shulong, “Duobian Waijiao: Fanchou, Beijing Ji Zhongguo De Yingdui [Multilateral Diplomacy: Scope, Background, and China’s Responses],” *Shijie jingji yu zhengzhi [World Economics and International Politics]*, no. 10 (2001): 42-44; Jiang Yi, “Zhongguo De Duobian Waijiao Yu Shanghai Hezuo Zuzhi [China’s Multilateral Diplomacy and the Shanghai Cooperation Organization],” *Eluosi zhongya dongou yanjiu [Russia, Central Asia, and Eastern Europe Studies]*, no. 5 (2003): 46-51.

<sup>83</sup> Goldstein, *Rising to the Challenge*, 119-128; Evan S. Medeiros and M. Taylor Fravel, “China’s New Diplomacy,” *Foreign Affairs* 82, no. 6 (November/December 2003): 22-35.

<sup>84</sup> Waltz, “Structural Realism after the Cold War,” at 21. See also John J. Mearsheimer, “The False Promise of International Institutions,” *International Security* 19, no. 3 (Winter 1994/95): 5-49.



misgivings.”<sup>85</sup> Likewise, political scientist Avery Goldstein observes: “Through its participation, China would seek to prevent multilateral institutions from simply reinforcing U.S. capabilities and alliances in the Asia-Pacific, and instead seize the opportunities they offered to counter the risks it saw in American primacy and, over time, to help hasten the end of the unipolar era.”<sup>86</sup>

In Southeast Asia, Beijing is developing relations with the Association of Southeast Asian Nations (ASEAN) as “a counterweight to US power” and to “set the regional agenda.”<sup>87</sup> Starting in 1995, Beijing began to engage the Southeast Asian states, and actively shaped the evolution of the ASEAN+3 (China, Japan, and Korea) and ASEAN+1 (China) mechanisms. Beijing has participated in the ASEAN Regional Forum (ARF) on security affairs and has made a concerted effort to reassure ASEAN states that China’s development presents significant economic opportunities—not threats—to the region. During the 1997 Asian financial crisis, by refusing to allow the Chinese currency depreciate, Beijing reassured its Southeast Asian neighbors that a rising China could be a “responsible great power” in the region. Moreover, Beijing was the first non-ASEAN state to sign ASEAN’s Treaty of Amity and Cooperation, which pledges non-aggression, and has proposed to establish a China-ASEAN Free Trade Area by 2015. Beijing adopted the preferred positions of ASEAN states in the Southeast Asian Nuclear Weapons Free Zone Treaty, and the Declaration on the Conduct of Parties in the South China Sea. As a result of this good-neighbor (*muling*) policy, of all the great powers in the region, China has made the most inroads into Southeast Asia, an area that has begun to view China more favorably, at the expense of the U.S., in the post-9/11 world.<sup>88</sup>

China also has taken the initiative in Central Asia, creating the Shanghai Cooperation Organization (SCO) in 2001 to fight the “three evils” of separatism, terrorism, and religious extremism. Comprising China, Russia, and the Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, the SCO represents Beijing’s efforts to project its influence into the region, secure energy supplies, stem secessionist activities in China’s Muslim region of Xinjiang, and “not to let U.S. dominance in regional and world affairs remained unchecked.”<sup>89</sup> The strengthening of the SCO’s institutional apparatus reflects Beijing’s desire to counter rising U.S. influence in Central Asia after the 9/11 terrorist attacks. The U.S. military presence in Central Asia, though ostensibly stationed there for counterterrorism purposes, has created strategic

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<sup>85</sup> Wang Yizhou, *Quanguo Zhengzhi He Zhongguo Waijiao [Global Politics and China’s Foreign Policy]* (Beijing: Shijie zhishi chubanshe, 2003), 274.

<sup>86</sup> Goldstein, *Rising to the Challenge*, 127. Similarly, Medeiros and Fravel write, “Chinese leaders began to recognize that such [multilateral] organizations could allow their country to promote its trade and security interests and limit American input.” Medeiros and Fravel, “China’s New Diplomacy.”

<sup>87</sup> Christopher R. Hughes, “Nationalism and Multilateralism in Chinese Foreign Policy: Implications for Southeast Asia,” *The Pacific Review* 18, no. 1 (March 2005): 119-135, at 130, 120.

<sup>88</sup> Alice D. Ba, “China and ASEAN: Renavigating Relations for a 21st-Century Asia,” *Asian Survey* 43, no. 4 (August 2003): 622-647.

<sup>89</sup> Chien-peng Chung, “The Shanghai Co-Operation Organization: China’s Changing Influence in Central Asia,” *China Quarterly* 180 (December 2004): 989-1009, at 995.

pressures on China's western frontier.<sup>90</sup> In his visit to Iran in 2002, President Jiang Zemin publicly opposed the stationing of American troops in Central Asia.<sup>91</sup> At a summit meeting in July 2005, the SCO issued a statement calling for a "final timeline" for the withdrawal of U.S. troops from its members.<sup>92</sup> The SCO is currently considering enlarging its membership. Iran, whose nuclear ambitions have antagonized Washington, has expressed its desire to join the SCO and was made an observer (with Pakistan and India) in 2005, and will be considered for full membership in 2006. Central Asia now figures prominently in the geopolitical calculations among China, Russia, and the U.S.

Of all the multilateral institutions, the U.N. Security Council offers the most effective venue for China, a veto-holding permanent member, to constrain and limit U.S. policies.<sup>93</sup> China collaborated with Russia in 1999 over the Kosovo Crisis to prevent UN approval for the U.S.-led intervention. Similarly, in the lead-up to the Iraq War in 2003, China joined France, Germany, and Russia in a concerted effort to block the Security Council's approval for the U.S.-led invasion of Iraq. U.S. proposals for sanctions against the nuclear-aspiring states of North Korea and Iran have also met with China's disapproval at the Security Council. Not surprisingly, China has advocated a greater role for the U.N. in future international affairs.

### *Great Power Diplomacy and Partnerships*

In addition to its relatively new interest in multilateral fora, China has continued to cultivate bilateral relationships in the form of "partnerships." These partnerships allow China to find a middle ground between traditional allies and adversaries, and "enable China to address concerns about U.S. preponderance without resorting to the more directly confrontational and...seemingly futile alternative of a straightforward attempt to counterbalance American power."<sup>94</sup> Through the partnerships, Beijing seeks to maximize leverage by linking economic benefits with bilateral relations. The concept of partnership is open to potential allies and adversaries and does not necessarily assume cooperative outcomes. It recognizes national differences in culture, ideology, and interests and seeks to build a mechanism to manage the areas of potential conflicts.<sup>95</sup>

Russia is the foremost example of this type of relationship. It is the main supplier of China's arms—accounting for 85% of China's total arms imports since the early 1990s—and a "significant enabler of China's military modernization."<sup>96</sup> U.S. military operations in the Balkans during the 1990s gave rise to common concerns in Beijing and

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<sup>90</sup> Fu Mengzi, "Bush's Zhengfu Duihua Zhengce Yu Zhongmei Guanxi De Weilai [The Bush Administration's Policy toward China and the Future of Sino-American Relations]," *Xiandai guoji guanxi [Contemporary International Relations]*, no. 1 (2003): 17-22.

<sup>91</sup> Willy Wo-Lap Lam, "China Opposes U.S. Presence in Central Asia," CNN.com, (April 22, 2002). <http://www.cnn.com/2002/WORLD/asiapcf/east/04/22/china.iran/index.html>.

<sup>92</sup> "Declaration of Heads of Member States of Shanghai Cooperation Organisation," (Astana, July 05, 2005), [http://www.sectsc.org/news\\_detail.asp?id=500&LanguageID=2](http://www.sectsc.org/news_detail.asp?id=500&LanguageID=2)

<sup>93</sup> Paul, "Soft Balancing in the Age of U.S. Primacy."

<sup>94</sup> Goldstein, *Rising to the Challenge*, 133-134.

<sup>95</sup> *Ibid.*, 130-135.

<sup>96</sup> Office of the Secretary of Defense, "Annual Report to Congress: The Military Power of the People's Republic of China, 2005," 23.

Moscow about American interventionism into what is considered the internal affairs of states. Against this background, and in light of NATO expansion and the strengthening of U.S. alliances in Asia, China and Russia moved to strengthen bilateral ties by forging a “strategic cooperative partnership” in 1996.

Subsequent developments have driven Moscow and Beijing closer together. In 2000, U.S. plans to build a missile defense system and to abrogate the Anti-Ballistic Missile Treaty led Russia and China to issue a joint statement voicing their opposition to what were considered strategically destabilizing moves by Washington.<sup>97</sup> The two countries reaffirmed that the international strategic balance must be maintained,<sup>98</sup> and the next year the Sino-Russian partnership took another step forward with the Treaty of Good-Neighborliness and Friendly Cooperation. Though not a military alliance like the 1950 Sino-Soviet Alliance, Article 9 of the treaty calls for immediate consultations in the event of threat. In a rebuke to the Washington’s bypassing of the UN in invading Iraq in 2003, both countries reiterated that the maintenance of world peace is the main responsibility of the UN Security Council, and jointly opposed the use of military force to intervene in the internal affairs of sovereign states. Further expanding their cooperation, in 2005 China and Russia conducted their first-ever joint military exercise, involving 10,000 air, land, and naval forces. Although both governments denied that the exercises were directed at any third country, one analyst aptly observed: “Better security relations with Russia will help China to balance U.S. influence in the region.”<sup>99</sup>

Also to limit U.S. power, China is deepening its relations with the European Union (EU) in general, and is cultivating partnerships with France, Britain, and Germany. One Chinese analyst argues that the Sino-Russian partnership is not enough to constrain U.S. power and to expedite the arrival of multipolarity—the key is to win over Europe.<sup>100</sup> China now holds regular summit meetings with the EU, and each is now the other’s largest trading partner. China has also conducted search-and-rescue exercises with French and British naval ships, and plans are under way for further military exchanges. Finally, the EU has been considering lifting the arms embargo that it imposed on China following the 1989 crackdown on pro-democracy demonstrators in Tiananmen Square; removing the embargo could significantly enhance China’s military capability. Some American analysts believe that the China-EU strategic partnership is largely the result of shared concerns over U.S. power: “Both China and Europe seek ways to constrain American power and hegemony, whether through the creation of a multipolar world or through multilateral institutional constraints on the United States.”<sup>101</sup>

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<sup>97</sup> Goldstein, *Rising to the Challenge*, 136-143.

<sup>98</sup> Zhao Huasheng, “Zhonghe Muling Youhao Hezuo Tiaoyue Yu Zhonghe Guanxi [Sino-Russian Treaty of Good-Neighborliness and Friendly Cooperation and Sino-Russian Relations],” *Eluosi yanjiu [Russian Studies]*, no. 4 (September 2001): 2-8, 15.

<sup>99</sup> Chris Buckley, “China and Russia Are Set to Begin Joint Military Exercises Today,” *New York Times*, (August 18, 2005), quoting Andrew Yang.

<sup>100</sup> Ye Zicheng, “Zhongguo Shixing Daguo Waijiao Zhanlue Shi Zai Bi Xing [China Must Implement the Strategy of Great Power Diplomacy].”

<sup>101</sup> David Shambaugh, “China and Europe: The Emerging Axis,” *Current History* 103, no. 670 (September 2004): 243-248, at 246.

Of course, Beijing has also sought to constrain U.S. power more directly in its bilateral relations with Washington. Despite some internal voices calling for a more confrontational policy of resisting American hegemony, China moved to establish a “constructive strategic partnership” with the United States in 1997, during the Clinton administration. Beijing’s offer was conditional, however—Washington could expect cooperative behavior as long as China’s core security interests were not infringed upon. Beijing also recognized that threats to withhold cooperation (such as economic benefits or participation in nonproliferation regimes) would have little effect on the United States, given the latter’s much superior material advantages. But such a partnership is probably “the best of a bad lot of options” for a relatively weak China to live with U.S. primacy.<sup>102</sup>

### **The Future of China’s Grand Strategy**

Since the end of the Cold War, Beijing has successfully managed possible challenges to its grand strategy.<sup>103</sup> First, it was able to overcome the threat of U.S. economic sanctions over human rights concerns during the Clinton administration. Such sanctions would have adversely affected China’s internal balancing strategy, which emphasizes economic growth. Beijing’s brutal crackdown on the Tiananmen demonstrations in 1989 led President Clinton to link China’s human rights record to the annual granting of the Most Favored Nation (MFN) trading status for China. Eventually, Beijing got what it wanted: thanks to the lobbying efforts of the U.S. business community, Clinton de-linked human rights from trade policy and Congress voted in 2000 to extend permanent normal trade relations (PNTR) to China. Such an extension paved the way for China’s accession to the World Trade Organization (WTO)—membership is a major boost for China’s economic prospects because it makes the country more attractive to foreign trade and investment partners.

Second, Beijing was able to stem what it perceived as a separatist trend in Taiwan from both threatening the regime’s legitimacy and raising the specter of war with the United States. Should war occur in the Taiwan Strait, China’s hopes for a peaceful international environment would be dashed—not just in the short term, but well beyond the duration of the actual hostilities. China realized that its saber-rattling during the Taiwan Strait Crisis of 1995-96 demonstrated that military coercion would likely harden Taiwan’s determination for independence and would draw powerful U.S. forces into the area. Slowly but steadily, Beijing learned to take a more nuanced approach toward Taiwan, especially after the 2000 Taiwan presidential election that put the pro-independence Democratic Progressive Party in power. On the one hand, China kept the threat of force as an option, but on the other hand it cultivated cordial relationships with those parties in Taiwan that are less disposed toward independence and pursued a “hearts and minds” strategy to win over public opinion. Internationally, Beijing was able to get most countries to recognize and reaffirm its “one-China” position, and to paint Taiwan as the trouble-maker whenever tension rose over the Strait.

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<sup>102</sup> Goldstein, *Rising to the Challenge*, 146.

<sup>103</sup> I am indebted to Richard Bush for this observation.

Third, Beijing exercised its leverage to compel North Korea to enter multilateral negotiations with the United States, thus reducing the danger of a full-scale war on China's border. Washington views North Korea's nuclear aspirations as a threat to regional peace and demands that Pyongyang completely dismantle its nuclear programs. Apparently, Beijing took note of President Bush's doctrine of preventive war after the 9/11 terrorist attacks, and was instrumental in reaching the six-party joint statement in September 2005 in which Pyongyang agreed to terminate its nuclear program in return for economic, security, and energy benefits. The six-party talks are currently stalled and may be under threat from recent North Korean missile tests, but Beijing continues to play a crucial role in attempting to end the impasse through diplomatic means.

Beijing's current non-confrontational strategy is a rational, calculated response to China's relative weakness and U.S. preponderance. The best way to balance American power is to develop national capability through internal efforts and meanwhile engage in diplomatic coordination with other countries to constrain U.S. actions harmful to Chinese interests—a military conflict with the U.S. now would be disastrous for China. According to the World Bank, at current U.S. dollars, in 2004 the GDP of the United States was \$11.7 trillion, accounting for 28% of the world's total output. China's GDP was \$1.93 trillion, about 16% of the size of the American economy.<sup>104</sup> China's defense expenditures also lag far behind those of the United States (Figure 2, above). In 2004, the United States spent \$455.3 billion on defense, comprising 47% of the world's total defense expenditures, while China spent \$35.4 billion, about 8% of the U.S. total.<sup>105</sup> The Pentagon estimates that if China continues its current growth rate (a big assumption), its GDP would be \$6.4 trillion by 2025, whereas U.S. GDP would be \$22.3 billion—still more than three times larger than the Chinese economy.<sup>106</sup> As John Mearsheimer points out, “great powers facing powerful opponents will be less inclined to consider offensive action and more concerned with defending the existing balance from threats by their more powerful opponents.”<sup>107</sup>

In the near term, we can expect China to continue its current grand strategy by emphasizing economic development and maintaining a peaceful external environment. This low-profile strategy is well captured in Deng Xiaoping's oft-cited adage of “dim our lights and thrive in the shadow” (*taoguang yanghui*, sometimes translated as “hide our capabilities and bide our time”).<sup>108</sup>

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<sup>104</sup> World Bank, *World Development Indicators Online*, <http://www.worldbank.org/data/onlinebases/onlinebases.html>. (current US\$)

<sup>105</sup> Stockholm International Peace Research Institute, *SIPRI Yearbook 2005: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2005), Appendix 8A. (constant 2003 US\$)

<sup>106</sup> Office of the Secretary of Defense, “Annual Report to Congress: The Military Power of the People's Republic of China, 2005.”

<sup>107</sup> Mearsheimer, *The Tragedy of Great Power Politics*, 37.

<sup>108</sup> *Taoguang yanghui* is a time-honored strategy of the weak in ancient Chinese statecraft—a strategy practiced by the weak Liu Bei before he established his own kingdom during the famed Three Kingdoms period (220-265 A.D.). Liu, fearing his safety from the more powerful Cao Cao, pretended to harbor no ambitions by acting as a farmer and planting vegetables in his backyard. When thunder struck while he was having a meal with Cao, Liu dropped his chopsticks to the ground and humbly bent over to pick them up. Such “un-heroic” behaviors put away Cao's concerns about Liu's ambitions.

China needs a stable, non-confrontational external environment for the development of comprehensive national power. But will China continue to behave in a restrained, non-coercive way once it becomes rich and powerful?

Not likely, according to realist theory, which expects that a strong, prosperous China would likely adopt an offensive grand strategy by expanding its political, economic, and military interests abroad and establishing a sphere of influence in East Asia.<sup>109</sup> Such an expansionist tendency is a natural outgrowth of increased capability. In an anarchic world with no central authority to enforce order, security-seeking states will strive to accumulate relative power and take advantage of opportunities to expand. “If a state fails to take advantage of opportunities to grow and expand,” explains Robert Gilpin, “it risks the possibility that a competitor will seize the opportunity and increase its relative power.”<sup>110</sup>

This realist prediction is borne out by China’s own historical record. As noted, China has been a practitioner of *realpolitik* since its imperial past. When China enjoyed power advantages over adversaries, its grand strategy in general would emphasize offense, launching more attacks against the threatening powers. When China was in a relatively disadvantageous position, it would adopt a defensive posture and initiate fewer conflicts. When China’s relative power was least advantageous, its grand strategy would become accommodationist, usually accepting the demands of adversaries.<sup>111</sup> Put in this context of realist theory and Chinese history, Beijing’s current grand strategy emphasizing “peace and development” can be explained by its relative weakness in the U.S.-dominated unipolar system. But as China gains more power in the future, it may be tempted to use coercive or non-peaceful means to advance security interests or resolve disputes. In other words, the current grand strategy is not likely to be sustainable when China’s relative power has significantly improved.

In light of the preceding analysis of China’s grand strategy, what are the policy implications for the United States? It is commonly believed that there are two common options for America’s China policy, “engagement” and “containment.” The intermediate objective of engagement is two-fold: to socialize China into the norms of appropriate international behavior, and to help it democratize through extensive ties in a number of different areas. The longer-term objective is a prosperous, democratic China that is satisfied and interdependent with the rest of the world and therefore will not threaten other democracies. The policy of containment, in contrast, argues that because a strong China will be an expansionist power, the U.S. should prevent an increase in Chinese relative power by slowing down its economic growth and holding back its military modernization, before it is too late. Both options face certain risks and obstacles. Engagement risks creating a powerful China whose future intentions may not be benign—there is no guarantee that China will resist the temptation to expand to get what it wants as its capabilities rise. Containment, on the other hand, is difficult to implement

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<sup>109</sup> On why powerful states tend to be expansionist, see Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America’s World Role* (Princeton, NJ: Princeton University Press, 1998).

<sup>110</sup> Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 88.

<sup>111</sup> Yuan-kang Wang, “Offensive Realism and the Rise of China,” *Issues & Studies* 40, no. 1 (March 2004): 173-201.

because there appears to be no clear and present danger from China.<sup>112</sup> It would be particularly difficult to mobilize U.S. domestic support for containing China. Such domestic support may be forthcoming when China appears to be dominating Asia, but China currently is far from that point.

Given these difficulties, Washington is left with few practical options. This explains why existing U.S. policy mixes elements from both engagement and containment. On the one hand, Washington seeks to turn China into a “responsible stakeholder,” while at the same time it hedges its bets by “improving the capacity of partner states [of the U.S.] and reducing their vulnerabilities,” and diversifying the U.S. basing posture.<sup>113</sup> This hedging strategy is written into policy documents and is reflected in the strengthening of the U.S.-Japan alliance, U.S.-India security cooperation, and an enhanced forward military presence in the Asia-Pacific. Such a policy outcome echoes the uncertainty in Washington about China’s future intentions—and capabilities. Because the United States is so far ahead of every other great power, it can afford to adopt a “wait and see” stance for at least a decade, or even longer. However, if it becomes clear that China will become an Asian hegemon, Washington is likely to shift gears and adopt measures to prevent the region from being dominated by this single power.

## Conclusion

The logic of balancing is still relevant in the post-Cold War world. Balancing includes *both* alliance formation and the internal efforts states undertake to offset the power advantage of the dominant state. The temporary absence of hard balancing does not necessarily imply that states have abandoned efforts to change the balance of power in their favor—they may be engaging in internal balancing or soft balancing. The behaviors of soft balancing, moreover, are not simply “policy bargaining” or “normal diplomatic frictions,” as critics have argued.<sup>114</sup> The key difference is that policy bargaining or diplomatic frictions do not necessarily aim to mitigate the power gap and constrain a dominant power’s behavior, which, as documented above, are often stated as objectives by Chinese strategists.

The analysis in this article suggests that China is attempting to balance American power through both domestic and diplomatic efforts. An outright balancing coalition is too costly and risky at the moment. China will do better by concentrating on economic development and striving to maintain a peaceful international environment. Internal balancing and external soft balancing are the two pillars of China’s grand strategy.

The existing literature of soft balancing is predicated on the premise that America’s imperious unilateralism as demonstrated in the Iraq war of 2003, not American power itself, is pushing other states to adopt soft-balancing measures: “At

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<sup>112</sup> Goldstein, *Rising to the Challenge*, 216.

<sup>113</sup> Rumsfeld, *Quadrennial Defense Review Report (2006)*, 30; George W. Bush, *The National Security Strategy of the United States of America* (Washington, DC: The White House, March 2006), 40-42.

<sup>114</sup> Stephen G. Brooks, and William C. Wohlforth, “Hard Times for Soft Balancing,” *International Security* 30, no. 1 (Summer 2006): 72-108; Kier A. Lieber and Gerard Alexander, “Waiting for Balancing: Why the World Is Not Pushing Back,” *International Security* 30, no. 1 (Summer 2005): 109-139.

bottom, the world's major powers are reacting to concerns over U.S. intentions, not U.S. capabilities."<sup>115</sup> Before the Iraq war, second-tier states did not form a counterbalancing coalition because they perceived U.S. intentions to be benign, but these states are now beginning to soft balance the U.S. and would likely convert to hard balancing if Washington continues its policies of "aggressive unilateralism." Thus, if the United States moderates its behavior, the incentives for balancing would "markedly decline."<sup>116</sup> However, China's efforts to balance American power started well before the 2003 Iraq war, and had more to do with its dissatisfaction with the U.S.-dominated system than with the Iraq war. Furthermore, hard balancing can still occur when China has substantially closed the power gap with the U.S., or when powerful allies become available—regardless of U.S. intentions. As noted earlier, intentions are difficult to fathom, and, even if known, can change in the future. Hence, despite repeated U.S. policy statements of benign intentions toward China, Beijing has rarely been assured that Washington does not intend to constrain China's rise. Similarly, China's declared defensive intentions and cooperative behaviors can change when its relative power improves. The structural contradiction is hard to overcome in anarchy; China's aspiration of becoming the dominant power in East Asia conflicts with the U.S. policy of preventing that region from being dominated by any *foreign* powers. In the words of Robert Ross, "If the United States gives China the opportunity to displace the U.S. presence [in East Asia], it will grab it. The United States should be under no illusion that China will be content with the status quo should its relative power increase."<sup>117</sup>

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<sup>115</sup> Pape, "Soft Balancing against the United States," at 45.

<sup>116</sup> *Ibid.*, at 10. Walt made the same point in his "Keeping the World 'Off-Balance': Self-Restraint and U.S. Foreign Policy," in Ikenberry, ed., *America Unrivaled*, 121-154.

<sup>117</sup> Robert S. Ross, "Assessing the China Threat," *The National Interest*, no. 81 (Fall 2005): 81-87, at 87.