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DEVKI NANDAN



American Studies Division

**Centre for Canadian, US and Latin American Studies,
School of International Studies,**

JAWAHARLAL NEHRU UNIVERSITY

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SCHOOL OF INTERNATIONAL STUDIES
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DECLARATION

I declare that the dissertation entitled "AMERICAN DEBATE ON CHINA THREAT" submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** of this University is my own work and has not been previously submitted for any other degree of this or any other University.

Devki Nandan

DEVKI NANDAN

CERTIFICATE

We recommend that the dissertation be placed before the examiners for evaluation.

Abdul Nafey

**Prof. Abdul Nafey
Chairperson**

Chintamani Mahapatra

**Dr. Chintamani Mahapatra
Supervisor**

Dedicated
to my
Loving parents...
Brother and Sister...

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Devi Nandan

Devi Nandan

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List of Abbreviations

AFL-CIO	-The American Federation of Labor and Congress of Industrial Organization
APEC	-Asia Pacific Economic Cooperation
ARF	-Asean Regional Forum
CCP	-Chinese Communist Party
CIA	-Central Intelligence Agency
CRS	-Congressional Research Service
ETTF	-East Turkistan Terrorist Forces
IOC	-International Olympic Committee
IPR	-Intellectual Property Rights
ITAA	-Information Technology Association of America
MFN	-Most Favored Nation
NSG	-Nuclear Suppliers Group
PLA	-People's Liberation Army
PRC	-People's Republic of China
RMB	-Renminbi
SCO	-Shanghai Cooperation Organization
SRBM	-Short Range Ballistic Missile
TRIPS	-Trade-Related Aspects of Intellectual Property Rights
TRM	-Transitional Review Mechanism

PREFACE

This study highlights the ideological contours of post-Cold War US' China policy. The domestic politics in the US also influences its foreign policy. These domestic factors like Congress, different branches of the government, business community, and academics have been discussed in this chapter in order to evaluate the US' policy towards China. There seems to be strong difference of opinions within the US. The study tries to understand differing worldviews of various stakeholders of the US and their influence on America's relations with China. In sum, this research work aims at highlighting how American domestic political factors influence the country's China policy.

The end of the Cold War diminished the necessity for the US-China relationship of counterbalancing former Soviet Union. The US-China relations then had to be sustained on their own merit. In the post-Cold War period, the US emerged as the sole superpower on the world stage and no longer had any geo-strategic imperative to downplay its differences with China over a host of issues. Differences on issues like democracy, human rights, trade imbalance, infringement of intellectual property rights and Taiwan became more dominant in the US-China relations. A remarkable development since the end of the Cold War is that China has gradually acquired such a status that its voice no longer remains unheard in international politics. It is true that China is still far weaker than the US but certainly it has got the potential to influence world politics. The study illustrates how the rising stature of China is being perceived in the domestic political arena of the US, and how it has influenced America's China policy. This research work has been divided into five chapters.

The first chapter is an introductory one. It deals with the normalization and the post-Cold War relationship of the US with China. It also talks about the Realist and Liberal point of view on the 'China threat' argument, and attempts to draw a sketch of post-Cold War international political scene in which 'China threat' arguments evolved in the US.

The second chapter underscores the stand of the US Congress and defense establishments on 'China threat' argument. The security perceptions about China by American defense establishments have also been studied in this chapter.

The third chapter discusses how the economic relations between the US and China have affected their political relations, and the trade related disputes between the two countries that have threatened to rupture the relationship and promote the 'China threat' argument in the US.

The penultimate chapter draws attention to the growing economic and military clout of China and its increasingly nationalistic tendencies. It has also been illustrated that the nationalistic behaviour of China has resulted in anti-Americanism, which strengthens growing 'China threat' argument in some sections of the US.

The concluding chapter sums up the findings of the study. It also brings into focus the increasing need of engagement instead of containment which can further enhance the mutual interests of the two economic giants.

CHAPTER I

Introduction

The Context of the 'China Threat' Arguments in the US

The United States is an undisputed super power where as China is considered to be the only country to have the potential to challenge its supremacy. Scholars are divided on this issue of whether China is really in a position to challenge the United States or not. Some scholars assert that China can be a threat to the United States because it has made a dramatic progress in the economic and military field. On the other hand, some scholars say that it is true that China has become very powerful economically and militarily, but it is still far behind the United States. It can be a matter of debate but one thing we can say for sure is that China has got the potential to shape the world politics.

The complex US-China relationship remains beset by more profound differences than any other bilateral relationship in the world today. It is a mixture of cooperation and confrontation. The huge gap between the two countries in national power and international status and the fundamental differences between their political systems and ideology have prevented the US from viewing China as a friendly country.

Policy makers in Washington are divided between those who believe China will inevitably threaten vital US interests and thus needs to be isolated or contained, and those, who think a friendly relationship with China is still possible if pursued through greater engagement. In the present circumstances it is the most difficult task to predict the likely course of the relationship between the US and China in the near future. If the tension between these two powers escalates, it could be dangerous to the stability of the international system in general and East Asia in particular.

On the other hand, an improved relationship can provide a sustainable world wide economic growth and stability to the international system. The successful management of global problems including terrorism, proliferation of weapons of mass destruction, and environmental degradation is not possible without the cooperation between these two countries. Whether for good or ill, the most important bilateral relationship in the next

several decades is likely to be that between the United States and the Peoples Republic of China.

Normalization of US-China Relations

It would be beneficial to get some knowledge of the past relationship between the United States and China to know the ups and downs the relationship has experienced since normalisation of their relations. Between 1969 and 1972, the US and China formed a de facto strategic partnership to oppose Soviet power. US-China rapprochement enabled Beijing to focus on resisting Soviet encirclement rather than on dividing its resources to prepare for war on two fronts against both the United States and the Soviet Union (Vogel et al., 2002).

United States also wanted to use the cooperation with China to manage Soviet power. Infact, we can say, both needed each other's help to manage Soviet threat. President Nixon with Naitonal Security Advisor Kissinger initiated the process of normalisation. During the Carter presidency the relations became fully normal. President Carter adopted a harder line towards the Soviet Union and a more active engagement of China.

He gradually lost confidence in Secretary of State Vance's argument that normalisation of US-China relations should be delayed until US-Soviet détente was secured and ultimately accepted National Security Advisor Zbigniew Brezenzski's view that normalization of relations with China should be achieved as soon as possible. Over Vance's objection, the President decided that Brezenzski should visit Beijing in May 1978 to advance the normalisation process.

Brezenzski reported to Chinese President Deng Xiaoping that President Carter has made up his mind to break with Taiwan and establish diplomatic relations with Beijing. Thus, the major hurdle between the normalization of US-China relations was removed and relations reached to the full normalcy. But in 1989 the Warsaw pact was disbanded

and the Berlin wall came down, with this the Cold War between United States and Soviet Union came to an end. The end of the Cold War diminished the urgency of Sino-American cooperation and the anti Soviet foundations of US-China rapproachment. The US-China relations then had to be sustained on their own merit.

Now, Washington and Beijing had to find a new rational for their relationship because the two sides previously knew what they were against but now they did not know what they stood for in common (Vogel et al., 2002). During the 1970's although strategic considerations compelled the two countries to achieve a significant reconciliation, their vast differences kept their cooperation within certain strict limits. The situation has not changed yet. They still have serious disagreements and common interests as well on wide range of issues.

US-China Relations in the post-Cold War Scenario:

After the end of the Cold War the US-China relations have been the subject of constant fluctuation. There have been a number of incidents, which escalated tension between the two countries. Tiananmen Square bloodshed by China which attracted wide ranging economic, military and political sanctions gave a serious blow to the US-China relations. The massacre changed the perception of American government and public regarding China. The Chinese government was also infuriated over the sanctions imposed by the United States and other Western countries. China found the United States' behaviour as hegemonic.

From about middle of the 1990's the unease intensified between the US-China relationship. Both countries started looking at each other with disdain. NATO's eastward expansion and the strengthening of the US-Japan defense cooperation were viewed by Beijing with great suspicion. Tokyo has sent troops, to support the occupation of Iraq and given substantive reconstruction assistance to Iraq and Afghanistan.

Where as the other US friendly countries like France and Germany strongly opposed the invasion of Iraq. In return, Washington has praised Tokyo's international role and endorsed Japan's bid for permanent seat on the United Nations Security Council. NATO's eastward expansion has also been a bone of contention between the US and China. China contends that this is a reflection of America's Cold War mentality, which is designed to deter or weaken its enemies like Russia and China (Li, 2000).

The South China Sea dispute over territories like the spratly Island was another issue on which American and Chinese perception differ. The US was not involved directly in this dispute but it had a vital strategic interest in maintaining freedom of navigation in the Island. On the issue of Taiwan Chinese were convinced that United States is merely paying lip service to the 'One China policy'. China believed that the United States was using the Taiwan card to constrain Beijing by supporting the pro-independence movement in Taiwan and providing the Island with sophisticated weapons which emboldened the pro-independence forces in Taiwan (Li, 2000). Many Chinese analysts viewed President Bush's 1992 decision to sell 150 F-16 fighters to Taiwan as a crucial turning point. They argued that sale violated the 1982 Shanghai communique. Where the United States agreed that "arms sales to Taiwan will not exceed, either in qualitative or quantitative terms (Saunders, 2000).

The 1995 decision to allow Taiwanese President Lee Teng-hui to visit the US to receive an honorary degree shocked China. Chinese government argued that the visit hurt American credibility, because the US earlier had promised to the Chinese government that it would not maintain any official relationship with Taiwan or allow any Taiwanese official to visit the US. China responded to Lee's visit by firing missiles during PLA's exercises, which landed very close to Taiwanese ports. China again fired ballistic missiles before the Taiwanese Presidential election that landed within 25 miles of Taiwanese ports. The US deployed two carrier battle groups *Independence* and *Nimitz* in response and Secretary of Defense William Perry warned of "grave consequences" if Chinese missile struck Taiwan (Saunders, 2000). The Chinese have not forgotten the 1999 missile attack on their Embassy in Belgrade during the war in the Balkans. US officials have

claimed that it was a mistake they regretted. But many Chinese remain convinced that the bombing was deliberate.

The crisis of April 2001 when an American EP-3E surveillance aircraft and a Chinese fighter jet collided with each other, increased tensions and strained relations between the US and China. A Chinese pilot was killed in the accident that led to the detention of the American aircrew that had made an emergency landing on Hainan Island. China demanded an apology but the US regretted over the incident. Chinese were not satisfied with the regret and demanded full apology. The US government was told that it had violated the sovereignty of China and the crew would not be freed until the US made an apology. Finally, the US said 'very sorry' and resolved the issue.

The incident gave a severe blow to an already strained and fragile relationship. The handling of the incident by the Chinese and the US governments created negative feelings and stoked nationalist sentiments in both countries. Beijing's priority in demanding an apology from the US was to make a point with the new administration that China's territorial integrity and dignity must be respected.

Despite all these negative developments China's relations with the US have always been put on top priority. In the United States too, many high ranking officials often regarded the US-China relations as one of the most important bilateral relationships in the world (Peng, 2006). Cooperation and friction between the US and China are increasing simultaneously. Both countries have common interest in counter terrorism, non proliferation, management of North Korean nuclear crisis etc. On the other hand, there are issues over which they have serious disputes e.g. trade imbalance, intellectual property rights, China's rapid military modernisation, Taiwan and China's relations with American labelled "rogue states."

China's spectacular economic growth rate and its military modernisation in the last two decades has been a great source of concern for the United States. From Beijing's point of view, China's recent rise marks the end of century of humiliation at the hands of

foreign powers (Mahabubani, 2005). While dealing with the United States one thing China always keeps in mind, as suggested by Deng Xiaoping, that in moments of weakness swallow your bitter humiliations and focus on getting stronger.

‘China threat’ argument maintains that an increasingly powerful China is likely to cause great harm to the United States' regional and global interests (Roy, 1996). As many scholars believe that a developed economy could potentially turn China's huge population from a weakness into a strength, and give China the basis for world class military and technological capability.

It is being debated whether ‘Engagement’ or ‘Containment’ should be used to deal with the rising Chinese power. The US and China relationship is consisted of both negative and postive elements. If the US uses the containment policy then its economic interests would be at stake because their economic realations make them interdependent on each other. If China’s rising power is left unchecked or the US uses the engagement policy it could become a threat to the US in the future. Therefore, it is difficult to describe the relationship in terms of ‘good’ or ‘bad’ or in black and white terms (Glaser, 2001). The US-China relationship contains both the elements of cooperation and competition. As noted by former Secretary of State Powell during his July 2001 visit to Beijing, “the US and China have a complex relationship that cannot and should not be captured in a single phrase. It is undeniable that US and China are both partners and competitors.”

The debate on ‘China threat’ has focussed on the choice between ‘containment’ and ‘engagement’, but we can see both the elements in American policy. As one journalist said in 1996, “engagement and containment are often used simultaneously, one openly and one secretly, and are closely coordinated” (Saunders, 2000). In areas such as ideology they plot to ‘contain’ others while in trade, technology, security and other matters they pursue an ‘engagement’ policy.

After the end of the Cold War the United States' policy towards China has been the subject of constant fluctuations. Clinton administration took almost five years to arrive at its policy of strategic partnership and comprehensive engagement (Bachman, 2001). Where as the Bush administration and Bush himself came to office arguing that China was a 'strategic competitor'. George Bush indicated he was not satisfied with the Clinton administration's China policy. He was more critical of China's human rights abuses. The Bush team was also more suspicious of China's military buildup and in particular, China's willingness to use force against Taiwan.

But, after the September 11 incident Bush realized that it is more appropriate to incorporate China into the international system rather than treating it as an enemy country. The President's National Security Strategy, released in September 2002, underscored the US commitment to such a strategy. The report states that the US welcomes the 'emergence of a strong, peaceful and prosperous China' and that the United States seeks a constructive partnership with a changing China. The document further said that US and China already cooperate well where their interests overlap, including the current war on terrorism and in promoting stability on the Korean peninsula (Garrett, 2003). Now, the Bush administration believes that the US interests are best served by integrating China into international economic, political and security institutions and by encouraging China to adopt internationally accepted norms of behaviour.

Liberal Arguments on 'China threat'

For a better understanding of the US-China relations, we can use Liberal and Realist arguments, scholars from both the schools of thought have tried to describe the US-China relations through their different perspectives. Scholars from liberal camp believe that the possibility of better cooperation between US-China is quite high. According to liberal scholars, there are different mechanisms through which relations between the US and China can be improved.

They assert that bilateral economic relations have already brought the US and China closer and created shared interests in good relations between them. If greater volume of trade is taking place between the two countries, it makes them interdependent, therefore, they are more likely to avoid conflicts and will try to resolve their disputes through peaceful means. Since China liberalized its economy, after Deng Xiaoping came to power, economic exchanges between the US and China has increased dramatically.

The US has become the largest investor in China. Therefore, any harm to the Chinese economy is not in the interests of the United States. Economic interdependence has already helped to create a strong mutual interest in peace between the two countries. Liberals attach great importance to international organisations also. International Organisations are helpful to provide states a platform to communicate with one another to sort out their differences and it help states enhance their mutual understanding as well.

In the post-Cold War era there has been a proliferation of regional institutions in East Asia. Included among these are APEC; the ARF; ASEAN+3; East Asia Summit. China's membership in formal International Organisations has dramatically increased. In 2001, China became a member of WTO and started playing a more active role in the field of international economics. It has enhanced its level of activism in the United Nations also. China stepped up its contribution to United Nations peacekeeping and peacebuilding operations, gradually extending the size and nature of its units and geographical area of engagement. In 2004 Beijing joined the Nuclear Suppliers Group (NSG) and applied for membership of the Missile Technology Control Regime. All of this was meant to underline that China was an emerging super power in world politics. These organisations have helped the US and China to promote contact, communication and greater mutual understanding (Friedberg, 2005).

Realist arguments on 'China threat'

On the other hand, Realists believe that the world is an anarchical system and in the absence of any higher authority, the states are less likely to cooperate and it is the

power and the military strength of states that play a major role in shaping the patterns of relations among them. For realists, China's rapid growth and military modernisation are the most important concern. They maintain that a fast growing economy has made it easy for China to build a strong military force.

They also pointed out that rising powers are dissatisfied by nature. They do not believe in status quo and are believed to be trouble makers. According to realist school of thought, there are number of reasons for a rising power to behave in this way. With their power increasing the rising states seek a greater degree of influence over other states (Friedberg, 2005). Realists believe that China will be the only country in the world to have the potential to challenge the US' interests regionally or globally.

Realists argue that rising China is a threat to the US and it will surely make an attempt to displace the US as a dominant power in Asia, therefore needs to be dealt with seriously. They believe that US should do everything to hamper the Chinese growth. Realists believe that to become a super power China is modernizing its military very rapidly, acquiring advanced weapons from Russia and other countries and establishing economic and military relations with Latin American, African, and West Asian countries. It is already making an effort in East Asia to dominate the region.

In the eyes of the United States, China's economic development and its increasing economic and trade relations with ASEAN, South Korea, Japan, European Union, Latin America and Africa has not only made the economic interaction in the world much deeper and more frequent but also affected America's traditional economic and trade advantages in regions like Latin America and Europe. China has provided with missile technology and other weapons of mass destruction to 'American labelled rogue states' like Iran, Iraq, North Korea and provided nuclear technology to Pakistan. They accuse China of involving in arms proliferation to the states which are non friendly to the United States.

Richard Bernstein and Ross H. Munro maintain that it is true that China today is more open and more engaged internationally than any time since the communist revolution of 1949. Nevertheless, China's policies are contrary to American interests (Bernstein and Munro, 1997). Driven by the nationalist sentiment, to redeem the humiliation of the past, and the simple urge for international power, China is seeking to replace the United States as the dominant power in Asia. Moreover, they say that China is unlikely to become a democratic country because that would be contrary to its political culture. Further, they say that in its entire history China has developed no concept of limited government, no protection of individual rights, no independence for the judiciary and the media and the public has no role to play in Chinese domestic politics.

The most likely form for China to assume is a kind of militarized nationalist state with similarity to the fascist states of Mussolini or Francis Franco (Bernstein and Munro, 1997). Further Realists maintain that unlike Soviet Union, China is not becoming a powerful military power founded on a weak economy, but a powerful economy creating a 'credible military force' (Shambaugh, 1999). Scholars have argued that China's assertive territorial claims, bellicose nationalistic rhetoric and accelerating military modernization program have created an intense 'security dilemma' in East Asia.

Further they assert that China's external environment is most peaceful and least threatening since 1949, still China spends a great share of its GDP on military modernization (Shambaugh, 1999). In Mearsheimer's view China is the only country with the potential to emerge as a global peer competitor because the size of its economy and its population allows China to do so (Garrett, 2003).

John Mearsheimer argues that the central aim of United States' foreign policy has traditionally been to dominate the western hemisphere while not permitting another great power to interfere. He said that once China had achieved such wealth, it would almost certainly use its wealth to build a mighty military machine, and it would surely pursue regional hegemony just as the US did in the western hemisphere during the nineteenth century. One should also expect it to develop its own version of the Monroe doctrine,

directed at the United States (Garrett, 2003). China will make it clear that American interference in Asia is unacceptable.

Robert Kegan asserts that Washington is misled by liberal theories that give US' security analysts false hope that China's rise could be peaceful and consistent with US interests, if only the United States can avoid increasing regional tensions and unnecessarily antagonizing Beijing (Christensen, 2006). Joseph Grieco calls into question the restraints provided by interdependence. The Sino-American strategic competition is increasingly apparent in the United Nations Security Council and the other international forums. That reflects the competition between United States and China and that can be considered a clash of worldviews about the international system.

According to realist scholars China is using multilateralism as a tool to increase its influence over its neighbours. ASEAN+Three looks worrisome precisely because it excludes the United States. Some analysts fear that China's policy of multilateralism is directed against the US to reduce its regional and global influence (Christensen, 2006). China was the founder member of Shanghai Cooperation Organisation (SCO) which includes number of Central Asian nations as members and South Asian and West Asian states as observers, but does not include United States. At the organizational meeting in 2005, members called for a timeline for the withdrawal of foreign military forces in member states that were deployed initially to fight the global war on terror in Afghanistan (Christensen, 2006). It shows how multilateral forums led by China and Russia, can harm US' interests regionally and globally.

The Pentagon attitude is influenced by the realist perspective, that China's military power is dependent on its economic growth. Simply put, a rising China is assumed to pose a threat to the United States and to its global and regional interests. Further, China's rise is solely based on its accumulation of power and it does not make any difference in China's behaviour whether it is integrated into the international system or not.

Charles Krauthammer characterize China as a 'bully' that tries continuously to increase its reach, and he proposes a two pronged strategy. First, the US should strive to contain China by making alliances with the countries of Southeast Asian region, and by maintaining a strong alliance with Japan (Roy, 1996). He further says that America should work to undermine the communist party and promote liberalization by supporting Chinese dissidents.

Gerald Segal asserts that today's China has the least commitment to the status quo. It wishes to occupy Taiwan and take territory from most of its neighbours. It wishes to join WTO but do not want to follow its norms. It wishes to have access to the markets of other countries but does not want to provide access to its own markets (Roy, 1996).

China: Unable to pose a threat

On the other hand, there are scholars who fundamentally disagree with the 'China threat' school. They maintain that it is true that China is a rising power, but it is still substantially weaker than the United States, which is the most powerful country in the world. The United States' gross domestic product is well ahead of China's GDP. United States attracts about one-third of the world's foreign direct investment as well as much of the world's best scientific talent.

The anti-threat position begins with the argument that China might not be able to develop into a 'threat' even if it wanted to become. Because externally the Chinese are bound by interdependence with their markets and suppliers. They are not self dependent. In fact, in the era of globalization it is very difficult for states to be self dependent. This requires that China should have a peaceful relationship with its neighbours, as any serious confrontation would destroy the political environment and opportunities necessary for economic development. Former General Secretary Jiang Zemin once asserted that "an aggressive or hegemonic China is out of the question because China needs a long lasting peaceful international environment for its development."

America remains the world leader in terms of innovation, and invests far more than any other country in research and development. As the world's strongest military power with unmatched capabilities, America's defense budget is currently more than double the combined budgets of China, Russia, France, Germany and the United Kingdom (Roy, 2003). These disparities make it difficult for China to even contemplate initiating a direct power struggle with the United States in the near future.

Gary Klintworth criticise the 'China threat' position by arguing that an economically developed China offers the region definite security benefits, while the potential danger of a strong China are unlikely (Roy, 1996). An economic or political collapse in China could upset regional stability by sending out large number of Chinese refugees or by tempting other power to invade China.

Austin asserts that exaggerated claims about China's intentions and its military build up enable the US to justify its huge level of defense spending in the face of severe budgetary pressures. Many Chinese scholars make the same point, Shen Qurong writes that people who see China as a threat "are looking far and wide for an enemy on purpose. It seems that these people cannot go without an enemy" (Roy, 1996).

US adoption of realist strategy, especially adoption of measures aimed at weakening China's economy, is likely be opposed by most of the international community including Japan, Russia, the Europeans and most states in East Asia (Garrett, 2003). Because these countries do not want to spoil their beneficial relationship with China, unless China is considered to be a threat to their national security. A containment strategy would likely have negative and potentially grave consequences for their economic interests. China's bilateral relations have also improved a lot. China sought to establish cooperative strategic partnership or to sign cooperative agreements with many of its neighbours including Russia, India, Indonesia, Kazakhstan, Thailand and Malaysia.

Mutual Cooperation between US and China

China is trying its best not to annoy the United States. When Washington announced its decision to invade Iraq, China as a matter of principle opposed it because it was perceived as a violation of international law. But unlike France and Germany, who tried hard to prevent the war, Beijing remained quiet. Similarly in the case of North Korean nuclear crisis Washington sought Beijing's assistance as bilateral economic sanctions would not work because North Korea had already isolated itself from the international community. A military invasion was not feasible, it could endanger South Korea and possibly Japan (Mahbubani, 2005).

New threat perceptions in the US, after the September 11 terrorist attack, have led to a shift in focus and priority in the US foreign policy that is likely to endure, and offer opportunities for forging closer US-China strategic cooperation and strengthening the US-China relationship. It can be seen in the aftermath of September 11, when China was one of the first countries to offer its help to the United States. The US foreign policy is experiencing a shift of focus primarily on the threats of terrorism and the proliferation of weapons of mass destruction. These specific threats have pointed to the dangers emanating from weak, failing and 'rogue' states that present challenges for the US and the rest of the world.

US led war against terrorism, particularly in its early stages, saw significant Chinese accommodation. Beijing chose to declare solidarity with the US to support the war to overthrow the Taliban government in Afghanistan. Siding with the Americans helped China gain international approval for its own campaign against terrorism, separatism and extremism (Roy, 2003). But the main reason Beijing supported the US in the initial moves of the war against terrorism was to accelerate the improvement in the US-China relations.

The dangers emanating from weak, failing and "rogue" states affect the entire developed and developing world. China, which has many of these states on its periphery

is especially vulnerable to these dangers. This common threat calls for long term cooperative responses between the US and China (Garrett, 2003). The prospects for such cooperation are strengthened by China's growing emphasis on contributing to international stability and growth.

For the US, the strategic objective of preventing the emergence of China as a world power is both impractical and highly counterproductive to the US strategic, economic and political interests. It would damage the health of the global economy and international institutions and regimes, weaken support for other US objectives among US allies and friends, and decrease the chances of avoiding potentially dangerous hostility with China. Thus, America also has no viable strategic choice but to follow some variant of an engagement strategy. It is likely that President Bush and future Presidents will also seek to avoid a conflict with China over Taiwan and thus will keep on supporting the 'One China' policy, despite pressures from within the government and the Congress to upgrade its ties with Taiwan or even to support Taiwan's independence (Garrett, 2003). Presidents have repeatedly come to understand that an engagement strategy toward China is incompatible with support for Taiwan independence or abandonment of the 'One-China' principle.

CHAPTER II

The Perception of US Congress and National Security Bureaucracy

This chapter is basically an attempt to understand American defense establishments' position on 'China threat' argument. The US Congress' stand on China has also been discussed briefly in this chapter. The study has attempted to know how the relationship between Congress and the administration has affected the US-China relationship. After going through various reports presented to Congress by the Department of Defense, this particular Department appears to be more critical than any other Department on China's increasing economic and military clout. In this chapter primary sources have been used in order to understand the perception of the Department of Defense and other Defense establishments of the United States about China's capabilities and intentions. Primary sources like annual reports by Department of Defense on PRC's military power, Quadrennial Defense Review Reports, Congressional Research Service reports, and Reports by US-China Economic and Security Review Commission have been used. This chapter has been divided into five major parts:

- The Stand of US Congressional Leaders
- Views on China's Military Modernization
- Taiwan: An Irritant in Bilateral Relations
- Concern over China's Arms Proliferation
- US-China competition in East and Southeast Asia

The Stand of US Congressional Leaders

Foreign policy of a democratic country has always been fundamentally affected by domestic politics; and United States is not an exception in this regard. American style democracy is identified by its checks and balances system. Under this system, there have been disagreements between the Presidents and the Congress over several issues, exclusively China policy. American Presidents have generally pursued a policy of engagement with China while Congress appears to have adopted a confrontational posture towards China, particularly on human rights issue and Taiwan. Traditionally

Congress has been more outspoken and critical of the negative sides of China and has advocated tougher policies.

Tiananmen Square Massacre

After the suppression of the students' protest on June 4 1989 by Deng Xiaoping's government, President Bush a lifelong China expert was in favor of limited sanctions because, he wanted to protect the bilateral relationship with China. But Congress was not satisfied with this and demanded for more stringent action against China. Under congressional pressure, administration decided to halt the bilateral military relationship, ending American sales of military equipment and contacts with the People's Liberation Army. Secretary of state Baker announced a suspension of high level political contacts between the governments.

MFN status for China

Under the Jackson –Vanik provision of the Trade Act of the 1974 Congress was required to authorize annually for countries with non market economies. President Clinton had adopted a China policy close to the Congressional Democratic leadership and strongly criticized the former Bush administration for subordinating trade to the promotion of human rights. There was a debate among Democrats about China's MFN status. Nancy Pelosi and Mitchell sought the revocation of MFN, whereas another Democrat Stephen Solarz advocated a one year renewal of trade relations with a series of human rights condition for China to meet to secure further renewals. The latter proposal won greater support from Congressional Democrats. President Clinton enacted the Solarz Proposal by executive order on May 28, 1993. By the executive order China was extended MFN status for one year and certain human rights conditions were imposed for further renewals. Clinton renewed the MFN status for another year and stated that "I believe the question, therefore, is not whether we continue to support human rights in china, but how we can best support human rights in China and advance our other very

significant issues and interests” (Yang, 2000). The congressional Democrats reacted with anger and disappointment to the Clinton’s announcement.

Lee Teng-hui’s visit to the US

Since the establishment of the diplomatic relations between the US and the PRC in China in 1979 the US government had not permitted officials of the Taipei government to travel to America. Despite the protests by the Carter administration, in 1979 congress passed with strong bipartisan majorities a Taiwan Relations Act. According to the act, the US could legally provide Taiwan defensive arms for its security.

President Clinton’s focus on domestic issues permitted the Congress to take foreign policy issues in its hand. Congress had always taken Taiwan’s side and pressurized the administration to review the Taiwan policy, and invited the President of Taiwan to visit the US to address a joint session of Congress (Shambaugh, 2002). It was something which the US-Taiwan relationship had not enjoyed since the normalization of the ties between the US and mainland China in 1979.

Taiwan President Lee Teng-hui’s private visit to the United States in June 1995 was an important issue in US-China relations during the Clinton administration. Lee’s visit triggered serious crises between the two countries. Congress was very active on Taiwan issue during the first Clinton administration. President Clinton had no intention to make major changes to the Taiwan policy set by previous administrations. Consequently, US policy towards Taiwan was moving in the direction determined by Congress.

Taiwan’s supporter on Capitol Hill subsequently launched their assaults on the Clinton administration’s Taiwan policy. The members of the House Subcommittee on Asia and the Pacific, in a 9 February 1995 hearing, accused the administration of bowing to China and ignoring Taiwan (Ross, 1998). The Congress acted swiftly after Cornell University formally invited Taiwan President Lee Teng-hui to receive an honorary degree. But the Clinton administration denied visa to Lee. One Congress member stated that administration had insulted Taiwan President Lee Teng-hui by refusing him a visa

(Yang, 2000). Two resolutions were presented in the Congress to make Lee's visit possible. Both the resolutions enjoyed strong bipartisan support. The resolutions expressed the sense of Congress and were not binding on White House to take any action.

The voting results were surprising. On May 2 1995, the House of Representative and Senate passed the resolution by 396-0 and 97-1 respectively (Shambaugh, 1995). The resolutions were not binding in nature but nevertheless put moral pressure on the administration. Finally, President Clinton decided to grant Lee Teng-hui a visa to visit the United States. The Clinton administration's decision created tension in the US relations with China and across the Taiwan Strait. After the decision, Beijing postponed the visit of its Defense Minister to the United States, suspended missile control talks, postponed the cross-Strait talks and indefinitely recalled its ambassador to Washington.

Taiwan Straits Crisis

During the Taiwan's Presidential election in 1996 Beijing conducted series of ballistic missile tests, with 3 missiles launched on the first day of the elections against points closer to the major Taiwanese ports. Congress passed a concurrent resolution with broad bipartisan support calling for inter branch consultations on an appropriate US response, if China poses a serious threat to Taiwanese peace, security and stability (Yang, 2000).

Though both Republicans and Democrats have held office in the White House since the end of the Cold War, the China policy objectives and practices for various administrations have remained similar. We can say that America's China policy is based entirely on national interests and it is less concerned with issues like human rights. Both Democratic and Republican administrations have always supported the 'One-China' policy. China policy of all the administrations since the end of the Cold War could be seen as engagement to the extent it promoted robust economic and trade ties with China, and containment to the extent that it consolidated security relations with the allies in Asia.

The strategy of engagement and deterrence has remained unchanged in dealing with China. Congress has been a major player in shaping the US policy towards China. The history of American foreign policy making reveals a tug of war between Congress and the executive branch. America's China policy has not been determined by any single branch of the US government. Rather, it has resulted from a complex interaction between various branches of the government.

After coming to power in 2001, the Bush administration adopted a strategy toward China that was not substantially different from Clinton's policy of "constructive engagement." The Bush administration like other former administrations was of view that the US interests are best served by integrating China into international economic, political and security system, and by engaging China to adopt internationally accepted norms of behavior (Garrett, 2003). But there is a lack of consensus within the administration on this strategy. Engagement and interdependence are rejected by many administration officials, particularly the officials in the Department of Defense and the office of Vice President Dick Cheney.

This lack of consensus was evident in October 2001 when Pentagon was reluctant to implement the President Bush's commitment to the then Chinese President Jiang Zemin to renew the military relations the US suspended after the EP-3 incident (Shambaugh, 2002). Secretary of State Rumsfeld and other senior officials in the Defense Department were deeply suspicious of the implications of these exchanges to the United States. They did have the perception that past exchanges have benefited the People's Liberation Army much more than the US military (Shambaugh, 2002). And these kinds of exchanges have primarily been an avenue for Chinese military espionage.

Department of Defense's recalcitrance on resuming military ties with China not only simply reflects anger over the EP-3 incident; Pentagon's attitude was also influenced by a realist perspective that foresees an equal increase in China's military power as Chinese economic power grows. By this logic, China will seek hegemony and exclusion of the US from the Asian region, and eventually China will emerge as a rival super power. Simply put, a rising China is assumed to pose a threat to the United States and its

regional and global interests (Garrett, 2003). Thus, it is in US' interests to prevent or slow the rise of China.

In the United States, there are frequent debates between the so-called doves and hawks. Within the George W. Bush administration, there has been fierce debate over how the United States should deal with China. Some administration officials, particularly in the State Department, see China as a potentially valuable ally against terrorism, where others, particularly in the Department of Defense, tend to consider China as a potential threat to US interests (Zhiqun Zhu, 2006). Right-wingers in the foreign policy establishment always complain that the administration has become too complacent about what they call a growing 'China threat.'

Since 1990 there has been an intense debate in Washington between hawks and doves. Some officials see China as a strategic competitor and a potential adversary. Some would like to engage China so that China will turn out to be peaceful power. The doves favour 'peaceful evolution' through trade and engagement, while the hawks favour preemptive confrontation through military conflict.

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Views on China's Military Modernization:

After studying reports to Congress by the Department of Defense, it seems that the US Department of Defense is very critical of China's growing economic and military power. It believes that China's impressive economic growth has enabled Beijing to make ever higher investments in the military modernization. The 2006 Quadrennial Defense Review Report said that "China has the greatest potential to compete militarily with the United States and field disruptive military technologies that could overtime offset traditional US military advantages." (US Quadrennial Defense Review Report, 2006).

The Report further says that China is likely to continue making large investments in asymmetric military capabilities, emphasizing electronic and cyber warfare, counter space operations, ballistic and cruise missiles, advanced integrated air defense system,

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next generation torpedoes, advanced submarines, strategic nuclear strikes from modern sophisticated land and Sea based systems.

After the September 11 terrorist attack on World Trade Center and the Pentagon, a new consensus seemed to be emerging in the US with regard to the current threat to national security. According to the US Ambassador to China, Clark Randt, the September 11 attacks demonstrated to Americans that they have real enemies, and China is not among them (Zhiqun Zhu, 2006). For the US and China, the 2001 terrorist attacks provided a platform to improve their bilateral relations and enhance cooperation on common challenges.

The *National Security Strategy of the United States*, 2002, stated that “the relationship with China is an important part of our strategy to promote a stable, peaceful and prosperous Asia Pacific region. And the United States welcomes the emergence of a strong, peaceful and prosperous China. The United States seeks a constructive relationship with a changing China.” Further it asserts that the United States and China already cooperates well where their interests overlap, including the current war on terrorism and in promoting stability on the Korean Peninsula.

Even a quarter century after beginning the process of reforms, China’s leaders are not yet likely to accept the democratic form of government. In pursuing advanced military capabilities, that can threaten its neighbours in the Asia-Pacific region, China is following an outdated path, in the end that will hamper its own pursuit of national greatness.

US and China have serious disagreements over some security related issues, that create an environment of suspicion between the US and China. China’s rapid military modernization is one of the major sources of conflict between the United States and China. At the end of the Cold War, China does not face a direct threat from another nation. Yet, it continues to invest heavily in its military, particularly in programs designed to improve its power projection. Current trends in China’s military modernization could provide China with a force capable of prosecuting a range of military operations in Asia- well beyond Taiwan.

The modernization of Chinese military power was not a major concern for United States decision makers for decades. The US-China rapprochement of the early 1970's and the presumed backwardness of China's defense technology base meant that Chinese military capabilities posed no threat to American regional security interests (Lee and Storey, 2002). Infact, a weaker, more vulnerable China was deemed adverse to America's declared pursuit of a stable and secure East Asia. Indeed for much of the 1980's the US actively facilitated China's scientific and technological advancement.

China's impressive economic growth has enabled Beijing to make ever higher investments in the defense sector. Real growth of China's official defense budget has averaged double digit annual growth every year for the past decade (Annual Report to Congress on China, 2006). The official budget does not give a full picture of actual military expenditure of China.

Since 1993, China has been by some American analysts seen as a growing military challenge to the United States. Clearly, China has not been militarily equal to the United States. China's economic growth has resulted in increased defense spending at a time when China faces no external threat (Copper, 2006). The US media reported frequently on China's annual double digit increase in military spending. The Defense Departments was of view that China was making significant advances in military technology and was more confident and arrogant because of it.

China's military power and potential is now beginning to generate heightened interest among analysts and defense planners in the US. American defense establishments believe that China's military modernization is aimed at preparing for a potential conflict in the Taiwan Strait. Beijing is pursuing the ability to force Taiwan to negotiate on Beijing's term, regarding unification with the mainland. It also seeks to deter or deny the foreign forces to intervene on Taiwan's behalf.

Beijing has been influenced by the increasing leverage of the United States in military affairs and is seeking the means to counter the US in this field (Annual Report to Congress on China, 2002). China is pursuing long-term comprehensive transformation of its military forces to improve its capabilities for power projection. Pentagon says that

China's actions in certain areas increasingly appear inconsistent with its declaratory policies (Demetri Sevastopule, May 25, 2007, The Financial Times).

China's official defense budget for 2000 was approximately \$14.6 billion. It was increased the following year by 17.7 percent. In 2001, China acknowledged its defense budget to be \$17 billion. In 2002, China again increased military spending by 17.6 percent bringing the reported total to \$20 billion. The following year China once more increased military spending to \$22 billion. Again, that figure grew by another 11.6 percent in 2004, \$2.6 billion. And in 2005 China raised its military budget by another 12.6 percent, \$29 billion for the current year. China's military expenditure in 2007 is expected to be around \$44.94 billion. That is a jump of some \$30 billion in just seven years (Claude Salhani, May 24, 2007, The Financial Times).

Substantial growth in China's defense budget aside, China's published defense budget does not include large categories of expenditure, including expenses for strategic forces, foreign acquisitions, military related research and development, and China's paramilitary forces. The US Defense Intelligence Agency estimates China's total military related spending for 2007 could be as much as \$85 billion to \$125 billion (Annual Report to Congress on China, 2007). Accurately estimating Chinese military expenditure is a difficult process due to the lack of accounting transparency and China's failure to comply with international standards for reporting military expenditures and funding.

American defense establishment believes that China's accelerating military modernization presents a growing threat to US security interests in the Pacific. China's aggressive pursuit of territorial claims in the East and South China Seas points to ambitions that go beyond a Taiwan scenario and poses a growing threat to nations, including US alliance partners on China's periphery (US- China Economic and Security Review Commission 2005). Recent and planned military acquisitions by Beijing – mobile ballistic missiles, and improved air and naval forces capable of extended range operations- provide China with the capability to conduct offensive strikes and military operations throughout the region

China is also strengthening its nuclear deterrence also. It is qualitatively and quantitatively improving its long-range nuclear missile force. It is pursuing strategic modernization to provide a credible, survivable nuclear deterrent and counter strike capability in response to any nuclear attack (Annual Report to Congress on China, 2006). China is actively seeking foreign weapons and technology, primarily from Russia and states of the former Soviet Union to fill near term capability gaps, but in the long term Beijing is trying to develop its own defense industry, which can produce advance military hardware to deter any external aggression or to project Chinese military power in the region.

The European Union arms embargo is a critical issue in this context. The ban was imposed on China after the Tiananmen massacre incident. The ban remains an important symbolic and moral restraint on EU country's military interactions with the PLA (Annual Report to Congress on China, 2006). American Defense Department believes that lifting the Embargo would potentially allow China access to military and dual use technology for improving current weapon systems and developing indigenous capabilities to produce newer systems.

The United States is of view that Lifting the EU embargo would likely help China in accelerating its military buildup. An end to the embargo would raise the possibility of competitive pricing for arms sales to China, giving Beijing leverage to pressure its existing suppliers— including Russia, Israel, and Ukraine – to provide even more advanced weapons and favorable terms of sale. (Annual Report to Congress on China, 2007) US-China Economic and Security Review Commission urge the EU to maintain the embargo on weapons sales to China. The commission recommends that Congress encourage the President and the Secretaries of State and Defense to continue to press their European counterparts to maintain the EU's embargo on weapons sales to China. US officials has emphasized in the starkest terms that removal of the embargo will not be welcomed even if China make significant improvements in its human rights actions.

Taiwan: An Irritant in Bilateral Relations

Taiwan is another issue that has often threatened to rupture the US-China relations. From the Nixon administration onwards, all successive US administrations have declared a policy of 'One-China,' yet the US-China conflict over Taiwan is the most difficult conflict to manage. The US has significant stake in Taiwan's autonomy. Taiwan is a potential strategic asset, which Washington could utilize if the US-China relations deteriorate (Johnston and Ross, 1999). Beijing regards the eventual reunification of China and Taiwan as essential to China's recovery from a century of national weakness, vulnerability and humiliation and to its emergence as a respected great power.

Michael D. Swaine says that the "Chinese leaders will go to any length to prevent Taiwan's independence, even if it means going to war. Exactly how much blood and treasure China would be willing to expend over the issue is unclear, but it might be considerably more than the US would be prepared to shoulder" (Swaine, 2004). China thinks that their national integrity would be at risk if they loose Taiwan. And they also believe that loss of Taiwan will encourage separatists in other parts of the country like Tibet, Xinjiang and Inner Mongolia (Christensen, 1996). America's commitment to Taiwan's security is one of the basic principles of the United States' Asia policy and America's credibility would be at risk if it fails to provide Taiwan a much needed security from any external aggression.

In its annual report of 2005 the US-China Economic and Security Review Commission said that the US government has not laid adequate ground work to allow a rapid response to a provocation in the Taiwan Strait. Beijing's tough stand on Taiwan issue has left little room for negotiations in the event of an emerging crisis over Taiwan. In March 2005, China passed the Anti-Secession Law; a legal document that codified China's claimed authority to use force to counter further moves by Taiwan toward separation.

Almost any possible scenario involving US military support to Taiwan would require extensive political and military coordination with the Taiwan government and regional allies but the foundation for such coordination have not been laid (US- China

Economic and Security Review Commission 2005). For example, self-imposed restrictions against visits to Taiwan by senior US military officers and other government officials undermine efforts to conduct advance planning for contingencies.

Despite US President George W. Bush's efforts to embrace Taiwan tighter, Vice President Dick Cheney and influential right wingers accuse the administration of becoming too complacent about what they call a growing threat from China (Jim Lobe, July13, 2002, Asia times). They want the administration to provide more sophisticated weapons to Taiwan in view of China's rapid military modernization to strengthen US military presence in East Asia.

According to the US Defense Department, China is generating military capabilities that would have utility beyond Taiwan. For example, all of China's short range ballistic missiles (SRBM) although stationed opposite Taiwan are mobile and can be deployed throughout the country. There are improvements in intercontinental range missile capability of striking targets across the globe, including the United States (Annual Report to Congress on China, 2006). In its *2004 Defense White Paper*, China notes that the "role played by military power in safeguarding national security is assuming greater prominence." As China's economy expands, so too will its interests and need to build a military capable of protecting them.

In the post-September 11 period, although the neo-conservatives have used their influence in the Bush administration, particularly in the office of Vice President Dick Cheney and in the Pentagon, to promote robust military support for Taiwan and limit military to military relations with China (Xinbo, 2004). The Defense Department warns of the implications for Taiwan of the buildup of China's short range ballistic missiles, the modernization of air and naval forces and the shifts in the PLA's planning to focus on a surprise attack that would bring Taiwan to terms before US forces could intervene. (Sutter, 2003-04)

China has refused to give up its right to use force against Taiwan. Beijing claims that, if Taiwan declares independence or any foreign power intervenes in Taiwan's internal affairs, it would consider using force against Taiwan (Annual Report to Congress

on China, 2002). But, despite its refusal to give up its right to use military force against Taiwan, Beijing has consistently emphasized its desire to achieve national reunification peacefully through agreement with Taipei based on the "one country, two systems" formula.

Council on Foreign Relations Task Force 2003, suggests that the Chinese buildup in air and sea power will require "a continued strong US naval and air presence that can likely counterbalance the ability of Beijing to influence future military capabilities into a real advantage against US and allied interests in the Asia Pacific region over the next twenty years. It warns "The Taiwan strait is an area of near term military concern" (Sutter, 2003-04).

Apart from the Department of Defense, CIA is also suspicious of China's military modernization. The Former Director of Central Intelligence Agency Porter Goss had once warned that China's military modernization is tilting the balance of power in the Taiwan Strait and increasing the threat to US forces in the region (Edward Alden, Feb 16, 2005, The Financial Times).

Delivering the Agency's annual assessment of worldwide threats, former CIA Director Porter Goss dropped any mention of the cooperative elements of the US-China relationship, instead he said China was making determined military and diplomatic efforts to "counter what it sees as a US effort to contain or encircle China." The statement on China indicated potential military threat. The former CIA director referred to US concerns over the increase in Chinese ballistic missile deployed across the Taiwan Strait and the improvements in China's nuclear and conventional capabilities.

The PRC government feels that Taiwan is moving towards independence, and US may be tacitly approving this trend while paying lip service to the "One-China" policy (Zhiqun Zhu, 2006). China further accused the US of emboldening pro-independence forces in Taiwan by supplying advance weapons and prolonging the separation of the two sides of the strait indefinitely.

The establishment of a democratic political system on the island and the election of a President from Democratic Progressive Party, which favours independence, have

further increased the complexity of the issue (Glaser, 2001). The US has rejected this allegation and said that we stick to “One-China” policy and acknowledge that Taiwan is a part of China. But at the same time US is committed to defend Taiwan from any possible aggression by the PLA, based on the 1979 Taiwan Relations Act.

China’s economic growth, growing diplomatic leverage, and improvements in the PLA’s military capabilities, contrasted with Taiwan’s modest defense efforts, have the effect of shifting the balance in Beijing’s favour. Chinese air, naval and missile force modernization is making it increasingly essential for Taiwan to strengthen its defense with a sense of urgency (Annual Report to Congress on China, 2006). American Defense Department has said that despite the need, Taiwan defense spending has steadily declined. The US government has made it clear that it supports peaceful resolution of cross-Strait differences in a manner acceptable to the people on both sides of the Taiwan Strait, and opposes unilateral changes in the status quo. Yet, Beijing’s accelerating military buildup in the area of Taiwan Strait risks disrupting the status quo.

The principal focus of China’s military modernization in the near term appears to remain preparing for potential conflict in the Taiwan Strait. For example, the PLA Academy of Military Science text, *Science of Military Strategy* (2000) stated:-

“If Taiwan should be alienated from the mainland, not only our natural maritime defense system lose its depth, opening a sea gateway to outside force, but also a large area of water territory and rich resources of ocean would fall into the hands of others. Our line of foreign trade and transportation which is vital to China’s opening up and economic development will be exposed to the surveillance and threats of separatists and enemy forces, and China will forever be locked to the west of the first chain of island in the West Pacific.”

China can never afford to lose Taiwan in perpetuity and will do anything for unification of Taiwan with the mainland. But on the other hand, US is also determined to protect Taiwan at any cost from any possible aggression by China. According to the Taiwan Relations Act 1979, the United States is taking steps to help maintain peace, security and stability in the region by offering for sale to Taiwan defensive weapons to

correct the imbalances in the areas of air and missile defenses and anti- submarine warfare (Annual Report to Congress on China, 2002).

China has accumulated a formidable force of ballistic and cruise missiles, advanced strike aircraft and modern naval combatants with long range and truly lethal combat power. Since Taiwan has not adequately responded, the military balance across the Strait is shifting strongly in China's favour and poses a growing challenge to the US military forces and political interests in the Pacific. Moreover, the combination of a US policy of strategic ambiguity and Taiwan's hesitation in responding to China's aggressive military buildup sent signal of weakness and ambivalence to China, undermined US deterrence efforts, leave Taiwan vulnerable if attacked, and increase the risk that US forces may be called upon to act.

Concern over China's Arms Proliferation

Arms proliferation by China is another source of conflict between the two countries. American concern for the integrity of international rules governing weapons proliferation and for controlling proliferation to sensitive regions creates conflicts with China (Johnston and Ross, 1999). The US is, by far, the largest exporter of weapons accounting for almost half of the world arms exports. Russia, France, the United Kingdom, and Germany are the other large exporters of weapons.

China's trade in armaments is rather insignificant in value. But its transfers of arms and weapons technology, particularly to Iran, Iraq, Pakistan, North Korea, and Myanmar have caused serious concern in the United States. Other Middle Eastern countries that purchased Chinese arms include Egypt, Libya, Saudi Arabia, and Syria (Sinha, 2003). *Congressional Research Service Report 2007* says that Congress has been concerned about whether US policy advances the national interests in reducing the role of PRC in the proliferation of WMD and missiles that could deliver them. Recipients of China's technology reportedly include Pakistan and countries that the State Department says support terrorism, such as Iran and North Korea.

This CRS report discusses the national security problem of China's role in weapons proliferations and issues related to the US policy response. As the Director of Central Intelligence Agency has reported to Congress, China remains a "key supplier" of weapons technology, particularly missile or chemical technology (CRS Report for Congress on China, 2007). It is believed that as China improves its nuclear and missile capabilities, the potential damage from its proliferation actions will increase. Given China's poor track record on preventing proliferation, the presumption is that it will continue to allow transfers of improved WMD- and missile-related technology to countries of concern.

Certain international activities by China raise some serious concern on its global rise. China continues to be a source of weapons of mass destruction and missile related technologies to countries of concern, such as Iran. Despite China's enactment of tough export control laws and constant complaints and sanctions by the United States, Chinese companies and organizations have continued to proliferate. International community is concerned about the grave consequences should WMD be acquired by countries of concern or terrorist group. But China gives evidence that this is not among its highest concerns.

In part, in order to obtain access to energy resources and raw materials China has utilized and expanded relationships with nations such as Iran, Sudan, and Zimbabwe. In this interaction China focused on narrow interests while dismissing international concern (US China Economic and Security Review Commission, 2005).

China sold tanks, armored personnel carriers, combat aircrafts, small warships, anti-cruise ship missiles, and other missile technology to Iran (Sinha, 2003). China sold CSS-2 intermediate range missiles to Saudi Arabia and silkworm missiles to Iran (Johnston and Ross, 1999). It has been the US policy to prevent PRC's arms proliferation that violates international regimes.

The US wants China to refrain from transferring to the Middle East weapons that violates various international arms control treaties. On 19 occasions the Bush administration has imposed sanctions on 32 different PRC entities for transfers, related to

ballistic missiles, chemical weapons and cruise missiles, to Pakistan, Iran or another country (CRS Report for Congress on China, 2007). China's help to Pakistan in terms of nuclear weapons and missile technology has been quite substantial, and has included the transfer of a proven nuclear design and ring magnets to be used for enriching uranium and dual use equipment that can be used in nuclear weapons. There is no doubt that China's assistance was essential for Pakistan's nuclear program (Sinha, 2003).

The Director of Central Intelligence noted that, for July-December 1996, "China was the most significant supplier of WMD related goods and technology to foreign countries." The DCI reported in November 2003 that, in the first half of 2003, continued contacts between PRC entities and entities associated with Pakistan's nuclear weapons program cannot be ruled out, despite the PRC's 1996 promise not to assist unsafeguarded nuclear facilities. The Director of Defense Intelligence Agency, Vice Admiral Lowell Jacoby, testified to the Senate Intelligence committee on Feb 24, 2004, that PRC entities "remain involved with nuclear and missile programs in Pakistan and Iran (CRS Report for Congress on China, 2007).

US-China Economic and Security Review Commission 2005 warns that "China's proliferation activities are broad ranging, and it continues to provide equipment and technology, including dual-use goods and technologies related to weapons of mass destruction and their delivery systems to countries such as Iran as well as conventional armaments to countries like Sudan."

China's reliance on foreign energy imports has affected its strategy and policy in significant ways. It has pursued long term energy supply agreements with Angola, Central Asia, Chad, Egypt, Indonesia, Iran, Nigeria, Oman, Russia, Saudi Arabia, Sudan, and Venezuela. China has used economic aid, diplomatic favors and in some cases, the sale of military technology to secure energy deals. China's desire to meet its energy needs has led it to strengthen ties with countries that challenge international norms on issues ranging from human rights, support for international terrorism and proliferation (Annual Report to Congress on China, 2007).

US-China Competition in East and Southeast Asia

The United States and China are vying for the leadership in East and Southeast Asia, the US has its strategic interests in the region and China is not comfortable with the America dominating the region. The Chinese government is not ready to tolerate an indefinite US military presence in the region (Shambaugh, 2000). China has increased its reach and influence in Southeast Asia dramatically in the past fifteen years. This is a result of its emergence as a global economic power, but is also the result of carefully crafted Chinese policies.

China has improved its relations with Southeast Asian states in part by playing up its generally stabilizing regional role in the 1997 Asian financial crisis. China's rapid rise as a regional political and economic power with global aspirations is an important element of today's strategic environment, one that has significant implications for the region and the world.

In 1997, Beijing played a major role in the creation of ASEAN plus Three (China, Japan, South Korea), a forum that discusses both economic and security affairs. But from an American point of view, the initiative such as ASEAN plus Three looks particularly worrisome precisely because it includes US allies and security partners like Japan, the Philippines, Singapore, South Korea, and Thailand but does not include United States. Since the 1990's, China has markedly improved its economic relations with the East and Southeast Asian countries, therefore these countries want to avoid any confrontation between the US and China because that would not be in the interest of this region.

Some observers have also expressed concern that by asserting its influence in the inaugural meeting of the East Asia Summit in December 2005, China has attempted to maximize its power at the expense of the United States and US allies (Christensen, 2006). During the early discussions of the East Asia Summit's composition, various signs suggested that China was supportive of Malaysia's position that actors from outside East Asia should be excluded. In an annual report to Congress on People's Republic of China (2000), Defense Department warns that "China seeks to become the preeminent power among regional states in East Asia. Beijing is pursuing a regional security strategy aimed

at protecting its sovereign and economic interest in Taiwan, the South China Sea and elsewhere on its periphery.”

While most East and Southeast Asian countries are concerned about the long-term implications of growing Chinese power, they also see China’s rise as inevitable and therefore do not want to be seen as ‘anti-China’. East Asian leaders do not want a destabilizing military confrontation between the United States and China. They fear that this kind of confrontation between US and China will force them to take sides or get involved in an undesirable conflict. Although China has improved security relations with Southeast Asia, it cannot supplant the United States as the security guarantor for the region (Dalpino, 2005).

Economic interests of all these nations also have an impact on their relationship with China. All East and Southeast Asian nations have trade and economic links with China and see a huge potential in Chinese market. Despite their worries about Beijing’s long term intentions, they hope to benefit as much as possible from China’s economic growth (Li, 2000). On the other hand China continues to dispute sovereignty claims with its neighbours in the South and East China Seas. China has existing territorial disputes with a few countries in South East Asia, namely Brunei, Malaysia, the Philippines and Vietnam (Banlaoi, 2003). The South China dispute continues to serve as a major irritant in China- South East Asia relations.

The United States is not a claimant to any part of the South China Sea but it has vital interests in maintaining freedom of navigation. It is also concerned about the destabilizing effects of a potential conflict among the claimants. For China also, the South China Sea has nothing to do with the US. Beijing wants to handle the dispute on a bilateral basis with its neighbours. Any US involvement direct or indirect would be seen by Chinese leaders as an attempt to dominate East Asian region (Li, 2000). The US also has particularly expressed strong apprehensions regarding the intentions of China. The commission on America’s National interest describes China as “America’s major foreign potential strategic adversary in East Asia” (Banlaoi, 2003). While, the Council on Foreign Relations has stated that “China poses significant economic, military and political challenges for the US and for the nations of Southeast Asia as well.”

CHAPTER III

The Political Economy of 'China threat' Argument

The bilateral trade and economic relationship between the US and PRC have improved and getting stronger since the liberalization of the Chinese economy in 1978. However, the evaluation of the US-China economic relationship leads to the inference that the United States suffers economically while China is making huge profits.

Few nations have changed as fast or as dramatically as China has changed since 1970's. The world's most populous nation has radically liberalized its economy and experienced a shift from producing low-quality and simple exports to sophisticated high technology goods. The assessment of China's growing international competitiveness in the United States is mixed. There is much concern about the impact of Chinese imports on US industry and employment. The US believes that China's cheap production has flooded the American markets and affected its manufacturing sector. They are also concerned with the alleged exchange rate manipulation of Chinese currency Yuan which has contributed to the vast bilateral trade imbalance.

In addition to the tension about trade issues, a number of other problems have overshadowed the economic relationship. The lack of protection of Intellectual Property Rights (IPR) has been one of the much debated topics, with the US accusing Chinese companies of being software pirates (Schuller and Top, 2006).

After 1949, China adopted a Soviet-inspired development strategy and started its journey with substantial Soviet assistance. The strategic alliance with the Soviet Union, and the immense prestige of the Soviet Union as the first socialist state and leader of the socialist camp, propelled China into an attempt to emulate the Soviet strategy of development. But once the break with the Soviet Union became final, as discussed in the introductory chapter, China found itself

internationally isolated. Between 1964 and 1971, China's development policy was crucially shaped by its assessment of the international environment.

It gradually became clear to the Chinese that the autarkic policies in force from 1964 to 1971 were immensely costly (Robinson and Shambaugh, 1994). Therefore, rapprochement with the United States was the only solution to its economic and strategic problems. This was owing to the fact that after the Soviet Union, the United States was the only country capable to help the Chinese in their development drive. China also felt the need to establish a countervailing force to the Soviet Union, which was increasingly seen by the Chinese as an immediate strategic threat. Gradually, the relations with the United States improved and the danger of war with the Soviet Union receded. Chinese became able to focus on their economic development.

After 1978, domestic economic considerations began to play a greater role in China's foreign policy. In pursuit of economic goals, China moved to improve relations with the broadest possible range of countries. Obstacles to better relations were eliminated, and a pragmatic approach was adopted to resolve problems with foreign powers. Economic considerations accelerated the rapprochement with the United States and Japan and led to a gradual expansion of the circle of normal relations (Robinson and Shambaugh, 1994).

Throughout the first half of the twentieth century, the United States lacked substantial business interests in China. US businessmen saw a much more important trading partner in Japan and regarded the Japanese invasion of China as a great opportunity to expand US trade with Japan (Sinha, 2003). In 1949, after the communist revolution in China relations became strained when the US did not recognize the new Communist regime, and particularly resented after China's entry into the Korean War. The US imposed economic sanctions on China, and asked its allies to abide by the sanctions.

The action deepened China's dependence on the Soviet Union. However, in mid 1950's the Chinese relationship with the Soviet Union began to deteriorate further and in 1958, the Soviet Union recalled the technical experts it had previously sent to help Chinese economic development. China's separation from the Soviet Union was the end of any hope of China's economic progress.

China needed machinery and technology, which could be attained either from the Soviet Union or from the countries not party to US sanctions. Furthermore, China did not have the foreign exchange to finance its imports. President Nixon's visit paved the way for normalizing economic relations. Soon after Nixon's visit; several major plants were imported from the United States and other industrialized countries. When Deng Xiaoping began implementing economic reforms in 1978, the world situation had changed enough to allow China to enter into foreign trade and import foreign technology in a significant way.

US businessmen could not withstand the fact that their trading partners were exploiting the Chinese market. Therefore, they pressurized the government to normalize relations with China (Sinha, 2003). American anxiety to get itself out from the Vietnam War also dictated normalization. With relations between the Soviet Union and China rapidly deteriorating, the US was more willing than ever before to use the 'China-card' as a tool of diplomacy against the Soviet Union.

US' role in China's growth

The United States has contributed more than any other country to promote China's development. Much of the economic and social dynamism in China today results from its growing interdependence with the United States. By opening the US market for China's export and allowing China to join WTO, Washington has made enormous contribution to China's economic dynamism (Mahbubani, 2005). China has undertaken economic reforms and also has seen a dramatic growth in its economy. This growth has been largely propelled by exports from China and

Foreign Direct Investment (FDI) in China. In both the cases the United States plays a leading role. US has also helped China in improving its science and technology base by providing both civilian and military technologies (Sinha, 2003).

The United States has played – and continues to play – a significant role in the economic and technological development of China. The US-China Economic and Security Review Commission rightly claims that US' trade, investment, and technology flows have been a significant factor in China's rise as an economic power (US-China Economic and Security Review Commission 2005). China is heavily dependent on American market for the sale of its products and as a source of investment and technology.

But after helping China in achieving such a high growth rate the United States is increasingly disturbed by the growing economic clout of China. With Chinese growth rate consistently above nine percent, they accuse it of stealing US jobs, manipulating the Yuan to increase export, violating the rights of its workers and failing to meet its commitments to World Trade Organization (WTO).

Imbalanced Trade

Bilateral trade between the United States and the People's Republic of China has surged very rapidly since the mid-1990, and so did the United States' trade deficit (Schuller and Top, 2006). Trade deficit is the dominant feature of US-China economic relationship. During the 1990s, the US trade deficit with China grew to alarming proportions from \$11.5 billion in 1990 to \$83 billion in 2001. Most of the US imports from China over the past decade have been the product of low-skilled, labor-intensive manufacturing industries.

However, this trend has begun to shift rapidly, China's exports of advanced technology products to the United States have sky rocketed from almost zero in 1990 to \$13.3 billion in 2001. In 2003 the trade deficit with China rose to a record \$124 billion (US-China Economic and Security Review Commission 2004).

During the period 2000 to 2004 China had the world's largest bilateral trade surplus with the United States (Schuller and Top, 2006). The trade relationship grew markedly, with U.S. imports from China outpacing US exports to China.

China's technology exports are likely to continue to grow rapidly, because the country's production is getting a boost from Taiwanese companies that are moving their production units to the mainland (Hale and Hale, 2003). By 2003, 56 percent of Taiwan's large electronics and 63 percent of medium sized companies had manufacturing operations on the mainland.

For the US the result was a bilateral trade deficit that reached \$162 billion in 2004. In 2004, total US goods trade with China was \$231 billion, making China United States' third largest trading partner, behind Canada and Mexico (US-China Economic and Security Review Commission 2005). According to the US Department of Commerce statistics that are generally applied in the United States to measure bilateral trade, the trade between the US and China is greatly unbalanced. In 2005, the US had a trade deficit with China which amounted to \$201.7billion.

Most outside observers exaggerate China's strength as a seller and underestimate its capacity as a buyer and investor. China's middle class continues to expand. It was the third largest consumer of luxury goods in the world in 2006 and the third largest market for Rolls Royce vehicles. Since 1979, Chinese imports have grown at an annual average rate of nearly 15 percent, making the country the world's third largest importer after United States and Germany (Lampton, 2007).

Undervaluation of Yuan

A key factor contributing to the US deficit with China is the undervaluation of Chinese Yuan. While the United States has a free-floating exchange rate in which official intervention is both rare and done in small amounts. United States charge Beijing with keeping Yuan undervalued by pegging it to the dollar in order

to gain an unfair export advantage (Hughes, 2005). United States also accuses China of manipulating the value of its currency to encourage exports and discourage imports (Mastel, 1995). This gives Chinese manufacturers a competitive advantage over US manufacturers. American scholars say that China has been reluctant to introduce flexible exchange rates from fear that it might affect its unemployment rate and upset its financial stability, because the Chinese government views export growth as a measure to reduce unemployment (Hale and Hale, 2003).

Economists in the United States suggest that the Chinese Yuan is undervalued by fifteen to forty percent (US-China Economic and Security Review Commission, 2005). The Chinese government persistently intervenes in the foreign exchange market to keep its exchange rate pegged at 8.28 Yuan per dollar, and these actions tantamount to manipulating its currency valuation. By holding down the exchange rate, China gains an unfair trade advantage that increases the US trade deficit beyond what the market would dictate (US-China Economic and Security Review Commission, 2004). China now constitutes the single largest contributor to the US trade deficit, and economic fundamentals support the claim that the Yuan is undervalued.

The United States is of the view that China's currency manipulation acts as a subsidy for Chinese exports to the US and serves as an incentive for the American and foreign firms to move production facilities to China. In its 2004 Report to Congress, the US-China Security Review Commission concluded that China was systematically intervening in the foreign exchange market to keep its currency undervalued, in violation of its obligations as a member of both the WTO and the International Monetary Fund.

The undervaluation of the Chinese currency affects the US economy in several important ways. First, by making US exports relatively more expensive, it reduces demand and export opportunities in China for US manufactured goods.

Second, the undervaluation of the renminbi (RMB) against the dollar makes imports from China relatively less expensive; inducing US consumers to switch from domestically produced manufactured goods to Chinese-produced goods (US-China Commission, 2005).

All these factors have contributed to the burgeoning US bilateral trade deficit with China and movement of production units. China announced exchange rate reforms in July 2005 that included a modest revaluation of the RMB against the US dollar. This was an extremely limited step, amounting to a 2.1 percent change in value.

However, according to Morgan Stanley the focus on China's currency as a source of unfair trade advantage is misplaced. Low cost Chinese imports like textiles, shoes, toys and household goods have saved US consumers' about \$100 billion since China's reforms in 1978. Cheaper baby clothes from China helped US families with children save about \$400 million between 1998 and 2003. American industrial firms such as Boeing, Ford, General Motors, IBM, Intel, and Motorola also save hundreds of millions of dollars each year by buying parts from lower cost countries such as China (Gilboy, 2004). It has increased their global competitiveness and allowing them to undertake new high value activities in the United States.

A recent independent study sponsored by the Information Technology Association of America (ITAA) found that outsourcing to countries such as China and India created a net 90,000 US jobs in Information Technology sector in 2003 and estimated that outsourcing will create a net 317,000 new US jobs by 2008.

Intellectual Property Rights

Violations of Intellectual Property Rights (IPR) have long been a thorny issue between the US and China. IPR piracy in China remains widespread and is

a most important trade concern for US firms whose intellectual property is central to their business success. US exporters are concerned about the theft of their intellectual property and its reproduction and sale in China at a fraction of the cost.

American firms have been consistently complaining about China's infringements of Intellectual Property Rights (Sinha, 2003). Take the example of the US software industry, the Business Software Alliance (BSA) estimated that losses to the US software industry due to piracy in China amounted to \$1.47 billion in 2004 (US-China commission, 2005). The US entertainment industry is another industry whose competitiveness has been heavily affected by the current IPR violations in China.

IPR violations in China go well beyond the software and entertainment industries; some of the most affected industries include computer software, high technology products, sound recordings, pharmaceuticals, agricultural chemical, and books. China's lack of adequate IPR protections also gives Chinese firms a competitive advantage over US firms. Bilateral agreements on IPR were concluded with China in 1992, 1995, and 1996 only to be proved ineffective.

China's accession to the WTO and its accompanying agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and high-level IPR enforcement commitments by China in the 2004 meeting of the US-China Joint Commission on Commerce and Trade (JCCT) also failed to achieve any concrete result. The Commission remains skeptical that China will make any substantial progress in curbing its level of IPR violations.

In an attempt to live up to its commitments, China conduct thousands of raids and arrests, imprison the violators, and has confiscated millions of pirated CD's, books, audiocassettes, and other trade marked products (Sinha, 2003). Nevertheless, the record of Chinese enforcement remains mixed. China explains

that since it is a country of huge dimensions and IPR crimes are more sophisticated, international and organized. The enforcement of IPR protections remains difficult (Shuller and Top, 2006). But the US complains that China has made no noticeable improvements in the enforcement of its Intellectual Property Rights laws. There are also concerns that the Chinese government may selectively protect domestic IPR, while providing inadequate resources to protect foreign Intellectual Property Rights.

China's WTO obligations to protect Intellectual Property Rights demand not only that China promulgate appropriate legislation and regulations, but also that these rule be enforced. China has repeatedly promised to take significant action. Nevertheless, the actions have been limited and therefore, the commission has said that immediate steps must be taken by China to stop IPR violations (US-China Commission, 2004). The laws are in force, but China has shown little inclination to crack down on patent, trademark, and copyright infringements or even outright theft of brands and technology by Chinese companies. The basic problem is sentencing: fines and jail terms are too light to be effective; violators accept penalties as just another cost of doing business.

China's Repressive Labour Practices

The United States is very much critical of China's repressive labour practices, for these practices are deemed as gross violation of human rights in the US. The US-China Economic and Security Review Commission says in its 2005 report that a significant component of China's competitive advantage in many industries is the ongoing denial of basic labor rights to workers in those industries. This is not only a bilateral human rights matter, but one that has significant implications for US economic competitiveness. A 2002 report by the commission underscores that China's cost advantage is in part due to country's lack of government restrictions on environmentally damaging commercial activities and

the Chinese government's repression of civil organizations, trade unions, and other political and human rights.

The State Department's *2004 Country Report on Human Rights Practices* shows China's widespread deprivation of fundamental workers rights, including the right to organize, form independent trade unions, and bargain collectively. It also shows the continuing practice of forced or compulsory labour and child labour, and poor occupational health and safety standards. In its 2004 Annual Report, the Congressional-Executive Commission on China similarly concluded that:

“Working conditions in China and the government's lack of respect for internationally recognized worker rights remained largely unchanged over the past year. Government implementation of labour laws, regulations, and policies continues to fall well below international norms in a number of areas. The Chinese government denies Chinese citizens the right to organize freely and to bargain collectively; it continues to imprison labour leaders and suppress worker efforts to represent their own interests; it continues to discriminate against migrant workers; and it has developed a system that encourages forced labour.”

US believes that these repressive labor practices are significant elements holding down wages and labour costs in China and thereby giving China an enormous competitive advantage in labour-intensive production. This has an obvious impact in the United States on a broad spectrum of industries, including higher-skill industries like aerospace.

The American Federation of Labor and Congress of Industrial Organization (AFL-CIO) submitted a petition in 2004 for stiff tariffs on Chinese imports, arguing that China's labour practices constitute an unreasonable trade practice and a burden on US commerce. Petition contended that the trade deficit was the result of low wages and lack of worker's rights in China. But the Bush administrations rejected the petition, dismissing its allegations as general and not supported by conclusive evidence and warning of potential countermeasures by the Chinese

(Hughes, 2005). The then US Trade Representative Robert Zoellick said that acting on the petition would have led the US toward economic isolation.

Foreign Direct Investment in China

Since the 1978 economic reforms, China has depended significantly on foreign resources for its economic development. Such resources have come in various forms: trade surplus, direct foreign investment, and borrowing from commercial and development banks, as well as government to government loans (Sinha, 2003). Foreign Direct Investment has played a great role in China's economic growth. Throughout the 1990s, FDI flows into China, which have been primarily concentrated in the manufacturing sector, helped China become a world center for manufacturing.

According to China's Ministry of Commerce, US firms have invested more than \$40 billion in more than 40,000 projects in China. Given its openness to FDI, China does not maintain its domestic market as a protected bastion for domestic firms, something both Japan and South Korea did during their periods of rapid growth. Instead, it has allowed US and other foreign firms to develop new markets for their goods and services, especially high value added products such as aircraft, software, and advanced machinery (Gilboy, 2004).

An Asian financial crisis caused some decline to the inflow of Foreign Direct Investment into China, yet it attracted an average inflow of \$42 billion during the three years from 1998 to 2000. FDI has also contributed a lot in making China one of the largest exporting countries. The US-China Economic and Security Review Commission has reviewed a study reporting that over 90 percent of FDI into China was for the establishment of new businesses, while over 90 percent of the FDI into the United States was for acquisition of existing U.S. businesses.

Foreign investment is an important source of capital, management, and technology for China's technology sector. While total US investments in China has been significant, Taiwan remains China's largest external investor, accounting for about half of total FDI in China; Japan and South Korea also are major foreign investor in China.

Since it launched reforms in 1978, China has taken more than \$500 billion in FDI, and has become the second largest recipient of foreign investment next only to the United States (Sinha, 2003). The increasing amount of investments into China by US firms appears to be contributing to the widening US trade deficit. Many US companies make products in China and then export them back to the US or export them to other countries. According to China's Ministry of Commerce, nearly 60 percent of China's exports are now produced by foreign-funded corporations.

A close look at the Chinese exports reveals that foreign funded enterprises accounted for 60 percent of China's export. In 1990's Beijing permitted a new FDI trend to develop: a shift away from joint ventures and towards wholly owned foreign enterprises (Gilboy, 2004). Today wholly owned foreign enterprises account for 65 percent of new FDI in China and they dominate high tech exports.

China's Compliance to the World Trade Organization

China joined the WTO in December 2001. The Clinton administration's support for China's entry into the WTO was intended to persuade or pressurize China to open its economy to foreign imports, which may help to reduce the US trade deficit in the long term. He also wanted to make China party to a rule based system so that it would be more accountable for its restrictive trade policies (Sinha, 2003). While China sought to join the WTO primarily to improve its own participation in the world economy, it also saw membership as a means to

influence the shape of the international economic system (Deng and Moore, 2004). On joining the WTO, Beijing pledged to slash subsidies for state enterprises, reduce tariffs, and ultimately allow wholly owned foreign ventures to operate freely in China (Kurlantzick, 2002).

On its accession to WTO China was asked to make some special arrangements to address the fact that China does not have a market-based economy. To protect against unfair trade practices resulting from China's non-market status, the agreement includes a special WTO review mechanism – the Transitional Review Mechanism (TRM) – to monitor China's compliance and special safeguard provisions giving WTO members the right to protect themselves against sudden surges of Chinese imports (US-China Commission, 2004). TRM was a multilateral annual review of China's compliance with its WTO obligations. The TRM was scheduled to produce annual reports for the first eight years of China's WTO membership with a final report after the tenth year. So far it has produced only two reports. US Congress specifically sought the TRM as part of China's accession agreement, because US negotiators expected the TRM to be a mechanism for monitoring China's WTO compliance and applying multilateral pressures for improvement.

The United States accuses China of undermining the TRM by refusing to abide by the WTO procedural norms. For instance, China has generally refused to respond in writing to requests for information from other member countries as part of the process. China argues that the TRM is discriminatory because it applies only to China. While China has made progress toward meeting some of its commitments, it remains in violation of its WTO commitments in a number of important areas. As a result, US firms continue to face market access barriers in China and unfair trade practices in U.S. and third-country markets (US-China Commission, 2005).

China has frustrated the effectiveness of the WTO's Transitional Review Mechanism (TRM), thereby, preventing it from becoming a robust mechanism for assessing China's compliance and for placing multilateral pressure on China to address shortfalls. The US accuses that China has taken deliberate actions to make the TRM process meaningless and thus must ultimately bear the blame for the TRM's failure. Further, it contends that China has continued direct and indirect subsidies to Chinese producers, and has used the unjustified safety standards to exclude foreign products. It has also forced the US business companies to transfer technology in return for market access. As an obligation to WTO, China agreed to end the practice of government forced transfers of technology as part of its accession commitments. However, the commission believes that the practice continues.

After China joined the World Trade Organization, China's market had been substantially opened for US goods and services. Bilateral trade grew from \$121 billion to \$285 billion in 2005 (Kurlantzick, 2002). US exports to China also increased by 81 percent, and US imports from China by 92 percent, leading to an increase in the US bilateral goods deficit by 95 percent.

Effects on US economy

There has been considerable debate over the impact that the US-China economic relationship has on wages and employment levels in the United States. The key question that repeatedly comes up is whether US trade and investment with China are adversely impacting the economy of the country (US-China Commission, 2002). Paul Craig Roberts, an economist and columnist, who served as an Assistant Secretary of Treasury in the Reagan Administration, recently wrote: "The upshot is that both American and Chinese firms produce for the US and Chinese markets with Chinese labor, but the US labor is not in the picture."

The rise in the United States' trade deficit with China between 1989 and 2003 caused the displacement of production that supported 1.5 million US jobs. Some of those jobs were related to production or services that moved elsewhere. These jobs reflect the effect on labour demand – in lost job opportunities – in an economy with a worsening balance between exports and imports (Research paper by Scott, 2005).

US-China Economic and Security Review Commission stated that the manufacturing sector has suffered the most due to the import from China. The manufacturing sector is a major engine of economic growth for the US economy, and it accounts for two-thirds of total exports.

Robert E. Scott says that the number of job opportunities lost each year grew rapidly during the 1990s, and accelerated after China entered the World Trade Organization in 2001. The loss of these potential jobs is just the most visible tip of China's impact on the US economy. There has been a significant shift in the kinds of industries suffering job displacement. The largest impact was on labour-intensive, low-tech manufacturing industries, such as clothes and shoes. However, the fastest growth in job displacement is now occurring in highly skilled and advanced technology areas, such as electronics, computers, and communications equipment.

The labour representatives have been vocal about the dislocation or decreasing standard of living of American workers. Many trade unions which are affected by the increasing imports from China find fault with Chinese trade liberalization and accuse China of unfair trade practices. The excessive imports from China have negatively affected the work force employed in textiles, apparel, footwear, and toys.

The US-China Economic and Security Review Commission 2002 asserts that while the overall American economy experienced great growth and prosperity

in the 1990s, not all workers or sectors of American economy benefited equally. According to William Wolman, the Chief Economist of *Business Week* “the US imports have been growing faster than US exports; it is likely that the international position of American workers is not improving but deteriorating. That is a major reason why there is no end to wage stagnation in the United States and in other industrial countries.”

After analyzing all the problems faced by the US-China relationship, it can be said that there is a great misunderstanding between both the countries regarding their economic and trade disputes. Especially, since the 1990s, the frequency and scale of these US-China disputes have rapidly increased, several of which almost brought the two countries to the verge of a trade war. Yet, economic and trade engagements between China and the United States have become closer and more intertwined despite the unstable, or more accurately, the dangerous, trading environment. This is clearly reflected in the fast increase in trade volume and the changes that have taken place in trading structures.

United States and China seems to have reached a consensus that the trade disputes between the two countries should not have a negative impact on the economic relations, because US-China economic and trade relations are vitally important to both countries. The allegations US has made against China are not entirely correct. For example Neil C. Hughes said that China is not stealing US jobs or engaging in unfair trade practices. In fact, almost 60 percent of Chinese exports to the United States are produced by firm owned by foreign companies; many of them are American (Hughes, 2005).

With an increasing number of American businesses going to China, the country is becoming the general assembly base for these American companies' products. Thus, a significant portion of the profits generated from the products made in China but sold in the US have been taken by the American businesses. These firms have moved operations overseas in response to competitive pressure

to lower production costs and thereby offer better prices to consumers and higher returns to shareholders.

Business and political leaders in the US fear that China's growing share of world exports, especially of high technology and industrial goods, signals the rise of yet another mercantilist economic superpower in Northeast Asia. However, these concerns are unwarranted for these reasons. First, China's high tech industrial exports are dominated by foreign not Chinese firms. Second, Chinese industrial firms are deeply dependent on designs, critical components, and manufacturing equipment they import from the United States and other advanced industrial countries (Gilboy, 2004).

The fact that an item bears a 'made in China' label does not mean that it was actually made in China. In most of the cases China hosts final assembling stages, while lucrative parts of the production chain remains in other countries. A critical implication is that if the US throws up barriers to Chinese exports, it will be punishing its friends, its allies, and itself along with Beijing (Mastel, 1995). The trade imbalance may not be reversed at least for the next ten years. The two governments can only go along with it, but not deny or even work against it. At the same time, in years to come, China should adopt more liberalization and continues the policy of reform. Chinese government should work more seriously to protect Intellectual Property Rights remained one of the most controversial issues that can harm the Chinese interests in the long run if timely and befitting actions are not taken to curb it.

The growing China not only poses threat economically but also militarily. Although, the recent developments in the China vis-à-vis its increasingly influential status in the world economy may have serious implications for the rest of the world. Astonishingly, China despite, entering WTO as early as 2001 still have not opened all the sectors to the world market and exercises strict control over them for instance, agriculture. China also believes in both concepts of 'hard' and 'soft power.' This means that China continues to develop and export military

hardware and weapons which further strengthens its economy. However, China's dubious record of supplying nuclear technology to rogue states like North Korea escalates tension in the region and makes US and allies spend more time and resources on multilateral negotiations and counter measures.

Chinese neo-economic policies as reflected in the Chinese trade-relations with Africa and its irredentist approach with the peripheral regions as Taiwan and Autonomous Tibet Region (ATR) have made US more cautious. Owing to the fact that Taiwan remains strategically as well as economically significant not only for the China but also for the US.

China is also criticized for existing loopholes in its domestic policies which are more favourable for the Chinese entrepreneurs. The corrupt officials and growing bureaucrat-businessmen nexus promotes Chinese manufacturers interest nevertheless, harm interests of the foreign investors. However, giving in to the mounting pressure and also to improve its image in the foreign markets China has started ensuring strict quality control. One of the top official of the pharmaceuticals was recently executed which showed Chinese willingness to improve its image. China has also shown concern over the North Korean issue and its efforts of bringing North Korea to the negotiations have been acknowledged if not appreciated by the US and allies. All the above points show that there are clear indications of changing perceptions and approaches of China in dealing with domestic and international matters. However, the prevailing Chinese threat factor in the US will take time to subside. The burgeoning bilateral interdependence between US and China will continue. The bilateral relationship is totally an irreversible process.

CHAPTER IV

Role of China in Promoting ‘China Threat’ Arguments

Nationalism in China has been on the rise as a powerful force in the last decade. It is not only openly promoted by the communist state but also advocated by many Chinese intellectuals – liberal and conservatives – and reflected in the sentiment of the general public (Zhao, 2004). Historically, nationalism arose from the injustice China suffered by foreign powers from the nineteenth century until the end of World War II. China calls this period “the century of humiliation,” as it was forced to sign unequal treaties and grant foreigners extra territorial privileges. Most debilitating and humiliating was the foreign military pressure that overpowered China, culminating in Japan’s invasion and occupation of parts of China in the late 1930’s. This chapter deals with how China itself has promoted the ‘China threat’ argument. This chapter has been divided into seven major parts:

- Role of CCP in Promoting Nationalism in China
- Patriotic Education by the CCP
- US: The Prime Target of Chinese Nationalism
- America’s anti-China Behaviour
- Irredentist Agenda of China
- China’s Accelerating Military Buildup
- China’s Arms Proliferation and Relations with ‘Rogue-States’

Although the last two points, China’s accelerating military buildup and China’s arms proliferation and relations with ‘rogue-state’ have already been discussed in chapter one. They will be mentioned again but in a different context.

The suspicion of foreign powers and a desire to reassert sovereignty and independence have resulted in nationalism. It has also strongly influenced Chinese foreign policy. Examples of this attitude are Mao Zedong’s 1949’s declaration that “the Chinese people have stood up” and Deng Xiaoping’s 1982 pronouncement that, “no

foreign country can expect China to be its vassal or expect it to swallow any bitter fruit detrimental to its interests” (Sutter, 1996). Jiang Zemin at the 50th anniversary of the United Nations, in New York, denounced “certain big powers” for encroaching on the sovereignty of others under the pretext of promoting democracy and human rights, and called for this bullying of weak countries by the strong to stop (Chanda and Huus, 1995).

Chinese nationalism is not a new phenomenon. In fact, China experienced the wave of nationalism during the Boxer Rebellion in 1900 and the Cultural Revolution in 1960s. The most extreme example of anti-foreignism in connection with nationalism in modern China was seen in strong xenophobia of the Boxer Rebellion and again during the Cultural Revolution (Zhao, 2004). During the Boxer Rebellion foreign goods were burnt and foreigners were killed and same thing had happened in the Cultural Revolution also and China remained friendly only with the communist countries. China’s economic growth has strengthened the desire of the Chinese for their country to have a major voice in international affairs commensurate with its size and growing power. Many Chinese express dissatisfaction with the post-Cold War world order (Miles, 2000).

Role of CCP in Promoting Nationalism in China

Chinese nationalism has nurtured by the post-Mao leadership. After Deng Xiaoping consolidated political power in China in 1979, he immediately launched a series of reforms, to strengthen the country. Deng declared repeatedly that China had fallen behind the rest of the world economically under Mao because it was poor, and asserted that China had no respect (Copper, 2006).

Chinese leaders needed to stabilize and hold the country together during China’s rapid transformation from a planned economy to a market economy. They wanted to use nationalism to mobilize national unity to win public support and to consolidate their power. Their earlier revolutionary experience has proved that nationalism could be successfully used toward that end (Xu, 1998). In addition, a rapid decay of Marxist ideological beliefs, a general loss of public confidence in communism, and the global

collapse of communism forced the Beijing government to rely on the most potent force in China that is nationalism to fill the ideological vacuum.

According to Harry Harding, “nationalism in China emerged as a reaction to invasion by more technologically advanced nations than China-First from Europe, then Japan. More recently, the CCP whose ideological appeal began to erode in the 1980s has been encouraging nationalism as a source of legitimacy” (Harding, 2007). Lacking the procedural legitimacy accorded to democratically elected government and facing the collapse of communist ideology, the CCP was increasingly dependent on its nationalist credentials to rule (Deng and Wang, 2005). After assuming power in China in 1949, the Communist Party of China from time to time has promoted Chinese nationalism with rhetoric of anti imperialism in order to strengthen its power and unite the people against foreign powers.

Chinese nationalism has been characterized by its instrumentality to the communist government in compensating for weaknesses of communist ideology since the 1980s. Pragmatic leaders have created nationalism because it has the effect of removing differences within the country and replacing it with common political values. Nationalism has been used to rally popular support behind a less popular communist regime, and its policies by creating a sense of communality among citizens. The emergence of nationalism in post-Mao China was in response to a legitimacy crisis of faith in socialism, a crisis of confidence in the future of the country.

Patriotic Education by the Chinese Communist Party

Shortly after the 1989 crackdown, the Chinese government launched an extensive propaganda campaign of education on patriotism. The motive of the patriotism campaign was to make people understand that China’s national condition were not conducive to the Western style democracy, and the one-party rule would help maintain political stability which was a precondition for rapid economic development (Zhao, 2004). On May 3,

1990 in the Great People's Hall, Jiang Zemin spoke to 3000 students stressing that Opium War was the beginning of China's humiliation by the western countries and even today hostile forces in the western countries continued to subvert socialist China.

As part of the patriotic education PLA's newspaper, *Jiefangjun bao* asserted, "Since the Opium War, the West has never stopped its aggression against China. After the establishment of People's Republic of China, they first imposed economic sanctions on China and then made an attempt to isolate and contain the new socialist country." The official media stressed arousing consciousness of sufferings among the Chinese people and claimed that the calls for so called democracy and human rights would bring disunity and chaos which could result in opening China's door to foreign invasion and to new humiliations (Xu, 1998). The patriotic education campaign also emphasized national pride and territorial integrity. National unity theme was particularly emphasized in ethnic minority concentrated areas, such as Tibet, Xinjiang, and Inner Mongolia.

US: The Prime Target of Chinese Nationalism

The United States became the prime target of Chinese nationalism in the 1990's. The evidence suggested that the Chinese nationalism had become considerably anti-American. Anti-Americanism became a yardstick for measuring the loyalty of Chinese leaders, after the Tiananmen Square incident in 1989, the United States imposed economic and military sanctions on China for brutally killing the pro-democracy protestors.

The US sanctions infuriated the Chinese leaders, who began to regard the United States as an enemy nation. Chinese government and official media attacked the United States for 'seeking global hegemony' and for trying to contain China or keep it territorially split and weak. The official media also were spreading anti-US feelings among the Chinese people. As a result, there was a rising sense of nationalism and pride in China with anti-West sentiments in general and anti-American sentiment in particular.

Several cases and incidents fuelled this anti-US sentiment among Chinese people.

Bombing of Chinese Embassy

The May 1999 bombing of the Chinese Embassy by the US aircraft in Belgrade triggered China's first mass protest against any foreign power. Three Chinese journalists were killed in the bombing. The level and the intensity of the unrest shocked many foreign observers. In some cities, including Beijing, government officials condoned and even assisted the demonstrations outside western diplomatic missions, those of the United States and its chief ally Britain. University students organized by the University authorities, poured in front of the United States embassy in Beijing and consulates in other cities and threw eggs and stones to express their anger at the US led NATO action. Sympathetic to the students the police units guarding the embassy did not at first make any move to stop the demonstrators (Zhao, 2004).

The four days of upheaval resulted in the burning of a United States consulate building in the South Western City of Chengdu and the extensive defacing of paints in the British and American embassies in Beijing (Miles, 2004). Chinese government officials and average Chinese people found it difficult to comprehend how the NATO forces led by the US could have bombed the Chinese embassy in Belgrade "by mistake." The Chinese media doubted that the bombing could not have been an accident; American technology could not make such an error (Copper, 2006).

Two days after the incidental bombing, China's Vice president Hu Jintao made a televised speech in which, while extending government support to student's patriotism, he appealed for calm and warned against extreme and destabilizing behaviour. In this case the government continued to demand that the US conduct an investigation and promptly publish the results and punish those responsible. The Belgrade bombing was a turning point in Chinese attitude toward America.

James Miles argues that the reason of such an intense demonstrations and anger was not only the bombing of Chinese Embassy but other emotions were also at work. People were expressing their anger over their government also for not being able to provide them with political and economic freedom. Significance of the demonstration lay partly in how grievances born of China's fast changing economic and social environment intermingled with nationalist sentiments at a time of crisis. The demonstrations were the first officially permitted since 1989 and as such, gave participants a rare opportunity to express their frustrations not necessarily related to the immediate issue (Miles, 2004). Nationalism has a long history in China of being used as a cover for anti government action.

In this case, there was little sign of the demonstrations taking on a different cause from the one openly expressed, but it is likely that the more violent incidents and the vehemence of the language used by the protestors were related to resentment against the Chinese government as well. Partly because of its perceived failure to represent national interest strongly enough and partly because of the impact of its policies on other areas of people's lives, Prime Minister Zhu Rongji and President Jiang Zemin were criticized for allegedly failing to stand up to the US. The Chinese government still tolerated the protests, even to the extent that officials in Beijing arranged transport to bring student demonstrators to the embassy. Vice President Hu Jintao described the demonstrations, as a reflection of the keen patriotism of the Chinese people and a message to the US.

Plane Collision

The mid-air collision between a US EP-3 surveillance plane and a Chinese fighter Jet over the South China Sea on April 1, 2001, created another crisis that once again highlighted the possibility of popular explosion of nationalist sentiment. The Chinese pilot killed in the collision, was quickly declared 'martyr,' and praised as a heroic defender of the motherland (Deng and Wang, 2005). China held the twenty four US crew members at People's Liberation Army's military facilities on Hainan Island for eleven

days and accused the pilot of breaking the law by making an emergency landing at Chinese airbase without permission.

Beijing immediately blamed the US for causing the accident. Chinese President Jiang Zemin declared that the US should apologize and bear all responsibilities. But the US took a very different view of the incident. The Bush administration took the position that plane was flying legally in international air space. The Chinese pilot of the fighter jet was at fault because, according to international law, the smaller plane should move to avoid a collision. President Bush took a hard stance, demanding that the crew and the plane be returned.

This incident reinforced many Chinese people's suspicion of the US is a powerful arrogant country which does not consider the views or feelings of people from other nations. Many University students threatened that there would be a larger demonstrations if the government released the crew members before the US made an apology. Beijing's public stance was uncompromising on the demand, even as people's anti-American emotions ran high. Worrying about the possibility of losing control, the leaders of both the countries became eager to find a face saving solution for both sides to get out of the crisis.

The US Secretary of State Colin Powell expressed "regrets" over the loss of the Chinese pilot. President Bush also expressed his regrets. But when Washington said "very sorry" it also indicated that it could not go any further, certainly not to the level of full apology. Beijing accepted the "very sorry" on April 10 and released the crew following day.

Denial of Olympics to China

The denial of the opportunity to host the 2000 Olympics to China by the International Olympic Committee (IOC) in 1993 was another event that fuelled the increasing anti-American sentiment among the Chinese people. Believing that to host the

2000 Olympic Games would be a golden opportunity to forge unity, the Beijing government began the Olympic bid campaign in 1993 (Xu, 1998). But the US House of Representatives passed a resolution urging the International Olympic Committee to deny Beijing its bid to host, on the ground of human rights abuses in China.

The pictures of Tiananmen Square massacre were still fresh in the American mind (Whiting, 1995). Finally Australia won the bid by 2 votes, ending the most politicized race to host the 2000 Olympics. After losing the bid most Chinese started believing that the US was behind their defeat and felt that the Americans could see China rising to the status of a great power (Chanda and Huus, 1995).

Anti-American Literature in China

The anti-American feelings were at its peak in the 1990s among Chinese people, which was reflected in the publications of a large number of books attacking the West and particularly American policies and action. The Books were known as 'say-No' books. The first of the popular 'say-No' books was *Zhongguo keyi shuo bu* (The China that can say No) which aroused keen interest among many Chinese people and became an instant best-seller, selling more than two million copies in 1996.

The book warned that the United States-led western countries were forming an "anti-China club." It called on China to say "No" to various unreasonable demands from the West. The author claimed that the twenty first century would be the century for the Chinese to restore its glory. Following the publication, a series of "say No" books appeared in China, such as *Zhongguo hai shi neng shuo bu* (The Chinese that still can say No), *Zhongguo Heyi Shuo Bu* (How China can say No) and *Renminbi Keyi Shuo Bu* (Chinese currency can say No) (Zhu, 2006).

James Miles says that "China's rapid economic development from 1992 onwards certainly gave many Chinese a growing sense of pride in their country's achievements. But it is also important to note that these economic changes themselves created greater

opportunities for people to express their nationalist feelings” (Miles, 2000). One interesting phenomenon in relation to the rise of nationalism at the popular level was the rise of ‘Mao Fever’ in the 1990s. The communist dictator was praised in popular books as a great patriot and national hero because of his courage to stand firm against Western imperialism.

America’s “anti-China” behaviour

- **NATO Operation in Kosovo**

In the spring of 1999, the US led NATO operation in Kosovo greatly alarmed Beijing because Chinese leaders saw it as a demonstration of the Cold War mentality. Beijing also drew conclusions from Kosovo about the interests that would drive future US foreign policy, and about the degree to which China could rely on its leverage in the United Nations to prevent challenges to Chinese interests.

NATO intervention in Kosovo was perceived by the Chinese government to as a “wildly aggressive” action by a “hegemonic power” hostile towards China. Chinese leaders drew parallels with both North Korea and Taiwan. They thought that the United States’ forces might take military action against North Korea for similar reasons and based on similar principles and logic, protect Taiwan. Beijing regarded the NATO military alliance as a crucial vehicle for the promotion of American hegemonic ambitions and a medium to carry forward Washington’s outdated Cold War mentality (Ward, 2003).

- **TAIWAN**

- The Chinese remain fundamentally suspicious of the US relationship with Taiwan. It accused the United States of prolonging the separation of Taiwan from the mainland and promoting and encouraging the pro-independence movement in

Taiwan. In September 1992, the US government decided to sell 150 F-16 to Taiwan. This provoked much anger among higher echelon of Chinese Communist Party's leadership who reacted strongly against the deal.

The official media took advantage of the aircraft sale to Taiwan to incite anti-US feeling by condemning the United States government for playing Taiwan card and hurting Chinese feelings by interfering in China's internal affairs. Under the pressure of the Congress, Washington granted a visa to Taiwan's President Lee Teng Hui to the United States in June 1995 for a private visit. But Lee's US visit aroused exceptionally strong anger among who interpreted this event as Washington's plot to split China.

- **US-Japan Alliance**

The strengthening of the US-Japan alliance increased China's fears. Since the end of the Cold War the alliance has become ever stronger. America and Japan, on April 17, 1996, made a joint declaration of revitalizing the US-Japan alliance in the 21st century (Garrett and Glaser, 2003). It has fuelled China's suspicion that both the countries want to contain China and their military alliance is a step in this direction. Among all the nations Japan has the biggest effect on the US-China relations (Jisi, 2005). In the eyes of China, Tokyo has become America's most trustworthy ally by sending troops to Iraq and Afghanistan. In return, Washington has given Japan an assurance to support its bid for the permanent membership in the United Nations Security Council.

Although, both the US and Japan have sought to reassure China, the Chinese are increasingly concerned that the US-Japan alliance is aimed at "checking" or "containing" China. A series of recent irritants have strained the China-Japan relationship such as controversial visits to Yasukuni shrine by the former Japanese Prime Minister Junichiro Koizumi, the intrusion of Japanese submarine into Japanese territorial water in November 2004, a visit by former

Taiwanese leader and independence activist Lee Teng Hui to Japan in December 2004, Japan's ongoing publication of textbooks that downplay its World War II atrocities, and anti-Japan demonstrations in a number of major Chinese cities.

- **Gulf War**

The United States role in the 1991 Gulf War had a great impact on the Chinese leadership. During the war, China viewed that the Gulf War was a demonstration of the rise of the American power and the decline of the Soviet Power and became suspicious of the US' attempt to establish a 'New World Order' and US design to establish Asia-Pacific Empire backed by high tech weapons (Xu, 1998). As a part of this, United States would seek to isolate, blockade and disintegrate China because China was regarded by some Americans to be a hindrance in the way of the country's goal of world hegemony. Gulf War precipitated a fresh debate over the implications for China of the rapid rise of American power. The Gulf War had a shocking impact on the thinking of Chinese decision makers, who saw it as a demonstration of Washington's arrogant and dangerous behaviour.

- **"Strategic Competitor" Doctrine**

After coming to power President George W Bush described China as a "strategic competitor" of the United States. The term made China suspicious of his intentions and strengthened the view in Beijing that the United States regarded Beijing as a potential enemy. The Chinese leaders soon recognized a dangerous new unilateralism in American foreign policy (Shambaugh, 2001). National Security Advisor Rice once stated that "China resents the role of the United States in the Asia-Pacific region and would like to alter Asia's balance in its own favour". Secretary of State Colin Powell said while testifying before Congress that the United States and China strategically compete for influence in the Asia Pacific region. These kinds of statements made China feel more insecure

- **Missile Defense by the US**

Months after coming to power, the Bush administration withdrew from the Anti Ballistic Missile (ABM) treaty and declared its intentions to build and deploy a missile defense system to counter emerging threat to American interests worldwide. It raised some serious concerns in China and even in Russia (Glaser, 2001). Both the countries considered this missile defense plan by the US contrary to their security interests in the region. China has since been apprehensive about the implications of missile defense on the global strategic stability and Chinese attempts to promote the reunification of Taiwan with the mainland. In the wake of these events, Beijing now seems to have started shifting its attention and resources toward minimizing those risks and maximizing its ability to deal with them.

Irredentist Agenda of China

The rising nationalism has made China irredentist causing fear and suspicion in China's neighbours. On issues ranging from Tibet to Taiwan, rising nationalism can only translate into even tougher Chinese line. China's neighbours fear a growing assertiveness on territorial claims, especially in the South China Sea. Robert G. Sutter says that nationalism fuels China's desire to achieve territorial integrity and to restore its sovereignty over areas previously considered a part of China (Sutter, 1996).

It remains to be seen how the People's Republic of China will cope with territorial disputes with neighbour countries and the continued quest for Taiwan. China has already fought many wars with some of its neighbours over the issue of territory and it is believed that China's military modernization is a step in the direction to achieve the territorial integrity. Central to the debate about restoring China's greatness was concern about lost territory and how it should be recovered. For example, Tibet was considered such an important strategic goal that military force was used to gain control of the tough terrains of Tibet in 1950s, and to reinforce central control over dissidents in the late 1980s.

The other Chinese areas under the control of foreign powers in the mid-1990s were Hong Kong and Macao. According to the Chinese statements, these problems were the result of imperial aggression of the West and the incompetence of the Chinese rulers. Macao, the first European enclave on the Chinese coast, was occupied by Portugal in 1557. Britain gained control of Hong Kong Island through three treaties with China in the nineteenth century. Chinese leadership demanded the return of Hong Kong from Beijing and return of Macao from Portugal (Copper, 2006).

Both were returned to the motherland Hong Kong in 1997 and Macao in 1999. Both agreements were made under a policy of "one country, two systems." Taiwan's reunification with the mainland is the most crucial issue for China, which is unresolved till today. Taiwan has become the central issue of Chinese nationalism and irredentism. Beijing regards the reunification of China and Taiwan as essential to restore its glory and recovery from a century of national weakness and humiliations.

In 2000, after the victory of pro-independence leader Chen Shui-bian, Beijing caused anxiety in Taipei and Washington by warning that it might take military action against the Island if the Taipei government delayed reunification talks indefinitely. Given the hostility it had traditionally shown towards Chen's Democratic Progressive Party as well as the paramount importance of Taiwan as a center of nationalist sentiment on the mainland, the Chinese could not resist forcing their "one country two system" policy. Therefore, it is believed that China will use military force, if it is necessary to prevent Taiwan's independence from the mainland.

The United States has said that any outcome of the dispute between China and Taipei would be welcomed, as long as their differences are resolved peacefully (Glaser, 2001). On the other hand, United States is committed to its 'One-China' policy but at the same time President Bush has vowed that the US will do anything to protect Taiwan from any aggression. China's military build up has consolidated its position relative to Taiwan

and it is likely that China will use its military force to achieve reunification with Taiwan, if necessary..

China has existing territorial dispute with its neighbouring countries namely Japan, Brunei, Malaysia, the Philippines, and the Vietnam (Banaloi, 2003). Beijing rejects Japan's territorial claim to the Paracel Islands, and claims by Vietnam, Malaysia, the Philippines, and Brunei to the Spratly Islands. It also has a territorial dispute with Vietnam over the demarcation of the Gulf of Tonkin. There is considerable potential for exploiting natural resources, including oil, particularly in the disputed waters in the northern sector of the South China Sea. China insists that it is the rightful claimant to these territories (Ross, 1997).

In the wake of Chinese claim to these territories it is likely that China uses military force to achieve these territories, in fact, it had already fought with some of its neighbours over these disputed territories. Gideon Rachman said that "if the Chinese are prepared to let an appropriate international body adjudicate between the various countries claiming part of the South China Sea, there would be no argument." He further said that Hitler also had similar historical claims to Austria and the Sudetenland that some people regarded as respectable at that time (Rachman, 1996). But if China too is allowed to get away with the use of force in Taiwan or the South China Sea, it cannot be said with certainty that it would stop there.

US-China Economic and Security Review Commission Report (2005) said that China's aggressive pursuit of territorial claims in the East and South China Sea points to ambitions that go beyond Taiwan and poses a growing threat to nations, including US alliance partners, on China's periphery. China's aggressiveness can be demonstrated from 1974, when it seized the Parcel Islands from South Vietnam, attacked a unified Vietnam in 1979, sank three Vietnamese boats near the Spratly Islands in 1988, displaced the Philippines from Mischief Reef in 1995, and launched missile exercises in 1996 during the Taiwan Presidential elections (S J Noumoff, 1999).

China's Accelerating Military Buildup

China's rapid military buildup has caused great concern in the United States and has become a major source of conflict between the US and China. United States believes that China's accelerating military modernization presents growing threat to US security interests in the Pacific. The US Defense Intelligence Agency has estimated that China's total military related spending for 2007 could be as much as \$85 billion to \$125 billion (Annual Report to Congress on China, 2007). Accurately estimating Chinese military expenditure is a difficult process due to the lack of accounting transparency and China's failure to comply with international standards for reporting military expenditure.

At the end of the Cold War China does not face a direct or indirect threat from any other nation, yet it continues to invest heavily in a military buildup. The United States believes that China's military buildup is aimed at preparing for a potential conflict in the Taiwan Strait. Beijing is pursuing the ability to force Taiwan to negotiate on Beijing's terms regarding unification with the mainland. It also seeks to deter or deny the ability of foreign forces to intervene on Taiwan's behalf

The 1999 Kosovo War seems to have added a greater sense of urgency to the People's Liberation Army's modernization program. PLA analysts paid close attention to NATO's strategy, tactics and weapons during that war. They noted similar tactics and fire power to those employed in the 1991 Gulf War. China was traumatized by the awesome display of American fire power and technology during the Gulf War (SJ Noumoff, 1999). Consequently a two prong military modernization was initiated, acquisition mainly from Russia and indigenous weapons development program.

A fast growing economy has made it comparatively easy for the People's Republic of China to sustain a large and expanding military effort. China's spending on arms and military equipment has grown at an impressive pace (Friedberg, 2005). From China's desire to develop these technologies and weapons systems, one could understand that it is preparing for asymmetrical military warfare against opponents such as Japan or the United States, particularly in any potential conflict over Taiwan.

Recent and planned military acquisitions by Beijing, for example, mobile ballistic missiles and improved air and naval forces capable of extended range operations, provide China with the capability to conduct offensive strikes and military operations throughout the region (US-China Economic and Security Review Commission, 2005). In the early 1990's China began a military transformation that abandoned its reliance on massive forces and outdated weapons in favour of a modern military armed to compete and win a high-tech battlefield environment. China is in the midst of an extensive military modernization program aimed at building its force projection capabilities to confront the US and its allies in the region.

The Annual report on PRC by the US Defense Department (2004) said that China's near term focus on preparing for military contingencies in Taiwan Strait, including the possibility of US intervention appears to be an important driver of its modernization plans. However, analysis of China's military acquisitions and strategic thinking suggest that Beijing is also generating capabilities for other regional contingencies, such as conflict over resources or territory. The report further says that the expanding military capabilities of China's armed forces are a major factor in Changing East Asian military balances, and improvement in China's strategic capabilities have ramifications far beyond the Asia-Pacific region.

This is a source of anxiety for China's neighbours and a cause for legitimate concern in the international community. The PLA has embarked upon a comprehensive upgrading of its short-medium and intercontinental range missiles (Shambaugh, 2000). Some scholars point out that China, even after its large scale military modernization, high defense expenditure, and external procurements still has no force projection capability and is far behind the United States. The noteworthy point is that China can be a threat to America's allies in this region, if not directly to the United States and the current trend in China's military modernization could provide China with a force capable of prosecuting a range of military operations in Asia – well beyond Taiwan.

David Shambaugh points out “In doctrine and hardware procurement, as well as in defining potential threats and security needs, China’s defense modernization is going in a new direction.” True, the Chinese military is still poorly paid, armed and garrisoned. But the current pattern of defense expenditure shows that the Chinese government is determined to change this state of affairs and Chinese military is already in a position to inflict severe damage on any potential Asian adversary (Rachman, 1995).

China’s Arms proliferation and Relations with ‘Rogue-States’

The arms proliferation by China has been another source of conflict between the United States and China. United States is very much concerned about the arms proliferation by China. China has been involved in transferring sophisticated missile and nuclear technology to countries like Iran, Iraq, Pakistan, North Korea, and Myanmar. Other countries that purchased Chinese arms include Egypt, Libya, Saudi Arabia, and Syria (Sinha, 2003). All these countries mentioned above are considered to be ‘trouble makers’ and ‘rogue-states’ by America. Therefore, arms proliferation by China has been one of the major sources of concern for the United States. The US wants China to abide by the international norms and behave responsibly.

The US-China commission (2002) believes that China continues to be a source of weapons of mass destruction and missile related technology to countries which have no concern for the stability for the international system. One of the major reasons for China to establish cordial relationship with these countries is China’s growing energy demands for domestic consumption. China’s market oriented economic reforms sparked increases in energy demand, fuelling and expanding industrial base. If China fails to meet its energy demand, its growth is likely to be hampered. Therefore, China wants energy at any cost.

In order to obtain access to energy resources and raw materials China has utilized and expanded relationships with nations such as Iran, Sudan, and Zimbabwe (US-China commission 2005). In this interaction China focused on narrow interests while dismissing

international concerns. China sold tanks, combat aircrafts, small warships, anti cruise ship missiles and other missile technology to Iran (Sinha, 2003).

Iranian President Mahmoud Ahamadinejad, a hard liner and an anti-US, has openly spoken about the imperative for Iran to forge strategic alliance with strong, non-Western countries, such as China. Tehran's good relations with China paid off when Beijing voted against the resolution proposed by the United States to refer the case of Iran's nuclear program to the United Nations Security Council. Pakistan has also been a beneficiary of China's arms proliferation. China has supplied missile and nuclear technology to Pakistan. There is no doubt that without China's assistance, Pakistan's nuclear program would not have been possible.

China's reliance on foreign energy imports has affected its strategy and policy in significant ways. It has pursued long term energy supply agreements in Angola, Central Asia, Chad, Egypt, Indonesia, Iran, Nigeria, Oman, Russia, Saudi Arabia, Sudan, and Venezuela. China has used economic aid, diplomatic favors and in some cases, the sale of military technology to secure energy deals. China's desire to meet its energy needs has led it to strengthen ties with countries that challenge international norms on issues ranging from human rights, support for international terrorism and proliferation (Annual Report to Congress on China, 2007).

China has made huge progress in economic development, military capability, and space technology. It is considered to be the only country to have the potential to challenge the United States. China has started playing a greater role in international politics. The newly acquired capabilities have made China a more nationalistic and more assertive country. This can be seen in the reaction of Chinese government and the public to the incidents of bombing of Chinese embassy in Belgrade and collision between the American EP-3 plane and a Chinese jet fighter.

After achieving a double digit growth, China started making ever higher investment in its military modernization. It is believed that after the end of the Cold War,

China faces no direct threat, still is rapidly modernizing its military. It is a source of great concern to China's neighbours as well as to US. China has territorial disputes with its neighbours and therefore it is believed that to achieve territorial integrity China can use military force against its neighbours. It has threatened Taiwan of military action, if it declares independence or delays the negotiations. It has already fought wars over territorial disputes with its neighbours like India and Vietnam. Therefore China's neighbours are very apprehensive of its growing muscles.

Nationalism is a double edged sword. On the one hand, nationalism may be used as a new base of legitimacy, while on the other it may cause a serious backlash and place the government in hot spot (Zhao, 2004). The Chinese government may face challenges domestically and internationally. Sometimes nationalism can do more harm than good. It will certainly not be in the China's interest to take a confrontational approach towards United States. China's modernization continues to be depend on cooperation with United States and other Western countries. It would be more pragmatic of the Chinese leadership if they could maintain cordial relationship with US in the future as well. The increasing interdependence due to trade and other factors will continue to act as deterrence against any escalating problem or issue of contention.

CONCLUSION

Conclusion

An examination of the US-China relations makes it clear that the perception of the two countries on wide range of issues is fundamentally different. Anticipating or predicting the future course of their relations is a challenging job. The US-China relationship consists of both positive and negative elements, as has been discussed in previous chapters. US-China relations have come a long way in dealing with the negative aspects and increasing cooperation. But several continue to affect their bilateral relations. In the midst of a love-hate relationship, both countries try their best to cooperate because of growing shared interests in many key areas.

On the economic front China has become significantly dependent on the US and its allies not only for trade but also for foreign investments, loans and technology transfers. The very legitimacy of the Chinese Communist Party (CCP) depends on delivering continued perceptible improvements in the living standards of the Chinese people. This is possible only when Chinese keeps the world engaged in cooperative economic ties. On the other hand, the United States has developed a great deal of stakes in China for its big market and inexpensive goods. Thus, for China, the economic gains from the relationship are impressive; for the United States too, Chinese markets are alluring.

However, the US often blames China for violation of many internationally accepted laws and treaties, for its mounting trade deficits, undervaluation of yuan, infringement of IPR, and violation of human rights. The US charge China of keeping yuan undervalued by pegging it to the dollar in order to gain unfair export advantage, and by providing indirect subsidy to its export industry. Due to the violation of Intellectual Property Rights, American companies lose millions of dollars every year. China has taken some steps to curb piracy but that has not proved effective.

The US complaints are not always fault-free. Its allegation against undervaluation of yuan affecting the trade balance against the US has another

dimension. Almost 60 percent of Chinese exports to the United States are produced by American and other Western companies. These companies have shifted their production units to lower their cost of production as China provides cheap labour and the big market for their products. However, despite all these conflicts, the trade and economic relations are growing very rapidly between US and China. Both countries are getting benefited by these growing economic ties.

At another level, the trends have shown that a more powerful China has become more assertive in international relations. Chinese supply of weapons to Iran, Pakistan, and North Korea, including nuclear and missile technologies has raised apprehensions that such weapons or technologies may fall into the hands of terrorist organizations.

Moreover, China is modernizing its military at a time when there exists negligible direct or indirect threat to its security. While its external environment is relatively peaceful, it tested its anti-satellite missile, raising questions over its declared policy of 'peaceful development.' The US has questioned Chinese intentions behind such measures.

China is one of the fastest growing economies in the world. It has become the most energy hungry country in the world. With the aim of acquiring access to energy resources and raw materials China has utilized and expanded relationships with states such as Iraq, Iran, Pakistan, Syria etc. by providing deadly weapons to these countries in return for oil and gas. Washington has expressed its concern over China's ties with some of them countries.

Scholars argue that China has become powerful but it is still substantially weaker than the United States and hence, not in a position to pose any threat to its regional and global security. But it is to be noted here that to pose a threat one does not need to be equal in terms of power. For example, Al-Qaeda is no match for the United States; nevertheless it poses a serious and dangerous threat to US and the international community.

Similarly, China might not be equally powerful as the US, but it is certainly in a position to harm US' regional interests in the East and Southeast Asian region. Owing to its huge size and thousands of kilometers of boundaries China faces territorial disputes with its neighbours. It has indulged in altercation to achieve territorial integrity. China's desires, to restore its sovereignty over areas previously considered a part of China, have caused fear and suspicion among its neighbours. It has threatened Taiwan of dire consequences if it declared independence or delays the negotiations for the reunification of Taiwan with the mainland. Most of these nations are friendly to the US. China's policy towards them

China's increased economic and military clout has given China a growing sense of pride in their country's achievements. While it's increasing power has sparked a debate over 'China threat' argument. Chinese have become suspicious of Western especially the American motivations. The desire to reassert sovereignty and independence has resulted in growing nationalism in that country. It has found expression in Chinese dissatisfaction with the post-Cold War world order, which is dominated by the United States (Miles, 2000).

China as a growing power opposes some aspects of the status quo, by supporting a multipolar world system, with China as one of the poles. It is opposed to a system in which the US has no equal. The Chinese also hope to replace the US as the dominant security player in Asia. Beijing has been seeking to use multilateralism to balance American power. Regional Organizations like ASEAN+3 and SCO, in which the US is not a member, are being used by China to reduce US' influence in Asia. Under China's influence the Central Asian members of SCO in 2005 at their summit meeting demanded the withdrawal of American forces from their countries, which were deployed after the September 11 terrorist attack.

China also opposes US military bases and military alliance in Asia-Pacific. Many Chinese have long suspected that the US seeks to repress and contain China.

They see a pattern of movements in this direction over the last decade; including an upgrading in recent years of the US alliances with Japan, South Korea and Australia. From China's standpoint the planned US ballistic-missile defense system is at best a gross overreaction to the danger of a missile attack from a 'rogue country' or terrorist organization.

The love-hate relationship between the US and China changed in the wake of the September 11, 2001, terrorist attack on the US. The deadly threat of terrorism has led to a shift in focus and priority of US foreign policy that is likely to endure. The conventional threats to the international security like full-fledged wars have changed and terrorism has seemed to replace them. No country can boast of immunity from the terrorism. The changed US threat perception brought opportunity for forging the US-China strategic cooperation and strengthening the overall US-China relationship.

China has been facing its own terrorist threat in Xinjiang Province posed by the East Turkistan Terrorist Forces (ETTF). Therefore, in the aftermath of September 11 terrorist attack China cooperated with the US in the fight against terrorism. China was one of the first countries to offer help to the US to fight against terrorism. The broadened and deepened cooperation with Washington on counter terrorism raised the prospect of a better US-China relationship.

But at the same time, American unilateralism, boosted by the war against terrorism has become a major concern to China. The US is suspected to be using the anti-terrorism campaign to solidify American global hegemony. China complains that Washington has violated international law, multilateral institutions and norms to pursue its narrow national interest. China also criticized the US for attacking Iraq in 2003 on the false accusation of having weapons of mass destruction. But China keeping in mind the importance of the US for its intentions did not oppose the US invasion strongly, leaving it for France and Germany to play a more forward role in opposing the US policy.

As this complex dynamics suggest, the US-China relationship is not zero-sum. Both the countries understand that such a view may threaten their national interests. Black and white analysis actually fails to capture the nuances of the situation. Beijing is very much aware of the fact that Washington's power is unlikely to decline in the near future. The US still occupies dominant position in the United Nations, the WTO, the World Bank, the IMF and other global institutions. Therefore, challenging the US is not be in the interest of China.

The Chinese are aware of their growing interdependence with international markets and suppliers. The Chinese Communist Party (CCP) is convinced that strong links with the outside world, especially with the US, best facilitates the economic development of China. This requires China to have peaceful relationships with its neighbours and other major powers of the world; aggressiveness might disturb the political environment and destroy opportunities necessary for economic development (Roy, 1996).

In addition, the global menaces like terrorism, proliferation of weapons of mass destruction, and environmental degradation cannot be tackled successfully without the cooperation between these two countries.

Neither China nor any other state whose power rests on its success in a globalizing world can conclude that its strategic interests are best served by trying to militarily confront the US. The US for a considerable period of time has remained at the top of the helms vis-à-vis international monetary and economic system. At the turn of 21st century, the US stands in a predominant position and no country is in a position to challenge it in almost every measure of international power: military, economic, political, and technological. Probably no other country or empire has had a comparable global reach since the Roman Empire (Zhu, 2006).

Even if China maintains its present growth rate, it will take a long time to reach present position of the US. The closer ties with the US can further enhance Chinese economic prospects. Any altercation or turmoil may lead to heavy losses. The United

States also needs ties, especially with a large and economically important country like China, to help maintain US prosperity and security. As Richard Haas has noted, “War between the great powers is almost unthinkable.”

For the US, the rise of China can mean only one thing: engagement. Washington has no choice. China is too big, too important, too dynamic and has too many other nations with an interest in cooperating with it to be pushed around (Lampton, 2007). If the US really aimed to hamper China’s economic modernization-as the John Mearsheimer has argued – China would not be the only one to suffer. Many US enterprises in China would loose the returns on their investments, and the American people would no longer be able to buy inexpensive highly useful Chinese products. On the other hand, America’s motives for developing economic and trade ties have also helped China, spurring its economic prosperity and technological advancement (Jisi, 2005).

If containment is ever attempted by the US, it would be counterproductive, not only because it would raise China’s anger but because it would reduce Washington’s relative power in the region (Christensen, 2006). Other nations of the region also do not want to spoil their trade and economic relations with a country as big as China. A prosperous China serves the interests of both the US and countries of East and Southeast Asia. China seems to have chosen the practical course of avoiding unduly antagonizing the US, while establishing a web of relationships with other states and regional organizations. Although, China undoubtedly would like to be recognized as an equal to the US in international relations, it realizes that this is unlikely to happen anytime soon (Foot, 2006).

When major policy differences have emerged between China and the US and others, most notably over the American-led intervention in Iraq, these have been handled by Beijing in a pragmatic way and without resort to blistering public recriminations.

The US also has no viable strategic choice but to follow some variant of an engagement strategy. This has been the position of the US administrations since President Nixon engineered the initial opening to China in 1971. Despite the strong advocacy of a realist strategy by some administration officials as well as by some members of Congress and by prominent intellectuals, President Bush has rejected arguments to prevent the rise of China (Garrett, 2003).

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