

America's Response to the Rise of China and Sino-US Relations

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This article examines America's response to the rise of China and its impact on Sino-US relations by putting it in the context of the overall Asia policy of the Bush administration. It first looks at the Bush administration's global strategy and the place of Asia policy in the hierarchy of US foreign policy. Then, the article examines the changing dynamics of American foreign policy towards China and China's response. This study introduces Power Transition theory as an analytical tool behind America's China policy. It further uses two flashpoints in the Asia Pacific – the Taiwan issue and the North Korea nuclear crisis – as examples to analyse recent developments in Sino-US relations. It also provides assessments of the conditions for a change of tide concerning the future direction of US policy towards China.

Introduction

This article examines America's response to the rise of China and its impact on Sino-US relations by putting it in the context of the overall Asia policy of the Bush administration. We first look at the Bush administration's global strategy and the place of Asia policy in the hierarchy of US foreign policy. Then, we can have a better understanding of the changing dynamics of American foreign policy towards China and China's response. These policy interactions have laid a foundation for the development of Sino-US relations as we enter the new century.

In his visit to Beijing in late October 2005, US Defence Secretary Donald Rumsfeld complained to Chinese President Hu Jintao and Defence Minister Cao Gangchuan that China was sending "mixed signals" about its foreign policy towards the United States and the future directions its policies might take in light of its rise in power. At the same time the Chinese Defence Minister rejected US criticism of the pace of China's military buildup and argued that China's financial resources were primarily concentrated in economic development rather than military spending.¹ Rumsfeld's complaint echoed remarks made by Deputy Secretary of State Robert Zoellick a month earlier, which criticised China's "lack of transparency" and further argued that China should become "a responsible stakeholder" in the international

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community.² These statements from top American officials reflect the concerns of policy-makers in Washington about where China is heading and the debate about what policies the US should adopt towards China.

In his comments on United States' Asia policy under the second George W. Bush administration, former US Ambassador to Japan Michael Armacost stated that "continuity rather than change is likely to be the watchword".³ Harry Harding characterised this in a different way, arguing that "What is different about the Bush administration, at least in its first term, is not so much the broad purposes of American foreign policy, but rather the ways in which those goals are being advanced."⁴ Keeping these thoughts in mind, it is essential to understand the main characteristics of the first Bush administration's Asia policy, upon which the second's Asia policy will be built. In a *Brookings Review* article entitled "America Unbound: The Bush Revolution in Foreign Policy", Ivo Daalder and James Lindsay present three practices of American foreign policy under the guidelines of the Bush revolution: (1) a disdain for multilateral arrangements and institutions, (2) the full consideration of pre-emptive military actions, and (3) the forcing of regime change in rogue states.⁵

These foreign policy practices are based on two strains of revolutionary thought in foreign policy: first, in order to ensure American security, Washington may have to shed the constraints imposed by friends, allies, and international institutions; and second, the US should fully utilise its strength to change the status quo in the world. These new ideas are labeled as "the new neo-conservative framework" in US foreign policy. Under these guidelines, the United States launched its wars in Afghanistan and Iraq in the post-9/11 period. These two wars are very much along the lines of the three above-mentioned practices of US foreign policy in the Bush era.

When one looks at Bush's Asia policy, specifically policy towards East Asia, one may find that the practices are quite different than those guiding US actions in other parts of the world. In the bulk of its foreign policies towards Asia, Washington has been the one to promote a multilateral institutional approach for major events in the region, and particularly the North Korea nuclear crisis. The six-party talks, consisting of China, Japan, Russia, South Korea, North Korea, and the United States, were directly constructed and pushed by the US in close consultation with other players, especially China. In the presidential debates towards the end of 2004, Bush forwarded the view that only a multilateral framework can deal with the North Korea crisis, as if he would not consider unilateral action at all (as the US did in Iraq). By the same token, there was little discussion of a pre-emptive attack on Pyongyang. One has not often heard public remarks from Washington for regime change in the Asia Pacific, including North Korea. Indeed, in the most recent fourth round of six-party talks in July 2005, Christopher Hill, Assistant Secretary of State of East Asian and Pacific Affairs and head of the US

delegation, clearly stated that the United States views North Korea's sovereignty as "a matter of fact" and the US "has absolutely no intention of invading or attacking the DPRK and it remains prepared to speak with the DPRK bilaterally in the context of the six-party talks."⁶The reason behind America's "soft" stance towards regime-change in Pyongyang is obviously the China factor, but there are also other reasons, such as the lessons learned from the war in Iraq and the concerns of US allies, such as South Korea and Japan, as well as predictable disapproval by the international community on a unilateral US attack (given the focus of this article, I will concentrate on the China factor and not elaborate on other factors in this regard). One can sense the positive attitude of Washington towards the multilateral structure in solving the problem of the North Korea nuclear crisis. People may then wonder why there are such distinct differences between US policy towards East Asia and towards Iraq.

This article will primarily analyse US foreign policy towards Asia under the second Bush administration and its implications on Sino-US relations. It argues that East Asia is no doubt one of the top priorities of United States foreign policy, but at the time being, the United States cannot provide an all-out effort, militarily and politically, to concentrate on the region. This is primarily because Washington has been preoccupied with the priority of Iraq in its sense of urgency, as long as there is a large US military presence in the Middle East. This is not to say that East Asia is less important to the critical interests of the US, but rather that the urgent need of solving the Iraq situation has pushed Washington to use not so dramatic means to deal with the Asia Pacific, ensuring regional stability to allow the United States to have a freer hand in the Middle East. It is almost certain, nevertheless, that in the long run the importance of East Asia can only increase, given the fact of China's continuing rise on the world stage. In a later section, I will also discuss how China has reacted to Bush foreign policy, as well as Beijing's strategy in its external relations in the Asia Pacific region. The analysis will include scenarios for a possible change in tides that may reverse the relatively favourable international environment Beijing currently enjoys.

US Global Strategic Priorities

In the post-World War II era, US foreign policy priorities have undergone several fundamental shifts. For quite some time, its first priority, centred on George Kennan's containment policy, was to fight against Communism. In the post-Cold War era of the 1990s, the US became the only superpower in the world, with its foreign policy priority shifting to the identification of potential challenges to its global leadership in all dimensions, including economic, political, and strategic. This process has since identified new obstacles that actually began taking shape in the late 1980s. At that time, when Japan was identified as a potential challenge

to the US' dominant position, Japan-bashing became a fashionable pastime. Polls conducted during this period indicated that more Americans were concerned with the Japanese rise than the Soviet rise, even before the collapse of the former Soviet Union. This momentum and focus on East Asia continued into the early 1990s and eventually came to rest on China.

With its spectacular economic performance during the 1980s and 1990s, the rise of China has become a centre of attention, both regionally and globally. During those two decades, China was gradually identified as a potential rival and challenge to United States dominance. In his 2000 presidential campaign, George W. Bush made it clear that China was not a constructive strategic partner, but rather a competitor and rival. The target of US foreign policy had shifted to China, and tension began to build.

The peak of that tension between the two powers came in April 2001 in the form of the EP-3 spy plane or the Hainan incident. The mood in Washington was one of anxiety, as if the incident could have escalated into a military confrontation. The US began to exhibit an increasingly clear policy towards Asia that I characterise in 12 Chinese characters – *tai riben ya zhongguo qin taibei yuan beijing* – meaning, “to emphasise Japan as an ally and downplay the importance of China, to get closer with Taipei and keep a distance from Beijing.” This policy had a distinctive Bush flavour to it – it was not made of the same ingredients as the previous Clinton administration policies towards Asia, which placed China in the role of a constructive, strategic partner position, while at the same time carrying a “three-no” policy towards the issue of Taiwan (no Taiwan independence; no one-China, one-Taiwan; and no membership for Taiwan in international organisations that require statehood). At that time, particularly at the height of the EP-3 incident, it seemed almost inevitable that the two powers would clash sooner or later.

But EP-3 taught Washington a lesson: it must take a close second look at precisely what US interests in Asia would be worth in an all-out war with another nuclear power. What would justify such a war, particularly since China has moved away, however slowly, from orthodox Marxism and largely adopted a free market economy (though it is, of course, still politically an authoritarian regime). Both sides realised how necessary it was for the US and China to improve their communication over potential crisis issues in order to avoid unnecessary military confrontations.

This re-examination of Asia policy began in Washington in the months following EP-3, but was largely catalysed by the September 11 terrorist attacks on the World Trade Centre and the Pentagon. A convenient, yet legitimate, reason for Washington to shift its foreign policy priorities is the need for anti-terrorist coalition-building. This war against terrorism has naturally become a centrepiece of US foreign policy. Therefore, other considerations such as ideology, including anti-communism and the promotion of human rights, have been relegated to a secondary position. Geographically, the Middle East, namely Iraq, will be a top

priority as long as there are several hundred thousand US troops stationed there, whereas Asia will be a secondary consideration.

US Strategic Priorities in the Asia Pacific

Before analysing the priority shift in US-Asia policy, I would like to make sure that we all understand that the neo-cons and hard-liners do not only comprise the mainstream of the Bush foreign policy-makers but also its China policy-makers as well. They may, from time to time, appear to switch to a more moderate and soft line triggered by specific events, such as the September 11 terrorist attacks, or when influenced by strategic calculations (see later analysis on Power Transition theory). Yet, the neo-cons' thinking always surfaces, attempting to influence the directions of Washington's China policy. No matter how serious the competition between hard- and soft-liners in Washington's policy apparatus, one thing for sure is that both camps' policy choices are based on their understanding of how to best serve US national interest. Therefore, it is not unusual to see winds and tones constantly changing in Washington in regard to its China policy. For example, there are hard-liners in Washington who do not necessarily accept the softening of China policy after September 11. As Benjamin Schwartz argues, "Hard-liners, some of whom hold powerful positions in the current administration, see a hegemon on the horizon", namely, China.⁷ Indeed, the Annual Report on China's Military Power, released by the Pentagon in July 2005 after several delays, projects a dramatic increase in China's power. The report emphasised China's expanded nuclear capacity, which could strike "virtually all of the United States". It further argues that China's defence spending could grow to \$90 billion in 2005, making it the world's third-largest military budget after the United States and Russia. This 45-page report paid close attention to China's military capacity vis-à-vis Taiwan. China not only expanded its naval operations, but also "qualitatively and quantitatively" improved its nuclear missile force. The report warned that this is giving China a second-strike capability against the US.⁸

On the other hand, within the Asia Pacific region the US foreign policy priority is in line with its global call for a war against terrorism. Therefore, regions that either host or contain terrorist elements have become top targets. Naturally, Afghanistan, and even some Muslim countries in Asia that have active Islamic fundamentalist movements, have attracted keen attention from Washington. Interestingly, in the war against terrorism, China's partnership echoes its Cold War alliance with the US against the Soviet Union.

The second priority in the area is regional stability and peace. Therefore, to deal with the North Korea nuclear crisis is extremely important in Bush's foreign policy, as Pyongyang is part of the so-called "axis of evil". Interestingly, China is again very supportive and has actively participated in and hosted the six-party talks, thereby sharing the leading role with Washington.

The next priority for Washington is economic and trade prosperity. To maintain peace and stability in the region, economic development is fundamental. China played a constructive role and with the United States operating as a major economic engine facilitating stable economic growth in the region, moving the region further away from the damage of the 1997–1998 Asian economic crisis. China’s constructive role is even clearer when comparing it with the much diminished role of Japan, which suffered a decade-long economic recession throughout the 1990s (known as “the lost decade”). The positive role that China had played in these situations affected US foreign policy-makers’ image of it. The only potential military confrontation between the two powers now exists in one area, the issue of Taiwan (which will be discussed later). Other issues such as human rights and ideological differences, although still important, have indeed been given a relatively low priority when compared to the strategic and economic priorities previously discussed.

James Kelly, after serving as Assistant Secretary of State for East Asian and Pacific Affairs from 2001–2005 wrote a summary of US-Asia policy under the first Bush administration. He noted four issues that were the focus of US-Asia policy: (1) engagement with China; (2) strengthening of alliances, including Japan, Australia, South Korea, the Philippines and Thailand; (3) cooperation on counter-terrorism; and (4) compacts of free association such as economic engagement, opening markets, business environment and regional cooperation.⁹

In his meeting with Chinese President Hu Jintao in November 2005, US President Bush, on an official visit to Beijing, confirmed the priority agendas of US foreign policy. Michael Green, Bush’s top National Security Council adviser on Asia, indicated that Bush has emphasised his policy priorities as being first, the North Korea nuclear issue, second, trade deficits and intellectual property protection, and third, the issue of Chinese currency. As we can see, the concerns are more on strategic and economic issues, whereas ideological and political issue, such as human rights, are less emphasised.¹⁰

With the above discussion of the priorities of US foreign policy in Asia, one may clearly see that the US must work together with China to achieve its foreign policy interests; that is, to forge a global anti-terrorist coalition that requires the cooperation of the great powers. Regionally, this includes China, Japan, Russia, and India. At the same time, maintaining and strengthening alliances has also become extremely important, including those with Japan, South Korea, and Australia.

In this regard, the US-Japan Security Alliance is critically important for Washington. In his article on US national interests in East Asia, Gerald Curtis argues that Washington’s Asia policy for the past half-century has been based on the concept known as “hub and spokes”, with the US as the hub, projecting its power into the region by means of bilateral alliances (namely with Japan and Korea). Curtis continues to argue that this “hub and spokes” approach needs to be revised because of the development of a new international environment in the region.

Specifically, he suggests that US interests in the region could be better served by the development of new multilateral approaches to security.¹¹ The best example at hand is the six-party talks, which will provide a useful model for institutionalising a potential Northeast Asia Regional Security Forum. This is the first time that a multilateral regional security institution includes both China and the United States (together with Russia, Japan, and South Korea). Along similar lines, Francis Fukuyama proposes a five-power security dialogue as a permanent multilateral institution, one which would exclude North Korea.¹²

One other regional security framework goes further south to include Southeast Asia. The increasingly active ASEAN Regional Forum, ASEAN+3, etc., have moved beyond the economic scope in dealing with security issues. Washington has demonstrated its interest in participating in this regional security forum. One of the major concerns of the United States is that it may be excluded from some future regional security frameworks in the Asia Pacific area. These concerns were reflected in Rumsfeld's complaints during his visit to China in October 2005. He gave various examples that may indicate China's preference to exclude the US in regional security affairs, such as not inviting US officials to participate in an East Asian summit in December 2005; a joint Chinese and Russian military exercise that took place in the summer of 2005; excluding the US military from multilateral search-and-rescue exercises in Hong Kong; and China's participation in a July 2005 Shanghai-Six (China, Russia, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan), also known as Shanghai Cooperation Organisation, conference that urged the United States to withdraw its military forces from Uzbekistan.¹³

Power Transition Theory and America's China Policy

The theory of Power Transition attempts to develop a set of analytical tools to fully understand the dynamics of international relations and to project future directions of power relationships. Over the years, it has been developed noticeably and has become "one of the most successful structural theories in world politics."¹⁴ The Power Transition model focuses on the relationship between the rising power and the existing dominant power. Historically, one can locate different rising powers in different periods, powers such as Germany, Japan, Russia and the United States. According to Robert Kagan, "the most successful management of a rising power in a modern era was Britain's appeasement of the United States in the late nineteenth century, when the British effectively ceded the entire Western hemisphere (except Canada) to the expansive Americans." He further argues that the smooth process of this power transition was largely due to the fact that both powers "share a common liberal democratic ideology and thus roughly consonant ideas of international order due to that fact."¹⁵ Kagan said the cases of Bismarck's Germany and Meiji Japan were not as successful. How the dominant power deals

with the rising power has become the key for a peaceful and stable transition or a violent war dynamic.

This theory was utilised in the Cold War era to determine changing patterns of strategy. Ever since the late 1990s, China has become a focus of world leaders, some of whom use this theory to analyse the rise of China and project future directions of international relations.

According to Douglas Lemke and Ronald Tammen, the next rising power in world politics is definitely China. They argue “if China continues to grow in power, as it has for the past few decades, it will surpass the United States as the world’s dominant power sometime in the middle of this century.”¹⁶ Many other scholars have made similar projections predicting the parity between the two countries will take place on or before 2050.¹⁷ They further suggest that such jostling among great powers has corresponded with the major wars of the past centuries. They raise an important point that the management of the relationship between the US and China should become one of the most important agendas in US foreign policy. Jacek Kugler and Ronald Tammen have developed a “grand strategy” to deal with this power transition. They project the potential confrontation between the US and China, as in the case of Germany and the USSR in World War II, as “one between a very advanced nation and a developing giant”.¹⁸ Therefore, how to treat China and how China responds to the world system is tremendously important. Unless we find ways to minimise China’s dissatisfaction, the world will face the prospect of global war.

One of the key issues in the process of power transition is the degree of satisfaction of the rising power with the existing international system. As Jonathan DiCicco and Jack Levy argue, “states that are powerful but satisfied will have little motivation to challenge the dominant state for its preeminent position. ... Only the powerful and dissatisfied pose a threat.”¹⁹ According to *Power Transitions: Strategies for the 21st Century*, the most important factors to watch are: “relative power, degree of satisfaction, and the probability of conflict.” The probability of conflict between the dominant power and the rising power is greatest when the relationship between the two is characterised by parity which can be called “the zone of contention and probable war”.²⁰

In the case of Sino-US relations, this theory has been used to analyse each side’s policy choices and their possible consequences. For the US’ part, according to Efir, Kugler and Genna, “different foreign policy stances by the US towards China can be decisive in the choice between conflict or integration.” They further argued that “a reconciliation of preferences between the US and China will be very important in preventing war and achieving a structured, stable peace. If the US and China are satisfied with the status quo, then high levels of cooperation are possible by 2050, avoiding the possibility of conflict.” A reverse side of the picture is that if the two nations are dissatisfied with each other, “a major war between

these two nuclear powers remains a distinct possibility". Therefore, "the choice of China as a strategic partner and China as a strategic competitor looms large." The authors believe the second posture can lead to a new cold war "with potentially far more serious consequences than the US-USSR confrontation."²¹ This school of thought has advised US foreign policy towards China to make the growth of the Chinese private sector "a matter of the highest priority."²² From the perspective of the US foreign policy apparatus, it is necessary to develop a consensus among all three of the key foreign policy establishments, namely, the political, economic and military elites.

The peaceful transition of China's rise has depended upon not only the international environment but also its own internal development. Although the United States cannot play a direct role in China's internal transition, it can help "indirectly to create the conditions, wherein a strong domestic faction develops that is tied to the international marketplace, accepts international business norms and exerts some degree of influence over its friends and allies."²³

In his address to the National Committee on Sino-US relations in New York, Deputy Secretary of State Robert Zoellick said, "Uncertainties about how China will use its power will lead the United States – and others as well – to hedge relations with China. Many countries hope China will pursue a 'Peaceful Rise', but none will bet their future on it." His address clearly reflects the current debate about America's China policy among US policy-makers. One of the main concerns in American foreign policy today is "uncertainty" about how China will use its influence. It seems that there is consensus in Washington that, as Zoellick stated, "We have many common interests with China." Central to Zoellick's address, however, was an appeal that China become a more "responsible stakeholder" in the international community and alleviate worries about the future of China's domestic and foreign policies: "China has a responsibility to strengthen the international system that enabled its success."²⁴ The overall sentiment regarding America's assessment of the future direction of China's development can be summarised, in Brent Scowcroft's words, as "complex".²⁵ It is interesting to note that this is the first time the US China policy has been termed as a "thirty-year policy of integration". The remarks about US demands – "We now need to encourage China to become a responsible stakeholder in the international system"²⁶ – are also the most clear indicators of what the US really wants regarding China's behaviour in international affairs. This reflects not only the most recent result of the ongoing debate among policy-makers in Washington regarding future directions for Sino-US relations, but also the influence of Power Transition theory on policy-makers in Washington. One can expect that its China policy will continue to be a focus of policy deliberation and debates in Washington as China continues to rise for the years to come.

Taiwan's Position in US Foreign Policy Priorities

To better understand America's response to the rise of China, one has to examine a core issue in Sino-US relations, namely, the issue of Taiwan, which has been a long-lasting problem between China and the United States ever since the establishment of the People's Republic in 1949. Taiwan's position in US foreign policy priorities has, like other policy areas, experienced ups and downs over the past 50 years. When the US was engaged in a cold war with China, beginning with the Korean War in the early 1950s, Taiwan was an "unsinkable aircraft carrier" to contain China, and Taiwan was regarded as a stronghold for the anti-Communist camp. This assumption was shifted when both Washington and Beijing viewed Moscow as the greatest threat, stretching back to the 1970s in the so-called Moscow-Washington-Beijing strategic triangle. President Richard Nixon took the lead in opening up relations with China and downgrading US relations with Taiwan. However, relations with Taiwan were important enough to allow the US Congress to pass the Taiwan Relations Act, which ensured the future sale of arms to Taiwan and a commitment to the peaceful settlement of the Taiwan issue. As discussed earlier, when the US viewed China as a top challenge to its national interests at the beginning of the Bush administration, US relations with Taiwan had moved up. The commitment to Taiwan was so powerful that it prompted George W. Bush to pledge to do "whatever it takes" to defend Taiwan.

Strategic planners in the Pentagon made it clear that Taiwan was crucial to US security interests in its Quadrennial Defense Review (QDR) in 2001. The QDR makes pointed reference to the "East Asian littoral", defined as the region stretching from south of Japan into the Bay of Bengal, including Japan, Taiwan, the Philippines, Indonesia, and Australia, as an area of core strategic interest.²⁷ This is one of a few statements from Washington that undoubtedly reveal the importance of Taiwan to its strategic interests.

As we now understand very well, September 11 significantly changed perceived strategic interests in Washington. As noted in the analysis above, China was no longer regarded as a challenger or rival, but rather a partner in many key US interests, such as the war against terrorism and the North Korea nuclear crisis. Maintaining stability and peace in the region has become a top priority for the Bush administration. Moreover, avoiding military confrontation with China over the issue of Taiwan is essential so the US can concentrate on the war in Iraq and other anti-terrorism priorities. Therefore, one can sense that although supporting Taiwan as a democracy and maintaining Taiwan's separation from China is still important to US interests, at this juncture, it is not necessarily a high priority interest.

From the perspective of the Power Transition school, it is essential to control territorial flashpoints. In the case of China, the Taiwan problem is key. If there is a military confrontation between the United States and China over the issue of

Taiwan, Washington must view the problem from a long-term perspective. In a confrontation with China, the US may prevail. Yet despite the initial success of the United States, the victory would be temporary, “It would only postpone the time when China will re-acquire control over Taiwan. That outcome is inevitable once China has passed the United States.” Power Transition theory warns that there are undesirable consequences for a victorious US; China’s dissatisfaction with the status quo would be greatly deepened. Therefore, in recognising the costs, the United States may choose not to engage in war if Taiwan unilaterally decides its independence.²⁸

This consideration has provided a foundation for President Bush to openly criticise the leader of Taiwan, Chen Shui-bian, for unilaterally altering the status quo in December 2003. In October 2004, then US Secretary of State Colin Powell said that “those who speak out for independence in Taiwan will find no support from the United States.” Mr. Powell made it even more clear by further stating that “Taiwan is not independent, it does not enjoy sovereignty as a nation and the two sides should improve dialogue” and “move forward to that day when we will see a peaceful unification.”²⁹

This line of thinking has been echoed by scholars and policy analysts as well. As Robert Scalapino points out, in the long run, it may be possible to achieve a political relationship between China and Taiwan “based on federation or confederation, setting the issue of sovereignty aside.”³⁰ One may understand that the rationale behind this line of argument is to avoid a potential military confrontation between the United States and China, which may be prompted by the pressure created from Taiwan seeking *de jure* independence. This kind of sentiment is supported by public opinion. According to one survey conducted in the United States by Zogby International, Americans consider China as their fourth most “important ally”, after Britain, Japan, and Israel, and 59 per cent of those surveyed hold positive views of China, up from 4 per cent a decade ago. More importantly, although 51 per cent of the American public continues to view China as a potential military threat, 75 per cent oppose militarily defending Taiwan if there is a cross-Strait confrontation.³¹ One can see a clear shift of Taiwan’s position in terms of US foreign policy priorities in the sentiments of the American public.³²

In sum, although in a general sense maintaining Taiwan’s separation from China is in line with US interests, this preference no longer occupies a high priority status. Rather, to maintain peace and stability in the Asia Pacific, according to the Power Transition theory, the US should uphold cooperative relations with China on a number of key issues such as the anti-terrorist campaign and North Korea nuclear crisis, and should give this policy a higher priority status. This shift of priority in US foreign policy under the new Bush administration prompted a number of commentators in Washington to advocate a detached policy towards Taiwan. In a December 2004 *Atlantic Monthly* article Trevor Corson argues that if Taiwan insists

on moving towards *de jure* independence and provoking a war with China, then “the US should let Taiwan defend itself.”³³

General developments in the international environment since September 11, 2001 have been relatively positive with regard to China’s security situation and the most significant favourable trend came from Washington, as its perceptions of China have largely reversed. On the other hand, however, Beijing should not take this favourable environment for granted. As a later part of this article will argue, China should pay special attention to a possible change of tide. A most alarming indicator in February 2005 was the joint announcement by Washington and Tokyo that the issue of Taiwan would be a concern of the US-Japan security alliance (see analysis later).

Other Factors in US Policy towards China

To fully comprehend Sino-US relations, it is also necessary for us to look at factors other than security and strategic issues. The most prominent problem in this regard is in the economic dimension. There are at least four issues that may cause further friction in the economic dimension. First, the trade deficit and currency issues. The US’ increasingly large total trade deficit of \$617.7 billion in 2004, including \$162 billion with China, reached a record high.³⁴ China’s trade surplus with the US is set to reach \$200 billion in 2005.³⁵ This issue has been blamed by some policy-makers as China’s manipulation over currency issues, mainly the RMB (Chinese yuan) peg with US dollars. Therefore, there has been a call from the US side to increase pressure on China to let the yuan free-float. To ease concerns from the US and other Western partners, China decided in July 2005 that it would no longer peg its currency to the US dollar and the value of the dollar fell from 8.27 yuan to 8.11 yuan.³⁶ This action has further demonstrated the manageability of the frictions in the economic dimension in the two countries.

The second issue is protection of intellectual property rights. Although China has made enormous progress, this is one of the remaining areas in which China is still far from reaching the standard set by the World Trade Organisation (WTO), of which China became a member in 2001.

The third issue brought controversy around China’s export of labour-intensive, low-cost goods, primarily textiles to the United States. There has been discussion over whether the US would impose more tariffs or should have a stricter quota system.

The fourth major concern from the US side is China’s increasing bidding activity to purchase important industry and commercial items. The noticeable activities are primarily in four fields including: technology (e.g., Lenovo Group vs. IBM), consumer goods (Haier Group vs. Maytag); automobiles (Shanghai vs. South Korea); energy (CNOOC, Ltd. vs. Unocal Corp.). All of these attempts have brought headlines in US newspapers and drawn concerns of national security (such

as Unocal).³⁷ As Senator Max Baucus (D-Montana) argues, “The offer by CNOOC, Ltd. for Unocal raises an important question: namely, whether it is appropriate for state-owned enterprises to subsidise investment transactions to acquire scarce natural resources that are in high demand.”³⁸ He insists that the US Congress should take into account the effects “this type of subsidised acquisition may have on the US economy and its potential threat to our national security interests.” This argument is also echoed by Senator Byron Dorgan (D-North Dakota).³⁹

There is another area for potential friction if not competition between the US and China, namely, the process of East Asia community-building. The forthcoming East Asia Summit in December 2005 in Malaysia and the development of a number of security-related regional organisations such as the Shanghai Six, have sparked serious concerns in the US because it is not included. There is no doubt that the US would like to at least be part of, if not lead, the East Asia community-building process. As to whether and how China and the US can cooperate in this process presents a potential problem to both Beijing and Washington.⁴⁰

Although some of the issues have drawn attention and concern national security, they are normally manageable and are similar to previous patterns when a newly industrialised society or economy had similar frictions; such as the trade-war between Japan and the United States back in the 1980s and early 1990s. Although the economic frictions are not the focus of this article, I would like to point out that they may from time to time affect overall relations between the two countries. Yet they will rarely become a crisis since this is the area where common interests may present a win-win solution rather, which would be less likely in the security dimension, where it is perceived more as a zero-sum game. Nevertheless, as a *Foreign Affairs* article argues, “Most of these charges have little merit. But the misunderstandings behind them have opened the way to a trade war with the US and China – one that if it escalates, could do considerable damage to both sides.”⁴¹

Beijing's Strategy

As we discussed earlier, the EP-3/Hainan incident of April 2001 was a wake-up call for both Washington and Beijing. The two great powers realised that they needed to find a common ground in global politics to avoid potential military confrontation, which would be disastrous for the region. With the new impetus demanded by September 11, the two countries moved towards a rapid improvement of their bilateral relations. In the period of 2003–2004, China completed its leadership transition, namely from the third generation of leadership under Jiang Zemin to the fourth generation of leadership under Hu Jintao. The Sixteenth Party Congress of the Chinese Communist Party (CCP) further consolidated Hu's leadership of the party and the state, and then finally of the People's Liberation Army (PLA), when Jiang finally handed over military power.

Under the leadership of Hu Jintao, Chinese foreign policy vis-à-vis the first and second Bush administration has developed a strategy that simultaneously contained clear and ambiguous dimensions. Let me discuss the five strategies Beijing has adopted. First, China continued to focus on its modernisation drive and economic development, which required close cooperation with the US in terms of markets, technology, and capital. Therefore, there are frequent mutual visits of financial officers between the two countries.

Second, Beijing has emphasised converging and overlapping interests between China and the United States, including anti-terrorist campaigns, the six-party talks on North Korea, military non-proliferation, and other strategic and security issues (needless to say, there is not a perfect convergence of the two countries' interests in these matters).

Third, while China maintains a careful stance so as not to challenge US presence in the region, it does actively promote regional economic integration. Particularly, the focal point is its relations with Southeast Asia, which is represented by the highly visible development of 10+1 (ASEAN + China) and 10+3 (ASEAN + China, Japan, and Korea). In this way, China has developed a "good neighbour" foreign policy in the region, which has largely changed its image with its Asian neighbors from a "threat" to an "opportunity".

Fourth, China has developed a cordial relationship with major powers. In addition to its ties to the US, Beijing's relations with Moscow under Putin and with the European Union – Germany and France in particular – have all served to highlight China's courting of the major powers.

Fifth, despite the above-mentioned conciliatory and cooperative policy with its neighbours and major powers, China will not sacrifice its national sovereignty and core national interests. Beijing has made it clear that the issue of Taiwan lies within this category. While facing increasing demands for Taiwanese independence from the island, China has intensified peaceful overtures to appeal to the Taiwanese people by dramatically increasing economic integration across the Taiwan Strait. At the same time, the PLA has also upgraded its missile deployment, as well as other military preparations, for a potential military showdown if there is a declaration of *de jure* independence from Taiwan. For this purpose, the China's People's Congress has actively moved to prepare its first anti-secession law. Internationally, China continues to be tough with regard to the issue of Taiwan by repeatedly warning Washington not to upgrade its defence cooperation with Taiwan. This harsh perception is reflected in the statement by General Zhu Chenghu in July 2005 that China would respond with nuclear weapons to a US attack on Chinese territory.⁴²

There are, however, ambiguous areas in Chinese foreign policy towards the Asia Pacific, the most critical area to its national interests. First, it seems that Beijing has been undecided about how to deal with its economic superpower neighbour, Japan. On the one hand, China has made an all-out effort to promote economic

interdependence between the two countries and, indeed, they have become each other's number one trading partner (pushing trade with the US into a secondary role). At the same time, political and strategic relations between China and Japan have been cold for several years. From Beijing's perspective, the course of the deteriorating relationship is largely due to Tokyo's attitude towards history. Prime Minister Koizumi's repeated visits to Yasukuni Shrine is the official reason for Beijing's refusal to resume mutual state visits. It is nevertheless also clear to Beijing that Japan is the most important security partner for the United States, and the US-Japan strategic guideline will enable the two powers to jointly intervene in a potential cross-Strait military confrontation.⁴³ South Korea and Australia have both made it clear that they will not be a part of such a confrontation over the issue of Taiwan, even if the United States is involved. Japan, on the other hand, has never ruled out such a possibility, instead more or less making it clear that it *will* be involved in such a scenario. There have been discussions about how to reduce regional tension by incorporating China into the Asian structure of security arrangements. As David Lampton suggested in his testimony before the US Senate, "The most critical strategic challenge ... is how to foster security cooperation between China, Japan and the United States. A structure not premised on a 'two-one' logic that inevitably has one party feeling left out and vulnerable." Therefore, he argues, "No major regional challenge in Asia can be effectively addressed without cooperation between Beijing, Tokyo and Washington."⁴⁴

Another gray area is that Beijing is unclear of the role Washington may play in future cross-Strait relations. On the one hand, China has recognised Washington's enormous influence over Taipei. Therefore, Beijing has intensified its pressure on Washington to play a "brake" function in order to stop Taipei's drive towards independence. In this way, Beijing has seen some positive results from its efforts. The most recent examples include Chinese Premier Wen Jiabao's December 2003 visit to the White House, during which President Bush made a clear warning to President Chen not to alter the status quo of cross-Strait relations. Also, the then Secretary of State Colin Powell's comments during his visit to Beijing in October 2004 clearly illustrate the US view that Taiwan is not a sovereign state and that the United States would not support the independence of Taiwan. With these positive results, it is only natural that Beijing may continue to press Washington to play a role.

On the other hand, China has been cautious about exactly what role Washington may play, as Beijing also realises that the Bush administration's foreign policy will be based primarily on its own national interests, which may not necessarily be in agreement with China's unification strategy. Beijing has been reluctant, for example, to participate in international, multilateral security frameworks that would include the issue of Taiwan. In other words, China wishes the United States would play a more active role in stopping Taiwanese independence, but would also like to

constrain the Taiwan issue to a domestic, rather than international, forum. At the same time, it is clear that Beijing has been quite positive in dealing with the North Korea nuclear crisis, having hosted and facilitated the six-party talks for the past few years. Let us now take a close look at the interactions among Washington, Beijing, and Pyongyang over the past few years.

Dynamics of the Washington-Pyongyang-Beijing Triangle

In order to illuminate America's response to the rise of China and Sino-US relations, it is necessary for us to look at some specific cases that are of most concern to the two powers. In the area of regional security in Asia Pacific, two hot spots have existed for the past half-century since World War II, namely, Taiwan and the Korean Peninsula. Naturally, these two hot spots have also been a focal point of attention for both Beijing and Washington. Although the Taiwan issue is without a doubt the most critical problem in Sino-US relations, developments in the Korean Peninsula have increasingly drawn attention from the two powers. This is particularly true with regard to the recent development of the North Korea nuclear crisis.

As of the revision of this article in mid-November 2005, the first phase of the fifth round of the six-party talks was concluded on November 11, 2005. According to the chairman's statement, read by Chinese delegation head Wu Dawei, "the parties have reaffirmed that they would fully implement the joint statement in line with the principle of 'commitment for commitment, action for action', so as to realise the verifiable denuclearisation of the Korean Peninsula." The parties also "emphasised that they are willing to comprehensively implement the Joint Statement through confidence-building, carry out all commitments in different areas, commence and conclude the process in a timely and coordinated manner and achieve balanced interest and win-win result cooperation."⁴⁵ The implementation measures included suggestions for "setting up a standing team of experts from the six participating countries",⁴⁶ as well as an agreement between the United States and North Korea to "hold bilateral talks" to solve disputed issues.⁴⁷

Both Beijing and Washington have utilised the six-party talks, not only to solve the North Korea nuclear crisis, but also to enhance coordination between the two powers. Indeed, China has received broad praise from the international community for its leadership role in the six-party talks. US Secretary of State, Condoleezza Rice, for example, in her visit to Beijing in July 2005, applauded China's role after meeting with Chinese President Hu Jintao⁴⁸ (although others feel that China has not done enough in this regard⁴⁹).

Here is another example of the close communication between Beijing and Washington over North Korea. On February 12, 2005, Chinese Foreign Minister Li Zhaoxing had a telephone conversation with US Secretary of State Condoleezza Rice to discuss how to handle the latest development in the North Korea nuclear

crisis. Two days earlier, on February 10, Pyongyang made the announcement that North Korea now possessed nuclear weapons and was withdrawing from the six-party talks.⁵⁰ In this conversation, the two leaders agreed that both China and the United States would like to seek peace and stability on the Korean Peninsula and that the six-party talks should be restored as soon as possible.

It has long been clear that there is a consensus among the four major powers in the region – China, the United States, Russia, and Japan – that all oppose nuclear proliferation in the region in general and prefer a nuclear-free Korean Peninsula in particular, and all must put stability and peace as their top policy choices. China has certainly been in-line with this consensus, which became a foundation for the six-party talks beginning in August 2003. Within the space of just over a year, three different rounds of talks were hosted by the Chinese in Beijing in May 2005. From passively dealing with the North Korea issue to actively hosting the six-party talks, Beijing has gone through a major shift in its policy orientation over the past several years. In doing so, China has conducted a highly visible and unprecedented shuttle diplomacy to ensure that North Korea comes to the negotiation table.

In order to understand Beijing's future policy directions, we must look back at the four factors that influenced its decision to host the talks. First, China's foreign policy priority continues to be ensuring a stable and peaceful international environment so that it might concentrate on economic modernisation. A nuclear North Korea would not be conducive to China's development. Second, a North Korea that is actively developing nuclear weapons would almost inevitably stimulate a new arms race in Northeast Asia, prompting both South Korea and Japan to consider their own nuclear options. With Sino-Japanese relations at a low, Beijing would definitely not want to see Japan move in this direction. Third, Beijing has its own national interests and foreign policy headaches around the issue of Taiwan, which requires close coordination between China and the United States in order to curb a possible shift in Washington's Taiwan policy. One incentive for Beijing to look for Washington's support on the Taiwan issue is China's cooperation on the North Korea nuclear issue. Therefore, Beijing became an active player to demonstrate its cooperative goodwill to Washington. Lastly, with these highly visible six-party talks, Beijing has attempted to portray itself as a responsible major power that can take the lead in handling difficult international issues, which has in turn increased China's international standing.⁵¹

China long ago dropped its view of North Korea as its close ally, although it still occasionally uses the expression "as close as lips and teeth" to describe its relationship with the country. This policy shift was completed over a decade ago when Beijing established formal diplomatic relations with Seoul in 1992. For the past few years, although there still is a close relationship between the two countries, Beijing has been willing to put pressure on Pyongyang from time to time to indicate its displeasure with the latter's development of nuclear weapons. In addition to

political pressure, China also has economic means to exert this pressure. A significant percentage of North Korea's food and fuel is provided by China. In March 2004, when Pyongyang test-fired its missiles, China cut off crucial oil supplies to North Korea for three days under "technical" pretenses.

On the other hand, however, one must recognise the limits of Beijing's influence over Pyongyang. North Korea has certainly enjoyed setting its own independent foreign policy and making autonomous decisions. One may even suspect that North Korea has enjoyed using the nuclear issue as a bargaining chip to play with its long-time rival, the United States. Furthermore, increasing trends of nationalistic sentiment in North Korea have also greatly counterbalanced China's potential influence, causing Beijing to behave cautiously, as it is keenly aware of its limitations.⁵³ For example, last fall, the Beijing leadership was pressured by Pyongyang to shut down an influential policy-oriented journal, *Zhanlie Yu Guanli* [Strategy and Management], after the magazine published an article highly critical of the North Korean regime by suggesting that China should shift its policy towards North Korea in a more balanced direction.⁵³

Although it is true that there are obvious overlapping interests between China and the US in terms of policies towards the Korean Peninsula, one must take note of the major differences that still remain. Beijing has thus far refused to consider one major US diplomatic goal, namely regime change, as its own policy option. The hard-liners in Washington, particularly within the Pentagon, have long believed that the ultimate way to solve the North Korea problem is to facilitate regime change, as US military forces did in Iraq (although the war option with North Korea has been constantly cautioned). Beijing, however, has made it clear that it does not favor a quick regime change, which may lead to the total collapse of the Pyongyang government. For one thing, this kind of collapse will send hundreds of thousands of refugees across the border into Northeast China. Refugees who have already come from North Korea – the number is believed to range anywhere from 100,000 to 300,000 – have been an enormous burden on China.⁵⁴ China does not want to see this situation deteriorate further, which might be the case following a regime collapse. Another undesirable consequence of this scenario would be that a quick collapse of North Korea may bring US military forces up to the Yalu River at the Sino-North Korea border – thus, China, for the time being, may prefer for the Pyongyang regime to exist as a buffer between Chinese and American military forces.

Despite the above-mentioned differences, there is every reason to believe that the common interests between the two powers will prevail and the four factors behind China's decision to host the six-party talks will remain. There are, of course, hopes and doubts regarding the future of the six-party talks. It is understandable that frustrations over North Korea's periodic threats to withdraw from the multilateral negotiations, such as those made in the spring of 2005, may have enhanced the

weight given to the pessimistic argument voiced by certain observers that the six-party talks should be dismissed as ineffective.⁵⁵ On the other hand, however, more optimistic observers have been encouraged by the fact that Pyongyang did return to the six-party talks in July 2005 and November 2005 to participate in the fourth and fifth rounds of talks. The joint statement all six parties signed in September 2005 further confirmed the commitment of all parties to a nuclear-free Korean peninsula and the peaceful settlement of the nuclear crisis. Moreover, even if Pyongyang walks away from the negotiation table again, there is a strong possibility that the remaining five nations will convene more rounds of discussions to coordinate their positions to deal with the challenge posed by North Korea's nuclear development. In that scenario, North Korea will be increasingly viewed as the loser of the game, whereas China may enjoy a win for both its own interests and reputation. In the long run, the six-party talks may not only bring different parties to the table to work together on a peaceful solution for the region, but also present the possibility of institutionalising a new security framework in the Asia Pacific. There are, of course, more pessimistic lines of thinking that the six-party talks may serve some members' interests better than others, and therefore will ultimately fail to produce any significant outcome. Whatever the case, one must recognise that the six-party talks have, at least, avoided military confrontation among major powers in the region during the time it operates.

Conditions for A Change of Tide

In analysing Bush's Asia policy and the development of Sino-US relations this article has so far emphasised the fact that China has enjoyed a relatively favourable international environment with regard to its security, particularly since September 11, 2001. Washington and Beijing have also stepped up their consultation mechanisms over crucial and sensitive security concerns such as the issues of Taiwan and the North Korea nuclear crisis. This has not only resulted from America's need for its own national interest such as anti-terrorist coalition-building, but also from long-term strategic thinking based on such theories as Power Transition. I would like to emphasise, however, that Beijing should not take these favourable trends for granted. As we all know, it is only natural that there are ups and downs in international relations. A positive condition may change to a negative one over time – in this case, there are four scenarios that may change the tide, not only in US foreign policy towards China, but also in the general international environment with regard to China.

First, as is now commonly recognised, perception matters. A recent, frequently heard debate concerns the true implications of China's rise – is it a threat or an opportunity? China has been cautious for the past decade to downplay the concerns of its Asian neighbours in regard to its security policy. The best example is how

China put aside the territorial dispute with several Southeast Asian neighbours in the South China Sea. However, if China builds up its military and its intentions are misinterpreted as expansionist, then the perceptions may change. The negative tone of the Pentagon's 2005 Annual Report on China's Military Build-up, as mentioned earlier, is evidence of this perception change.

Second, antagonistic political relations may promote hostile security policy. The best example in this regard is China's Japan policy. Japan has long been cautious not to offend China by openly including Taiwan in its military alliance with the United States, not only because of Japan's past colonial history, but also in recognition of Taiwan as a key national interest of China and a desire not to antagonise China. But beginning with a state visit by the then President Jiang Zemin to Japan in 1998, bilateral relations declined significantly. For the past four years, Beijing has refused to conduct state visits between the two countries' leaders to show its displeasure with Japanese Prime Minister Koizumi's visits to the Yasukuni Shrine. Japan is well aware of China's discontent, but on the other hand, Japan may now feel that it is not obliged to care much about China's reaction. In February 2005, a "two plus two" meeting occurred in Washington between Secretary of State Condoleezza Rice and Secretary of Defence Donald Rumsfeld from the US and Foreign Minister Nobutaka Machimura and Defence Agency Director Yoshinori Ono from Japan. The meeting issued a statement indicating that the countries' had produced a "revised US-Japanese strategic understanding", which for the first time included security in the area around Taiwan as a "common strategic objective".⁵⁶ As a number of scholars also argue, this presumption may still shift; for example, if Sino-US relations spiral downward to a level of hostility similar to the EP-3 incident, then Taiwan's strategic position may move up in US global calculation.⁵⁷ Actually, it is reported that an informal anti-Chinese submarine alliance among the United States, Japan, and Taiwan has been formed. This was revealed after the Chinese submarine intrusion into Japanese waters in late 2004.⁵⁸

Third, another possible scenario for a change of tide is if there are major setbacks in the domestic political and economic environments. The 1989 Tiananmen incident dramatically shifted China's image in the world and it has taken several years, if not a decade, for China to restore its reputation. Therefore, in the case of major political chaos or human rights violations, events similar to Tiananmen will most certainly cast China in a negative light and would significantly alter US (as well as other countries') foreign policy towards China.

Fourth, it is understandable that Beijing will naturally have its own foreign policy, which may not necessarily be in line with that of the United States. Beijing, for example, has maintained cordial relations with both North Korea and Iran, which were part of Bush's "axis of evil". But if Beijing gets too close with these so-called "rogue states" by providing large-scale weapons of mass destruction, or if China has unclear relations with states that harbour terrorists, then China's image

may be reversed among Washington's policy-makers. Already such complaints have surfaced, such as one commentator's criticism of "unhelpful China's ... interference in the delicate nuclear negotiations with Iran."⁵⁹

One may therefore suspect that although the current trends favour China vis-à-vis Taiwan, Beijing should not take this for granted, as the tide may change, or even reverse, if there is a negative shift in Sino-US relations. Therefore, Beijing needs to be very mindful of this possible change in tides and try its best to prevent these conditions so that the current favourable environment might be sustained.

Conclusion

This article has analysed America's response to the rise of China and its impact on Sino-US relations. We examined Bush's foreign policy in the global and regional context, with a focus on US' Asia policy and the changing dynamics of Sino-US relations. I have argued that, because of different strategic environments, the Bush administration's foreign policy in the Asia Pacific is quite different from that in the Middle East. The three characteristics of Bush's foreign policy mentioned earlier (i.e., unilateral action, pre-emptive military action, and the forcing of regime change), have largely been put aside while contrasting policies are pursued in East Asia. The causes for the differences lay not only in the different strategic environment in the two areas, but also in the perceived difference in the status of priorities. Such a change from high priority to low priority (for example, regarding the Taiwan issue) can explain the changing attitudes and policies in the Bush administration. When we look at Sino-US relations and the issue of Taiwan, one clearly sees that Beijing has enjoyed a much better relationship with Washington after September 11, 2001. At the same time, Taipei has sensed increasing pressure from Washington to refrain from moving towards *de jure* independence. While enjoying this kind of relaxing break, Beijing should not take it for granted – the US' order of priorities may easily shift when the international environment changes.

In sum, Sino-US relations can be characterised as a relationship of "wary interdependence", meaning the two powers are likely the only two superpowers in this century (one existing and one rising) to maintain stability and prosperity around the globe, the two powers inherently interdependent in virtually all dimensions including strategic, economic and political dimensions. At the same time, they are naturally watching each other closely with in what I call "wary interdependence".

With the above analysis of the US foreign policy towards Asia under the second Bush administration and its impact on Sino-US relations, then Beijing may consider a number of policy choices to ensure its own peaceful rise.

It seems that America's intervention in Taiwan's movement towards independence has had considerable impact on the island. Beijing's coordination and cooperation with Washington in this regard needs to be further strengthened. Beijing should

not be afraid to discuss the issue of Taiwan in the international arena (although it considers the issue a domestic affair) since it has already been internationalised. In other words, China should recognise that the involvement of the United States (and Japan) in the issue of Taiwan is a factual matter that is unavoidable; thus, they should attempt to turn this involvement in their favour.

Along this line of thinking, Beijing may wish to establish a greater consensus among major powers, including the five permanent members of the UN Security Council, plus Japan and India, to pledge their commitment to discourage Taiwan's move towards independence.⁶⁰ By relieving the political pressure in China, perhaps China will allow Taiwan to enjoy an even greater presence in the international community in the areas of economic and cultural affairs.

Beijing may wish to recognise that its Japan policy since the late 1990s is not working (if not completely failing), demonstrated by the joint US-Japan statement in February 2005, which for the first time claimed the Taiwan area as a common concern. Nobody would deny the issue of history as important and that Koizumi's visits to Yasukuni Shrine continue to offend the Chinese people. But the question is how to solve this issue and how to relate it to China's strategic goals. One may ask whether stopping state visits and canceling summit meetings has solved the issue of history, and if having an antagonistic bilateral relationship is beneficial to Chinese interests with regard to the issue of Taiwan. Indeed, Beijing should conduct a thorough examination of its Japan policy and recognise that Tokyo's willingness to openly include the Taiwan issue in the US-Japan Security Alliance indicates a failure of Beijing's current Japan policy.

Beijing may have to learn more subtle yet effective ways to indicate its displeasure over certain foreign policy issues. China has been sensitive with its policy towards North Korea, but at the same time is willing to demonstrate its unhappiness over certain North Korean moves. One example is China's suspension of oil provision for three days last year after Pyongyang's missile tests, which Beijing attributed to a technical issue. In this way, China sent a clear signal without causing either party to lose face. Similar skillful diplomacy could be used with Tokyo and/or Washington. Issues such as the involvement of Japan in the Beijing-Shanghai railway construction, or even the highly visible shuttle diplomacy for the six-party talks (a high concern of both Japan and the United States), are possible occasions for such diplomatic bargaining.⁶¹ But of course, when playing this kind of game, a supersensitive, cautious approach must be employed.

According to the Power Transition theory, the most important foreign policy objective for the United States is to create a satisfied China. Washington fully understands that the Taiwan issue is China's core interest and therefore remains a central problem in Sino-US relations. A military confrontation with China over Taiwan, "even if successful during this early transition period, would not guarantee long-term security for that island." Therefore, "a US military victory would damage

long-term US security interests.”⁶² Power Transition theory suggests that the US should try to include China in its alliance structure, or if that is not possible, to engage China and bring it into the existing international system to let China gradually accept prevailing rules and norms. Along this line, some scholars even suggest that China's participation in NATO or a similar organisation is important because peacetime alliances aggregate nations with similar preferences.⁶³ We can see many characteristics of Bush's China policy reflect this long-term strategic thinking. At the same time, it also reflects the policy debate within different schools in the Washington policy apparatus. We may expect continued policy debate among various schools of thought, such as those influenced by the “neo-con”, “liberal engagement” and “Power Transition” theories. As an *Atlantic Monthly* article argued, “Getting into a war with China is easy, you can see many scenarios not just Taiwan, but the dilemma is how do you end a war with China?”⁶⁴

In conclusion, understanding foreign policy directions under the Bush administration has enormous significance in the development of China in the new century. It is well known that China has been in a transitional stage, not only domestically, but also internationally. The rise of China has drawn attention from virtually every corner of the world. It is clear that the most important foreign policy issue that Beijing faces is its relations with the United States. It is only natural for both powers to delineate possible strategies to forestall a seemingly inevitable confrontation, as projected by some Power Transition theorists. As this article has discussed in detail, the two countries need to find accommodating ways, such as mutual acknowledgement of each other's core interests, so that the two countries can coexist as “stakeholders”, as proposed by Robert Zoellick, US Deputy Secretary of State. Maintaining stable and cooperative relations and placing disagreements on a manageable level are absolutely crucial to regional stability and peace in the Asia Pacific, as well as to the fundamental interests of both the peoples of China and the United States.

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