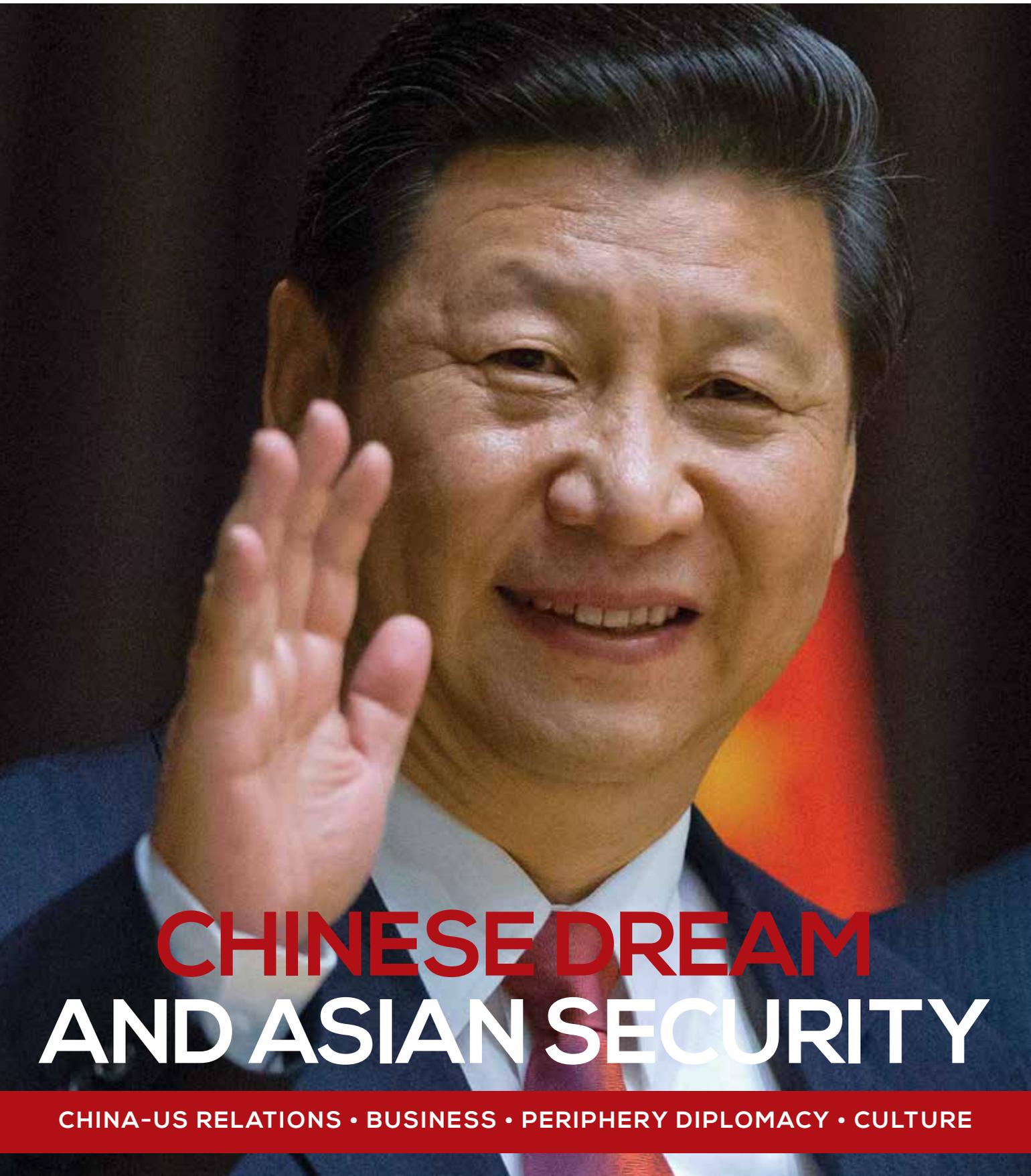


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CHINESE DREAM AND ASIAN SECURITY

CHINA-US RELATIONS • BUSINESS • PERIPHERY DIPLOMACY • CULTURE

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China-US Focus Digest is a bi-monthly magazine of exclusive commentaries on China-US relations. The articles express views of influential opinion leaders and scholars in China and the US on the issues faced by the two nations. Its contents are independent and do not necessarily reflect the views of the China-US Focus team.

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CHAIRMAN'S MESSAGE

TUNG CHEE HWA

Dear Friends,

It is my pleasure to introduce to you our inaugural magazine, "China-US Focus Digest", a bi-monthly publication with selected commentaries from our Chinausfocus.com website. The purpose of this magazine is to make it easier for busy supporters of the Foundation, like yourself, to have a regular review of all the topical issues discussed on the website, and to obtain a panoramic, authoritative view of both countries.

Three years ago, the China-US Exchange Foundation launched the Chinausfocus.com, aimed at delivering a comprehensive overview of the facts, current events and expert opinions on the bilateral relations. Today, in its short history, China-US Focus has evolved and achieved enormous success, as shown by the five-fold increase in its readership last year. The website has now become interactive by engaging in social media and mobile applications. China-US Focus has truly become the only open, multimedia platform, where influential opinion leaders and scholars in China and the US can freely express their views on the issues faced by the two nations.

I hope you will enjoy reading the Digest, and your comments will be most valuable for its further improvement.

Tung Chee Hwa
Chairman
China-United States Exchange Foundation

EDITOR'S NOTE

ZHANG PING



In this inaugural issue of “China US Focus Digest”, ten exclusive commentaries have been selected from the 92 pieces published on www.chinausfocus.com in the last two months.

I select these articles because they provide insightful perspectives on the current “hot topics” concerning China-US relations. And these articles are ranked among the most viewed pieces on the website and on our social media platforms. It is my hope that this collection will serve as a review of the key issues over the past two months, and provide insight into how they are perceived by opinion leaders from both China and the US.

The cover story in this issue is an exclusive interview with Ambassador Fu Ying, the NPC spokeswoman. Ambassador Fu offers her opinions on topics including the “Chinese Dream”, China-Japan relations, and the US’ Pivot to Asia policy.

Moving on to domestic China issues, Professor Tong Zhiwei, an expert on the Chinese Constitution, argues that China needs a “system construction” to address the root-causes of corruption.

On Crimean conflicts, Richard Weitz comments that China has won praise from both sides of the conflict through its skillful diplomacy.

On the topic of China-US bilateral relations, I have chosen three articles: the first one is by PLA General Peng Guangqian, who talks about how China and the US can transcend the

“Thucydides’ Trap” and peacefully coexist; the second one is from Robert Sutter, a professor at George Washington University, who explains why China avoids direct confrontation with the US in Asia. The third article is written by Zheng Wang, a Fellow at the Kissinger Institute on China, who offers three suggestions to the newly-appointed US Ambassador to China, Mr. Max Baucus.

On the issues of China’s relations with its neighboring countries, I have chosen an article by Wu Shicun, President of China’s South China Sea Studies, who sheds light on the controversial nine-dash line. Furthermore, Franz-Stefan Gady, from the EastWest Institute, calls for Japan to drop the Anglo-German historical analogy in addressing the current relationship between Japan and China.

On China-US economic relations, I have included an article by Alex Coblin, Researcher at the American Enterprise Institute, as he examines the US attitudes towards China’s public and private investments in the US.

Finally, this Digest ends with an essay on the popularity of US television show “House of Cards” in China, and its impact on the “Chinese Dream”.

In conclusion, I hope that you would find this Digest interesting, helpful and engaging, as a complement to our regular website updates. Thank you!

CHINESE DREAM AND ASIAN SECURITY



Fu Ying

Fu Ying, Member of the Standing Committee and Chairperson of the Foreign Affairs Committee of the 12th National People's Congress of China.

In an exclusive interview with China-US Focus, Ambassador Fu Ying, the NPC spokeswoman, offers her opinions on topics including the “Chinese Dream”, China-Japan relations, and the US’ Pivot to Asia policy.

1 China’s power is rising. But what meets the eye is mostly hard power. Do you see China’s soft power catching up? In what form?

I am glad that the world is paying attention to China’s soft power. China’s soft power is rooted in the country’s profound culture and history, and now is nourished by a prospering society. President Xi Jinping put forward the idea of a “Chinese dream” to attain the rejuvenation of the nation, the very aim of which is to enable a better life for the 1.3 billion Chinese in a society where hard work is duly rewarded, the elderly cared for, the young educated and the sick properly treated. The realization of family or personal dream will help to make the state prosperous and vice versa.

The charm of the Chinese dream is for every ordinary person to have the right and possibility to live a decent life, which is also the simplest and common pursuit of the human being. This is the dream sharing by the greatest number of people in all developing countries who have long been at the periphery of world industrializa-

tion. This explains why China’s success in lifting poverty is so appealing to the world and where the influence of Chinese soft power in modern time comes from.

The Chinese dream is not an exclusive endeavor. President Xi has elaborated on ‘Yiliguan’ in Chinese or, in English, the right approach to responsibility and interest. This means to pursue one’s interests without compromising those of others. With our neighbors, he emphasized the need to share and treat neighbors with amity, sincerity and to seek mutual benefit and inclusiveness. These, together with the long-standing policy of peace and cooperation all add to contemporary China’s soft power in the region and beyond.

China is not a country that seek to dominate and therefore does not develop a soft power to rule others. It will be contributing to peace, development and cooperation. But China does need to learn to better inform the world of its thinking and policies.

2 Is China seeking hegemony in East Asia? Or will it ever be a hegemon?

Hegemonism is a loaded word reminiscent of the past in China's political dictionary. It implies imposing one's will on others, which we do not approve of and have even less desire for ourselves.

60 years ago, China, together with India and Myanmar, promoted the five principles of peaceful coexistence, including mutual respect of sovereignty and territorial integrity, mutual non-aggression, non-interference in other's internal affairs, equality, mutual benefit and peaceful coexistence. These principles still guide China's foreign policy, and I see no reason for that to change.

3 But why are disputes with your neighbors, including but not limited to Japan, flaring up all at once?

Dispute over territory is not a rare issue in the world, especially among countries that were once colonized. China has 14 neighbors by land and 6 by sea. There have been many such disputes inherited from a previous time.

We have successfully solved most land border disputes and the few left outstanding are in tranquility. Disputes at sea are more complicated and are difficult to resolve. We have never given up our sovereignty claims, but have always tried to solve the disputes through peaceful negotiation with the other claimants and shelve differences and seek joint development before final solutions are reached. China worked out the Declaration of Code of Conduct with ASEAN countries, which has helped to keep the situa-

tion under control. This reflects China's strong emphasis and endeavor on maintaining peace and stability in the region.

It takes two to tango. For the policy to last, other parties also need to adhere to what was agreed upon. When some countries provoke the situation at the risk of breaking the status quo, China must respond and take firm action to stop it, in order to defend not only our national interest but also regional stability, and to prevent the situation from further escalating.



4 Many are talking about the eventuality of a war between China and Japan? How likely is that?

Talking about conflicts and wars is eye catching.

Indeed, wars dominated international politics for centuries and humanity paid dearly. But now we are in a different age, one of peace and development as Deng Xiaoping described in the late 1970s. It was with that as the background that China started the drive towards reform and opening up to the outside world. Deng's judgment is still valid. President Xi also emphasized recently that peace, development and cooperation are the world's central theme.

For any dispute, dialogue should be the first choice. That's what China believes in. Look at the experience of 'military solutions' over the years - how much have they actually resolved?

The Diaoyu Islands dispute is not new. It only came under the spotlight over the past two years after the Japanese Government under former Prime Minister Noda upset the status quo by nationalizing the islands. China had to respond to the provocative activities by, for example, sending civilian maritime surveillance vessels to the adjacent waters to indicate China's sovereignty and claims over the islands.

You asked about the possibility of conflict. Both sides said that they prefer dialogue, but the Japanese government totally denied there were any disputes to talk about and therefore made it difficult to move forward. One more serious problem is that the Japanese side is twisting the truth and using the situation to building up tension, which is not moving the matter in the right direction at all.

5 Are the rocks worth all the trouble? What are the prospects for dialogue for the dispute?

The Diaoyu Islands carry a lot heavier significance than a few rocks to us. They touch on the deepest wound of the Chinese people. Japan practically stole it from China 120 years ago during the Jiawu War. The facts were well documented not only in China but also in Japan.

Legally speaking, the sovereignty of the islands was returned to China after WWII according to the Cairo Declaration and the Potsdam Proclamation. The current state of dispute is also a product of the Cold War.

When establishing diplomatic relations, China and Japan shelved the dispute, in words of Mr. Deng Xiaoping it could be left to the later generations who might be smarter in figuring out a solution, and the issue became dormant. So you can imagine why the Chinese public had such a strong reaction when the Japanese government decided to upset the whole arrangement and declared that there was no dispute at all. It was a very arrogant move.

Many of the business people I have encountered say they don't feel like promoting business with Japan. The impact on bilateral trade was obvious as it came down by 5.1% last year when China's general external trade went up by 7.6%.

That being said, the diplomatic solution is still the preferred option. Since Japan has unilaterally taken the wrong step and started the problem in the first place, it should take the responsibility to reverse wrongs. The current problem is that now the two sides are not on the same platform. How can we start any serious dialogue if they don't even see that there is a dispute and are unwilling to solve the problem.

6 Can't China move on from the past grievances and let history be history?

Some Japanese leaders' view of the history of aggression is a big problem. It's been almost 70 years since the end of WWII, and it's astonishing to see people like Prime Minister Abe coming up with all kinds of excuses to deny Japan's war crimes.

I have visited many museums on the atrocities of the Japanese army during the war in China, e.g. in Nanjing and Tengchong. I was also at the site where the Japanese 731 unit left piles of chemical weapons to be disposed of. It's hard to understand how anyone could turn a blind eye to these facts? What kind of value they stick to and where are their consciences?

Prime Minister Abe visited the Yasukuni Shrine where war criminals are glorified. Do we know if he said much or expressed much for those who suffered from the atrocities of Japan's war crimes? Paying tribute to 14 notorious Class A war criminals is beyond what any sensible conscience would allow, and to say it was in the name of peace is very ironical and desecrates the peace.

This is a big issue that concerns peace and stability in Asia.

The problem is not that China can not move on from the past grievance, but that Japan is unwilling to relieve itself from the burden of war crime. Contrasting to European leaders' recent statements and review on the cruelty of WWII, it is sad that the Japanese leaders, with their ambiguous attitudes, still try to conceal its aggression history. That's why Japan can not make real reconciliation with its neighbors and become a constructive power of Asia.

As for China, we have been successful in our peaceful development and such distractions will not sway China from its right direction.

7 A nuclear North Korea is not in China's interest either. What can China do to disarm North Korea's nuclear program?

Resolving the Korean Peninsular nuclear issue is very important for China, and for regional security as well. Our position includes the following three points: one, a nuclear free peninsular; two, peace and stability; three, peaceful resolution. China has played a very active role on the issue through the UN Security Council and the six party talks.

This issue is very complicated and it has been long standing. Even today which is 60 years after the war, there is still no peace accord on the Peninsular, but an armistices. Trust is extremely thin. To find solution, there need patience and consistent efforts. We all know that a region is secure as much as its weakest link. For any solution to work, there has to be an arrangement that covers the security concerns of all parties, including that of the DPRK.

When talking about the Korean Peninsular, I wonder if we need not to pay more attention to the human dimension. The DPRK is China's neighbor just across the Yalu River. I've traveled to Pyongyang many times, sometimes by road, passing through towns and villages. I saw faces of old people, women and children and I believe they also long for peace and an improvement in their living conditions. During my last visit, I did see more supplies in the markets, which means that there is some improvement in the economy. Developing nuclear weapons or stimulating conflict is certainly not in their interest, nor in anyone's interest at all.

8 Does China see a threat in the US pivoting to Asia?

All Americans with an official background - leaders, Congressmen, diplomats - have said affirmatively that the US does not have a strategy to contain China. I think we should take their word for it.

China and the US are deeply engaged with one another, and at the current rate US will soon be our first trading partner and mutually investment is growing fast. We both carry big weight in each other's foreign policy. There are around 90 regular consultations in all fields and the common ground is constantly growing. The meeting President Xi Jinping had with President Obama at the Annenberg Retreat last summer was very unique and significant. It laid the groundwork for trust between the two leaders, and set the tone for the direction of the relations between the two countries.

To avoid going down the old path of power conflict, President Xi proposed that the two countries need to build a new model of major-country relations characterized by no conflict, no confrontation, mutual respect and mutually beneficial cooperation. President Obama responded positively.

To operationalize the idea, both China and the US need to build trust by addressing issues of common concern. It may take time. The rest of the world stands to benefit from our success and their support is very much needed and welcome.

9 But you are competing with the US for influence in East Asia, aren't you?

Many East Asian countries compare themselves to green grass and do not wish to see China and US fight like elephants on the grassland. The kind of strategic approach that China and the US take towards each other will have a strong bearing on the region.

President Xi Jinping has said that the Pacific Ocean is wide enough to hold both China and the United States. That's what we bear in mind dealing our relations with the US. There is more that unites us than divides us. We both need the region to be stable and prosperous.

Sometimes there are differences and concerns. I hear US think-tank scholars comment that the US has doubts about China and needs to hedge. In China too there is talk of concerns about US intentions.

China will stick to the path of peaceful development and we will not change our policy of safeguarding the peace and stability of East Asia. Last year, the Chinese leaders visited many neighbouring countries, bringing up a series of new cooperation initiatives. We welcome the US join us in regional cooperation.

I think it's necessary for China and the US to work patiently on one thing after another to build up trust and cultivate the habit of cooperation.

East Asia is where the interests of China and the US converge the most. If we can't make our relations work here, how can it work elsewhere?



THE NEED FOR AN ANTI-CORRUPTION SYSTEM



Tong Zhiwei

Tong Zhiwei, Prof. of constitutional studies at the East China University of Political Science and Law.

China should foster a stable system that encourages citizens to use their right to expose corruption, expand freedom of speech, and allow the media to expose officials' corrupt behavior, writes Tong Zhiwei.

China's anti-corruption campaign has been remarkable since the 18th Congress of the CPC. To date, 22 senior provincial officials have been investigated, including 3 ministerial officials: Jiang Jiemin, Li Dongsheng, etc. In the last year alone, according to incomplete statistics, 36,907 corrupt officials were investigated and prosecuted; 30,420 CPC members were punished for violating the "eight-point rule"; and at least 227 of them were provincial department level cadres or those of higher levels.

Describing the problem as "a disease that calls for powerful drugs," in his speech at the Third Plenary Session of the 18th Central Commission, President Xi Jinping urged all Party members to continue the fight against corruption until the end with the resolution and courage depicted in an ancient Chinese idiom where a man has to cut off his own snake-bitten wrist to save his life. Predictably, the anti-corruption storm in China in 2014 will most likely be more intense. It is fair to say, so far as the symptom of the disease of corruption is concerned, the anti-corruption campaign has accomplished remarkable achievements and is likely to make even greater progress.

People are asking whether the anti-corruption campaign is just a gust of wind? Will everything return to where it started or will even worse things occur? How can we continue to expand the achievement of the anti-corruption campaign and steadily contain official corruption at a relatively lower degree.

Now, it seems that more attention should be paid to constructing a system for the anti-corruption campaign in China. Anti-corruption efforts can be broken down into two levels: the level of addressing symptoms and the level of addressing the root-causes. The former is aimed at removing the symptoms of corruption, while the latter is aimed at preventing and eradicating its root-causes. And the former resorts to punishment with heavy punches, while the latter depends more on building a legal system.

“Anti-corruption efforts can be broken down into two levels: the level of addressing symptoms and the level of addressing the root-causes. The former is aimed at removing the symptoms of corruption, while the latter is aimed at preventing and eradicating its root-causes.”

Building an anti-corruption legal system entails transforming the single anti-corruption model that only uses power into a comprehensive model that uses not only power but also right. The power-reliant anti-corruption model is the model where the fight is conducted in a top-down way by discipline watchdogs of CPC committees at all levels of the country. On the contrary, the right-reliant anti-corruption

model refers to a model that primarily relies on citizens' right in checking the behaviors of officials via ballots to control the election and removal of officials, via tipping off and filing suits, and via freedom of speech and freedom of the press. This right-reliant anti-corruption model has not yet been put in place in China, and will need to be predicated on a broad implementation of a competitive election system.

The anti-corruption model, if applied properly, can effectively investigate and prosecute corrupted behavior of embezzlement and bribery, though the model can do little to cut corruption



off from its sources. In other words, it is difficult for the model to prevent “money politics”, “secretary politics”, “crony politics”, “bureaucrats shield one another” and so on. In terms of cutting corruption off from its sources, it must settle the problem of allowing the ballots of the constituents and representatives of the People’s Congress to genuinely decide whether an official should be left in office.

The legal construction of the anti-corruption campaign also requires a property declaration and publication system regarding leaders at all levels. The legal construction of anti-corruption prevails in every country with a strong rule-of-law. Laws that require the declaration of family property and publication covering officials at all levels need to be stipulated and implemented.

“The legal construction of anti-corruption should be conducted in tandem with the reform of the judicial system.”

It is only a matter of time before the system will take hold in China, or the ruling party will lose the trust of the people. The property declaration and publication systems are both tried on newly-appointed leaders in some regions, which is a good beginning. The top leadership in China should soon apply the property declaration and publication system to leaders of all levels.

Moreover, in improving the legal construction of anti-corruption, the courts should exercise independent judicial power. Although the power to place on file for investigation and prosecution on embezzling and bribing is exercised at all levels, the latter are actually powerless to investigate and prosecute officials of higher levels, due to the extra-law rules. The courts’ exercise of judicial power sometimes

suffers from the perplex of “substituting party for law.” Therefore, the legal construction of anti-corruption should be conducted in tandem with the reform of the judicial system.

For the legal construction of anti-corruption, it is a strenuous task to reduce and eliminate selective case-handling for the sake of doing judicial justice. Selectively handling cases often leads to serious judicial injustice, given the fact that most officials are more or less problematic themselves: those who are chosen to be investigated have bad luck, while those who are not chosen to be investigated are free at large. Whether a person is chosen to be investigated or not is most often determined by a few powerful people in the relevant region. In short, we should prevent the selective handling of cases by institutionalization measures. At the same time, we should unequivocally oppose “political consciousness” in handling criminal cases.

Finally, we shall foster a stable system that encourages citizens to use their right of charges or exposures, expand freedom of press and freedom of speech, and allow the media to expose officials’ corrupt behavior. Those individuals that turn to the media to expose corrupt officials are a rare element of the democratic anti-corruption model. This coincides with the power-reliant anti-corruption model, and should therefore be treasured. In reality, however, the element of democratic anti-corruption model cannot play its role due to the blurred distinction between reporting corruption by real names, and the fabrication of charges. These problems must be addressed by way of legislative interpretation or judicial interpretation.

CHINA AND THE CRIMEA: BEYOND DAMAGE LIMITATION



Richard Weitz

Richard Weitz, Senior Fellow and Director of the Center for Political-Military Analysis at the Hudson Institute.

Skillful Chinese diplomacy has managed to transform an initial damage limitation strategy into one that will likely bring benefits to Beijing. China has won praise from both sides of the conflict without suffering any major costs. Although Beijing will not apply sanctions to Moscow for its actions, China has expressed disapproval of the Crimean referendum through its silence—probably the best Washington can hope for.

The Crimean conflict was unwelcome for China's leaders. Through skillful diplomacy China has managed to transform an initial damage limitation strategy into one that will likely bring benefits to Beijing. China has won praise from both sides of the conflict without suffering any major costs or even engaging in actions besides issuing principled statements from the sidelines.

On the one hand, Russian President Vladimir Putin has praised China for not joining Western governments and voting for a Security Council resolution that termed Russia's annexation of the Crimea illegal. The PRC Foreign Ministry has expressed "understanding" for why the Kremlin—given its strategic, historical, and humanitarian ties with the Crimea—decided to engineer the Peninsula's transfer from Ukraine to Russia. The Chinese media has generally been even more vocal in siding with Moscow, claiming that Russia was only responding to previous Western efforts to pull Ukraine into its orbit and citing earlier cases when the United States and its allies employed force without UN approval.

Chinese officials undoubtedly dislike the kinds of mass popular protests that toppled former President Viktor Yanukovich from power. Chinese media commentary has generally echoed Russia's line that the West was orchestrating the popular protests in Kiev in pursuit of yet another "colored revolution" aimed at overthrowing a pro-Moscow government in another former Soviet republic. At times, China's leaders have seen themselves as the target of Western efforts at regime change. Beijing has joined Moscow in opposing Western military interventions in Kosovo, Iraq, and now Syria.

In addition, Beijing is opposing the new Western sanctions against Moscow. The Chinese government has long opposed Western sanctions, which have often been applied to Chinese companies and other entities seen as violating nonproliferation or other norms. The PRC line is that sanctions are generally counterproductive and that the West applies them in a hypocritical manner, enforcing them against regimes it opposes while protecting its friends from punishment.

China shares with Russia many important strategic, economic, and diplomatic interests, ranging from a mutual desire to preserve stability in Central Asia to a growing bilateral energy trade to a joint desire to sustain the primacy of the UN Security Council to determine when the United States and its allies can use force. Chinese and Russian officials regularly describe their mutual relations as the best they have ever been. President Xi Jinping was recently in Sochi, ignoring the de facto Western leadership boycott of the Winter Olympics Games due to their human rights and other concerns. Putin has announced plans to visit China soon. v

Yet, China has kept just distant enough from Russia on the Crimean issue to win praise from Western leaders for not overtly backing Russia's

annexation. President Barack Obama considered winning Beijing's backing so important that he added his bilateral meeting with Xi yesterday to his overcrowded schedule at the last minute. The U.S. Ambassador to the United Nations, Samantha Power, cited Beijing's abstention as important evidence of Russia's isolation on this key issue.

Russia's decision to use military force to alter Ukraine's internationally recognized borders ran against Beijing's longstanding opposition to foreign military intervention on behalf of separatist movements. China demands that foreign countries refrain from supporting Uyghur separatism in Xinjiang, Tibetan aspirations for political self-determination, or acts by Taipei implying Taiwan's independence from Beijing.



More than 90 per cent of 1.8 million Crimeans voted for the Ukrainian region's accession to Russia, according to an exit poll published after a controversial referendum ended on 16 March 2014. (AP PHOTO)

After wavering in the early days of the Crimea crisis, Chinese officials have again the importance of respecting Ukraine's territorial integrity and declined to again join Moscow in a double veto against a Western-backed Security Council resolution.

Chinese Vice Foreign Minister Li Baodong implied that Moscow's decision to hold a referendum in the Crimea on March 16 was, like the subsequent Western effort to seek a condemnatory resolution in the Security Council, an unwelcome escalation of the crisis. PRC officials have denounced previous Taiwanese leaders for trying to hold referenda in 2004 and 2008 on whether their island should claim independence.

After seeming to tilt toward Moscow in early March, China has now returned to the line Beijing followed during the 2008 Georgia Crisis. Despite opposing the U.S. Asia Pivot and President Xi's adopting a generally more nationalist stance in protecting China's interests than his predecessor, Beijing has again declined to endorse a Russian military operation to help detach a separatist region from its legally recognized owner. Beijing still refuses to recognize the independence of Abkhazia and South Ossetia and will likely persist in Crimea stance for many years. Through its stance, China has made it easier for Russia's other partners, especially the former Soviet republics, to decline to accept the legality of Russia's unilateral military actions.

It also looks likely that Ukraine's new leaders—hatful of the Kremlin for seizing their territory but also angry at the West for upholding earlier promises to protect their country against such aggression--will try to maintain good economic and other ties with China. In the past, Ukraine has proved helpful to Beijing in circumventing Russian arms export restrictions against providing advanced military technology to China. In the future, China could become one of the new Ukraine's most important foreign partners since

Moscow will threaten to seize more Ukrainian territory if it moves closer to NATO. With a close Western partnership out of reach, Ukraine will likely join other former Soviet republics and pursue deeper economic and strategic ties with China, which Moscow, perhaps shortsightedly, considers more acceptable than their aligning with the West.

China will probably also be able to sustain its growing economic presence in the Crimea even under Russian occupation. Moscow will probably welcome further Chinese investment in the region, which is not economically self-sustainable, Chinese diplomacy has become more skillful at managing similar cases of regime and border changes. For example, after providing military and other assistance to the central government of Sudan for years, China readily accepted the independence of South Sudan, where Beijing has partnered with the new government to secure access to its oil exports.

And the United States will probably encourage China to maintain a presence in both parts of Ukraine in order to dilute Russian influence and discourage Moscow from stirring up further trouble in the country. U.S. policy makers would have liked Beijing to take a stringer stance against Moscow's aggression toward the Crimea, but has probably received whatever support it can reasonably expect from cross-pressured China.

CAN CHINA AND THE US

TRANSCEND THUCYDIDES' TRAP?



Peng Guangqian

Peng Guangqian, Major General and Deputy Secretary-General of China's National Security Forum.

In the History of the Peloponnesian War, Thucydides posits that the ascension of a rising power is typically accompanied by the fall of the ruling power. However, by exploring two unprecedented realities in today's society, Peng Guangqian lays out the argument for why the US and China can coexist.

According to Thucydides, an Ancient Greek historian and author of *History of the Peloponnesian War*, the rise of a big power is usually accompanied by a mortal war against the ruling power. It was the rise of Athenian power and the fear it inspired in Sparta that ultimately made the Peloponnesian War inevitable. That is the "Thucydides' Trap" people have been worrying about.

Recent studies by Harvard University scholars also indicate that since 1500, 11 of 15 cases of power transition between rising and ruling powers ended in war.

Why will China's rapid progress and the great rejuvenation of the Chinese nation transcend the historical fatalism of the "Thucydides' Trap"? Why is it possible for the rising China and the present-day world's sole superpower, the United

States, to avoid an all-round showdown in the form of war?

This is not the outcome of China's one-sided benign wishes. Nor is it that of the mercy and

benevolence of the hegemonic United States. The essential changes in the conditions of our time make it possible for the transition of power between China and US to be peaceful. And it has to be peaceful.

There are two unprecedented realities in our time: The first significant reality is that, different

from the mutually isolating and antagonistic relations between big powers in the past, with globalization deepening, interests of countries, those of major powers in particular, are increasingly interdependent. The global village is increasingly becoming a community of common destiny. The subsistence and development

"The essential changes in the conditions of our time make it possible for the transition of power between China and US to be peaceful"

of all countries are closely interconnected. One country's gain may not necessarily be others'. But one country's loss will definitely not just be its own.

Though China's progress has inspired fear of the decline of American hegemony, the United States has at the same time pinned its hope of getting rid of the economic crisis on China's tremendous market. Former US Assistant Secretary of Defense for International Security Affairs and famous scholar Joseph Nye wrote in a recent article that the increase in contemporary power should be looked at from a "positive sum", rather than "zero sum", perspective. "In other words, there may be times when a more powerful China is good for the US (and for the world)." The decline of American hegemony is definitely not caused by China. Just as

British scholar Arnold Toynbee pointed out, the decline of an empire derives from its excessive outward expansion and worsening internal troubles. Instead of challenging the United States, China's development is winning both time and space necessary for the soft-landing of American hegemony.

"It is safe to say there will be no winner in an all-round war between China and the United States."

The second significant reality of our time is that, thanks to scientific and technological progress, the development of means of war has surpassed the need of the purpose of war. The efficacy of war is on the decline. As a military superpower, the United States has the present-day world's largest war apparatus. American stock of weapons of large-scale destruction alone suffices to destroy humanity dozens of

times. And once is enough to annihilate us all. Despite the considerable gap between Chinese and US militaries, China's existing defense forces and strategic counterstrike capabilities suffice



for equivalent destructive counterattacks against any aggressor that harms its national security and core interests by force. In spite of its military superiority, the United States has no guarantee that itself can escape destruction or unaffordable consequences when destroying others. It is safe to say there will be no winner in an all-round war between China and the United States. China's ascend will surely suffer a severe blow thereof. But it will also be out of question that American hegemony will become a thing of the past. This certainly is not the outcome Americans want.

Nothing can hold back China's advancement and the nation's rejuvenation. China will continue to grow stronger. But the increase in China's strength constitutes no threat or challenge to any country. China has neither the interest, nor the need, to fight the United States for hegemony or leadership. China just wants to realize its dream of national rejuvenation, bid farewell to its humiliating modern history, and truly become a country of strong national strength, harmonious ethnic relations, and a happy and content populace. American suspicions over a stronger China are thoroughly redundant. As long as one can abandon historical biases, the broad Pacific is right before one's eyes. The great countries and nations of China and the United States have every reason to avoid facing each other on a collision course, escape the historical fatalism of confrontation between big powers, and to maneuver a win-win scenario together. Of course this entails strenuous endeavors by the cool-headed and far-sighted healthy forces on both sides. The Chinese wing of goodwill calls for an American counterpart to fly high.

WHY CHINA AVOIDS CONFRONTING THE U.S. IN ASIA



Robert Sutter

Robert Sutter, Prof. of Practice of International Affairs at George Washington University in Washington, D.C.

Following the annual meeting of China's National People's Congress, Robert Sutter analyses the current factors impeding Sino-U.S. relations and lays out suggestions for improving coordination and cooperation between the two major powers.

Forecasts talk of U.S. retreat from domineering China or an inevitable U.S.-China conflict. However, enduring circumstances hold back Chinese leaders from confronting America, the regional leader.

Domestic preoccupations

Chinese economic growth and one-party rule require stability. And protecting Chinese security and sovereignty remains a top concern. Though China also has regional and global ambitions, domestic concerns get overall priority.

President Xi Jinping is preoccupied with uncertain leadership legitimacy, pervasive corruption, widespread mass protests, and unsustainable economic practices. Beijing's reform agenda requires strong leadership for many years. Under these circumstances, Xi was unusually accommodating in meeting President Obama in California in 2013; he seeks a new kind of major power relationship. Xi also presides over China's greater assertiveness on territorial issues that involve the United States, but thus far Chinese probes avoid direct confrontation with the superpower.

Mutual interdependence

Growing economic and other U.S.-China interdependence reinforces constructive relations. Respective "Gulliver strategies" tie down aggressive, assertive, or other negative policy tendencies through webs of interdependence in bilateral and multilateral relationships.

China's insecurity in Asia

Nearby Asia is China's top foreign priority. It contains security and sovereignty issues (e.g. Taiwan) of highest importance. It is the main arena of interaction with the United States. Its economic importance far surpasses the rest of world (China is Africa's biggest trader but it does more trade with South Korea). Asian stability is essential for China's economic growth—the lynch pin of Communist rule. Facing formidable American presence and influence and lacking a secure periphery, China almost certainly calculates that seriously confronting the United States poses grave dangers.

Chinese strengths in Asia include extensive trade and investment; webs of road, rail, river, electric power, pipeline and other linkages;

leadership attention and active diplomacy; and expanding military capabilities. Weaknesses are:

1 Chinese practices alienate near-by governments, which broadly favor key aspects of U.S. regional leadership. Leadership involves costly and risky efforts to support common goods involving regional security and development. China avoids such efforts unless there is a payoff for a narrow Chinese win-set. It “cheap rides,” hoarding resources to deal with serious domestic challenges.

2 Chinese assertiveness toward neighbors puts nearby governments on guard and weakens Chinese regional influence. It revives the PRC’s justified Cold War reputation for disruption, domination and intimidation.

3 China achievements in advancing influence in Asia since the Cold War are mediocre. China promotes an image of consistent and righteous behavior in foreign affairs; this is believed in China but is so far from reality that it grossly impedes effectively dealing with disputes. The PRC has the truly exceptional position among major powers as having never acknowledged making a mistake in foreign policy. When China encounters a dispute with neighbors, the fault never lies with China. If Beijing chooses not to blame the neighbor, it blames larger forces usually involving the United States. The noxious mix also emphasizes China’s historic victimization. In sum, Beijing is quick to take offense and impervious to recognizing China’s fault and needed change.

State relationships vacillate and remain encumbered. Relations with Japan are at their lowest point. India is more wary of China today than ten years ago. Russian and Chinese alignment

waxes and wanes; it’s waning over Ukraine and Crimea. Taiwan moves closer to China, but its political opposition remains opposed.

South Korean opinion of China declined sharply from a high point a decade ago and struggles to recover. Disputed claims in the South China Sea seriously complicate often close economic relations with Southeast Asian countries. China’s remarkable military modernization seriously concerns major trading partners; Australia is much more wary of China than ten years ago.

Trade in Asia remains heavily interdependent. Half of Chinese trade is conducted by foreign invested enterprises in China. 60 percent of the goods that are exported from China and ASEAN are ultimately manufactures that go to the United States, Europe and Japan. Only 22 percent of these goods stay in the China-ASEAN region. Actual Chinese aid (as opposed to financing that will be repaid in money or commodities) to Asia is very small, with the exception of Chinese aid to North Korea.

China has shown no viable way of dealing North Korea, perhaps the largest foreign insecurity for the Xi Jinping government.

Chinese insecurities are reinforced by U.S. strengths as America influences and leads in Asia:

- **Security guarantor.** Most Asian governments stress development that requires a stable and secure environment. Unfortunately, Asia is not particularly stable and Asian governments tend to distrust one another. They rely on the United States to maintain regional stability. The U.S. security role is very expensive and involves great risk, including many casualties if necessary. Neither China nor any other Asian power or coalition of powers is able or willing to undertake even a fraction of these risks and costs.

- **Essential economic partner.** Most Asian governments depend importantly on export oriented growth. Growing Asian trade relies on the United States. Most notably, Asian exports lead to a massive trade surplus with the open U.S. market. China consistently avoids such costs that nonetheless are very important for Asian governments.
- **Government engagement.** Apart from China, the Obama government's rebalance has been broadly welcomed in Asia. U.S. military, other security and intelligence organizations have developed unprecedented wide ranging relationships with almost all regional governments, a posture strongly shaping Asian security.
- **Non-government engagement.** America is extraordinary in longstanding business, religious, educational, media and other non-government interchange which is widespread, uniquely influential and strongly reinforces overall U.S. sway. Generally color-blind U.S. immigration policy since 1965 means that millions of Asian migrants call America home and interact with their countries of origin in ways that undergird U.S. interests.
- **Asian hedging.** As China's rises, Asian governments seek to work pragmatically with China, but they also seek the reassurance of close security, intelligence, and other ties with the United States, especially as China becomes more assertive.

Bottom line. The Obama government rebalance seeks stability while fostering economic growth and overlaps constructively with the priorities of the vast majority of regional governments. China seeks advantageous economic interchange, but it remains insecure as its ambitions, coercion, intimidation and gross manipulation come at neighbors' expense.

THREE SUGGESTIONS FOR AMBASSADOR MAX BAUCUS



Zheng Wang

Dr. Zheng Wang, Director of the Center for Peace and Conflict Studies at Seton Hall University, and also a Global Fellow at the Kissinger Institute.

As Senator Max Baucus prepares to transition to his new post as U.S. Ambassador to China, Dr. Zheng Wang provides three suggestions for the incoming ambassador based on the lessons drawn from his two predecessors, Jon Huntsman and Gary Locke.

Senator Max Baucus is the third ambassador President Obama sent to China. We hope it will be approved as a good pick. Unfortunately, Obama's first two picks have been proved to be unsuccessful, from either a U.S. or Chinese perspectives. Ambassador Baucus' two predecessors Jon Huntsman and Gary Locke share some similarities: they both had short tenures, and both have their own political ambitions and used the ambassadorship as a platform for their future political careers. Jon Huntsman aimed at the White House while he was ambassador in China. Driven by the presidential dream, he tried hard to make himself an anti-dictatorship hero. For Gary Locke, family reasons were just the excuse for his resignation. The real reason was that he could no longer work effectively in Beijing. His actions and remarks, especially to help Chinese dissident Chen Guangcheng seek refuge in the US Embassy in April 2012, angered the Chinese government. Lack of substantive communication and cooperation from the Chinese Ministry of Foreign Affairs prohibited Locke from being an effective ambassador.

Obviously Ambassador Baucus should draw lessons from his two predecessors. I have three suggestions for him:



Retiring Montana Sen. Max Baucus testifies on Capitol Hill in Washington, Tuesday, Jan. 28, 2014, before the Senate Foreign Relations Committee hearing on his nomination to become US ambassador to China. (AP PHOTO)

1 Be an ambassador, just an ambassador.

For an ambassador to any country, their main job should be to manage communication and promote cooperation between the two governments and two countries. The role of a good ambassador is to serve as a messenger, bridge and translator between his country and the other government. Indeed in some instances, they need to challenge the host government in the interest of their own country. However, they



U.S. Ambassador to China Max Baucus briefs journalists at the U.S. embassy in Beijing, China, Tuesday, March 18, 2014. Baucus is the new U.S. Ambassador to China following the departure of Gary Locke. (AP PHOTO)

should never forget their main job stationed in another country is to serve as an envoy between the two countries. Even if the two countries are in bad relationship or even in conflict, the role of the ambassador is still to serve as a contact point between the both sides. To be a challenger, preacher, or anti-dictatorship hero is not the job of an ambassador.

A good ambassador should know how to keep a good relationship with the other government, especially the ministry of foreign affairs, because he or she needs to be working with this agency on a daily basis. He or she should also know how to establish relationships and gain trust at a personal level with the key officers from the other side. An effective ambassador should avoid becoming engulfed in controversies. Former Ambassador Gary Locke was famous and influential in China; however if recognition mainly comes from controversial remarks and action, then it is not good for his position as a representative of the U.S. Compared with Gary Locke and Jon Huntsman, former U.S. Ambassador to China, Clark Randt, was quiet and always kept a low profile during his eight year term in Beijing. However, this eight years also happened to be the smoothest and most stable period of time for the U.S.-China bilateral relationship since the establishment of the formal diplomatic relationship in 1979. Therefore, Ambassador Baucus should definitely learn both the good and bad lessons from his predecessors.

2 Be super sensitive to China-Japan relations and several other tri-lateral relations.

The rising tension between China and Japan is also a major challenge to U.S.-China relations, as any conflict between these two countries automatically pulls in the United States. Therefore a priority for Ambassador Baucus should be how

to manage the tri-lateral relationship. Although Washington has never been a neutral third party between the two Asian neighbors, it should, and can be consistent and sophisticated in handling the quarrel. Even though the U.S. may not want to be a mediator between the two, it should and could be a good facilitator, messenger, and balancer. Where the door of dialogue has been closed between the top leaders of China and Japan, it is even more important the U.S. and its ambassador to Beijing to play the role as the messenger between the two sides. Ambassador Baucus should also be cautious when making any comments or remarks regarding sensitive issues, especially between China and Japan.

Ambassador Baucus should also be sensitive of several other triangle relationships including the U.S.-China relationship with Russia, North Korea, Taiwan and the Philippines. In all of these sensitive relationships, the U.S. ambassador should help the Chinese side to better understand U.S. policies and to avoid any other unnecessary misunderstandings or misperceptions. Ambassador Baucus has rich experience in handling trade and financial issues, but relatively lacks experience in security and geopolitical issues. He should listen from the experts, and may ask Washington to provide a good deputy to fill any diplomatic or historical knowledge which he may lack regarding the U.S.-China relations.

then makes the relationship between Obama and Xi naturally very important not only to the two countries. It should no doubt be a priority for the U.S. ambassador to help keep them in a good working relationship. To a certain extent, the role of the U.S. ambassador is somehow like the role of secretary of a management committee. He should work to keep the efficient functioning of the communication and cooperation inside the committee. Therefore the ambassador should have good secretary qualities, such as reliable, efficient, flexible, tactful and patient. Suppose Obama and Xi are frequently distracted by domestic and global issues, the ambassador should be able to draw their attention and make them focus on the U.S.-China issues when necessary. He should also establish personal relationship with Xi and his main aides.

Let us wish Ambassador Baucus' good luck and success. Indeed, his success belongs to the interest of both the United States and China.

3 Be a good contact point between Xi and Obama.

Chinese President Xi Jinping is no doubt the most powerful leader since Deng Xiaoping. Therefore, it should also be another priority for Ambassador Baucus to keep a good working relationship with the new Chinese leader. Nowadays many people compare the relations between U.S.-China as the "Group of Two." That

IS THE NINE-DASH LINE IN THE SOUTH CHINA SEA LEGAL?



WU SHICUN
Wu Shicun, President, China Institute of South China Sea Studies.

China has never regarded the South China Sea in its totality as China's territorial waters. Nor will China seek to turn the South China Sea into a "Chinese lake", writes Wu Shicun.

Recently, at a congressional committee hearing, US Assistant Secretary of State Danny Russel made some unwarranted remarks on China's nine-dash line in the South China Sea. He alleged that China's territorial claims based on the nine-dash line was inconsistent with international law and demanded that China clarify its position with respect to the line. His remarks bear a strong resemblance to the Philippine

criticism when that country filed a case to UN arbitrators, saying that China's nine-dash line violated the UN Convention on the Law of the Sea (UNCLOS).

The nine-dash line mentioned here is also called the South China Sea dotted line, the traditional maritime boundary line, the U-shaped line, etc, all referring to the maritime delimitation line set



by the Chinese government in 1947 and made officially public the following year. A U-shaped chain of a dotted line (originally with 11 dots dropped to 9 after the Chinese government removed the two in the Beibu Bay area in 1953) outlining China's territorial claims in the South China Sea has become a regular attachment to the Chinese map, constituting a key legal position of China's claimed rights and interests in the South China Sea, and standing as an invaluable heritage of China.

During an extended period after the Chinese government officially published its "Locations of the South China Sea Islands," bearing the above-mentioned dotted line in 1948, the international community, littoral states bordering on the South China Sea included, did not raise any objection, nor did any national government raise any diplomatic issues with China. They all tacitly accepted the existence of the line. In fact, a number of countries and regions in Europe and America have published maps to identify areas of the South China Sea inside the dashed line as territorially belonging to China.

However, since the 1970s, along with massive discoveries of oil and natural gas in the South China Sea, the signing into force of UNCLOS and the shifting geopolitical landscape in the region, both the littoral states and the international community at large have fundamentally altered their attitudes towards and positions on China's nine-dash line, from one of confirmation, approval and acquiescence to one of

suspicion and even denial. Particularly in recent years, certain countries inside and outside the region have worked hand in glove for the escalation and internationalization of the South China Sea issue, with the nine-dash line becoming the principal target of the legal debate. Some countries have gone out their way to challenge and attack the nine-dash line, with the US playing the role of cheer-leader.

Though claiming to take no side in the South China Sea dispute, the US has allowed a handful of its officials and scholars to toe a completely different line. This cannot but make people disappointed and deeply confused. The recent row created by US officials is just a case in point.

First, the nine-dash line predates the 1994 UNCLOS by at least over 40 years. It would be a little off beat to require the former to suit the latter or to use the latter as grounds to negate the former. Because, that would run counter to the basic principle of non-retroactivity of international law.

Secondly, China's claims over the South China Sea islands and relevant maritime areas are based on its legitimate rights and

the fact that it is the first country to discover, name, administer and exercise territorial control over the islands, which is entirely consistent with international law and fully entitled to its protection. Anyone with even a slight knowledge of history knows that it is the Chinese people that after World War II recovered the Xisha and Nansha Islands in the South China Sea from the illegal occupation of Japanese aggressors. The nine-dash line came into being for the very purpose of confirming and consolidating China's

It needs to be emphasized that China has never regarded the South China Sea in its totality as China's territorial waters. Nor will China seek, as some officials and scholars from certain countries assert, to turn the South China Sea into a "Chinese lake".

legitimate rights and interests in the South China Sea that had long been established. It was also an important measure of the Chinese people to safeguard the country's sovereignty, territorial integrity and maritime rights and interests in the South China Sea, a measure that can stand the test of history and jurisprudential practice. It is completely groundless to assume that China will increase its claims in the South China Sea on the basis of the nine-dash line.

What is more, the recent criticism of the nine-dash line by US officials smacks as well orchestrated support for the Philippines and a thinly veiled threat to force China to clarify its position. The trick is that if China complies, it may help remove US concerns over the line's potential harm to US domination in the South China Sea while minimizing China's growing capacity to defend its rights in the future, thus eliminating any legal huddles to US "freedom of navigation" in the South China Sea.

The nine-dash line in the South China Sea is a symbol that crystalizes thousands of years of sovereign acts of the Chinese people in the development, management and effective administration of the area, including efforts to defend it against aggression and colonial domination by outside powers. It reflects and represents the common interests of the entire Chinese nation. The entire regime of international law, which is duty bound to regulate and adjust state-to-state relations, should protect rather than undermine this irrefutable historic right of the Chinese people. Asking China to give up its nine-dash line is an obvious violation of the will of the Chinese people. And expecting China to redefine the legal meaning of the line is equally unrealistic.

It needs to be emphasized that China has never regarded the South China Sea in its totality as China's territorial waters. Nor will China seek, as some officials and scholars from certain coun-

tries assert, to turn the South China Sea into a "Chinese lake".

But China's legitimate rights and interests in the South China Sea must be respected and protected by the relevant parties. China has been a staunch defender of peace and stability in the South China Sea, and an active guarantor of freedom of navigation and security there. This is obvious to all. It is my hope that certain countries can refrain from playing a self-styled moral arbitrator, still less becoming selectively blind.

LET'S DROP THE ANGLO-GERMAN HISTORICAL ANALOGY ONCE AND FOR ALL WHEN DISCUSSING CHINA



Franz-Stefan Gady
*Franz-Stefan Gady, Senior
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The Anglo-German historical analogy often leads policy makers astray from the actual reality of the rise of China and its military build-up.

Prime Minister Shinzo Abe did it: He compared the relationship between Japan and China to the one of Great Britain and Germany prior to World War One. In particular he referred to the Anglo-German arms race and used the historical analogy to warn of a new arms race in Asia. It appears that it is virtually impossible to discuss the rise of China without sooner or later making a historical analogy to 1914. It is, however, typically used to describe the relationship between the United States and China.

The Anglo-German historical analogy often leads policy makers astray from the actual reality of the rise of China and its military build-up. If we use historical analogies at all we should get them right!

Yuen Foong Khong, author of 'Analogies at War-Korea, Dien Bien Phu, and the Vietnam Decision of 1965', defines historical analogy as:

“an inference that if two or more events separated in time agree in one respect, then they may also agree in another . . . appeasement in Munich occurred as a result of Western indo-

lence; appeasement in Vietnam is also occurring as a result of Western indolence. Appeasement in Munich resulted in a world war; therefore, appeasement in Vietnam will also result in a world war.”

Analogy is thus used to predict possible outcomes of certain policy decisions and provide prescriptions.

Analogies also are used widely for justification or advocacy or to assist in processing difficult information. The problem arises when policy makers select 'bad' analogies. As Khong asserts, had the Johnson administration used the French example in Indochina (especially their defeat at Dien Bien Phu) rather than Munich and the Korean War, the fateful decision in 1965 to commit ground troops to Vietnam might have been viewed very differently.

He also makes a compelling argument that ultimately it was analogy rather than domestic political considerations, bureaucratic politics, or the political military ideology that caused President Johnson and the National Security Council

to decide to intervene in Vietnam. Henry Cabot Lodge, U.S. Ambassador to South Vietnam, offered the plausible rationale at a National Security Council meeting. "I feel there is a greater threat to start World War III if we don't go in. Can't we see the similarity to our own indolence at Munich?" Historical analogies are thus powerful tools in the hands of an eloquent advisor.

Taking a closer look at U.S. policies towards China and applying the historical analogy of the German-British naval race, we might conclude that unchecked, Chinese aggression could destabilize the region and even lead to World War III. The same is true for the China-Japan relations. At least by applying Khong's framework, this would have to be the logical conclusion; however, even the most hawkish defense analysts would find this statement difficult to accept.

The general consensus of expert opinion is that despite its increasingly martial tone, neither the Chinese People's Liberation Army Navy nor the People's Liberation Army can in any way challenge the United States globally. Thus, using the German-British naval race of the early 20th century as an analogy to illustrate U.S. policy options toward China is simply inappropriate.

Perhaps then if we look for proper historical analogies to use in discussing the rise of Chinese naval power, we might choose the rise of the Italian naval power in the inter-war years. As it turned out, the Italian Navy did not really impact the outcome of World War II substantially. However, like the Chinese today, the Italians were engaged in many military innovations throughout the 1930s, faced a similar strategic outlook and were confronted by a technologically superior force.

The post-World War I Italian Navy, similar to the current Chinese Navy, possessed specific regional aspirations. With the conclusion of the war in 1918, the Italian Navy agreed that it must

first dominate the Adriatic Sea and then expand into the Mediterranean and the Red Sea. China has a similar sequential strategy with attempting to control first the Straits of Taiwan and the South China Sea followed by the First Island Chain. Finally, China plans to project power all the way to the Second Island Chain.

Often echoed in Chinese newspaper editorials, China, like Italy in the 1930s, feels boxed in and claims the right of an emerging power to a strong and powerful navy because the "Chinese nation's existence, development, and great resurgence all increasingly rely on the sea." Mussolini in 1926 forcefully asserted that "a nation which does not have free access to the oceans cannot be a great power; Italy must become a great power!" He reiterated this point in 1939 when he argued, "The bars of this prison are Corsica, Tunisia, Malta, and Cyprus . . . The fundamental aim of the Italian foreign policy must be 'to break free of this prison . . .'" The strategic straightjacket for China, as Robert Kaplan put it in his book *Moonson*, is Taiwan; for Italy in the 1930s it was Malta -- both islands often referred to as unsinkable aircraft carriers. The Italian Navy's prime obsession during the 1930s, especially during the Mediterranean Crisis in 1935, was the conquest of Malta, which greatly troubled Admiral Domenico Cavagnari, the head of the Italian Navy ministry, since he, much more than Mussolini, was aware of the inherent weakness of the Italian Regia Marina.

Another similarity between Italian strategic thinking in the 1930s and current Chinese strategy is striking. Afraid to face the might of Great Britain -- the most powerful naval force of its time -- starting in 1936, Italy began to develop an access denial strategy based on light cruisers, destroyers, and submarines to defend the coast and to cooperate with the air force in creating torpedo bombers squadrons, light surface-assault craft, underwater assault techniques and the rapid construction of motor torpedo boats.

Today, China likewise aims to implement an access denial strategy to offset the powerful U.S. Navy by developing an anti-ship ballistic missile, the DF-21-D, with the ability to target U.S. carrier groups within 1000 miles of the Chinese coast. They possess over 50 high-speed anti-ship cruise missiles carrying patrol boats, and since the 1990s, China has more than quadrupled its submarine fleet, capable of firing anti-ship cruise missiles. Additionally, the new Lyang II Class Guided Missile destroyer is equipped with a sophisticated phased-array radar system similar to the Western Aegis system. Like the Italian example demonstrates, this is largely a sign of perceived weakness and should not be misinterpreted.

Closely analyzing French and British Naval policy towards Italy in the 1930s, one also notices how little both navies factored in cultural and psychological aspects (e.g. some naval historians, argue, that due to their experience in the 19th century, the Italians had developed a keen aversion to large sea battles, after a devastating

defeat by the Austrian Navy in the Adriatic in 1866, which made any aggressive Italian action in the 1930s less likely) which also today are neglected in alarmist statements on the Chinese Navy. The French for example greatly overestimated Italian naval strengths throughout the 1930s, which substantially influenced their policies. The British more accurately assessed the Italian Navy's fighting strengths, yet their forces to protect global commerce and the far-reaching British Empire could not withstand the loss of even a single battleship. This is similar to the United States' fear of losing a single aircraft carrier to Chinese missiles; the psychological impact would be just too shocking to contemplate.

Using the analogy of Germany prior to World War I is not only alarmist but simply a non-sequitur. Applying the logic of historical analogies to the British-German naval race, the corollary

is the following: if the United States does not increase its naval spending, a resurgent Chinese Navy will lead China to pursue a more aggressive, unpredictable global foreign policy with the aim of guaranteeing "China's place in the sun," which sooner or later will lead to war. The intra-wars Italian navy was, at least in magnitude, a formidable force, and, although equipped with modern battleships and cruisers, was untested by war, badly trained, and lacking an aggressive offensive doctrine, European political rhetoric to the contrary.

If, however, we can instill in foreign policy makers an apposite analogy, we can draw a more rational conclusion regarding the Chinese Navy and the Communist elite, which would help both the United States and Japan develop a more prudential naval policy *vis-à-vis* China.

PUBLIC VS PRIVATE

HOW CHINA PREFERS TO INVEST IN THE US

Alex Coblin

Alex Coblin, researcher on Asian economics at the American Enterprise Institute.

As news that the United States has become the largest recipient of Chinese investment spreads, many Americans are nervous and wonder where that money is going. Interestingly, the U.S. draws a significant amount of private investment from China, which is distinctly different from the country's investment patterns in the rest of the world.

Yes, the Chinese are coming and they went on a buying spree in January. Two weeks ago they were here for IBM, with China's Lenovo buying out Big Blue's low-server business for \$2.3 billion and last week they came for Google, as Lenovo announced its intention to buy Google's Motorola handset division for nearly \$3 billion. Surprised? Alarmed? Don't be. There are real issues to consider, more important than alarmist bleats about a Chinese takeover: Where is the money coming from? And what does it tell us about the reformed China? If Chinese private firms continue to invest much more abroad, notably in the US economy, China's own economic future may be bleak.

First, some facts: According to new data published in The American Enterprise Institute—Heritage Foundation China Global Investment Tracker (CGIT), Chinese companies invested

around \$85 billion globally in 2013, of which more than \$14 billion was directed to the US. While the rate of investment into the US is increasing, the dollar amount is only a small fraction of total US wealth or the amount invested by other nations. Japan, Canada, and the United Kingdom have already been here for much longer and have invested far more money than China.

The notion that Chinese money directed at the US is harmful to the economy is false. It's just as false as it was in the 1980s when Japanese firms were said to flood the US market with money. Their money is just as green, so to speak, as ours. Increased investment in the US, whether from China or any other country, will boost economic development because investment creates jobs and wealth. What would hurt the US is foul play by companies that break American

law. What could also hurt are substantial subsidies from large state-owned enterprises (SOEs) that distort market competition. In both cases, regulators need to monitor the operations of foreign firms carefully to ensure that they abide by US law.

Part of the attendant hysteria about Chinese acquisitions may stem from China's growing holdings of US government bonds or the multiple iconic investments that occurred over the past year, such as Soho China's purchase of 20 percent of the GM Building in NYC and Shuanghui's acquisition of Smithfield Food. But rather than panicking about Chinese money flooding the US market, focus instead on the types of firms investing and what all this Chinese outward investment says about the Chinese market.

Whether it is due to the inability of state firms to comply with US laws, which restricts their ability to compete, or the incentives a market economy provides to private firms, a marked difference exists between Chinese investment in the US and in the rest of the world. The CGIT highlights the disparity by identifying the parent company of each Chinese investor. In the rest of the world, SOEs accounted for approximately 94 percent of investment abroad from 2005-2013, though this is down from nearly 100 percent through 2010. In the US, SOEs only accounted for 68 percent of investment since 2005 and their share is falling quickly.

One reason for greater investment from private Chinese companies in the US is because of strong legal protections that foster innovation. Another is the lack of market incentives in the People's Republic. Most private enterprises are unable to invest freely in China. While there is still plenty of room for further investment, private firms are pushed out of the market by large, heavily subsidized SOEs. Therefore, they turn abroad to markets that allow them to grow.

During last November's third plenum meeting, the Communist Party trumpeted economic reform. Some of the steps enumerated include: allowing the market to have a "decisive" role in allocating resources, providing a level playing field for competition, and permitting private firms entrance into certain protected sectors. However, statements from the first meeting of the leading group, a committee created to promote the reforms and led by Party General Secretary Xi Jinping, expressed trepidation about the challenges involved in implementing reform, creating doubt about implementation of real change.

The impact the reforms have on China's market may be indirectly measured through the amount of Chinese investment abroad. If Party Secretary Xi is an effective economic reformer, private Chinese investment in the US should decrease in the long-term as the Chinese market becomes more attractive. While the growth potential the US market offers will continue to incentivize Chinese private firms, the profitability afforded by an underdeveloped Chinese economy would generally eclipse the appeal of the US, drawing Chinese money back home. If not, then private firms will continue their exit from the Chinese market.

The Chinese are investing more in the US. This is to be expected given the wealth of the American economy. Increased private investment appears to reflect different opportunities available here and at home. Market reform in China will influence this investment trend. Until it is successful, however, expect Chinese firms to continue leading Chinese investment into the US and enjoying the opportunities that economic freedom afford them, here rather than at home.

HOW WESTERN TV SHOWS CAST

INFLUENCE ON THE “CHINESE DREAM”



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Joan Xu

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Why has the popularity of Western shows like “House of Cards” and “Sherlock” soared in China? As Dan Redford and Joan Xu explain, the lack of a developed and mature cultural voice has led Chinese citizens to define their own “Chinese Dream” using Western counterparts.

As Netflix sensation “House of Cards” and the BBC’s “Sherlock” continue to rivet audiences at home, they are also striking a cord with millions of online viewers across China. The second season of “House of Cards,” released on China’s Sohu.com in mid-February, has already racked up over 29 million views. Likewise, the first episode of “Sherlock” Season 3 garnered an impressive 5 million views within the first three hours of being released on China’s Youtube, Youku.com, becoming the most-watched show ever on the Youku platform. The attention even prompted UK Prime Minister David Cameron to publicly respond to requests by Chinese audiences asking to have the show released faster.

These two shows are only the most recent of a string of Western shows that have attracted millions of faithful Chinese fans. In 2007, Fox’s “Prison Break” began to take off in China, propelling main actor Wentworth Miller to

heartthrob status across the nation. The CW’s “Vampire Diaries” also became an overnight hit in China; main actress Nina Dobrev had over 290,000 followers on China’s Twitter, Weibo, soon after the show gained popularity.

While Western audiences can easily understand the appeal in these shows, their rampant popularity in a country with strikingly different culture, lifestyle and politics is provocative. Considering the complex and foreign plot lines in these shows, contemporary Chinese viewers are demonstrating a great propensity for more modern and global tastes.

Frankly, it is difficult to find comparable content in Chinese television. Chinese domestic productions tend to focus on topics that are most reminiscent of Chinese traditional lifestyles or history. According to Baidu.com, of the 15 most-watched Chinese domestic TV shows in 2013,



a majority featured storylines that involved Chinese military or war stories, family dramas, or soap operas. Although these programs still perform well in the Chinese market, they are clearly losing ground to the edgier, more modern shows being produced abroad.

On one level, it is relatively difficult to develop a show with more modern characteristics in China. The Chinese television production industry still lacks the sophistication and high quality production value of its Western counterparts. What's more, the Chinese authority strictly censors and regulates domestic film and television production. The Chinese government has quite a reputation for banning television shows that are too violent or controversial. It is rare to find Chinese entertainment that challenges the audience to question the status quo or, for that matter, sparks the imagination. But the ubiquitous nature of the Internet and the free flow of information and content have changed the game significantly. Western shows have been able to find their way into Chinese homes, laptops, and mobile devices, filling the void for more stimulating content. The success of "House of Cards,"

for instance, has become so unstoppable that even the head of China's disciplinary committee, Wang Qishan, has publicly announced his fascination with the show.

"House of Cards" reveals that the Chinese, particularly among the highly educated and government officials, are interested in learning about geo-politics and the complex and controversial realities of what goes on "inside the beltway" of the US Capital. In the second season, China itself even plays a role, as one of the main characters is a Chinese billionaire looking to forge a relationship with US Vice President Frank Underwood, played by Kevin Spacey. In a society in which domestic politics is too sensitive for everyday conversation, the active commentary following every show suggests that House of Cards provides an outlet for China's upper class to discuss and reflect on political intricacies that would normally go unspoken.

Because the shows are available on online platforms, Chinese followers engage in instantaneous dialogues over comments and blogs, allowing them to participate and share their thoughts

about what is happening on the screen, and what it means to them in their lives. “Sherlock,” for example, has sparked an interesting dialogue revolving around the close relationship between Sherlock Holmes and his sidekick, Watson. In Chinese online forums, Sherlock’s character, played by British actor Benedict Cumberbatch, has been dubbed “Curly Fu.” The Chinese micro-blogs have gone mad over what they call “gay-citement,” that is, an implication that the relationship between Watson and Holmes may go beyond just platonic friendship. So in another sense, the popularity of these shows suggests that many modern Chinese audience members are eager to discuss somewhat taboo social topics.

In some respects, the popularity of these shows also subtly speaks to China’s ongoing struggle to define the “Chinese Dream” - which is to say, a coherent mainstream cultural narrative. The appeal of these foreign stories points to the weakness of contemporary Chinese media narratives in being able to capture the hearts and minds of their modern viewers. China has become the world’s second largest economy and an emerging global superpower faster than most people anticipated, but it has yet to really find its modern identity and voice within this role, both at home and abroad. With the lack of compelling domestic mainstream narratives that can speak to the realities of modern Chinese mindsets and lifestyles, it is easier for audiences to look to the more mature narratives propagated abroad. What is clear now is that until China finds a more confident modern cultural voice, Western shows will continue to flicker across the small screens of China.

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