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The Rise of China and the Future of the International Political System

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**The Rise of China
and the Future of the International Political System**

By: Tim Farrell

**College of the Holy Cross
Political Science Honors Thesis
May 2015**



Dragon Rising in the Eagle's Nest, Tim Farrell. 2015.

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Introduction

The current international political system was born out of centuries of war in Europe, extended to the rest of the world during the colonial and imperial eras, and inherited by the United States following the conclusion of World War II. Using its economic and military influence, the United States made a variety of commitments to its allies around the world, creating an institutionalized structure for international relations known as the global liberal order. The end of the Cold War reinforced the United States' role as the world's dominant political, economic, and military power. For many observers, the Cold War's conclusion solidified the credibility of the American vision of global order. As a result, theories of a unipolar world centered on U.S interests and upheld by the hegemony of the United States have become more popular since the fall of the Soviet Union. In 2004, Charles Krauthammer, an influential American conservative, stated that "on December 26, 1991, the Soviet Union died and something new was born... a unipolar world dominated by a single superpower unchecked by any rival and with decisive reach in every corner of the world. This is a staggering development in history, not seen since the fall of Rome".¹ Just one year after Krauthammer's exclamation of U.S. unipolarity, a survey from the Economist titled "the New Titans" reported that the developing countries made up more than half of the world's total GDP.² The rise of international actors that are not traditional stakeholders in the international political system constructed by the United States has called into question what this development will mean for the future of global politics. The emerging economies of developing nations suggest that the world, in economic terms, is heading towards multipolarity, despite assumptions that the post-Cold War era is singularly

¹ Charles Krauthammer, "An American Foreign Policy for a Unipolar World," Speech, Irving Kristol Lecture, American Enterprise Institute Dinner, Washington Hilton Hotel, Washington, D.C., February 10, 2004.

² Pam Woodall, "The New Titans," *The Economist*, September 14th, 2006, <http://www.economist.com/node/7877959>.

defined by American hegemony.

One of the major rising countries of the developing world is China. Before the 21st century, onlookers in the field of international relations were unsure of how much China would matter in the future given the emphasis on American unipolarity. This is no longer the case. China's rise as a great power within the international system began with various economic reforms aimed at modernizing the country starting in 1978. Adopting a strategy of rapid economic modernization called for China to integrate itself in the framework of the international economic system created by the United States. By adapting to the prevailing norm of Western-capitalist principles of exchange and joining core institutions of the global economic order like the World Trade Organization, China's strategy over the past four decades has greatly enhanced its position in the international political system through its acquired economic power. Nowadays, universal recognition of the familiar slogan, "Made in China", by virtually all consumers speaks to China's growing presence in the world.

China's ascent as a great power within the international system has garnered the most attention out of all the major headlines of the millennium.³ Given the prominence of the topic among scholars, pundits, analysts and policy makers in the West, the rise of China as a major player in global politics has become seemingly conventional wisdom.⁴ Now, the debate revolves around how China's newfound capabilities and national power will affect the international political system. While China's growth is a direct result of its integration into the U.S-led economic order, there is no consensus among IR scholars as to what this will mean for the future of Sino-American relations and the structure of the global liberal order.

³ Michael Beckley, "Chinas Century? Why America's Edge Will Endure," *International Security*, 36, 3 (2012): 41

⁴ Xiaoming Zhang, "China in the Conception of International Society: the English School's engagements with China," *Review of International Studies*, 37 (2011): 777

A country's economic strength underlies its political and military influence in international relations. In *The Rise and Fall of Great Powers*, Paul Kennedy argues that the ability of modern nations to exercise and sustain global hegemony lies in their productive capacity.⁵ China continues to sustain impressive economic growth and is projected to double the size of the American economy by 2025, while the United States and other status quo market economies recover from the shock of the Western Financial Crisis of 2008.⁶ In this environment, some authors cite evidence of friction between China and the United States increasing in the future. From the perspective of these authors, China is a revisionist power that will dramatically alter the dynamic of global affairs as its economic development increases its power to a hegemonic level. On this side of the debate, authors' concerns vary from generic assumptions based on China's communist leadership to more serious fears of great power conflict that stem from the Chinese behavior in the aftermath of the Western Financial Crisis. On the other side of the debate, authors counter the conclusions of the "China threat theory" by offering historical and/or strategic analysis of China's relationship with the international system. For a variety of reasons, these authors believe China favors the economic benefits of status quo stability and is a power that will support the foundations of the global order constructed by the United States.

My thesis on the rise of China and the future of the global liberal order is organized into four chapters. The first chapter is a review of the literature. The review presents three potential scenarios on China's future role in international politics. Taken together, the arguments of each scenario provide a foundation for interpreting the evidence that is presented in the next chapters.

⁵ Paul Kennedy, *The Rise and Fall of Great Powers: Economic Change and Military Conflict from 1500 to 2000* (London, Fontana Press, 1988): 472-480

⁶ Dominic Wilson and Anna Stupnytska, "The N-11: More than An Acronym," *Goldman Sachs Global Economic Papers*, 153 (2007): 8-9

The second chapter is a case study on China's relationship with the World Trade Organization (WTO). The World Trade Organization deals with the global rules of trade between nations and is a core institution of the global liberal order. This chapter looks at alternative interpretations of China's membership in the WTO. The evidence presented by each school of thought identifies developments for assessing China's future impact on the international economic system.

The third chapter is a case study on China's behavior in the South China Sea (SCS). The South China Sea is a smaller body of water within the Pacific Ocean, where territorial disputes between China and several other nations have the potential to disrupt peace and stability within the region. The case study in Chapter Three follows the same methodological approach of the second chapter by utilizing alternative interpretations on China's activity in the South China Sea. The evidence presented by the two schools of thought provides a framework for assessing China's future impact on status quo peace and stability of the international political system.

The first three chapters lay out the crucial arguments for thinking about the future trajectory of Chinese foreign policy. The fourth chapter draws conclusions on the research presented in the prior chapters. In this chapter, I offer an overall analysis of the evidence presented in the second and third chapters. In closing, I present my own conclusion on the rise of China and the future of the international political system.

Chapter 1: Review of the Literature

This chapter outlines the architecture of the international political system and introduces the debate on the rise of China. There is no consensus in the literature over how China's rise as a great power will affect the status quo of the global liberal order, the international political system created by the United States. Disagreement over the nature of China's behavior contributes to why authors foresee China's rise manifesting itself in different ways. The review of the literature in this chapter offers a brief summary of the global liberal order and the two dominant schools of thought on China's behavior in the post-2008 era before outlining three scenarios related to China's future impact on global politics (China as a spoiler, supporter, or shirker).

There are two dominant schools of thought on China's behavior in the post-2008 era. The first school of thought believes China favors a strategy of noncompliance in regards to established international norms. The second school of thought believes China still favors an approach of working within the multilateral structure of the international political system. The two dominant schools of thought offer evidence for evaluating three future scenarios concerning China's behavior.

Next, the chapter describes the spoiler, supporter, and shirker scenarios. These scenarios illustrate possible future roles for China in the international political system. After outlining the relevant literature, the thesis conducts a case study of China's behavior in the World Trade Organization in Chapter 2, and a second case study of its actions in the South China Sea in Chapter 3. Framing each case study through alternative interpretations of China's actions highlights the important points for considering scenarios of China's future impact on the international political system.

The Two Schools of Thought on China's Behavior in the Global Liberal Order

The global liberal order is characterized by American global hegemony and an emphasis on Western rules, norms, and institutions. After the conclusion of World War II, using its “newfound power and authority” the United States built a range of regional and global institutions as a way of shaping the international system to its preferences. The collapse of the Soviet Union in 1991 enhanced the United States’ pre-eminent position in the world, as the main challenger to U.S. dominance was defeated and the legitimacy of American-constructed institutions solidified.⁷ As the world’s largest economy and strongest military power, the United States used its global power to shape the international political system to American values and interests.⁸ As a result, the international political system reflects a Western oriented global order. Its rules and institutions are rooted in the concepts of democracy and capitalism. When evaluating the character of the global liberal order, John Ikenberry, an influential scholar within the debate, concludes that the system is integrative and expansive, and provides a strategic framework for state security and cooperation under the umbrella of American political, economic, and military influence.⁹ While the United States has faced a significant amount of challenges in the 21st century, from a massive budget deficit and the impact of the Western Financial Crisis in 2008-2009 to the economic costs of sustaining wars in the Middle East, it remains the world’s most preponderant power and the model for global governance it constructed is uncontested. The question is how China will affect the global system created and led by the United States.

⁷ Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order* (New York: Penguin, 2009), 1.

⁸ *Ibid.*, 498-99.

⁹ G. John Ikenberry, “The Rise of China: Power, Institutions, and the Western Order,” From Ross, Robert S. and Zhu Feng, eds., *China’s Ascent: Power, Security, and the Future of International Politics*, (New York: Cornell University Press, 2008):114.

The two dominant schools of thought on China's strategy in the post-2008 era are important to forming conclusions on its future behavior in the global liberal order. The two dominant schools of thought within the scholarly literature are informed by core assumptions about China's strategy in the post-2008 era. On the one hand, author Michael Yahuda and many writers for Western media sources perceive a new assertiveness in China's foreign policy that signals a departure from abiding by the status quo and norms championed by the U.S. order.¹⁰ On the other hand, Ning Liao claims "today's China is not only a participant but also a proactive actor shaping the regional security multilateralism".¹¹ The evidence that can be cited in favor of these assertions provides a framework for anticipating China's role in the future. The first school of thought believes that China has adopted a more "aggressive" policy, citing China's actions in the post-2008 period that suggest the Chinese government has abandoned Deng Xiaoping's longtime axiom not to treat the United States as an adversary and to shelve sovereignty disputes in favor of joint development. This view promotes the belief that China is seeking to challenge the U.S. and the global liberal order. The second school of thought believes China has not dramatically changed or abandoned Deng's strategic approach. China still follows a strategy of peaceful development, working within the framework of multilateralism to avoid disrupting peace and stability in the international political system.¹²

The perspective of the author influences how they look at the evidence and the theories they offer on China's behavior. Michael Swaine notes that commentators interpret the relative assertiveness of China's activism in different ways. When taken together, characterizations of

¹⁰ Michael Yahuda, "China's New Assertiveness in the South China Sea," *Journal of Contemporary China* 22, No. 81 (2013): 446.

¹¹ Ning Liao, "China's Regional Diplomacy toward Southeast Asia: Calculations and Constraints of Beijing's Engagement in Security Multilateralism," *American Journal of Chinese Studies* 19, no. 101 (2012):105.

¹² Sarah Raine, "Beijing's South China Sea Debate," *Survival: Global Politics and Strategy* 53, no.5 (2011), 77; Yahuda, 446.

China's foreign policy approach appear "somewhat vague and ambiguous, potentially encompassing everything from attempts to play a more active role in a wide variety of international regimes, to deliberate efforts to alter basic international norms and challenge the fundamental national interests or policies of the United States".¹³ The debate over what strategy informs China's policy influences the formation of divergent scenarios concerning the country's future intentions.

China's Future Role as a Spoiler, Supporter, or Shirker

Both Western and Chinese scholars have made a wide variety of assertions on how the rise of China will manifest itself in the post-Cold War system. The debate circulates around whether China will conform to the order created by the United States or if it will use its increasing power capabilities to shape international order much like the United States did at the end of World War II.¹⁴ In their article, "After Unipolarity: China's Visions of International Order in an Era of U.S. Decline", Randall Schweller and Xiaoyu Pu identify three dominant scenarios on how the rise of China may take shape. In its future relationship with the international political system and American hegemony, China will choose to act as a spoiler, a supporter, or a shirker in relation to the global liberal order.¹⁵ In reviewing the literature relevant to the discussion, this chapter outlines the three dominant scenarios on China's future role in the international political system. The first scenario foresees China behaving as a "spoiler", challenging or disrupting international norms upheld by the status quo actors in the global liberal order. The second scenario sees China as a "supporter" of the global liberal order. This scenario

¹³ Michael D. Swaine, "China's Assertive Behavior, Part One: On Core Interests". *China Leadership Monitor*, no. 34 (2010):1-2

¹⁴ Ikenberry, 90.

¹⁵ Randall L. Schweller and Xiaoyu Pu, "After Unipolarity: China's Visions of International Order in an Era of U.S. Decline," *International Security* 36, no. 1 (2011): 42.

understands China as a responsible stakeholder in the international community and foresees continuity in China's strategy of integrating within established standards and practices of the global liberal order. The third scenario predicts China will behave as a "shirker". The shirker scenario predicts China's foreign policy is inward looking. In this scenario, China will not disrupt status quo stability, but it will refuse to accept obligations of the global liberal order, instead focusing on challenges the Chinese government faces in the domestic realm. These three scenarios are informed by different assumptions and provide a theoretical framework for thinking about what the evidence in Chapter 2 and Chapter 3 indicate about China's future role in the world.

The Spoiler Scenario

The dissolution of the Soviet Union has led China to assume the role of the United States' default adversary.¹⁶ China is a primary strategic consideration to the United States and the great power by which the United States measures itself militarily. Before September 11, 2001 the Bush Administration labeled China as a strategic competitor and America's prime threat.¹⁷ While China was seen as a strategic partner to America in the war on terror, the Obama Administration announced a "national security pivot to Asia" in 2012, revealing an enduring American concern for China's rise and its future intentions.¹⁸ The pivot is in response to growing concern over the willingness of the Chinese government to act as a responsible stakeholder in the post-2008 era and American suspicion over China's intentions in the South China Sea.

Political differences in the relationship between China and the United States contribute to

¹⁶ James Dobbins, "War with China," *Survival: Global Politics and Strategy* 54, no. 4 (2012): 7.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

a gap in political trust between the two countries. China is not a democracy, has no active civil society, and has not yet fully liberalized its economy. China “has fiercely contested the normative changes in post-Cold War international society that have seen human rights and democratisation become part of the daily round of political practice”.¹⁹ China’s continued growth within the global system without conforming to Western values such as democracy, capitalism, and human rights championed by American hegemony has led commentators in the West to speculate on the possibility of the Sino-U.S. rivalry intensifying. Aaron Friedberg contemplates that if China “grows richer and stronger without also becoming a liberal democracy, the present muted rivalry with the United States is likely to blossom into something more open and dangerous”.²⁰ If the two countries cannot manage their differences, economic or military conflict may erupt and disturb the status quo of the global liberal order. Political and economic differences aside, as an authoritarian regime, the Chinese government lacks the transparency to assure other states in the international community of the nature, scope, and intended goals of its military buildup. The double digit spending increases in the Chinese defense budget since the 1990’s to fuel its military modernization exacerbate fears that China will seek to challenge the United States and establish its own hegemony in East Asia as its power capabilities continue to expand.²¹ With its defense spending and military capabilities growing, China has also shown an interest in shaping emerging regional political-institutional contours in East Asia that seek to exclude the United States.²²

The spoiler scenario has also gained credibility due to various interpretations of Chinese

¹⁹ Xiaoming Zhang, “A Rising China and Normative Changes in International Society,” *East Asia* 28, (2011): 242.

²⁰ Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton, 2011), 2.

²¹ Robert Ross, “China’s Naval Nationalism: Sources, Prospects, and the U.S. Response,” *International Security* 34, no. 2 (2009): 45.

²² Ikenberry, 89.

actions in the South China Sea and World Trade Organization. Is China's policy aggressive, assertive, or simply more active? Each term implies different qualities and emphasizes how an author views China's behavior. Authors from both the scholarly literature and Western media sources typically describe China as being more assertive or aggressive. These terms typically contribute to the spoiler scenario. Aggressive has a confrontational connotation while assertiveness implies confidence. Activeness indicates a higher frequency of participation in the international sphere and has a more neutral or positive meaning.

The debate over the character of China's diplomacy in the international realm emphasizes the divide in the discussion over China's future intentions. In recent years, Alastair Johnston has noted a trend in Western literature and media to cite evidence of a "newly assertive China", ranging from

China's allegedly more assertive diplomacy at the Copenhagen conference on climate change in December 2009; to its angry reaction to U.S. arms sales to Taiwan in January 2010 and to the Dalai Lama's visit in February 2010; to its apparently more expansive claims over the South China Sea in March 2010; to its diplomatic defense of violent actions by the Democratic People's Republic of Korea (DPRK) in March and November 2010; and to its tough response to the Japanese arrest of a Chinese fishing captain in September 2010.²³

These instances provide grounds for observers to establish theories of competition between the United States and China in the global system that could "spoil" the norms of American hegemony. James Dobbins declares that a climate of mutual distrust and suspicion clouds the US-China relationship. This produces a potent security dilemma in the international political system.²⁴ Amitai Etzioni similarly perceives that increasing tensions between the United States and China have the potential to lead to a collision between the two powers, citing studies of "a

²³ Alastair Iain Johnston, "How New and Assertive is China's New Assertiveness?" *International Security* 37, no. 4 (2013): 9.

²⁴ Dobbins, 22.

cycle of distrust” with “deep roots in Sino-American history” that has been intensifying since 2008.²⁵ Could increasing friction in Sino-American foreign policy and strategic suspicion of the other’s intention bring an end to the stability of the current global system?

China as a spoiler is a “vision and strategy consistent with the traditional realist story of power transitions”.²⁶ In the spoiler scenario, China will pose a challenge to the existing order characterized by global American hegemony: economic and military capabilities will lead China to circumvent the liberal order and establish a parallel system much like the Soviet Union did in the years following World War II. Several observers have commented on the fact that while China sustains impressive economic growth, the economic preponderance of the United States wavers.²⁷ These dichotomous trends – the rise of China and decline of the United States – have led a number of scholars to theorize on the possibility of a power transition.

Aggressive behavior contributes to a theory of power transition consistent with the spoiler scenario. Power transition theory posits shifting relations between countries as a formula for system change and war.²⁸ The theoretical assumptions of power transition create a foundation for the spoiler scenario to present China as a challenger to global order. This scenario draws on past instances of hegemonic war to establish an argument for future conflict between the United States and China. Historically speaking, power transitions typically are accompanied by conflict, instability, and war.²⁹ For China, the risk of conflict with the United States will grow in consequence and in probability as Chinese strength increases.³⁰ The World Trade Organization

²⁵ Amitai Etzioni, “Accommodating China,” *Survival: Global Politics and Strategy* 55, no. 2 (2012): 47.

²⁶ Schweller and Pu, 59.

²⁷ Michael Beckley, “China’s Century? Why America’s Edge Will Endure,” *International Security* 36, No. 3 (2012): 41; Johnston, 7; Jacques, 499.

²⁸ Schweller and Pu, 65.

²⁹ Ikenberry, 90.

³⁰ Dobbins, 8.

and South China Sea are important focal points for identifying economic and military conflict between the United States and China.

Castel-Fodor notes that an increasing frequency in the disputes brought to the World Trade Organization has led many observers and media sources that fall under the spoiler scenario to cite evidence of a trade war materializing between China and the United States in the WTO.³¹ An increase in litigation signals that China's governance structure is incompatible with international norms of the global liberal economic order, and could lead to a deterioration of relations between China and its trading partners. These concerns are one way of understanding how China's rise could "spoil" the international economic system upheld by the architecture of the global liberal order.

Changes in the status of North Korea and Taiwan, Sino-American confrontation in cyberspace, and disputes arising from China's uneasy relationships with Japan and India create tension over China's rise. A number of flashpoints in China's relationship with the international community increase alarm about future conflict, such as in the South China Sea. China has apparently been more aggressive in the South China Sea to demonstrate its jurisdiction over the area. This activity appears to be occurring in the whole area within the nine-dotted line, a map that illustrates China's sovereignty claim in the South China Sea. China's actions in the South China Sea appear to be at odds with the interests of the international community. In reference to the nine-dotted line, Denny Roy argues that China's claims in the South China Sea have no foundation in modern international law.³² Dobbins notes that the South China Sea has the potential to become a serious flashpoint in recent years as a result of China's assertion of its

³¹ Kennan J. Castel-Fodor, "Providing a Release Valve: The U.S.-China Experience with the WTO Dispute Settlement System," *Case Western Reserve Law Review* 64, no. 1 (2013): 237.

³² Denny Roy, *Return of the Dragon: Rising China and Regional Security* (New York: Cornell, 2013): Ch. 4.

sovereignty over the region and its military modernization.³³ Whereas friction in the WTO is occurring in the economic realm, competing security objectives between China, its neighbors, and the United States in the South China Sea have considerable potential to erupt into military conflict.

Offensive realist John Mearsheimer believes that China and the United States are destined to be adversaries. According to Mearsheimer, the “mightiest states attempt to establish hegemony in their region of the world while making sure that no rival great power dominates another region”.³⁴ As Mearsheimer sees it, “no amount of goodwill can ameliorate the intense security competition that sets in when an aspiring hegemon appears in Eurasia”.³⁵ Chinese insecurities will increase as it continues its rise into a system dominated by US hegemony. If one is to evaluate Beijing’s regional environment from a realist perspective, the United States’ strategy in East Asia demonstrates “the key features of a cold-war strategy: a military posture stressing overwhelming superiority and effective deterrence, an ideological position that seeks to delegitimise China; and a plan of building or reviving a regional diplomatic bloc or bilateral military alliances in China’s neighbourhood”.³⁶ For China, displacing US hegemonic power can only satisfy these insecurities, as being the only regional hegemon in the world is the “ideal situation”.³⁷

Scholars who interpret China’s rise through a lens of offensive realism find evidence for the spoiler scenario by asserting that the increasing aggression in Chinese foreign policy in the years following 2008’s financial crisis is a conscious decision by the Chinese government to

³³ Dobbins, 7-12.

³⁴ John J. Mearsheimer, "China's Unpeaceful Rise," *Current History* 105, no. 690 (2006): 160.

³⁵ *Ibid.*, 162.

³⁶ Lanxin Xiang, “China and the ‘Pivot’,” *Survival: Global Politics and Strategy* 54, no. 5 (2012): 117.

³⁷ Mearsheimer, 161.

challenge American interests in East Asia.³⁸ Traditional realist perspectives of power transition that are consistent with the spoiler scenario assume that the international system is based in anarchy, that great power military capabilities breed further insecurity, and that no actors can be completely sure of other's intentions. This causes states to fear each other, as there is no omnipresent police force to ensure peaceful resolution of conflict. For China to protect its national interests, it must continue militarization to back a more assertive policy stance towards the United States.³⁹

Mearsheimer understands international relations through a lens that "war perpetuates international order". That is, in its bid for regional hegemony, China will have no other way to secure its national interests unless it displaces US global leadership, and the United States will have no other choice but to confront China if it wants to sustain its hegemony. In this scenario, power projection and a robust military to back assertions are the keys to states' security objectives. As China's power capabilities increase, it will have the resources to further resist Western norms and defend Chinese interests in the world. By acknowledging the logic of an offensive realist like John Mearsheimer, one may take into account how security issues in the Sino-American relationship may escalate and take a turn for the worst, leading to a manifestation of the spoiler scenario.

The Supporter Scenario

Authors that fall under the supporter scenario emphasize trends of conflict management and cooperation in both the World Trade Organization and South China Sea that mitigate the

³⁸ Johnston, 7.

³⁹ Mearsheimer, 160.

chances of a trade war or military conflict.⁴⁰ In the second scenario, China will become a supporter of the existing status quo, working within the existing rules of the game and contributing its fair share to global governance while assuring other participants of its commitment to Western norms.⁴¹ Amitai Etzioni notes Chinese congruence with the international community in his article, “Accommodating China”. As he writes, “China signed the Nuclear Non-Proliferation Treaty in 1992, joined the UN Security Council in unanimously condemning North Korea’s 2012 ballistic- missile test and January 2013 nuclear test, and conducted its first bilateral anti-piracy operation with the US Navy in the Horn of Africa at the end of last year”.⁴² These trends stand at odds with the spoiler scenario.

In “The Rise of China: Power, Institutions, and the Western Order”, John Ikenberry similarly notes Chinese integration within the current global system by citing various developments in the 21st century. He writes that “China is at the center of proliferating regional and bilateral trade agreements and the rapid rise of intra-Asian trade. Its capital reserves are a major source of American borrowing – indirectly financing Washington’s tax cuts and the Iraq War. China has a leading role in the Six Party nuclear talks on North Korea”. He also writes, “China’s commercial and energy ties are expanding around the world”. This point highlights that in order to sustain its modernization, China will have to rely on the global liberal economy for trade to secure the resources vital to domestic growth.⁴³

The supporter scenario challenges the theory of the rise and fall of great powers by informing its argument through historical developments in the international political system. Not

⁴⁰ Castel-Fodor, 237.

⁴¹ Schweller and Pu, 58.

⁴² Etzioni, 47.

⁴³ Ikenberry, 89.

all power transitions generate war or overturn the international order, such as when British hegemony was ceded to the United States peacefully after World War II.⁴⁴ China will continue to accommodate to the status quo of the order to maintain the benefits of trade and investment offered by the global capitalist system.⁴⁵ When state actors see an incentive to participate in global order, there is less of a chance for friction between the rising power and the hegemon and more of a chance the rising power will adopt the practices of international society to become a “normal” actor in the system.

China, for the most part, largely works within the economic constraints of the international system created by the United States and has utilized the framework of the international economic system to sustain overwhelming growth for over 30 years. In addition, China has joined the international community in a number of institutions, which seems to suggest that the rising power can be socialized into the “status quo”. The theory of socialization asserts that “by involving new powers in the current structures and making them responsible stakeholders, the US can bind those new powers into the current architecture, thus securing its own influence”.⁴⁶

The socialization hypothesis resonates heavily with the supporter scenario, asserting that the foundation of the American constructed liberal order satisfies the security interests of rising powers to guarantee the durability of the status quo. As international actors rise, the incentives gained from participation are attractive enough to ensure responsible behavior and a stake in

⁴⁴ G. John Ikenberry, “The Rise of China and the Future of the West: Can the Liberal System Survive?,” *Foreign Affairs*, January 2008, <http://www.foreignaffairs.com/articles/63042/g-john-ikenberry/the-rise-of-china-and-the-future-of-the-west>.

⁴⁵ Ikenberry, 107.

⁴⁶ Sevasti-Eleni Vezirgiannidou, “U.S. and rising powers in a post-hegemonic global order,” *International Affairs* 89, no. 3 (2013): 635.

upholding the current system. The supporter scenario relies on the theory of a fundamental shift in the principles of the international system following the establishment of the liberal order. Power politics and the utility of war have been replaced by economic thinking, and globalization has led actors to become increasingly dependent on each other. While changing attitudes towards war have downplayed the importance of power policy, its increasing irrelevance as a tool for countries' to utilize largely stems from the success of the United States in creating a global economy that has since become institutionalized in the international system. The incentives offered by the global economy have enhanced cooperation between state actors through the opening of domestic markets and have delegitimized protectionist policies like those that brought about the Great Depression in the U.S. and the collapsing market in Germany. In the global liberal order, there is a stress on economic thinking. Liberalized trade and avoiding armed conflict – in contrast to pouring money into military expenses and retaining closed markets – acts as the crux of international stability. If China is indeed a supporter, this rationale influenced Deng Xiaoping to adopt the economic reforms, which has increased Chinese dependence on the global system since 1978 and will bind China's rise to the structure of the international political system.

Understanding the functions of the liberal order may lead one to believe that China will continue its integration into the established international system. John Ikenberry argues that China will accommodate itself to the global system, becoming a supporter of the order established by the United States. First, he claims that “the more institutionalized and encompassing the existing order is, the more difficult it is for a newly rising state to overturn it”.⁴⁷ Bearing this in mind, the US emerged from World War II understanding the importance of

⁴⁷ Ikenberry, 92.

restricting war to allow economic productivity as the key to securing its own interests while meeting the needs of everyone else. The United States gave guarantees to participants in the system through the formation of a variety of multilateral institutions that encompassed political, economic, and military issues. Providing concrete incentives to allies offered an alternative means of security by investing in a globalized order where actors have common interests as opposed to their own national interests. As economic rationale developed, liberalized trade acted as the staple of global security. Commenting on the structure of the global liberal order, Ikenberry writes that the array of multilateral institutions and security pacts in the global liberal order are elements of a political architecture that allows for states within the hegemonic order to do business with each other, reducing surprises while allowing states to build long-term, mutually beneficial relations.⁴⁸ Chinese foreign policy seems to suggest that it has been working within this framework. Since 1978, China has become a member of various regional and multilateral institutions like the World Trade Organization and the Association of South East Nations Plus Three (China, Japan, South Korea). China has also signed legally binding agreements that come with WTO membership, and agreed to the 2002 China-ASEAN Declaration on the Conduct of Parties. Furthermore, China has shown a pattern of participating in constructive diplomatic dialogues with trading partners to manage relations over economic and security matters. All of these efforts suggest continuity in China's integrationist strategy.

As Ikenberry sees it, the institutional depth and scope of the Western order will force China to accommodate the system, regardless of any grievances it may have, even current U.S. dominance. This is because China will not just be facing the hegemon if it tries to overturn the system, but also the numerous "allies" the US has who benefit from the liberal characteristics of

⁴⁸ *Ibid.*, 102.

the order. In contrast to realist views, Ikenberry states, “this larger complex of democracies is not simply an aggregation of GNP and defense spending, but more or less an institutionalized political order”.⁴⁹ The supporter scenario offers an evaluation of China’s ascent to power by considering the nature of the international system, a key element that frames how great powers rise in the present day.

In the aftermath of World War II, the international system has become characterized by democratic principles that act as a check on hegemony. Ikenberry argues that the global liberal “is led by the United States in important respects but in a more profound sense it is an order that has its own features and laws of motion”.⁵⁰ He describes this relationship as the system’s “democratic complex”, which is an alliance of democracies that operate in a way that makes it hard for the lead state, the United States, to pursue a hardline policy against other great powers like China.⁵¹ While the United States is the current hegemon, it is still a democracy that is institutionally bound to other great powers and must restrain itself from asserting its hegemony in ways that contradict democratic principles. Even though the most powerful actors define the rules of international relations, the institutionalization of the liberal system has created boundaries in relation to what the international community deems acceptable behavior. China is not a democracy, but it has accepted Western capitalist principles of exchange, and as a result has institutional ties to both the United States and other democracies that it does business with. The process of Chinese integration is reflected in the two-way economic relationship fostered between the state and international community since becoming a part of the global economy. As a member of the global liberal order, China will be inclined to further bind itself to the status quo

⁴⁹ *Ibid.*, 111.

⁵⁰ *Ibid.*

⁵¹ *Ibid.*, 110.

in order to sustain its benefits.

The supporter scenario notes that “the more institutionalized and encompassing the existing order is, the more difficult it is for a newly rising state to overturn it”.⁵² Given the increasingly intertwined bond between China and international society, the supporter scenario believes that China would be hard-pressed to establish an alternative order or resist conforming to the global liberal order under the United States. A world characterized by the supporter vision accepts the legitimacy of American ideological staples, such as democracy, human rights, and capitalism in international society. The mainstream, Western attitude maintained by the supporter scenario is that China will inevitably become a Western-style country. When it comes to the prospect of democratization during China’s rise in the supporter vision, it is important to consider the democratic complex of the system outlined by Ikenberry. The continuation of the American global liberal order accepts “the notion that democracy is not only a universally valid norm but also one that could be helpful in overcoming many political problems”.⁵³ The plausibility of the supporter scenario manifesting itself is suggested by Chinese scholar Xiaoming Zhang, who concludes that “China has to continue to change itself in order to influence the world in its own way” and “it is not wise for China to challenge those values, such as democracy and human rights, otherwise China is sure to be isolated in the Western dominated international society”.⁵⁴

Evidence that Western values have percolated into Chinese society and will influence the future transformation of the country can be found in Chinese scholarship. Scholars Yu Keping and Yan Jian argue that “democracy is a good thing”, and Yu Xintian asserts her belief that

⁵² *Ibid.*, 92.

⁵³ Schweller and Pu, 64.

⁵⁴ Zhang, 244.

human rights is a “universal value”.⁵⁵ For the more Western liberal-minded defenders of the supporter scenario, the question is not whether China will become a democracy, but rather how that transition will happen.⁵⁶ China may challenge the United States’ hegemony, but this will be a peaceful and diplomatic process that engages the “democratic complex of the system” where China has already accepted globalized Western norms of democracy and economic liberalization.

The Shirker Scenario

The third scenario can be labeled the shirker scenario and identifies how China is unwilling to participate in all aspects of the global liberal order. As the supporter scenario suggests, the rise of China has led to the expectation that the Chinese will take on a more proactive role in the world.⁵⁷ However, a substantial amount of analytical literature on China’s approach to global governance cites a strong disposition towards the principles of noninterference and self-governance.⁵⁸ Fundamental political and cultural divisions between China and the international community cause the country to resist all out acceptance of dominant, Western oriented international norms. Deborah Larson and Alexei Shevchenko point out that “Beijing adheres to traditional norms of sovereignty and nonintervention in other states’ internal affairs”.⁵⁹ Following the Tiananmen Incident of 1989, Xiaoming Zhang notes that governments and civil societies in the West have been pressuring China to liberalize its domestic system in relation to the Western criteria, calling China’s sovereignty into question.⁶⁰ Despite facing greater external pressures, China shows a reluctance to act as a “responsible stakeholder”

⁵⁵ *Ibid.*, 246.

⁵⁶ Schweller and Pu, 64.

⁵⁷ Chih-Yu Shih and Chiung-Chiu Huang. “Preaching Self-Responsibility: the Chinese style of global governance,” *Journal of Contemporary China* 22, no. 80 (2012): 352.

⁵⁸ *Ibid.*

⁵⁹ Deborah Welch Larson and Alexei Shevchenko, “Status Seekers: Chinese and Russian Responses to U.S. Primacy,” *International Security* 34, no. 4 (2010): 84.

⁶⁰ Zhang, 242.

in the global liberal order by resisting prevailing Western norms. The Chinese government “does not subscribe to the prevailing Western norms of individualism, human rights, transparency, democracy promotion, or humanitarian intervention”.⁶¹ In addition, policymakers in China continuously reiterate that foreign policy serves domestic goals of reform and development.⁶² These overlapping observations about China’s strategic approach to the global system create a persuasive platform for the scenario that sees China resisting proclaimed international norms in the Western-centric global order.

China’s priority for domestic concerns allows for some interesting parallels to be drawn on the consistency of Chinese shirking behavior and its foreign policy. There are several citations within the literature that highlight China’s unwillingness to cooperate as a responsible stakeholder. For example, Foot and Walker observe that China has adopted a minimalist approach to climate protection, highlighted by the defensive response of the Chinese to emission restrictions at the Copenhagen Climate Conference in 2009.⁶³ China articulated its stance as a developing country, which prioritizes rapid economic growth over binding international agreements that it sees as an encroachment upon state sovereignty.⁶⁴ Adopting a similar policy approach to its stance on arms control negotiations, China stated it would participate in the fight against international climate change “only *after* the major powers responsible for originally creating these problems have made binding and costly commitments”.⁶⁵ The Chinese approach to issues of international concern acts as evidence that suggests China’s preoccupation with problems within its region and borders will cause it to neglect participating in solving challenges

⁶¹ Larson and Shevchenko, 84.

⁶² Evan S. Medeiros, “Is Beijing Ready for Global Leadership?,” *Current History* 108, no. 719 (2009): 250.

⁶³ Rosemary Foot and Andrew Walter, “Global norms and major state behaviour: The cases of China and the United States,” *European Journal of International Relations* 19, no. 329 (2012): 339.

⁶⁴ Jacques, 211.

⁶⁵ Medeiros, 252-253.

with global dimensions. Maintaining stability and legitimacy in the domestic realm are crucial concerns of the Chinese government, and addressing security challenges related to these matter will always be prioritized over accepting international standards that China does not see as critical to its national interest. Freeriding on the progress of the global liberal order without making the seemingly necessary contributions to maintain its survival will heavily impact the orientation of the global system.

Rising powers are not eager to assume the responsibilities of managing the global system.⁶⁶ By depicting China as a self-concerned actor preoccupied with modernization and domestic issues that will see its interests best met by resisting the burdens of leadership while continuing its participation in the global system, the shirker scenario refutes the logic of power transition theory, which predicts that China will be a spoiler to the current foundation for order. At the same time, the vision of an order presents a second path to China's peaceful rise, different from the rationale that underpins the socialization hypothesis of the supporter scenario, which sees China adopting Westerns norms and becoming a responsible stakeholder. The shirker scenario sees China as an inward looking state that prioritizes the mounting domestic challenges it will face in the future, unconcerned with the maintenance of the global commons as according to the American criterion. The shirker scenario raises the importance of Chinese sovereignty and the question of how the country applies the principle of noninterference to global order.

The spoiler and supporter scenarios cite important findings that shape the contours of the China debate, but are "half blind in ignoring the contingent nature of China's future intentions".⁶⁷ The global system brought about by the shirker scenario is legitimized by a theory

⁶⁶ Schweller and Pu, 265.

⁶⁷ Jeffrey W. Legro, "What China Will Want: The Future Intentions of a Rising Power," *Perspectives on Politics* 5,

that counters core assumptions of the spoiler and supporter scenarios. It “is one more consistent with a power diffusion process of system change than with one based on the transition of power”.⁶⁸ Whereas the challenger scenario interprets coming poles in power capabilities between China and the United States as recipes for war and system reconfiguration, the third scenario where China acts as a shirker acknowledges that the core characteristics of global liberal order can endure without retaining an emphasis on upholding international norms associated with American hegemony. A diffusion of power that results in a transformation of the Western oriented international political system to a negotiated liberal order is likely in a world of rising non-Western actors and changing power relations. This vision challenges both realist fascinations with tales of power transition emphasized by the spoiler scenario as well as the overly optimistic predictions of China as a “gung-ho” promoter of American order based on the supremacy of Western values and Chinese indebtedness to the economic structure of the global liberal order seen in the supporter scenario. The shirker scenario argues that a rising great power like China will act rationally rather than trying to overturn the structure or accept too many obligations under the American model that could divert attention from domestic interests or drain China’s crucial national resources.⁶⁹ China will seek to maximize its gains in the system that its rise is embedded in, where, as Schweller writes, “security is plentiful, territory is devalued, and a robust liberal consensus exists”.⁷⁰

As Sevasti-Eleni Vezirgiannidou suggests, rising powers are different from typical stakeholders in the American-led order. She writes, “they do not share Western values as traditional US allies have done” and “their political and economic systems are not similar to that

no. 3 (2007): 518.

⁶⁸ Schweller and Pu, 64.

⁶⁹ Medeiros, 252.

⁷⁰ Schweller and Pu, 66.

of the US”.⁷¹ China has maintained a successful path to development without fully subscribing to the promulgated principles of the Washington Consensus. China sees “virtue in a strong state, a disciplined society, stable economic growth, and national security over ‘imported’ notions of human rights, democracy, and unregulated markets”.⁷² The third scenario questions the legitimacy of the socialization hypothesis by acknowledging the divergent interests of great powers like China that are less concerned with supporting a system built around American standards. While the supporter scenario predicts that China will adopt proper Western economic liberalization and democratic governance along with allocating its resources towards the well being of the ‘global commons’, the vision of a negotiated order argues that China can maintain its integration into the global liberal order without complying with Western demands.

China will exhibit freeriding behavior, reaping the benefits of the global economy while resisting conforming to international standards enunciated by organizations like the WTO that China see as less crucial than its domestic interests.⁷³ The coming of what Schweller and Pu coin as “nonpolarity” will be influenced by the United States’ reaction to this trend. Frustrated over the costs of sustaining order without the support of rising powers like China, the United States will withdraw from obligations to manage security in the global liberal order that it does not see as crucial to its national interest. Without hegemonic enforcement, global order as constituted by the United States will come to an end, leading to a de-emphasis on cooperation between states to uphold international norms, specifically Western liberal norms that have become the rule of thumb in global society. If order does persist, it will be without a primary organizer.⁷⁴ With this

⁷¹ Vezirgiannidou, 638.

⁷² Gregory Chin and Ramesh Thakur, “Will China Change the Rules of Global Order?,” *The Washington Quarterly* 33, no. 4 (2010): 112.

⁷³ Schweller and Pu, 64-65.

⁷⁴ *Ibid.*

in mind, Chinese refusal of the United States' call for a "G-2" alliance – where China acts as a "co-managing partner on issues such as trade and currency reform, climate change, food safety, peace and stability in East Asia, the proliferation of weapons of mass destruction, and perhaps even the Israeli- Palestinian conflict"⁷⁵ – is a crucial indicator of how China's approach according to the shirker scenario will lead to the deterioration of American world order and the birth of an international political environment characterized by attitudes of *laissez faire* and international strategies being coordinated at the national level.

When looking at arguments within the spoiler and supporter scenarios on their own, each scenario offers significant evidence to justify their theoretical foundations of power transition or socialization, two radically different conclusions. These two scenarios are largely formed by the aggressive and integrative schools of thought that have emerged in the post-2008 era as a response to Chinese policies. As the shirker scenario seems to suggest, the stark dichotomy posited by the spoiler scenario and supporter scenario on China's future role in the world simplifies a complex reality. However, while the shirker scenario identifies how the sacrosanct issue of sovereignty influences China's integration into the global liberal order, its conclusions on nonpolarity are challenged by the evidence of China moving away from principles of noninterference in certain aspects of its policy and cooperating with the international community. China contributes to peacekeeping missions, accept resolutions from the WTO dispute settlement body in areas where its policy has not met international standards, and in 2014 signed an agreement with the United States on limiting global carbon emissions.⁷⁶ This suggests that China's prioritization of national interest does not explicitly call for the country to apply

⁷⁵ *Ibid.*, 66.

⁷⁶ Lenore Taylor, "China and U.S. Make Carbon Pledge," *The Guardian*, November 12, 2014, <http://www.theguardian.com/environment/2014/nov/12/china-and-us-make-carbon-pledge>.

principles of noninterference in every case of its relations with the international system. While the shirker scenario also identifies key themes for assessing China's strategy on the global stage and how the world may move towards a negotiated liberal order, its argument is countered by developments that suggest China's activity may influence a multipolar order, rather than nonpolar order, to develop.

China's Activity in the World Trade Organization and South China Sea

The debate surrounding China's future foreign policy strategy provides this thesis with a foundation for conducting two case studies that focus on China's behavior in the World Trade Organization, Chapter 2, and in the South China Sea, Chapter 3. These two arenas are critical focal points when considering the effect that China's rise will have on global economic and security norms. Chapter 2 and Chapter 3 utilize alternative interpretations of China's behavior in the WTO and SCS to frame the debate on its overall strategy. While the first school of thought emphasizes conflict, the second school of thought emphasizes conflict management. Both schools of thought on China's policy offer relevant evidence for understanding the future trajectory of China's relationship with the international political system, but they need to be interpreted collectively. When taken together, the debate on China's strategy and the role that the country will play in the future raises three important questions. First, as it continues to rise, what approach will China take in its relationship with the international political system? Second, can the challenges to China's relationship with the United States and the international community be resolved to retain status quo stability? Third, if China can accomplish a peaceful rise, will there be a reconfiguration of prevalent norms in the global liberal order? While only time will tell how China's rise will actually manifest itself, conducting case studies on the WTO and SCS may help

to bring about a better understanding of Chinese policy and inform conclusions on its role in the future.

Chapter 2: China and the World Trade Organization

This chapter is about identifying alternative interpretations of China's membership in the World Trade Organization (WTO). There are varying interpretations of China's membership in the WTO that can be sorted into two schools of thought. The goal of this chapter is to analyze China's relationship with the global economic system based on the perspectives of relevant authors and the evidence they use to support both sides of this argument. The first school of thought identifies China's membership in the World Trade Organization as a negative development that threatens to undermine the global economic system upheld by the WTO. The second school of thought addresses the question from a less selective utilization of the evidence against China, considering the realities of the international political system to identify the roots of conflict and examine how tensions are being managed between China and the international community through the WTO.

Singling out China, Susan Aaronson claims that the country "could break the WTO because it fails to enforce its own laws in a transparent, evenhanded manner and is willing to ignore its international commitments to maintain power".⁷⁷ Evaluating China's membership in the WTO and the frequency of disputes filed against the country, Aaronson states that Chinese integration has been characterized by an inadequacy of governance. In a similar evaluation that portrays China's membership in a negative light, Henry Gao concludes that China has evolved from passively accepting WTO rules. An increase in litigation by China in the post-2008 era highlights a strategy of "aggressive" legalism that could "shake" the structure of the WTO.⁷⁸

⁷⁷ Susan Aaronson, "Is China Killing the WTO?," *International Economy: The Magazine of International Economic Policy*, (2010): 41.

⁷⁸ Henry Gao, "Elephant in the Room: Challenges of Integrating China into the WTO System," *Asian Journal of WTO & International Health Law and Policy* 6, no. 1 (2011): 141.

China has filed 11 complaints over the possibility of foreign trade barriers and has been a respondent for similar charges in 31 cases. Since China-Intellectual Property Rights in 2007, China has acted as a respondent in 24 of the 31 cases filed against it. China has also filed 7 of its 11 complaints since initiating an anti-dumping investigation into poultry products from the United States in 2009.⁷⁹ It is important to engage why there is an increasing frequency of litigation being filed and what this trend means. From the perspective of this school of thought, disputes involving China illustrate that the country's role in the WTO could contribute to the deterioration of trading partnerships among member states, undermining the goal of promoting open and free trade enunciated by the World Trade Organization.

On the other side of the debate, authors utilize a different approach than the first school of thought to reach conclusions on China's relationship with the WTO. The second school of thought emphasizes the historic context of disputes involving China and the institutional purpose of the World Trade Organization. In contrast to the first school of thought, Gerald Chan believes that China's entrance into the World Trade Organization is the most peaceful development of the post-Cold War Era.⁸⁰ China's membership signifies a rising power seeing its interests being best met by integrating into the architecture of the global liberal order. The adaptation of China's overall strategy to achieve its objectives within this context demonstrates that it has an interest in maintaining the status quo to continue its economic growth without disrupting the international economic system or seriously confronting trading partners like the United States. Building on this point, legal scholar Kennan J. Castel Fodor notes that the increasing frequency in disputes

⁷⁹ Sven Van Kerckhoven and Adriaan Luyten, "The tale of a Trojan horse or the quest for market access? China and the World Trade Organization," *Revista Brasileira de Política Internacional* 57, no. spe. (2014): 200-04.

⁸⁰ Gerald Chan, *China's Compliance in Global Affairs Volume 4: Trade, Arms Control, Environmental Protection, Human Rights* (Wellington: World Scientific Publishing Co, 2005), 202.

being filed to the WTO dispute settlement body (DSB) highlights an effort by China and the United States to resolve issues in their bilateral trading relationship. Even though there has been an increase in litigation, academic scholars Adriaan Luyten and Sven Van Kerckhoven state that there is little evidence to support the claim that China is disturbing how the World Trade Organization functions.⁸¹ In fact, China's role in the WTO actually allows the organization to serve its intended purpose of managing conflict. In the long term, the utilization of the WTO DSB channels members' divergent interests toward a long-term investment in the international economic system.⁸² From this perspective, historical context is key to explaining the issues before jumping to conclusions about the adequacy of Chinese government adversely affecting other WTO members and disrupting the global economy.

In the present day, measures relating to dumping, protectionism and the implementation of international norms are the key topics in assessing China's relationship with the global economic system. These issues have historically been at the center of China's relationship with the global economy, and since China's entrance into the WTO remain the dominant focal points for authors offering input on China's economic strategy. Historical context is key in analyzing the issues of dumping, protectionism, and implementation of norms to identify what type of behavior China is displaying in its relationship with the WTO. This chapter will introduce the first school of thought's interpretation to identify tensions in China's relationship with the global economic system. Next, the chapter will describe the evolution of China's relationship with the international economic system as a means to conceptualizing the second school of thought. This will provide historical perspective for Aaronson's argument. After doing so, the chapter will examine the issues concerning China and the WTO from the perspective of the second school of

⁸¹ Van Kerckhoven and Luyten, 207.

⁸² Castel-Fodor, 237.

thought. Conducting an evaluation of the subject matter will bring about a better understanding of China's strategy and help to enable conclusions on the nature of its relationship with the WTO. Is China's membership in the WTO a positive or negative development?

Complaints Against China in the World Trade Organization

Ka Zeng notes that trading disputes between China and the international community focus on the Chinese government supporting domestic enterprises through tariffs, subsidies, grants, refunds, and exemptions from taxes that either provide an unfair advantage to Chinese exporters, or restrict foreign market access in China".⁸³ Disputes concerning China's measures imposing anti-dumping and countervailing duties on products from the United States, EU and their trade allies have increasingly been brought before the World Trade Organization dispute settlement body (WTO DSB) in the post-2008 era. Between 2010 and 2012, the United States filed three complaints to the WTO DSB, accusing China of violating anti-dumping and countervailing duty (CVDs) clauses in a number of industries. In Dispute 414, electronic steel from the U.S., and Dispute 427, chicken broiler products from the U.S., the WTO DSB ruled in favor of the United States, finding China to be guilty of imposing import restrictions against U.S. steel and chicken broiler products.⁸⁴ In Dispute 440, involving the same measures in the automobile industry, a similar ruling found China to be in violation of the Anti-Dumping Agreement.⁸⁵ The fact that China was found to be in violation of WTO standards in each case in the post-2008 period provides support for Aaronson's belief that China continues to ignore both

⁸³ Ka Zeng, "China, America and the WTO," *The Diplomat*, February 07, 2013, <http://thediplomat.com/2013/02/china-america-and-the-wto/>.

⁸⁴ *China –Countervailing and Anti-Dumping Duties on Grain Oriented Flat-rolled Electrical Steel from the United States*, World Trade Organization, May 3, 2013, WT/DS414; *China – Anti-Dumping and Countervailing Duty Measures on Broiler Products from the United States*, World Trade Organization, August 2, 2013, WT/DS427.

⁸⁵ *China –Anti-Dumping and Countervailing Duties on Certain Automobiles from the United States*, World Trade Organization, May 23, 2014, WT/DS440

international and local laws pertaining to the international trading system and WTO obligations.⁸⁶

In addition to these three cases, the United States and its allies have also brought two cases to the WTO DSB relating to other protectionist policies enacted by the Chinese government since the Western Financial Crisis. An essential part of receiving admittance to the WTO is negotiating the most favored nation process and removing trade tariffs. Members of the WTO dedicate themselves to upholding these economic reforms when signing the General Agreement on Tariffs/Trade. The GATT Agreement is a critical WTO agreement that holds signatories responsible for enforcing equal and open trade. A critical concern of WTO members is receiving market access into the Chinese economy and receiving the same prices as China's domestic industries. As a WTO signatory, China is responsible for extending national treatment to foreign industries. Skepticism over China's industrial policy and the fact that key sectors of the Chinese industry receive preferential treatment from the government – even though they are competing in a globalized market – has led the United States and its allies to challenge perceived protectionist policies in the Chinese economy using the WTO Dispute Settlement Body.

In 2009, the United States and several of its allies filed Dispute 394 to the WTO DSB, a complaint against China over measures related to the exportation of various raw materials.⁸⁷ A similar case was initiated by the United States, Europe, and Japan in 2012. The second dispute is known as Dispute 431, measures related to the Exportation of Rare Earths.⁸⁸ Raw materials and rare earths are resources critical to a variety of countries' domestic industries. China is the

⁸⁶ Aaronson, 40.

⁸⁷ *China – Measures Related to the Exportation of Various Raw Materials*, World Trade Organization, January 30 2012, WT/DS394.

⁸⁸ *China – Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum*. World Trade Organization, August 7 2014, WT/DS431.

world's largest supplier of rare earths with a 90% share of global production.⁸⁹ These resources fuel industrialized markets around the world. China can drastically affect the global market by restricting the export of these resources. In the disputes, the United States asserted that, without proper justification, China put export restraints on raw materials and rare earths key to both its own energy needs and a multitude of U.S.-made products like wind turbines.

In each dispute filed, China was found guilty of the claims made by the United States and other WTO members. The WTO DSB ruled that China was guilty of enacting policy incompatible with the established legal framework for the international trading system, and stated that China lacked an appropriate justification for its export restrictions. The close spacing of the disputes supports the argument that China is both unwilling to respect the agreements it signed in its Accession Protocol, and favors its own national objectives at the cost of the rest of the world. China was found to be in violation of the GATT 1994 and its WTO obligations and commitment in regards to its export quotas, export duties, and export licensing. Although China cited its conservation policy in imposing the rare earth restrictions, the DSB critiqued China's lack of transparency in not reporting the reasons for, or details of, changes in its export policies. The DSB also denied the legitimacy of China's claim that it was following environmental standards by imposing higher rates on foreign industries, but not its own.

The rare earth dispute was in close proximity to Japan's purchase of the Senkaku/Diaoyu islands in 2012. Ownership of these islands disputed in the East China Sea is a contentious issue in Sino-Japanese relations. The purchase of the islands may have prompted China to take its own unilateral action against Japan, along with the U.S and EU for supporting Japan's position.

⁸⁹ "WTO body confirms: China's export restriction on rare earth and other raw materials illegal," *European Union Press Release Database*, August 7th 2014, http://europa.eu/rapid/press-release_MEMO-14-504_en.htm.

Restricting the import of crucial rare earths to the targeted countries for political reasons negatively affects their domestic industries and contradicts WTO policy. Not only do export restrictions provide a competitive advantage to Chinese domestic industries by forcing foreign industries to buy rare earth at a higher price, but also affect a significant share of trade, employment, and production in targeted countries.⁹⁰ In each case, Chinese policy is indicative of behavior that undermines WTO norms. Export restrictions are in clear violation of the GATT Agreement WTO members are obligated to uphold. Furthermore, the use of export restrictions by the Chinese government is an example of the PRC coupling political issues with economic diplomacy to leverage the U.S., EU, and Japan into complying with its demands. Based on the obligations of WTO members outlined by the GATT Agreement, China's behavior in these instances violates the terms it accepted when joining the WTO.

Questioning China's Domestic Bureaucracy

In Dispute 427, anti-dumping and countervailing duties concerning chicken broiler products, the United States cited evidence of what the first school of thought would call "inadequate governance", targeting the bureaucratic efficiency of the PRC from multiple fronts. In the report submitted to the WTO DSB, the United States claimed "improper dumping and injury determination, improper reliance on the facts available, failure to provide access to relevant information, insufficient explanation of the basis for the determinations, absence of proper analysis of the effects of imports under investigation, and absence of objective determination of causality" on the part of the Chinese government.⁹¹ The United States argued

⁹⁰ *Ibid.*

⁹¹ *op. cit.* note 84.

that China had caused harm to its domestic industry through misinformed calculations in industrial policy and a lack of bureaucratic aptitude to justify its measures.

The performance of the Chinese state in regards to meeting international standards in a variety of disputes has been interpreted by the first school of thought as a disregard for the rule of law that the Chinese agreed to uphold when joining the WTO. As with other disputes filed in recent years, issues pertaining to intellectual property rights serve as a platform for an argument against the compliance of China's domestic institutions in meeting WTO obligations. The intellectual property issue enforces Susan Aaronson's point that China has a "culture of noncompliance", where bad actors set the norm, and China's behavior is inherently contradictory to agreements it signed, due to the fact it refuses to build bureaucratic efficacy.⁹² The first school of thought believes the strategy China has taken thus so far in pursuing its national development undermines the overall structure of the World Trade Organization.

The frequency of disputes within the World Trade Organization targeting China for dumping and enacting protectionist policies illustrates that members of the international community are skeptical of the lengths that China takes to fulfill the obligations of WTO membership. George Bush enunciated the Western perspective in 2002 when stating that China "has the right and responsibility to fashion and enforce the rules of open trade".⁹³ Yet, charges by the United States and claims made by Aaronson suggest the Chinese government has not made an adequate effort to create an effective institutional structure for maintaining the commitments of its WTO membership.

⁹² Aaronson, 41.

⁹³ "Presidents Bush and Jiang Hold News Conference," *CNN News*, February 21, 2002, <http://transcripts.cnn.com/TRANSCRIPTS/0202/21/se.01.html>.

In the 2013 USTR report to Congress, intellectual property rights (IPR) was the first priority issue cited by the U.S on China's WTO compliance.⁹⁴ Given the fact that America is one of the most, if not the most, technologically innovative and advanced economies in the world, it has a keen interest in protecting the assets of a highly specialized economic sector that sets it apart from the rest of the world. Therefore, protection and enforcement of intellectual property rights has evolved into a critical issue in the age of globalization to guard advanced economies against the costs of piracy. While the Chinese leadership claims it has made an effort to address the protection of IPR, pirating continues to grow. In the 1990's, the U.S estimated that pirating losses in China were around 2 billion dollars a year, and foregone sales from IPR theft is seen by the U.S as a critical challenge to the American economy. A study on intellectual property theft in 2009 estimated the United States suffered 48 billion dollars in losses due to IPR infringement in China.⁹⁵ More recent studies have indicated that the US suffers a loss of between 150 billion and 240 billion USD annually in China.⁹⁶ As a result of large-scale intellectual property theft, the Chinese government has come under attack for its ability to implement and enforce the critical international norm of protecting intellectual property rights. In 2007, the United States filed Dispute 362 through the WTO DSB, requesting the WTO begin an investigation into the enforcement and protection of intellectual property rights by the Chinese government. Taken together with other charges filed by WTO members against China, a negative conclusion in Dispute 362 may suggest that China has not made a serious effort to adapt to the standards of the World Trade Organization, supporting the claims of the first school of thought.

⁹⁴ United States Trade Representative, *2013 USTR Report to Congress on China's WTO Compliance* (Washington: Government Printing Office, 2013), 7.

⁹⁵ *Ibid.*

⁹⁶ "US Report Warns on China's Massive Intellectual Property Theft," *The Economic Times*, May 23, 2013, http://articles.economicstimes.indiatimes.com/2013-05-23/news/39475776_1_ip-theft-china-foreign-ip.

The Historic Context of Disputes

Understanding why disputes concerning China are a central focus in the World Trade Organization requires historical context before coming to a conclusion on China's relationship with the global economic system. China's evolution into a major economic player in the international system resulted from an ongoing process of political and economic reform initiated by the Chinese leadership since 1978 to bring the country into accordance with the economic norms of the global liberal order. The normalization of relations between China and the United States' as a result of the Nixon-Mao rapprochement in 1972 set the stage for China's reformation. Prior to rapprochement, the People's Republic of China was isolated from the international community: 1949-1969 in U.S.-China relations is identified as the containment period.⁹⁷ The most crucial aspect of the containment period is the trading embargo the United States and its allies imposed upon China.⁹⁸ The trade embargo barred the Chinese from developing trade relationships with the international community like those of its Asian neighbors. As a result of U.S. economic warfare, China was isolated from the liberal trading structure developing around the United States during the first half of the Cold War. Whereas other Asian countries with Western trading ties began to grow through export-led development, China was the one major country with a domestic economy completely isolated from the international economic system till reforms began in 1978.⁹⁹

Without access to international markets, the Maoist government took an autarkic approach to addressing China's economic problems. The state-planned economic model made

⁹⁷ "U.S.-China Relations Since 1949," *Asia for Educators*, Columbia University, 2009, Accessed April 5, 2015, http://afe.easia.columbia.edu/special/china_1950_us_china.htm.

⁹⁸ *Ibid*; Andrew J. Nathan and Andrew Scobell, *China's Search for Security*, (Columbia University Press, 2012), 11.

⁹⁹ Nathan and Scobell, 11.

initial steps towards industrializing the agrarian based economy, but state orchestrated policies like the Great Leap Forward and Cultural Revolution adversely affected both the country's population and economy. The stagnation of the Chinese economy acted as a barrier to securing Chinese autonomy: China's ability to both develop and defend itself in relation to the rest of the world dwindled as America and its allies' relative power and security grew from the economic success of globalized markets in the liberal order.

Rapprochement in the 1970's extended China an invitation to take a more active role in the order taking shape around the United States. By the end of the Maoist Era, the Chinese leadership faced political and economic crisis.¹⁰⁰ Abandoning an approach of economic self-reliance in an effort to stimulate domestic economic growth and raise the standard of living, the Chinese government took steps to decentralize the economy and established several economic zones to attract foreign investment, increase exports to other countries, and import advanced technology previously inaccessible in China.¹⁰¹ The goal of these reforms was to promote foreign trade and increase the productivity of the Chinese economy by gaining access to the trading architecture of the global economic system established under the liberal order. Above all, the reforms marked the beginning of a commitment by the Chinese leadership to modernizing the Chinese state through the opportunities of international trade. Doing so would require a drastic reconfiguration of China's domestic institutions.

Under Deng Xiaoping, the leadership of the People's Republic of China adopted an integrationist approach to maximize its economic gains in the global liberal order. China reoriented domestic economic and political structures to stress greater conformity with

¹⁰⁰ *Ibid.*

¹⁰¹ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War*, (New York: Rowman & Littlefield Publishers. 2012), 72.

international norms already established by the United States and other market economies. China's reforms culminated in its entrance to the World Trade Organization in 2001. Around the time when the GATT was reformed into the WTO (1993-94), China abolished export subsidies, published trade regulations, unified its foreign exchange value, and initiated progressive tariff reductions. Two stock exchanges were created in Shanghai(1990) and Shenzhen(1991), the legal framework for formal joint ventures was introduced to act as a vehicle for foreign investment, and the Company Law in 1993 began an era of legally defined corporations which stimulated the restructuring of the state sector into a shareholding system.¹⁰² The new development model in Shanghai pioneered by Zhu Rongji combined public investment in infrastructure with reduced transaction costs for private and international investors, demonstrating further conformity to the demands of China's major trading partners in the WTO.¹⁰³ In 1992, China agreed to the Market Access Agreement, giving the United States greater access to Chinese markets and exposing domestic industries to intensified foreign competition.¹⁰⁴ The furthering of the 1978 reforms highlights the decision by China to continue implementing policies of adaptation to the capitalistic norms of the liberalized global economy as it pursued economic reform.

All of these changes were made to meet the requirements of WTO membership.¹⁰⁵

Capitalist countries were specifically concerned about the role of the state in the economy and called for further opening of the Chinese goods and services market.¹⁰⁶ In 1995, the United States gave China a memo listing areas of U.S. concern. Despite widespread Chinese reforms, the memo covered a variety of issues including tariffs, market access, trading rights, investment

¹⁰² Linda Y. Yueh, *China's Growth: The Making of an Economic Superpower* (London: Oxford University Press, 2013), 22.

¹⁰³ Jeremy Paltiel, *The Empire's New Clothes: Cultural Particularism and China's Quest for Global Status* (New York: Palgrave Macmillan, 2007), 177.

¹⁰⁴ Nathan and Scobell, 253.

¹⁰⁵ Paltiel, 173.

¹⁰⁶ Van Kerckhoven and Luyten, 195.

policy, and China's status as a developing country.¹⁰⁷ The aforementioned issues framed the negotiation of concessions China needed to make before becoming a member of the WTO. In order to join the WTO, China would have to address the concerns in its bilateral trade relationship with the United States and other market economies.

Continuing reforms to gain WTO membership was beneficial to the PRC in two ways. First, the WTO is dedicated to promoting trade and removing market barriers. WTO principles such as most favored nation (MFN) status help establish permanent, normal trade relations with other members and remove trade barriers that would make China's economic strategy more effective. Therefore, China continued to employ a strategy that stressed adapting to foreign partners standards as it sought to meet economic interests and gain market access for its exports. Second, WTO membership provides China with a rule-based forum, the DSB, for dealing with an increasing number of bilateral trading problems with its partners.¹⁰⁸ Designation as a non-market economy (NME) and non-membership in the GATT/WTO subjected China to discriminatory measures such as "conditional MFN and discriminatory anti-dumping duties determined through third-country pricing" when dealing with issues in its bilateral trade relationships. This influenced China to accelerate its efforts to join the WTO.

In addition to signing 60 legally binding agreements (like the GATT 1994, and TRIPs) the Chinese agreed to make multiple concessions to gain membership in the World Trade Organization.¹⁰⁹ By the time it joined, China had radically reformed its legal, bureaucratic, and economic structures:

¹⁰⁷ Paltiel, 174.

¹⁰⁸ Castel-Fodor, 218.

¹⁰⁹ Van Kerckhoven and Luyten, 195.

From 1979 to 2000, China adopted hundreds of laws and regulations to govern foreign economic relations. It established special courts and other dispute-resolution mechanisms...foreigner-friendly changes were made in banking, communications, transportation, and so on.¹¹⁰

Following the terms of the Accession Agreement, the Chinese leadership repealed a number of laws inconsistent with WTO standards and accepted the task of now implementing these standards. As a member, China agreed to drastically lower tariff rates, remove a number of nontariff barriers (such as import and export licensing and quotas) to foreign imports, abolish subsidies for producers, allow foreign enterprises market access in sensitive areas, treat domestic and foreign products on the same terms, and improve its protection of intellectual property rights.¹¹¹

Given the trajectory of China's economic growth, market economies feared China's effect on their share of the global economy. To assuage fear of Chinese products dramatically reducing their global market share, China was also forced to agree to the Transitional product-specific safeguard mechanism (TPSSM). The TPSSM allowed WTO members to impose import restrictions on China until December 2013 without meeting the standard set by the WTO Agreement on Safeguards.¹¹² Chan points out that the WTO Agreement on Safeguards allows for import restriction only when a country's industry faces "serious injury"; the TPSSM allows WTO members to discriminate against Chinese products under the pretext of "market disruption".¹¹³ Even so, China had to undergo review each year until 2010 under a Transitional

¹¹⁰ Nathan and Scobell, 245-246.

¹¹¹ Nathan and Scobell, 256

¹¹² Van Kerckhoven and Luyten, 196.

¹¹³ Chan, 214.

Review Mechanism (TRM) to evaluate the country's compliance and implementation of the Accession Agreement.¹¹⁴

Continued designation as a NME and the terms such as TPSSM and TRM attached to China's Accession Agreement provide market economies like the United States with methods for taking action against the Chinese despite WTO membership. However, the Chinese leadership was not completely at the mercy of Western demands when acceding to the WTO. China was not forced to make the transition to a fully Westernized economy before gaining membership in one of the core institutions of the liberal international trading system. Instead, the Chinese economy drew on the strengths of global trade, complementing its national interest in developing the domestic market without compromising the role of the state in accomplishing this task. What emerged from China's accession was a competitive economic model, both state-directed and globally marketized.¹¹⁵

Examining China's WTO Membership from an Alternative Perspective

The literature pinpoints the elements of China's distinct model known as the "Beijing Consensus" that developed out of its integration into the global economy. China's economic model is characterized by five elements that emphasize the role of the state as a mediator in economic affairs. The Beijing Consensus promotes incremental reform rather than full market transition, innovation and experimentation, export-led growth, state capitalism, allocating resources to state-owned enterprises, and authoritarianism.¹¹⁶ As the Beijing Consensus shows,

¹¹⁴ Van Kerckhoven and Luyten, 196; Nathan and Scobell, 256.

¹¹⁵ Nathan and Scobell, 257.

¹¹⁶ John Williamson, "Is the "Beijing Consensus" now dominant?," *Asia Policy*, no.13 (2012), 6-7; Nathan and Scobell, 257; Peter Ferdinand and Jue Wang, "China and the IMF: from mimicry towards pragmatic international institutional pluralism," *International Affairs* 89, no. 4 (2013): 905.

the Chinese government pursues a strategy of passing various measures to manage the effects of globalization on domestic producers and consumers. The Beijing Consensus is distinct from the Western model endorsed by the global liberal order known as the Washington Consensus, which emphasizes a free market approach rather than state planning. Since it is distinct from the liberal norm, the approach of the Beijing Consensus has created a tension between China and critical perspectives from the first school of thought that see its resistance to Westernization as a challenge to the global liberal order. Ka Zeng notes that Washington's focus on Chinese industrial policy and the Chinese government's continued support for domestic industries needs to be viewed against Beijing's continued heavy involvement in the economy.¹¹⁷

The United States has been the main instigator of disputes against China since its admission to the WTO in 2001. The United States Trade Representative claims the reason for bringing 15 cases to the WTO against China – more than twice the number brought against any other member – is to accomplish two goals: to bring about a resolution of the key trade issues in the U.S.-China trade relationship, and to influence the Chinese to act as a fully accountable and mature participant in the WTO trading system.¹¹⁸ However, it is important to remember that the benefits the U.S seeks from its trading relationship with China are an even more fundamental component of American policy towards China in the global economic realm. The USTR reports that a critical goal of American WTO policy, as it has always been, is “to vigorously pursue increased benefits for U.S. businesses, workers, farmers, ranchers and service providers from our trade and economic ties with China...the Administration will use all available tools to achieve

¹¹⁷ Ka Zeng, “China, America and the WTO,” *The Diplomat*, February 07, 2013, <http://thediplomat.com/2013/02/china-america-and-the-wto/>.

¹¹⁸ *2013 USTR Report to Congress on China's WTO Compliance*, 2.

these objectives”.¹¹⁹ Whether it is China or the United States, a country’s national interest is at the heart of its foreign policy approach. That being said, the chapter will now shift to an alternative perspective for assessing China’s WTO membership.

The first school of thought makes sweeping claims which may not be completely unfounded, but they are overly one sided by ignoring the context of the disputes involving China in the WTO. Gerald Chan interprets China’s entrance into the global liberal institution as one of the most peaceful developments of the post-Cold war era. Consideration of Chan’s assertion reveals a view that sees China’s accession as an instance of a rising power seeing its interests best being met by joining the institutionalized global order despite the competitive advantage of status quo actors. China’s membership in the World Trade Organization provides a platform for managing trading issues between status quo actors and the Chinese through the multilateral architecture of the international political system. In regards to the institutionalized framework China is rising into, analysis from the second school of thought on China’s relationship with the WTO seems to be correct. In contrast to the first school of thought, Luyten and Van Kerckhoven concludes there is very little evidence that China is disturbing the function of the WTO.¹²⁰ From this perspective, Aaronson’s remarks seem to be overstated. China is not “breaking” the World Trade Organization, it is utilizing the institution to advance its own interests just like any other country. China’s interests in the area of international trade and investment are increasingly linked to acceptance and promotion of international norms.¹²¹ The disputes show China is doing more to improve its adherence to WTO standards while simultaneously retaining the Beijing

¹¹⁹ *Ibid.*, 13.

¹²⁰ Van Kerckhoven and Luyten, 207.

¹²¹ Paltiel, 170.

Consensus: in the 11 disputes that have been resolved, China has implemented all findings.¹²²

The WTO has provided the United States and China a basis for settling issues in their trading relationship in a constructive manner that allows the United States to leverage the Chinese government into developing its policies in accordance with the framework provided by the organization. These points illustrate the overall peaceful development of China, as a rising power, incorporating behavior that supports the foundation of the global economic system into its strategic interest.

Since the Nixon-Mao rapprochement and the end of the Maoist period, China has undergone a transformation in its market structure to enter into the liberal order established by the United States. While Mao's policy sought to avoid dependence on foreign markets and capital to retain China's sovereignty in the domestic realm, Deng's strategy called for China to draw upon the resources of the outside world by pursuing joint development and stressing conformity with the global economic framework.¹²³ China's transformation from 'Maoism' to 'Dengism' leading up to acceptance of the obligations of WTO membership suggests willingness to participate in the liberal order, and the norms associated with global trade. China's compliance with international norms can be better understood by looking at the disputes where these problems are raised. Taken as a whole, the disputes illustrate specific instances of China's behavior in the context of the global liberal order's strategic environment. An analysis of China's relationship with the WTO examines the underlying dimensions to Aaronson's claims by using specific disputes. The goal is to illustrate that China's membership is not "killing" the World Trade Organization, but actually allowing the WTO to function to its intended purpose.

¹²² Ka Zeng, "High Stakes: US-China Trade Disputes under the World Trade Organization (WTO)," *Asian Journal of Social Science* 41, (2013): 373.

¹²³ Nathan and Scobell, 244.

Aaronson concludes that a “broken China need not destroy the WTO”, but fails to consider the historical progression of China’s relationship into the international community and the roots of present day frictions. While the World Trade Organization is a Western constructed institution, Aaronson’s argument is largely built from a Western perspective and geared around the extent to which China’s WTO membership affects, and should serve, U.S. interests. In doing so, she fails to realize several components of the issue. The purpose of the World Trade Organization is to promote multilateralism and consider the broader interests and strategies of other member states. The WTO DSB provides China with a framework for adapting to the global environment, refining elements of the Beijing Consensus to make sure the economic strategy retains legitimacy in the eyes of China’s trading partners.

Even though China is not supposed to receive full market economy (FME) status until 2016, and Washington constantly attacks Beijing’s trading practices, over 51 countries including many of China’s regional partners such as the Association of Southeast Asian Nations recognize China as a FME despite the hegemonic criterion of the “Washington Consensus”, the dominant economic strategy in the global liberal order.¹²⁴ This suggests that other observers may not perceive China WTO membership in the same way as Aaronson’s school of thought. To the school of thought Gerald Chan falls under, China’s membership in the World Trade Organization is a positive development in the historical process of Chinese integration into the international community.

¹²⁴ David Shambaugh, *China Goes Global*, (New York: Oxford University Press, 2013), Ch. 5; Pan Rui, “United States Should Recognize Reality of China’s Market Economy,” *China-US Focus*, May 1, 2011, <http://www.chinausfocus.com/finance-economy/united-states-should-recognize-reality-of-china%E2%80%99s-market-economy/>.

Aaronson's understanding of China's WTO membership leads her to believe that the international trading system is deteriorating, but Chan's perspective argues that relations between actors in the global economic system are actually progressing in a positive direction due to conflict management being funneled towards the WTO. Not only does the WTO dispute settlement body allow for bilateral disputes to be resolved through third-party arbitration, but it also has guided China's growth and foreign policy into compliance with international norms despite continued discrimination from other WTO members. In areas where tensions persist, the divergent interests of China and status quo actors like the United States are being effectively handled. The WTO DSB serves as an outlet for the U.S and China to deal with trade frictions and actively manage dispute in a way that transcends the "winner-take-all approach" of bilateral trade negotiations by providing third-party mediation to issues framed by the self-interest of individual actors.

Dumping Charges and Discrimination

Chan's understanding of China's WTO membership suggests that issues pertaining to disputes involving China may be more complex than the first school of thought lets on. Why might China enact anti-dumping restrictions against U.S. imports despite WTO rules? Since Chinese trade with the outside world has taken off, trading partners have repeatedly challenged the role of the Chinese state in the market. Chan illustrates the magnitude of the dumping issue in China's bilateral relationships by noting that dumping charges against China have skyrocketed. Before 1979, China's exports accounted for less than \$10 billion and no dumping charges had been levied against the country. Between 1979 and 2005 when Chan's book was published, 33 countries had initiated a total of 544 investigations and taken unilateral action against 4,000

Chinese export products.¹²⁵ China's accession protocol allows members to initiate anti-dumping investigations without strictly comparing domestic prices in China when the Chinese producers under investigation cannot clearly show that market economy conditions prevail in the industry.¹²⁶ This puts the dumping disputes in the post-2008 period in perspective. Utilizing methods condoned by the World Trade Organization, status quo actors in the global liberal order can enact policies against China to protect their economies from Chinese competition and benefit their domestic industries, even though China is a WTO member.

Countries enact dumping investigations against China on the basis that it is exporting its lesser-quality products to foreign markets at a lower price than it costs to manufacture them, providing Chinese products with a competitive advantage over their own products. When taking a moment to reflect upon what dumping a product actually means, one may question why any rational actor would strategically export products at a loss. The reason dumping investigations are frequently filed against China is that state directed capitalism subsidizes part of the costs for crucial domestic industries, much to the dissatisfaction of other market economies. China's non market economy (NME) status and the contours of its Accession (TPSSM) make it easy to file and win dumping disputes against China.¹²⁷ By pairing anti-dumping investigations with countervailing duties charges that target Chinese subsidy programs, the United States and successfully used the WTO DSB to force China to remove market barriers in recent years, such as in Disputes 414 and 427.

Meanwhile, the market economies restrict Chinese products from entering their own markets. In addition to utilizing the framework of the World Trade Organization to target aspects

¹²⁵ Chan, 108.

¹²⁶ Van Kerckhoven and Luyten, 205.

¹²⁷ Van Kerckhoven and Luyten, 196-197.

of the Beijing Consensus, countries conduct investigations and take action against China to “level the playing field”. The reason is that there is a large payoff for a country that accuses China of dumping. Even though China is now entitled to the benefits of WTO membership, the WTO Antidumping Agreement allows members to continue to unilaterally enact policy against China if a country accuses China of dumping products.¹²⁸ Countries can accuse China of illegitimate trading practices without having to verify the legitimacy of their claims to the WTO, so that they can enact safeguards and extract concessions through “import relief measures”, otherwise known as higher tariffs, against products from Chinese industries. For instance, in 2009 the Obama administration enacted safeguards against Chinese tires to restrict their import in response to complaints from the U.S. Steelworkers Union.¹²⁹ The national self-interest of China’s trading partners is part of the reason why the Chinese government is frequently targeted in dumping disputes. China’s utilization of import restrictions in Disputes 414, 427 and 440 against the United States can be explained as a reaction to discriminatory practices against Chinese products that China still faces from foreign markets despite WTO membership. China’s historical and present day role as a scapegoat for dumping charges explains its utilization of the same measures employed by WTO members against Chinese products.

Despite Aaronson’s claims of inadequate governance, China’s has developed its institutional abilities to deal with charges, emphasizing a willingness to conform to international standards. Upon WTO admission, China established the Fair Trade Bureau of Imports and Exports with eight offices and forty staff members. The FTB is a sub-organization of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), the administrative channel

¹²⁸ Bin Jiang and Alexander Ellinger, “Challenges for China—the world’s largest antidumping target,” *Business Horizons* (2003): 25.

¹²⁹ Zeng, 367.

that oversaw the bilateral and multilateral negotiations of the MFN process critical to China's WTO membership. Since Chinese companies are frequently accused of dumping, the FTB serves the purpose of directing those companies' response to dumping charges.¹³⁰ Given MOFTEC's continued engagement with trade issues like dumping over the years, the creation of the Fair Trade Bureau shows the Chinese government's intent to effectively deal with dumping charges and address resulting discriminatory policies filed by trading partners.¹³¹ China's strategic development of domestic institutions demonstrates conformity to international norms, but also shows how doing so can dissuade the global trading community from slighting China's national interest.

Not only does China actively seek to manage the dumping problem on its own accord, but it has followed the recommendations of the WTO dispute settlement body when the international community has challenged its reactive strategy. After both Dispute 414 and Dispute 427, China implemented the DSB resolutions, pointing to compliance with DSB findings and international obligations. In the long run, this suggests that the Beijing Consensus can coexist with the liberal order if China actively continues to implement changes in the domestic realm to meet the standard enunciated by the DSB and adjust protectionist policies. At the same time, China can utilize the WTO DSB to critique members of the WTO that are guilty of similar practices.

Western Protectionism

Evaluating China's role in antidumping measures, countervailing duties, wind power subsidies, along with the raw materials and rare earths disputes, the United States Trade

¹³⁰ Chan, 103.

¹³¹ *Ibid.*

Representative report in 2013 asserted that China's policies "limit market access for imported goods, foreign manufacturers and foreign service suppliers", while offering "substantial government guidance, resources and regulatory support to Chinese industries".¹³² However, the United States has also restricted Chinese market access and provides benefits and a competitive advantage to its own industries by enacting safeguards against Chinese exports, such as in the aforementioned U.S Steel dispute.¹³³ This is a clear illustration of safeguard measures being taken by the U.S. to limit the access of the NME designated China in the American market.

Like the dumping issue, Chinese protectionism should be considered in light of the foreign barriers China often encounters in the international trading arena. The U.S. and EU markets utilize a number of environmental barriers against the Chinese to prevent Chinese products from gaining access to their markets. Chinese exporters must comply with international and foreign environmental standards and regulations to export their products. Yet, China is still developing the capacity of its domestic institutions and Chinese exporters are still acquiring the capabilities to meet international standards.¹³⁴ In the raw materials dispute initiated in 2009, China cited the reason for its export restrictions was to "reduce pollution" and "protect human health" while seeking to moderate the export of exhaustible natural resources.¹³⁵ Chinese rhetoric implies an understanding of established norms in the liberal international system and could even point to a strategy of justifying protectionist policies using the same jargon of "green" language utilized by Western countries. China's justification, to be abiding by international environmental standards, suggests a reactive strategy to deal with barriers it faces in

¹³² 2013 USTR Report to Congress on China's WTO Compliance, 7.

¹³³ Zeng, 367.

¹³⁴ Van Kerckhoven and Luyten, 205.

¹³⁵ *China – Measures Related to the Exportation of Various Raw Materials*, World Trade Organization, January 30, 2012, WT/DS394.

other markets and discriminatory measures it has often been subjected to.

Even though China's restrictions are in part reactive to continued discrimination, it is even more fundamental to consider how national interests frame the behavior of members in multilateral institutions. Like its trading partners, China is trying to strike a balance between economic nationalism and globalism in its approach to the international economy, arguing that other major countries intervene in trade through financial and industrial policies too.¹³⁶ Even if states participate in multilateral institutions, national interest dominates the considerations of actors in the international political-economic system and frames the underlying aims of a country's policy.

Regardless of varying perceptions of China's intentions in the disputes, China's compliance with WTO rulings in the aftermath of each dispute suggests that the country is still integrating within the global economic system while developing the capacity to advance its national interest in the established framework of the global economic system. After the DSB ruled on China-Raw materials, China removed export restraints on several raw material inputs of key interest to the U.S. steel, aluminum and chemicals industries after the United States won a dispute settlement case against China at the WTO.¹³⁷ Furthermore, in 2010 when the United States brought a case to the WTO on China's subsidization of wind power equipment, the PRC ended state subsidies before the DSB Panel was established.¹³⁸ In 2014 when the China-rare earths dispute was settled, China stated that it would implement the recommendations of the DSB in a manner consistent with its WTO obligations.

¹³⁶ Jonathan Holsag, "The Smart Revisionist," *Survival: Global Politics and Strategy* 5, no. 56 (2014): 102-107.

¹³⁷ *2013 USTR Report to Congress on China's WTO Compliance*, 6.

¹³⁸ "China ends wind power subsidies after US challenge," *BBC News*, June 8 2011, <http://www.bbc.com/news/business-13692255>.

Developing an Intellectual Property Rights Regime in China

China's decision to implement WTO rulings in each of the aforementioned disputes suggests that the 2008 disputes are not as severe as Aaronson makes them out to be. In fact, they suggest a more evident trend of China's development and strategy being influenced by international norms. A progressive management of disputes with deep historical roots through the WTO suggests that China is developing its domestic system to stress greater conformity with international norms since joining the organization in 2001. For example, the issue of intellectual property rights has historically been important in the U.S-Sino relationship, and it provides a way of judging the bureaucratic efficacy of the PRC. Since intellectual property rights were considered common property under Mao, China has had to build a legal and bureaucratic structure to support IPR norms from scratch. The Chinese government followed U.S advice by enacting laws and regulations to bring its domestic structure in line with outside standards. However, corruption, an inadequate legal system, and local protectionism generated friction over Chinese efficacy. Despite overall American benefits resulting from Chinese trade, the United States has threatened China multiple times (in 1991, 1994, and 1996) with trade sanctions if it did not pay for the costs of piracy.¹³⁹

In 2007, the United States filed a complaint through the WTO dispute settlement body known as China-Intellectual Property Rights, citing measures by the Chinese that were inconsistent with the guidelines of Trade Related Aspects of Intellectual Property Rights (TRIPS), a key WTO agreement.¹⁴⁰ Signatories must protect a variety of information including "patents, copyrights and trademarks, geographical indications, industrial designs and trade

¹³⁹ Nathan and Scobell 254.

¹⁴⁰ Zeng, 374.

secrets”.¹⁴¹ Agreeing to adopt TRIPS upon accession called for China to develop the proper legal and institutional structures. Furthermore, signing the TRIPS agreement called for the Chinese government to assume the responsibility of confiscating pirated goods and imposing civil and criminal penalties costly enough to deter actors within the Chinese border from committing piracy.¹⁴²

According to the China-IPR summary, the U.S. pursued consultation on the matter based on concerns over the institutional effectiveness of the IPR regime in China. In its complaint, the United States claimed the Chinese criminal system lacked an adequate threshold for enforcing the regulations of intellectual property rights, and the Chinese bureaucracy failed to implement TRIPS obligations regarding the confiscation of goods unauthorized for commercial sale within China.¹⁴³ The conclusions reached by the dispute settlement body were mixed. On the one hand, China was found guilty on issues of copyright protection and in regards to confiscation and disposal of unauthorized goods. However, the DSB noted that the U.S. assertion that China did not have an adequate threshold for handling criminal practices in its domestic system had no basis. Rather than reaching a one-sided conclusion, the dispute settlement body utilized the TRIPS to scrutinize the legality of each American claim. The DSB did not support the U.S. claim that China had not taken measures to establish an adequate threshold for dealing with practices of IPR infringement.¹⁴⁴ While the IPR regime is not as strong in China as the standard set by advanced economies and the WTO, the DSB’s resolution supports the idea that China has taken steps to create institutions for implementing international norms.

¹⁴¹ Blanchard, 269.

¹⁴² *Ibid.*

¹⁴³ Castel-Fodor, 231.

¹⁴⁴ Castel-Fodor, 219.

Contrary to U.S claims, the Department for WTO Affairs and reforms made in the Chinese legal system since engagement began are two illustrations of the Chinese state's active role in creating necessary institutions. Established in 2001, the Department of WTO Affairs is responsible for making sure that China carries out its promises to WTO Agreements on Goods and Services. Although it is a relatively new institution, the Department of WTO Affairs is another sub-organ of MOFTEC. The Department has six offices and 48 staff members dedicated to instituting domestic laws in line with WTO principles.¹⁴⁵ The institution's purpose can be directly applied in the IPR case, but also demonstrates a broader picture of China developing the domestic capabilities to implement international standards.

The Chinese leadership makes an effort to meet the expectations of WTO standards, and the initiation of the dispute illustrates that there is room for long-term improvement. The DSB found China's Copyright Law and Customs Measures to be inconsistent with the TRIPS agreement and recommended that China conform its Copyright Law and Customs Measures to those obligations.¹⁴⁶ China was given 12 months to implement proper domestic changes. According to the report, the Standing Committee of the 11th National People's Congress approved amendments to the Chinese Copyright Law on March 19, 2010, and the State Council adopted a decision to reform the Regulations for Customs Protection of Intellectual Property Rights.¹⁴⁷ Three years after the dispute was initiated, both countries notified the DSB of the Agreed Procedures on April 8 2010.

China has not been challenged on willingness to abide by TRIPS through the WTO since

¹⁴⁵ Chan, 103.

¹⁴⁶ Castel-Fodor, 219; Zeng, 374.

¹⁴⁷ *China – Measures Affecting the Protection and Enforcement of Intellectual Property*, World Trade Organization, January 26, 2009, WT/DS362.

the dispute. The WTO DSB played an active role in resolving a prominent issue in China's bilateral trading relationships. While China is compelled to implement DSB findings, WTO membership also provided China with political protection from the U.S taking unilateral action to resolve the issue. Whereas Chinese reluctance to uphold WTO agreements can be argued in the raw material and rare earth disputes, it looks like China is supporting intellectual property right norms despite American skepticism. This case suggests an increase in China's support for international norms since 2008. As the country modernizes further, the Chinese economy will move beyond the export-led growth model and come to resemble other advanced economies.¹⁴⁸ Innovation in the Chinese economy will make upholding intellectual property norms increasingly important to the country's national interest. A variety of Chinese officials, businesses and academics have engaged in high frequency dialogue with the Global Intellectual Property Center and U.S. intellectual property experts to build an effective legal and regulatory framework for intellectual property rights.¹⁴⁹ All of these signs point to management of trading issues by the Chinese leadership occurring within the context of its WTO membership. In an instance of the WTO functioning effectively, Aaronson's claims of China "breaking" the WTO do not seem to hold up.¹⁵⁰ China has accepted implementing intellectual property rights, and accomplishing this task will require continued engagement by the state. Greater coordination by the central leadership and local governments to address issues such as corruption and bridging the gap between legal and regulatory standards will lead to constructive handling of the challenges related to the international community's expectations.

¹⁴⁸ "An Economic Model for Asia," *New York Times*, October 31, 2014, http://www.nytimes.com/2014/11/01/opinion/an-economic-model-for-asia.html?_r=0.

¹⁴⁹ "Global Intellectual Property Center," Accessed January 14, 2015, <http://www.theglobalipcenter.com/initiatives/international-advocacy/china/>.

¹⁵⁰ Aaronson, 41.

China's Utilization of the Dispute Settlement Body

Authors from the first school of thought see an increase in litigation being filed by China as signs of an aggressive strategy. The second school of thought argues that it signals conflict management. Utilizing the WTO dispute settlement body provides members with a means to compromising issues in bilateral trading relationships through a third-party institution. International norms are developed in multilateral contexts that involve large numbers of countries, and decisions are made by consensus. Third party, international legal bodies like the WTO Dispute Resolution Mechanism enunciate the specific standards of the norm regime in the international trading system.¹⁵¹ Disputes are initiated when a country's domestic industry is negatively affected by the policies of another state, typically as a result of suspected noncompliance with WTO agreements. As the disputes show, utilizing the World Trade Organization can force China to comply with the DSB's findings if it is found guilty and provides a release valve for China's trading partners to vent frustrations.¹⁵² China has also benefitted from membership by gaining a voice in an international institution to defend its interests when Western countries criticize Chinese policies based on their own-self interest and conceptions of how its economic system should work. Because this is the system China is joining, one component of its strategy is reacting to the tendency of the United States and its allies to continuously target the China's economic strategy despite its WTO membership. The importance is that the dynamic is contained by the WTO.

As the chapter shows, China is willing to implement WTO DSB rulings when found guilty. Therefore, it is extreme to state that "China has evolved from a passive 'taker' of the

¹⁵¹ Nathan and Scobell, 189.

¹⁵² Castel-Fodor, 209.

existing rules to a country that will ‘shake’ the rules for its own interests.¹⁵³ China has been in the position of disadvantage since it began integration and has been faced with the task of learning the rules of the “game” in the international arena. There is an institutionalized set of norms China must appear to be in line with when pursuing its national interest. However, China can utilize the WTO DSB to serve and defend its national interest. Just like any other WTO member, China is entitled to utilize the WTO DSB when it perceives the policies of other actors are causing harm to the Chinese economy, despite the fact that the first school of thought interprets China’s dispute initiation as a sign of aggression. While China will follow most of the rules, it will also seek to master the intricacies of the WTO ruling system to protect its interests.¹⁵⁴

China has increasingly resorted to utilizing the WTO as a way of critiquing the United States on its own terms. China has initiated charges only against the United States and EU, and an overwhelming share of the disputes where China is the complainant have involved it charging the U.S. and EU with comparable complaints such as dumping that have been persistent in the trading relationship¹⁵⁵. Recall the Fair Trade Bureau of Imports and Exports. The office is responsible for investigating imports and determining whether anti-dumping, anti-subsidy, or protective measures are applicable to foreign products. After joining the WTO, China is now able to utilize its legal framework to advance a claim at the WTO to determine if trading partners are engaging in dumping practices or if foreign countries are enforcing discriminatory policies on Chinese products inconsistent with WTO obligations. The purpose is ensuring that Chinese companies enjoy fair trade in the global economy despite repeated castigation over industrial

¹⁵³ Gao, 141.

¹⁵⁴ Chan, 212.

¹⁵⁵ Van Kerckhoven and Luyten, 194.

policy from the United States and other market economies. In a joint dispute filed in 2002 on US safeguard measures against the importation of steel products, China and several other countries found the U.S. actions to be inconsistent with its WTO obligations. Other than that, China dealt with most of its disputes bilaterally prior to 2007, but has increased its utilization of the WTO DSB.¹⁵⁶ There are several reasons why this might be.

China joined the World Trade Organization to gain the benefits of partaking in a multilateral institution and seeks to change the rules of the system as much as it seeks to obey them.¹⁵⁷ China's NME status and the various terms of the Accession Protocol are a handicap in many of the disputes. The WTO allows China to press for reform of anti-dumping rules and protectionist policies within the established framework of the global liberal order. One way it can do this is through initiating disputes. The course of behavior by member states influences the evolution of the international norm regimes in the global liberal order. From trade and finance, navigation, dispute resolution, arms control, migration, human rights, climate change and environmentalism to more specialized issues like intellectual property rights, "regimes" encompass the many facets of the international political system.¹⁵⁸ States are diverse and adopt a variety of different strategies to fulfill their national objectives and appease domestic constituencies. There is constant tension between states whose actions point to responsibly abiding by the rules of the regime versus those whose strategy is not seen as consistent with behavioral norms of the liberal status quo. The WTO DSB provides China with a voice within the system to both defend itself and challenge other members.

¹⁵⁶ Zeng, 357.

¹⁵⁷ Chan, 212.

¹⁵⁸ Nathan and Scobell, 189.

One year after joining the WTO Sun Zhenyu stated, “China will build the World Trade Organization into an open, fair, transparent, and rational mechanism”.¹⁵⁹ China is pursuing assertive, rather than aggressive, legalism. Aggressive legalism implies unjustified behavior while assertive legalism acknowledges the established structure and is challenging the United States based on the legality of its policies. China is challenging Western dominance in international institutions, not the structure of the global liberal order. The disputes show China has taken a “tit-for-tat” approach to solving its problems with the United States and EU by identifying their hypocritical behavior.¹⁶⁰ China’s complaints are specifically targeting discriminatory and dumping practices market economy countries are also guilty of committing.¹⁶¹ For instance, China formally requested WTO consultations in 2009 on the issue of Chinese chicken sanitary restrictions in the U.S., which began in 2007. Using the language of multilateralism, China stated that the U.S. violated national treatment clauses and certain sections of WTO sanitary agreements. That same year, China launched anti-dumping investigations into American firms exporting chicken parts unpopular in the U.S. market to China, where they are considered delicacies. China argued this, in turn, adversely affects Chinese poultry farmers and causes injury to its domestic industries.¹⁶² China is using the structure of the World Trade Organization to point out how the United States is guilty of the same practices it accuses China of.

Disputes have risen as China has been gradually increasing its ability to utilize the WTO framework. In addition to developing new domestic institutions to implement WTO standards, China has pursued multiple avenues to learn about the World Trade Organization. Given the fact

¹⁵⁹ Chan, 79.

¹⁶⁰ Van Kerckhoven and Luyten, 205-206.

¹⁶¹ *Ibid.*

¹⁶² Zeng, 367.

that the WTO is an entirely new experience to the Chinese, China has dedicated a number of resources to adapting and learning the structure to utilize it to its interests. China has taken a number of steps in the international and domestic realms.¹⁶³ The PRC established a Division of WTO Law with access to in-house lawyers who have WTO legal experience to advise Chinese strategy. China has also built consulting networks of professionals to build a foundation of expertise. And, to manage disputes at the World Trade Organization, China instituted a WTO Chapter in Geneva.¹⁶⁴ China's investment in institutions geared towards learning about the World Trade Organization points to a long-term interest in managing its relationship with the global economic order. Increased litigation could be a result of "learning" about the WTO structure and developing its capacity to file complaints against the U.S. and EU.

A third angle of the increased litigation issue is that China, like the United States, must consider domestic constituencies when approaching its relationship with the World Trade Organization. Conservative factions in China constantly question the extent to which Deng Xiaoping's reform strategy allows foreign countries to impact Chinese sovereignty. They remain skeptical of the need for China to accept further obligations of the global liberal order by being a member of a Western created, liberal institution like the World Trade Organization. When China joined the WTO, Huang Yasheng argued that membership would bring about foreign encroachment.¹⁶⁵ From critical domestic perspectives, China's NME and aspects of the Accession protocol like the TPSSM restrict China from receiving fair and equal treatment in the Western oriented world and subject China's national decision-making policies to foreign interference. To be sure, these critics are justified in their claims, as the Chinese government has

¹⁶³ Chan, 103.

¹⁶⁴ Castel-Fodor, 226.

¹⁶⁵ Huang, 63.

found the extent to which it can strategically intervene in trade policy limited by WTO Agreements, the Accession Protocol, and the ability of trading partners to utilize the DSB against China. As the increase in disputes in the post-2008 period shows, the leadership can initiate disputes through the WTO DSB in response to scrutiny against China. Doing so helps appease domestic concerns by demonstrating that China can achieve its national interests through the WTO and is not completely at the mercy of Western exploitation when partaking in liberal institutions.

Control over the relationship China has with the outside world is central to foreign policy. Historically speaking, China has prioritized the protection of national sovereignty as its primary foreign policy objective.¹⁶⁶ Another reason China is learning about the WTO is so that it can legally defend the legitimacy of the Beijing Consensus in the international realm so it maintains the role that the state plays in controlling the effects of globalization in China. This is an essential part in appeasing domestic constituencies. The incident at Tiananmen Square in 1989 is a focal point for understanding the role of the state in China's economic strategy in the global liberal order.

A crucial element that informs China's foreign policy is retaining control over internal affairs. Social unrest at Tiananmen in 1989 threatened domestic stability, and riding the tide of globalization reached a crossroads for the Chinese leadership. For the conservative faction within the Party, the incident at Tiananmen Square represented the destabilizing effects of opening the country to foreign influence and was an indicator that opening could lead China's sovereignty to be compromised by the outside world. China must maintain the role of the state in mediating the effects of globalization to appease conservative factions within the Party, but more importantly

¹⁶⁶ Van Kerckhoven and Luyten, 197.

to deal with the concerns of Chinese society as a whole. While an upsurge in liberal thinking had some influence on the Tiananmen incident, the protests were deeply rooted in economic problems. China's adaptation to the global economy led to fluctuations in the domestic market that contributed to the development of social disparity. Workers and peasants in China experienced price inflation and protested the negative impact reforms had on individuals who did not directly benefit from the reforms like Party elites and the business class. In the aftermath of Tiananmen Square, the Asian Financial Crisis in 1997 and the Western Financial Crisis in 2008 the importance of the Chinese government controlling the effects of global economic distortion on its domestic population has been reinforced. To deal with these challenges, it is crucial that the Chinese government continue to refine the Beijing Consensus to retain the legitimacy of its economic model in the domestic realm while also remaining receptive to the international community.

Chapter 3: China and the South China Sea

This chapter is about identifying and engaging the evidence for alternative interpretations of China's foreign policy based on developments in the South China Sea (SCS). Intensified

conflict in the South China Sea raise questions about China's militarization and multilateralism. Observers with varying perspectives on the issue note developments in the South China Sea that can be fit into two competing categories. The dominant outlooks on the nature of the international political system frame the two categories. The first sees the world as being characterized by great power competition. Here, the focus is on negative trends in the South China Sea and aggressive Chinese behavior. The second downplays frictions' likelihood to lead to conflict, emphasizing the stability of the global liberal order's institutional framework. In this outlook, the focus is on understanding elements of Chinese foreign policy and strategic environment. Both categories offer a vision of China's future role in the international system and shed light on the impact China will have on international norms.

China refuses international arbitration on the disputes in the South China Sea, citing longstanding historical claims as a basis for its sovereignty over the South China Sea. However, international law does not recognize China's sovereignty over the SCS due to competing claims by other states. Despite the unresolved nature of the SCS debate, China has been extensively pursuing construction in disputed areas. At the same time, reports state that China apparently is restricting other countries' ships from the area. For the first school of thought, this information suggests China is acting as noncompliant actor within the global liberal order undermining multilateral dispute resolution. As a result of China's suspected challenge to status quo norms, questions have been raised about the strategic objective of China's increasing power projection capabilities in the South China Sea. In 2010, there were supposed reports that a Chinese official made a remark about the South China Sea being a "core interest", implying China will use military force if necessary to enforce its interests over the Association of South East Asian Nations (ASEAN) member states' competing claims. This is inherently contradictory to the

liberal order constructed by the United States. In response to China's allegedly irresponsible behavior, Hilary Clinton expressed the United States' interest in freedom of navigation and willingness to intervene in the dispute. China responded by saying the dispute is not of American concern and that the United States has no say in the South China Sea. Authors that focus on China's unilateral behavior have gone as far as describing China's strategy in the SCS as "a fundamental challenge to the international order the United States has tried to preserve since the end of the Cold War".¹⁶⁷ Observers who see the world as being conflict prone interpret negative trends in China's handling of the dispute to suggest the country's ongoing military modernization is offensively orientated. This segment of the literature emphasizes the potential for military conflict to erupt in the international political system and believes China ultimately seeks the military capabilities to defeat the United States and intimidate actors in the Asian region.

On the other side of the debate, authors utilize a different approach for interpreting China's activity in the South China Sea. These observers deemphasize the confrontational elements of China's foreign policy, raising evidence of China's positive integration into multilateral structures and utilizing formal statements and documents from the PRC. They note developing trends such as the diplomatic ties fostered by joint development and cooperation through diplomatic forums that have strengthened the relationship between China and the international community. Whereas peace and stability through the first perspective is deteriorating as a result of China's increasing presence on the sea, authors from this school of thought put forth evidence to make the argument that disputes are being effectively managed and

¹⁶⁷ Editorial Board, "A Beijing power play in the South China Sea is met with U.S. inaction," *Washington Post*, May 12, 2014, http://www.washingtonpost.com/opinions/a-beijing-power-play-in-the-south-china-sea-is-met-with-us-inaction/2014/05/12/f0602134-d9ef-11e3-b745-87d39690c5c0_story.html.

operate on a presumption that all countries seek to avoid conflict. Similar to the first perspective, this school of thought looks at the world in a certain way. It deemphasizes alarm over events in the South China Sea. Peace and stability is enduring and has actually historically progressed despite claims of China's confrontational behavior. China does not seek to provoke military conflict with the United States or use its military to actively subdue its smaller neighbors. A less malicious interpretation of China's behavior leads these authors to believe the strategic intentions of China's militarization in the South China Sea are limited. These observers state that China's military modernization is defensive and cite China's military integration into the multilateral structure of the global liberal order.

Sorting supporting evidence from multiple authors into categories is one method for analyzing concerns over China's strategy. This chapter will look at China's behavior in the South China Sea from two angles to frame the debate around the character of China's approach to multilateralism and militarization. The chapter will introduce evidence from both schools of thought derived from China's action in the SCS to examine Chinese foreign policy. This method also grounds conclusions based on China's foreign policy approach and future impact on the international political system by synthesizing the information and speculation provided by each of the competing schools of thought. Doing so displays both positive and negative developments in the South China Sea and helps weigh the arguments against each another.

The Importance of the South China Sea

The South China Sea is dotted with small islands, shoals, reefs, and sandbars. The Spratly, Paracel, and Pratas island groupings and Scarborough Shoal are some of the major features focused on in the debate, along with about 400 other minor features. Regional actors

involved in the South China Sea dispute are China (People's Republic of China), the Philippines, Vietnam, Malaysia, Brunei, Indonesia, Taiwan, and Singapore. Since the 1970's all of these states have been involved in ongoing conflict over their competing postures and actions in the South China Sea.¹⁶⁸ China's increased activity in the South China Sea has generated extensive and complicated disputes over the sovereignty of islands, their related territorial waters, and derived exclusive economic zones (EEZ). A country legitimately seen as having jurisdiction over the disputed islands and outcroppings is entitled to exploitation rights of the resources in any given EEZ under prescription from UNCLOS.

The South China Sea is one of the most strategically and economically important bodies of water in the world for three reasons: trade, natural resources, and fishing.¹⁶⁹ Sea-lanes in the South China Sea are heavily used for conducting trade and are crucial to enduring economic prosperity in the liberal order: 5.3 trillion dollars worth of goods passes through the SCS each year.¹⁷⁰ Second, the South China Sea historically has served as fishing grounds to countries in the surrounding area: with modern fishing technology, the sea yields more than 10 million fish per year.¹⁷¹ Most importantly, since countries began exploration of the area in the 1970's, vast reserves of oil and gas are believed to be contained in the seabed of the South China Sea: the US Energy Administration speculates that there is 11 billion dollars worth of oil and 190 trillion cubic feet of natural gas exist in the SCS.¹⁷² Rowan states that the region retains proven oil

¹⁶⁸ Brendan Taylor, "South China Sea is Not a Flashpoint," *Washington Quarterly* 37, no. 1 (2014): 99-111.

¹⁶⁹ Nathan and Scobell, 141; Andreas Zimmerman and Jelena Baulmer, "Navigating Through Narrow Jurisdictional Straits: The Philippines - PRC South China Sea Dispute and UNCLOS," *The Law & Practice of International Courts and Tribunals* 12, no. 3 (2013): 432.

¹⁷⁰ "South China Sea Tensions," *Council on Foreign Relations*. Accessed February 13, 2015, <http://www.cfr.org/china/south-china-sea-tensions/p29790>.

¹⁷¹ Nathan and Scobell, 141.

¹⁷² "U.S. Energy Information Administration," EIA, Accessed January 24, 2015, <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=57&aid=6>.

reserves of seven billion barrels and a production capacity of 2.5 million barrels per day.¹⁷³

Is China Undermining International Norms in the South China Sea?

China has defied arbitration in the South China Sea aimed at peacefully resolving the conflict through the global liberal order's dispute resolution mechanisms.¹⁷⁴ The Philippines and Vietnam have both submitted evidence for their sovereignty claims to the Hague Tribunal this past year, while China states that any ruling by the international court is illegitimate and that it will not participate in the tribunal.¹⁷⁵ China refuses to "internationalize" the dispute, stating that it holds sole sovereignty in the area and that the United Nations Convention on the Law of the Sea has no jurisdiction over territorial claims.¹⁷⁶ A similar example of China's refusal to cooperate with international tribunals was seen in 2009 when Vietnam and Malaysia submitted a joint complaint to the Commission on the Limits of the Continental Shelf, arguing for their sovereignty over the southern part of the South China Sea: China's response was a picture of the nine-dotted line line.¹⁷⁷ Contrary to integrating with multilateral institutional which contribute to peace, the PRC insists any settlement on the South China Sea should be a bilateral rather than through settlement by an international tribunal. China's attitude is that its claim predates United Nations Convention on the Law of the Sea (UNCLOS), which was agreed to in 1982 and came

¹⁷³ Joshua P. Rowan, "The U.S. Japan Security Alliance, ASEAN and the South China Sea Dispute," *Asian Survey* 45, no. 3 (2005): 417.

¹⁷⁴ "China Rejects Arbitration of Disputes in South China Sea," *Bloomberg News*, December 6, 2014, <http://www.bloomberg.com/news/articles/2014-12-07/china-rejects-arbitration-of-disputes-in-south-china-sea>.

¹⁷⁵ Prashanth Parameswaran, "Vietnam Launches Legal Challenge Against China's South China Sea Claims," *The Diplomat*, December 12, 2014, <http://thediplomat.com/2014/12/vietnam-launches-legal-challenge-against-chinas-south-china-sea-claims/>.

¹⁷⁶ Yann-huei Song and Stein Tønnesson, "The Impact of the Law of the Sea Convention on Conflict and Conflict Management in the South China Sea," *Ocean Development & International Law* 44, no. 3 (2013): 257; *Bloomberg News*, *op. cit.* note 174.

¹⁷⁷ Derek Pham, "Gone Rogue?: China's Assertiveness in the South China Sea," *Journal of Politics and Society* 22, no.1 (2011): 154.

into force in 1994, and that it should be adjusted to accommodate historical rights.¹⁷⁸ The first school of thought believes China's unwillingness to compromise on the South China Sea issue will lead it to aggressively assert its position in the area, undermining the framework of the global liberal order. China's defiance of multilateral dispute resolution raises concerns about its commitment to the status quo of the liberal order.¹⁷⁹

Restricting Freedom of Navigation

China's defiant attitude towards solving the South China Sea dispute through multilateral dispute resolution is paired with evidence of provocative behavior. Various reports of Chinese action serve as a platform for believing China ultimately seeks to challenge the framework of the global liberal order in the South China Sea. The 1982 United Nations Convention on the Law of the Sea (UNCLOS) is the core maritime agreement of the global liberal order. As Simon states, international waters are "ostensibly governed by international law", and agreements like UNCLOS provides a framework for actors' conduct in the South China Sea.¹⁸⁰ However, Western media reports and citations from the scholarly literature suggest China has an interest in, and is increasingly capable of, governing the South China Sea on its own terms even though it is a member of UNCLOS.

The official stance of the Chinese government is enumerated in a letter sent to the UN secretary general in 2010. The letter states that China is entitled to a "'Territorial Sea' extending 22 kilometers from the baselines of the Spratly Islands and an EEZ out to 370 kilometers from

¹⁷⁸ Leszek Buszynski, "The South China Sea: Oil, Maritime Claims, and U.S.–China Strategic Rivalry," *The Washington Quarterly* 35, no. 2 (2012): 140.

¹⁷⁹ David Scott, "Conflict Irresolution in the South China Sea," *Asian Survey* 52, no. 6 (2012), 1035.

¹⁸⁰ Sheldon W. Simon, "Conflict and Diplomacy in the South China Sea: The View from Washington," *Asian Survey* 52, no. 6 (2012): 996.

these baselines”.¹⁸¹ The claim is illustrated by the nine-dotted line (NDL), which encompasses 90% of the South China Sea. China has not backed down from the NDL claim despite the interests of ASEAN states and United States concern over freedom of navigation, enduring peace and stability, and multilateral conflict resolution. In doing so, China is undermining several principles of the global liberal order.

The first example of China’s noncompliance with established principles of the global liberal order has to do with freedom of navigation. There are multiple cases of China enacting and/or enforcing policies that restrict the activities of other actors in the region. The People’s Republic of China (PRC) imposed annual fishing bans from 2009-2012 in the waters surrounding the Parcel Islands where other ASEAN states such as Vietnam also claim sovereignty.¹⁸² There is evidence that China is actively seeking to enforce unilateral fishing bans. China has increased maritime patrols and has not been afraid of arresting fishermen from countries like Vietnam with competing claims in the South China Sea.¹⁸³

China’s assertiveness is also seen in the conflict over oil and gas exploration in waters surrounding the disputed islands but also in regions closer to the coasts of Vietnam and the Philippines, although still within China’s NDL. A growing reliance on energy resources to fuel economic growth has been used to explain China’s unilateral aggressiveness in this area of the conflict, even though energy resources are critical to the interest of all countries involved in the South China Sea region. Hong and Jiang note that “China’s thirst for oil is pushing its search and its claims further and further offshore, and in the process it is both rubbing up against its

¹⁸¹ *Ibid.*, 1001.

¹⁸² Scott, 1028.

¹⁸³ Raine, 74; Pham, 149; “China Detains Vietnamese Fisherman in South China Sea,” BBC, February 13, 2015, <http://www.bbc.com/news/world-asia-28168447>.

neighbors and competing with them for the resources of the sea”.¹⁸⁴ In 2011, China expelled an oil exploration vessel under contract with the Philippines’ government from the Reed Bank near the Spratly islands. Later that same year, there were two incidents involving Chinese maritime surveillance ships severing the seismic cables of Vietnamese ships operating in the Cam Ranh Bay. Just a month later it happened again near the coast of Vietnam, which is especially alarming given the fact that this occurred within what UNCLOS defines as Vietnam’s exclusive economic zone.¹⁸⁵

Unilateral Action

Chinese assertiveness is not only cited in how the state restricts freedom of navigation of other SCS actors, but also in its unilateral construction in contested waters that exacerbates tensions with other claimants. China occupies various features in the South China Sea, and in the post-2008 period has been upgrading and expanding its regional deployments. China’s infrastructural activity may be an indicator that the country seeks to build its power projection capabilities in the region to back its claims. There are numerous examples of increased, expansive activity by China in the SCS. China upgraded its facilities on Mischief Reef from “fisherman structures” when first settled in 1995, to improved buildings with suspected military-administrative purposes.¹⁸⁶ Surveillance photos show similar activity by Beijing beyond the Spratly Islands chain, and recent reports state that China has accelerated construction on about 6 disputed areas. For example, Chinese naval ships have been unloading concrete blocks on the

¹⁸⁴ Nong Hong and Wenran Jiang, “China’s Strategic Presence in the Southeast Asian Region,” *Maritime Capacity Building in the Asia Pacific Region*, Australia Department of Defence, (2010), 143; Rowan, 427.

¹⁸⁵ Raine, 75; Song and Tønnesson, 255.

¹⁸⁶ Rowan, 421; Raine, 73, 85.

Scarborough Shoal to supposedly build a landing strip for aircrafts.¹⁸⁷ In some cases, China is using dredging vessels to create artificial landmasses, all with the assumed intent to create barracks, airstrips, and radar sites.¹⁸⁸ China has constructed a naval base on the island of Hainan capable of housing “submarine and surface combatants” including large frigates and destroyers over 1000 nautical miles away from the Chinese mainland.¹⁸⁹ China further bolstered its presence in the South China Sea by establishing local government bodies on Woody Island in 2009.¹⁹⁰ Another author notes that China’s unilateral assertion of its indisputable sovereignty over the SCS and strategy of territorial expansion led China to put a billion dollar oil rig just 130 miles off the coast of Vietnam, challenging both competing claims of its five neighbors over the NDL and U.S. efforts at rebalancing in the region.¹⁹¹

Provoking Conflict

The evidence above suggests China is disregarding liberal order norms by restricting freedom of navigation while pursuing its territorial claims within the nine-dotted line line. One author notes that since 2008, China changed its general approach and is pushing more actively its claims on natural resources, both living and nonliving, in the whole area enclosed by the nine-dotted line.¹⁹² In light of this, several commentators focus on China’s aggressive behavior when enforcing its posture in the SCS and defending its claims. This focus in the debate reveals China

¹⁸⁷ Taylor, 99; Raine, 79; Simon Denyer, “Kerry worried about Asia’s sea disputes, citing moves by China,” *Washington post*, February 17 2014, http://www.washingtonpost.com/world/kerry-worried-about-asias-sea-disputes-citing-moves-by-china/2014/02/17/852b0376-97b3-11e3-ae45-458927ccedb6_story.html.

¹⁸⁸ Edward Wong and Jonathan Ansfield, “To Bolster Its Claims, China Plants Islands in Disputed Waters,” *New York Times*, June 16, 2014, http://www.nytimes.com/2014/06/17/world/asia/spratly-archipelago-china-trying-to-bolster-its-claims-plants-islands-in-disputed-waters.html?_r=1; Keith Johnson, “Reefer Madness: Why is China on a building spree in the South China Sea?,” *Foreign Policy*, February 20, 2015, <http://foreignpolicy.com/2015/02/20/reefer-madness-why-is-china-on-a-building-sprees-in-the-south-china-sea>.

¹⁸⁹ Raine, 73.

¹⁹⁰ Raine, 74.

¹⁹¹ *Washington Post*, *op. cit.*, note. 167.

¹⁹² Song and Tønnesson, 257.

may challenge status quo norms and threaten the relative peace and stability of the liberal order by provoking conflict. A writer for CBS notes that while protecting its claims in the South China Sea in 2013, Beijing rammed and sank a Vietnam fishing vessel in waters Vietnam and the Philippines both claim sovereignty over.¹⁹³ Incidents between China and Indonesia also have occurred. In June 2010, a Chinese maritime surveillance vessel pointed a large-caliber machine gun at an Indonesian craft in the southern part of the South China Sea.¹⁹⁴ In 2011, a Chinese warship instructed Philippine fishing boats to leave the eastern part of the South China Sea immediately and to cease operating in Chinese territory.¹⁹⁵ This antagonistic behavior in all regions of the South China exacerbates the chances of conflict between China and ASEAN states.

China's aggressive activity towards actors in the SCS is not limited to smaller ASEAN states, but has also interfered with naval surveillance by the United States in Asia. The Impeccable incident in March 2009 suggests China is willing to enforce its position in the South China Sea even over American vessels operating in the region. Five Chinese ships surrounded and harassed the US Navy vessel from waters near Hainan Island, claiming it to be in violation of both Chinese domestic, and international, law.¹⁹⁶ Tim Keating, an admiral from the U.S Pacific Command, interpreted the Impeccable incident as a "troubling indicator" that China is not willing to "abide by the acceptable standards of behavior or rules of the world" in reference to freedom of navigation.¹⁹⁷ Smaller incidents could ignite into military conflict between China and its Southeast Asian neighbors and even the United States. In response to Chinese aggression

¹⁹³ Pamela Falk, "Why China is pushing its neighbors' buttons," *CBS News*, November 11, 2014, <http://www.cbsnews.com/news/changing-china-factors-behind-south-china-sea-territorial-dispute>.

¹⁹⁴ Song and Tønnesson, 254-55.

¹⁹⁵ *Ibid.*, 254.

¹⁹⁶ *Ibid.*, 252.

¹⁹⁷ Raine, 71.

in 2009, the US Senate passed a resolution that protested China's "use of force" in the South China Sea, sending a signal from Washington to China about its aggressiveness being at odds with liberal order norms.¹⁹⁸

Chinese Militarization

Citations of Chinese unilateralism and nonconformity in the South China Sea give substantial support for theoretical scenarios concerned with how the PRC's military modernization could negatively affect stability in the international political system. Hysteria arises from commentators who see present day trends in Chinese foreign policy and interpret the rise of China through Mearsheimer's theory of international politics.¹⁹⁹ The keys to China's national security are power projection and a robust military to back assertions and the PRC's primary strategic consideration as it defends its claims in the South China Sea. Authors that operate from this angle view China as a unitary actor maximizing its power and influence in an uncertain world, highlight the growth in Chinese military and naval forces, and point to China's growing reliance on offshore energy resources to fuel its modernization. This evidence demonstrates that China's rise will diverge from liberal order norms in the long run as it pursues its interests.

China's rise may cause friction with the liberal order through its military buildup, which began with military modernization in 1979. Since then, the military capabilities of the People's Liberation Army (PLA) continue expanding. Specifically in the past decade, China has invested heavily in modern military hardware and technology. Beginning in 1989, China's military

¹⁹⁸ *Ibid.*, 75

¹⁹⁹ Mearsheimer, 160.

expenditures have averaged a growth rate of 12.1 percent per year.²⁰⁰ In 2012, China's defense spending was the second largest in the world at \$106 billion, although the United States' budget was much larger at \$671 billion.²⁰¹ This is only a minor detail when considering the military capabilities of status quo actors dwarfed by China's military might. China far outpaces all states acting around the perimeter of the SCS in defense spending: Japan, 51 billion; India, 35 billion; South Korea 24 billion; Vietnam, 2.4 billion—not to mention the other ASEAN states that have just begun militarizing in response to China's overwhelming advantage. Furthermore, there is a consensus stating China deflates its reports on defense spending and hides additional funds for military expenditures in other areas of its budget.²⁰² These observations become even more alarming when accounting for the fact that US dollars buy more in China than they do in America. A calculation using purchasing power parity (PPP) illustrates that the reported \$106 billion spent in China looks more like \$400 billion.²⁰³ This is an alarming amount of spending to status quo actors suspicious of what China intends to use its military and naval forces for.

How does China's interest in having a large military to justify its assertive actions relate to the SCS? China may use its military capabilities to defend claims. An interest in large military forces implies that China may act aggressively and use force to defend its strategic interests.²⁰⁴ This would disrupt peace and stability in the Asian region. A perceived uncertainty of China's military intentions creates hysteria over how it plans to use its military power in the long run. Is it a benign or threatening process? Is it limited or expansive? According to the Pentagon, the

²⁰⁰ Shambaugh, Ch.7.

²⁰¹ Roy, Ch. 4.

²⁰² Shambaugh, Ch.7.

²⁰³ Roy, Ch.4.

²⁰⁴ *Ibid.*

PRC has not made its goals clear and lacks adequate military transparency and a well-defined explanation to the international community of militarization's strategic purpose.²⁰⁵

The United States asserts that a lack of clarity in China's foreign policy goals represents a challenge to the global liberal order. An offensive-minded and expansive Chinese military doctrine, which seeks to establish a Sino-centric world order, is inherently at odds with American hegemony and the global liberal order it constructed. The US Department of Defense best articulates alarm over the nature of China's militarization conforming to Mearsheimer's understanding of global politics.²⁰⁶ The United States claims that the Chinese government has not explained "why they are moving so quickly", "why they need such strong forces", and "how they plan to use these forces".²⁰⁷ Not only is uncertainty a problem for status quo liberal order actors in China's periphery, but also a crucial concern for the United States. Negative trends in the South China Sea debate since 2008 lead authors to ascribe China's territorial expansion and restrictions on multilateralism as evidence of a maritime threat.²⁰⁸ China's naval forces may be developing with the sole aim of threatening U.S. security and interests. Mearsheimer argues that in its bid for regional hegemony, China will have no other way to secure its interests unless it displaces US global leadership.²⁰⁹ Admiral Robert F. Willard thinks China's military development appears designed to challenge America's freedom of action in the Asian region or coerce its neighbors, including U.S. treaty and alliance partners.²¹⁰ China's increasing capabilities could lead it to confront the American hegemon.

²⁰⁵ M. Taylor Fravel, "China's Search for Military Power," *Washington Quarterly* 31, no. 3 (2008): 125.

²⁰⁶ Mearsheimer, 160.

²⁰⁷ Roy, Ch.4.

²⁰⁸ Pham, 156.

²⁰⁹ Mearsheimer, 160.

²¹⁰ Roy, Ch.4

Chinese naval modernization shows signs of challenging the United States' posture in Asia. Since the 1990s, China continues to pursue a strategy known as "anti-access/area-denial" (a2/ad). As a result, China has significantly improved its air and sea capabilities. The Chinese arsenal includes anti-ship ballistic missiles, anti-ship cruise missiles, land-attack cruise missiles, surface-to-air missiles, submarines, destroyers, patrol crafts, and amphibious ships.²¹¹ With this equipment, China can target every air base and port in the Western Pacific, and acquire the ability to sink foreign vessels, from ASEAN ships to U.S. aircraft carriers operating hundreds of miles off its coasts. The People's Liberation Army has also been experimenting with cyber warfare, antisatellite weapons and began expanding its small force of intercontinental nuclear missiles. Another one of China's current projects is developing EMP technology that can disable enemy military systems and hardware operating in the region.²¹² When interpreting this evidence, it seems China is building its own high tech network to "leapfrog" current American capabilities, as the PRC moves to cement regional hegemony.²¹³

The extent of China's militarization is paired with evidence that the country is consistently undermining liberal order norms. The first category creates a picture of a world heading towards conflict and revision. Authors that subscribe to this perspective view China's defiant attitude towards international arbitration, aimed at peacefully resolving the dispute, as a sign that China has an interest in altering the current structure of the global liberal order. China will do so in a confrontational manner using military power to push its assertions and plans on overthrowing the status quo and usurping American hegemonic dominance.

²¹¹ Aaron L. Friedburg, "Bucking Beijing, An Alternative U.S. China Policy," *Foreign Affairs* 91, no. 5 (2012): 53.

²¹² Roy, Ch.4.

²¹³ Michael Yahuda, "China's New Assertiveness in the South China Sea," *Journal of Contemporary China* 22, no. 81 (2013): 452.

Understanding China's Military Modernization

Authors who emphasize negative trends in relations between China and the international community are countered by contrasting news reports and opinions within the scholarly literature. In an article for *Foreign Policy*, Andy Hu instructs his readers to forget all the “gloom and doom”. Hu notes positive developments in 2014 between China and the international community: “China participated for the first time in this year’s U.S.-hosted Rim of the Pacific Drills, the largest international maritime exercise”.²¹⁴ China’s cooperation with the international community suggests that military modernization could contribute to status quo peace and stability. Another shortcoming of the first school of thought is that it overlooks the importance of economic relationships between the countries involved in the dispute. Despite suspected souring relations between China and its neighbors over disputes in the South China Sea (and East China Sea), all 21 APEC (Asia Pacific Economic Cooperation) members endorsed the Free Trade Area of the Asia-Pacific (FTAAP) arrangement over the United States Trans-Pacific Partnership (TPP) proposal, which excluded China.²¹⁵ Long-term economic cooperation between actors provide a foundation towards peaceful resolution of the conflict. Taken together, these two points suggest that China’s relationship with the international community is progressing positively despite citations of concern noted above. Relations with both regional neighbors and the United States seem to be proceeding in a relatively stable fashion. The chapter will now turn towards providing relevant counterpoints to arguments concerned with the nature of China’s militarization and China’s unilateralism in the South China Sea and in the international

²¹⁴ Andy Hu, “A Chinese View of the World’s Most Important Relationship,” *Foreign Policy*, December 30, 2014, http://foreignpolicy.com/2014/12/30/a-chinese-view-of-the-worlds-most-important-relationship/?utm_source=Sailthru&utm_medium=email&utm_term=%2As%20Picks&utm_campaign=2014_sPicksRS12%2F30.

²¹⁵ *Ibid.*

community. The scholarly literature that deemphasizes fears in the South China Sea points to disputes having a minimal effect on regional cooperation and even argues that peace and stability have increased.²¹⁶

The first category states that China's military policy is ambiguous and essentially contributes to why peace in the South China Sea is deteriorating. However, the aforementioned school of thought fails to acknowledge positive trends in Chinese policy. In his analysis of Chinese military strategy, Taylor Fravel notes that sources on China's military doctrine and strategies used to train PLA officers over the past decade have become more available.²¹⁷

Analyzing the historic trend of China's militarization, its purpose, and positive aspects of PLA behavior in the present day reveal how China's military modernization shows that its objectives for the use of military power are more certain than many policy analysts maintain.²¹⁸

Since beginning its military reforms, China has been influenced by global trends it perceived within the international community, as the PRC became a more active global participant in the post-Mao era. Under Mao's autarkic system, China's military had limited capacity beyond its borders. Yet, after a confrontation with Vietnam in 1979, China became aware that its military and naval forces needed to be significantly upgraded. This event led China to begin expanding its military budget beyond ground capabilities. As a result, China has developed the capabilities to conduct military and naval operations crucial to backing its security objectives: regime security, territorial integrity, national unification, maritime security, and

²¹⁶ Mikael Weissmann, "The South China Sea Conflict and Sino-Asean Relations: A Study In Conflict Prevention and Peace Building," *Asian Perspective* 34, no. 3 (2010): 33.

²¹⁷ Fravel, 125.

²¹⁸ *Ibid.*, 126.

regional stability.²¹⁹ China's militarization has strategic, limited purposes that the school of thought prone to push "all-out war" scenarios seems to overlook.

China's increased emphasis on modernizing its military in the 1990's can be explained by its perception of American military power. In 1991, the U.S. deployed military troops in the Persian Gulf War that far outmatched China's capabilities, emphasizing the global role of the U.S. military.²²⁰ China's reaction to American superiority is reflected in its updated military strategy in 1993, when the Chinese leaders revised the PLA's military strategy to be capable of fighting "local wars under modern high technology conditions"²²¹. The Taiwan Strait Crisis in 1995-1996 further emphasized this point when the United States sent aircrafts to support Taiwan after China set off missiles in the Strait. The United States threatened intervention exacerbated Chinese insecurity over the fact that the U.S. could deploy advanced military technology in support of Taiwan. China has labeled Taiwan a core interest that it is not afraid to use military force over. However, the PRC's position is meaningless if the United States can overpower China if the U.S. chooses to intervene. Part of the reason China is increasing its military power is to act as a deterrent of American interference in issues seen as integral to Chinese sovereignty.²²²

In regards to seeking global leadership or seeking to usurp the United States' role as global hegemon, Chinese officials have made statements that stand at odds with Western arguments about its militarization meaning it seeks global leadership. In a 2010 interview for the Wall Street Journal, State Councilor Dai Bingguo told the U.S. audience that "China has never thought of vying for leading position in the world," that China has cooperated with the United

²¹⁹ *Ibid.*, 127.

²²⁰ Fravel, 126; Shambaugh, Ch. 7.

²²¹ Fravel, 126.

²²² Pham, 149-50.

States over various trouble spots, and is a “partner the United States can count on”.²²³ He stated that China was not seeking “hegemony,” that it did not want to “eject the U.S. from Asia,” and that the South China Sea would be resolved by future generations.²²⁴ Unlike the United States, China does not display the same caliber or power-projection capabilities of a global military. China still has a long way to go in developing the capacities of a modern military. PLA buildup doesn’t imply a rejection of cooperation with United States, but only a desire to level the playing field. Two of China’s core purposes for military power are maritime security and regional stability. Increased naval patrols and activity in the South China Sea display China taking a proactive role in maintain its security objectives in the region.²²⁵

Part of China’s reason for modernizing stems from a disadvantage in protecting Chinese sovereignty in worst-case scenarios. The U.S. maintains ties with China’s neighbors and regional competitors, many whom have competing territorial claims with China. The primary issue is Taiwan, whom the U.S. agreed to sell arms to in 2010, despite Beijing’s core interest in national unification and sensitivity on the issue. In addition, the United States retains a dominant regional presence. Washington has enhanced both its military and naval postures in East Asia in the 21st century. 60 percent of U.S submarines are deployed in Asia.²²⁶ In 2006, the U.S government signaled its intention to keep more U.S naval forces in the Pacific than the Atlantic.²²⁷ The United States has moved attack submarines, B-2 bombers, surveillance drones, and ammunition stockpiles to an American military outpost in Guam. It also upgraded relations with South Korea, one of China’s immediate neighbors. During the Bush Administration, the U.S withdrew 40% of

²²³ Buszynski, 150..

²²⁴ *Ibid.*

²²⁵ Roy, Ch.4; Fravel, 135.

²²⁶ Robert Ross, “The Problem With The Pivot,” *Foreign Affairs* 91, no.6 (2012): 76.

²²⁷ Roy, Ch.4.

its troops from South Korea and reduced military exercises between the two countries. This trend has been reversed in light of the Obama administration's Pivot to East Asia announced in 2010, which aims to amplify U.S defense ties with countries throughout the region and increase U.S. naval presence.²²⁸ The U.S and South Korea reached new defense agreements and upgraded American military facilities on the Korean Peninsula. The United States has moved more troops to South Korea and the two countries conduct joint naval exercises with increasing frequency.

In the post-2008 setting, the United States has also increased cooperation with many other actors in China's "backyard". The U.S. expanded its joint naval exercises with Japan, conducted naval exercises with Vietnam for the first time since the Vietnam War, and signed an agreement on defense cooperation with Vietnam in 2011. The United States sells arms to the Philippines and in 2014 made plans to further finance its military modernization.²²⁹ In addition, the United States strengthened ties with Cambodia, and restored defense cooperation with Indonesia and New Zealand, while stationing marines in Australia. Even with budget cuts in 2011 and 2012, the U.S. government has emphasized its strength in Asia.²³⁰

As China's rise prompts its growing activity, the Chinese strategy is framed by a strong U.S presence in the region. Meanwhile, the United States and its developed allies maintain an arms and defense technology embargo that has been in place since 1989. In justifying its defensive military buildup, the Chinese perspective asserts that Washington's activity in Asia is aimed at containing China's rise. It seems the threat China poses to the U.S is an indirect and limited one based on being able to defend China's regional security objectives despite the

²²⁸ Ross, 72.

²²⁹ Simone Orendain, "Phillipies, US Oppose Beijing's Activities in S. China Sea," *Voice of America*, January 21, 2015, <http://www.voanews.com/content/philippines-us-pose-united-front-against-china-activities-in-south-china-sea/2607335.html>.

²³⁰ Ross, 77-8.

dominant capabilities of the United States. The extension of Chinese military operations into the South China Sea is a result of its developing maritime capacities and indicates a defensive strategy.

Framing the Debate That Surrounds the South China Sea

China's noncompliance with freedom of navigation norms and its expansion in the South China Sea raises concern about whether China seeks to unilaterally enforce its "territorial sea" and claim all resources in the region. Yet, in 2012 the Chinese Foreign Ministry stated that "no country, including China, has claimed sovereignty over the entire South China Sea".²³¹ Why then, would China's actions in the South China Sea look to be acting assertively and confronting foreign vessels? Part of the reason is that often times the media reports on the issue selectively. China is not the only state to conduct surveillance and arrests: ASEAN members also get involved in the conflict. Indonesian patrol boats seized two Vietnamese vessels in February 2012. Furthermore, Chinese vessels have also been harassed in the South China Sea. In 2009 Indonesia claimed it caught more than 180 foreign vessels for illegal fishing in their waters. This includes 75 Chinese fishermen arrested by Indonesia in June.²³² China's increased maritime surveillance in the South China Sea is also aimed at protecting its vessels from foreign harassment.

China has been expanding its activities in the South China Sea since it first occupied the Paracel islands in 1976 when it clashed with Vietnam. However, China is not the only actor that occupies features in the South China Sea despite the unsettled nature of the dispute.²³³ For

²³¹ Buszynski, 150.

²³² Buszynski, 144; Pham, 156.

²³³ Simon, 996.

example, Vietnam maintains armed garrisons and military troops on about 22 geographic locations throughout the South China Sea and has also undertaken significant construction activity, building airstrips on a variety of features to assert its claims.²³⁴ In addition, all claimants occupy some part of the Spratly Islands. Unlike China, some claimants already have airfield capabilities on the Spratly islands: Vietnam on Southwest Cay; Taiwan on Taiping island; the Philippines on Pagasa island; and Malaysia on Swallow Reef.²³⁵ Given this information, China's infrastructural expansion, including its Scarborough Shoal activities, in the South China Sea looks like a natural response to its strategic environment and the actions of other claimants in the South China Sea.

One shortcoming of authors who fear China's militarization being aimed at unilaterally securing its energy needs in the SCS is that they fail to acknowledge energy security is not a zero-sum game. China may be pursuing energy claims in the South China Sea, but this does not mean other countries cannot do so too. Hong and Jiang note that multiple countries are involved in joint ventures with oil companies and also maintain energy expeditions in the SCS. Malaysia has gas fields off the coast of Sarawak; the Philippines operate within the Camago and Malampaya fields; Indonesia has the Natuna gas field and a pipeline to Singapore; along with Vietnamese Lan Tay and Lan Do gas fields that are being operated by BP in a joint venture with an Indian oil company and PetroVietnam.²³⁶ And, despite its protest of other countries pursuing natural resource exploration with Western oil companies, China has even shown a willingness to address energy security in a multilateral context. Oil corporations from China, the Philippines,

²³⁴ Rowan, 425.

²³⁵ Peter Symonds, "US intervenes in South China Sea dispute," *World Socialist Web Site*, November 26, 2014, <http://www.wsws.org/en/articles/2014/11/26/scse-n26.html>.

²³⁶ Hong and Jiang, 144.

and Vietnam signed a joint agreement on marine seismic research in the SCS in 2005.²³⁷

Although the agreement was reported to have lapsed in 2008, its proposal points to the potential for joint development between the regional actors to effectively manage the security objectives crucial to their long-term interests in the SCS. Much of the fear from the first school of thought interprets China's energy-related activities in the South China Sea as a sign that it seeks to assert its unilateral control. Instead, the second school of thought states that China's activities are a result of both its capabilities on the international stage and its need to develop energy security increasing simultaneously. Even though the Western media mostly focus on China's development in the SCS, several regional actors steadily maintain energy projects in the area despite the ongoing nature of the dispute.

Multilateralism Downplays Conflict in the South China Sea

The second side of the debate deemphasizes citations of China's questionable behavior in the South China Sea, operating from a stance that sees the Chinese grand strategy still conforming to Deng's policy advice of avoiding conflict and pursuing joint development.²³⁸ Michael Weissmann argues that relative peace and stability in the region has actually increased.²³⁹ This perspective concludes that fears over conflict in the South China Sea stemming from China's actions are overstated and need proper contextualization.²⁴⁰ While some of China's actions may contribute to friction, the importance is that conflicts are being actively managed and have not erupted into military conflict. As a result of the positive trend in China's

²³⁷ Simon, 997; Weissmann, 44.

²³⁸ Raine, 77.

²³⁹ Weissmann, 35.

²⁴⁰ Taylor, 100.

activeness and its use of diplomacy rather than military coercion, conflict in the South China Sea appears capable of being managed through cooperation.²⁴¹

In 2010, Marvin Ott made three points about the geopolitics of the South China Sea. First, China's claims and those of Indonesia, Malaysia, the Philippines, and Brunei have been downplayed as the countries all have put an overwhelming preference on economic growth. Second, China's treatment of Vietnam is the exception to the first point. Third, some of China's actions, like the harassment of the U.S. Impeccable, are "disturbing".²⁴² Utilizing Ott's observation of developments in the South China, the chapter will assess China's behavior on the international stage from a second school of thought.

Economic Interdependence and Regional Diplomacy

Ott's first point is that despite the reports of worsening relations in the South China Sea, economic rationale still forms the foundation for thinking about conflict destabilizing relations between claimants. Several authors note aspects of China's relationship with other claimants that support Ott's first point. Since the turn of the century, China's has adapted a proactive outlook on participating in multilateral forums with countries involved in the South China Sea. This has served as a foundation for preventing conflict over dispute in the SCS.²⁴³ Through an active approach to regional cooperation beginning in the 1990's, China has alleviated the fears of its neighbors, allowing economic ties to grow as a buffer to conflict. Today, China is ASEAN's largest trading partner. The SCS conflict cannot be separated from the overarching Sino-ASEAN

²⁴¹ Taylor, 107.

²⁴² Marvin C. Ott, "Deep Danger: Competing Claims in the South China Sea," *Current History* 110, no. 737 (2011): 236.

²⁴³ David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29, no. 3 (2005): 68-9.

relations. The second way of looking at the international political system emphasizes the historic progression of crisis management and diplomatic cooperation between actors in the South China Sea. In a relatively short period, China moved from passivity and suspicion to proactive engagement in regional regimes and institutions.²⁴⁴ Through this lens, economic interdependence and the embrace of multilateral cooperation between ASEAN states and China over the dispute have deescalated the chances of conflict in the South China Sea. There is a framework towards settling the dispute in the long run and preserving the status quo.

Elite interactions and Sino-ASEAN/East Asian regionalization developed out of the web of diplomatic venues that have helped to mitigate tensions in the South China Sea. The “Managing Potential Conflicts in the South China Sea” workshops, hosted by Indonesia in the early 1990’s, served as a platform for China to assess its relationship in diplomatic venues with other claimants in the South China Sea. China’s experience with the workshops led the country to dramatically reexamine its view of multilateral institutions and served as a stepping stone towards negotiation between the claimants by promoting cooperation, confidence building, and trust among conflicting parties.²⁴⁵ As Song and Tønneson state in an article that evaluates the severity of conflict in the SCS, “the balance has shifted over time toward a stronger regional emphasis on conflict management manifested in the 2002 China-ASEAN Declaration on the Conduct of Parties, which rejected the use of force to resolve disputes in the South China Sea.”²⁴⁶ China has also begun to emphasize coordinating regional security efforts. In the 2003 ARF Inter-Sessional Group and ARF foreign ministers’ meetings, China startled other members by introducing a concept paper that included a wide-ranging set of proposals for increasing regional

²⁴⁴ Shambaugh, 70.

²⁴⁵ Weissmann, 41.

²⁴⁶ Song and Tønneson, 258; Jacques, 352.

military exchanges and establishing an annual security policy conference.²⁴⁷ At the same summit, ASEAN and China signed the Joint Declaration on Strategic Partnership for Peace and Prosperity, which addresses a wide range of political, social, economic, and security issues. And, in 2003, China formally acceded to ASEAN's Treaty of Amity and Cooperation, which formally commits China to enforcing the principles of nonaggression and noninterference. Although the treaty dedicates countries to upholding these two principles, many of the signatories, not just China, are guilty of interfering in the affairs of other actors in the SCS. However, when incidents occur, they appear to be minor and have been managed by the governments of the states involved. Furthermore, tensions in the South China Sea have not become overtly aggressive or disrupted status quo stability. While conflict persists in the post-2008 era, it is being managed through economic interdependence and diplomatic venues to promote the maintenance of normal relations.

Defusing Tension in the Sino-Vietnamese Relationship

Ott also points out that Sino-Vietnamese relations in the South China Sea remain antagonistic, but another crucial aspect of the South China Sea debate is the historic de-escalation of conflict between all actors: including China and Vietnam. Recall China's cable cutting conflict with Vietnam over gas and oil exploration. The pessimistic school of thought would interpret this as evidence that China is provoking conflict, even though China has protested. Yet, Chinese and Vietnamese officials in October 2011 signed a six-point agreement in response to the cable cutting, taking a step towards solving their maritime disputes "on the basis of legislation and principles enshrined in international law, including the United Nations

²⁴⁷ Shambaugh, 87.

Convention on the Law of the Sea signed in 1982”.²⁴⁸ And, even though China insists that it stands firm on its maritime claims, the PRC withdrew the oil rig it had placed near the Vietnamese coast when its development in contested waters was ill-received.²⁴⁹ Historically speaking, tensions in the South China Sea have decreased, and war has become less likely as a result of China’s acceptance of multilateralism and the institutionalization of regional relationships has led to conflict management.²⁵⁰ This is a significant achievement given the fact that violent conflict has been quick to erupt in the past. In 1974, China and Vietnam clashed in military conflict over the Paracel Islands that left over 50 dead when Vietnamese artillery ships fired at Chinese fishing boats and caused retaliation by the PRC.²⁵¹ The two countries clashed again in 1988 over the Spratly Islands in an incident that left over 70 Vietnamese dead.²⁵²

Although persisting present day frictions show how historical tensions over the South China Sea run deep in the Sino-Vietnamese relationship, the two countries have put an increased emphasis on working together to create a basis for conflict prevention since normalizing diplomatic relations in 1991. Elite interactions between China and Vietnam have increased. Party leaders meet once a year to coordinate bilateral exchanges, and military officials also exchange visits. Vietnam’s economic ties with China have also dramatically increased, deemphasizing the likelihood of conflict since bilateral relations began to develop. China has heavily invested in a number of joint ventures with Vietnam, and a recent report from the Vietnam News states that

²⁴⁸ Song and Tønnesson, 255.

²⁴⁹ Simon Denyer, “China withdraws oil rig from waters disputed with Vietnam, but warns it could return,” *Washington Post*, July 16, 2014, http://www.washingtonpost.com/world/china-withdraws-oil-rig-from-waters-disputed-with-vietnam-but-warns-it-could-return/2014/07/16/51f584a0-6128-4cd4-bad0-cb547907be30_story.html.

²⁵⁰ Weissmann, 57-8, 64.

²⁵¹ Taylor, 99.

²⁵² Rowan, 425.

China is Vietnam's largest trading partner.²⁵³ Furthermore, Vietnam is a member of the China-ASEAN Free Trade Agreement that went into effect in 2010 and also part of APEC, which extended the regional FTA in 2014. The China-ASEAN Free Trade Area is a primary example of how the SCS dispute is one of the many aspects of foreign policy that the countries involved need to consider when approaching overarching relations in the region.

Sino-U.S. Cooperation and China's Military Diplomacy

While Ott states that five Chinese vessels' interference with naval surveillance routines by the USNS Impeccable is "disturbing", Strategic and Defense Studies specialist Brendan Taylor reports that good sense prevailed between China and the United States. Senior officials from both countries stated that "such incidents would not become the norm and pledged deeper cooperation to ensure so".²⁵⁴ Successful resolution suggests that there has been cooperation over incidents in recent years that could potentially reduce conflict. The resolution of the Impeccable incident stands at odds with Denny Roy's claim that U.S-China military relations are in poor condition.²⁵⁵ In addition, conflict management undermines the first school of thought's argument that believes China and the United States are heading towards future conflict. Through the perspective of the second school of thought, China's non-confrontational military modernization finds evidence in instances of successful cooperation over minor incidents, Considering how China held U.S air personnel captive for a week in 2001 when extracting an apology from the U.S government over a collision that left a Chinese pilot dead, relations seem to be progressing in a positive direction that will help maintain peace and stability.

²⁵³ "China Tops List of Vietnam Trade Partners," *Vietnam News*, February 24, 2014, <http://vietnamnews.vn/economy/251510/china-tops-list-of-viet-nam-trade-partners.html>; Shambaugh, 81.

²⁵⁴ Ott, 236; Taylor, 107.

²⁵⁵ Roy, Ch.4.

In addition to noting how China's activities in the South China Sea are being managed, the second perspective also cites how Chinese military and naval forces are contributing to regional and international security, rather than threatening stability. Despite the modernization needs of the Chinese military to defend both its traditional and nontraditional interests, defense spending has also been allocated towards supporting multilateral security. In recent years, China emphasizes the importance of its military diplomacy, increasing bilateral and multilateral cooperation with other countries. China conducts a wide range of military exchanges with over 150 nations, ranging from high level dialogues and personnel training to coordinating on nontraditional global security issues like disaster relief. After refusing to participate in joint exercises with foreign militaries and navies for many years, China began to participate in the Gulf of Aden counter piracy operations in 2008. Another aspect of China's military modernization contributing to global security is its participation in United Nations' Peacekeeping Operations. Of all the permanent members on the U.N. Security Council, including the United States, China is the largest contributor towards global peacekeeping efforts.²⁵⁶ The integration of Chinese military forces into the structure of the international political system serves as a way of binding China to the international political system. This perspective shows China's military actively participating in security objectives beyond its sovereign territory and regional seas enhancing, not detracting from, peace and stability. Conflict between China and the United States or other members of the international community seems far off when focusing on a broader picture of China's military strategy.

²⁵⁶ Shambaugh, Ch.7

Chapter 4: Conclusion

The spoiler, supporter, and shirker scenarios identify key possibilities concerning the nature of China's relationship with the international system. Changing power capabilities, the institutional structure of the international political system, and a state's national interest frame the debate on China's present day behavior. As David Shambaugh suggests,

China's growing economic and military power, expanding political influence, distinctive diplomatic voice, and increasing involvement in regional multilateral institutions are key developments in Asian affairs. China's new proactive regional posture is reflected in virtually all policy spheres— economic, diplomatic, and military—and this parallels China's increased activism on the global stage.²⁵⁷

The arguments that the three scenarios offer are important to consider when assessing China's future impact on the world, but it is crucial to outline the assumptions and shortcomings of each scenario before analyzing China's behavior in the World Trade Organization and South China Sea. The spoiler scenario is built upon a foundation that focuses on states' divergent interests and security challenges in the global system. Yet, it does not acknowledge the institutionalization of economic relations between states in the historic evolution of the international political system. The supporter scenario is built upon the foundation of a highly interconnected global order and bases its claims of Chinese conformity on China's economic integration. However, it glazes over the frictions between China and the international community, and assumes China will inevitably become the Western model of a responsible stakeholder. The shirker scenario focuses on China's economic integration and the ways Chinese policy is guided by domestic interests. This scenario cites evidence to explain China's reluctance to play an active part in the global governance structure. However, it does not do a sufficient job engaging China's proactivity on the international stage.

²⁵⁷ Shambaugh, 64.

After conducting case studies on China's activity in the World Trade Organization and in the South China Sea, I conclude that China is willing to accept international norms compatible with its interests, but it also seeks to use its capabilities as a rising power to modify international norms so that they take into account Chinese interests. The rise of China will manifest itself in a way that is most consistent with the supporter scenario. China favors a strategy of integration into the existing international political system while revising aspects of the global liberal order that do not adequately reflect the divergent nature of its goals from Western interests. Even when aspects of China's behavior point towards revisionism, its foreign policy approach is still working within the framework of multilateralism. That being said, China's overall multilateral diplomacy cannot be categorized as fundamentally status quo or revisionist in nature. This framework does not take into account the character of Chinese assertiveness. It is important to note that China's growing assertiveness on the international stage is contained by the multilateral structure of the international political system. In an article on China's diverse multilateralism, Wuthnow, Qi, and Li outline four basic behaviors that can be applied to its economic and security strategy on the international stage. They describe how China's activity materializes through "watching, which is a passive, status quo-oriented posture; engaging, which is an assertive, but still status quo-oriented posture; circumventing, which is revisionist, but relatively unassertive; and shaping, which is both revisionist and assertive in nature".²⁵⁸ In the World Trade Organization, China has moved beyond watching and in recent years taken a more active approach towards utilizing the WTO DSB. China is engaging in some ways and shaping in others. It has even circumvented Western institutions in the international economic system and played a lead role in developing multilateral infrastructure, much like the United States did in the

²⁵⁸ Joel Wuthnow, Xin Li, and Lingling Qi, "Diverse multilateralism: Four strategies in China's multilateral diplomacy," *Journal of Chinese Political Science* 17, no. 3 (2012): 285.

post-World War II era. In the South China Sea, China's strategy reveals elements of engaging, circumventing, and shaping. Even when seeking to revise norms of the global liberal order, China has done this in a relatively non-confrontational way. China's behavior will remain status quo oriented to maintain the economic benefits of its relationships, adapting to norms while taking a more assertive stance on issues central to its domestic policy. China's behavior in the WTO and SCS both suggest status quo oriented behavior. Concerning the WTO, China is working within the multilateral structure of the international trading system to advance its own strategy while accepting norms it sees as compatible with its interests. China's economic model distinctly maintains the role of the state in economic policy while accepting the dominant principles of Western capitalism. While China defends the Beijing Consensus despite pressure from the United States, it has actively implemented WTO DSB resolutions and shown an active approach in developing its domestic institutions and international standards to address issues such as intellectual property theft. In other ways, China's integration into the status quo reflects the reality of the international political system. Like other WTO members, China has been found guilty of enacting protectionist policies that contradict the obligations of membership in the organization. In the South China Sea, China has pursued energy development and increased its activities in the region despite the unresolved nature of the dispute.

The case studies on China's actions in the World Trade Organization and South China Sea reveal that China's integration into the multilateral structure of the international political system has come a long way since Mao's autarkic era. Deng Xiaoping's economic reforms have influenced China to play a more active role in the international community, and doing so has led the country to adapt to international economic and security norms as it will continue to do in the future. However, China's sovereignty is still at the core of its foreign policy approach. While

China's rise is contained by the institutionalized structure of the global liberal order, its growing influence as a great power allows it to defend its national interest on the international stage when pressured by aspects of the Western-oriented global liberal order. China is a status quo actor in regards to maintaining peace and stability within the international political system, but it will influence the global liberal order to evolve into a system that reflects the divergent national interests of its participants. This will not be a confrontational process but will take place within the multilateral and diplomatic structure of the international political system. In the era of China's rise, there is an emphasis on norms of conflict management and maintaining international stability crucial to the domestic interest of all actors involved. While the United States and its allies constructed the global liberal order, China's evolution allows the country to play a major role in challenging aspects of the international political system that privilege Western practices. Integrative aspects of China's foreign policy within the status quo suggest that the outcome offered by the spoiler scenario is unlikely to manifest itself. Furthermore, China's conformity to the emphasis on conflict resolution and its willingness to participate in the multilateral framework of the international political system indicates that the country's rise will be most consistent with the supporter scenario. Still, China will defend its national interests through acceptable standards and "shirk" aspects of the global liberal order that are geared towards Western or American interests. By offering research that considers China's increased participation in the system along with the challenges that exist in its relationship with the global liberal order, I take a stance similar to Gregory Chin and Ramesh Thakur in their argument of China's future role in the system. This scenario is characterized by a "third way of continued internalization by China of select global practices and norms, alongside registering its desire and right to be at the table for rewriting some".²⁵⁹ Globalization, economic interdependence, and the

²⁵⁹ Chin and Thakur, 120.

explicit intention of countries to avoid conflict have changed the nature of great power relationships.²⁶⁰ Conflict management, enduring stability, and the development of a multipolar world characterize the future elements of the international political system.

Analysis of China and the World Trade Organization

In the words of China's 2008 national defense white paper, "the future and destiny of China have been increasingly closely connected with the international community. China cannot develop in isolation from the rest of the world, nor can the world enjoy prosperity and stability without China".²⁶¹ Chinese officials understand that China is dealing with an institutionalized order that cannot be ignored. Its integration into the global economy has created a degree of dependency on the international community. Economic thinking by both China and the United States forms the underlying reason why each country has a core interest in maintaining favorable conditions in the international environment. Ikenberry states that "Chinese economic interests would seem to be most congruent with the existing international order. The global capitalist system is open and loosely institutionalized—and it is a system in which China is currently thriving".²⁶² Unlike the Soviet Union, China's economy is heavily intertwined with the actors of the global liberal order. In addition, WTO rules bar the American government from enacting trade sanctions against China to settle economic (and sometimes noneconomic) disputes on its own terms.²⁶³ In the future, membership in the WTO will be pivotal to China's economic relationship with the international community. WTO rules and institutions offer legal and political protection against future economic discrimination, as the Chinese economy grows and

²⁶⁰ Fingar, 22.

²⁶¹ Medeiros, 251.

²⁶² Ikenberry, 106-07.

²⁶³ Nathan and Scobell, 260.

develops its capabilities to advance its claims in the WTO.²⁶⁴ Even if the WTO dispute settlement body allows the U.S. and the EU to criticize the Beijing Consensus, when China receives full market economy status from the WTO in 2016, the Beijing Consensus will be validated as legitimate economic strategy, despite its divergence from Western norms.

China's strategy may cause friction between actors in the global economy, but on the whole it seems to be in line with supporting the structure of a globalized economic system. When challenging norms on economic strategy within the global liberal order, China has done so within the established framework of the international political system so as to not disrupt status quo stability. With regard to its growing presence in multilateral negotiation mechanisms, China embodies the divergent interests of many countries from those traditional great powers within the system. China – unlike the United States or members of the EU – is a developing country, a non-Western culture, a non-democracy, a victim of colonialism, and a country opposed to intervention in other states' internal affairs.²⁶⁵ It is worth noting that when China pushed for WTO recognition of its market economy status, the country gained accelerated support from friendly states such as Argentina, Brazil, Chile, Peru and Venezuela.²⁶⁶ Given the distinctive character of the Beijing Consensus, China's membership in the World Trade Organization provides an outlet for multilateral negotiation in regards to economic policies acceptable in the global trading system beyond the criteria of the Washington Consensus. China's economic policy of market socialism has provided an attractive model for other developing countries that fear accepting outright capitalism will expose their populace to the pressure of market forces.²⁶⁷

²⁶⁴ Ikenberry, 107.

²⁶⁵ Nathan and Scobell, 190.

²⁶⁶ *Ibid.*

²⁶⁷ Schweller and Pu, 66-67.

The disputes between China and the international community are historically persistent issues resulting from the growth of the overall beneficial economic relationships China has established with its trading partners. Now, these disputes are being funneled into an institution dedicated to resolving trade tensions in the global economic system. China appears to be actively implementing DSB rulings while advancing its own complaints utilizing the DSB against the discriminatory policies it often faces. Since China's reform era began, it has made a variety of concessions to U.S. interests so it could gain the benefits of participating in the global economy, but there is still a continuation of trade frictions targeting China's willingness to liberalize. Bringing disputes to the WTO illustrates a mechanism for the U.S. to engage China on issues it sees as crucial to its interests, like forcing the Chinese economy to liberalize as much as possible before 2016. For example, while China has made drastic reforms in its system, it has not completely accepted the terms of its Accession Protocol. The European Union Press Release Database notes that "China committed itself to refrain from imposing export duties except for 84 specific tariff lines...it still applies export duties on 346 tariff lines, as well as export quota and licensing regimes on many products".²⁶⁸ Rulings in the raw materials and rare earth disputes draw attention to obligations China has not fully signed on to and sets a precedent for future cases brought against China concerning trade barriers. Regardless of its status in the WTO, China is largely still a developing country that may not be able to live up to the standard in international trade.²⁶⁹ While China continues to build its domestic capabilities to meet the standards of its WTO Accession, the Western Financial Crisis has created an international environment where the United States and its trading partners will be especially critical of state intervention that affects their industries. China's hybrid economy plays a critical role in the

²⁶⁸ "WTO body confirms: China's export restriction on rare earth and other raw materials illegal," *European Union Press Release Database*, August 7th 2014, http://europa.eu/rapid/press-release_MEMO-14-504_en.htm.

²⁶⁹ Chan, 102.

disputes and could pose a challenge to WTO jurisprudence in the long run when delivering rulings.²⁷⁰ As a result of the complexity of the issue, increased litigation may threaten to overload the WTO with cases and in turn undermine its ability to issue rulings that China must abide by, but this remains to be seen. China has played a proactive role in settling many of the disputes without waiting for the DSB to. Of the 31 disputes that have been filed against China, 23 have been settled. In 11 of the 23 disputes, China handled complaints bilaterally before the DSB needed to investigate the issue, making the changes necessary to satisfy its trading partners.²⁷¹ China's pattern of bilaterally handling disputes in some instances while implementing DSB findings in others shows that the Chinese government is receptive to the complaints filed against it. In the future, it is likely that China will continue to adapt to international standards when frictions arise in its economic relationships.

Even though the state has historically played a pivotal role in the Chinese economy, and the economies of Japan and South Korea also retain distinctive characteristics when compared to Western economies, the United States consistently challenges the structure of the China's economy while turning a blind eye to other Asian countries.²⁷² Despite the divergent strategies of other Asian economies and historical diminution of the role of the Chinese state in its economy as it has integrated into global capitalist trading structures, the United States remains highly critical of China's strategy. There are three reasons why this problem persists. First, the United States took the lead in establishing liberal institutions and creating the order China is integrating within. As a result, the U.S will criticize practices it believes are inconsistent with the global norms that it has established. Second, the United States has run a trade deficit increasing year by

²⁷⁰ Zeng, 365.

²⁷¹ Van Kerckhoven and Luyten, 204.

²⁷² Jacques, 227.

year since 1971, while China's manufacturing and export industry have steadily grown. Third, the United States' trade imbalance with China became the U.S.'s largest bilateral trade deficit in 2000. Concentrating its trading deficit on China created a fat political target for American domestic constituencies to vent their frustrations on.²⁷³

The divergent nature of the Beijing Consensus and the fact that China is found guilty in many of the disputes filed against it could raise the possibility of a challenge to the liberal norm of markets free from state intervention, but in the post-2008 era even the American government has taken a more active role in the economy. As Chapter 2 reveals, the United States administration also manipulates global market access when imposing green barriers on Chinese products and enacting discriminatory safeguards to support its domestic interests.²⁷⁴ Unlike China, the legal framework established by China's Accession Protocol and WTO agreements condone discriminatory methods that the United States utilizes. As protectionist policies show, democratic-capitalistic societies like the United States also emphasize the role of the state in both foreign and domestic affairs. The renewal of the Patriot Act by the Obama Administration in 2011, continued military operations in the Middle East under the pretext of the war on terror since unilaterally intervening in the region in 2003, and reports of increased surveillance by the National Security Agency are a few illustrations of the American government dealing with its strategic interests in the era of globalization in a similar way to the Chinese government. However, the best example of Washington emphasizing the role of the state is demonstrated by the government-sponsored bailout of banks and crucial sectors to the American economy in the wake of the Western Financial Crisis.

²⁷³ Nathan and Scobell, 252.

²⁷⁴ Van Kerckhoven and Luyten, 206; Zeng, 367

Since the World Trade Organization is a Western liberal institution created by the United States, there is a potential for the WTO to act biased and rule in favor of established Western preferences while slighting Chinese interests. If the WTO appears one sided, then China may become disillusioned and choose to discontinue its participation based on grievances with the organization's legitimacy. This does not seem likely. China is heavily invested in mastering the legal formalities of the WTO. The country has a desire to advance its disputes with foundationally solid legal claims as a way of solving its grievances with other actors in the international trading system. For example, in 2012 and 2014 China challenged the legality of the "double remedy" approach that the United States has taken in recent years of charging China with both anti-dumping restrictions and countervailing duties in the same claim to increase the likelihood the WTO DSB finds China guilty.²⁷⁵ China filed a claim against the "double remedy" approach in 2008, but most of its complaints were rejected on the basis of its non-market economy status.²⁷⁶ However, the DSB ruled in favor of China's complaint filed in 2012 and reversed the decision in the 2008 case after reviewing the legality of the United States' practices.²⁷⁷ Advancing repetitive claims through the WTO suggests China is developing the techniques to effectively handle the problems it faces in its trading relationship. More importantly, the rulings suggest that the WTO will handle disputes in an unbiased manner despite its organizational roots as a Western institution. In a recent complaint, China questioned the methodology the U.S. employs when conducting anti-dumping investigations involving

²⁷⁵ Van Kerckhoven and Luyten, 205; *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, World Trade Organization, August 31, 2012, WT/DS379; *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, World Trade Organization, July 22, 2014, WT/DS449; Zeng, 365.

²⁷⁶ Zeng, 357.

²⁷⁷ *United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China*, World Trade Organization, August 31, 2013, WT/DS379; *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, World Trade Organization, July 22, 2014, WT/DS449.

Chinese products.²⁷⁸ As a result of these developments, it is unlikely that certain tactics the U.S. uses to exploit China's NME status will persist in the future, especially once the WTO grants China FME status. Likewise, it should be expected that China will utilize the DSB to force other WTO members like the United States to remove other discriminatory barriers that will be out of date once China receives FME designation. China's strategy reflects that the country is supporting the multilateral structure of the international system by utilizing the WTO to proactively resolve the challenges in its trading relationship with other WTO members, specifically the United States.

Analysis of China and the South China Sea

In the South China Sea, military tensions have had little effect on the overall diplomatic relations of the countries involved. This is the case even in the Sino-Vietnamese relationship, which allegedly is the most antagonistic relationship among claimants involved in the SCS dispute. Referencing the oil dispute with Vietnam in 2014, Yi Xianliang, deputy director-general of the Department of Boundary and Ocean Affairs of the Foreign Ministry, ruled out the chances of military conflict boiling over in the SCS, stating, "we have never, are not and will never send military forces. Because we are carrying out normal, civilian, commercial activities".²⁷⁹ Even though competing sovereignty claims remain unresolved, actors continue to pursue their distinct interest in the SCS while managing minor incidents to sustain economic relationships. The emphasis in the SCS is on management, not conflict.

²⁷⁸ *United States – Certain Methodologies and Their Application to Anti-Dumping Proceedings Involving China*, World Trade Organization, August 28, 2014, WT/DS471.

²⁷⁹ "China Rebutts Vietnam Charge of it Forcing Territorial Dispute," *China News*, June 13, 2014, <http://www.chinanews.net/index.php/sid/222889437>.

While conflicts in the South China Sea are a major foundation of speculators who foresee the spoiler scenario manifesting itself, China's role as an economic powerhouse in the region downplays the likelihood of disputes in the SCS boiling over to disrupt international stability. Furthermore, China is aware that exacerbating its trading partners' fear over its intentions in the SCS could disrupt its goal of economic development, having an adverse effect on domestic affairs. For these reasons, it is unlikely that the South China Sea will become a flashpoint in the future. Countries have actively managed minor incidents when they have occurred in the region and all express an interest in maintaining status quo peace and stability. Overall, the evidence offered in favor of the supporter scenario discredits fears over Chinese assertiveness in the post-2008 era. While the first school of thought points out how China's increasing power capabilities exacerbate hysteria over negative trends in the SCS, the second school of thought dilutes the likelihood of these events leading China to act as a spoiler. Evidence offered by the second school of thought points to consistency in a strategy where China adopts non-confrontational methods of securing its position in the South China Sea. Furthermore, China is aware of the realities that shape the contours of its policy in the South China Sea.

As political scientist Ning Liao states, "Beijing's positive approach to the regional engagement however does not mean its automatic socialization into the rules and norms of a multilateral regime".²⁸⁰ Like most countries, China will prioritize its national interests over aspects of the global liberal order that hinder its security. China is reluctant to accept the legitimacy of Western oriented policies in the Asian region given the fact that international law does not consider the historical roots of China's claims in the SCS debate. As a result, China has invoked its right to defy arbitration. The reason China refuses to participate in international

²⁸⁰ Liao, 100.

arbitration is that the tribunal may disregard China's historical claims in resolving the dispute, and/or China is concerned that Vietnam and the Philippines will be able to leveraging the Chinese government into accepting a resolution that it does not play a direct role in negotiating. International arbitration runs the risk of undermining the validity of Chinese sovereignty, despite the country's role position as the historically dominant actor in the region prior to the Opium Wars period. A core aspect of China's multilateral approach is informed by this principle. It wants to form a multilateral structure based on respect of sovereignty rather than its disregard.²⁸¹ Referencing claims in the South China Sea, Chinese President Xi Jinping states that "we are strongly committed to safeguarding the country's sovereignty and security, and defending our territorial integrity".²⁸² This quote emphasizes that China will actively defend aspects of its foreign policy that are integral to domestic considerations. In referencing the defense of its sovereignty, China is in line with principles of the global liberal order even though it will not participate in the international tribunal. However, the Chinese government has stated that it will remain receptive to bilaterally negotiating a resolution with other claimants in the region. In 2010, the ASEAN-China Joint Working Group on the Implementation of the DOC took place in both China and Vietnam. Despite the fears of China's increasing assertiveness in the post-2008 era spoiling the status quo, relations between the two seem stable and constructive. While China remains open to compromise, it cannot be doubted that its role as a relatively influential actor in both the regional and international community will give the country priority in any future negotiations. The United States and international actors should acknowledge the logical foundations of China's argument and engage the country in reaching a settlement of the dispute.

²⁸¹ Thammy Evans, "The PRC's Relationship with the ASEAN Regional Forum," *Modern Asian Studies* 37, no.3 (2003): 757.

²⁸² "China's Maritime Disputes," *Council on Foreign Relations*, Accessed February 15th, 2015, http://www.cfr.org/asia-and-pacific/chinas-maritime-disputes/p31345#!/?cid=otr-marketing_use-china_sea_InfoGuide.

Any major resolution will be based in China's satisfaction with the deal on the basis that it will not impede its sovereignty in the region as a developing power with increasing objectives on the global stage.

Even though China is opposed to international arbitration in the SCS, it still demonstrates status quo behavior by avoiding an outbreak of military conflict over sovereignty claims. China and other actors in the region prioritize joint economic development and conflict management. Historically, regional relationships have improved, and the normalization of diplomatic relations between actors has prevented the South China Sea from evolving into a flashpoint. China's militarization is aimed at defending sovereignty, stability and territorial integrity. Chinese military diplomacy is not offensive in nature. Even if it were, the United States and its allies would respond to outright aggression. Neither Southeast Asian states nor the United States will accept a Sino-centric nautical order. Toshi Yoshihara and James Holmes, associate professors of strategy at the U.S. Naval War College, state that if the rise of China manifests itself in this way, competing powers would push back.²⁸³ The United States would no doubt intervene in the South China Sea if China's actions threatened to harm American interests. For economic and security purposes, despite the fact that the U.S. has no direct geopolitical stake in the region, the South China Sea is squarely at the center of U.S. maritime interests.²⁸⁴ The balance of military power between China and the countries of Southeast Asia is clearly shifting in China's favor, but its military is still far outmatched by the United States. In the immediate future, China is far from possessing the necessary capabilities to control the Spratlys, and lacks the technology, military

²⁸³ Toshi Yoshihara and James R. Holmes. "Can China Defend a 'Core Interest' in the South China Sea?," *The Washington Quarterly* 34, no. 2 (2011): 55.

²⁸⁴ *Ibid.*

and power projection capabilities to impose naval hegemony in Southeast Asia.²⁸⁵ A report from the Pentagon in 2011 on the Chinese military illustrates the point that the American military far exceeds the power capabilities of the Chinese military. Less than 30 percent of China's naval surface forces, air forces, and air defense forces and only 55 percent of its submarine fleet could be considered modern. In short, China is unable to challenge U.S. dominance at sea or dramatically alter the balance of power maintained by the United States in the region.²⁸⁶ When China passed a law that required foreign aircraft to identify their movements in the East China Sea to the Chinese government, the United States flew two B-52 bombers through China's newly announced "Air Defense Identification Zone" without informing Beijing in advance. Given the United States' economic and strategic interest in the region, it is by no means fated that China can dictate its terms to weaker neighbors under prevailing circumstances. As Yoshihara states, the United States and its Southeast Asian allies should take care not to hype Chinese intentions or capabilities.²⁸⁷ In the future, status quo stability will persist as both regional and international actors dictate what is and is not acceptable behavior in the South China Sea.

That being said, China's growing influence in the region provides it with the capabilities to defend its sovereignty claims and pursue its energy needs crucial to domestic development. Even though the pivot to East Asia highlights the United States presence in the region, the hegemon seems prepared to accept China's increasing influence in the region. Despite Hilary Clinton's remarks in 2010 that suggested the U.S. would act as a mediator in the dispute based on international law, the US is not a signatory of UNCLOS, and its official policy takes no

²⁸⁵ Hong and Jiang, 147.

²⁸⁶ Ross, 72.

²⁸⁷ Yoshihara and Holmes, 56.

position on competing actors' sovereignty claims in the South China Sea.²⁸⁸ In 2012 when the Philippines challenged China's construction on the Scarborough Shoal, the United States refused to side with the Philippines, despite the mutual defense treaty the two countries share.²⁸⁹ This allows China ample room to maneuver when defining its role in the SCS while at the same time testing the extent of U.S. commitment to the region.

China's Future Relationship with the International Political System

At China's 11th Ambassadorial Conference in July 2009, former Chinese President Hu Jintao addressed hundreds of foreign policy professionals on China's relationship with the international political system. In addition to reiterating themes of peaceful development and abiding by the Five Principles of Peaceful Coexistence (mutual respect for territorial integrity and sovereignty, nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence), Hu emphasized three points for his audience of party officials, diplomats, and practitioners to consider. First, China should increase the role of soft power, that is, the attractiveness of a country's culture, political ideals, and policies, in building its comprehensive national power.²⁹⁰ Second, foreign policy officials should adopt a more active stance in certain areas of foreign affairs. Third, Hu stated the importance of adapting to multilateralism in order to promote Chinese interests.²⁹¹

²⁸⁸ *Ibid.*, 55.

²⁸⁹ Taylor, 106.

²⁹⁰ Joseph S. Nye Jr., *Soft Power: The Means to Success in World Politics* (New York: New York Public Affairs, 2004), x.

²⁹¹ Bonnie S. Glaser and Benjamin Dooley, "China's 11th Ambassadorial Conference signals continuity and change in foreign policy," *China Brief* 9, no. 22 (2009), Accessed via http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=35691&cHash=06026377df#.VPUBo7PF8qd.

These three points reflect the Chinese government's foreign policy in the international political system in the post-2008 era. Hu's speech notes the continued importance of multilateralism to China's foreign policy approach, but he also directed China to adopt a more active approach in select areas of its relationship with the outside world. Furthermore, China's increasing economic influence will co-opt actors into accepting China's policies. Despite growing activism in China's strategy, the Chinese government is aware that its foreign policy approach is framed by American hegemony, and an overall relationship with the United States that, if disrupted, would be harmful to both countries. The institutionalization of Sino-U.S. economic ties has formed a symbiotic relationship between the two countries. Another speech by Hu in 2011 supports this point. Titled "Building a China-U.S. Cooperative Partnership Based on Mutual Respect and Mutual Benefit" and delivered in the United States, the speech first enunciated the broad common interests of each country, from upholding peace and stability to pursuing the development of the Asian-Pacific region and strengthening diplomatic cooperation. Building on these points, Hu continued by stating that the United States and China are different in history, culture, social systems and level of development, and therefore, it is not abnormal for the U.S. and China to have disagreements. Commenting on these disagreements, Hu emphasized that the two countries should respect their distinct interests and handle sensitive issues in a proper manner. China has an interest in managing disputes on equal footing with the United States, rather than being leveraged by American hegemony. Despite disagreement, Hu concluded his speech by asserting that China "does not pose a military threat to any country" and "will never seek hegemony or pursue an expansionist policy."²⁹²

²⁹² "Full text of Hu's speech at welcome luncheon by U.S. friendly organizations," *Xinhua News*, January 1, 2011, http://news.xinhuanet.com/english2010/china/2011-01/21/c_13700418.htm.

Despite a turnover in leadership from Hu Jintao to Xi Jinping in 2013, I argue that there is continuity in the Chinese government's overall strategy to influence the development of a multipolar world while pursuing domestic development. Even though China's capacities as a rising power are increasing, the foundation of Xi's policy approach, like Hu's, is rooted in Deng's strategy for international affairs. In 2012, Xi stated that the world is more interdependent and interconnected, and that there is a trend towards multipolarism and economic globalization. In keeping with this trend, Xi announced that the United States and China are exploring a new type of relationship between major powers based on "win-win cooperation and mutual respect" that will be a "pioneering effort in the history of international relations".²⁹³ While the U.S and China, and the international community more broadly, have shared interests, Xi went on to encourage all countries to "see each other's strategic intentions objectively and rationally, respect each other's interests and concerns, and strengthen coordination and cooperation on regional and international issues".²⁹⁴ Based on this criterion, it should be expected that China will take a firm stance on its strategic considerations while abiding by the same practices it preaches to control and manage differences. All elements of China's strategy stem from prioritizing its long-term development to achieve its security objectives and deal with domestic challenges. Maintaining conditions favorable to economic development is at the core of China's foreign policy approach.

At the Asian Annual Conference for 2015 held at the Baao Forum, Xi outlined the trajectory of China's economic strategy and the security conditions that the country seeks to maintain into the future. These two critical points from President Xi's statement provides a

²⁹³ Xi Jinping, "Work Together to Maintain World Peace and Security," Speech, Opening Ceremony of the World Peace Forum from Embassy of the People's Republic of China in Australia, Sydney, Australia, July 7, 2012.

²⁹⁴ *Ibid.*

means to thinking about China's future relationship with the international political system. As Xi states,

In the coming five years, China will import more than US\$10 trillion of goods, Chinese investment abroad will exceed US\$500 billion, and more than 500 million outbound visits will be made by Chinese tourists. China will stick to its basic state policy of opening up, improve its investment climate, and protect the lawful rights and interests of investors. What China needs most is a harmonious and stable domestic environment and a peaceful and tranquil international environment...turbulence or war runs against the fundamental interests of the Chinese people.²⁹⁵

Xi's equal emphasis on development and security guiding China's foreign policy resonates heavily with the architecture of the international political system described by Ikenberry. In the same speech, Xi's closing remark that "history has taught us no country who has tried to achieve its goals with force ever succeeded" reveals that, from the Chinese perspective, great power politics have advanced beyond the reality proclaimed by the spoiler scenario. A continuation in the strategies of Hu and Xi's highlights that the Chinese government is working within the multilateral structure of the world, reinforcing the evidence from the second school of thought uncovered in the WTO and SCS case studies. Although China will defend the role of the state in mediating China's relationship with the global economy, it will continue to reform its economic structure to meet market standards of the international trading system. And, while Xi Jinping has expressed that China will actively defend its sovereignty in the South China Sea, this reflects a continuation of Hu Jintao's policy advice in 2009 to take a more active stance on some aspects of China's foreign policy. As Liao notes, "The linchpin of Chinese foreign policy making is maintaining the integrity of state sovereignty and non-interference in domestic affairs. Any multilateral principle in China's diplomacy should be subordinate to this rule of thumb".²⁹⁶

²⁹⁵ Xi Jinping, "Towards a Community of Common Destiny and a New Future for Asia," Keynote Speech, Boao Forum for Asia Annual Conference from Boao Forum, Boao, China, March 28, 2015.

²⁹⁶ Liao, 114.

While the assumptions of the supporter scenario are the most relevant for identifying the trajectory of China's rise, this dominant consideration in Chinese foreign policy will also cause aspects of the shirker scenario to manifest itself when China's interests influence it to contradict the legitimacy of select international norms that challenge its strategic approach to the international political system. In describing the interests of countries, Xi quoted the Chinese philosopher, Mencius, in saying that "things are born to be different", but as the Chinese president emphasized to the Obama Administration in 2014, China has a desire to effectively control and manage these differences.²⁹⁷ In response, Obama remarked to the press that, in an effort to narrow their disagreements, Xi has been frank and open in discussing the issues between the two countries.²⁹⁸ The shirker scenario overlooks aspects of conflict management and cooperation on the international stage. Chinese officials express an understanding of the dynamic of international politics, which indicates that the cooperative stability of the supporter scenario is likely to persist in the long term. While the United States will retain its global influence, the age of unipolarity is in decline. Active dispute management between the U.S. and a rising China suggests that, in the future, the divergent interests of major countries will negotiate the international political system.

²⁹⁷ "Remarks by President Obama and President Xi Jinping in Joint Press Conference," Speech, Great Hall of the People, Beijing China, November 12, 2014, <https://www.whitehouse.gov/the-press-office/2014/11/12/remarks-president-obama-and-president-xi-jinping-joint-press-conference>.

²⁹⁸ *Ibid.*

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