

Remapping Asia's Geopolitical Landscape:
China's Rise, U.S. Pivot, and Security Challenges for a Region in Power Transition

Jingdong Yuan
Centre for International Security Studies
University of Sydney

Abstract. Asia is undergoing significant geopolitical transformation. China's rise has both raised expectations and stoked anxiety as the region makes adjustments to the changing power balances, which in turn affect Beijing's foreign policy objectives, priorities, and tactics. At the same time, the U.S. rebalancing toward Asia, along with ongoing territorial disputes between China and a number of claimant states—of which several are U.S. allies—raises the spectre of military conflicts among the region's major powers. How Beijing and Washington manage their differences while making adjustments to Asia's changing geopolitical landscape will greatly affect region's peace and prosperity.

China Rising

China's rise over the past two decades has fundamentally changed the global and regional geo-economic and geo-political landscapes. Since 2008, when the world economy went through serious decline with the onset of the global financial crisis (GFC) and has yet to fully recover, Chinese economy, albeit growing at a much slower rate of between 7 and 7.5% (compared to the phenomenal double-digit growth rate over the previous three decades), has essentially weathered the crisis and come out relatively intact and stronger compared to most major industrialized countries. By 2010, China had overtaken Japan to become the second largest economy in the world. China is also closing the gap between it and the United States. In 2001, China's GDP was under 13% of U.S. GDP; a decade later, it had grown to 50%. This has further narrowed to about 59% in 2014. However, using the purchasing power parity (PPP) formula, China's GDP (\$17.632 trillion) surpassed U.S. GDP (\$17.416 trillion) to become the largest economy in the world.¹

China's economic rise has enabled it to devote more resources into defense modernization and to pursue a more active foreign policy. Over the past two decades, Chinese defense expenditure has sustained double-digit increases. Beijing's diplomatic activism is being felt in global and regional affairs, from climate change to nuclear nonproliferation. Chinese leaders are calling for the construction of a "harmonious world" and proposing "new security concept" for Asia, in competition with traditional power politics and military alliances. On major international issues, Beijing has more than ever before expressed its views, defended its positions, and taken specific actions to safeguard what it considers to be its national interests. This indeed has become a hallmark of the new Xi Jinping administration's foreign policy, marked by its gradual albeit

¹ International Monetary Fund, *World Economic Outlook*, at Knoema, <http://knoema.com/nwnfkne/world-gdp-ranking-2014-data-and-charts>, accessed March 18, 2015.

decisive shift from the heretofore low-profile posture to a more resolute display of where its core national interests are and what it wants to accomplish. While the jury is still out on whether China has already become a global power or remains a partial one, there is no denying that it is affecting the perceptions of other powers, causing major realignments, especially in the Indo-Pacific region, just as it is reevaluating its own interests, objectives, priorities, and policy options.²

China's rise is most acutely felt in the regional context, especially within what is now called the Indo-Pacific. Three parallel developments have marked the dramatic geo-political and geo-economic transformations taking place in this part of the world. First, China's rise has been facilitated by, and is further deepening, its close economic ties (one may also use the term, economic interdependence) with almost all the major countries and economies in the region. In fact, China has now become the number one trading partner of most of them. Investments, both inflows and outflows, are also registering rapid growth. For many countries and economies, China has become the engine of growth, leading the regional recovery. Beijing's launch of a new \$50-billion Asian Infrastructure Investment Bank is another indication of its economic magnet, which has already some of U.S. allies to defy Washington's warning to join.³ Second, while the region is getting closer to China economically, many countries become anxious and deeply worried about China's growing military power and a more assertive foreign policy, in particular in its handling of territorial disputes over the past few years. Some are actively seeking U.S. reassurance in alliance commitments; others are agonizing over the prospect of having to choose between Beijing and Washington should the two great powers get into serious conflicts.⁴ As a result, the region is witnessing continued increases in defense spending, especially in the maritime domain to build up naval capabilities.⁵ Third, its disavowal notwithstanding, the Obama administration's "pivot" or rebalancing to Asia clearly has been driven by the concern over the rise of China and the need to regain the initiative and leadership in the region, partly to assure allies and friends, but principally to keep U.S. primacy in a region of growing strategic salience to the reigning superpower.⁶ While Beijing and Washington have engaged in multiple channels of dialogue and consultation, and the two countries also share important common

² On these points, see David Shambaugh, *China Goes Global: the Partial Power* (New York: Oxford University Press, 2013); Geoff Dyer, *The Contest of the Century: the New Era of Competition with China—and How America Can Win* (New York: Knopf, 2014); Jonathan Fenby, *Will China Dominate the 21st Century?* (Cambridge: Polity, 2014); John Mearsheimer, "Can China Rise Peacefully?" *The National Interest*, April 8, 2014, <http://nationalinterest.org/commentary/can-china-rise-peacefully-10204>.

³ Dilip K. Das, *China and the Asian Economies: Interactive Dynamics, Synergy and Symbiotic Growth: Interactive Dynamics, Synergy and Symbiotic Growth* (London and New York: Routledge, 2014); Gideon Rachman, "China's Money Magnet Pulls in US Allies," *Financial Times*, March 16, 2015.

⁴ See, for instance, Robert Kaplan, *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* (New York: Random House, 2014); Hugh White, *The China Choice: Why America Should Share Power* (Sydney: Black, Inc., 2012); Joseph S. Nye, Jr., "Our Pacific Predicament," *The American Interest* (March/April 2013), pp. 33-40; Nick Bisley, "Biding and Hiding No Longer: A More Assertive China Rattles the Region," *Global Asia* 6:4 (Winter 2011), pp. 62-73.

⁵ International Institute for Strategic Studies, *The Military Balance 2015* (London: Routledge for IISS, 2015), pp. 207-227.

⁶ Jeffrey A. Bader, *Obama and China's Rise: An Insider's Account of America's Asia Strategy* (Washington, D.C.: The Brookings Institution, 2012); Ashley J. Tellis, "Balancing without Containment: A U.S. Strategy for Confronting China's Rise," *The Washington Quarterly* 36:4 (Fall 2013), pp. 109-124.

interests, neither has been able to convince the other that its intentions are benign and both are wary of what the other is doing: mutual distrust runs deep.⁷

Meanwhile, the past few years have also witnessed serious debates within China on the country's grand strategy and approaches to foreign policy (Has there been one and, if not, what should constitute China's grand strategy?⁸ Should China be more assertive or continue to exercise restraint?), the continued relevance of Deng Xiaoping's advice of *taoguang yanghui* in guiding Chinese foreign policy conduct, and the country's interests, role, and responsibility in the changing international environment.⁹ Events since GFC demonstrate that Beijing's national security policy making increasingly has to contend with growing demands from a multitude of actors within as much as it has to deal with external pressures, contingencies, and threats. Three gaps have also emerged to make the formulation and implementation of Chinese foreign policy ever more challenging. The first is the gap between the expectations and anxieties of the international community in response of China's rise. There is hope that China should and will be able to provide more public goods and contribute to international order as a responsible stakeholder just as it is concerned with the rising power becoming more assertive and challenging that order. Meanwhile, expectations within China, and occasionally expressed in nationalism, are exerting pressure on Beijing to act more forcefully in dealing with issues such as territorial disputes. The second gap refers to the perceptual divergence between what Beijing seeks to project itself as a peaceful and responsible rising (the "peace and development" line; the advocacy for a "harmonious world"; and lately, the "China Dream"¹⁰) and how China is viewed by the United States and its neighbors in the region as an assertive rising power set to challenge the existing norms of the current international order.¹¹ Finally, a third gap relates to the growing complexity of policy issues that China need to address and the lack of or inefficacy in policy coordination given the plethora of actors with divergent and at times competing parochial interests. The recent establishment of the State Security Commission may begin to address this problem but it remains to be seen how it will operate in the future.¹² Quite clear, President Xi Jinping has got his work cut out for him in the coming years.

⁷ Nina Hachigian, *Debating China: The U.S.-China Relationship in Ten Conversations* (New York: Oxford University Press, 2014); Kenneth Lieberthal and Wang Jisi, *Addressing U.S.-China Strategic Distrust* (Washington, DC: The Brookings Institution, 2012); Lanxin Xiang, "China and the 'Pivot,'" *Survival* 54:5 (October-November 2012), pp. 113-128; Mark Beeson and Fujian Li, "What Consensus? Geopolitics and Policy Paradigms in China and the United States," *International Affairs* 91:1 (January 2015), pp. 93-109.

⁸ Wang Jisi, "China's Search for a Grand Strategy," *Foreign Affairs* 90:2 (March/April 2011), pp. 68-79; Zhang Feng, "Rethinking China's Grand Strategy: Beijing's Evolving National Interests and Strategic Ideas in the Reform Era," *International Politics* 49:3 (2012), pp. 318-345; Barry Buzan, "The Logic and Contradictions of 'Peaceful Rise/Development' as China's Grand Strategy," *The Chinese Journal of International Politics* 7:4 (Winter 2014), pp. 381-420.

⁹ Yan Xuetong, "From Keeping a Low Profile to Striving for Achievement," *The Chinese Journal of International Politics* 7:2 (Summer 2014), pp. 153-184.

¹⁰ Bonnie S. Glaser and Evan S. Medeiros, "The Changing Ecology of Foreign Policy-Making in China: The ascension and Demise of the Theory of 'Peaceful Rise,'" *The China Quarterly* 190 (2007), pp. 291-310; William A. Callahan, *China Dreams: 20 Visions of the Future* (New York: Oxford University Press, 2013).

¹¹ Aaron Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton, 2011).

¹² Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper No. 26 (September 2010); Thomas J. Christensen, "More Actors, Less Coordination? New Challenges for the Leaders of a Rising

China's Assertiveness in Indo-Pacific

In recent years, a popular characterization of Beijing's foreign policy behaviors as assertive has dominated the debate over the rise of China. Offensive-realist scholars such as John Mearsheimer have predicted despite the rhetoric of peace, the nature of international politics and natural tendencies of rising powers would dictate that they will seek regional hegemony and prevent other powers from maintaining or acquiring such position in one's own neighborhood.¹³ Examples abound. Since 2008, Beijing has resorted to economic, diplomatic, and military power in dealing with regional security issues. On the one hand, Beijing has sought to maintain a foreign policy consistency in projecting a reassuring posture of peaceful rise and developing cordial and friendly relationships with its neighbors. On the other hand, over the past few years, tension has risen as some of the key contending states to the long-standing territorial disputes, principally China, Vietnam, and the Philippines, have reiterated and sought to strengthen their claims both through their interpretations of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), and by taking more assertive and at times aggressive actions to stake out their claims.¹⁴ These include naming the occupied and/or claimed islands and features; conducting marine survey and exploration activities; staging high-profile visits by officials; establishing administrative authorities over disputed areas; exercising maritime enforcement with tussles over fishing grounds, harassment, detention and fines of other claimant countries' fishermen; public protests and threatened disruptions of oil extractions in the disputed territories; and imposing restrictions on foreign military activities in coastal country exclusive economic zones (EEZs), at times obstructing and endangering navigation and over-flights resulting in serious incidents.¹⁵

These developments are taking place at a time of a major U.S. decision to strategically re-orientate and re-balance to East Asia after more than a decade of retraction and negligence largely due to its preoccupation with the Afghan and Iraqi wars. Despite the global financial crisis of 2008 and a slow economic recovery that have left Washington increasingly focused on domestic issues and its budgetary woes, including \$487 billion in defense budget cuts over the next decade, the Obama Administration is determined to maintain and strengthen its presence given the enormous stakes it has, both in strategic and commercial terms.¹⁶ Over the past few years, Washington has strengthened its alliances with Tokyo, Seoul, Canberra, and formed closer partnerships with Hanoi, Manila, Jakarta, and New Delhi, through arms sales, joint military exercises, and basing and training arrangements in the region.¹⁷

China," in Gilbert Rozman, eds., *China's Foreign Policy: Who Makes It, and How Is It Made?* (New York: Palgrave Macmillan for the Asan Institute for Policy Studies, 2013), pp. 21-37.

¹³ John Mearsheimer, *The Tragedy of Great Power Politics*. Revised Edition (New York: W.W. Norton, 2014).

¹⁴ "Special Focus: The South China Sea Dispute," *Contemporary Southeast Asia* 33:3 (December 2011).

¹⁵ Robert D. Kaplan, "The South China Sea Is the Future of Conflict," *Foreign Policy* 188 (September/October 2011), pp. 76-85; Carl Ungerer, Ian Storey and Sam Bateman, "Making Mischief: The Return of the South China Sea Dispute," Special Report, Issue 36 (Canberra: Australian Strategic Policy Institute, December 2010).

¹⁶ Dan Robinson, "Obama Unveils Strategy for Smaller, Agile Future US Military," *Voice of America*, January 5, 2012; Hillary Clinton, "America's Pacific Century," *Foreign Policy* 187 (November 2011), pp. 56-63. US Secretary of Defense Leon Panetta in his speech at the Shangri-la Asia Security Summit in 2012 spelled out the US plan to deploy 60 percent of its naval forces to the Asia-Pacific region by 2020. Panetta, "The US Rebalance towards the Asia-Pacific," June 2, 2012, Singapore, <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/first-plenary-session/leon-panetta/>

¹⁷ Xenia Dormandy with Rory Kinane, *Asia-Pacific Security: A Changing Role for the United States* (London:

Beijing's more assertive behavior in the South China Sea, and its direct challenges to U.S. intelligence gathering and surveillance activities and joint military exercises with allies either close to, or in Chinese EEZs, confirms the realist arguments that rising powers have expanding agendas, tend to redefine and assert its interests, and are in general disruptive and threatening to the existing international system.¹⁸ Indeed, while most analysts would readily dismiss any near-term direct military conflicts between China and the other claimant states, both because of the sheer asymmetry in capabilities and the political repercussions for Beijing, the same cannot be said about Sino-U.S. encounters on the high seas in western Pacific.¹⁹ Indeed, growing Chinese assertiveness with regard to activities of foreign military ships operating within and/or near its EEZs, poses a serious challenge to long-held U.S. support for the principle of freedom of navigation, and particularly the U.S. view of what freedom of navigation entails, including its ability to conduct surveillance and intelligence gathering, and could lead to serious confrontation.²⁰

In the East China Sea, Sino-Japanese disputes over the Diaoyu/Senkaku Islands have intensified since 2010. In the wake of the Japanese nationalization of three of the islands group, bilateral relations have further deteriorated and Chinese maritime surveillance and enforcement ships began more frequent patrols, with growing encounters of ships and aircraft in close proximity. Since October 2012, in response to Tokyo's unilateral action that changed the status quo both had maintained and tacitly agreed to since the 1970s, Beijing has in effect introduced and steadily increased both the frequency and extent of its administrative patrol over the area, including maritime surveillance and aerial flight over, forcing the Japanese side to accept a new status quo. In late November 2013, the Chinese Defense Ministry further announced the establishment of an Air Defense Identification Zone (ADIZ) that overlaps with Japan's ADIZ and covers the disputed Diaoyu/Senkaku Islands.²¹ This growing tension has caught Washington in a tough spot: it needs to reaffirm its security commitment to Japan; at the same time, it is important that a direct U.S.-China military conflict be avoided. The Abe administration, meanwhile, has undertaken serious steps to increase defense spending, expand the role of the Japanese Self Defense Forces, and strengthen U.S.-Japan military alliance and security cooperation with other regional powers sharing similar concerns over China's growing

Chatham House, April 2014); David Ochmanek, "Sustaining U.S. Leadership in the Asia-Pacific Region," RAND Perspective (Santa Monica: RAND, 2015); William T. Tow and Douglas Stuart (ed.), *The New US Strategy towards Asia: Adapting to the American Pivot* (London and New York: Routledge Taylor & Francis Group, 2015). For background, see Craig Whitlock, "U.S. Eyes Return to Some of Southeast Asia Military Bases," *Washington Post*, June 23, 2012; William Tow, "The Eagle Returns: Resurgent US Strategy in Southeast Asia and the Its Policy Implications," *Policy Analysis* (Canberra: Australian Strategic Policy Institute, February 13, 2012).

¹⁸ Mearsheimer, *The Tragedy of Great Power Politics*.

¹⁹ Adam P. Liff and G. John Ikenberry, "Racing toward Tragedy? China's Rise, Military Competition in the Asia Pacific, and the Security Dilemma," *International Security* 39:2 (Fall 2014), pp. 52-91.

²⁰ Leszek Buszynski, "The South China Sea: Oil, Maritime Claims, and U.S.-China Strategic Rivalry," *The Washington Quarterly* 35:2 (Spring 2012), pp. 139-156; Peter Dutton, "Introduction," in Dutton, ed., *Military Activities in the EEZ: A U.S.-China Dialogue on Security and International Law in the Maritime Commons* (New Port, RI: China Maritime Studies Institute, Naval War College, December 2010), pp. 1-13; Dutton, "Three Disputes and Three Objectives."

²¹ Chico Harlan, "China Creates New Air Defense Zone in East China Sea amid Dispute with Japan," *Washington Post*, November 23, 2013.

military capabilities.²²

It is not entirely clear if Beijing's more assertive approaches to handling these regional issues are directly linked to or even encouraged by the new Xi Jinping leadership but one thing is quite obvious. Xi is more resolute and forceful in both putting forth China's foreign policy agendas and confident in their execution in a style that is in sharp contrast to his predecessors. While the fundamental worldviews and strategic visions for China may remain the same, Xi clearly is moving away from a low-profile, passive foreign policy stance toward embracing bolder diplomacy befitting a rising great power.²³ However, this does not mean that Beijing will become less cautious about the potential near-term escalation of the ongoing disputes with its neighbors and the long-term impacts on its core national interests. In this regard, the Xi administration will continue to assess and balance carefully competing demands and craft and implement foreign policy in line with the overall domestic and foreign policy agendas of sustaining economic growth, maintaining a peaceful external environment in the region, and managing U.S.-China relations.²⁴

U.S. Pivot to Asia and a New Model of Major-Power Relationship

The U.S. responses to the rise of China have been generally characterized as the pivot or rebalancing to Asia. With the Afghan and Iraqi wars drawing down and to a close, and recognizing that Washington's negligence of the region had caused concerns about and resulted in the loss of credibility of America's commitments to its allies and friends, the Obama Administration has undertaken a series of diplomatic, economic and military initiatives to restore confidence and demonstrate its resolve that America has always been and remains an indispensable Pacific power. Diplomatically, Obama and high-ranking officials such as Secretary of State Hillary Clinton have devoted time and resources to Asia. Economically, the U.S. joined and has become a leading force in the 12-nation Trans-Pacific Partnership (TPP) multilateral free trade negotiation to develop a 21st-century trade agreement, and to regain America's economic leadership position in the region. In the military arena, the rebalancing has involved the deployment of 60% of the U.S. air and naval power to the region by 2020, the strengthening of its alliances and the development of new security partnerships, and the development of concepts and operational capabilities such as Air-Sea Battle in response to China's anti-access/area denial (A2/AD) posture.²⁵

²² Robin Harding, "Shinzo Abe Boosts Japan Defence Spending," *Financial Time*, January 15, 2015; Nicholas Szechenyi, "The U.S.-Japan Alliance: Prospects to Strengthen the Asia-Pacific Order," in Ashley J. Tellis, Abraham M. Denmark, and Greg Chaffin, eds., *Strategic Asia 2014-15: U.S. Alliances and Partnerships at the Center of Global Power* (Seattle and Washington, D.C.: The National Bureau of Asian Research, 2015), pp. 35-59; Alexander Martin, "Abe Looks for Speedy Clearance of Japan Defense Change," *Wall Street Journal*, June 11, 2014.

²³ He Kai and Feng Huiyun, "Xi Jinping's Operational Code Beliefs and China's Foreign Policy," *The Chinese Journal of International Politics* 6:3 (Autumn 2013), pp. 209-231; François Godement, *Xi Jinping's China*. Essay No. 85 (Brussels: European Council on Foreign Relations, July 2013); Jian Zhang, "China's New Foreign Policy under Xi Jinping: Towards 'Peaceful Rise 2.0'?" *Global Change, Peace & Security* 27:1 (January 2015), pp. 5-19.

²⁴ Michael D. Swaine, "Xi Jinping's Address to the Central Conference on Work Relating to Foreign Affairs: Assessing and Advancing Major-Power Diplomacy with Chinese Characteristics," *China Leadership Monitor*, no 46 (Hoover Institute, Winter 2015).

²⁵ Hillary Rodman Clinton, "America's Pacific Century," *Foreign Policy* (November 2011), pp. 56-63; Jan Van Tol et al., *AirSea Battle: A Point-of-Departure Operational Concept* (Washington, D.C.: Center for Strategic and

Clearly, China's rise and the U.S. pivot capture, rightly or wrongly, a classic example of competition for primacy between a rising power and a reigning one. How the United States and China manage their relationship in the coming years will affect to a significant extent whether peace, stability and prosperity will continue in the Indo-Pacific, or the region will be overshadowed by U.S.-China rivalry for primacy, resulting in tension, conflict, or even military clashes between the two great powers.²⁶ Despite the growing economic interdependence and a multitude of official dialogues between Beijing and Washington, bilateral ties have been strained in recent years due to major differences over a range of issues even as the two countries continue to cooperate on others. According to power transition theory, a U.S.-China confrontation is inevitable.²⁷

It is in this structural context and during a period of power transition, the issue of whether history will repeat itself becomes a serious concern and challenge for policymakers and analysts alike.²⁸ This section examines the concept of "new model of major-power relations" as proposed by the Chinese leadership, and discusses its key elements and whether it can provide a useful framework for managing U.S.-China relations in the coming years. It argues that both Beijing and Washington recognize it is in their interests to avoid the traditional patterns of power transitions, which typically resulted in great power rivalry or even major wars between rising powers and reigning powers, not the least because any military confrontation between the two nuclear weapons states confers no winner but will result in unacceptable costs to both of them. That said, to define and jointly work toward a new model of major-power relations between the United States and China would require mutual accommodation and significant efforts beyond the mere rhetoric.²⁹

The concept of a new model of major-power relations was proposed by the Chinese leadership since around 2012, when then Vice-President Xi Jinping visited the United States. It was further elaborated when Xi met President Obama at the Sunnyland, California, meeting in early June 2013. Essentially, it is summed up as the follows: no conflict or confrontation; mutual respect; and cooperation for win-win outcomes. The rationale for proposing this new model is to break

Budgetary Assessments, 2010); Xinyuan Dai, "Who Defines the Rules of the Game in East Asia? The Trans-Pacific Partnership and the Strategic Use of International Institutions," *International Relations of the Asia-Pacific* 15:1 (January 2015), pp. 1-25; Scott W. Harold, "Is the Pivot Doomed? The Resilience of America's Strategic 'Rebalance'," *The Washington Quarterly* 37:4 (Winter 2015), pp. 85-99.

²⁶ Avery Goldstein, "First Things First: The Pressing Danger of Crisis Instability in U.S.-China Relations," *International Security* 37:4 (Spring 2013), pp. 49-89.

²⁷ Jack S. Levy, "Power Transition Theory and the Rise of China," in Roberts S. Ross and Zhu Feng, eds., *China's Ascent: Power, Security, and the Future of International Politics* (New York: Columbia University Press, 2008), pp. 11-33; Friedberg, *A Contest for Supremacy*.

²⁸ Peter Harris, "Problems with Power-Transition Theory: Beyond the Vanishing Disparities Thesis," *Asian Security* 10:3 (December 2014), pp. 241-259.

²⁹ Melanie Hart, ed., *Exploring the Frontiers of U.S.-China Strategic Cooperation: Visions for Asia-Pacific Security Architecture* (Washington, D.C.: Center for American Progress, November 2014), at:

<https://cdn.americanprogress.org/wp-content/uploads/2014/11/ChinaReport-Security-FINAL.pdf>; Evan Braden Montgomery, "Contested Primacy in the Western Pacific: China's Rise and the Future of U.S. Power Projection," *International Security* 38:4 (Spring 2014), pp. 115-149.

the historical pattern of rising powers challenging reigning powers, almost all invariably resulting in major power rivalry and wars.³⁰ The rationale behind the concept of major-power relations to some extent is Beijing's effort to address the growing concern that a rising China will pose a serious challenge to U.S. primacy in the region, leading to instability and conflict and provide some reassurance to Washington that China recognizes the important role of the United States in the region and has no intention to seek its replacement. Beijing also hopes that its own interests should also be recognized and respected by Washington.³¹ There seem to have good reasons to believe that the concept would work and therefore set an example of relations between an emerging power and a reigning one. The two countries have no territorial disputes or ambitions; there is ever growing economic interdependence and expanding socio-cultural ties between the two countries; and there are mutual interests in joining forces to confront traditional and non-traditional challenges ranging from WMD proliferation to illicit trafficking and maritime piracy. At the same time, both countries also recognize the risk of failure to manage differences and disputes between them; as nuclear powers, neither can afford miscalculations and missteps leading to military confrontation.³²

That being said, and despite the multitude of official dialogues and consultation between the two countries, there is deep trust deficit that prevents the two powers from achieving the stated objectives as laid out in this new model. For one thing, while Beijing clearly aims to get Washington to respect China's core interests, which include sovereignty and territorial integrity, the Obama Administration is concerned that conceding on this request would undercut the credibility of its security commitments to allies and support to friends. Instead, Washington, while not objecting to concept itself, seeks to operationalize it and emphasizes that existing norms and rules need to be respected and the importance of clearly defining what constitutes as status quo.³³ What is more feasible and practical is cooperation on specific issues, where bilateral efforts could achieve concrete results without having to engage in semantics and conceptual wrestling.

Indeed, while the precise definition of what stands for a new model of major-power relations remains a work in progress, Beijing and Washington have turned to areas where common interests exist and consensus can be developed. At the November 2014 summit held in Beijing between Presidents Xi Jinping and Barak Obama, the two countries announced a series of agreements ranging from climate change, information technology, new visa arrangements, to military MOUs that aim at enhancing confidence building and setting rules of behavior for safety of air and maritime encounters. At the summit, President Xi reiterated the importance of building a new model of major-power relations and proposed that the two countries work on six areas:

³⁰ Stephen J. Hadley, "US-China: A New Model of Great Power Relations," Atlantic Council, October 11, 2013.

³¹ James B. Steinberg and Michael O'Hanlon, "Keep Hope Alive: How to Prevent U.S.-Chinese Relations from Blowing Up," *Foreign Affairs* July/August 2014.

³² Graham Allison, "Avoiding Thucydides Trap," *Financial Times*, August 22, 2012; Wu Xinbo, "Agenda for a New Great Power Relationship," *The Washington Quarterly* 37:1 (Spring 2014), pp. 65-78. On how to manage this delicate relationship, see James B. Steinberg and Michael O'Hanlon, *Strategic Reassurance and Resolve: U.S.-China Relations in the Twenty-First Century* (Princeton, N.J.: Princeton University Press, 2014).

³³ Cheng Li and Lucy Xu, "Chinese Enthusiasm and American Cynicism over the 'New Type of Great Power Relations'," *China&US Focus*, December 4, 2014; Ted Carpenter, "Should U.S. Consider Accepting a Chinese Monroe Doctrine?" *China&US Focus Digest*, vol. 3 (October 2014), pp. 5-8.

hold high-level exchanges to enhance mutual strategic trust; manage bilateral issues on the basis of mutual respect; deepen comprehensive exchanges in all areas; manage and control sensitive issues and disputes in a constructive manner; strive for mutual accommodation and understanding of each other in the Asia-Pacific region; and jointly address global challenges—terrorism, WMD proliferation, diseases, and climate change.³⁴

Conclusion

China is at a tipping point as it marches toward great power stardom, with a new generation of leaders coming into power, and a growing multitude of players with divergent and sometimes competing interests, and with public opinions and nationalism. Ironically, as China's power and influence grow, instead of shaping a regional order as it existed before, it is in fact causing the other powers to hedge against rather than bandwagon with China.³⁵ Unless and until Beijing reevaluates its foreign policy and exercises greater constraints in its military posture and approaches to territorial disputes, it is likely to push a regional order into a bipolar structure, resulting in instability and probably even confrontation between itself and the United States.

Several conclusions can be drawn from the analysis above. First, there is no question that China's rise is fundamentally changing the geo-strategic landscape in the Indo-Pacific. However, there is a tendency to substitute and confuse a rising power's growing capabilities with its intentions, willingness and its ability to change the existing international and regional structure of power. China's rise is predominantly captured and reflected in its GDP, in particular in the PPP formulation. Much less attention has been paid to the other essential ingredients of a great power: its position in the global production and distribution chains; its ability to innovate and occupy a lead position in science and technology; its impact key global and regional institutions; and the appeal of its soft power. In many these categories, China is making rapid progress; however, the United States, and indeed some of the region's other major powers such as Japan, are still years if decades ahead.³⁶

Second, although China's overall capabilities in terms of GDP, military modernization, and power projection are growing, the overall structure of regional power distribution has yet to tilt to China's favor. Indeed, with 14 land-based and eight maritime states in its periphery, with five of them (including the U.S.) being nuclear weapons states, seven among the top ten largest military powers in the world, and seven or eight having unresolved territorial disputes, China faces enormous challenges in managing complex relationships with its neighbors and the United States.³⁷ Indeed, the past few years have seen not only a U.S. rebalancing to Asia, but growing networks of security arrangements among America's allies and partners, aimed principally at

³⁴ Yang Jiemin, "Win-Win at the Xi-Obama Summit," *China&US Focus Digest*, vol. 4 (December 2014), pp. 6-8; Mark Valencia, "The US-China MOUs on Air and Maritime Encounters," *The Diplomat*, November 17, 2014.

³⁵ Edward N. Luttwak, *The Rise of China vs. the Logic of Strategy* (Cambridge, MA: Harvard University Press, 2012).

³⁶ Joseph S. Nye, Jr., *Is the American Century Over* (Cambridge: Polity, 2015); Edward S. Steinfeld, *Playing Our Game: Why China's Rise Doesn't Threaten the West* (Oxford and New York: Oxford University Press, 2010).

³⁷ Andrew J. Nathan and Andrew Scobell, *China's Search for Security* (New York: Columbia University Press, 2012).

hedging against a rising China.³⁸ Third, the three gaps I mentioned above could further exacerbate regional instability and therefore need to be closed. One way to do this is for Beijing to be less ambivalent and more explicit in both its policy announcements and implementation. At the same time, Washington could make significant contribution to regional stability by both reassuring and restraining its allies while continuing to engage China. For the foreseeable future, a key challenge to the Chinese leadership would be to close the gap between the growing expectations and rising nationalism as a result of China's rise on the one hand, and the diplomatic skills, policy coordination, and crisis management on the other.

Finally, China's rise refocuses the attention of policymakers and analysts alike to the perennial issue of how emerging powers and reigning ones can co-exist and manage their relationships during periods of power transition, typically marked by uncertainty, instability, and more often than not, major power rivalry and even great wars. Clearly, both Beijing and Washington recognize that in the nuclear age, it is essential that they avoid repeating the patterns of the past. But whether they can chart a new course of great-power co-existence constitutes a grave challenge for the two countries that failure is not an option. While the concept of a new model of major-power relations has yet to be accepted by Washington, a more practical framework is being developed by both countries to better handle bilateral relations. Essentially, it involves: (1) managing relative power shifts (China catching up; the U.S. staying strong but in relative decline) and power diffusion (where U.S. primacy is eclipsed by rising Chinese power); (2) managing strategic perceptions/misperceptions and mutual distrust; (3) managing areas of frictions (Taiwan, military buildup/posture, alliances, maritime/SLOC); (4) managing policy coordination where common interests exist on key issues such as the North Korean nuclear issue, non-traditional security challenges, but priorities, division of responsibilities, and tactics differ; and (5) managing to co-exist and cooperate to address emerging global and regional issues through joint efforts and strive for win-win outcomes. That, in essence, constitutes the core and the ideal of a new model of major-power relations.

³⁸ Tellis, Denmark, and Chaffin, eds., *Strategic Asia 2014-15*.