

# Responding to the Rise of China

Alexandra Jones

Forecasting in international relations is fraught with danger because there are few permanent friends or enemies among states. This article will review the US policy towards China and its role in the Asia Pacific region; it will look at China's aspirations and its potential to become a dominant power in Asia; and it will consider US policy options. It demonstrates that the US is currently using both engagement and containment strategies because China is both a partner and a competitor. This dual strategy also reflects the split in approach between the State Department and the Pentagon. Nevertheless, the overall US policy goal remains the same, which is to encourage a more cooperative China, while also preserving US primacy in geopolitical terms. However, in the future, US strategies may change as China's intentions and trajectory become clearer.

## US Policy Towards China

"Misperceptions, exaggerations and sharp swings in thinking about China's significance in world affairs" have characterised US policy towards China.<sup>1</sup> Incoming US administrations often declare their intention to significantly change US-China policy, but they eventually revert toward a moderate centre, regardless of their initial stance.<sup>2</sup> The Bush administration was no different. In 2001, it repudiated the Clinton administration's China policy of a 'strategic partner' as too soft and replaced it with a tougher 'strategic competitor' stance. The 2001 *Quadrennial Defence Review* warned about the prospect of "a military competitor with a formidable resource base" determined to deny US access in the East Asian littoral, an obvious reference to China.<sup>3</sup> Through this lens, the Bush administration was encouraged to pursue a theatre missile defence system in East Asia, which the Chinese view as a threat to their deterrence capability. Then came the US EP-3 incident which led President Bush to announce he would do "whatever it takes" to defend Taiwan from Chinese attack, and to approve a significant new arms package for the Island.

However, 9/11 seemed to dramatically improve relations. China was willing to support the US war on terror and the invasion of Afghanistan, as well as provide increased intelligence sharing. China even acquiesced to the Iraq War despite sensitivities over violations of state sovereignty. China also

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<sup>1</sup> Robert Sutter, 'Why Does China Matter?,' *The Washington Quarterly*, vol. 27, no. 1 (Winter 2003-2004), p. 75.

<sup>2</sup> Jonathan D. Pollack, 'Asia's Shifting Strategic Landscape: China and the United States Post-9/11,' *Orbis*, vol. 47, no. 4 (Fall 2003), p. 619; Brendan Taylor, 'US-China Relations after 11 September: A Long Engagement or Marriage of Convenience?,' *Australian Journal of International Affairs*, vol. 59, no. 2 (June 2005), p. 180.

<sup>3</sup> Department of Defense, *Quadrennial Defence Review Report*, 30 September 2001, p. 4.

took a lead role in attempting to resolve the North Korean nuclear issue. In return, in 2003 Bush called China a 'partner in diplomacy' and the US returned to its traditional posture of 'strategic ambiguity' over Taiwan, recognising the People's Republic of China as the 'one China', but refusing to sanction a Chinese takeover of Taiwan by force. China was also able to step up its efforts to crack down on domestic opposition groups including Uighur and Tibetan separatists without US interference. Compared to 2001, US-China relations appear to be back on track but "amicable appearances can hide deeper and troubling realities".<sup>4</sup> Terrorism may only provide a limited basis for cooperation, because it fails to alleviate any of the persistent, underlying sources of tension.<sup>5</sup>

The swings in the Bush administration's policy towards China reflect the fact that "the US is not sure where to go with China policy, because it is having trouble predicting how China itself intends to behave".<sup>6</sup> This ambiguity and uncertainty is captured in the 2002 *National Security Strategy*. It welcomes "the emergence of a strong, peaceful, and prosperous China", but remains concerned about China's pursuit of advanced military capabilities.<sup>7</sup> It highlights US-China cooperation in the war on terror, promoting stability on the Korean peninsula and developing trade opportunities. However, it also acknowledges "profound disagreements" over Taiwan, human rights and non-proliferation commitments.<sup>8</sup> It combines both the State Department's desire to engage China and the Pentagon's desire to contain it. The former sees China as a rising, but not necessarily threatening power; Condoleezza Rice has said that America and China share common interests in regional and global stability. The latter sees China as a more ominous force; Donald Rumsfeld has accused China of increasing its military expenditure at a time when it faces no serious military threats, thereby destabilising the region.<sup>9</sup> Nevertheless, the overall US policy goal remains the same, which is to encourage a more cooperative China, while also preserving US primacy in geopolitical terms.

## US Engagement In the Region

The US is Asia's pre-eminent power and its military presence has been central to the regional balance of power since the end of the Korean War in 1953. It has been built around the 'San Francisco system' of bilateral alliances with countries such as Japan and South Korea, which remains the

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<sup>4</sup> Peter Hays Gries, 'China Eyes the Hegemon,' *Orbis*, vol.47, no.4 (Summer 2005), p. 402.

<sup>5</sup> Aaron L. Friedberg, '11 September and the Future of Sino-American Relations,' *Survival*, vol. 44, no. 1 (Spring 2002), pp. 33-34.

<sup>6</sup> Leigh Sales, 'Bizarre Love Triangle,' *The Diplomat* (August/September 2005), p. 14.

<sup>7</sup> The White House, *The National Security Strategy of the United States of America*, September 2002, p. 27.

<sup>8</sup> *Ibid.*, p. 28.

<sup>9</sup> Anon, 'Asia: Casus Belli; China's Armed Forces,' *The Economist*, 11 June 2005, p. 60; see also Peter Hartcher and Mark Metherell, 'Riding the Dragon,' *The Sydney Morning Herald*, 23-24 July 2005, p. 32.

dominant regional security structure and an anchor for regional stability.<sup>10</sup> From it has grown a complex system of political and economic interdependencies. While Asian countries get protection, geopolitical predicability and access to the American market, the US gets frontline strategic partners, a geopolitical presence in the region and capital to finance its deficits.<sup>11</sup> Many countries in the region including Japan and India favour the American-led order because it has supported unprecedented economic growth and development and provides a hedge against Chinese dominance. However, the Bush doctrine of pre-emption, unilateralism, and the invasion of Iraq have greatly concerned the region. Asian countries remain strong supporters of the norms of sovereignty, territorial integrity and non-intervention.<sup>12</sup> In addition, the Bush administration's singular focus on security issues has persuaded many regional leaders that the US does not appreciate the region's priorities of domestic economic development and political stability.

Both the Japan and South Korea alliance are now in transition as the US dismantles a number of Cold War bases and places greater demands on Japan and South Korea to invest more in their national defence, and to be more active in sustaining shared interests.<sup>13</sup> Japan and South Korea have responded positively to US proposals offering them new or upgraded weapons systems, such as for theatre missile defence. However, they have been more cautious about moves to increase multilateral security cooperation in case it is perceived to be aimed at China.<sup>14</sup> For example, Japan participated in the Proliferation Security Initiative, but South Korea did not.

The war on terror has markedly increased the US military presence and influence throughout Central, South and Southeast Asia, which has aroused considerable anxiety in China. In particular, US-Russia relations warmed considerably when Russia offered the US intelligence, airspace and military assistance to aid their campaign in Afghanistan. The US also reversed its decade long estrangement from Pakistan into a wary alliance. Pakistan provided territory and airspace, shared intelligence and cracked down on domestic Islamic extremists in exchange for waived sanctions and economic assistance. The Bush administration labelled Southeast Asia as the 'second front' in the war on terror and reinforced security relationships with Thailand, the Philippines and Australia. It also forged a strategic partnership with

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<sup>10</sup> Elizabeth Economy, 'China's Rise in Southeast Asia: Implications for the United States,' *Journal of Contemporary China*, vol. 14, no. 44 (August 2005), p. 409; G. John Ikenberry, 'American Hegemony and East Asian Order,' *Australian Journal of International Affairs*, vol. 58, no. 3 (September 2004), p. 353.

<sup>11</sup> Ikenberry, *op. cit.*, p. 353.

<sup>12</sup> Economy, *op. cit.*, p. 411.

<sup>13</sup> William Tow and Russell Trood, *Power Shift: Challenges for Australia in Northeast Asia*, Canberra: ASPI, 2004, pp. 12-13.

<sup>14</sup> Tow and Trood, *op. cit.*, p. 13.

Singapore and improved military relations with Indonesia. While terrorism is the main reason for the revitalisation of the US' alliances, China's growing power is also a contributing factor. These developments have all fed into China's fears of encirclement, which have been compounded by the recent US decision to offer nuclear materials to India, even though it has not signed the nuclear non-proliferation treaty.<sup>15</sup>

## Chinese Aspirations

One of China's long term goals, as its economic power grows, has been to embark on "a comprehensive strategy to become a pre-eminent regional power" so it can shape the international system rather than just react to it.<sup>16</sup> China recognises that the US is a hegemonic power with effectively unassailable global reach, a shift from the early 1990s when China held out hope for a multipolar international system.<sup>17</sup> The US remains far ahead of China in key determinants of national power including gross domestic product, labour productivity and innovation, as well as being the world's strongest military power with unparalleled capabilities.<sup>18</sup> Chinese leaders admit that their country is in no position to challenge the US seriously, even though they oppose some aspects of the status quo. Confrontation with the US would invoke the hostility of a militarily superior adversary, risk the stability essential for Chinese and Asian economic modernisation, jeopardise China's access to the international economy and alienate many Asian leaders who would view instability and choosing between China and the US as very undesirable.<sup>19</sup> They are also acutely aware that the US may view China's 'peaceful rise' as a threat and therefore seek to obstruct it. As a result, China has shifted away from balancing policies with countries such as Russia and protesting against US-led policies such as the Kosovo war, ballistic missile defence and US-Japanese security cooperation. Instead China has more recently adopted bandwagoning policies that seek to accommodate the US at the global level.<sup>20</sup>

Nevertheless, China does appear to believe that within the Asia Pacific region it can balance and constrain American actions and options. Indeed, where Chinese vital interests are threatened by the US, especially in relation

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<sup>15</sup> See Hartcher and Metherell, *op. cit.*, p. 32; Greg Sheridan, 'India, US Make a Tectonic Move,' *The Weekend Australian*, 23-24 July 2005, p. 22; Amitav Acharya, 'Will Asia's Past be its Future?', *International Security*, vol. 28, no. 3 (Winter 2003/2004), p. 150; Friedberg, *op. cit.*, p. 42.

<sup>16</sup> Tow and Trood, *op. cit.*, pp. 5-6.

<sup>17</sup> Jia Qingguo, 'Learning to Live with the Hegemon: Evolution of China's Policy Toward the US Since the End of the Cold War,' *Journal of Contemporary China*, vol. 14, no. 44 (August 2005), p. 404; Denny Roy, 'China's Reaction to American Predominance,' *Survival*, vol. 45, no. 3 (Autumn 2003), p. 58.

<sup>18</sup> Roy, *op. cit.*, p. 58.

<sup>19</sup> Sutter, *op. cit.*, pp. 77, 84; Acharya, *op. cit.*, p. 153; Roy, *op. cit.*, p. 66.

<sup>20</sup> Gries, *op. cit.*, pp. 406-407; Roy, *op. cit.*, p. 57.

to Taiwan, China will defend them by military force if necessary.<sup>21</sup> It has used bargaining, binding and buffering strategies to curb US power.<sup>22</sup> Bargaining was used by China when it offered its support in the war on terror in exchange for the US adding the East Turkestan Islamic Movement to the State Department list of terrorist organisations. China has become an increasingly strong advocate of the UN, defending its relevance and authority, because an active UN binds the unilateral use of American power. Finally, China has been an ardent supporter of a new Asian regionalism to buffer against American influence. In other words, China will use globalisation, as manifested in transnational forces, international institutions and multilateralism, to 'democratise' the US hegemonic order and minimise unilateralist power politics.<sup>23</sup>

### China's Economic Growth

China's present international significance is largely based on its rapidly growing economy and its increasing integration into the world economy. China's GDP has tripled in less than two decades and if average growth rates of 8% percent are sustained, it could surpass the US economy within 10-15 years.<sup>24</sup> Greater integration is seen as the best means available to pursue economic modernisation, cope with US hegemony and fulfil China's great-power aspirations.<sup>25</sup> Foreign direct investment (FDI), membership in the World Trade Organisation and hundreds of millions of Chinese consumers are driving the economy's growth. In the region, it has found trade promotion through free trade agreements (FTAs) an important means to assert political leadership as the proposed FTA with ASEAN demonstrates. More vibrant regional trade will also reduce China's dependence on the US market and increase its autonomy from US influence.<sup>26</sup> Assuming that the current course of liberalisation and growth can be sustained, "China's eventual rise to regional economic pre-eminence remains very probable".<sup>27</sup> Its economic strength will be the foundation of its credible claim to be a regional and perhaps even global power in the future.

There is a growing level of mutual economic dependence between the US and China which is creating powerful incentives for maintaining good relations.<sup>28</sup> China's growth is heavily dependent upon foreign direct investment and technology from the US, which is also China's largest export

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<sup>21</sup> Tow and Trood, *op. cit.*, p. 6.

<sup>22</sup> Gries, *op. cit.*, p. 407.

<sup>23</sup> Yong Deng and Thomas G. Moore, 'China Views Globalization: Toward a New Great-Power Politics?', *The Washington Quarterly*, vol. 27, no. 3 (Summer 2004), p. 118.

<sup>24</sup> Michael D. Swaine and Ashley J. Tellis, *Interpreting China's Grand Strategy: Past, Present, and Future*. Santa Monica, CA: RAND, 2000, p. 2.

<sup>25</sup> Deng and Moore, *op. cit.*, p. 121.

<sup>26</sup> Gries, *op. cit.*, p. 408.

<sup>27</sup> Tow and Trood, *op. cit.*, p. 18.

<sup>28</sup> Taylor, *op. cit.*, p. 190

market.<sup>29</sup> Large US corporations have increased their foreign investment in China.<sup>30</sup> In turn, China's exports give US consumers and firms access to a wide range of cheap goods and parts. China is the United States' third largest trading partner, second largest source of imports and second largest buyer of US treasury bonds.<sup>31</sup> The latter has been important in enabling the US to lower long-term interest rates, which then help spur economic growth. In addition, China has developed constituencies in the US, particularly in the business community, to support engagement policies towards China. This reflects the importance of China's economic and security interests being underwritten by stable relations with the US and goes towards explaining why China has 'extended a line of diplomatic credit' to the US on a wide range of issues such as Taiwan, Iraq and US military deployments in Central Asia.<sup>32</sup> After much criticism that the Yuan was undervalued, it also recently announced it would abandon its peg to the US dollar and fix the Yuan against a basket of currencies.<sup>33</sup> China and the US increasingly share economic security and opportunity as a high priority. As economic interdependencies continue to deepen, they will help to weaken US impulses to view China as a rival that needs to be contained.<sup>34</sup>

China's phenomenal economic growth does have a flipside. It has resulted in regional inequality within China, growing unemployment and a huge demand for more effective health and social security services. In addition, corruption remains endemic and due to the communications revolution, Chinese citizens are increasingly exposed to other cultures and political ideas that could challenge the Communist Party's hold on political authority.<sup>35</sup> With the decline of communism as a legitimating ideology, the Communist Party is increasingly dependent on its nationalist credentials to maintain its hold on power.<sup>36</sup> Economic globalisation has been an engine of national economic growth for China, but it has also introduced powerful sources of economic vulnerability as seen in the Asian financial crisis of 1997. If mishandled it could derail China's quest for development, security and status.<sup>37</sup>

## Regional Cooperation and Integration

China's aspirations for regional leadership as well as a greater appreciation of transnational threats have transformed its regional diplomacy over the past decade into one of engagement and reassurance. It has pursued a

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<sup>29</sup> Ibid.; Susan V. Lawrence and Murray Hiebert, 'Bending in the US Storm,' *Far Eastern Economic Review*, vol. 165, no. 42 (24 October 2002), p. 33.

<sup>30</sup> Sutter, *op. cit.*, p. 78.

<sup>31</sup> Taylor, *op. cit.*, pp. 190-191.

<sup>32</sup> Lawrence and Hiebert, *op. cit.*, p. 33.

<sup>33</sup> Hartcher and Metherell, 'Riding the Dragon', p. 32.

<sup>34</sup> Deng and Moore, *op. cit.*, p. 132; Taylor, *op. cit.*, p. 190; Tow and Trood, *op. cit.*, p. 19.

<sup>35</sup> Tow and Trood, *op. cit.*, p. 17.

<sup>36</sup> Gries, *op. cit.*, p. 403.

<sup>37</sup> Deng and Moore, *op. cit.*, p. 117.

policy of increased participation in Asian multilateral organisations, greater flexibility on territorial disputes and enhanced diplomatic, economic and military exchanges with regional countries. Concerns about transnational threats such as terrorism, unregulated capital flows, weapons proliferation, epidemics and cross-border criminal activity have made China's policy far more cooperative, multidimensional and multilateral than in the past. Once wary of regional institutions, in the 1990s China concluded that these could prove an effective way to advance and protect China's interests while simultaneously curbing America's influence. In 2001, China was instrumental in establishing the Shanghai Cooperation Organisation, which includes Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. It has deepened its participation in the Asia Pacific Economic Cooperation forum. China has been more closely engaged with ASEAN, signing the Treaty of Amity and Cooperation, negotiating a China-ASEAN free trade agreement and proposing a China-ASEAN security pact which could undermine US economic and security interests. Extending this engagement, China has actively promoted security initiatives in the ASEAN Regional Forum. It has also been involved in working with ASEAN, Japan and South Korea in the ASEAN +3 dialogue, which may evolve into an East Asian economic community that excludes the US. This could mark "the beginning of an erosion" of the US position in Asia and contribute to a developing regional infrastructure with China at its centre,<sup>38</sup> thereby building China's economic, political and strategic position and increasing China's leverage with the US at the same time.<sup>39</sup>

On a similar note, China unveiled the 'New Security Concept' in 1997 which emphasised 'Five Principles of Peaceful Coexistence', including mutually beneficial economic contacts, greater dialogue promoting trust, and the peaceful settlement of disputes in bilateral relations and multilateral institutions. Its precepts have reassured Asian leaders who are anxious to avoid conflict and confrontation with China, but it also implicitly tries to dissuade them from participating in any significant attempt to contain China.<sup>40</sup> Indeed, the 'New Security Concept' reflects China's desire to circumvent the well-established American alliance networks by tainting the maintenance of such structures as a Cold War mentality inappropriate to an era of globalisation requiring mutual cooperation.<sup>41</sup> In 2003 China proposed a new security regime for East Asia based on the concept, which was notable for the signal it sent about China's ambitions to lead the development of regional security architectures and exclude the US.<sup>42</sup>

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<sup>38</sup> Richard Armitage, quoted in Paul Kelly, 'The Day Foreign Policy Won Asia,' *The Weekend Australian*, 6-7 August 2005, p. 22.

<sup>39</sup> Tow and Trood, *op. cit.*, p. 19.

<sup>40</sup> Michael Yahuda, 'Chinese Dilemmas in Thinking About Regional Security Architecture,' *The Pacific Review*, vol. 16, no. 2 (June 2003), p. 189.

<sup>41</sup> Deng and Moore, *op. cit.*, p. 125; Roy, *op. cit.*, p. 70.

<sup>42</sup> Tow and Trood, *op. cit.*, p. 7.

China's role in dealing with North Korea's nuclear weapons program has shown its ability to exercise regional leadership. It also helped China improve relations with both South Korea and the US. China has also assisted in supporting peace and antiterrorist efforts in South Asia by cooperating with the US, India and Pakistan to ensure tensions do not lead to major conflict. Chinese political and military leaders have actively interacted with visitors from other Asian countries and travelled extensively throughout the region to foster closer political, economic and military cooperation. China has sought to establish partnerships with most of the powers along its periphery including Russia, the ASEAN countries, Japan and South Korea. This has led to improved relations with all neighbouring powers, except for Japan and Taiwan, and has bolstered China's influence at a time when the US has been preoccupied with the war on terror and Iraq. Furthermore, the new diplomacy has seen determined Chinese efforts to settle or diffuse some long-simmering border disputes with neighbours such as Vietnam, Russia and Kazakhstan. China has signed a regional code of conduct to manage behaviour in the South China Sea, however, it remains a sensitive issue that has caused a number of recent disputes.

Despite the success of its regional diplomacy some critics remain cautious of China. In 2003, the government's initial handling of the SARS epidemic and mass demonstrations in Hong Kong against government policies underlined international scepticism about official Chinese values. China's human rights practices also continue to tarnish its international reputation. While making some recent efforts to cooperate with its neighbours on transnational issues, China's lack of transparency and accountability in addressing problems such as the damming of the Mekong River, illegal wildlife hunting, illegal logging, HIV/AIDS, drug trafficking and governance remains a challenge for the region.<sup>43</sup>

## **Military Modernisation**

Although dwarfed by the US defence budget of more than \$400 billion and by advanced US military technologies, Chinese military capabilities are growing faster than those of any other Asian nation. Unknown due to the secrecy surrounding China's military; its defence budget is estimated to be \$65 billion, placing China second or third in the world in overall defence spending.<sup>44</sup> Western manufacturers have maintained an embargo on military sales to China since the Tiananmen Square incident in 1989, although some European countries are considering lifting the ban at some point in the future. In the 1990s, China shifted from an emphasis on self-reliance to purchasing large numbers of advanced Russian equipment and technology, to the tune of \$2 billion per year, to improve its power-projection

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<sup>43</sup> Economy, *op. cit.*, p. 421.

<sup>44</sup> Sutter, *op. cit.*, pp. 76, 80.

capabilities, particularly in the maritime environment.<sup>45</sup> China is also modernising and increasing its number of intercontinental ballistic missiles and developing its own jet fighters and nuclear attack submarines.

China's military modernisation is giving priority to diminishing the American conventional military advantage in Asia and enhancing Chinese options in relation to Taiwan. Much of the modern equipment from Russian as well as Chinese production has been deployed to prevent Taiwanese moves toward independence and to deter the US from intervening. China is also increasing the number and sophistication of its nuclear weapons at a time when US and Russian stockpiles are decreasing. China's proliferation of weapons of mass destruction (WMD) and related technologies to countries such as Pakistan, Iran, North Korea and Libya has been a major source of tension between the US and China. While China has made some efforts to combat proliferation, including publishing regulations governing the export of Chinese missile technology, the US has imposed a number of sanctions on state-owned Chinese companies for transferring strategically significant technologies. Finally, China is developing and expanding its space technology. It has become a major political symbol of Chinese nationalism, an important economic sector and an effective dual-use technology for the military.<sup>46</sup> The civilian space program, for example, has contributed to improving the ICBM program. This has serious implications for the US since space capabilities play an integral role in almost all aspects of US military operations.

Assessments of the dangers posed by the Chinese build-up vary. The US Defense Department is concerned that planning is focused on a surprise attack against Taiwan that would succeed before the US could intervene.<sup>47</sup> The Council for Foreign Relations (CFR) predicted that China will probably overtake Japan as the major regional military power in the next decade or two. It also suggested that the Chinese build-up in air and sea power will require a continued robust US naval and air presence to offset the ability of China to leverage future military capabilities into a real advantage against US and allied interests in the Asia Pacific region. The CFR warns that China may use force over Taiwan even if the balance appeared to favour the US and Taiwan. Although US forces would ultimately prevail, Chinese forces "might be able to impose serious risks and costs on the U.S. military."<sup>48</sup> While the US can be relatively confident in its ability to offset China's rising

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<sup>45</sup> *Ibid.*, pp. 80-81.

<sup>46</sup> William S. Murray III and Robert Antonellis, 'China's Space Program: The Dragon Eyes the Moon (and Us),' *Orbis* vol. 47, no. 4 (Fall 2003), p. 645.

<sup>47</sup> Department of Defense, Annual Report on the Military Power of the People's Republic of China: Report to Congress Pursuant to the FY2000 National Defense Authorization Act, July 28 2003.

<sup>48</sup> Council on Foreign Relations Independent Task Force Report, *Chinese Military Power*, New York: Council on Foreign Relations Press, New York: Council on Foreign Relations, 2003, p. 26.

military power, China's neighbours such as Taiwan, Japan and India, are concerned about China's military advances. Smaller neighbours, especially in Southeast Asia, are wary about China's ambitions and have taken a low-key approach to avoid antagonising it, while encouraging its economic dynamism and diplomatic innovations. As a hedge, they continue to welcome America's long-term regional strategic engagement.<sup>49</sup>

## **The Future of the US-China Relationship**

Continued strong economic growth, combined with rising nationalism and confidence, could lead China to translate its economic weight into military might. It could use its national power to attempt to dictate the terms of foreign security and economic interactions with its trading partners and neighbours. This could include coercing Taiwan into reunification with the mainland. Moreover it could become an open regional rival, challenging the legitimacy of a US-dominated regional system and proposing its own alternative with the support of other states in the region. In response, the US would likely shift from engagement with China to more active confrontation and containment. This could include strengthening bilateral alliances with Japan and South Korea and directing them far more explicitly at China.

But the US welcomes the rise of a peaceful and prosperous China that chooses peaceful integration and benign competition. This is China's current policy and is likely to endure over the next two decades, while China focuses on developing its 'comprehensive national power'. It is reflected in a more sophisticated, confident, less confrontational and more proactive approach towards the region. It includes increased engagement with multilateral institutions, expanded trade and investment, and greater cooperation with the US over issues such as the war on terror and the Korean Peninsula. These policies would promote greater engagement and cooperation between the US and China.

However, China could also emerge less confident and focused inward on challenges to its national unity and the Chinese Communist Party's legitimacy, if it experiences a serious economic downturn or internal unrest and has to decrease its military expenditure. This would reduce its engagement with the region and reduce perceptions that it poses a threat to the US. This situation would be likely to reduce the importance of both US engagement and containment strategies towards China.

## **Conclusion**

In conclusion, the US is currently using both engagement and indirect containment strategies because China is both a partner and a competitor.

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<sup>49</sup> Tow and Trood, *op. cit.*, p. 7.

Until China's aspirations and capabilities become clearer, there is a need for the US to hope for the best and prepare for the worst. The US has engaged China in trade and investment opportunities and helped it to integrate into the international system. At the same time, the US has strengthened its military presence and alliances in the region primarily for the war on terror, but also as a counterbalance to China's rising power. The US is the dominant power in the region today and China is in no position to challenge it. Hence China's current policy of accommodation and cooperation with, and low-level resistance to, the US. This situation is likely to endure as China seeks a 20-year period of 'peace and development' to enhance its 'comprehensive national power'.<sup>50</sup> However if China's economic growth and military modernisation continue unabated, it would then be in a very powerful position to challenge the US for regional dominance. In this case, it is very likely that the US would shift from engagement with China to more active confrontation and containment. It is important, though, that China's economic growth is not taken for granted.

*Alexandra Jones recently graduated with a Master of Strategic Affairs (Distinction) from the Australian National University. She also holds a Bachelor of Commerce/Liberal Studies (Honours) from the University of Sydney. [whitemin@optusnet.com.au](mailto:whitemin@optusnet.com.au).*

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<sup>50</sup> Sutter, *op. cit.*, p. 87; Roy, *op. cit.*, p. 65.