



# ICAS BULLETIN

## Institute for China-America Studies

A Bimonthly Survey of Research and Analysis  
on US-China Relations

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### Commentary:

**The US and China:  
Emerging Dual  
Leadership in Asia**

by Quansheng Zhao

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### Publications

#### **Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2016**

United States Department of Defense, April 2016

This is the Department of Defense's annual report to Congress on Chinese military capabilities. The report states that the comprehensive modernization of the armed forces of the PRC entered a new phase in 2015 as China unveiled major organizational reforms to overhaul its entire military structure. One of the aims of the reforms is to strengthen the CCP's control over the military and improve the PLA's ability to fight short-duration, high-intensity regional conflicts at greater distances from the Chinese mainland. The report highlights that the modernization of the PLA is essential to enabling Xi Jinping to achieve his "China Dream" of national rejuvenation.

**Between the Eagle and the Dragon: America, China, and Middle State Strategies in East Asia**

John Ikenberry

*Political Science Quarterly*, Spring 2016

Ikenberry describes the emerging order in East Asia as one of “dual hierarchy” dominated by the United States and China. Contrary to the expectations of some, he argues that China will not replace or push out the US as the dominant security power in the region. At the same time, however, China will become the dominant economic power in Asia. The resulting order will contain elements of both hierarchy and a balance of power. This novel state of affairs contains many uncertainties, and China, the US, and middle powers in Asia will all play a role in shaping its character. Moreover, all can develop satisfactory strategies in this environment. Ikenberry concludes by noting that balance of power dynamics in the “dual hierarchy” structure will be restrained by three dynamics: middle powers in Asia will desire to maintain ties to both China and the US; China will not wish to appear too aggressive in challenging the US’s security position or it will invoke balancing behavior by its neighbors; and all parties are increasingly interdependent and challenged by common threats.

**US-China Relations: Navigating Friction, Forging Cooperation**

Bonnie Glaser CSIS and Alexandra Viers

*Comparative Connections* CSIS Pacific Forum, May 2016

This article summarizes diplomatic activity in the US-China relationship during the first months of 2016. The authors describe a mixture of tension and collaboration between the two nations, with the South China Sea issue being the most negative element of the relationship. The article gives an account of the back and forth between China and the US on sanctions for North Korea’s nuclear and missile tests and provides updates on the status of the Bilateral Investment Treaty, climate change cooperation, and nuclear security cooperation.

**Escalation in the South China Sea**

Julian G. Ku, M. Taylor Fravel, Malcolm Cook, Edward Friedman, and Ryan Mitchell

*China File*, May 16, 2016

Several contributors discuss the recent transit of a US Navy ship near Fiery Cross Reef and the PLA’s response via the scrambling of fighter jets. Julian Ku notes that, like previous US freedom of navigation operations (FONOPs) in the South China Sea, the recent operation was conducted under the rules of “innocent passage,” and not meant to challenge Chinese sovereignty of the feature. Ku continues by stating that instead of complaining about US violations of Chinese sovereignty, China has shifted to highlighting dueling interpretations of U.N. Convention on the Law of the Sea (UNCLOS). This rhetorical move to criticizing expansive US naval operations is an issue with which other nations can find common ground with China. Other commentators respond to Ku and present their opinions on the shortcoming of US FONOPs as an effort to induce China to alter its behavior.

**Limits of law in the South China Sea**

Paul Gewirtz

Brookings, May 2016

This paper explores the overlapping and conflicting claims of all six stakeholders in the South China Sea. The author argues that although a rules-based and law-based approach in the international arena—one of the hallmark ideas of President Obama’s foreign policy—is an admirable aspiration, it will not solve the problems in the South China Sea. As such, the upcoming ruling in the case brought by the Philippines against China at the Permanent Court of Arbitration will not provide a solution to the maritime disputes. The author recommends a political approach that involves both negotiation and demonstration of US resolve.

**Understanding China’s Strategic Culture Through its South China Sea Gambit**

Miles Maochun Yu

Hoover Institution, May 19, 2016

Yu interprets China’s recent behavior in the South China Sea through the lens of what he considers is its traditional “strategic culture.” In this view, China’s decisionmaking is influenced by ideas that date back thousands of years—according to Yu, China has never truly accepted the modern, Westphalian norm of nominal equality among states. Yu cites Liu Mingfu’s recent book and Xi Jinping’s adoption of its notion of the “Chinese dream” as evidence of a persisting “Sino-Centric” mentality. To Yu, this purported mentality is a “trap” that prevents China from looking past short-term expediency in international affairs, rendering it incapable of building strategic trust with other states.

**US Voters are Suspicious of China**

Bruce Stokes

Pew Research Center, May 12, 2016

Discussing the results of a new survey by the Pew Research Center, Stokes notes that just over three in ten Americans believe that strong economic, military, and political ties with Asia are important for the United States, as the general public continues to prioritize relations with European nations over Asian ones. He also reports that 54% of Americans have an unfavorable opinion of China, largely because China’s emergence as a world power is perceived by many Americans to be a threat to the wellbeing of the United States.

**The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road**

Mike Callaghan and Paul Hubbard

*China Economic Journal*, May 2016

The authors argue that China is making sure that the AIIB functions as a genuinely multilateral institution. The article explores China's motivations in proposing the AIIB and portrays it as an important vehicle for delivering on Xi Jinping's "One Belt One Road" policy. They emphasize the importance of the AIIB to the strategic competition for global influence between China and the United States, and conclude that China has demonstrated that it can lead multilateral negotiations constructively.

**Events****China's Rise and the Challenge to East Asian Security**

Thomas Christensen, The Sigur Center for Asian Studies, May 5, 2016

George Washington University

Christensen delivered a lecture on security challenges presented by China. The talk covered issues related to nuclear strategic stability and a net assessment of military forces within the first island chain. At a more general level he argued that worries about China "replacing" or directly challenging the United States are misplaced. The real security challenge for the United States with respect to China is to help dissuade China from exercising its power in coercive ways that are destabilizing to the Asia Pacific region. China must resist the temptations that present themselves to growing powers—he noted that if China handles itself as poorly as the United States did in the late 19<sup>th</sup> Century, there will be significant problems for global stability. Christensen argued that China is not an adversary of the US, and will only become one if diplomacy between the two nations fails. Even if there is no cold war dynamic akin to the US-Soviet relationship between the two countries, in some ways the US-China relationship is even more complex and challenging.

**China Power Project Launch**

CSIS, May 11, 2016

This event marked the launch of CSIS's China Power Project and its accompanying [website](#). The website is meant to be a research and educational resource for those interested in evaluating China's military, economic, and cultural power. At the event, Joseph Nye and David Shambaugh discussed the nature of power, the significance of China's rise, its participation in global governance regimes, and obstacles it faces in developing "soft power."

**A Preview of the Eighth US-China Strategic Dialogue: a Discussion with Nathan Sheets**

Brookings, May 24, 2016

Nathan Sheets, Undersecretary of the Treasury for International Affairs, delivered a brief address followed by a discussion with Brookings' David Dollar on US economic objectives in the upcoming Strategic and Economic Dialogue. He presented a long list of reforms that the United States wishes to see in China's economy, including addressing excess capacity, improving the business climate for outside investors, establishing a more market-driven exchange rate and opening its services sector to foreign investment.

**Commentary****Future Directions for US-China Relations: An Emerging Dual Leadership Structure**  
**Quansheng Zhao**

Since the 2008 global financial crisis, the US-China relationship has taken on a new structure, namely an emerging dual leadership structure, in the Asia-Pacific. This trend represents the future direction of US-China relations. China, as a rising power, has begun to play a leadership role in both the economic and financial domains, which can be seen most recently in the development of the China-led Asian Infrastructure Investment Bank (AIIB). Meanwhile, the United States, as the existing hegemon, plays a leadership role in the security and political domains. It remains to be seen whether the US and China can extend this dual leadership structure into regional as well as global institutions.

**Uncertainties about Order**

There are some inherent uncertainties involved in these new developments. The emerging nature of this new type of relationship means that the transitional process is still going on and the situation has not yet stabilized. The fact that it is a dual-power structure, with both sides having their own, sometimes different, viewpoints and opinions on what should be done, also adds to this uncertainty. The dual leadership structure reflects recent trends and perceptions regarding China's rise – namely China's dramatic and persistent economic growth (despite its recent slowdown). This in turn may momentarily affect global and regional power distribution, giving Beijing considerable new leverage relative to the one exercised by Washington. For example, China's increasing economic strength helped to maintain economic stability in East Asia when the 2008 financial crisis weakened the US. At the same time, continued US leadership in the military and political domains may prove to play a balancing role vis-à-vis China's rising influence in Asia and constitute a hindrance to Beijing's leadership in the East Asian region.

### **No “Bipolar” or “G2” Structure Will Emerge**

Some realists envision a future bipolar structure in which the US and China balance one another. However, the dual leadership structure is distinct from this concept because it reflects fundamental *asymmetry* rather than parity. China has not moved into a position where it can challenge US leadership. Rather, China is merely starting to become more influential in the economic dimension. While this trend could eventually enhance Beijing’s power in the military and political dimensions, the transition from economic to political influence will occur over a long period of time and is difficult to measure. Therefore, it is unlikely that China will replace US leadership in either the security or political domains any time soon—either in global or regional affairs.

Furthermore, the dual leadership structure may appear similar to the “G2” and other shared leadership concepts. They are, however, conceptually and empirically different. In 2009, Zbigniew Brzezinski argued strongly for the G2 model, suggesting that “the relationship between the US and China has to be truly a comprehensive global partnership, parallel [to] relations with Europe and Japan.” In contrast, the dual leadership concept only refers to a newly emerged regional structure in East Asia and emphasizes the distinct strengths of the US and China in separate dimensions, namely, economic and military. In a global sense, it is still an asymmetrical structure – that is, the US remains the sole hegemon and China is far from replacing it.

This dual leadership has proven to be a positive development so far, with benefits for both the US and China. Examples of these benefits include US-China cooperation in dealing with such global issues as climate change, anti-terrorism, or preventing the next financial crisis, as well as the North Korean nuclear crisis. However, it remains to be seen whether the two powers can coordinate well with other powers in the region, such as Japan.

The nature of the dual leadership structure can also be viewed in different ways. One way to examine the issue is in terms of perceptions. We do see that the gap between the US and China in many dimensions is narrowing, such as in overall GDP, with many projecting that the latter will surpass the former sooner or later. In sum, as China’s global influence and soft power continues to rise, as well as its overall GDP, the perception may be that China is moving up while America is moving down.

Another angle from which to see the development is that China may become a world superpower in certain dimensions, such as economically, but it is unlikely for China to become the leading power in the military and political domains. In fact, the dual leadership concept is double-edged. It not only emphasizes China’s rise and its implications, but the strength and persistence of US leadership. Despite the origins of the global financial crisis in Wall Street and the loss of American credibility in Afghanistan and Iraq, there have been no real challenges to US hard and soft power in the world. That is why we are witnessing the interesting phenomenon of China’s continuing economic momentum through three decades, while the US

continues to hold the leading military and political position. The region and the world are therefore at a compelling “historical moment” that demands further empirical data and suggests the necessity of new theoretical constructs.

### **Containment vs. Engagement**

Looking forward, there are at least two important questions which relate to the reactions of key players to this dual leadership structure. The first question is whether the US would accept a dual leadership structure in East Asia. Needless to say, there is a constant chorus of opposing voices in the US arguing about how to deal with the rise of China. A classic example is the debate between advocates of a containment policy versus an engagement policy. It seems to this author that the majority view among American elites and policymakers is that the United States should do its utmost to bring China into existing international political and economic systems, making China an insider rather than a challenger. In this way, China and the US would not only avoid a most undesirable and catastrophic military confrontation (such as a dispute in the East China Sea or South China Seas), but also achieve win-win cooperation in dealing with regional and global issues, such as a nuclear North Korea, terrorism, and global environmental challenges.

### **Other Regional Players**

The second important question relates to the reaction of existing players to a dual leadership structure, such as Japan, Russia, the two Koreas. One must also pay attention to the question of how we should treat the existing multilateral institutional arrangements such as ASEAN plus Three, the ASEAN Regional Forum, the East Asia Summit, and most recently, the Trans-Pacific Partnership (TPP). It is true that China’s Asian neighbors have some concerns about the rise of China, particularly in the security dimension. Much of this has to do with difficult conflicts and territorial disputes in the South China Sea and the East China Sea. But at the same time, China has made major progress in the past decade in the region, establishing close economic ties with virtually every neighboring country as well as initiating its own financial institutions such as the AIIB. The positive manifestation of increasing Chinese influence in the economic dimensions became particularly clear in the US financial crisis of 2008, when China’s record high economic growth offset the US’s negative growth, playing thereby a stabilizing and beneficial economic role for ASEAN countries. On the other hand, it is still unclear whether or how China will be a part of the TPP process in the foreseeable future, which indicates that there are still real limitations in terms of China’s leadership role.

### **The Future Balance of Power**

There are several uncertain factors that will affect the future balance of power in the Asia-Pacific region. Prospects for China’s continued rapid economic growth, which has been the impetus for the regional power shift, are still uncertain, with some predicting the coming collapse of a Chinese economic bubble, and others believing in the sustainability of Chinese economic growth for the decades to come. The US position in Asia also remains uncertain, depending upon its continued economic recovery, and a strong commitment to the policy of rebalancing towards Asia. If these Chinese and US factors continue to strengthen, then a dual

leadership system is sustainable. However, if either the US or China suffers a future economic downturn, or if the US is unable to follow through with the rebalance, then it will further the uncertainty of a dual leadership apparatus. In any case, the uncertain nature of US-China relations will have an enormous impact on the region as well as the globe for years to come.

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