



Great Power Perceptions

How China and the U.S view each other on political,
economic and security issues

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Bild/Cover: U.S. President Donald Trump and China's President Xi Jinping hold bilateral meetings at the Great Hall of the People on November 9, 2017 in Beijing, China. Photo by Thomas Peter-Pool/Getty Images.

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Sammanfattning

Under de senaste åren har relationerna mellan USA och Kina blivit alltmer ansträngda. Denna studie identifierar vad de två länderna uppfattar om de viktigaste omstridda frågorna i deras politiska, ekonomiska och säkerhetsrelaterade relationer. Genom en jämförande analys av hur dessa uppfattningar konvergerar och skiljer sig åt, har studien funnit följande grundläggande motsättningar i kinesiska och amerikanska uppfattningar: 1) Ömsesidig misstro; 2) Stöd för ett internationellt regelbaserat system – men olika syn på regler; 3) Konkurrerande ideologier; 4) Oenighet om omfattningen av Kinas globala ambitioner; 5) Motstridiga åsikter rörande Kinas territorium; och 6) Tvetydiga uppfattningar om makt. Dessa grundläggande motsättningar försvårar möjligheterna för Kina och USA att mildra spänningarna, då de ofta berör vad båda länder anser vara kärnfrågor för sina respektive nationella intressen. Medan USA betraktar Kinas framsteg som en utmaning mot rådande internationella system och dess ledande ställning, uppfattar Kina att amerikanskt agerande avser att förhindra Kinas utveckling, och i slutändan också som ett hot mot Kommunistpartiets fortsatta styre. Konsekvenserna av försämrade relationer mellan USA och Kina är av global omfattning, vilket kan medföra en press på andra stater att hitta en medelväg eller att i slutändan tvingas välja sida i kampen mellan de två länderna.

Nyckelord: Kina, USA, uppfattningar, omstridda frågor, grundläggande motsättningar, makt, utveckling, säkerhet, ekonomi, politik, internationella relationer, internationell ordning, utrikespolitik, strategi.

Abstract

In recent years, US-China relations have become increasingly strained. This study identifies what the two countries perceive to be the major contentious issues in their political, economic and security relations. By comparing how these perceptions converge and diverge, the analysis results in a set of foundational discordances in Chinese and US perceptions: 1) Mutual distrust; 2) Support for an international rules-based system – but with different rules; 3) Competing ideologies; 4) Disagreement regarding the extent of China's global ambitions; 5) Contesting views regarding China's territory; and 6) Ambiguous perceptions of power. These discordances make it increasingly difficult for the two countries to mitigate tensions, as they often relate to issues that each side considers to be core parts of its national interests. While the US views China's advancements as a challenge to the current international system and its leading position, China perceives US actions as efforts to impede China's development, and ultimately also as a threat to the continued rule of the Communist Party. The implications of deteriorating US-China relations are global in scope, and may pressure other states to find a middle-way or ultimately choose sides in the struggle between the two countries.

Keywords: China, US, perceptions, contentious issues, foundational discordances, power, development, security, economy, political, international relations, international order, foreign affairs, strategy.

Executive summary

The relationship between the United States and China can be described as the most important bilateral relationship in the world. In recent years, following actions from both sides, US-China relations have become increasingly strained. Disputes over trade, technology, the South China Sea, Taiwan and Hong Kong are recent examples of challenges to the bilateral ties. Underneath these disputes are diverging positions on fundamental issues such as how the world should be ordered.

The US and China are connected in several different ways, while at the same time being fraught with suspicion and distrust. Thus, the dynamics of the relationship are shaped and guided by how the two countries perceive each other. Perceptions are crucial factors in foreign policy making.

Based on an analysis of official documents, speeches, media reports and academic articles, this study identifies what China and the US perceive to be the major contentious issues in their political, economic and security relations. As such, they are formulated as a number of frames that encapsulate how the governments perceive and purposefully present the issues. In addition, by comparing differences and similarities between the perceptions that the US and China have of each other in political, economy, and security dimensions, the study arrives at a set of foundational discordances deemed to be particularly salient in the two powers' perceptions.

Contentious issues

First, in the political dimension, the US perception of China has changed, as hopes of integrating China into the US-led world order in the form of a responsible stakeholder have faded in Washington. Instead, the idea that China is a strategic threat is garnering bipartisan support. The lack of political liberalisation in China has put the light on the ideological differences between the US and China. From a US perspective, the Communist Party's ideology is irreconcilable with US values. The ideological differences become more threatening to the US as China grows more powerful and active on the international stage. To the US, China is actively subverting the US-led liberal international order. Also, since China presents itself as an alternative development model to the liberal democratic one, the US suspects it of popularising authoritarianism in the developing world and beyond. In order to achieve its goal, described by the Trump administration in terms of making the world safe for authoritarianism, China undermines the US and its allies through influence operations targeting media, diaspora communities, and politics in the respective states.

China, for its part, has an ambivalent view of the US, which can be seen in expressions of admiration as well as of fear and contempt. These perceptions can be traced back to Beijing's reverence for strength and contempt for weakness in the Chinese Communist Party's (CCP) history. To Beijing, US refusal to recognise

China's governance model, despite what they consider to be its evident success, is a sign of US arrogance. From a Chinese perspective, the US has become increasingly antagonistic towards China. This trend has been clearly exacerbated during the Trump administration and Beijing blames the deteriorating relationship solely on the US. China also refutes US accusations that China is a revisionist power trying to upend the rules-based order. Instead, to Beijing, the US is a self-serving hegemon, breaking the same rules it demands that others follow. Finally, China considers the US critique of China's political system and human rights record as interference in China's internal affairs. To Beijing, US criticism of Chinese politics is aimed at weakening the CCP and splitting the Chinese nation.

Second, in the economic dimension, the US accuses China of cheating, lying, and stealing. The US is concerned that China does not play by the rules in trade relations and about the lack of reciprocity when it comes to US access to the Chinese market. The US views dependency on China as increasingly problematic, as it makes the US vulnerable. This has spurred an intense debate over US supply chains and the need to decouple from China and Chinese products. 5G has become the flashpoint for US grievances, in which telecommunications firm Huawei is an illustrative example. However, attention is also paid to other technologies, such as artificial intelligence, quantum computing, and semiconductors. From the US perspective, Chinese efforts to seek technological self-reliance by using licit and illicit means are of great concern. Washington regards China's techno-nationalism as a threat against both its competitiveness and national security. Similarly, China's growing global economic leverage in general create significant worries in the US. In the eyes of Washington, China is increasingly using economic leverage around the world to extract political concessions. An example of this is the Belt and Road Initiative (BRI), which the US perceives as both a geo-economic and strategic challenge to the US.

From China's point of view, the US seeks to constrain China's economic influence and hinder what China regards as its legitimate right, the ability to pursue its own path of development. China considers what it perceives as a US distortion of its economic engagement to be a major hurdle in the forthcoming development of the bilateral relationship. By being depicted as an irresponsible and unreliable actor, the Communist Party perceives that the US seeks to contain China's legitimate rise as a global power. Also, China perceives US critiques of its economic development model as unjust. The Chinese government views state-led development to be of crucial importance for the economic governance of China, and ultimately also for the country's national security. China is also concerned about US efforts to undermine China's technological advancement. As a response, Beijing has increasingly pushed for technological self-reliance, as it perceives US actions to be part of an overarching aim to confine China. Finally, China considers the global economic system to be created by Western norms, primarily driven by US interests. Beijing has growing frustration with what it believes to be US-dominated international financial institutions. In the eyes of the Chinese government, the US

enjoys privileges in the global financial system, while China's economic power is insufficiently accounted for.

Third, in the security dimension, the US views China's increasing military strength and its regional and global ambitions with increasing concern. To Washington, China is perceived as a revisionist power that aims to displace the US in the region and ultimately as a global leader. China's military modernisation and build-up threatens US military advantage in the Indo-Pacific region. Also, the US is worried that China's increased power projection capability will enable it to conduct offensive operations not just within the first and second island chains, but in the Pacific and Indian Oceans and beyond. The US is convinced that China is striving for regional hegemony in the Indo-Pacific and for control over Taiwan and contested areas in the East China Sea and the South China Sea.

From a Chinese perspective, US security policy in Asia is increasingly directed at China. To Beijing, US actions on China's doorstep are aimed at containing China's rise. According to Beijing, the US mobilises its allies and friends, such as Japan, South Korea, India and China's Southeast Asian neighbours against China in this endeavour. Beijing claims that the US alliance system destabilises the region. China's greatest security concern is US arms sales and support for the Taiwanese government, which threatens China's desired reunification of the motherland. Beijing is extremely wary of any change in the US official position on Taiwan's status. For China, the US military presence in the region, including freedom of navigation operations (FONOP) in the South China Sea, are violations of China's territorial sovereignty. US support for the claims of China's neighbours in the territorial disputes are perceived as outside interference, with the aim of suppressing China and destabilising the region.

Foundational discordances

Based on a comparative analysis of what China and the US perceive to be the major contentious issues in political, economic, and security relations, the study arrives at six foundational discordances.

1. *Mutual Distrust*: The distrust and increasingly competitive nature of US-China relations is a prominent element in how the two countries perceive each other. Both sides converge in how they conceive that the other part actively and strategically acts to undermine their own respective positions. The distrust has increased in recent years, as a result of actions by both parties. As such, for each of the states, the other party causes great concern in its pursuit of its own national interests.
2. *Support for international rules-based system – but whose rules?* Both countries advocate an international order that derives from a rules-based system. However, the U.S and China consider the constitution of this

system in different ways. While the US promotes a rules-based order that is driven by the international norms of democratic participation, rule of law, transparency, and open markets, China puts its focus on the principle of state sovereignty and the right of each country to adopt its own development trajectory. As a result, both countries regard the other as rule-breakers in the international system.

3. *Competing ideologies:* China and the US represent not only two fundamentally different political systems with contrasting views on value issues, such as the position of human rights, but they also diverge on the universality of human rights and democracy. China argues for a multipolar world where many political systems, based on different cultural traditions, can co-exist. The US, on the other hand, is founded on the principle of the universality of human rights, rule of law, and multiparty democracy. Their different perceptions of the grounds upon which it is acceptable to found a government system pose major challenges for long-term peaceful coexistence.
4. *Disagreement regarding the extent of China's global ambitions:* China presents itself as a peaceful power that only aims to contribute to a more stable and multipolar world. While it has declared itself ready to take greater global responsibility, it asserts that it will neither seek to expel the US from the region, nor challenge US leadership. Washington is not convinced by these words. It has declared China a systemic rival that aims to upend the current US-led liberal world order. According to this view, China aims to proceed from regional hegemony in the Asia-Pacific and from there seek global pre-eminence. As such, there is a widening discrepancy in the way the US and China view Chinese aspirations on the international stage.
5. *Contesting views regarding China's territory:* The US and China have fundamental disagreements regarding several of China's territorial disputes, including the Senkaku/Diaoyu islands in the East China Sea and the islands in the South China Sea. Also, the question of Taiwan's status is a fundamental issue over which the Chinese and US positions are becoming increasingly difficult to accommodate. The Chinese side considers these claims as self-evident and not open for contestation. From the US perspective, Chinese claims are coercive and extensively asserted by a large country who is bullying smaller contestants. Considering the significance of the region for both countries, these are contrasting views that are likely deep-rooted in their respective postures.

6. *Ambiguous perceptions of power:* Perceptions and misperceptions of power can have profound consequences. There is no doubt in the US that China's power is growing, and recent US strategy documents emphasise that China is closing the gap. However, questions regarding whether China can and will surpass the US, and if so, when, do not receive any clear answers. Both sides also seem to attribute rationality and a high level of coordination on the other's behalf, and thus interpret the actions of the other as part of a larger strategy. This can lead not only to the overestimation of the rationality of the other, but also the animosity.

Global and regional consequences

The US and China are the world's two most powerful states and the tension between them have global consequences. One of the most pressing issues is the outlook for decoupling in the global economy, in which global production networks may fork between the US and Chinese supply chains. Such a development will create structural pressures on other states to choose between the two political and technological systems.

A deepening rift between the US and China may also entail an increased focus on their competing ideologies. As China's power and influence grow, its norms and practices will take a larger role on a global stage. This is a threat against US interests and will be perceived as such. As the lines between the US and China sharpens, more divided political camps may emerge in the world.

In many cases, European countries and the EU might have to find a middle-way or ultimately choose a side between the two countries. However, there might also be situations where they could navigate between the US and China to bolster their interests. Economic frictions between the world's two largest economies have paved the way for more protectionist measures from both sides, which challenge the open and trade-dependent countries in Europe and the EU as a whole. In the security domain, the US is the primary guarantor of European security and the indispensable member of NATO. If tensions between the US and China rise, it is plausible that the US will readjust and reduce its military force posture in Europe to prioritise the Indo-Pacific theatre. This has the potential to leave Europe in a vulnerable position.

Abbreviations

5G	Fifth Generation
A2/AD	Anti-access/Area Denial
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
BUILD	Better Utilization of Investments Leading to Development Act
CCP	Chinese Communist Party
CPC	Communist Party of China
DoD	Department of Defense
DPP	Democratic Progressive Party
EEZ	Exclusive Economic Zone
FONOP	Freedom of Navigation Operations
IP	Intellectual Property
ITU	International Telecommunications Union
NDB	New Development Bank
PLA	People's Liberation Army
PLAAF	People's Liberation Army Air Force
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
RMB	Renminbi
SDR	Special Drawing Right
TAIPEI	Taiwan Allies International Protection and Enhancement Initiative
THAAD	Terminal High Altitude Area Defense
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
US	United States
WHO	World Health Organization
WTO	World Trade Organization

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1 Introduction

The relationship between the United States and China can be described as the most important bilateral relationship in the world of the 21st century.¹ It involves the world's two largest economies and arguably the two most powerful countries in international affairs. It is a bilateral relationship that has historically experienced a variety of intense crises and severe conflicts, but also periods of closer engagement and collaboration based on mutual interests. The US and China are connected in several different ways, while at the same time being fraught with suspicion and distrust. Thus, the dynamics of the relationship are also often shaped and guided by how the two countries perceive each other. As such, perceptions continue to play an important role in the trajectory of US-China relations, which have evolved into a complex mixture of international rivalry, conflicting political systems, and intertwined economies.

In recent years, following actions from both sides, US-China relations have become increasingly strained. Disputes over trade, technology, the South China Sea, Taiwan and Hong Kong are recent examples of challenges to the bilateral ties. Today, the two countries seem increasingly set in being at odds with each other, within fundamental and systemic areas, such as economic cooperation, China's military modernisation, US military deployment in the Pacific, and the global political order. The relationship did not improve with the global pandemic Covid-19, which unfolded in 2020 with mutual accusations of malintent.

The worsening relationship may cause a 'decoupling', which would entail a less interdependent relationship between the two major powers of the world. The consequences of a deteriorating relationship will be felt throughout the world, with repercussions on multiple levels, political as well as economic and security. It is therefore of great significance to understand the development of Sino-American ties, and how the two countries perceive each other.

This study is an analysis of US and Chinese perceptions. Understanding the processes of perception and misperception among decision-makers is essential for understanding international relations in general.² This certainly also applies to the US-China relationship, with their different political systems operating in a globalised world. Against the background of a possible security dilemma between the two countries, perceptions and misperceptions about one another's intentions

¹ The authors would like to thank Sofia Ledberg and Niklas Rossbach for reviewing a draft version of the report. Thanks also to Richard Langlais for language-editing.

² Jervis, Robert, *Perception and Misperception in International Politics*, Princeton, N.J: Princeton University Press, 1976.

and actions play crucial parts.³ Thus, looking into how these two major powers perceive each other helps us understand some of the underlying reasons for the dynamics and practices shaping US-China relations.

1.1 Aim and Research Questions

This study aims to identify and analyse the major contentious issues that pervade the relationship between the US and China, based on the two sides' perceptions. In other words, while the empirical situation provides a context for the analysis, the focus of the study is to understand what both the US and the Chinese sides perceive and publicly declare to be the major contentious issues for their respective parts in their relation with the other.

In the following, the relationship is analytically separated into three dimensions: political, economic and security. Within each of these dimensions, based on an analysis of documents, speeches, media reports, and academic articles, the study proceeds to identify the main contentious issues vis-à-vis the other country that have been and are raised by each side. The study also aims to conduct a comparative analysis of differences and similarities between U.S. and China's perceptions of each other in order to extract what the foundational discordances between them are comprised of. Guided by these aims, the paper's research questions are as follows:

- What do the US and Chinese governments perceive to be the major contentious issues in the political, economic and security relationship?
- Based on a comparative analysis of the identified contentious issues, what comprises the foundational discordances between the US and China?

1.2 Previous Research

International relations research has long recognised the importance of perceptions in affecting choices in foreign policy.⁴ Perceptions are also considered a crucial element in driving a security dilemma.⁵ Considering the importance of the

³ According to Robert Jervis, a security dilemma exists when "many of the means by which a state tries to increase its security decrease the security of others." Jervis, Robert, "Cooperation under the security dilemma," *World Politics*, Vol. 30, No. 2, 1978, 169.

⁴ Jervis, 1976; Herrman, Richard, "The Power of Perceptions in Foreign-Policy Decision Making: Do Views of the Soviet Union Determine the Policy Choices of American Leaders?," *American Journal of Political Science*, Vol. 30, No. 4 Nov. 1986, 841-875.

⁵ Shiping Tang points out that perceptions play an important part in driving security dilemmas, but structural factors are also crucial as their ultimate source. Shiping, Tang, "The Security Dilemma: A Conceptual Analysis," *Security Studies*, Vol. 18, No.3, 2009, 604. Analysts debate to what extent a security dilemma exists between China and the US. See, Christensen, Thomas, "The contemporary security dilemma: Deterring a Taiwan conflict," *Washington Quarterly*, Vol 25, No. 4, 2010, 5-21; Wuthnow, Joel, "U.S. 'Minilateralism' in Asia and China's Responses: A New Security Dilemma?" *Journal of Contemporary China*, Vol. 28, 2019, 133-150; Breuer, Adam and Alastair Iain Johnston,

relationship, an abundance of studies on Sino-US relations have been produced over the years. Many of them include political, economic and security relations.⁶ While most studies tend to analyse the relationship based on the empirical practices of the two governments, there are also a number of studies that focus specifically on their perceptions of each other. While most such studies tend to look at the relationship either from a Chinese or an American perspective,⁷ fewer studies take into account both sides.⁸ The present study focuses on how *both* the US *and* China perceive each other. By including both perspectives in the same study, we are able to include a comparative perspective, which offer interesting contrasts.

1.3 Methodology and Sources

While both policy and practice are taken into account, the main focus of the study is to analyse how the two states perceive each other. Hence, the focus is on their respective discourses and policy rather than practices. The units of study are the two nation-states, China and the US, represented by the two governments. However, other actors that are considered to influence the government decision-makers, such as advisors, think tanks, business leaders, and non-government politicians are also taken into account. We assume that governments are actors who present or frame their perceptions with a strategic purpose.⁹ The other actors,

“Memes, narratives and the emergent US-China security dilemma,” *Cambridge Review of International Affairs*, Vol. 32, No. 4, 2019, 429-455.

⁶ To name a few: Harding, Harry, *A Fragile Relationship: The United States and China since 1972*, Washington DC: The Brookings Institution, 1992; Liu, Xinsheng, *Modeling Bilateral International Relations: The Case of U.S. China interactions*, New York, Palgrave, 2006; Shambaugh, David, *Tangled Titans: The United States and China*, Lanham MD., Rowman & Littlefield Publishers, 2012; Sutter, Robert G, *US-China Relations: Perilous Past, Uncertain Present 3rd Edition*, Lanham MD., Rowman & Littlefield, 2018; De Graaf, Naná and Bastiaan Van Apeldoorn, “US–China relations and the liberal world order: contending elites, colliding visions?” *International Affairs*, Vol 94, No. 1, 2018, 113–131; Zhao, Suisheng, “Engagement on the Defensive: From the Mismatched Grand Bargain to the Emerging US-China Rivalry,” *Journal of Contemporary China*, Vol. 28, No.118, 2019, 501-518; Medeiros, Evan S., “The Changing Fundamentals of US-China Relations,” *The Washington Quarterly*, Vol 42, No.3, 2019, 93-119; Shiffrinson, Joshua, “The rise of China, balance of power theory and US national security: Reasons for optimism?” *Journal of Strategic Studies*, Vol. 43, No.2, 2020, 175-216.

⁷ Blum, Samantha “Chinese Views of US Hegemony,” *Journal of Contemporary China*, Vol. 12, No. 35, 2003, 239-264; Yang, Xiangfeng, “The great Chinese surprise: the rupture with the United States is real and is happening,” *International Affairs*, Vol. 96, No. 2, 2020, 419-437; Chen, Rosalie “China Perceives America: Perspectives of international relations experts,” *Journal of Contemporary China*, Vol. 12, No. 35, 2003, 285-297; Saunders, Phillip C. “China’s America Watchers: Changing Attitudes towards the United States,” *China Quarterly*, No. 161, Mar, 2000, 41-65; Breuer and Johnston, 2019.

⁸ Wang Jisi, Sun Yilin, Lu Ningbo, Guo Chu, Li Fangqi, Jiao Jian, and Xu Bei, “Summary of survey report on mutual perceptions between China and the United States,” *China International Strategy Review*, 2020, 24-35; Burzo, Stefano and Li Xiaojun, “Public Perceptions of International Leadership in China and the United States,” *Chinese Political Science Review*, No.3, 2018, 81-99.

⁹ Mintz, Alex and Steven B. Redd, “Framing effects in international relations,” *Synthese*, No. 135, 2003, 193-213.

mentioned above, are also useful for understanding the underlying perceptions that are not publicly stated.

For analytical purposes, a division is drawn between political, economic and security relations. We acknowledge that in reality these dimensions often overlap and many issues are relevant for all three categories. The division into political, economic and security dimensions is based on previous research in studies of bilateral international relations as well as specific China-US studies.¹⁰ Apart from these, the Sino-US relationship includes several additional issues, such as cultural and social relations, that are not included in the scope of this study.

Within these three dimensions, we have identified major reoccurring contentious issues raised by each side. Hence, it is a combination of how often an issue is raised as well as how important the issue is presented as being. The latter is based on factors such as who is raising the issue, the setting and form it is being raised in, and the wordings used in combination with it.¹¹ The contentious issues are formulated as a number of phrases that encapsulate how the governments frame the issue. We use Chong and Druckman's definition of framing as "the process by which people develop a particular conceptualisation of an issue or reorient their thinking about an issue."¹² In this study, the focus is on how the two governments perceive and present the different contentious issues in the China-US relationship. Frame analysis has been used previously to study how political leaders purposefully present problems in international relations and US foreign policy.¹³ Finally, after having identified the contentious issues, a comparative cross-dimensional analysis of differences and similarities between US and China's perceptions follows in order to extract the foundational discordances.

This report is based on an analysis of open sources, including academic publications, media reports, and official documents. To analyse the Chinese government's view on the United States, we have mainly used official documents, such as government White Papers, interviews and speeches of top officials, and articles from Chinese state media.¹⁴ In addition, we have included texts by several Chinese scholars from universities and think tanks. We have focused primarily on experts from some of the universities and think tanks that have been previously identified

¹⁰ For a discussion, see Liu, 2006, 76.

¹¹ For example, if a leader describes an issue as the 'most important', 'fundamental', a 'core interest', it will be considered as being more important than if it were presented as simply being a concern.

¹² Chong, Dennis and James N. Druckman, "Framing Theory," *Annual Review of Political Science*, 10, 2007, 104.

¹³ Mintz and Redd, 2003.

¹⁴ We have used media articles from state media, such as People's Daily, PLA Daily, Xinhua News Agency, and Chinese Central Television (CCTV). Since they are all controlled by the Communist Party, they can therefore be regarded as representing the Party's view. The tabloid, Global Times, is controlled by the CCP, but often expresses opinions that cannot be expressed in more official outlets. While it does not necessarily represent Chinese foreign policy, it can be seen as a representative of the more national sentiments and opinions that many Chinese policymakers share.

as being most influential on Chinese foreign policy and US policy.¹⁵ While in China it is not possible to criticise the Party leadership directly, the message from experts can be delivered indirectly by criticising scholars or other experts who stand for policies similar to the government's.¹⁶ Moreover, the work of Chinese experts and scholars is also useful as an avenue for interpreting and analysing CCP policy and top leaders' speeches, which are typically full of political jargon.¹⁷ It is difficult to evaluate the degree to which these scholars and experts actually have an impact on Chinese policymaking. However, engaging with their writings and comments offers a helpful complement to the overall effort of trying to understand Chinese policymaking and perceptions.

To analyse the US government's view on China, several sources have been used. First of all, this study begins at the top – i.e. with official statements and high-profile governmental reports, and then works downwards through the US bureaucracy. Speeches by the President, Secretary of State, and Secretary of Defense are considered to be the top.

Congressional records and hearings are also important sources. Hearings are also a valuable source, since they include lengthy testimonials, not only from various area specialists, but also top-level representatives of the executive branch and the bureaucracies responsible for US strategy toward China. Furthermore, they are important for understanding the two parties' positions and for gaining a sense of the pressures within the US body politic.

This study also uses secondary sources. Monographs, articles by area specialists, biographies of policymakers, and newspapers, such as the *New York Times* and *Washington Post*, are examples of such sources. Publications from various think tanks and political and academic journals were also consulted.

¹⁵ The following research institutes and think tanks are usually named: The China Institute of Contemporary International Relations (CICIR), the Foreign Ministry's China Institute of International Studies (CIIS), three institutes at the Chinese Academy of Social Sciences (CASS), including the Institute of American Studies (IAS), National Institute of International Strategy (NIIS), and Institute of World Economics and Politics (IWEP); Peking University, Renmin University, Tsinghua University, China Foreign Affairs University, Academy of Military Sciences (AMS), the Center for Peace and Development Studies (CPDS), the Party School of the CCP, and Shanghai Institute of Strategic Studies (SIIS). See Meng Weizhan "Is China's IR Academic Community becoming more anti American?" *Asian Perspective*, Winter 2020; Menegazzi, Silvia, "Chinese Military Think Tanks: 'Chinese Characteristics' and the 'Revolving Door'," *China Brief*, Vol. 15, No. 8, Apr, 2016.

¹⁶ For example, in 2018, Hu Angang, a scholar with close ties to the Party leadership, was severely criticized in a letter signed by 1000 graduate students at Tsinghua University for his triumphalist ideas of Chinese supremacy. See Lukin, Alexander, "The US-China Trade War and China's Strategic Future," *Survival*, Vol. 61, No. 1, 2019, 33.

¹⁷ Liu, Feng, 2020, 16; Chen, 2003; Saunders, 2000.

1.4 Delimitations

This study concerns the major contentious issues in the US-China relationship. However, it is important to point out that the two countries also collaborate on several issues. These issues may include nuclear weapons and non-proliferation, regional hotspots, such as North Korea and Afghanistan, climate change, counter-terrorism, international financial crises, disease prevention and control (despite the frictions over the Covid-19 pandemic), narcotics control, and poverty alleviation.¹⁸ The current confrontational climate in bilateral relations tends to overshadow the fact that during the last 40 years China and the US have developed strong relations and collaborations in many fields. While, in recent years, collaboration in some areas such as trade and research has been reduced, the two countries are still very much interconnected. It is thus of great significance to keep in mind that there are also avenues for finding common ground in US-China relations.

Although this importance is recognised, this study does not cover the areas of potential collaboration. As Sino-US ties are deteriorating, this study analyses the contentious issues that are shaping much of the current trajectory of the relationship. By limiting our focus to the contentious issues, we can thus undertake a more focused analysis of how the two countries perceive their overarching predicaments with each other.

While this study makes a few references to the historical development of the relationship, it is concerned with perceptions during the last decade, since the Obama administration's 'pivot to Asia', in 2010, and Xi Jinping's ascent to power, in 2012.

1.5 Outline of the Study

The three following chapters (2-4) present US and Chinese perceptions of each other. The chapters are divided into perceptions of political relations (Chapter 2), economic relations (Chapter 3), and security relations (Chapter 4). Each chapter follows a similar structure. First, the relationship based on the empirical development in recent years is outlined, in order to introduce a background to the following analysis of perceptions. Then, US perceptions on contentious issues with China are presented, followed by the Chinese side's perceptions.

Chapter 5 presents the results of a comparative analysis of all the perceived contentious issues identified in the three dimensions. Differences and similarities

¹⁸ These areas of cooperation were highlighted by the Chinese side in speeches by Wang Yi, "Study and Implement Xi Jinping Thought on Diplomacy Conscientiously and Break New Ground in Major-Country Diplomacy with Chinese Characteristics," Speech at the Inauguration Ceremony of The Xi Jinping Thought on Diplomacy Studies Centre, *PRC Ministry of Foreign Affairs*, Jul 20, 2020; Yang Jiechi, "Respect History, Look to the Future and Firmly Safeguard and Stabilize China-US Relations," *PRC Ministry of Foreign Affairs*, Aug.7, 2020; Le Yucheng, "Reviving the Cold War is Anachronistic" - Vice Foreign Minister Le Yucheng's Exclusive Interview with Guancha.cn, *PRC Ministry of Foreign Affairs*, Aug 12, 2020.

in the perceived contentious issues are analysed in order to produce what the foundational discordances between the two countries are.

Finally, Chapter 6 concludes the main findings of the study and discusses consequences for the US-China relationship, international politics, and for European countries.

2 Political Relations

Over the last three decades, the US and China have become increasingly intertwined and the relationship has subsequently grown more complex. During this period, China's economic growth has been staggering and China's rise is dramatically shifting the international distribution of power. Now, the two states have the world's largest economies and defence budgets, and until recently were each other's largest trading partners, excluding the EU.

Numerous power-oriented scholars have argued that China's increasing power is changing the polarity of the international system, and that this will have profound consequences.¹⁹ From this perspective, China's rapid rise is the primary source of friction between the US and China. Many have argued that the unipolar moment began to wane sometime in the early-mid 2000s, more definitely by the time of the financial crisis in 2008, and that by 2014 the international environment had shifted to a situation of renewed great power competition.²⁰ China's rise and the shift toward great power competition was acknowledged by the Obama administration in several ways. The administration's pivot to Asia was a recognition of the former, while the 2015 National Military Strategy is an example of the latter.

US policy toward China, up until the Trump administration, was based on the notion that a *modus vivendi* with China was crucial for many US objectives in the world. Therefore, the US sought to balance conflict and cooperation in the US-Sino relationship. However, it is clear that during the Obama years competition was increasing, areas of cooperation were shrinking, and voices urging a rethinking of the US China policy were becoming louder. In contrast to his predecessors, President Trump placed great power competition at the centre of his foreign policy; his administration's strategy documents explicitly depicted China as a revisionist power with global ambitions.²¹

¹⁹ See for instance: Mearsheimer, John, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics*, Vol. 3, No. 4, 2010; Allison, Graham, *Destined For War: Can American and China Escape the Thucydides's Trap?*, Boston, Houghton Mifflin Harcourt, 2017; O'Rourke, Robert, "Renewed Great Power Competition – Issues for Congress," *Congressional Research Service*, May 1, 2020.

²⁰ See for instance: Kagan, Robert, "End of Dreams, Return of History," *Policy Review*, Jul 17, 2007; Mead, Walter Russell, "Who's to Blame for a World in Flames?" *The American Interest*, Oct 6, 2014; and Ehrhard, Thomas P., "Treating the Pathologies of Victory: Hardening the Nation for Strategic Competition," in Heritage Foundation, *2020 Index of U.S. Military Strength*, 2020.

²¹ The White House, *National Security Strategy of the United States of America*, Dec 2017; U.S. Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America*, 2018; U.S. Department of Defense, *Summary: Department of Defense Cyber Strategy*, 2018; The White House, *U.S. Strategic Approach to the People's Republic of China*, May, 2020. U.S. Department of Defense, *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region*, June 1, 2019. The extent to which China is or is not a revisionist power has garnered much debate among experts. Iain Johnston argues that while China is against some world orders, such as the political world order, it supports other world orders, such as the financial order and the UN-based constitutive order. Johnston, Alastair Iain, "China in a World of Orders: Rethinking

Meanwhile, China has indicated that it seeks to position itself for a larger role vis-à-vis the US in the global governance system. For instance, in the 19th Party Congress, in October 2017, Xi Jinping stated that China strives for a central role on the international scene and that China now “offers a new option for other countries and nations who want to speed up their development while preserving their independence.”²² In practice, China has also become more active on the global scene. China has increased its influence in the UN by securing more positions for its diplomats and increasing its funding, thus giving it a greater role in shaping the international discourse on human rights and global governance issues.²³

From the US point of view, China poses a systemic challenge to the US-led liberal international order. In a speech at the Hudson Institute, in October 2018, Vice President Mike Pence explained to the American people how “Beijing is employing a whole-of-government approach, using political, economic, and military tools, as well as propaganda, to advance its influence and benefit its interests in the United States”.²⁴ He further argued that China is advancing in strategic interest both regionally and globally “with growing intensity and sophistication” in a wide-spanning effort to “change the international order” in its favour.²⁵

From China’s point of view, the US demeans it, while not recognising its status as a great power, and acts hypocritically with regards to international norms. Furthermore, Beijing portrays the US as a rule-breaker and argues that it is the US who has changed its policy and become more combative, while China’s policies have remained constant.

Besides the systemic threat and the friction over economic and security issues, (both of which are analysed in subsequent chapters), the US-China relation is also fraught by several concrete points of dispute, some dating back decades, such as the friction between the US and China over Taiwan, various consular issues, and China’s disregard for human rights. The persecution of Christians, Falun Gong, Tibetans, Uyghurs, and Muslims is for instance regarded as a direct challenge to the US notion of universal democratic values.²⁶ Hong Kong’s eroding autonomy,

Compliance and Challenge in Beijing’s International Relations,” *International Security*, Vol. 44, No. 2, 2019.

²² Xi Jinping, “Secure a decisive victory in building a moderately prosperous society in all respects and strive for the great success of socialism with Chinese characteristic for a new era,” Report at the 19th CCP National Congress, *China Daily*, Nov 4, 2017.

²³ *The Economist*, “In the UN, China uses threats and cajolery to promote its worldview,” Dec 7, 2019.

²⁴ The White House, “Remarks by Vice President Pence on the Administration’s Policy Toward China,” October 4, 2018.

²⁵ The White House, “Remarks by Vice President Pence on the Administration’s Policy Toward China”.

²⁶ U.S. Department of State, *Integrated Country Strategy: China*, August 29, 2018; Lawrence, Susan V., “The Tibetan Policy Act of 2002: Background and Implementation,” *Congressional Research Service*, November 5, 2014; Lum, Thomas and Weber, Michael A., “Uyghurs in China,” *Congressional Research Service*, October 5, 2020.

particularly since China's National People's Congress passed the National Security Law, in June 2020, caused the US to announce several counter acts, including targeted sanctions.

Over the years, the US has deployed a broad array of means for promoting human rights and democracy in China, often exercised simultaneously, spanning from congressional hearings and funding of civil society groups to sanctions and international pressure.²⁷ Beijing considers this coordinated effort an unacceptable interference in China's internal affairs and in blatant disregard of the principle of state sovereignty.

In 2020, several developments, including the Covid-19 pandemic and the US presidential election, contributed to further deterioration in the Sino-US relationship. President Trump explicitly blamed China for the pandemic and the Republican Party sought to emphasise the "China threat" in the run-up to the elections. China also changed its tune during the same year. In May, at the National People's Congress, in a break from the practice of avoiding the naming of adversaries, the Chinese defence minister, Wei Fenghe, and several high-ranking military officials specifically mentioned that the US had since the start of the pandemic "intensified its suppression and containment of China".²⁸ In July 2020, Foreign Minister Wang Yi also remarked that relations between China and the U.S have not been this bad since 1979, when diplomatic relations were established.²⁹

From this brief outline of some of the major issues that today pervade the US-China relationship, the remaining parts of this chapter elaborate on what the two states perceive to be the main political sources of friction between them.

2.1 US Perceptions of Political Relations with China

From the US point of view, China's rise in power poses a systemic challenge to the US-led liberal international order. According to the Trump administration, China is using all disposable means to undermine the US and advance its own strategic interest, both regionally and globally. Five broad politically contentious issues have been identified: (1) China does not adapt as expected; (2) China's ideology; (3) China's effort to subvert the international order; (4) China's attempt at popularising authoritarianism in the developing world and beyond; and (5) China's effort to undermine the US and its allies, partners and friends.

²⁷ Lum, Thomas and Weber, Michael A., "Human Rights in China and U.S. Policy: Issues for the 116th Congress," *Congressional Research Service*, October 9, 2019.

²⁸ Jun, Mai, "Two Session 2020: China-US rivalry in 'high-risk period', Chinese defence minister says," *South China Morning Post*, May 27, 2020.

²⁹ Myers, Steven Lee and Mozur, Paul, "Caught in 'Ideological Spiral,' U.S. and China Drift Toward Cold War," *New York Times*, July 14, 2020.

2.1.1 China Does Not Adapt as Expected

The widely accepted narrative on US China policy is that the US, since the end of the Cold War, undertook a largely consistent bipartisan approach to China, premised on the assumption that expanding trade and investment would have beneficial effects, both on China's external behaviour and on the evolution of its domestic political and economic institutions.³⁰

By integrating China into the global economy, through opening US markets and welcoming it into the World Trade Organization (WTO), and encouraging Beijing to assume a greater role in regional and global affairs, US leaders sought to demonstrate the benefits of the liberal rules-based international order. They hoped this would incentivise China to see itself as a "responsible stakeholder" in the existing order. Furthermore, economic integration would push China to place greater reliance on market mechanisms and move away from state-directed planning as its economy developed. The following economic growth would lead to the emergence of a new middle class in China and give rise to pressure for liberalising political reforms. While this was unfolding, the US committed to maintaining the military capabilities and alliances necessary to dissuade China from choosing a more confrontational or revisionist path. This *responsible stakeholder paradigm* guided US policy, and over the decades it produced Sino-American cooperation on a broad range of issues.³¹

In recent years, US perceptions of China have changed. By President Obama's second term, the paradigm was living on borrowed time, as increasing numbers of Americans became convinced that Beijing was not internalising the norms and practices of free-market trade and fair competition, but exploiting the membership in WTO to become the world's largest exporter, while protecting its domestic markets. Consequently, the pressure for reappraising China and rethinking the US-China relationship was mounting.³²

President Trump made the US-Sino relationship into one of his core foreign policy issues. He questioned the foundational assumptions of the responsible stakeholder paradigm and lambasted those responsible for the country's China policy as naïve fools. His administration's National Security Strategy, published in 2017, also explicitly stated that the assumption that engagement and integration would turn rivals into benign actors and trustworthy partners has, for the most part, "turned out to be false".³³

³⁰ The White House, *U.S. Strategic Approach to the People's Republic of China*, May, 2020; Freidberg, Aaron "Rethinking the Economic Dimensions of U.S. China Strategy," AASE, August, 2017.

³¹ Brands, Hal, and Cooper, Zack, "After the Responsible Stakeholder, What?: Debating America's China Strategy," *Texas National Security Review*, Vol. 2, Issue 2, Feb 2019.

³² The White House, *U.S. Strategic Approach to the People's Republic of China*; Brands and Cooper, 2019.

³³ The White House, *National Security Strategy*, 2017. See also: U.S. Trade Representative, *2017 USTR Report to Congress on China's WTO Compliance*, Jan, 2018.

The Trump administration's effort to portray China as the preeminent threat to the US and the US-led international order has been remarkably successful domestically. In recent years, a consensus has been forming around the notion of China as the greatest threat to the US, and the Covid-19 pandemic has accelerated the development of this idea. During the spring of 2020, US negative views on China reached record levels.³⁴ This development led Democratic nominee Joe Biden to change his rhetoric regarding China, and on the campaign trail described the country as the top strategic challenge.³⁵

The process of rethinking the US China policy is well underway. The state of the debate can be described as pre-paradigmatic. Even though most agree that China is a serious threat, there is no consensus on how the US should handle it. There are not just disagreements about means, but also, more fundamentally, about what the goal of US policy should be. In many ways, the debate reflects the US political landscape.³⁶

The replacement of the responsible stakeholder paradigm with a *threat-oriented perspective* has had profound consequences. It is more than just a change in policy. It changes the lens through which events are interpreted. It changes how the US perceives China, including its past behaviour. It also forces a re-evaluation of US past policy and retrospectively validates the far more negative view on China often put forth by realist-oriented analysts.³⁷

2.1.2 China's Ideology is Irreconcilable with US Values

Some US theorists of international relations, usually with liberalist leanings, pushed the responsible stakeholder paradigm to its very limit. They argued that the integration would change China to such an extent that it would come to preserve the liberal rules-based order even in the event of a US decline.³⁸ Of course, the paradigm had its detractors. The human rights community has always been critical of this politically expedient policy that effectively steered costly choices. Numerous US scholars also continually criticised it for being naïve and for not properly analysing the potential negative consequences of China's rise.³⁹ Also, many realist-oriented theorists warned that throughout history war has often been

³⁴ Pew Research Center, "U.S. Views of China Increasingly Negative Amid Coronavirus Outbreak," Apr 20, 2020.

³⁵ Wong, Edward, Crowley, Michael and Swanson, Ana, "The Long Run: Joe Biden's China Journey," *New York Times*, Sep 6, 2020.

³⁶ See for instance: Freidberg, Aaron "Rethinking the Economic Dimensions of U.S. China Strategy," AASE, Aug 2017; Boustany Jr., Charles W. and Friedberg, Aaron, "Partial Disengagement: A New U.S. Strategy for Economic Competition with China," *The National Bureau of Asian Research*, NBR Special Report No. 82, Nov, 2019.

³⁷ The question of the extent to which this is a paradigm shift is driven by U.S. domestic politics and related factors, or caused by an evolution in the way Beijing is behaving, falls outside the scope of this study.

³⁸ Ikenberry, John, "The Rise of China and the Future of the West," *Foreign Affairs*, Vol. 87, No. 1, Jan/Feb 2008.

³⁹ Mearsheimer, 2010.

the outcome when an emerging power threatens to displace an existing great power.⁴⁰ In the US academic debate, perspectives focusing on China's status or participation in the existing order or change in relative power often, for various reasons, omit to analyse the degree to which the Sino-US rivalry is driven by competing political governance systems with irreconcilable core values.⁴¹

Increasingly, the Trump administration has emphasised the CCP's ideology and global ambitions.⁴² It also accuses those responsible for the US's China policy of naively downplaying the extent to which the CCP is ideologically driven.⁴³

There is a clear difference in tone between various official documents produced by the Trump administration and the rhetoric it uses in public speeches. Public speeches are often blunt to the extreme. For instance, in June, 2020, National Security Advisor Robert O'Brien declared: "Let us be clear, the Chinese Communist Party is a Marxist-Leninist organization. The Party General Secretary Xi Jinping sees himself as Josef Stalin's successor".⁴⁴ There are several reasons for this variance. However, the overall analysis seems to fairly consistent. Below follows an outline of how the administration, but also an increasing number of members of Congress, describes the ideological challenge China poses. The challenge is both perceived and portrayed in terms familiar to many Americans, since it relies heavily on the dichotomies of the Cold War and the description of the USSR. Echoing the distrust of the Cold War, Secretary Pompeo remarked, regarding China's behaviour in July 2020: "President Reagan said that he dealt with the Soviet Union on the basis of 'trust but verify.' When it comes to the CCP, I say we must distrust and verify."⁴⁵

The Chinese Communist Party's values are rooted in Marxism-Leninism and offer a view of politics radically different and incompatible with core values of the US, that treat the individual as an end in itself. In contrast, the CCP makes individuals into means towards the achievement of collective ends, and its criterion for measuring progress is collective material welfare rather than freedom. Individual human rights, including freedom of speech, assembly, and religion are thus subordinate to the collective ends of security, development, and international prestige as defined by the CCP. From the position of US political culture, the Chinese focus on the collective over the individual necessitates placing comprehensive power in the hands of the state.

⁴⁰ Mearsheimer, 2010; Allison, 2017.

⁴¹ National Security Advisor Robert O'Brien emphasised this point in June 24, 2020. The White House, National Security Advisor, O'Brien, Robert C., "The Chinese Communist Party's Ideology and Global Ambitions," Jun 24, 2020.

⁴² O'Brien, 2020.

⁴³ O'Brien, 2020.

⁴⁴ O'Brien, 2020.

⁴⁵ U.S. Department of State, Secretary of State, Pompeo, Michael R., "Communist China and the Free World's Future," July 23, 2020.

From China's collectivist ideology stems a view of the political process that is very different from that of the US. The CCP not only contends that it represents the Chinese people's interests as a whole, but it also sees itself as a bulwark against particular group interests that are a predominant feature of the political process in liberal democracies. For the CCP, dissent is not legitimate nor an expression of political participation, but subversion. Dissent undermines the Party and thus dissenters are regarded as enemies of the Chinese people's collective interests. The CCP goals of producing ideological conformity and repressing dissent by means of sophisticated surveillance technology are increasingly being called out by US policymakers.⁴⁶

Dating back decades, the US has criticised China's disregard for human rights and its religious persecution of Christians, Falun Gong, Tibetans, Uyghurs, and Muslims. China's practices are perceived as a direct challenge to US values.⁴⁷ "China is home to one of the worst human rights crises of our time; it is truly the stain of the century", Secretary of State Mike Pompeo declared in 2019, regarding China's treatment of the Uyghurs.⁴⁸

From the US point of view, the CCP has consistently perceived the West as seeking to overturn Party rule through a wide variety of means, and it is clear that the Party does not believe that the current order provides security for its political system. During the Cold War, the contest was between two relatively self-contained blocks, with each side trying to win over individual states. The stakes are raised considerably since global integration has eliminated the option of retreating into separate worlds. Now the contest is about power and influence over one globally integrated world. Therefore, China represents "a new kind of challenge," according to Secretary of State Michael Pompeo, since it "is an authoritarian regime that's integrated economically into the West in ways the Soviet Union never was."⁴⁹ This elevates the impact of values, and the Sino-American rivalry is exacerbated by their struggle to define the norms that govern the world.

From Washington's perspective, it is clear that the CCP is trying to undermine the current rules-based order by weakening international norms and popularising authoritarianism at the national level. Attorney General William Barr put it more

⁴⁶ U.S.-China Economic and Security Review Commission, "A 'China Model?' Beijing's Promotion of Alternative Global Norms and Standards," Hearing, Mar 13, 2020; U.S.-China Economic and Security Review Commission, "A 'China Model?' Beijing's Promotion of Alternative Global Norms and Standards," Roundtable, Apr 27, 2020.

⁴⁷ Lawrence, 2014. See also: Lum and Weber, 2020.

⁴⁸ Brunnstrom, David and Wroughton, Lesley, "Pompeo Calls China's Treatment of Uighurs 'Stain of the Century'," *Reuters*, July 18, 2019.

⁴⁹ U.S. Department of State, "Secretary of State Michael R. Pompeo with Peta Credlin of Sky News," Aug 5, 2019; U.S. Department of State, Secretary of State, Pompeo, Michael, "The Special Relationship," May 8, 2019.

bluntly when, in July 2020, he stated that the CCP seeks to “overthrow the rules-based international system and make the world safe for dictatorships.”⁵⁰

2.1.3 China is Subverting the International Order

As long as China did not have the power to assert its moral pre-eminence, it was easier for US policymakers to overlook the irreconcilability of the two systems. However, increases in power are usually accompanied by increases in ambition. It is increasingly evident that the White House, the Department of Defense, the State Department, and a growing number of members of Congress and analysts, believe that China has abandoned what has been perceived as a defensive international posture for a far more active and offensive posture.

From the US perspective, the CCP has for decades advocated a new international order organised around mutual respect for sovereignty and territorial integrity and mutual non-interference in each other’s internal affairs.⁵¹ An order built on these principles would effectively expunge the norm of democratisation. It would also undermine US security architecture, which to a considerable extent is based on shared values.

From the US perspective, the order the CCP covets is no longer one where its political system is merely secure. It also wants international prestige and having China’s achievements credited to the CCP and its particular ideology. In other words, it seeks moral recognition on par with the US. Perhaps nowhere is the shift from a defensive to an offensive posture more apparent than in the UN Security Council. Historically, Beijing has avoided public confrontations with the US. Recently, it has defended beleaguered autocrats in both Venezuela and Syria and resolutely advocated for the respect of state sovereignty with regards to internal security matters. It has also used its veto privilege more frequently and increasingly in alignment with Russia.⁵²

The current US-led global governance system is rules-based and privileges liberal democratic norms and standards. The UN is foundational to this system. From the US point of view, it is clear that the UN is both a primary target and a principal platform for the CCP’s campaign to shape international norms pursuant to its interests. The 2017 US National Security Strategy warns that “[r]epressive leaders often collaborate to subvert free societies and corrupt multilateral organizations”. The Trump administration is not alone in describing China’s effort to undermine liberal democratic principles throughout the UN system and replacing them with

⁵⁰ U.S. Department of Justice, “Attorney General William P. Barr Delivers Remarks on China Policy at the Gerald R. Ford Presidential Museum,” Jul 16, 2020.

⁵¹ The “Five Principles of Peaceful Coexistence”: mutual respect for territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other’s internal affairs, equality and cooperation for mutual benefit, and peaceful coexistence

⁵² U.S. Department of State, *Voting Practices in the United Nations in 2018: Report to Congress*, Mar 31, 2019.

authoritarian ones as relentless.⁵³ There are numerous examples of this, from minute language changes in various documents to the blatant disregard for established rules, and the White House and the US bureaucracy are continually engaged in countering what it perceives as Chinese revisionism in numerous arenas and at various levels.⁵⁴ Below are often cited examples of how China is subverting the international order.

From the US point of view, the CCP is subverting existing human rights standards. The UN standard established in 1948 defines human rights as both universal and inalienable, and incorporates liberal democratic values. It also applies equally to all member states. The CCP prefers a standard that includes both universality and particularity, and regards the state as the final arbiter. This effectively allows the government to cite unique local conditions to justify disregard for both individual and minority claims.

The CCP also seeks to include economic development and social rights in the human rights standard. Thus, the state defines the Chinese people's collective interest and can, based on that definition, deny or bestow individual rights as it sees fit. It can claim to be protecting human rights as long as the state can demonstrate economic growth. Under the guise of "democratising" international relations, China has already passed resolutions through the UN Human Rights Council that reflect this view.⁵⁵

The US is convinced Beijing is leveraging various UN specialised agencies, such as the International Telecommunications Union (ITU).⁵⁶ The CCP is also undermining public trust in UN organisations in various ways. For instance, the US suspects that when Chinese nationals occupy leadership positions in various UN organisations, they tend to pursue CCP policy goals, rather than serving their organisations independently, as the Standards of Conduct for International Civil Service stipulate.⁵⁷ From the US point of view, it is clear that the CCP leverages

⁵³ The White House, *National Security Strategy*, December 2017; Rolland, Nadège, "China's Vision for a New World Order," *The National Bureau of Asian Research*, Special Report No. 83, Jan 27, 2020. Tobin, Liza, "Xi's Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies," *Texas National Security Review*, Vol. 2, No. 1, Nov, 2018.

⁵⁴ Lee, Kristine, "The United Nations: An Emerging Battleground for Influence," Testimony Before the U.S.-China Economic and Security Review Commission, Jun 24, 2020. China has also joined forces with Russia to reduce or eliminate the presence of human rights officers in several UN peacekeeping missions.

⁵⁵ In June 2018, the Trump administration took the domestically controversial step to leave the UN Human Rights Council. Piccone, Ted, "China's Long Game on Human Rights at the United Nations," Brookings Institution, Sep, 2018.

⁵⁶ The ITU sets international standards and protocols for information and communications technologies, such as 5G (fifth generation) wireless communications. It is designed to function as a neutral arbiter and the standards it sets are supposed to be based on merit and global demand. US analysts suspect that China is promoting Huawei technology within the ITU in several ways..Lee, 2020; Hillman, Jonathan E., "A 'China Model'? Beijing's Promotion of Alternative Global Norms and Standards," Testimony Before the U.S.-China Economic and Security Review Commission, Mar 13, 2020.

⁵⁷ There are 15 specialised UN agencies. Chinese nationals currently lead 4, including the ITU.

those individuals in leadership positions to co-opt the agency. This claim is particularly obvious on the issue of Taiwan. The US supports this claim by pointing to how China got the WHO to block Taiwan from attending the World Health Assembly after the Taiwanese people elected Tsai Ing-Wen, in 2016, and, in 2020, to exclude Taiwan from emergency meetings on the Covid-19 pandemic. From the Trump administration's perspective, the WHO's deference to Beijing on the pandemic raises serious concerns about the organisation's independence. According to widespread US beliefs, this is especially so since the WHO had already demonstrated that on Taiwan it acted as an instrument of CCP policy.⁵⁸

It is also evident for the US that the CCP seeks more influence over the norms, rules, and structures that govern the internet, data, digital privacy, digital infrastructure, and emerging technologies, such as machine learning, quantum computing, and bioengineering. The US recognises that China's success in weakening norms depends to a large extent on its ability to lead technological innovation, since success in that will shape the norms and rules of the future order.⁵⁹

2.1.4 China is Popularising Authoritarianism in the Developing World and Beyond

From the US perspective, China seeks recognition as a great power. In order to achieve that status without democratising, the CCP is trying to popularise its authoritarian system in the developing world. So, as the CCP is weakening liberal norms created by developed democracies, it is simultaneously extolling the virtues of its authoritarian system of governance, including its development model, in individual countries. Beijing portrays China's economic development as a demonstration that there is a faster way to achieve development than liberal democracy, with the added benefit of preserving independence. The ideological challenge China poses to the US has several serious consequences for the US national interest.⁶⁰

Washington is closely observing how the CCP is not only actively encouraging numerous governments in the developing world to emulate and adopt various elements of its system, but also assists in their implementation. China conducts large-scale training of foreign officials and provides increasingly sophisticated surveillance technology and internal security training, enabling states to better

⁵⁸ This development made the Trump administration suspend U.S. funding to the WHO.

⁵⁹ U.S.-China Economic and Security Review Commission, "A 'China Model?' Beijing's Promotion of Alternative Global Norms and Standards," Hearing, Mar 13, 2020; .S.-China Economic and Security Review Commission, "A 'China Model?' Beijing's Promotion of Alternative Global Norms and Standards," Roundtable, Apr 27, 2020.

⁶⁰ U.S.-China Economic and Security Review Commission, "A 'China Model?'" Mar 13., 2020.

control their citizens and suppress dissent through surveillance, censorship, and control over communication and the flow of information.⁶¹

In contrast to US perceptions of the USSR during the Cold War, the US does not believe the CCP's goal is to form anything resembling an ideologically coherent block, but rather a tributary international system, where smaller countries are deferential to larger powers, instead of a rules-based international order, where small countries enjoy equal rights. Washington calculates that Beijing's success in promoting its system rests in part on its promises of BRI-related investments. In this effort, Beijing has a preference for bilateralism, since it allows China to take full advantage of superior power.⁶²

This Chinese effort is a challenge to both US ideals and interests, and China's strategic use of BRI and export of surveillance technology are of particular concern to US policymakers. Washington is worried about China's relatively successful efforts in forming coalitions with developing countries, particularly those with authoritarian systems of governance. China's tactic is clear in Washington. China uses these coalitions to challenge Western norms, by exchanging money, personnel, assistance, and other goods for support for its policies and political concepts.

2.1.5 China is Undermining the US and its Allies, Partners, and Friends

It is clear from the US point of view that China's emphasis on sovereignty and non-interference in the internal affairs of others have become hypocritical and self-serving. According to the US, the CCP is increasingly intervening in the internal affairs of numerous sovereign states to engineer support for its policies. The US Department of Defense (DoD) refers to China's activities as influence operations. According to the DoD, the CCP controls the world's most well-funded propaganda apparatus. It communicates its narrative through state-run online, television, radio, and print organisations and its presence is proliferating around the world, including in the US.⁶³

The CCP also uses a wide variety of actors beyond media to advance its interests. It uses organisations of the United Front Work Department – a government umbrella organisation that seeks to increase the Party's control and exert influence both domestically and internationally – to target businesses, journalists, scholars, think tanks, universities, and local and state officials to influence discourse. There are numerous examples of this from around the world, including companies and

⁶¹ Kendall-Taylor, Andrea and Shullman, David, "How Russia and China Undermine Democracy: Can the West Counter the Threat?" *Foreign Affairs*, Oct 2, 2018.

⁶² Hillman, 2020.

⁶³ U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019*, May 2, 2019.

sports teams in the US. The Trump administration has explicitly singled out the self-censorship and corporate acquiescence of Hollywood.⁶⁴

Furthermore, Chinese nationals living abroad are compelled by Beijing to partake in a range of behaviours that threaten US interests. This also includes attempts to compel Chinese nationals to report on and threaten fellow countrymen, including students that question the Party line.⁶⁵ Another example of Beijing's shift from a defensive to an offensive posture, with global ambitions, is the increased aggressiveness of Chinese diplomats in trying to mute criticism of China abroad.⁶⁶

It is obvious in the US that lack of reciprocity is a feature of the Sino-American relation. Chinese businesses, media entities, diplomats, academics and students have been free to operate in the US. From Washington's point of view, China has never offered any reciprocal access to US counterparts. Emphasising lack of reciprocity is a fundamental part of the Trump administration's "America First" agenda; it clearly perceives China as one of the worst culprits.

2.2 China's Perceptions of Political Relations with the US

From China's point of view, the US response to China's growth has become increasingly irrational and erratic. Five broad politically contentious issues have been identified: (1) The US will dominate China unless it becomes powerful; (2) the US does not recognise China's governance model; (3) the US has become antagonistic; (4) the US is a self-serving hegemon; and (5) The US wants to weaken the CCP and the unity of the Chinese nation.

2.2.1 The US Will Dominate China Unless it Becomes More Powerful

In China, the image of the US has always been ambivalent. On one hand, many Chinese have admired US power and seen it as a role model to emulate; on the other hand, they have been repulsed by parts of its culture and behaviour abroad.⁶⁷

⁶⁴ U.S. Department of Justice, "Attorney General William P. Barr," 2020.

⁶⁵ Almén, Oscar, *The Chinese Communist Party and the Diaspora: Beijing's extraterritorial authoritarian rule*, Stockholm, Swedish Defense Research Agency (FOI) report, Mar 2020.

⁶⁶ The Chinese ambassador in Sweden, Gui Congyou, has been among the most active of China's diplomats, intensely criticising and threatening Swedish officials, media and academics. Jerdén, Björn and Viking Bohman, "China's propaganda campaign in Sweden, 2018-2019," *UI Brief*, No. 4, 2019.

⁶⁷ Shambaugh, David, "Introduction: Imagining Demons: The rise of negative imagery in US-China relations," *Journal of Contemporary China*, Vol. 12, No. 35, 235-237; Guan, Yichen (et al), "Chinese views of the United States: evidence from Weibo," *International Relations of the Asia-Pacific*, Vol. 20, 2020, 1-30.

Chinese official discourse on developed foreign countries reveals a mixture of admiration and fear. In the Party's nationalistic history narrative, the 'Century of Humiliation' plays an important part as a reminder of China's past as a backward country exploited by the stronger Western colonial powers. Only by becoming rich and strong can China avoid the fate where "the backward will be beaten" (落后就要挨打), a recurring theme in Chinese official and academic writings, which includes admiration for the strong and contempt for the weak.⁶⁸ China's security and foreign policy is strongly influenced by a realist perspective and an assumption that powerful nations will dominate weaker backward countries. Inherent in the concept of American 'hegemonism' is a conviction that the US will always use its power to control weaker nations. As China has become 'strong and rich' again, it expects the world to recognise its success and status as a great power. The fact that the current leader, the US, does not sufficiently recognise China's status as a great power is to Beijing a sign of US arrogance.⁶⁹

The admiration of the US as the world's most powerful nation combined with its external behaviour result in a widespread fear of the US capacity and intentions to suppress China. Generally, Chinese observers tend to attribute to US foreign policy a coherent strategy aimed at dominating the world. A general assumption is also that all US acts are intentional and self-serving. For example, that US promotion of human rights and democracy in China is solely intended to serve its interests in suppressing China.⁷⁰ This view of the US makes it difficult to accept that its actions could be the result of mistakes. The Chinese response to the US bombing of the Chinese embassy in Belgrade, during the Kosovo war, in 1999, is a telling case. To most Western observers, the bombing was a tragic mistake, resulting in a loss of US international prestige. In contrast, the Chinese public was convinced that the bombing was deliberate. The government reacted with indignation and violent protests took place outside the US embassy in Beijing.⁷¹

By the same logic, Chinese propaganda has been quick to show contempt for US weaknesses. The corona crisis in 2020 convinced Beijing of the superiority of the Chinese authoritarian governance model. China's success in suppressing the spread of the coronavirus in China stood in contrast to the failure to stop its spread in the

⁶⁸ Wang Yi, "The Backward Will Be Beaten": Historical Lesson, Security, and Nationalism in China," *Journal of Contemporary China*, Vol. 29, 2020, 887-900. On how China's self-image as a victim has been shaped, see Liao, Ning, "Identity, Role Conception, and Status Dilemma A Socio-Psychological Account of China-U.S. Relations," *China Quarterly of International Strategic Studies*, Vol. 5, No. 3, 2020, 343-372.

⁶⁹ Liao, 2020, 360.

⁷⁰ Blum, 2003, 240; Chen, 2003, 289.

⁷¹ Chen, 2003, 294. In the aftermath, the U.S. government apologised for the bombing and paid compensation for damage and loss of Chinese lives at the Chinese embassy. The Chinese government in turn paid some compensation for damage to the U.S. embassy during the protests.

US. Chinese scholars and media took part in the official propaganda campaign and some saw US failure as evidence of the decline of the US governance model.⁷²

As China's power, influence and prestige continue to increase, its view of the US changes. However, ambivalence towards the US is likely to remain and continue to shape China's perception of it.

2.2.2 The US Does Not Recognise China's Governance Model

For the first three decades after opening up, China recognised that it had to learn from the West and accepted the US as the dominant world power. After the 2008 financial crisis, which affected China far less than Western economies, Beijing's perceptions changed. From Beijing's point of view, the financial crisis demonstrated the weaknesses of US market liberalism and increased the prestige and legitimacy of China's state-led development model. While the US faltered as a leader of the international economy, China took partial credit for keeping the world economy on track. From Beijing's perspective, China could from then on deal with the US with equal status, but based on its 'positive distinctiveness', instead of being the West's pupil.⁷³

However, Beijing did not get the recognition it thought it deserved from the US after the financial crisis. In the eyes of the Chinese leadership, US opposition to the political system in China is not only a violation of what Beijing considers to be the right to choose its own development strategy, but also a rejection of Chinese sovereignty and in effect an existential threat to the continuous rule of the CCP.⁷⁴ Chinese officials argue that US politicians are attempting to contain China by framing the relations in ideological terms and calling for other democratic countries to turn against China.⁷⁵

Since Xi Jinping came to power in 2012, he has increasingly emphasised that China will develop its own governance model, quite distinct from Western models.⁷⁶ Following the Covid-19 outbreak, China's belief in its model as opposed to Western liberal democracies has grown even stronger. To Beijing's dismay, Washington not only failed to recognise China's success in containing the virus, but accused China of deliberately spreading the disease.⁷⁷

⁷² Zhao, Suisheng, "Rhetoric and Reality of China's Global Leadership in the Context of COVID-19: Implications for the US-led World Order and Liberal Globalization," *Journal of Contemporary China*, Jul. 2020.

⁷³ Liao, 2020, 362-363.

⁷⁴ Wang Yi, "Stay on the Right Track and Keep Pace with the Times to Ensure the Right Direction for China-US Relations"—Remarks by State Councilor and Foreign Minister Wang Yi at the China-US Think Tanks Media Forum, PRC Ministry of Foreign Affairs, Jul 9, 2020.

⁷⁵ Le Yucheng, 2020.

⁷⁶ Zhao, Suisheng, 2019.

⁷⁷ Le Yucheng, 2020.

China's critique of the US-led liberal world order centres on US claims of universality and its failure to recognise the legitimacy of alternative governance models. In contrast, China emphasises the importance of respecting differences, captured in the Confucian term "harmony but without uniformity".⁷⁸ In 2018, Xi expressed for the first time that China should take a more active role in leading the reform of the global governance system.⁷⁹ This differs from previous statements expressing that China would rather "guide" than "lead" the global community in reforming the international system.

In the view of scholar Yan Xuetong, China would derive its legitimacy and power as a benign and enlightened world leader from the so-called "humane authority" (王道), which in turn is based on China's capacity to meet the economic and security needs of other countries.⁸⁰ The humane authority would set a good example by observing norms and carrying out its responsibilities in relation to both friends and foes. This is presented as a contrast to the traditional hegemon, which behaves ruthlessly towards adversary states.⁸¹ As elaborated below, Chinese leaders often describe the US as such a hegemon.

2.2.3 The US has Become Antagonistic

The Chinese government holds the US solely responsible for the deteriorating Sino-US relationship. The CCP argues that its policy towards the US has been consistent for a long time. Meanwhile, US policy towards China has shifted dramatically. In July 2020, Foreign Minister Wang Yi remarked: "China's US policy remains unchanged. We are still willing to grow China-US relations with goodwill and sincerity.... To this end, China has maintained a highly stable and consistent policy toward the US."⁸² Wang's vice minister, Le Yucheng, confirmed this view in August 2020 and added "[s]ince the CPC remains unchanged, the problem is with the US politicians."⁸³ Beijing traces the shift in US policy back to the later years of the Obama administration, but the major change, however, took place during the Trump presidency.

Chinese policymakers and scholars were completely taken by surprise by the Trump presidency.⁸⁴ Few thought that the US was prepared to risk the economic benefits from the relationship.⁸⁵ Chinese leaders argue that the Trump

⁷⁸ Liao, 2019, 355.

⁷⁹ Medeiros, Evan "China reacts: Assessing Beijing's Response to Trump's new China strategy," *China Leadership Monitor*, Mar 1, 2019.

⁸⁰ Yan Xuetong "The Age of Uneasy Peace: Chinese Power in a Divided World," *Foreign Affairs*, Jan/Feb 2019, 40.

⁸¹ Welch Larson, Deborah, "Can China Change the International System? The Role of Moral Leadership," *Chinese Journal of International Politics*, 2020, 168.

⁸² Wang Yi, 9 Jul 2020.

⁸³ Le Yucheng, 2020.

⁸⁴ Yang, Xianfeng, "The Great Chinese Surprise," *International Affairs*, Vol. 96, No. 2, 2020, 422.

⁸⁵ Lukin, 2019.

administration has chosen to unilaterally disrupt the relationship by provoking and challenging China on core interests.

From Beijing's perspective, the US is breaking the status quo by deviating from the "common understanding that both sides recognise and respect each other's different social system," disrespecting differences, and stepping up actions that undermine both China's sovereignty and international norms.⁸⁶ US actions are perceived to be destabilising for both Sino-US relations and the international community.

There is an awareness among some Chinese scholars, however, that US policy change has come about as a reaction to China's increasingly assertive foreign policy. In fact, well-known Chinese US-watcher Wang Jisi contends that it is historically China's behaviour and power role that have been decisive factors in affecting Sino-American relations.⁸⁷ Some have warned that China might risk 'strategic overstretch', which may result in a backlash in Sino-US relations, as Americans start perceiving China as a threat.⁸⁸

2.2.4 The US is a Self-serving Hegemon

Chinese policymakers have duly noted that the US government has accused China of being a revisionist power that aims to upend the rules-based world order. Chinese official statements make great efforts to show that China is supportive of a rules-based order. They argue that it is in fact the US who is the rule-breaker, while China stands for rules and rationality, communication and diplomacy. Chinese representatives point to US historical involvement across the world, and oppose what it considers to be a selective US application of international law.⁸⁹

They accuse the US of placing itself above the international law as it "preaches international law to others but sticks to 'American Exceptionalism'."⁹⁰ To this end, many Chinese leaders and analysts argue that US actions are driven by power politics to ensure itself of being a global hegemon and having world domination, which ultimately destabilises the world order.⁹¹ In a UN speech commenting on

⁸⁶ Yang Jiechi, 2020; PRC Ministry of Foreign Affairs, "Interview on Current China-US Relations Given by State Councilor and Foreign Minister Wang Yi to Xinhua News Agency," Aug 5, 2020.

⁸⁷ Wang Jisi, "America and China: Destined for Conflict or Cooperation?" *National Interest*, Jul 30, 2018.

⁸⁸ Pu, Xiaoyu and Chengli Wang, "Rethinking China's rise: Chinese scholars debate strategic overstretch," *International Affairs*, Vol. 94, No. 5, 2018, 1019-1035; Ruan Zongze, "Is China still maintaining a low profile?" *Global Times*, Jun 16, 2018.

⁸⁹ This discourse was evident in a series of speeches made by Chinese foreign ministry officials in 2020; Wang Yi, 2020, Yang Jiechi 2020, Le Yucheng, 2020.

⁹⁰ Le Yucheng, 2020.

⁹¹ Zhu, 2019; Le Yucheng 2020.

US withdrawal from the INF treaty in September 2019, Wang Yi said: “The international order needs to go by laws and rules, and acts in violation of international norms can only plunge the world into chaos.”⁹²

In Chinese official discourse, much of Western critique against China is turned back against the critics. Chinese leaders often framed the Trump administration as irresponsible and irrational. China, in contrast, is rational, peaceful and patient. Chinese officials often convey that China has no intention of seeking hegemony in the global order. As opposed to US behaviour, it is argued, the Chinese side has no interest in exporting ideology and interfering in other countries’ domestic affairs.⁹³ Instead, Beijing depicts itself as a trustworthy standard-bearer of global multilateralism, thus seeking to portray itself as a source of common good in contrast to the hegemonic actions undertaken by “America First”.⁹⁴

2.2.5 The US Wants to Weaken the CCP and the Unity of the Chinese Nation

The US critique of China’s political system and human rights abuses has always been a thorny issue in the Sino-US relationship, especially since the 1989 crackdown on the student-led protest movement in China. For many years, while rebuffing the US critique against China’s human rights problems, CCP leaders still acknowledged that there was room for improvement. Although the Party never suggested that China should develop into a Western-style democracy, the official narrative was that China’s human rights record and political reform would slowly develop as China became more prosperous. This narrative started to change sometime around 2006, however, and particularly since Xi Jinping came to power, in 2012.⁹⁵ As mentioned, China has in recent years upheld its governance model as a success and a source of inspiration for other nations.

China accuses the US of trying to impose its political model and its view of human rights on other countries. In recent years, China has been taking a more active part in trying to shape the international debate on universal human rights.⁹⁶ While China acknowledges that human rights are universal, the Chinese position is that human rights should take into account different ‘national conditions’.⁹⁷ This cultural relativist position is widespread in China.⁹⁸

⁹² PRC Ministry of Foreign Affairs, “Wang Yi: Facing Rampant Unilateralism, Not Just Sit Idly by,” Speech by Wang Yi at the UN, Sep 28, 2019.

⁹³ Wang Yi, 6 Aug. 2020.

⁹⁴ Le Yucheng, 2020; Wang Cong, “Xi renews China’s support for multilateralism,” *Global Times*, Jul 28, 2020.

⁹⁵ Zhao, Suisheng, “Xi Jinping’s Maoist Revival,” *Journal of Democracy*, Vol. 27, No. 3, 83-97.

⁹⁶ Zhang, Yongjin and Barry Buzan, “China and the Global reach of Human Rights,” *China Quarterly*, 241, Mar, 2020, 169-190.

⁹⁷ PRC State Council, “Seeking Happiness for People: 70 Years of Progress on Human Rights in China,” White Paper, Sep, 2019.

⁹⁸ Works that highlight differences among the world’s cultures and civilizations such as Huntington’s ‘Clash of Civilizations’ are popular in China.

To many Chinese analysts, the US uses the rhetoric of democracy and freedom to legitimate its dominance over China and the world.⁹⁹ While this has been a continuous accusation from the Chinese side, this image was strengthened during the Trump administration. Hence, Trump's attacks on China were not seen as a genuine concern about the welfare of the Chinese people. Rather, the strongly ideological statements from high-level representatives of the administration, such as Secretary of State Mike Pompeo and Attorney General William Barr, were interpreted by Chinese observers as motivated by US domestic politics and the administration's ongoing effort to demonstrate to the American people that it is being tough on China.¹⁰⁰

The CCP also believes that the US uses human rights as a means to undermine its rule. China is most sensitive to US critique when it comes to the situation in politically sensitive areas such as Tibet, Xinjiang, and Hong Kong. There is often an underlying suspicion that US critique of China's ethnic minority policy is intended to split China and to make it weaker. The CCP views the US as a major player behind the protest movement in Hong Kong and this is the image that is being portrayed to the Chinese public.¹⁰¹ Similarly, in a reaction to the US Congress's signing of the 'Uighur Human Rights Policy Act', in June 2020,¹⁰² China protested that the act "reveals the ill intention of the US side to undermine China's sovereignty and security, sow discord among the ethnic groups in China, harm Xinjiang's prosperity and stability, and contain China's development".¹⁰³

The Communist Party is wary of US intentions to undermine its rule and reacts strongly against what it calls US efforts to split the Party from the people. Le Yucheng recently stated, "The hostile remarks on the CPC by some US politicians only expose their ignorance of China and the Party. The CPC has unbreakable bond with the Chinese people, and stands with them rain or shine."¹⁰⁴ The official Chinese narrative conflates the Party with the Chinese nation and treats opponents to the Party as traitors.¹⁰⁵

In sum, to Beijing, US criticism of Chinese politics intends to weaken the CCP and split up the Chinese nation.

⁹⁹ Nie Wenjuan, "U.S. vs China: Which System is Superior?" *China U.S. Focus*, Apr 29, 2020.

¹⁰⁰ *Global Times*, "Experts denounce Pompeo's 'crazy' speech, warn possible military clash," Jul 24, 2020.

¹⁰¹ *Xinhua*, "香港近百人集会抗议美国干预中国香港事务" [Close to 100 people in Hong Kong rally to protest US interference in Hong Kong affairs], Dec 3, 2019.

¹⁰² U.S Congress, "Uighur Human Rights Policy Act of 2020," Jun 17, 2020.

¹⁰³ PRC Ministry of Foreign Affairs, "Foreign Ministry Statement," Jun 18, 2020.

¹⁰⁴ Le Yucheng, 2020.

¹⁰⁵ Wang Xiangwei, "The question facing Chinese diaspora: for love of country or party?" *South China Morning Post*, Jul. 22, 2018.

3 Economic Relations

The economic relationship between the US and China reverberates strongly in the world economy, as its trajectory affects global growth and manoeuvring space for global companies. Economic ties have often been a driving force for the two countries to find common ground and stabilise their relationship. Although frictions have consistently surfaced between the two giants, mutual interests in maintaining economic bonds have mostly prevailed. Over the last three decades, the world's two largest economies have grown deeply intertwined, while their bilateral trade has expanded significantly. In 2018, China and the US were each other's largest trade partners, as their total trade exceeded well over 700 billion dollars.¹⁰⁶ China is also the second-largest holder of US debt, owning about 1.1 trillion dollars, or 4.6 percent, of the US national debt, as of 2020.¹⁰⁷

However, in recent years the economic relationship has grown increasingly fraught. As China has become an economic powerhouse with growing prowess in the technological domain, it now exerts increasing influence in the global economy, thus challenging the US's leading position. The US is now confronting China in what it perceives as decades of unfair Chinese economic policies and practices. As a result, the bilateral trade has declined from 2018 to around 600 billion dollars in 2019, thus making China merely the third-largest single trading partner for the US, while the US remains as China's top trade partner.¹⁰⁸

The world's two largest economies are now confronting each other on numerous fronts. Among them, primarily four major economic areas of concern are identified: trade issues, the state's role in the economy, technological rivalry, and influence over the global economic system. These are overarching issues, in which the two countries are increasingly at loggerheads with each other.

First, a major issue has been Chinese trade practices. In March 2018, the US Trade Representative concluded that four Intellectual Property (IP) rights-related policies justify US actions against China: cyber-enabled theft of US IP and trade secrets; discriminatory and nonmarket licensing practices; forced technology transfer

¹⁰⁶ International Monetary Fund, "Direction of Trade Statistics – Exports and Imports by Areas and Countries," Nov 11, 2020.

¹⁰⁷ U.S. Department of Treasury, "Major Foreign Holders of Treasury Securities," Nov17, 2020; *Investopedia*, "How Much U.S. Debt Does China Own?," Jan15, 2020.

¹⁰⁸ International Monetary Fund, n.d.

requirements; and state-funded strategic acquisition of US assets.¹⁰⁹ Subsequently, the Trump administration imposed increased tariffs on Chinese imports, which intensified the dispute and led to Chinese retaliation.¹¹⁰ Several rounds of negotiation have followed and additional tariffs have been imposed. In August 2019, the US Treasury Department labelled China a currency manipulator, and announced that Trade Secretary Steven Mnuchin would “engage with the International Monetary Fund to eliminate the unfair competitive advantage created by China’s latest actions.”¹¹¹

Their differences in trade practices are seen in the WTO. China’s self-designation as a developing country makes China eligible for special and differential treatment, which is a status Washington does not accept, as it allows China “to gain unfair advantages in the international trade arena.”¹¹² To force the WTO to address US complaints, the administration has blocked appointments to WTO’s appellate body, which is the ultimate adjudicator in trade disputes. President Trump has also threatened to withhold funding from the WTO. China, for its part, disputes the complaints in the WTO, stating that it “will never agree to be deprived of its entitlement to special and differential treatment as a developing member.”¹¹³

Secondly, another issue that concerns many of the trade-related confrontations is the role of the state in the economy. China’s expansive use of industrial policies is a central source of friction. Since 2006, Beijing has outlined a series of industrial policies seeking to compete in emerging and high-technology industries.¹¹⁴ Beijing aims to enhance the control of ‘core technologies’ and increase both global and domestic market shares of Chinese-owned companies. In doing this, China

¹⁰⁹ Office of the U.S. Trade Representative, “Findings of the Investigation into China’s Acts, Policies, and Practices Related to Technology Transfers, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974,” Mar 22, 2018; The White House, “Presidential Memorandum on the Actions by the United States Related to the Section 301 Investigation,” Mar 22, 2018. See also: Williams, Brock. R. and Hammond, Keigh E., “Escalating U.S. Tariffs: Timeline,” *Congressional Research Service*, Jan 29, 2020; Williams, Brock. R. and Hammond, Keigh E., “Escalating U.S. Tariffs: Affected Trade,” *Congressional Research Service*, Jan 29, 2020; Morrison, Wayne M. “U.S. Trade Friction with China Intensifies,” *Congressional Research Service*, Jun 19, 2019.

¹¹⁰ Morrison, 2019; Williams and Hammond; 2019; Williams, 2020.

¹¹¹ U.S. Department of the Treasury, “Treasury Designates China as a Currency Manipulator,” Aug 5, 2019; Nelson, Rebecca M., “The Administration’s Designation of China as a Currency Manipulator,” *Congressional Research Service*, Aug 9, 2019.

¹¹² The White House, “Memorandum on Reforming Developing-Country Status in the World Trade Organization,” Jul 26, 2019.

¹¹³ China Embassy to the State of Kuwait, “China’s Position Paper on WTO Reform,” Dec 20, 2018.

¹¹⁴ PRC State Council, 国家中长期科学和技术发展规划纲要（2006-2020年）[The National Medium- and Long-Term Plan for the Development of Science and Technology (2006-2020)], Feb 9, 2006;; PRC State Council, 中国制造 2025 [Made in China 2025], May 8, 2015.; Central Committee of the Communist Party of China and the PRC State Council, 国家创新驱动发展战略纲要 [Outline of the National Innovation-Driven Development Strategy], May 16, 2016. ; PRC National Development and Reform Commission, 关于扩大战略性新兴产业投资 培育壮大新增长点增长极的指导意见 [Guiding Opinions on Expanding Investment in Strategic Emerging Industries, Cultivating and Growing New Growth Point Growth Pole], Sep 25, 2020.

uses a wide range of open and non-transparent policy tools to favour domestic firms over international competitors.¹¹⁵ Washington has voiced strong criticism over China's industrial policies, such as state-directed credits via government-controlled banks, state subsidies, and public procurement processes.¹¹⁶

China's dominant state role has also resulted in friction in the WTO. In 2017, the US government rejected China's request for full market economy status in the WTO, as it regards the Chinese economic system to be a form of state capitalism. Beijing argues that it meets the accepted definition of a market economy in the majority of antidumping cases, while it also contends that the US, along with other nations, agreed, upon China's accession to the WTO, in 2001, that the non-market economy designation would be withdrawn after 2016.¹¹⁷ Being labelled as a non-market economy, China loses money in exports due to the tariffs being applied to many Chinese products.¹¹⁸

Thirdly, among the many major economic issues, the quest for global technological dominance constitutes one of the main underlying drivers for the strategic rivalry that now characterises the China-US relationship. Increasingly, China produces higher value-added goods and services, as it is turning to a more innovation-oriented economy. Hence the degree of complementarity with the US diminishes and makes the relationship more competitive. The two countries are increasingly moving into long-term competition for the dominance of technologies that are critical to future innovation.¹¹⁹ These technologies include, *inter alia*, semiconductors, artificial intelligence, robotics, biotechnology, 5G, and next-generation communications.¹²⁰ Confrontations within this technological race can be seen in terms of growing scrutiny and restrictions on technological companies based on security reasons. For instance, in 2019, Huawei, including 68 of its non-US affiliates, were added to the Bureau of Industry and Security's Entity List by the US Department of Commerce. US companies are thus required to apply for an export license for the sale or transfer of US technology to those entities, with a "presumption of denial" for such applications.¹²¹

Fourth, as China's economic might grows, the scope of influence over the global economic system is increasingly becoming a major issue of dispute between the two countries. While the US has long been a dominant force in international financial institutions, such as the World Bank and the IMF, Chinese demands for

¹¹⁵ Schell, Orville and Shirk, Susan, "Course Correction: Toward an Effective and Sustainable China Policy," *Asia Society*, Feb, 2019.

¹¹⁶ Froese, Fabian et. al., "Challenges for foreign companies in China: implications for research and practice," *Asian Business & Management*, Vol. 18, 2019.

¹¹⁷ Miles, Tom, "China pulls WTO suit over claim to be a market economy," *Reuters*, Jun 17, 2019.

¹¹⁸ Gao, Charlotte, "China, US Fight Over China's Market Economy Status," *The Diplomat*, Dec 2, 2017.

¹¹⁹ Medeiros, Evan S. "The changing fundamentals of US-China relations," *The Washington Quarterly*, Vol. 42, Issue 3, 2019: 99.

¹²⁰ Medeiros, 2019: 99.

¹²¹ U.S. Department of Commerce, Bureau of Industry and Security, "Addition of Entities to the Entity List," *84 Federal Register* 22961, May 21, 2019.

a larger role in these institutions challenge US positions. China's initiatives to establish new financial institutions may underpin these growing rivalries. Moreover, the dominant role of the US dollar in the international monetary system also constitutes a long-standing and substantial frustration on the Chinese side that is likely to remain a significant issue for a long time to come.

With this outline of some of the major issues that today pervade the US-China economic relationship, we are provided with a brief empirical background for the stage on which these two major economic powers are engaging with each other. The remaining sections of this chapter look into how the two countries perceive each other and the main issues they have with each other in their economic relationship.

3.1 US Perceptions of Economic Relations with China

The US display strong dissatisfaction with China's trade practices. The Trump administration has been viewing China as cheating, lying, and stealing. Also, the US perceives China's technological advancements, growing international economic influence, and its dependency on Chinese supply chains as significant threats to US security and global competitiveness. As such, four contentious issues of concern to the US are identified: (1) China is not playing by the rules; (2) US dependency on China is dangerous; (3) China's techno-nationalism poses risks for US competitiveness and security; and (4) China's growing global economic leverage.

3.1.1 China is Not Playing by the Rules

Over the years, US administrations have had numerous grievances regarding what it perceives as unfair trading practices by China. President Trump has frequently portrayed the large US trade deficit as an indicator of China's unfair trade practices and currency manipulation.¹²² However, foremost, the US contends that China lacks reciprocity in market access, particularly in the agriculture and service sectors, laws, investment openness, regulatory treatment and practices. China's foreign investment regime has conditioned and restricted US firms' participation in the Chinese market to serve the industrial policy aims of the state. In some

¹²² Office of the U.S. Trade Representative, "U.S. Trade Representative and the U.S. Department of Treasury respond to the 'White Paper' issued by China on June 2, 2019," Jun 3, 2019. For more detail, see: Jackson, James K., "The U.S. Trade Deficit: An Overview," *Congressional Research Service*, Feb, 2020; Jackson, James K., "Trade Deficits and U.S. Trade Policy," *Congressional Research Service*, Jun, 2018; Jackson, James K., "Financing the U.S. Trade Deficit," *Congressional Research Service*, February, 2017; McBride, James and Chatzky, Andrew, "The U.S. Trade Deficit: How Much Does It Matter?," Council on Foreign Relations, Mar 8, 2019; Congressional Budget Office, "Causes and Consequences of the Trade Deficit: An Overview," CBO Memorandum, Mar, 2000.

sectors, the US claims that market entry is conditional on the transfer of technology, and that in other sectors, such as cloud computing, entry is restricted. In addition, the US charges that China employs policies that include direct or indirect subsidies, as well as discriminatory intellectual property and technology practices, to support Chinese firms, especially state-owned enterprises.¹²³

US firms perceive themselves to be disadvantaged in China's domestic market. According to the US, Chinese firms can operate in the US with far greater freedom than US firms are permitted in China. Moreover, Chinese firms that raise capital on US stock markets are faced with lower disclosure requirements than US firms. This not only raises the risk for US investors, but also exacerbates the difficulties in assessing China's participation in the US economy.¹²⁴ As such, Washington has strengthened the calls for the necessity for China "to level the playing field" for US firms, as it frequently invokes the principle of reciprocity in various contexts with regards to China. It has also deepened Washington's distrust towards China. According to the White House China Strategy "[t]he list of Beijing's commitments to cease its predatory economic practices is littered with broken and empty promises".¹²⁵

It is widely recognised in the US that the Communist Party is tightening its grip on the economy. Coupled with this recognition, the US perceives that China's behaviour hurts the global competitiveness of US firms and its workers, violates international norms, and systematically distorts multiple sectors of the global economy.¹²⁶

For the White House, it is apparent that China also ignores both the letter and the spirit of its WTO commitments. In the eyes of Washington, China is turning the Western-devised rules-based order against the West. In this, the US is a vocal critic of China's self-designation as a developing country. Even though Beijing acknowledges that China now is a "mature economy", the designation as a developing country makes China eligible for special and differential treatment, not just in the context of existing obligations, but also in new negotiations.¹²⁷ Considering China's high ranking in areas such as high technology imports, outward investment, GDP, and defence spending, Washington argues that Beijing exploits the designation to justify practices that distort the global trading system. This allows China to continue certain protectionist measures. Thus, the US believes that the WTO has unfairly tilted the playing field towards US competitors, and China in particular.

¹²³ Lawrence, Susan V. (et al.), "U.S.-China Relations," *Congressional Research Service*, Sep, 2019.

¹²⁴ There is a lack of transparency and data on Chinese firms' operations, corporate governance, and legal compliance.

¹²⁵ The White House, *The United States Strategic Approach to the People's Republic of China*.

¹²⁶ See U.S. Chamber of Commerce, *Made in China 2025: Global Ambitions Built on Local Protections*, Mar 5, 2017; Morrison, Wayne M., "The Made in China 2025 Initiative: Economic Implications for the United States," *Congressional Research Service*, Apr, 2019; *SupChina*, "Made In China 2025: The Domestic Tech Plan That Sparked an International Backlash," Jun 28, 2018; The White House, *The United States Strategic Approach to the People's Republic of China*.

¹²⁷ The White House, *The United States Strategic Approach to the People's Republic of China*.

3.1.2 US Dependency on China is Dangerous

US policymakers are increasingly concerned about US dependency on China. This has spurred an intense debate over US supply chains and the need to decouple from China and Chinese products. For many in Washington, dependency equals vulnerability, and early on the Trump administration raised national security concerns over global supply chains of advanced technology products, such as information and communications technology (ICT) equipment, where China is a major producer and supplier. Moreover, for the White House, it is in the US national security interest to purge products from companies such as Huawei, and to omit Chinese supply chains not just from US critical infrastructure, but also from those of US allies, partners, and friends.¹²⁸

Washington has made it clear that foreign adversaries, particularly China, are increasingly creating and exploiting vulnerabilities in ICT services and networks. As these services and networks communicate and store vast amounts of sensitive information, as well as support critical infrastructure and vital emergency services, US policymakers highlight the risks that countries such as China pose for the committing of various malicious acts. As a result, Washington has declared a “national emergency” by signing Executive Order 13873, authorizing the Secretary of Commerce to ban certain technology transactions involving “foreign adversaries.”¹²⁹

The White House recognises that the digital revolution will have significant implications for the balance of power in the long term. Technology has increasingly become politicised, and China is viewed as the main competitor. Almost every issue associated with 5G has become highly contested and it can be regarded as a front line in the US-China rivalry. That Washington has subjected the Chinese telecommunications firm Huawei to particular scrutiny is an illustrative example. The firm has become a lightning rod for US grievances and a source of great concern. In Washington, many believe that Huawei has been aided and abetted by the theft of US intellectual property and heavy state subsidies. Similar to other technology companies, such as ZTE, Huawei is not perceived as an independent private firm, but rather as the embodiment of China’s aspirations for technological superiority and a stalking horse for the CCP.¹³⁰ Washington believes that Huawei could be ordered by the CCP to weaponise 5G, by inserting kill switches and backdoors into 5G hardware.

¹²⁸ The White House, “Remarks by Vice President Pence and Prime Minister Trudeau of Canada in Joint Press Statements,” May 30, 2019; Li, Lauly and Ting-Fang, Cheng, “Inside the US campaign to cut China out of the tech supply chain,” *NikkeiAsia*, Oct 7, 2020.

¹²⁹ The White House, “Executive Order on Securing the Information and Communications Technology and Services Supply Chain,” May 15, 2019.

¹³⁰ *Reuters*, “Huawei Personnel work with China Military on research projects: Bloomberg,” Jun 27, 2019; Girard, Bonnie, “The Real Danger of China’s National Intelligence Law,” *The Diplomat*, Feb 23, 2019.

5G is currently the flashpoint in the contest for tech pre-eminence, but temperatures are rising fast regarding other technologies, such as artificial intelligence, quantum computing, and semiconductors. The debate among US policymakers is not *whether* to decouple and reduce US dependency on China, but rather about *how much* separation the US should aim for and over what time frame. The early debate on decoupling was selective and the focus was predominantly aimed at technologies with military applications and high-value commercial intellectual property. As the potential risks associated with ICT, including 5G, have spread, the focus has widened. In light of the Covid-19 pandemic, the debate on US dependency on China has all but intensified, as the development has been a boon to hard ‘decouplers’, both within the Trump administration and in the US Congress.

3.1.3 China’s Techno-nationalism Poses Risks for US Competitiveness and Security

From Washington’s standpoint, the Chinese government is relentlessly pursuing technological self-reliance, and it uses both licit and illicit means to achieve its goal. The implications of this for both US economic competitiveness and national security were acknowledged long before the Trump presidency. In 2011, the Office of the National Counterintelligence Executive had already singled out Chinese actors as “the world’s most active and persistent perpetrators of economic espionage.”¹³¹ In 2018, the US National Counterintelligence and Security Center described China as having “expansive efforts in place to acquire US technology to include sensitive trade secrets and proprietary information.” It further warned that these efforts “could erode America’s long-term competitive economic advantage,” if not addressed.¹³²

It is regarded as a fact in US official documents that China is pursuing a whole-of-society strategy to attain leadership in certain emerging technologies, such as artificial intelligence, new materials, and new energy technologies.¹³³ These areas are prioritised because they underpin advances in many other technologies, thereby also reflecting the importance for the US of remaining competitive in these sectors. US policymakers regard China’s state-led approach to innovation and its industrial policy with deep grievances, as it has been described by Washington as techno-nationalism and techno-mercantilism.¹³⁴

¹³¹ Office of the National Counterintelligence Executive, “Foreign Spies Stealing US Economic Secrets in Cyberspace: Report to Congress on Foreign Economic Collection and Industrial Espionage: 2009-2011,” Oct, 2011.

¹³² U.S. National Counterintelligence and Security Center, “Foreign Economic Espionage in Cyberspace,” 2018, Jul 26, 2018.

¹³³ The White House, *The United States Strategic Approach to the People’s Republic of China*.

¹³⁴ See for instance: Dupont, Alan, “New Cold War: De-risking the US-China Conflict,” Hinrich Foundation, Jun, 2020.

Beijing's programme of military-civil fusion is also of great concern in the US. This is underscored in the DoD's annual report to Congress on China's military and security developments. The programme seeks to spur economic growth and innovation by eliminating barriers between the commercial and defence sectors, and leverages civilian technological advances in support of China's defence sector, including the ongoing People's Liberation Army (PLA) modernisation effort. With these emerging technologies, the line demarcating products designed for military versus commercial purposes is blurring. As a result, the complexity and opacity of China's military-civilian fusion increases the risk that US academic institutions and firms may, through collaboration and partnerships, unwillingly aid China's military development and endanger US economic leadership. The notion that the US potentially is assisting China in leapfrogging the US has been a rising concern in Washington.

From the perspective of the US Department of Defense, China is laying the groundwork for possibly substantial scientific breakthroughs that could lead to economic disruption and enduring economic benefits. Its massive manufacturing base and strong state support for translating research breakthroughs into applications may allow China to potentially commercialise new technologies both faster and substantially cheaper than the US. This also includes military applications. As such, the US perceives China's technological advancements as both opaque and as a threat against its own competitiveness and security. Furthermore, according to Washington, China's ability to use and develop new technology is also enhanced by the information and know-how amassed from theft and espionage. Combined, these advantages may enable China to outpace the US in the production of applications based on inventions and discoveries made in the US. It is therefore widely shared in the US that China's current initiatives pose a far greater threat to US national interest than its past modernisation efforts did.

3.1.4 China's Growing Global Economic Leverage is a Challenge to the US

US officials have used the term "tentacles" when describing China's growing influence in the world. China's Belt and Road Initiative (BRI) is perceived as an example of China's broader strategy and is regarded as a threat to the US across several domains. From Washington's perspective, China is increasingly using economic leverage around the world to extract political concessions. Countries participating in BRI could develop dependencies on China, both economic and technical, which Beijing could leverage to achieve its interests. Consequently, this is seen as a threat against US global interests and influence. From Washington's point of view, BRI presents both a geo-economic and a strategic challenge to the US.

BRI is an umbrella term to describe a variety of initiatives that amount to the world's largest infrastructure project. Under the BRI initiative, Chinese institutions are financing primarily transportation and energy infrastructure projects. The

size and scale of China's financing, investments, and loans issued under BRI have been widely questioned in the US. The BRI has been criticised for its lack of transparency, inconsistencies with global standards of governance, financial unsustainability, corrupt bidding and loan practices, and undermining the national sovereignty of recipient countries. In October 2018, Vice President Pence accused China of engaging in "so-called 'debt diplomacy'," and described China's loans as "opaque at best" and "overwhelmingly" benefitting to Beijing.¹³⁵

According to the Trump administration's China Strategy, many initiatives appear to be "designed to reshape international norms, standards, and networks to advance Beijing's global interests and vision, while also serving China's domestic economic requirements".¹³⁶ As perceived in Washington, by expanding the use of Chinese industrial standards, the relative position of Chinese firms in the global marketplace is strengthened at the expense of US firms.

The White House views the BRI as an instrument to promote China's security interests. In the eyes of US policymakers, BRI helps to secure energy supply routes to China and facilitates future military or intelligence use of Chinese-built ports and other infrastructure, which increases China's capability to project power.¹³⁷ This has led Washington to portray BRI as a Trojan horse for China-led regional development and military expansion.

The Trump administration's Africa Strategy describes BRI as "a plan to develop a series of trade routes leading to and from China with the ultimate goal of advancing Chinese global dominance." It describes how China "uses bribes, opaque agreements, and the strategic use of debt to hold states in Africa captive to Beijing's wishes and demands".¹³⁸ The document also concludes that "[i]n Africa, we are already seeing the disturbing effects of China's quest to obtain more political, economic, and military power."¹³⁹ The fact that China figures so predominantly in the strategy is a telling indicator of the administration's view on China and the challenge it constitutes.

The impact of BRI on the balance of power in the Indo-Pacific is particularly worrying for the White House. The US Free and Open Indo-Pacific Strategy and the revival of the quadrilateral cooperation framework, or Quad, which includes Australia, India, Japan, and the US, are widely portrayed as a response to BRI and the China challenge. So is Congress's Better Utilisation of Investments Leading to

¹³⁵ The White House, "Remarks by Vice President Pence on the Administration's Policy Toward China".

¹³⁶ White House, *The United States Strategic Approach to the People's Republic of China*.

¹³⁷ U.S. Department of Defense, "Assessment on U.S. Defense Implications of China's Expanding Global Access," Jan 14, 2019.

¹³⁸ The White House, "Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration's New Africa Strategy," Dec 13, 2018.

¹³⁹ The White House, "Remarks by National Security Advisor Ambassador John R. Bolton".

Development (BUILD) Act, of 2018.¹⁴⁰ That the White House and Congress are taking action demonstrates that the emerging conflict runs deep.

3.2 Chinese Perceptions of Economic Relations with the US

From China's point of view, the US seeks to constrain China's economic influence and hinder what China regards as its legitimate right, the ability to pursue its own path of development. Four contentious issues are of specific concern to China: (1) The US distortion of economic engagement and confrontational approach aggravates US-China relations; (2) the US's disregard for China's state-led development model; (3) the US efforts to undermine China's technological advancements; and (4) the global economic system unjustly privileges the US.

3.2.1 The US Distortion of Economic Engagement and Confrontational Approach Aggravates US-China Relations

US officials contend that Beijing pursues unfair trade practices and engages in economic behaviour that takes advantage of US companies.¹⁴¹ From the Chinese perspective, the actions and allegations by Washington are profoundly distorted and ultimately viewed as efforts designed to prevent China's economic development. As China-US relations have deteriorated, the Chinese government has been laying the sole blame on Washington.¹⁴² Although the Chinese leadership acknowledges systematic differences between the two countries, Beijing frames the US approach for dealing with their differences as highly confrontational and marred by destructive zero-sum thinking.¹⁴³ From Beijing's viewpoint, the US hard-line, win-or-lose posture towards its engagement with China constitutes a crucial factor for current aggravations in China-US relations.

In September 2018 and June 2019, the State Council Information Office issued two subsequent White Papers to "clarify the facts and China's position on China-

¹⁴⁰ The BUILD Act consolidated existing U.S. government development finance functions and established the U.S. International Development Finance Corporation. Akhtar, Shayerah Ilias and Lawzan, Marian L., "BUILD Act: Frequently Asked Questions About the New U.S. International Development Finance Corporation," *Congressional Research Service*, January 15, 2019.

¹⁴¹ Tellis, Ashley J. "The Return of U.S.-China Competition," in Tellis, Ashley J., Szalwinski, Alison, and Wills, Michael (eds) *Strategic Asia 2020: U.S.-China Competition for Global Influence*, The National Bureau of Asian Research, 2019; U.S. Office of Trade and Manufacturing Policy, *How China's economic aggression threatens the technologies and intellectual property of the US and the world*, Jun, 2018; Office of the U.S. Trade Representative, 2018.

¹⁴² Wang Yi, Aug 6, 2020; Yang Jiechi, Aug 7, 2020.

¹⁴³ Wang Yi, Aug 6, 2020; Yang Jiechi, Aug 7, 2020; PRC State Council, *The Facts and China's Position on China-US Trade Friction*, Sep, 2018.

US trade frictions”.¹⁴⁴ The White Papers explicitly reject the notion of economic relations as a zero-sum game and dismiss what China regards as a US-driven “cold-war mentality,” by treating and perceiving China as an enemy, and seeking to suppress China’s development.¹⁴⁵ Beijing repudiates US accusations of unfair practices and economic aggression as a “gross distortion of the facts in China-US trade and economic cooperation” and as “disrespectful to the Chinese government and people”.¹⁴⁶ From China’s viewpoint, it is argued that the US trade deficit with China is a natural consequence of the US economic structure.¹⁴⁷

China considers what it perceives as a US distortion of the economic engagement to be a major hurdle in the forthcoming development of the bilateral relationship. By being depicted as an irresponsible and unreliable actor, the Communist Party perceives that the US seeks to contain China’s legitimate rise as a global power. In response, the Chinese leadership has been emphasising its claim to being committed to multilateralism and globalisation, thus seeking to position itself against the US.¹⁴⁸

The Chinese government also looks warily on the potential shake-up of global production networks that may arise from US confrontational behaviour and its portrayal of China as an “economic aggressor”. China has reaped massive benefits from the global trade system. As such, Beijing perceives any disruption of the current shape of global supply chains as a destabilising factor for China’s development trajectory, and thus also, by extension, as a threat against China’s ascendancy as a global power. Coupled with efforts to reassure investors about China’s business climate, China has reacted to US moves by describing it as a bully trying to prevent the rise and challenge from Chinese companies.¹⁴⁹

¹⁴⁴ PRC State Council, 2018; PRC State Council, *China’s Position on the China-US Economic and Trade Consultations*, Jun 2019.

¹⁴⁵ PRC State Council, 2018: 22.

¹⁴⁶ PRC State Council, 2018: 17-18.

¹⁴⁷ According to the Beijing, this structure comprises: 1.) low saving rates in the U.S.; 2.) the comparative and complementary elements of U.S. and Chinese industries; 3.) shifting configurations in the international division of labor and production locations by multinational enterprises; 4.) U.S. export controls of high-tech products to China; and 5.) the dominant role of the U.S. dollar. See PRC State Council, 2018: 20-22.

¹⁴⁸ CGTN, *Full text: Xi Jinping’s speech at the General Debate of the 75th session of the United Nations General Assembly*, Sep 23, 2020.

¹⁴⁹ Wang Yi, Aug. 6, 2020; *Bloomberg News*, “Xi Reassures Global CEOs as Trump Steps Up Push to Isolate China,” Jul 16, 2020; Huang Yongfu, “Belt and Road Initiative is a beacon for gloomy global recovery,” *China Daily*, May 15, 2020; Su Hao, “The US will always bully the world’s 2nd richest economy,” *Global Times*, Aug 20, 2020; *China Daily*, “US administration’s smash and grab of TikTok will not be taken lying down: China Daily editorial,” Aug 3, 2020; *Global Times*, “Chinese Foreign Minister: US has been pursuing its egoism, unilateralism and bullying to the extreme,” Aug 18, 2020; *Xinhua*, 没有任何力量能够阻挡中国人民实现梦想的步伐 [There is no force that can stop the Chinese people from achieving their dreams], May 17, 2019.

3.2.2 The US' Disregard for China's State-led Development Model

The US strongly objects to the large and interventionist role of the Chinese state. Washington opposes China's industrial policies, through which China supports domestic firms over foreign ones, as well as the tight connection between the Communist Party and Chinese entities. However, the Chinese government views state-led development to be of crucial importance for the economic governance of China, and ultimately also for the country's national security. Essentially, a state-sponsored development model implies a wide-reaching role in the economy for the Communist Party. From Beijing's perspective, each country has the right to choose its development path, and thus China's industrial policies are regarded as a domestic issue and a structural core of its economic system.¹⁵⁰ The Chinese government believes that its state-led interventionist system, designed and advanced by the Communist Party, is the most effective way to catch up with and surpass the US.

The Chinese macroeconomic posture diverges substantially from that of the US. While Washington emphasises market-based norms and minimum state intervention in business, Beijing promotes a state-dominated economic growth model, which it regards as a necessary precondition for future development.¹⁵¹ China views a less state-controlled economic model to be harmful to the economy and the society, and foremost, to the stability of continuous Party rule. The Chinese leadership has explicitly highlighted the importance of refraining from adopting Western ideology and its capitalist system, arguing it would lead to social conflicts and disorder.¹⁵² Xi Jinping states that "the dominant position of public ownership cannot be shaken, and the leading role of the state-owned economy cannot be shaken."¹⁵³ The public sector shall be the dominant role in the economy, as the market economy is to exist alongside the socialist system.¹⁵⁴

Indeed, the extent of the state's role in the economy has been debated and questioned among Chinese scholars. Some scholars contend that to deal with the trade war with the US, China should champion a deepening of market economy reforms, such as by further opening up the domestic economy, removing barriers

¹⁵⁰ Kong Qingjiang, "中美经贸关系脱钩的前景 [Prospects for the decoupling of China-US economic and trade relations]," *Institute of Public Policy, South China University of Technology*, Jun 16, 2019; Wang Yi, Jul 9, 2020.

¹⁵¹ Schneider-Petsinger, Marianne et al., "US-China Strategic Competition: The Quest for Global Technological Leadership," *Chatham House*, Nov, 2019.

¹⁵² Yeung, Karen, "Chinese President Xi Jinping says Marxist political economy is the bedrock for nation's growth," *South China Morning Post*, Aug 16, 2020; Buckley, Chris, "China Warns Officials Against 'Dangerous' Western Values," *New York Times*, May 13, 2013; Gan, Nectar, "China's President Xi Jinping warns Communist Party schools against 'Western capitalist' values," *South China Morning Post*, May 2, 2016.

¹⁵³ Yeung, Karen, Aug 16, 2020.

¹⁵⁴ *Xinhua*, "19th CPC Central Committee concludes fourth plenary session, releases communique," Oct 31, 2019.

to foreign enterprises, and reforming state-owned enterprises.¹⁵⁵ Two prominent economists at Peking University – Justin Yifu Lin and Zhang Weiying – have had a rather high-profile debate. Whereas Lin argues that government industrial policies are important features for overcoming the so-called middle-income trap through industrial upgrading and catching up with developed economies, Zhang holds that government intervention must be reduced if industrial upgrading is to succeed, thus suggesting that China needs more market-oriented reforms.¹⁵⁶ Across various segments of Chinese academia and policymakers, it seems that the views on the degree of the state’s role in the economy have not been unanimous.

In recent years, however, state control over the economy has increased and China has moved towards a more interventionist approach.¹⁵⁷ The lines between what is a state-owned company and a private company are often blurred, with many private businesses being “intertwined with the party-military state.”¹⁵⁸ For instance, in September 2020, the General Office of the Central Committee of the CCP issued guidelines that extend the work of the United Front Work Department in the private sector.¹⁵⁹ The policy aims to provide stronger “ideological guidance” to private businesses and to “build a backbone team of private businesspeople that is dependable and usable in key moments.”¹⁶⁰ Private firms are increasingly called upon to follow the Party line and integrate the tasks of the private sector with the Party’s goal of achieving the so-called great rejuvenation of the Chinese nation.¹⁶¹

¹⁵⁵ Huang Qifan, “国际贸易格局已发生根本变化 [A fundamental Change in international trade pattern],” 新浪财经[Sina Finance], Apr 25, 2019; Wang Yongzhong, “中美经贸摩擦对中国经济增长影响几何 [How will China-US Economic and Trade Frictions Affect China’s Economic Growth?],” 人民论坛 [People’s Tribune], Vol. 639, No. 22, 2019; Jia, Kang, “从美中贸易战看中国“后来居上” 现代化战略“ [Viewing China’s Modernization Strategy from the China-US Trade War – Success for a Later- Starter], 地方财政研究[Local Financial Studies], Vol. 161, No. 3, 2018; Zhou, Tianyong, “要从突破性改革中获得更大发展潜能 [We should gain greater development potential from the breakthrough reform],” 社会科学报 [Journal of Social Sciences], Oct, 2018; Also see Yan Xuetong in Perlez, Jane, “China is Confronting New U.S. Hostility. But Is It Ready for the Fight?” *New York Times*, Sep 23, 2018.

¹⁵⁶ Lin, Yifu Justin, “Industrial policies for avoiding the middle-income trap: a new structural economics perspective,” *Journal of Chinese Economic and Business Studies*, 15:1, 2017; Zhang Weiying, “China’s future growth depends on innovation entrepreneurs,” *Journal of Chinese Economic and Business Studies*, 15:1, 2017; Lin, Yifu Justin and Zhang Weiying, “产业政策与我国的经济发展：新结构经济学的视角 [Industrial Policy and China’s Economic Development: A Perspective on New Structural Economics],” *Guancha*, Sep14, 2016

¹⁵⁷ Naughton, Barry, “Hearing on ‘The Chinese View of Strategic Competition with the United States’,” *U.S.-China Economic and Security Review Commission*, Jun 24, 2020.

¹⁵⁸ Scobell et al., *China’s Grand Strategy – Trends, Trajectories, and Long-Term Competition*, RAND Corporation, 2020, 47-48.

¹⁵⁹ Central Committee of the Communist Party of China, 《关于加强新时代民营经济统战工作的意见》 [Opinions on Strengthening United Front Work for the Private Sector in the New Era], Sep 15, 2020. 2020.

¹⁶⁰ Central Committee of the Communist Party of China, Sep 15, 2020.

¹⁶¹ Naughton, Jun 24, 2020.

The concept of a new type of “whole of nation” has been developed among some Chinese scholars, which taps into what is regarded as China’s comparative advantage of the state’s ability to mobilise and direct national resources.¹⁶² China-US technology competition is the main focus of this approach. Providing special support for certain key technologies and industries, the concept identifies this to be the strength and basis of the Chinese system, as it stresses the need for “independent innovation” and to persist with the industrial policies.¹⁶³ In February 2019, Xi Jinping confirmed this approach when stating that the Chang’e 4 lunar exploration mission “is another practice to explore the new type of whole nation system.”¹⁶⁴

Industrial policies and plans such as “Made in China 2025” therefore lie at the heart of China’s industrial development strategy.¹⁶⁵ As such, Beijing considers the US calls for market-oriented reforms of the Chinese economy to be an interference in China’s internal affairs. US reform propositions are met with deep suspicion and distrust. In the eyes of many Chinese, these attempts may be part of a larger US strategy to hold back China’s development, while they also reflect fundamentally different views of economic governance that are regarded to be one of the major causes of the Sino-US economic dispute.¹⁶⁶ Li Ruguo, former chairman of the Export-Import Bank of China, has stated that the underlying reason for the conflict between China and the US is about the direction of China’s development model.¹⁶⁷

Thus, from Beijing’s perspective, the characteristics of the model that the US wants China to abandon are essentially the central aspects of what the Chinese government believes is behind its economic success. Hence, there are two very different economic systems at odds with each other. As the retired professor Zhu

¹⁶² For example, Kong Dan, a retired but influential senior head of a large state-owned financial institution, has been a prominent voice in advocating a closer integration of whole nation system and market mechanisms. See: Li Wei, “Towards Economic Decoupling? Mapping Chinese Discourse on the China-US Trade War,” *The Chinese Journal of International Politics*, 2019: 540-543.

¹⁶³ Li Wei, 2019: 541.

¹⁶⁴ Xi Jinping, “为实现我国探月工程目标乘胜前进 为推动世界航天事业发展继续努力 [Make continuous efforts to achieve China’s lunar exploration and to promote the development of world aerospace industry],” *Xinhua*, Feb 20, 2019..

¹⁶⁵ “Made in China 2025” is a national strategic plan that seeks to transform China into a “manufacturing superpower.” To achieve this, the plan highlights ten priority sectors, which include new-generation information technology; high-end computerized machines and robots; aerospace technology, including aircraft engines and airborne equipment; maritime equipment and high-tech ships; advanced railway transportation equipment; new energy and energy-saving vehicles; energy equipment, agricultural machines, new materials; and biopharmaceuticals and high-performance medical equipment.

¹⁶⁶ Yuan Peng, “把握新阶段中美关系的特点和规律 [Understanding the hallmark and essence of Sino-US relations in a New Era],” 现代国际关系 [Contemporary International Relations], Vol. 1344, No. 6, 2018; Zhang Yuyan and Feng Weijiang, “从“接触”到“规锁”: 美国对话战略意图及中美博弈的四种前景 [From “engagement” to “confinement”: America’s China strategy and four future scenarios in the Sino-US stand-off],” 清华金融评论 [Tsinghua Financial Review], Vol. 56, No. 7, 2018.

¹⁶⁷ Li Ruguo, “解读贸易争端背后的中美关系 [Understanding China-US relations behind trade disputes],” 经济导刊 [Economic Herald], Vol. 229, No. 7, 2018.

Ying formulates it: “A market economy is a mere means for China’s economic development and not the end goal of its economic system.”¹⁶⁸

3.2.3 The US Efforts to Undermine China’s Technological Advancements

Similar to US policymakers, Chinese counterparts consider emerging technologies to be critical to improve innovation and enhance productivity. Ultimately, this ensures national security and determines who usurps leadership in the global economy. From Beijing’s perspective, the US is set to prevent China’s technological prowess in high-end industry sectors, given that this may upset the US position as a global leader in some technological sectors.¹⁶⁹ For the Chinese leadership, this view has been affirmed by recent US actions against Chinese technology firms such as Huawei, ZTE, and Tik Tok. As a result, Chinese officials and scholars have increasingly pushed for technological self-reliance, as they perceive US actions to be part of an overarching aim to confine China.¹⁷⁰ Wu Xinbo, the Dean of Fudan University’s Institute of International Studies, points out that China, therefore, seeks to undertake independent research and innovation to reduce its technology dependence on US firms. Long-term investments will be made to “break through the US technological blockade and to obtain technologically independent status.”¹⁷¹ Indeed, referring to the reliance on foreign core technology, Xi Jinping upholds that the way forward for China is to “cast aside illusions and rely on ourselves.”¹⁷²

However, China’s concern about technological dependency dates back to before recent spats with the Trump administration. Beijing has shown an inclination to strive for technological self-reliance in specific sectors since at least 2006. Via industrial and development plans, as well as speeches by the Chinese leadership, Beijing has stressed the ambition of China’s reaching technological self-sufficiency.¹⁷³ Beijing perceives dependency on Western technologies – primarily US – as carrying structural risks. As the technological competition with the US intensifies, the perceived need and striving for self-sufficiency becomes even more imminent among Chinese policymakers. China’s technological development

¹⁶⁸ Zhu Ying, “180 years later, China is still an outsider to the Western-led world order,” *ThinkChina*, Jul 16, 2020.

¹⁶⁹ Zhang Yuyan and Feng Weijiang, 2018; PRC Ministry of Foreign Affairs, Jul 9, 2020.

¹⁷⁰ McDonald, Joe, “China’s leaders bow to become self-reliant technology power,” *AP News*, Oct, 30, 2020; Li Wei, 2019: 530; Yuan Peng, 2018; Zhang Yuyand and Feng Weijiang, 2018.

¹⁷¹ Tang, Jie, “Wu Xinbo on the ‘Transformation’ of US-China Relations,” *The Diplomat*, Jan 9, 2020.

¹⁷² CCTV, 习近平：科技攻关要摒弃幻想 靠自己 [Abandon illusions in scientific and technological research, rely on yourself], Apr 26, 2018.

¹⁷³ PRC State Council, Feb 9, 2006; PRC State Council, May 8, 2015; Central Committee of the Communist Party of China, 中华人民共和国国民经济和社会发展第十三个五年规划纲要 [The 13th Five-Year Plan for Economic and Social Development of the People’s Republic of China (2016-2020)]. Mar 2016; Triolo, Paul et al., “Xi Jinping Puts ‘Indigenous Innovation’ and ‘Core Technologies’ at the Center of Development Priorities,” *New America*, May 1, 2018.

involves efforts to limit foreign exposure, if possible, and is grounded in the concept of “indigenous innovation”. The concept implies that China not only makes large investments in domestic innovation but also pushes for localisation of production and intellectual property.¹⁷⁴ This includes promoting investments in strategic sectors abroad and efforts to bring back technological know-how and personnel to China.

China’s drive for technological ascendancy is strongly posited against the US. Primarily implicit in China’s quest to catch up and surpass developed countries is the economic and technological competition with the US.¹⁷⁵ From Beijing’s point of view, the present moment offers what US scholar Barry Naughton refers to as a “conjunction between strategic opportunity and technological opportunity.”¹⁷⁶ This conjunction stems from what is regarded to be a cluster of new types of technologies that are intelligent, green, and widely penetrate societies, and are bound to reshape the entire global competitive climate and thereby affect the relative strength among countries. It is this window of opportunity that the Chinese government identifies as allowing China to catch up and surpass developed countries, above all the US. Liu He, China’s Vice Premier and a leading figure in China’s economic policies, has concluded that China ought to follow the US example after World War II: to leverage its economic competitiveness and prominent technological capabilities, and thereafter cautiously but systematically affect international institutions to integrate with China’s interests.¹⁷⁷ Thus, Chinese perceptions and ambitions in the race for technological leadership are significantly situated and shaped in relation to the US.

The issue of technical standards adds a further dimension to the technological competition between China and the US. The Chinese government and companies believe that global technology standards are often exclusively set for a limited number of mainly Western countries, including the US, and thus disadvantaging China.¹⁷⁸ Beijing, therefore, seeks to use its commercial might to develop new technologies and thereby new global standards.¹⁷⁹ As previously mentioned, the friction with the US over 5G technology and Huawei is illustrative of how China can potentially build electronic infrastructure on its own terms and to its own standards.

¹⁷⁴ Saha, Sagatom and Feng, Ashley, “Global Supply Chains, Economic Decoupling, and U.S.-China Relations, Part 2: The View from the People’s Republic of China,” Jamestown Foundation, China Brief Volume 20, Issue 8, May 1, 2020.

¹⁷⁵ Naughton, Jun 24, 2020.

¹⁷⁶ Naughton, Jun 24, 2020.

¹⁷⁷ Liu He, “A Comparative Study of Two Global Crises,” Discussion Paper, Belfer Center for Science and International Affairs, Harvard Kennedy School of Government, Jun, 2014.

¹⁷⁸ Schneider-Petsinger et al., Nov, 2019.

¹⁷⁹ China is set to release the plan “China Standards 2035,” which is reportedly a 15-year blueprint outlining China’s ambitions to set global standards for next-generation technologies.

3.2.4 The Global Economic System Unjustly Privileges the US

China considers the global economic system to be created by Western norms, and primarily driven by US interests. Beijing has growing frustration with what it believes to be US-dominated international financial institutions. In the eyes of the Chinese government, the US enjoys privileges in the global financial system, while China's economic power is insufficiently accounted for.

Beijing argues that it is underrepresented in the World Bank institutions and the IMF. Although China's voting share in these institutions has increased, it remains below that of the US, which the Chinese government considers as undermining Chinese influence in the system's decision-making processes and reform agenda.¹⁸⁰ In other words, China's stance is that the US control of these international financial institutions vis-à-vis China's is disproportionate.

A major Chinese frustration is the dominant role of the US dollar in the international monetary system. To counter the US advantage of having the top reserve currency, China seeks a more influential role for the Chinese currency in the system. From Beijing's perspective, the US uses this "exorbitant privilege to levy seigniorage on all countries," as the costs are considerably higher for other countries that must trade in exchange for the US dollar.¹⁸¹ For the renminbi (RMB) to be considered a reserve currency, it was included in the IMF's Special Drawing Right (SDR) currency basket in September 2015. However, the weight of the RMB remains considerably lower compared with that of the US dollar and the Euro.¹⁸²

China has responded by setting up new institutions, such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB). By establishing these new institutions and adopting initiatives such as the Belt and Road Initiative, or BRI, and the Silk Fund, Beijing may seek to rival the incumbent US-dominated system. It remains to be seen whether China is poised to challenge the IMF and World Bank institutions or if these newly launched institutions will act as complementary parts in the current international financial system.

A related issue concerning Sino-American frictions in the global economic system is that of China's definition as a developing country in the WTO. From China's perspective, the US adopts a distorted view of reciprocity. Beijing argues that American criticism neglects their different development stages. Chinese officials point to lower levels of GDP per capita and therefore argue that the US concept of

¹⁸⁰ Tao Xie and Donglin Han, "In the Shadow of Strategic Rivalry; China, America, and the Asian Infrastructure Investment Bank," *Journal of Contemporary China*, Vol. 28, Issue 120, 2019; Chien-Huei Wu, "Global Economic Governance in the Wake of the Asian Infrastructure Investment Bank: Is China Remaking Bretton Woods?" *The Journal of World Investment & Trade*, Vol. 19, No. 3, May 2018: 544-545.

¹⁸¹ PRC State Council, Sep, 2018, 22.

¹⁸² Tao Xie and Donglin Han, 2019.

absolute equality and reciprocity in tariffs is unfair.¹⁸³ Indeed, in the eyes of the Chinese leadership, Washington's objections to China's designation are viewed as a way to pressure China to make structural reforms and thus in the end part of efforts to eclipse the Chinese development model. To this end, the Chinese view is that the US "ignores developing countries' right to develop."¹⁸⁴

¹⁸³ PRC State Council, Sep, 2018, 24.

¹⁸⁴ PRC State Council, Sep, 2018, 28.

4 Security Relations

Despite their different security interests, Chinese-US security relations long involved collaboration on several regional as well as global security issues. In recent years, though, as a result of behaviours and a change in perceptions from both sides, security competition between the two powers has intensified.¹⁸⁵ In 2010, the Obama administration announced its ‘pivot to Asia’, which marked a change in US global strategic thinking. The shift came as a result of US concerns about China’s increasing military capacity and regional influence. With the 2017 ‘Indo-Pacific Strategy’, the Trump administration confirmed US engagement in the region, with a focus on reducing Chinese strategic influence.

Washington’s increased focus on China as a strategic rival stems from Beijing’s military build-up as well as China’s increasing military reach. China’s defense budget has increased annually for more than 20 years, and during the past 10 years the budget has nearly doubled. China is the second-largest military spender in the world, and its capability to address a wide range of regional security objectives, beyond its continued focus on capabilities for Taiwan contingencies, has increased rapidly. China’s growing overseas interests, including the advancement of projects such as BRI, have increasingly pushed the PLA to think about operations beyond China’s borders and its immediate periphery. In August 2017, China opened its first overseas military base in Djibouti.¹⁸⁶

The increased US security focus on Asia since 2010 has caused concern in Beijing, which sees it as being directed against China. Regional issues of contention between the two powers include the U. S. alliance system and regional military presence, the status of Taiwan, and maritime territorial disputes. One of the greatest advantages of the US is its alliance system.¹⁸⁷ US engagement in Asia since 2010 has involved a strengthened collaboration with allies. In the region, US has strategic alliances with Japan, South Korea, the Philippines, and Australia. In recent years, the US has also worked to strengthen its relationship with India and the four-party security cooperation known as the ‘Quad’, which includes the U.S., Japan, Australia and India.¹⁸⁸ China, in contrast, pursues a policy of independence and non-alliance and has reacted negatively against the US alliance system, which it claims is destabilising the region.¹⁸⁹

¹⁸⁵ Medeiros, 2019, 95.

¹⁸⁶ U.S.-China Economic and Security Review Commission, “China’s Military Power Projection and U.S. National Interests,” Hearing, Feb 20, 2020.

¹⁸⁷ Nye, Joseph, “Power and Independence with China,” *The Washington Quarterly*, Vol. 43, No.1, 2020, 7-21; Shiffrinson, 2020.

¹⁸⁸ Zhao, Minghao, “Is a New Cold War Inevitable? Chinese Perspectives on US-China Strategic Competition,” *The Chinese Journal of International Politics*, Vol. 12, No. 3, 2019, 385.

¹⁸⁹ Formally, China’s only ally is North Korea. Larson, Deborah Welch, “Can China Change the International System? The Role of Moral Leadership,” *The Chinese Journal of International Politics*, Vol. 13, No. 2, 2020, 172.

The US has collaborated with allies Australia, Japan and South Korea on issues related to a regional ballistic defence mainly in order to counter the threat of North Korean ballistic missiles. Beijing fears that missile defense will constitute a challenge to China's nuclear deterrence.¹⁹⁰ Consequently, US deployment of the Terminal High Altitude Area Defense (THAAD) system in South Korea in 2016 resulted in strong reactions from China, including economic coercive measures against South Korea.¹⁹¹



Figure 1: Map of China and neighbouring countries.

The South China Sea, the East China Sea and the Yellow Sea border the US treaty allies: Japan, South Korea, and the Philippines. The South China Sea and the East China Sea surround Taiwan, with which the US has certain security-related policies stipulated in the Taiwan Relations Act. Taiwan has always been a major issue in the Sino-US security relationship. China openly advocates a peaceful reunification with Taiwan, but it has never renounced the use of military force to achieve this. Although the US has no official diplomatic relationship with Taiwan, the US remains *de facto* Taiwan's closest ally. When the current Taiwanese president, Tsai Ying-wen, from the independence-leaning Democratic Progressive

¹⁹⁰ Liff, Adam, "China and the US alliance system," *The China Quarterly*, Vol. 233, Mar, 2018, 153.

¹⁹¹ Liu, Feng, 2020, 12.

Party (DPP), was elected in 2016, Beijing stepped up pressure on Taiwan to coerce it from moving towards *de jure* independence.¹⁹² To Beijing's chagrin, Tsai was re-elected in a landslide victory in 2020, which most observers attributed to her strong stand against mainland pressure. At the same time, the Taiwanese people are increasingly identifying themselves as being only Taiwanese.¹⁹³

The Trump administration voiced strong support for the Taiwanese government and approved several big arms sales to Taiwan, to Beijing's frustration.¹⁹⁴ In the 2019 Indo-Pacific Strategy, Taiwan was referred to, for the first time in a high-profile government report, as a 'country'.¹⁹⁵ In March 2020, the US Congress TAIPEI Act was enacted. The Act is intended to strengthen US relations with Taiwan and counter Beijing's diplomatic isolation of Taiwan.¹⁹⁶ Several high-ranking US officials have also visited Taipei. China has increased its threats, including bomber, fighter, and surveillance aircraft patrols, and missile tests, near the island.

Regional maritime territorial disputes is another issue in which Beijing and Washington have become increasingly locked in a confrontation in recent years. China has contesting territorial disputes with Japan over the Diaoyu/Senkaku Islands in the East China Sea, and with Vietnam, Malaysia, The Philippines, Brunei, and Indonesia over islands in the South China Sea

China claims sovereignty over the Spratly and Paracel Island groups and other land features within its self-proclaimed 'nine-dash line', which, if connected, would enclose an area covering approximately 90 percent of the South China Sea. While the South China Sea has been a simmering conflict issue for decades, new actions by the Chinese government since 2010 dramatically increased the level of conflict. China has reclaimed land and built seven fortified islands, including an airstrip and seaport.¹⁹⁷

¹⁹² Green, Michael and Evan Medeiros, "Is Taiwan the Next Hong Kong?" *Foreign Affairs*, Jul 8, 2020.

¹⁹³ According to a PEW survey in May 2020, 66 percent of the respondents identified themselves as only Taiwanese compared to 28 percent who saw themselves as both Taiwanese and Chinese. *Taipei Times*, "Taiwanese outrun their Chinese identity: poll," May 14, 2020.

¹⁹⁴ Ryan Browne, "Trump administration approves arms sales to Taiwan amid China tensions," *CNN*, May 21, 2020; Makichuk, Dave, "Done deal: Taiwan closes USD 62bn F-16 falcon buy," *Asia Times*, Aug 18, 2020.

¹⁹⁵ U.S. Department of Defense, *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region*, Jun 1, 2019.

¹⁹⁶ U.S. Congress, *S. 1678: Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019*. Mar 13, 2020.

¹⁹⁷ Tkacik, Michael, "Understanding China's goals and strategy in the South China Sea: bringing context to a revisionist systemic challenge – intentions and impact," *Defense & Security Analysis*, Vol. 34, No. 4, 2018, 321-344.



Figure 2: Map of contesting claims over the South China Sea

In 2016, the United Nations Convention on the Law of the Sea (UNCLOS) arbitral tribunal deemed China's claims in the South China Sea illegal and ruled in favour of the Philippines' rights to its Exclusive Economic Zone (EEZ), essentially declaring the Philippine's claims over the Spratly Islands valid. The Chinese government dismissed the judgment as 'null and void'.¹⁹⁸

In recent years, the US has increased its presence in the South China Sea. It regularly conducts freedom of navigation operations (FONOP) in the area and on several occasions Chinese and US vessels have had close encounters. In July 2020, US Secretary of State Mike Pompeo declared, for the first time, that the US regards most of China's claims in the South China Sea as illegal.¹⁹⁹

¹⁹⁸ Tkacik, 2018, 331

¹⁹⁹ Hansler, Jennifer, "US declares 'most' of China's maritime claims in South China Sea illegal," *CNN*, Jul 14, 2020.

4.1 US Perceptions of Security Relations with China

The US views China's increasing military strength and its regional and global ambitions with increasing concern. The following contentious issues are of specific concern to the US: (1) China is a revisionist power that aims to displace the US; (2) China's military build-up threatens US military advantage; (3) China's increased power projection capability is a source of concern; and (4) China is striving for regional hegemony.

4.1.1 A Revisionist Power Aiming to Displace the US

The Trump administration's strategy documents explicitly depict China as a revisionist power with global ambitions. The National Security Strategy describes China as seeking to "challenge American power, influence, and interests, attempting to erode American security and prosperity."²⁰⁰ The DoD's Indo-Pacific Strategy Report, released in June 2019, identifies "the primary concern for US national security" as "inter-state strategic competition, defined by geopolitical rivalry between free and repressive world order visions". It specifically singles out China and the CCP's ambition to "reorder the region to its advantage by leveraging military modernization, influence operations, and predatory economics to coerce other nations."²⁰¹ The unclassified summary of the US National Defense Strategy describes China as a "strategic competitor" and underscores that it is pursuing a military modernisation programme that "seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future."²⁰²

It is clear that US policymakers, from both parties, are increasingly concerned about the security challenges that China is posing to US interests in Asia, and elsewhere. In recent years, China's military modernisation programme has emerged as a significant influence on US defense strategy, plans, budget, programmes, and service doctrines. Security and military competition have become major factors in overall Sino-US relations.

4.1.2 China's Military Build-up Threatens US Military Advantage

The National Defense Strategy makes clear that the longstanding competitive military advantage of the US "has been eroding."²⁰³ China is regarded as the central challenge to the US, and many worry that China is rapidly closing the gap.

²⁰⁰ The White House, *National Security Strategy of the United States*.

²⁰¹ U.S. Department of Defense, Indo-Pacific Strategy Report.

²⁰² U.S. Department of Defense, *Summary of the 2018 National Defense Strategy*.

²⁰³ U.S. Department of Defense, *Summary of the 2018 National Defense Strategy*.

China's military build-up is of major concern, and it is at the centre of the US defense debate. In his China speech at the Hudson Institute in 2018, Vice President Mike Pence declared that the CCP is "turning plowshares into swords on a massive scale."²⁰⁴

General Secretary Xi Jinping has set two deadlines for the People's Liberation Army: to complete military modernisation by 2035 and make the PLA into a "world-class" military by 2049.²⁰⁵ Some US observers have interpreted the term "world-class" as capabilities on par with the US.²⁰⁶ The two centenary goals will be reached through the development and procurement of next-generation weapon systems as well as structural and command changes.

China is mobilising vast resources in a wide-ranging effort to modernise its military, including industrial development plans, and large scale funding and subsidises for enterprises in the strategic science and technology field. According to Washington, the long-term goal is to create a domestic industrial-defense sector augmented by China's massive commercial sector.²⁰⁷ This sector continues to adapt and is making progress in weapon systems research, development, acquisition, test, evaluation and production. The aim is not exclusively to create a robust support system for the PLA, but also to make China a competitive supplier in the global arms trade.

Modernisation includes improvements of military capabilities to provide options for China to dissuade, deter, or defeat potential third-party interventions during a large-scale theatre campaign, such as a Taiwan contingency. Collectively, such capabilities are referred to as anti-access/area-denial (A2/AD). Currently, China's A2/AD capabilities are most developed within the first island chain, but China is working continuously to extend them farther.

The modernisation effort also includes enhancing the country's strategic deterrent. The PLA Rocket Force continues to grow its intermediate-range ballistic missile inventory, and its intercontinental ballistic missiles under development represent a clear improvement in its nuclear-capable missile forces. According to the US DoD, China's navy, coast guard and maritime militia now form the largest maritime force in the Indo-Pacific.²⁰⁸ In 2020, the DoD described China's navy as the largest in the world.²⁰⁹

From the US DoD's view, it is clear that Chinese leaders seek to develop a military that can fight and win. There is an increased focus on joint operations and offensive operations. China's improvement of its military capabilities also includes power

²⁰⁴ The White House, "Remarks by Vice President Pence on the Administration's Policy Toward China".

²⁰⁵ U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019*, 2019, 14.

²⁰⁶ U.S. Department of Defense, *Annual Report to Congress*, 2019, 13.

²⁰⁷ U.S. Department of Defense, *Annual Report to Congress*, 2019.

²⁰⁸ U.S. Department of Defense, *Annual Report to Congress*, 2019.

²⁰⁹ U.S. Department of Defense, *Annual Report to Congress*, 2020.

projection operations. The US notes that China is focused on blunting the US military's technological advantage and is pursuing several programmes that develop disruptive technologies that offer China asymmetric advantages against the US. According to DoD, the PLA is seeking to develop "capabilities with the potential to degrade core US operational and technological advantages."²¹⁰ There are numerous examples of disruptive military technologies, and China may be researching and developing offset capabilities in aerospace, cyberspace, unmanned systems, and underwater warfare.²¹¹

4.1.3 China's Growing Power Projection Capability is a Source of Concern

China's ambition to increase its ability to project power is evident to the US Department of Defense, and it signals its intent to develop expeditionary warfare capabilities in many ways, from doctrinal changes to new weapon systems.

It is obvious in the US that China's emphasis on the maritime domain is growing.²¹² The Chinese Navy (PLAN) is gradually abandoning its historic control of geography through the use of expanding defensive perimeters. Instead of focusing predominantly on "offshore water defense" the PLAN seeks to increase its operational reach. According to DoD, terms such as "open seas protection" and "forward edge defense" indicate a preference for moving potential conflicts farther away from China.²¹³ The PLA is also developing power projection capabilities and concepts of operation to conduct offensive operations not just within the first and second island chain, but in the Pacific and Indian Oceans and beyond.

China is also expanding the PLAN Marine Corps force structure and its expeditionary warfare capabilities. It is also investing heavily in its amphibious ship force. In 2019, the country became a multi-carrier force, and several domestically produced carriers are commissioned. China is also prioritising modernisation of its submarine fleet. The Chinese navy also has a sizeable and growing fleet of logistics replenishment ships to support long-duration, long-distance deployments.²¹⁴

The PLAAF, People's Liberation Army Air Force, has also received calls to become a "strategic" air force capable of projecting air power at long range. The US is concerned that the PLAAF is rapidly closing the gap with Western air forces across a broad spectrum of capabilities, while the construction of new airfields and

²¹⁰ U.S. Department of Defense, *Annual Report to Congress*, 2019, iii.

²¹¹ Fan Gaoyue, "A Chinese Perspective on the U.S. Third Offset and Possible Chinese Responses," *Study of Innovation and Technology*, University of California, Jan, 2019.

²¹² O'Rourke, Ronald, "China Naval Modernization: Implications for U.S. Navy Capabilities – Background and Issues for Congress," *Congressional Research Service*, Nov 18, 2019.

²¹³ U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2020*, Sep 1, 2020.

²¹⁴ U.S. Department of Defense, *Annual Report to Congress*, 2019.

hangars in the South China Sea extends the range of its air power. China is also continually improving its air- and ground-based missile strike capabilities, both within and beyond the first island chain. This enables China's other military assets to operate farther from China. The PLA Army has also put increasing emphasis on long-distance mobility operations.²¹⁵

4.1.4 China is Striving for Regional Hegemony

It is increasingly understood in the US that China presents a global challenge. China figures prominently in the Trump administration's Africa Strategy, and the administration has voiced its concerns over China's growing interests in the Arctic region. However, the primary geopolitical challenge China poses to US interests is its ability to establish hegemony over the Indo-Pacific region, or a substantial part of it.

With regional hegemony, China will be secure in its near territory and be able to project power outward. According to the US, achieving this is China's aim, and it goes directly against the US long-standing strategic goal of preserving a balance of power on the Eurasian landmass. The stakes are also raised, since the Indo-Pacific is the world's most economically important region, and the "single most consequential region for America's future," according to the Department of Defense's Indo-Pacific Strategy Report.²¹⁶ The US government assesses that China seems to be patient, persistent, and willing to both spend vast resources and to absorb costs other states might impose on China in response to its actions.²¹⁷ China is frequently portrayed in US official documents as a thoughtful competitor with a clear long-term strategy.²¹⁸

The US is well aware that Taiwan remains the PLA's main strategic direction, and it is clear that China is doing almost everything in its power to isolate Taiwan, short of war. Beijing's strategy towards Taiwan incorporates both persuasion and coercion, in order to blunt the development of political attitudes favouring independence in Taiwan. China's actions in recent years have heightened US concerns that China is gaining effective control over this area of strategic, economic, and political importance to the US and its partners and allies.

According to the DoD, China has deployed anti-ship missiles and long-range surface-to-air missiles on the fortified artificial islands in the South China Sea. It also employs paramilitary and other maritime forces to assert its position in maritime disputes vis-à-vis other claimants. Secretary Pompeo has explicitly accused China of exerting military pressure on its neighbours and used words such

²¹⁵ U.S. Department of Defense, *Annual Report to Congress*, 2019.

²¹⁶ U.S. Department of Defense, *Indo-Pacific Strategy Report*.

²¹⁷ For additional discussion, see Cronin, Patrick M. and Neuhard, Ryan, "Total Competition, China's Challenge in the South China Sea," Center for a New American Security, Jan, 2020.

²¹⁸ U.S. Department of Defense, *Annual Report to Congress*, 2019.

as “intimidation”, “coercion” and “bullying” to describe its actions in the maritime arena.²¹⁹

These activities are perceived by the US to be of serious security concern. The bases in the South China Sea are part of a growing regional network of Chinese A2/AD capabilities intended to keep the US, or other, military forces outside the first island chain, the string of islands that encloses China’s near seas region, including Taiwan. In a conflict with the US, these bases are vulnerable to a US attack, but they would tie down and potentially delay the advance of US forces in the South China Sea. US defense analysts debate how much effort it would take to destroy these bases and counter any force operations from them.²²⁰

This is perceived as a major strategic challenge to the US. It impedes both the US ability to intervene militarily in a conflict or crisis between China and Taiwan, and to fulfil its treaty obligations with its allies Japan, South Korea, and the Philippines. It also hampers the ability of US forces to operate in the Western Pacific for various purposes such as responding to crises, conducting engagement and partnership-building operations, exercises, maintaining regional stability, and executing war plans. A reduced US ability to operate in the region could encourage countries to reassess their defence and security policies in ways that potentially could further weaken the US-led regional security architecture. Such a development goes directly against the long-standing US grand strategic goal of preventing the emergence of a hegemon in Eurasia.

For the US Department of Defense, it is clear that China is trying to drive a wedge between the US and its partners and allies in the region through various means, including using various disputes in the South and East China Sea to raise doubts about US dependability, and depicting the US as a meddling outsider or interloper seeking to stir up trouble in the region. The US views China’s efforts to stop US military exercises with allies and partners in the region in this context. The US is also concerned that maritime disputes in the South and East China Sea could escalate to a crisis or conflict between China and a neighbouring country, including US treaty allies. This has the potential to draw the US into a crisis or conflict.

²¹⁹ Pompeo, Michael, “The United States and ASEAN are Partnering to Defeat COVID-19, Build Long-Term Resilience, and Support Economic Recovery,” Apr 22, 2020.

²²⁰ Poling, Gregory B., “The Conventional Wisdom on China’s Island Bases Is Dangerously Wrong,” *War on the Rocks*, Jan 10, 2020. See also: Power, John, “Has the US Already Lost the Battle for the South China Sea?” *South China Morning Post*, Jan 18, 2020; Geaney, David, “China’s Island Fortifications Are a Challenge to International Norms,” *Defense News*, Apr 17, 2020; Bernstein, Richard, “The Scary War Game Over Taiwan That the U.S. Loses Again and Again,” *RealClearInvestigations*, Aug 17, 2020.

4.2 China's Perception of Security Relations with the US

From a Chinese perspective, US security policy in Asia has become increasingly directed at China. To Beijing, US actions on China's doorstep are highly provocative. The following contentious issues are of particular concern for China: (1) US Asia policy aims to contain China; (2) the US alliance system is destabilising the region; (3) The US tries to use Taiwan to control China; (4) The US is interfering in China's regional territorial disputes.

4.2.1 US Asia Policy Aims to Contain China

The Obama administration's 'pivot to Asia', in 2010, made the Chinese government increasingly concerned about the US presence in East and Southeast Asia. When the Trump administration announced the Indo-Pacific Strategy, in 2017, and named China a 'strategic competitor', it further confirmed to Beijing that the US is intent on containing China and suppressing what China describes as its peaceful rise. Beijing considers US strategic moves in the region to be directed at China.²²¹

A major concern for China is the fact that most China-US security issues are geographically located close to China and far away from the US. The Chinese leadership considers the US to be on its doorstep, threatening the territorial unity of China as well as the rule of the Communist Party. Also, China faces a number of neighbouring countries, many of them close allies of the US, which are increasingly worried about China's rise.²²² To China, its geography puts it in an exposed position. The term 14+6+1 is often used to describe how China is surrounded by 14 land neighbours, 6 sea neighbours, and the United States.²²³

From a Chinese perspective, the PRC hardly presents the same kind of existential threat to the US as the US is to China at the moment. This makes it reasonable for Chinese propaganda to describe the US as the hegemon aiming to contain China, and China as simply wanting to defend its territorial sovereignty. The Chinese leadership typically describes US actions as aggressive and its own as defensive.²²⁴ In contrast, China promises to "never threaten any other country or seek any sphere of influence."²²⁵ Therefore, from a Chinese government perspective, the US and

²²¹ Liu, Feng, 2020, 15.

²²² Shiffrinson, 2020.

²²³ Luo, Jianbo (罗建波), "总体国家安全观与中国国家安全战略" [Overall national security concept and China's national security strategy], 学习心得, No. 8, 2018, 85.

²²⁴ Wu Chengqiu, "Ideational differences, Perception gaps, and the Emerging Sino-US Rivalry," *The Chinese Journal of International Politics*, Vol. 13, No. 1, 2020, 54.

²²⁵ PRC State Council, *China's National Defense in the New Era*, Jul 2019, 8.

its allies' aggressive actions are based on an image of China as an 'imaginary enemy'.²²⁶

The US military presence in East Asia, such as in Japan and South Korea, is of particular concern for China. According to Beijing, the deployment of the THAAD system in South Korea in 2016 "severely undermined the regional strategic balance and the strategic security interests of regional countries."²²⁷ Some in China fear that this could be the start of a line of missile defense systems, from Alaska to Taiwan.²²⁸

4.2.2 The US Alliance System in Asia is Destabilising the Region

Beijing views military alliances as inherently zero-sum and a part of the Cold War. Although China collaborated successfully with Japan and the US against the USSR during the 1970s and 80s, the US alliance system in Asia after the fall of the USSR is now considered to be directed against China. While the US and its partners consider the alliance system a stabilising factor, China sees it as a threat. This supports the notion of an existing security dilemma. To Beijing, the US alliance system with China's neighbours threatens to encircle China. The US is also accused of encouraging its allies to provoke China.²²⁹

For understandable reasons, Beijing is most concerned about the US alliance with Japan. Chinese distrust of Japan goes deep, due to its suffering from Japanese military expansionism during the 1930-40s. For many years, China expressed support for the US-Japan alliance, as it considered it a guarantee against Japanese militarisation. However, in later years, as Washington encouraged Japan to build up its military capacity, the Chinese government has become increasingly negative towards the US-Japan alliance. From a Chinese perspective, the Japan-US alliance is increasingly changing from a bilateral alliance to an offensive alliance directed at China.²³⁰ China's 2019 National Defence White Paper warns that Japan has become "outward-looking in its military endeavors."²³¹ Several Chinese analysts warn of a resurrection of Japanese militarism.²³² To China's military hawks, the reason for the US to maintain strong alliances with China's neighbours is to

²²⁶ Liff, 2018, 148.

²²⁷ PRC State Council, *China's National Defense in the New Era*, 2019, 4.

²²⁸ Liff, 2018, 153.

²²⁹ Liff, 2018, 143.

²³⁰ Liff, 2018, 139.

²³¹ PRC State Council, *China's National Defense in the New Era*, 2019, 4.

²³² Jiao Shixin (焦世新), "美日同盟的机制化与战略转型" [The Institutionalization of the U. S. - Japan Alliance and Its Strategic Transformation], 美国研究, No. 3, 2019, 125.; Huang Panyue, "Abe's denial of war crime equals resurrection of militarism," *China military online*, Aug 19, 2020.

contain China. Retired Major General Zhu Chenghu argued that the US will only be able to fight a war against China with the help of its allies.²³³

The Chinese government has made efforts to question the viability of the US-led alliance against China. Vice Foreign Minister Le Yucheng claimed, concerning Pompeo's call, in 2020, for a 'coalition of free democracies', that "other than one or two US henchmen, the overwhelming majority of countries refuse to be hijacked by the US onto its chariot."²³⁴ Others try to convince US allies that they have nothing to gain in allying with the US. Chinese analyst Su Jingxiang calls the US alliance system a "master-slave relationship between the US and its allies."²³⁵ The message from Beijing to US allies is that the US policy is irrational and that China stands for the sensible and stable policy that the world needs. Wu Xinbo argued that Western rejection of some of Trump's policies, such as the trade war against China, is very important as an indication that many countries do not agree with the US policy to contain China.²³⁶

Most Chinese analysts fail to see, or at least seldom mention, that the actions of the US and its allies are reactions to what they see as an increasingly assertive China. Instead, from a Chinese perspective, the US encourages neighbouring countries to fear China.²³⁷ Luo Jianbo, professor at the Central Party School International Strategy Institute, is an exception. He acknowledges that smaller Southeast Asian nations perceive China's strength as threatening. He further points out that Indian and Japanese worries over China's strength provide the US with good grounds for being in the region.²³⁸

Several Chinese observers have recently called for calmness in the face of US aggression. They warn that answering US provocations with the same method will only serve the China hawks in the US administration. Instead, they urge China to tone down its 'wolf warrior diplomacy', the increasingly aggressive stance that some Chinese diplomats have used in recent years following a call from Xi Jinping to show more 'fighting spirit' in diplomacy.²³⁹ Renmin University professor and government advisor Shi Yinhong said, in May 2020, that the US has strong influence around the world and that, currently, China has strained relations with

²³³ Zhu Chenghu is the dean of China's National Defence University. Zhu Chenghu (朱成虎), "对中美关系与中国周边外交的一些看法" [Zhu Chenghu: Some thoughts on Sino-US relations and China's regional diplomacy], *世界知识*, No 2, 2019.

²³⁴ Le Yucheng, 2020.

²³⁵ Su, Jingxiang, "India Should Shun Anti-China Coalition," *China US Focus*, Aug 21, 2020.

²³⁶ Wu Xinbo (吴心伯), "特朗普政府重构中美关系的抱负与局限," [The Trump administration's ambitions and limitations in restructuring Sino-US relations], *国际问题研究*, No. 2, 2020.

²³⁷ Liff, 2018, 144.

²³⁸ Luo, Jianbo, 2018, 86.

²³⁹ Wong, Catherine, "Too soon, too loud: Chinese foreign policy advisers tell 'Wolf Warrior' diplomats to tone it down," *South China Morning Post*, May 14, 2020; Jun Mai, "US-China rivalry: Beijing should stop picking ideological battles with Washington, academic says," *South China Morning Post*, Oct 7, 2020.

many countries, including Australia and Canada. China should strive to improve its relations with developed countries, which requires humility.²⁴⁰ Similarly, former diplomat Yuan Nansheng, now vice-president of the foreign ministry think tank, the China Institute of International Studies (CIIS), and Professor Yan Xuetong, at Tsinghua University, have warned against overly nationalistic and ideological statements from the Chinese side.²⁴¹ Clearly, many Chinese scholars are concerned that the US will successfully mobilise China's neighbours against China.

These calls for restraint seem to have had little effect on Xi Jinping. On October 23 2020, on the 70th anniversary of the Korean war, in China called "The War to Resist US Aggression and Aid Korea," General Secretary Xi held a speech with strong martial language. Indirectly directed at the US, Xi stated that China "is not afraid of war" and that "it is necessary to speak to invaders in the language they know: that is, use war to prevent war... and use a [military] victory to win peace and respect."²⁴² While in this case Xi was addressing a domestic audience in order to boost regime support, he was also sending a message to the outside world that China is ready to defend its interests with military force.

4.2.3 The US Tries to Use Taiwan to Control China

China is extremely wary of any US action that it perceives as introducing 'officiality' into the US-Taiwan relationship, and regularly protests US Navy transits of the Taiwan Strait, US arms sales to Taiwan, high-level meetings between US and Taiwan officials, and any US legislation it perceives as supporting Taiwan.²⁴³

The Chinese government considers reunification with Taiwan to be its most important territorial national interest, as well as "the most crucial and most sensitive question in relations between China and the United States."²⁴⁴ Official statements by Chinese leaders indicate that Beijing's patience to reunite Taiwan with the mainland is running out. In 2019, Xi Jinping reiterated his statement from

²⁴⁰ Interview with Shi Yinlong. *Phoenix TV*, "时殷弘朱锋对话：中美关系降到低点，我们怎样应对？" [Dialogue between Shi Yinlong and Zhu Feng: Sino-US relations have dropped to a low point, how do we respond?], May 23, 2020.

²⁴¹ Jun Mai, "US-China rivalry," 2020; Lo, Kinling, "US-China relations: Beijing should contain 'extreme nationalism', ex-diplomat warns," *South China Morning Post*, Sep 20, 2020.

²⁴² Tiezzi, Shannon, "In Korean War Commemoration, Xi Warns That China Will Use 'War To Prevent War,'" *The Diplomat*, Oct 24, 2020.

²⁴³ Werner, Ben, "USS Green Bay Transits Taiwan Strait," *U.S. Naval Institute News*, Aug 23, 2019.

²⁴⁴ Quote from a Chinese government statement in 2002 in, Wu Chengqiu, 2020, 37. Xi Jinping made a similar statement to Donald Trump in 2017. *Reuters*, "Taiwan the most important issue in Sino-US ties, China's Xi tells Trump," *Reuters*, Nov 9, 2017.

2013 that the separation of Taiwan and the mainland must not be passed down generation after generation.²⁴⁵

In September 2020, China's Ministry of Defence commented on the US Department of Defence annual report to Congress on China's military and security developments. In comparison to previous comments (2018 and 2019) on the annual report, the 2020 comments put more focus on the Taiwan issue. They specifically targeted the DPP authorities and their "vain attempt to rely on foreign forces to raise its self-esteem, and resist unification with force, and the external anti-China forces trying to 'use Taiwan to control China' and split China."²⁴⁶ This indicates that the CCP is increasingly concerned with US-Taiwan collaboration.

US arms deals with Taiwan consistently result in strong reactions from the PRC. In response to the Trump administration's announcement that it has approved a USD 600 million sale of armed drones to Taiwan, the Chinese Ministry of Defense spokesperson, Senior Colonel Wu Qian, urged the US to stop selling weapons to Taiwan "so as not to cause any immeasurable serious consequences to Sino-American bilateral and mil-to-mil relations." He further threatened that "those who play with fire will get burned."²⁴⁷

From Beijing's perspective, Trump's Taiwan policy constituted a change in the US position. According to Qiang Xin, a Chinese specialist on Taiwan and the US, the Chinese government is concerned that Washington aims to promote the unofficial US-Taiwan relationship to the category of a 'quasi-alliance'. By actively helping to defend Taiwan's *de facto* independence, it would be possible to retain the separation across the strait for as long as possible.²⁴⁸

²⁴⁵ Bush, Richard, "8 key things to notice from Xi Jinping's New Years speech on Taiwan," Brookings, Jan 7, 2019; Xi Jinping, '习近平：为实现民族伟大复兴 推进祖国和平统一而共同奋斗——在《告台湾同胞书》发表 40 周年纪念会上的讲话' [Xi Jinping: Work together to realize the great national rejuvenation and promote the peaceful reunification of the Motherland—Speech at 40 year commemoration of the publication of 'A Letter to Compatriots in Taiwan'], PRC State Council *Xinhua*, Jan 2, 2019.

²⁴⁶ PRC Ministry of National Defence, 国防部新闻发言人吴谦就美国国防部发布 2020 年《中国军事与安全发展报告》发表谈话 [The spokesperson of the Department of Defense, Wu Qian's, remarks on the release of the 2020 China Military and Security Development Report by the U.S. Department of Defense], Sep 13, 2020; PRC Ministry of National Defence, 国防部新闻发言人任国强就美国国防部发布 2019 年《中国军事与安全发展报告》发表谈话 [The spokesperson of the Department of Defense, Ren Guoqiang's, remarks on the release of the 2020 China Military and Security Development Report by the U.S. Department of Defense], May 9, 2019; PRC Ministry of National Defence, 国防部新闻发言人吴谦就美国国防部发布 2018 年《中国军事与安全发展态势报告》发表谈话 [The spokesperson of the Department of Defense, Wu Qian's, remarks on the release of the 2020 China Military and Security Development Trend Report by the U.S. Department of Defense], *Xinhua*, Aug 18, 2018.

²⁴⁷ PRC Ministry of National Defense, "Chinese military firmly opposes US arms sales to Taiwan: Spokesperson," Nov 4, 2020.

²⁴⁸ Qiang Xin, 'Having much in common? Changes and continuity in Beijing's Taiwan policy,' *The Pacific Review*, 2020, 7.

Mainland Chinese public voices all call for Taiwan to be united with China. To question this basic premise would be considered treason. There is a debate, however, concerning *when* and *how* reunification should take place. Influential public intellectuals, such as Renmin University professor Jin Canrong and *Global Times* editor Hu Xijin are amongst the hardliners. Jin Canrong argued in 2019 that a military conflict between China and the US over Taiwan would be more costly for the US than for China.²⁴⁹ A strongly-worded editorial in *Global Times*, August 2020, suggested that Beijing should declare the airspace over Taiwan a PLA patrol area, so as to monitor whether US planes or warships visit the island. According to the editorial, “Washington has taken Taiwan island as a prominent pawn in its strategic suppression of Beijing.”²⁵⁰ As China’s military strength steadily increases, such self-confident statements regarding China’s capacity to overtake Taiwan are on the rise.

However, voices calling for a careful Chinese approach have also been raised. Retired major general and military strategist Qiao Liang, generally considered a hawk, recently warned against trying to take back Taiwan by force now, as it would require too many resources. Instead, China should focus on the national rejuvenation of China. Qiao said that even if the US would not necessarily engage in war, it could team up with its allies in the region to sanction China, which would have severe economic consequences.²⁵¹ The general was heavily criticised by nationalists in social media. However, Qiao’s argument that rejuvenation of the Chinese nation should take priority before reunification follows the policy pursued by Beijing. Chinese analysts note that while the Chinese government is increasingly frustrated by Tsai Ying-wen’s rejection of reunification, it will not let the Taiwan issue get in the way of China’s continued modernisation efforts. As long as Taiwan refrains from proclaiming *de jure* independence, Beijing continues to pursue a status quo policy on Taiwan.²⁵²

Xi Jinping recently stated that the fact that Taiwan and mainland China are not yet united “is a wound left by history on the Chinese nation.” He asserted that, “The motherland must be unified, and it will inevitably be unified.”²⁵³ From a PRC

²⁴⁹ Jin, Canrong ‘金灿荣：一旦解放军在台湾击败美军，美国信用将破产，从全球大国回到地区大国’ [Jin Canrong: As soon as the PLA defeats the US military in Taiwan, US credit will go bankrupt and it will return from a global power to a regional power], interview in *Guancha net*, Nov 17, 2019.

²⁵⁰ *Global Times*, “Tsai authorities deserves a stern warning from Beijing: Global Times editorial,” Aug 3, 2020.

²⁵¹ The interview was published in Chinese language news portal Bauhinia Hong Kong (紫荆香港) 乔良将军：我们不应该跟着美国的节奏跳舞 [General Qiao Liang: We should not dance to the American rhythm], and later mentioned in South China Morning Post which also cited general Qiao’s statement on social media platform Wechat: Chan, Minnie, “Too Costly”: Chinese military strategist warns now is not the time to take back Taiwan by force,” *South China Morning Post*, May 4, 2020. Qiao’s statement has not been reported in official Chinese media, but widely discussed in social media.

²⁵² Qiang Xin, 2020.

²⁵³ Xi Jinping, “Working Together to Realize Rejuvenation of the Chinese Nation and Advance China’s Peaceful Reunification,” *Speech at the Meeting Marking the 40th Anniversary of the Issuance of the Message to Compatriots in Taiwan*, Jan 2, 2019.

perspective, recent changes in US Taiwan policies threaten the stability in the Taiwan Strait. Since, for China, Taiwan is the most important issue in Sino-US relations, any change in the US position will strongly affect the overall relationship between the two powers.

4.2.4 The US Interferes in China's Regional Territorial Disputes

The Chinese government expresses strong discontent regarding what it considers to be US involvement in Chinese territorial issues. China has declared territorial integrity to be a core national interest and maintains that the South China Sea and East China Sea islands are parts of Chinese territory. While many analysts assume that China includes the islands as a core national interest, Beijing has still not officially named them as core national interests.²⁵⁴

To Beijing, the recent active involvement of the US in the South China Sea dispute is intended to stir up tensions in the region.²⁵⁵ In response to US Secretary of State Pompeo's statement that China's claims in the South China Sea are illegal, Chinese Foreign Minister Wang Yi claimed that the US is "seeking to drive a wedge between China and ASEAN [Association of Southeast Asian Nations] countries, and disrupt the consultation process of the Code of Conduct."²⁵⁶ Beijing has tried to balance US collaboration with Southeast Asian states by offering closer economic ties with its neighbours.²⁵⁷

From a Chinese perspective, the US is a threat to peace in the South China Sea by interfering in a regional conflict in which it has no claims. Retired PLA Major General Yao Yunshu argues that the situation in the South China Sea became calmer after the agreement on the code of conduct developed between China and ASEAN in 2018 and that China can maintain good relations with its neighbours without US interference.²⁵⁸ In Chinese official discourse, the South China Sea is "the shared home for the countries in the region."²⁵⁹ This indicates that Beijing at least recognises that neighbouring countries have claims to the islands, which China is willing to discuss. Without US interference, China can use its overwhelming power, including economic pressure, to force the smaller neighbours into making concessions. To back up its claims, China cites a large number of

²⁵⁴ Tsang, Steve, "Party-state Realism: a framework for understanding China's approach to foreign policy," *Journal of Contemporary China*, Jul 2019, 304-318. For a different view see, Tkacik, 2018.

²⁵⁵ Kuo, Lily, "South China Sea: Beijing calls US 'troublemaker' after criticism," *The Guardian*, Jul 14, 2020.

²⁵⁶ PRC Ministry of Foreign Affairs, "Interview on Current China-US Relations Given by State Councilor and Foreign Minister Wang Yi to Xinhua News Agency," Aug 5 2020.

²⁵⁷ Shi Jiangtao, "China seeks closer ties with Vietnam and Southeast Asian neighbours," *South China Morning Post*, Jul 22, 2020.

²⁵⁸ Yao Yunzhu "Sino-American military relations: from quasi-allies to potential adversaries?" *China International Strategy Review*, 2019, 92.

²⁵⁹ PRC Ministry of Foreign Affairs, Aug 5, 2020.

historical documents showing that the islands have been part of Chinese territory.²⁶⁰

The US has increased its naval presence, including aircraft carriers and warships, close to China's borders, which China sees as intimidation. China regularly reacts strongly to US FONOPs in the region, such as in the South China Sea and Taiwan Strait. The PLA calls the presence of US warships in the South China Sea "blatant navigation hegemony and military provocation."²⁶¹ Similarly, the PLA considers the US naval presence in the Taiwan Strait to be "trouble-making".²⁶²

In addition to the South China Sea dispute, China has contesting claims with Japan over islands in the East China Sea, and border issues with India in the Himalaya. In both cases, China considers US direct or indirect support for Japan and India as more evidence of US efforts to stop China's rise.²⁶³

Beijing is becoming increasingly confident that its military will be able to counter the US close to China's borders.²⁶⁴ At the same time, the strong presence of the US in the Asia Pacific region and its influence over China's neighbours threatens China's ambitions and confirms its conviction that the US is determined to constrain China's rise.

²⁶⁰ PRC State Council, *China Adheres to the Position of Settling Through Negotiation the Relevant Disputes Between China and the Philippines in the South China Sea*, 13 2016.

²⁶¹ Li Jiayao, "China urges US military to stop provocations in South China Sea," *PLA Daily*, Oct. 9, 2020.

²⁶² Li Wei, "US is urged to stop sending wrong signals to "Taiwan independence" forces," *PLA Daily*, Oct 15, 2020.

²⁶³ *Global Times* "Pressuring China with US-India naval drills is pure vanity," Jun 21, 2020.

²⁶⁴ Goldstein, Lyle, "The US-China Naval Balance in the Asia-Pacific: An Overview," *The China Quarterly*, 232, Dec 2017, 904-931.

5 **Comparative Analysis of Chinese and US Perceptions: Foundational Discordances**

This chapter provides a comparative analysis of differences and similarities between US and China's perceptions of each other in political, economic, and security-related dimensions. Based on the identification of perceived contentious issues discussed in Chapters 2-4, a set of features stand out as particularly salient in the perceptions that the two powers have of each other. We term these features foundational discordances and we consider them crucial in understanding mutual Sino-US perceptions. Six foundational discordances are outlined below.

5.1 **Mutual Distrust**

The distrust and increasingly competitive nature apparent in US-China relations is a prominent element in how the two countries perceive each other. Both sides converge in how they conceive that the other part actively and strategically acts to undermine their own positions. As such, for each of the states, the other part causes great concern over its pursuit of its national interests.

Accentuated by China's increasing reach in international affairs, US policymakers convey a growing concern over China's attempts to strengthen its positions at the costs of US influence and interests. Washington has raised warnings about China's intervention in US domestic politics and its efforts to control and fight narratives that oppose China in general and the Communist Party in particular. From the US perspective, this poses serious threats to its democratic institutions and is perceived as constituting acts directed at undermining its political system. An even greater concern among US policymakers is China's technological advances, which are regarded as a threat against US national interests, given the critical importance of many modern technologies for power and influence across multiple areas. In line with this are US accusations that China cheats and steals much of American know-how and technologies, as well as of a lack of Chinese reciprocity and its support of unfair trade practices. In Washington, this is viewed as Chinese efforts to exploit and undermine the US role as a technological leader, and thereby catch up to and surpass it in the race of technological competition. For similar reasons, US policymakers are wary about Chinese supply chains, which they perceive as being increasingly dangerous and vulnerable to efforts by the Chinese government to exploit for its interests. In the security realm, the US military also perceives Chinese military actions to be in part designed to undermine and push back US security interests.

In the eyes of Beijing, US actions are often perceived as being explicitly designed to prevent China's development and contain the ascendancy of China as a major power. US criticism of China's human rights record has for a long time been regarded by Beijing as a method for the US to intervene in China's internal affairs and thereby undermine and contain China. Washington's refusal to acknowledge China's political system as legitimate is ultimately viewed in Beijing as a direct threat against the Communist Party's rule, and thereby also its existence. Beijing perceives US criticism of China's state-led development model and industrial policies in a similar manner. For the Chinese government, Washington's pressuring it to change China's state-led macroeconomic posture is viewed as an explicit attempt to change the very heart of the Chinese model, and thus yet another way in which the US seeks to hinder China's development and undermine the power of the Communist Party. Thus, that the US wants to lessen its dependence on Chinese supply chains and take action against Chinese technology companies is a clear indication for Beijing that US forces are trying to upend and circumvent China's economic development. In light of these perceptions, it is therefore no surprise that Beijing also perceives the American alliance system to be designed to contain China's development.

Thus, the competitive atmosphere that today characterises much of US-China relations is permeated by a deep distrust that consists of thinking that the other party seeks to undermine its positions. It is a relationship that is often reminiscent of views that pave the way for somewhat destructive zero-sum approaches. One's gain is the other's loss, in what may create a widening gap of mutual distrust and disintegration.

5.2 Support for an International Rules-based System – but Whose Rules?

Both countries advocate an international order that derives from a rules-based system. It is an international system that promotes peace and prosperity through international institutions governed by agreements and regulatory frameworks for predictable state behaviour. However, the US and China consider the constitution of this system in different ways. While the US promotes a rules-based order that is driven by international norms of democratic participation, rule of law, transparency, and open markets, China puts the focus on the principle of state sovereignty and the right of each country to adopt its own development trajectory.

As a result, both countries regard each other as rule-breakers in the international system. From the US perspective, China is exploiting the current international system for its own purposes to undermine the international rules-based order centred on democracy, accountability, and the adherence to universal human rights. In the eyes of many US policymakers and analysts, China has strengthened this posture in recent years, and thus consequently challenges US positions in the

world. Since China continues to designate itself as a developing country, the US argues that China exploits the WTO and the global trade system. As its posture allows for certain protectionist policies, Washington believes that Beijing's practices are eroding the commitment to free and open markets, while changing the global view on the state's role in the economy. Similarly, the US perceives China's practices through the BRI as not only threatening global rules and rules-based norms, such as international standards and transparency, to serve Chinese interests, but also as challenging the US on a geopolitical level. The US has declared China a revisionist power with global ambitions that threaten US national security interests. According to the US, China uses military modernisation, influence operations, and economic pressure to coerce other nations.

Beijing views this markedly differently. From the Chinese perspective, it is the US that unilaterally aggravates the Sino-US relationship. Chinese officials perceive the US as a global hegemon putting American exceptionalism above the international rules-based order. Beijing contends that China takes responsibility for maintaining a global order promoting peace and stability by emphasising and standing up for the principle of state sovereignty, thus strongly rejecting what they regard as US intrusions in domestic affairs across the world. Contrary to the US, Beijing argues, China stands firmly committed to multilateralism. China's opposition to US exceptionalism is also reflected in its discontent with how it believes that the global economic system is not only shaped by and for US interests, but also violated by the US when it serves Washington's interests.

Thus, at least in terms of official policy, there is mutual support for an international system based on rules and predictability. There is, however, disagreement on what exactly those rules should be. China argues that many of the current rules governing the international system were designed by the US and its allies and that China and other emerging powers should have a say in forming the rules. The US, on the other hand, accuses China of being a revisionist power that aims to change the rules to make the international order safe for authoritarian regimes. Both sides believe that the other is creating instability and threatening peace and security by changing the status quo in the rules-based system. The divergent views stem from deep mutual distrust and significant differences in the conception of what constitutes an international rules-based system.

5.3 Competing Ideologies

China and the US represent not only two fundamentally different political systems with not only contrasting views on value issues, such as the position of human rights, but also diverging on the universality of human rights and democracy.

China argues for a multipolar world where many political systems, based on different cultural traditions, can co-exist. While China often criticises US politics and human rights records, it is usually as a retaliation against US critique against

China. The Chinese side does not call for a change in the US political system. China seeks recognition of how its political system, and the leadership of the Communist Party, have merits of their own.

While there are certainly different views within the US regarding the extent of plurality in political systems, the US government is constitutionally unable to consider authoritarian China an equal partner. The US is founded on the principle of the universality of human rights, rule of law, and multiparty democracy. This is reflected in the US view that countries such as China must be called out for violations of what the US considers to be universal definitions of human rights and non-democratic systems. Due to the nature of China's political system as a one-party rule, the US rejects the merits on which the Chinese government is in power in China.

As a result, there are substantial differences between the two sides in terms of what constitutes a legitimate political system. Their fundamentally different perceptions of the grounds on which a government system is deemed acceptable pose major challenges for long-term peaceful coexistence. As an increasingly powerful China cements its belief in its own political system, the US becomes more frustrated, sowing deeper discord between the two sides.

5.4 Disagreements Regarding the Extent of China's Global Ambitions

The Chinese and US positions diverge in their view of China's foreign policy ambitions. China presents itself as a peaceful power that only aims to contribute more to mankind. In Xi Jinping's words, China should move to the centre stage of the world. This is a shift from the previous reactive policy of 'lying low and hiding one's ability' formulated during Deng Xiaoping's era and an obvious policy change. However, officially, China stops far short of challenging the US as the number one global power and does not even push for a reduced US presence in Asia. But messages from the Chinese side have been ambiguous. While some analysts caution China from overstretching its power, some Chinese nationalist policy hawks have pushed for China to become a global leader and openly challenge the US position as Number One.

The US has pointed out that the focus should be on what China does, not what China says. Rather than accepting Chinese assertions that it does not seek to challenge US primacy, the US government considers actions such as the military build-up in the South China Sea, military modernisation, and influence operations in the US and other democracies as evidence that the Chinese state has greater ambitions than just securing its territorial borders. Washington has declared China a systemic rival that aims to upend the current US-led liberal world order.

According to this view, China aims to proceed from regional hegemony in Asia-Pacific and from there seek global pre-eminence in the future.

In other words, there is a significant gap between how the two sides view China's global ambitions. As Chinese power projection capabilities increase within and beyond China's near neighbourhood, this gap may be set to grow. While China considers an expanded military presence as following from a more global presence for its overall interests, the US perceives these increased capabilities as a serious challenge against its own interests. As such, there is a widening discrepancy in the way the US and China view Chinese aspirations on the international stage.

5.5 Contesting Views Regarding China's Territory

The US and China have fundamental disagreements regarding several of China's territorial disputes, including the Senkaku/Diaoyu islands in the East China Sea, the islands in the South China Sea, and land border areas with India. Also, the question of Taiwan's status is a fundamental issue about which the Chinese and US positions are becoming increasingly difficult to accommodate. These contesting views have their roots not only in different perceptions of sovereignty but also in the way they play out for their own political and security interests.

Officially, the Chinese side considers these claims as self-evident and not open to contestation. These are issues on which China wants to deal bilaterally with the other contesting nations. As a result, Beijing perceives US actions regarding these issues to be a blatant interference in other countries' bilateral affairs and a way for Washington to exacerbate tensions in the region. The US, on the other hand, has not taken a position on the territorial sovereignty issue in these disputes, but has declared its support for its allies in the region, including Japan and the Philippines. Washington has made clear that the security treaty with Japan includes the Senkaku/Diaoyu islands, and in 2020 the US declared China's claims in the South China Sea illegal. From the US perspective, Chinese claims are coercive and extensively asserted by a large country who is bullying smaller contestants. China is also seen to be shifting the status quo and breaking the code-of-conduct for conflict resolution.

Power projections and security interests also play major roles here. China views US practices and presence around these disputed areas to be designed to circumscribe China's ability to exert leverage against its neighbours. By intervening in China's territorial disputes, Beijing perceives the US as a hostile force undermining Chinese security interests in the region, which therefore must be countered. From the US side, China's so-called 'salami tactics' in using its overwhelming power against other contestants and gradually establishing control in these areas constitute a major threat against the US-led security architecture in

the region. China's increasingly assertive claims may elbow the US out from this strategically important region, and must therefore be pushed back.

Thus, the two countries' contesting views on China's territorial disputes prompt a potential security dilemma. To defend what both countries consider to be key interests for their respective security, both sides perceive that they must assert their positions and step up their actions against each other. Considering the significance of the region for both countries, these are contrasting views that are likely deep-rooted in their respective postures.

5.6 Ambiguous Perceptions of Power

Perceptions and misperceptions of power can have profound consequences. By comparing the US and China, it is evident that both states make various, often vague, claims about the international distribution of power, and about past, present, and future power differentials between the two states.

The US is preoccupied with its role in the world and is constantly debating whether the nation is in decline or not. There is no doubt in the US that China's power is growing, and recent US strategy documents emphasise that China is closing the gap. However, questions regarding whether China can and will surpass the US and, if so, when, do not receive any clear answers. These questions are widely debated and answers differ regarding the specific issue. There is also volatility in the perceptions of China's power. For instance, the Trump administration cultivated a sense of urgency regarding the need to tackle China's increasing power. At the same time, the administration's tough stance on trade with China seemed to be based on the perception of a substantial US power advantage, and that a forceful policy would change China's position. There is also no agreement among scholars about whether the US is overestimating or underestimating China's power.

Beijing is well aware that China's power is increasing fast, and it is evident that it interprets various US actions as attempts intended to suppress China's rise. China's perceptions of US power are also changing. The Chinese perception is not only that China is rising, but also that the US is declining, although the latter is sometimes questioned by some Chinese scholars. This perception has been reinforced by comparisons between the US and China's handling of the Covid-19 pandemic. Given that China's security and foreign policy is heavily influenced by power and perceptions of power, there is no surprise that Beijing's tone against the US and other critics has become harsher.

Both sides also seem to attribute rationality and a high level of coordination on behalf of the other, and thus interpret the actions of the other as part of a larger strategy. This can not only lead to the overestimation of the rationality of the other, but also the animosity. Combined, these perceptions and misperceptions risk exacerbating tensions.

6 Conclusions

This study set out to identify what China and the US perceive to be the major contentious issues in their political, economic and security relations. In addition, based on a comparative analysis of the differences and similarities between the perceptions that the US and China have of each other, the study arrived at a set of foundational discordances deemed to be particularly salient.

The contentious issues were analysed and presented in Chapters 2-4. As such, they were formulated as a number of frames that encapsulate how the governments perceive and purposefully present the issues. In short, in political relations, the US perceives China as a strategic threat that aims to subvert international order and spread authoritarianism. China, for its part, perceives the US as an increasingly antagonistic hegemon that strives for regime change in China. In economics, the US argues that China is not playing by the rules and that dependency on China is dangerous. China claims that the US seeks to constrain China's economic influence and technological advancement, as well as hinder what China regards as its legitimate right, the ability to pursue its own path of development. In the security dimension, the US perceives China as a revisionist power that strives for regional hegemony and aims to ultimately displace the US globally. China contends that the US, with the help of its allies in Asia, aims to contain China and interferes in China's regional territorial disputes, including Taiwan.

By comparing how the contentious issues presented by the two sides converge and diverge, the analysis produced six features that we term foundational discordances in Chinese and US perceptions: 1) Mutual distrust; 2) Favouring an international rules-based system – but with different rules; 3) Competing ideologies; 4) Disagreement regarding the extent of China's global ambitions; 5) Contesting views regarding China's territory; and 6) Ambiguous perceptions of power.

Having presented a brief summary of the findings of this study, the rest of this final chapter proceeds with a discussion on the international consequences of current Sino-US relations and possible future development paths.

6.1 Discussion

It is clear that perceptions matter in shaping practices and positions in US-China relations. China's undeniable rise in power is changing the perceptions on both sides, which can both create and fuel existing frictions. The combination of colliding interests, characterised by markedly different perceptions and frames, increases tensions in the relationship. For example, their different positions regarding the territorial disputes in the South and East China Seas, combined with their different perceptions regarding the other's intentions in the region, have led to the emergence of a dangerous security dilemma. The chasm between how China

perceives and frames US FONOPs and how the US perceives and frames China's artificial islands is deep.

As this study has demonstrated, there are foundational discordances that pervade US-China relations. These discordances raise obstacles that make it increasingly difficult for the two countries to mitigate tensions. Mutual distrust permeates the relationship and each country perceives that the other side is actively seeking to undermine the interests of the other regarding politics, economics, and security. A key obstacle is that these perceptions often cut down to issues that each side considers to be core parts of its national system, development, and security interests. The US views many of China's advancements as a challenge to the current international system and its leading position. China, on the other hand, perceives many US actions as efforts to suppress and impede China's development, and ultimately also as an existential threat to the continued rule of the Communist Party. Given these foundational discordances, the deep mutual distrust makes it a difficult task to overcome disagreements and find long-term peaceful coexistence, at least as long as the trajectory of the distribution of power in the international system does not change dramatically.

6.1.1 Global Consequences of US-China Discordances

The US and China are the world's two most powerful states and the tension between them has global consequences. One of the most pressing issues is the outlook for decoupling in the global economy, in which global production networks may fork between the US and Chinese supply chains. Since the global economy has been strongly characterised by growing integration during the past decades, such a development would mark a significant shift in the trajectory of the global economy.

To what extent global supply chains will transform and bifurcate into separate supply chains or take another shape is difficult to predict. However, the strategic implications of a potential US-China decoupling are global in scope. Such a development will create structural pressures on other states to choose between the two political and technological systems, while various companies will find it increasingly difficult to navigate a middle way between the two systems.

The US is in a process of rethinking the economic dimension of its China strategy. Increasingly, US policymakers recognise that China poses a serious economic threat and that US dependencies on China render the country vulnerable. Under Donald Trump's presidency, US trade with China became highly politicised with a confrontational tone coming from the White House. President Trump's usage of terms such as the "China virus" when referring to Covid-19 created strong reactions in China and negatively affected Chinese perceptions of the US. China also frequently used provoking rhetoric, and Beijing's active "wolf warrior diplomacy" contributed to the rising tensions.

Moreover, China has also long been striving to reduce its dependencies and become more self-reliant. Increasingly, both the US and China view economics, technology, and security as interconnected and inseparable. Hence, economic and technological competition is increasingly perceived as a matter of national security and subsequently framed as such. This has profound consequences. It raises the stakes, increases tensions, and exacerbates the difficulties in resolving various contentious issues, since it opposes the separation and compartmentalising of specific disputes.

A deepening rift between the US and China may also entail an increased focus on their competing ideologies. As China's power and influence grow, its norms and practices will assume a larger role on a global stage. This is a threat against US interests and will be perceived as such. Disputes regarding the definition and universality of democracy and human rights, principles of sovereignty, and various international standards will probably increase in both frequency and intensity. These contestations will play out in various international institutions as well as in the bilateral relations China and the US pursue with other states. Thus, along with the strategic competition between the US and China, the conduct and promotion of certain norms and ideologies may also become increasingly important across the world. As the lines between the US and China sharpen, more divided political camps may emerge globally.

The tension in US and China relations also has more direct implications for global security. If tensions continue to grow, the risk of conflict will increase. Considering how the two countries perceive the other side acts, including their views on each other's intentions to undermine the other, these risks become increasingly palpable. As this study has demonstrated, there are perceptions and possible flashpoints in the US-China relationship, such as the status of Taiwan and the South China Sea, that are of serious security concern. Apart from regional disputes, a strained US-China relationship can also have spillover effects on international security cooperation. Reminiscent of the Cold War, disagreements between the US and China may play out in the United Nations Security Council, with negative consequences for international peace and security.

The basic dynamics in China-US relations are structural and therefore not likely to change in the near term. However, non-structural factors such as individual events and actors may still have some impact on such development. One such factor is the change in US leadership. The US election was resolved shortly before this report was published and there has been no shortage of speculation in media and policy circles in both the US and China about what difference having Joe Biden in the White House would have on the US-China relationship.

When a new US president is elected there is a window of opportunity to change strategy. However, given the foundational discordances between the US and China, the prospect for strategic adjustment is very limited. Moreover, there is more continuity to US foreign policy than the headlines suggest.

Less critical of the global free trade regime, the Biden administration will probably seek to de-escalate the overt trade disputes and avoid using tariffs as a means. However, this will not solve the underlying differences, and it is clear that the Biden administration will face domestic pressure to remain tough on China. Besides, there are indications that the Biden administration will escalate disputes regarding issues surrounding emerging technologies and the physical and digital structures, standards, and norms that will govern them. Compared to its predecessor, the Biden administration has a closer relationship with Silicon Valley and a firmer belief that control over emerging technologies is key in maintaining the US position of power and shaping the future order. Thus, tensions regarding trade and technology will not go away under a Biden administration. The change in tone and rhetoric may however lead observers to mistake superficial overtures for real accommodation.

The Biden administration will certainly open up avenues for both bilateral and multilateral dialogues, speak about the necessity of consultation, and make attempts to increase cooperation with China in selected areas such as climate change and the environment, managing international public health challenges, and weapons proliferation. A Biden administration would also act more predictably and less erratically than the Trump administration. This could calm anxieties, reduce risks, and facilitate planning for future negotiations, but it would not solve any of the foundational discordances.

During Xi Jinping's reign, nationalistic propaganda combined with increased media censorship, which makes it harder for the Chinese public to receive credible news about the outside world, has likely affected average Chinese views of the US negatively. A change of US president could possibly open up an opportunity for the Chinese government to strike a different tone towards the US by blaming the previous sour relations on President Trump. It is evident that Biden will seize on most opportunities to contrast himself with President Trump, rhetorically. It is within the realm of possibility that Biden will allow China to blame Trump, so as to improve relations.

At the moment, Xi Jinping's grip on power appears to be undisputed in China. However, the magnitude of censorship, propaganda bordering on a personality cult, and constant demands on party members to express their loyalty to Xi as the supreme leader, reveal that Xi fears that any expression of dissent could spread and eventually lead to his fall. As the coronavirus spread in China in early 2020, many voices criticising the Party and Xi Jinping personally were raised by netizens and even members of the party elite, only to prompt a new crackdown on dissent once the pandemic was under control. This shows that underneath the calm surface Xi has many opponents in society as well as within the Communist Party. Should Xi be removed from power, a new Party leadership may change some of the current policies, such as those that affect the state's increasing dominance of the economy. However, at the moment we see no indications such of such a power shift in China.

China, particularly under the leadership of Xi Jinping, perceives itself as major power having entered a “New Era” in the world. In this “New Era”, the Communist Party regards aspects of the current international system, that is, US security alliances and partnerships, as incompatible with its own vision for the future. Perceiving the US as a strategic competitor in decline and as a leader of the Western capitalist world, a world that Beijing views as inherently disruptive and challenging to its socialist system and ultimate goal of “national rejuvenation”, China currently looks set to embolden its positions vis-à-vis the US.

The US alliance system is certainly a strength in relation to China, and many Western observers hope the Biden administration will be able to build a coalition of liberal democracies to counter the threat of authoritarian powers such as China. However, a large part of the world consist of countries whose leaders have little reason to support a coalition of liberal democracies. China is strengthening collaborations with many countries in the Middle East, Africa and the rest of the developing world to counter the unity of advanced democracies.

6.1.2 Consequences for Europe

US-China tensions affect Europe and the European Union both directly and indirectly, and across several dimensions, including political, economic, and security domains. In many cases, European countries and the EU might have to find a middle way, or ultimately choose sides between the two countries. However, there might also be situations where they could bolster their interests by navigating between the US and China.

Politically, the EU, and its individual member states, may face pressure to choose a side in various disputes, including possible costly ultimatums in the future. Resolutions in the UN, or public support concerning issues such as territorial disputes, international law, and development agendas, may increasingly come at the cost of fraying relations with one of the two sides. Individual European countries and the EU have their own independent agendas and interests and when adopting policies have to consider the US-China relationship in their cost-benefit analyses. This not only requires continuous identification of the long-term interests of EU countries and well-informed institutions, but also creativity, in finding ways to navigate between the US and China.

Individual European states and the EU will also face severe economic pressure from both sides. Global economic integration has slowed and may potentially start to disintegrate. Economic frictions between the world’s two largest economies have paved the way for more protectionist measures from both sides, which challenges the open and trade-dependent countries in Europe and the EU as a whole.

The tendency towards bifurcation of markets and technology may put the EU in the difficult position of having to choose between the US and China. It is too early,

however, to discern the shape of future markets and technology supply chains. As such, European states and the EU must find ways to formulate their own policies for leveraging their positions in the global marketplace. Nonetheless, as some technologies, for example 5G, semiconductors, and artificial intelligence, are becoming increasingly portrayed as within the realm of national security interests, these various countries and organisations may also have to evaluate and make difficult decisions from that standpoint. An illustration is the current discussions across Europe about Huawei. The decisions of European countries about whether to give access to Huawei in the rollout of 5G have been subject to lobbying and pressures from both China and the US. Many similar cases concerning other emerging technologies lie ahead for Europe.

In the security domain, the US is the primary guarantor of European security and the indispensable member of NATO. If tensions between the US and China rise, it is plausible that the US will readjust its posture in Europe and prioritise the Indo-Pacific theatre. This has the potential of affecting European security. How to hedge against that possible future will be at the centre of the European security debate for the foreseeable future.

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In recent years, US-China relations have become increasingly strained. Disputes over trade, technology, the South China Sea, Taiwan and Hong Kong are recent examples of challenges to the bilateral ties. The US and China are connected in several different ways, while at the same time being fraught with suspicion and distrust. The dynamics of the relationship are also shaped by how the two countries perceive each other.

Based on an analysis of official documents, speeches, media reports and academic articles, this study identifies what China and the US perceive to be the major contentious issues in their political, economic and security relations. By comparing how these perceptions converge and diverge, the analysis results in a set of foundational discordances in Chinese and US perceptions. These discordances, such as mutual distrust, competing ideologies, and contesting views regarding China's territory, make it increasingly difficult for the two countries to mitigate tensions, as they often relate to issues that each side considers to be core parts of its national interests.