

Playing to Lose: The Democrat Establishment and China

Richard C. Thornton

Institute for the Study of Strategy and Politics

It is the thesis of this essay that since the presidency of Franklin Delano Roosevelt, the Democrat-led establishment has shaped American strategy through both the Democrat and Republican parties. That strategy has centered on an accommodation with the Communists, first the Russians and after the collapse of the Soviet Union, the Chinese Communists. That same establishment has also placed members in Republican administrations. For example, the Nixon, Reagan, and Trump administrations were coalition governments that included establishment figures who, apart from those in Trump's cabinet, rose to determine American foreign policy. Henry Kissinger and George Shultz sought détente with Moscow after Nixon and Reagan were sidelined by scandals. President George H.W. Bush also sought an accommodation with Moscow, but the collapse of the Soviet Union led him to take the nation onto the fateful path of détente with the Chinese Communist regime.¹

¹ For a full discussion of this thesis, see the author's "The American Political Establishment Since FDR," *Journal of Strategy and Politics* 2, no. 4 (Winter 2021): 123–43.

Strikingly, establishment presidents have also shaped the destiny of the Chinese Communists. FDR legitimized them during WWII and Harry Truman facilitated their conquest of the Kuomintang afterward. John F. Kennedy opened the door to China's advance when he adopted the strategy of *détente* and withdrawal from Vietnam and Jimmy Carter formally established diplomatic relations with the PRC. But it was George H.W. Bush, nominally a Republican but in fact a leader of the Democrat establishment, who decided to help build China into a great power in the wake of the collapse of the Soviet Union. That decision, followed by every president since, except for non-establishment President Donald Trump, was responsible for creating the existential threat that China poses to the United States today.

From WWII through the Cold War, American policy toward China was derivative of policy toward the Soviet Union. During that period, relations with China were subordinated to the quest for *détente* with Moscow. After the Soviet regime imploded in 1991, China became a central feature in the establishment's strategic calculations. It is indisputable that establishment policies have been responsible for the rise of China to a position where it can challenge the United States for global leadership.

FDR, Truman, and the Chinese Communists

FDR's strategy during WWII had as its central objective a lasting accommodation with the Soviet Union. Envisaging long-term cooperation with the Soviets and no permanent US presence in the Eastern Hemisphere after the war, FDR arranged for the formation of neutral states in Eastern Europe and the Far East. Although FDR included China as part of the wartime

coalition with the Soviet Union and the United Kingdom, he sought to build a coalition government of Nationalists and Communists. The idea was to provide a buffer zone for the Soviet Union, which CCP control of Manchuria would guarantee, while maintaining China's territorial integrity, a long-term American goal.

FDR's strategy collapsed shortly after his death in 1945, with the post-war order devolving into antagonistic Eastern and Western political blocs. As US-Soviet relations deteriorated, Truman changed US policy toward the Soviet Union from détente to containment. That change in turn had consequences for China, as civil war erupted. Truman shifted from an effort to build a neutral coalition government to withdrawal of US support from the Nationalists. Truman preferred a territorially integrated China under the Communists to a divided China between Communists and Nationalists. In a divided China, the Soviet Union would acquire Manchuria, a crucial industrial zone that would make the Soviet Union a true global power. The withdrawal of US support from Chiang Kai-shek was the most important factor that brought the Chinese Communists to power in 1949.² In answer to the question asked then of "who lost China," the answer was obvious.

Defeated on the mainland, Chiang Kai-shek fell back to the island of Taiwan, there to make a last stand. Chiang had built a forward defense by positioning forces in smaller islands off the China coast from Shanghai to Canton (Guangdong). These included Dengbu, off Shanghai in the Zhoushans; Matsu and Kinmen, off Fuzhou; Mansan, off Canton; Hainan Island; and

² Richard C. Thornton, *China, A Political History, 1917-1980* (Boulder: Westview, 1982), chap. 8.

Woody Island in the Paracels (Xisha). His government also laid claim to all the islands of the South China Sea, issuing what was then known as the “eleven-dash line,” a vague, unprecedented, but sweeping claim to islands and seas no previous Chinese regime had ever claimed and on which Chiang Kai-shek was not in position to act.

At the time, the newly established People’s Republic ignored Chiang’s claim. CCP Chairman Mao Zedong’s immediate objective was the final conquest of the Nationalist government. Thus, Mao planned an assault on Taiwan, first attempting to seize Dengbu and Kinmen, the two islands most directly in his path. Launching attacks in late October and early November 1949, Mao’s forces were decisively beaten by Nationalist forces wielding superior but declining air and naval power.³

At this point, President Harry Truman entered the fray once again, hoping to create the basis for establishing diplomatic relations with the new Communist regime. On January 5, 1950, he announced that the United States would no longer supply the Nationalist government with arms, effectively giving Mao the green light to invade Taiwan. Secretary of State Dean Acheson made the same pitch a week later, but the gambit failed. Mao thought he could have it all, signing a thirty-year treaty of friendship and alliance with the Soviet Union in February and assembling a junk-based amphibious force of two hundred thousand men for a cross-strait invasion of the island.

³ Richard C. Thornton, *Odd Man Out: Truman, Stalin, Mao, and the Origins of the Korean War* (Washington: Brassey’s, 2000) discusses American strategy during this period.

Chiang anticipated that proclamation of the Sino-Soviet alliance would mean a resumption of support from the United States. When Washington reaffirmed its decision to stay out of the civil war, Chiang had no alternative but to withdraw his forces from their forward positions to defend against the now inevitable final assault. As Mao's forces attacked Hainan on April 16, the Nationalists managed a fighting retreat from the island as well as from nearby Woody Island in the northern part of the Paracels. They also withdrew from Dengbu before Communist forces landed but held on to Matsu and Kinmen.

When Mao entered an alliance with the Soviet Union the debacle was complete, and Truman was forced to change American strategy. Unable to keep the two Communist giants apart, Truman authorized NSC-68, the strategy of global containment, to keep them together and justify the rebuilding of American military power, which had dwindled in the meantime. That strategy was in place before the outbreak of war in Korea on June 25, 1950.

The entry of the United States under the United Nations flag into the Korean War forced Mao to cancel his plans to conquer Taiwan. Truman ordered the Seventh Fleet to patrol the Taiwan Strait and incorporated the island into the newly developed global containment strategy. Chinese entry into the Korean war in October crystalized the structure of global containment, but it was the San Francisco Peace Treaty in September 1951 that established the international legal underpinning for the United States in the Pacific and resolved issues of Japanese sovereignty.

The San Francisco Treaty, signed by forty-eight countries, ended the state of war between Japan and the Allied Powers, who recognized the Japanese people's full sovereignty over Japan. For its part, Japan renounced all claim to Korea, Taiwan, and the Pescadores (Penghu) Islands, the Kurile Islands, the Paracel Islands, the Spratly Islands, and the portion of Sakhalin that Japan had acquired in the Treaty of Portsmouth, 1905. Japan also renounced all claim to island territories it had obtained from the League of Nations mandate and those it had seized since.

The San Francisco Treaty revised language contained in the Cairo Declaration of December 1, 1943, which had affirmed that "all the territories Japan had stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China." The 1951 treaty did not include Manchuria since the People's Republic of China had already recovered it. Second, it omitted the Cairo Declaration's erroneous presumption that Japan had "stolen" Taiwan.

Japan had legally acquired Taiwan and the Pescadores from China in the Treaty of Shimonoseki after the Sino-Japanese War of 1895. Accordingly, Japan therefore had full sovereignty over Taiwan. But, while Japan renounced all claim to Taiwan, the San Francisco Treaty did not confer sovereignty over the island either to the Republic of China, or to the People's Republic. Taiwan's status would remain legally in limbo until resolved by United Nations action, or a national plebiscite. As Chiang Kai-shek insisted that Taiwan was part of China to justify his claim to the mainland, no action was taken to resolve Taiwan's dilemma.

The United States became the sole administering authority of all the territories Japan relinquished, including Taiwan. These were: the Japanese-held WWI mandated islands

from the League of Nations, (Kwajalein, Palau, Saipan, Truk, Majuro, and Jaluit) as well as the spoils of WWII, the Ryukyu (Okinawa, Iwo Jima), Daito (including Senkaku), Bonin, Rosario, Volcano, Parece Vela, and Marcus Islands. The treaty made no disposition regarding the Paracel or Spratly Island groups. Neither Beijing nor Taipei had been invited to the conference, and were therefore not parties to the treaty, but Taipei held on to Kinmen and Matsu, and China laid claim to the Paracel and Spratly islands but did not occupy them.

The Soviet Union attended the conference but opposed the treaty. Nevertheless, Moscow retained control of the Kurile Islands, extending them to include Japan's Northern Territories, seized at the very end of the war, and redefining them as the Southern Kuriles to justify their seizure. The Northern Territories, however, were a historically distinct group of four islands off the northern coast of Hokkaido and were never part of the Kuriles. The Russo-Japanese Treaty of St. Petersburg of 1875 established the southern border of the Kurile Islands at Iturup (Etorofu), the northernmost of Japan's Northern Territories (Kunashiri, Shikotan, Habomai, and Etorofu).

The central purpose of the San Francisco Treaty was to establish a sustainable legal underpinning for the United States' position in the Western Pacific by reinforcing the Cold War balance of power already congealing in the Korean War. By the time the conference convened, Chinese Communist forces had been engaged in combat against UN and US forces for an entire year. As such, what were termed errors and omissions in the

treaty were intended to create impediments to altering the structure of power enshrined by it.⁴

When Dwight D. Eisenhower ascended to the presidency in 1953, one of those omissions quickly led to crisis. Eisenhower lifted the naval blockade of the Taiwan Strait, opening the door to a broad advance of claims by Beijing. In January of 1953, as part of a feeble effort to contest the US position in the Western Pacific, Beijing acknowledged that the Senkaku Islands were part of the Ryukyu Island chain.⁵ In March, Beijing published a variation on the Nationalist government's eleven-dash line for the South China Sea, reducing it to nine dashes, but retaining its geographical scope, declaring that Woody Island in the Paracels was its administrative center. China's claim went little noticed at the time because Beijing was too weak to act and because another crisis erupted closer to home—the first Taiwan Strait crisis.

The Nationalist-controlled islands of Kinmen and Matsu located two and ten miles off the Fuzhou coast, respectively, were not mentioned in the San Francisco Treaty. Following the withdrawal of the naval blockade of the Strait, Chiang deployed over seventy thousand troops onto the islands, hoping to use them as springboards for attacks on the mainland. The deployment prompted Mao to retaliate by shelling them. Skirmishing on several other coastal islands commenced as well.

⁴ John Price, "Cold War Relic: The 1951 San Francisco Peace Treaty and the Politics of Memory," *Asian Perspective* 25, no. 3 (2001): 31–60.

⁵ "Battle of the People in the Ryukyu Islands Against the US Occupation" (in Chinese), *People's Daily*, January 8, 1953.

On December 2, 1954, the United States and the Republic of China (Taiwan) signed a mutual defense treaty, which inexplicably still omitted Kinmen and Matsu. Despite warnings against further attacks, fighting continued around both islands until the Republican-controlled 83rd US Congress passed the Formosa Resolution on January 29, 1955, authorizing the president to use American forces to defend Taiwan and the islands in its possession in the Taiwan Strait. Eisenhower's threat to employ nuclear weapons to defend Taiwan also appeared to have an important effect in resolving the conflict, albeit temporarily, but the islands of Matsu and Kinmen remained under control of the Nationalist government.

The second Taiwan Strait crisis in the summer of 1958 was a function of several interrelated developments, principally the failure of Mao's Great Leap Forward, Chiang's attempt to exploit it, and the temporary diversion of US naval power from the Pacific to the Middle East to bolster a pro-Western Lebanese government confronted by civil unrest and external threat from Syria and Egypt. The economic instability triggered by the failure of the Great Leap Forward prompted Chiang Kai-shek to deploy troops forward onto the islands of Matsu and Kinmen just as he had in 1953–1954. Mao again reacted by shelling the islands, while also proclaiming that this time he would "liberate" Taiwan, as well. Although bombastic in word, Mao was cautious in deed, waiting to act until the United States had deployed Pacific-based naval forces to the Persian Gulf to deal with the Lebanon crisis, which masked a larger concern over Middle East oil.

Mao may have thought he could invoke Soviet support based upon his reading of the Sino-Soviet treaty, but he was mistaken. Moscow informed him that the treaty only supported

China in international crises, not internal matters, which defined the China-Taiwan dispute. Eisenhower, too, declined to be drawn into the conflict between the two parties, but his firm support for Taiwan, escorting Taipei's support ships up to the islands, led once again to a return to the *status quo* and the islands remained under control of the Nationalist government, where they still reside.

War in Vietnam and Change of US Strategy

Under the impetus of the Cold War and the hot one in Korea, Truman and Eisenhower had built a network of alliances around the Communist monolith in the Eastern Hemisphere. These included NATO, CENTO, SEATO, ANZUS, the US-Japan Alliance, bilateral treaties with South Korea, Taiwan, Iran, Libya, Morocco, the Philippines, and others. This forward position was buttressed by American nuclear weapons supremacy based on the manned long-range bomber.

But as soon as the US built this forward structure it seemed likely to become obsolete. The strategy was designed to contain a Communist monolith, but cracks began to appear in the Sino-Soviet alliance that soon led to a fundamental break. At the same time, the Soviets leapfrogged containment, gaining allies in Cuba, the Congo, Egypt, Syria, and Iraq, India, Indonesia, North Vietnam, and Laos.

By the end of the 1950s the bi-polar order began to morph into a *de facto* tri-polar order with an increasingly independent China in conflict with the Soviet Union. At the same time, the former Axis powers West Germany and Japan, and France, too, under Charles de Gaulle, recovered from the war and sought greater control over their destinies apart from the American-Russian condominium, portending an eventual multi-

polar order. There were also the quiet beginnings of what would become a major war in Southeast Asia, as North Vietnamese guerrillas began to infest Laos and South Vietnam.

But the most important development of all was the emergence of a new weapon of mass destruction, the intercontinental ballistic missile, which presumably eclipsed the manned nuclear bomber. For the first time in American history a hostile power could strike the homeland within minutes, without warning, and against any known defense. These changed circumstances raised the fundamental question of whether containment was still a viable strategy.

The American leadership split over the response to this new and still inchoate threat. It is vital to understand this split because it has driven our inner politics ever since. And key to understanding it involves avoiding the conceptual traps of thinking in terms of administration policy, party politics, or ideology, and instead looking at the factional struggle that transcends administrations, parties, and ideology.

Those whom I call the Kennedy “détentists,” led by the president and his Secretary of Defense, Robert McNamara, argued that Soviet nuclear missile power would inevitably neutralize US nuclear weapons superiority, undermining America’s forward position on the Eurasian landmass. They also argued that the Sino-Soviet conflict meant that there was no monolith to contain. Finally, they asserted that US allies, now increasingly economic competitors, must take up more of the burden for their defense.

Their conclusion was that the United States should withdraw from forward positions and engage Russian

cooperation to do it. This was the rebirth of FDR's *détente* and withdrawal strategy, reprising his wartime promise to Stalin that US forces would withdraw from Europe and Asia within two years of the end of the war. The assumption was that the Russians would be happy to cooperate because it was in their interest to do so. Better to retreat in orderly fashion, leaving behind a stable structure of states, than be driven off in defeat, they said. Curiously, the *détentists* did not take Soviet strategy into consideration.⁶

The containment faction, on the other hand, led by Vice President Lyndon Johnson and Secretary of State Dean Rusk, argued that the United States could maintain strategic weapons superiority over the Russians, as demonstrated in the Cuban missile crisis, and therefore could sustain its forward position on the Eurasian landmass. Besides, they said, it was vital to American security in the modern age to prevent any power or combination of powers from consolidating control of the Eurasian landmass, and the Soviet Union was the main threat.

In other words, the strategic alternatives were diametrically opposed. One viewed the Russians as adversaries to be contained; the other envisioned them as partners in peace to be accommodated. In both cases the US-Soviet axis was the focus and policies toward all other regions and states, including China up to 1991, were derivative.

Kennedy inaugurated the *détente* and withdrawal strategy, but it was not his decision alone. I want to emphasize that it was the Democrat establishment that made this decision.

⁶ For a discussion of Soviet strategy, see the author's "Soviet Strategy and the Vietnam War," *Asian Affairs* 1, no. 4 (March–April 1974): 205–28.

We know this now because the essential détente and withdrawal strategy and the arguments over it have, to one degree or another, preoccupied every administration since.

Kennedy dealt with the Soviet Union from a position of nuclear superiority, defeating Soviet strategy. From that position he thwarted the Soviet attempt to deploy missiles to Cuba, managed the Berlin crisis and stabilized Europe, and began to withdraw from Southeast Asia. Having defeated Soviet strategy, he offered détente to Moscow to facilitate the withdrawal process. It was Kennedy, for example, who offered to combine the US and Russian moon and space programs, signed the nuclear test ban treaty, set up the hot line, and promoted the notion of nuclear equivalence with the theory of mutual assured destruction (MAD), even though the United States possessed nuclear superiority at that time.

The first indicator of change in the US position toward China and Taiwan occurred in 1962. Hoping to reassure Mao that the United States would not support Chiang Kai-shek's efforts to destabilize the mainland while Beijing turned to deal with the conflict along the border with India, President Kennedy quietly shut down the CIA's commando training center on Saipan. In retrospect, closing the facility where the CIA trained Nationalist commandos marked the beginning of a reduction of American threat to China, although the region-wide Vietnam War buildup temporarily obscured it.

Thus, under JFK, the United States changed strategy and did so primarily because of a belief that a forward American position on the Eurasian landmass was unsustainable. Thus, it was the strategy of détente and withdrawal that became the default strategy, not containment, from then until now, although

that fundamental decision was almost immediately blurred by Kennedy's assassination.

The détenteists who would carry forward the Kennedy strategy altered it in one important regard. Kennedy's dilemma was that in building the power to compel cooperation from Moscow, he also emboldened those who believed that the United States could use that power to sustain a forward containment position indefinitely. Therefore, instead of attempting to deal with the Russians from strength, the détenteists, starting with Secretary of Defense McNamara, sought to do so from a position of "equality" based on the concept of MAD, mutual assured destruction.⁷ McNamara also refused to move forward on missile defense, claiming that it was destabilizing.

Thus, in every administration controlled by the détenteists, we would witness an effort to equilibrate the balance of power between the Russians and Americans. Henceforward, the basic *quid pro quo* that all détenteists would offer to the Russians was the prospect of modernization and prosperity through an exchange of trade and high technology, in return for peace and security through Soviet strategic weapons and geopolitical restraint. For them, arms control was the path to détente and the concept of mutual assured destruction was its theoretical basis.

This is not simply about defense budget numbers, which of course continued to grow, but about choices—weapons systems, military capability, where to defend, and where to retreat. For example, on the issue of countervalue versus

⁷ F. Charles Parker IV, *Vietnam: Strategy for a Stalemate* (New York: Paragon House, 1989).

counterforce missile systems (the ability to strike cities versus the ability to strike missile silos), the United States declined to develop a robust counterforce capability that could threaten Soviet missiles, while the Soviet Union moved quickly to develop counterforce weapons that could threaten American missiles.⁸

Paul Nitze's admonition written into NSC-68 in 1950 continues to resonate. He wrote: "No people in history have preserved their freedom who thought that by not being strong enough to protect themselves they might prove inoffensive to their enemies."⁹ And yet, that has been the approach of the Democrat elite.

Lyndon Johnson, an establishment outsider, immediately reversed Kennedy's détente and withdrawal strategy and took the nation headlong into war in Vietnam, justifying his policy in terms of containing Chinese expansionism. But LBJ's administration was a curious hybrid with the president seeking to revive containment and his secretary of defense, Robert McNamara, continuing along the détente path charted by Kennedy. Whatever else he accomplished, McNamara ensured stalemate in Vietnam and strategic weapons decline relative to the Soviet Union in the name of mutual assured destruction. The result was the worst of both worlds.

⁸ Richard C. Thornton, *Ronald Reagan: Revolution Ascendant* (Washington: Academica Press, 2021), 119–48.

⁹ Report to the National Security Council by the Executive Secretary (Lay), NSC 68, April 14, 1950, *Foreign Relations of the United States, 1950, National Security Affairs; Foreign Economic Policy*, vol. 1, eds. Neal H. Petersen et al. (Washington: Government Printing Office, 1977), Document 85.

By the time Johnson left office, the United States had over half a million troops bogged down in a stalemate in Vietnam. He had cannibalized the containment structure to pay for the war, weakened the financial underpinning of the US global position, and lost strategic weapons superiority over the Soviets. Perhaps even worse, by 1968 as great a change had occurred in the economic sphere between West Germany and Japan and the United States, as had occurred in the military sphere between the United States and the Soviet Union. Johnson had nearly destroyed containment in the name of saving it.

The Nixon Compromises

The Nixon administration was also a coalition government comprised of pro-containment and pro-détente figures, led by the president and Henry Kissinger, respectively. Although the Democrat establishment claimed that Nixon and Kissinger agreed on strategy, that was not the case. Kissinger was a Kennedy Democrat committed to détente and withdrawal. Nixon compromised with the détentists, negotiating arms control agreements with Moscow, but he also sought to strengthen containment by improving relations with China.¹⁰

Nixon utilized the Sino-Soviet conflict to bring China back into the policy equation, parlaying Sino-American rapprochement into a Vietnam exit strategy. In return for extending the American nuclear shield over China against the Soviet Union, Mao reduced to a trickle the movement of Soviet

¹⁰ Richard C. Thornton, *Nixon-Kissinger Years: The Reshaping of American Foreign Policy*, 2nd ed. (St. Paul: Paragon, 2001).

military equipment on the Chinese railroad network to North Vietnam. The Chinese rail network was Moscow's main supply line into North Vietnam. The resultant reduction of Hanoi's battlefield capability permitted the withdrawal of American troops from Vietnam and led to the decision to negotiate an end to the war.

Nixon and Mao facilitated China's shift into the Western camp by finessing the Taiwan issue; Nixon insisting that China agree to a peaceful settlement, and Mao declaring that China could wait a hundred years to acquire the island. Thus, rapprochement not only offered an honorable exit from Vietnam and more effective containment of the Soviet Union, but also increased security for Taiwan. Unfortunately, Nixon's bold opening to Beijing fell victim to establishment demands for accommodation to Moscow.

The first major change in the US position came during the latter stages of the Vietnam War, which had captured all attention during the sixties. The issues were the Senkaku Islands and Taiwan. Tension over control of the Senkakus emerged in the late 1960s after reports of potentially large undersea oil and gas deposits in the area. But a full-blown sovereignty dispute arose as a function of two other simultaneous developments: US-China rapprochement and US-Japan negotiations regarding the reversion of the Ryukyu Islands, referred to as Okinawa. Both initiatives were part of the Nixon administration's Pacific-wide drawdown of forces during the endgame of the Vietnam War.

The United States administered the Senkakus as part of its postwar occupation of Okinawa from 1953, in accordance with the San Francisco Peace Treaty. Prior to 1971, maps and texts from both Beijing and Taipei referred to "the Senkaku Islands,"

not “Diaoyutai,” the Chinese name for them; acknowledged Japanese sovereignty over the islands; and did not cite their status as “disputed.”¹¹ The impending change of US policy toward Okinawa prompted competing official claims to the islands.

From mid-1970 both Beijing and Taipei abruptly changed their positions on the Senkakus. In September three members of the Taiwan National Assembly accompanied a group of citizens to the islands and planted the Nationalist flag there. Then, on December 29, 1970, *People’s Daily* asserted China’s claim that the islands, “like Taiwan have been since ancient times Chinese territory.”¹² Both governments subsequently altered texts and maps to declare that a dispute indeed existed, and to support their claims that the Senkakus and Taiwan were Chinese from ancient times.¹³

During the rapprochement negotiations, the Chinese side demanded that the United States not transfer sovereignty over the Senkakus to Japan along with Okinawa, while the US side insisted Beijing agree to a peaceful settlement of the conflict with

¹¹ Michael Turton, “Constructing China’s Claims to the Senkaku,” *The Diplomat*, November 6, 2013, www.thediplomat.com.

¹² Wada Haruki, “Resolving the China-Japan Conflict Over the Senkaku/Diaoyu Islands,” *Asia-Pacific Journal Japan Focus* 8, issue 43, no. 3 (October 25, 2010): 1–5.

¹³ For Beijing’s claims, see Wu Tienying, *An Examination of the Ownership of the Diaoyu Islets Before the 1894-95 Sino-Japanese War* (Beijing: Social Sciences Press, 1994). For the Chinese Nationalist claim, see “The East China Sea Peace Initiative,” *Washington Post*, October 10, 2012, A5. See also Ko-hua Yap, “The Diaoyutai Islands on Taiwan’s official Maps: Pre- and Post-1971,” *Asian Affairs* 39, no. 2 (2012): 90–105.

Taipei. The result was two compromises. Washington did transfer the Senkakus along with Okinawa to Japan but distinguished between administrative rights and sovereignty. Washington transferred sovereignty over Okinawa to Japan but not the Senkaku Islands. The return of “administrative rights over those islands . . .” Washington maintained, “can in no way prejudice any underlying claims . . . or diminish the rights of other claimants.”¹⁴ This strained formulation opened the door to “other claimants.” In December 1971, the People’s Republic of China made its first “official” assertion of sovereignty over the Senkaku Islands, following a claim by Taiwan six months earlier.¹⁵

At the same time, President Nixon finessed the issue of Taiwan. While insisting upon the “peaceful settlement formula,” the agreed formulation regarding Taiwan was that the United States “acknowledges that all Chinese on either side of the

¹⁴ US Library of Congress, Congressional Research Service, *Senkaku (Diaoyu/Diaoyutai) Islands Dispute: US Treaty Obligations*, by Mark E. Manyin, R42761 (March 1, 2021), 7. The quoted material is from a letter dated October 20, 1971, by Robert J. Starr, Acting Assistant Legal Adviser for East Asia and Pacific Affairs at the Department of State, included in the record of hearings on the Okinawa Reversion Treaty before the Senate Foreign Relations Committee, October 27–29, 1971.

¹⁵ National Bureau of Asian Research, Maritime Awareness Project, China Country Profile, <https://www.nbr.org/publication/china>, accessed March 24, 2023. See also Seokwoo Lee, “Territorial Disputes among Japan, China and Taiwan Concerning the Senkaku Islands,” *Boundary and Territory Briefing* 7, no. 1 (2002): 1–37. Although various statements about the status of the Senkakus had been made beginning in 1970, Lee says that China issued its most “authoritative and detailed pronouncement” in a Foreign Ministry statement dated December 30, 1971.

Taiwan Strait maintain there is but one China and that Taiwan is a part of China.” Cleverly, the United States “acknowledged” the views of Chinese on both sides of the strait but did not subscribe to them. Both sides understood that this formula was a scheme to delay a settlement indefinitely. However, the formula also made Washington a co-conspirator with Beijing in the fiction that Taiwan was a part of China and ignored the rights and views of the indigenous majority.

The Shanghai finesse permitted Washington and Beijing to proceed with rapprochement, leaving Taiwan’s sovereignty status undecided, but the Senkaku compromise opened the door for a major Beijing demarche. Not only did it allow Beijing to make an end-run around Taiwan, but also to strike a sharp if unrecognized blow at the US-Japan alliance. Whatever distinction Washington thought it had made between administrative rights and sovereignty, the United States was committed by the US-Japan Security Treaty to defend the Senkakus as Japan itself, and failure to honor that commitment would irreparably damage the alliance and undermine the legal position of the US in the Pacific. The US decision ensured that the Senkaku Islands would remain a divisive issue.

“Since Ancient Times”— China’s Big Lie

The “since ancient times” thesis is an attempt to provide historical heft to a claim that has no legal or historical basis. As such it is an attempt to employ the ancient Chinese stratagem to make someone believe there is something when there is nothing (Wú zhōng shēng yǒu). The argument posits mere observation of a surface maritime feature as proof of sovereignty. If the essential definition of sovereignty is control of territory and central governorship of a population over time, China has never

held sovereignty over any of the islands in the Western Pacific, except Hainan Island.¹⁶

Indeed, the China of today has only existed within its present boundaries since 1950 when Chinese forces seized Tibet, a year after proclaiming the People's Republic. Throughout its history, the very entity we call "China" was a congeries of regimes that changed political contours over time and was beset continuously by internal conflict and rebellion as states warred against states and dynasties strove to fend off foreign invaders from land and sea. The history of China is replete with invasions by Mongols, Manchus, Jurchens, Europeans and Russians.

China as a socio-economic culture was more advanced and influential than China as a political entity for most of its history. In fact, non-Chinese ruled "China" for almost half of its more than two thousand years of dynastic rule. The Northern Wei dynasty, 386-534; the Liao dynasty, 907-1125; the Jin dynasty, 1115-1234; the Yuan dynasty, 1206-1368; and the Qing dynasty, 1644-1911 were all non-Chinese dynasties.

As for Taiwan, the island had never been an integral part of any Chinese dynasty. As late as the fourteenth century, the official history of the Ming Dynasty (1368-1644) described Taiwan as the "Eastern Barbarian Lands," or foreign territory. The truth is that Taiwan had been a pirate redoubt for centuries, first for Japanese (Wokou), Chinese, and Korean pirates; then for Dutch, Portuguese, and Spanish traders, and innumerable

¹⁶ Tri Pham, "Since Ancient Times,' China's Maritime Claims vs History Books and Ancient Maps," *Journal of Strategy and Politics* 1, no. 3 (Autumn 2016): 33–177.

smugglers and other brigands. Indeed, pirates controlled the China coast from Taiwan and other island strongholds, including the Tsushima and Chejudo islands, some commanding huge fleets that repeatedly rampaged, raided, plundered, and pillaged coastal villages and ports.

China was a wealthy land, politically splintered and ripe for conquest. The response of both the Ming and Qing empires to the pirate threat, over a period of hundreds of years, was to turn *inward*, draw away from the coast, and adopt a policy of isolating China from the sea. Imperial decrees forced the relocation of coastal villages miles away from the coast, burning all private vessels, and prohibiting all but official trade and tribute with non-Chinese entities. This was the policy of *Haijin*, or sea ban.¹⁷

The pro-Ming pirate Koxinga defeated the Dutch ensconced on Taiwan in 1662, and then used it as his base of operations against the Qing. Even in 1683 when Admiral Shi Lang had defeated the pirates commanded by Koxinga's grandson and the Kangxi Emperor declared Taiwan to be a prefecture of Fujian province, the island's relationship to the mainland remained unchanged. Admiral Shi Lang, too, kept the island isolated as his private preserve, coming to terms with but never fully pacifying the aboriginal tribes who inhabited the eastern half of the island.

Over two hundred years later, in 1885, and from an even weaker position of an empire in terminal decline, Empress Cixi issued an empty declaration, claiming Taiwan as a province of

¹⁷ The seven voyages of the Ming Admiral Zheng He, 1405-1433, were an exception that proved the rule.

China in a desperate attempt to prevent Japan from seizing it outright; to no avail. By this time, Japan had become the new power dominating the China coast. As a result of the modernization stimulated by the Meiji Restoration of 1868, Japan had built a formidable army and navy, which largely eliminated the pirate threat, only to replace it.

From the late nineteenth century, Japan became the dominant power in all of Asia absorbing the Ryukyu kingdom of Okinawa in 1879 (and the Senkaku Islands in 1895) and acquiring Taiwan as part of the settlement of the Sino-Japanese war of 1894-95, colonizing and ruling the island for the next fifty years. Japan defeated Russia in 1905, absorbed Korea in 1910, set up a puppet state in Manchuria in 1931, and thoroughly dominated coastal China—indeed, the entire Western and Central Pacific, including the Paracels, the Spratlys, and the mandated territories, until its defeat in WWII.

Meanwhile, imperial China went in another direction. The Qing Empire collapsed in 1911, fragmenting into warlord regimes. The Republic of China that arose from the ashes of empire never fully and formally unified the country, lost control of all north and east China to Japan in the Sino-Japanese War in the 1930s, was driven far inland during WWII, and succumbed afterward to the ravages of civil war against the Communists.

From this very brief historical survey it is plain that “since ancient times” China could not unify its own nation, nor safeguard its own coast, and never exercised sovereignty over Taiwan. Control of the Senkaku Islands, a flyspeck by comparison, is a complete fabrication, as is the assertion that the islands in the South China Sea were ever China’s.

The Democrat Establishment Changes Strategy

In late 1972, the Watergate crisis and the Vietnam end-game negotiations intersected. During the negotiations, President Nixon supported a return to the *status-quo ante*, while Henry Kissinger supported complete withdrawal. Trapped by Watergate and threatened by impeachment, even though he had just been reelected by an overwhelming majority, Nixon capitulated to the Democrat establishment. Nixon relinquished power to Kissinger, who crafted the outcome in Vietnam of complete withdrawal, after a decent interval. As Nixon fell from power, the détenteist Kissinger, from early in 1973, reversed Nixon's strategy from modified containment to détente and withdrawal.¹⁸

As a cabinet official Kissinger had no political legitimacy, except that which derived from the president, and so claimed to be carrying out Nixon's wishes, but he was not. The strategy of détente with Moscow was decidedly the preference of the Democrat establishment. The essential premise was that we had to dismantle containment for détente to succeed. One could not have both. The strategy was sold to the public as a panacea. We could transform the Russians from enemies to be contained, into partners for world peace, as we withdrew from forward positions.

¹⁸ Following the resignation of William Rogers in September 1973, President Nixon named Kissinger as secretary of state, in addition to his role as national security adviser.

Kissinger's assumption of the foreign policy reins led to the beginning of the dismantling of the containment structure to accord with an expected parallel shift in Soviet strategy. For both Washington and Moscow, the shift to détente had immediate consequences for relations with China and Taiwan, not to mention Vietnam and South Korea.

The first step was withdrawal from Vietnam. After the Nixon visit to China in 1972, and Sino-Japanese rapprochement, the Senkaku and Taiwan issues simmered down, but the Paracel Islands issue heated up. As the Vietnam War moved toward its sorry conclusion with the defeat of South Vietnam, the Chinese realized that United States withdrawal provided an opportunity to expand their holdings in the Paracel islands, to include those features then controlled by the beleaguered government of South Vietnam. Thus, in January 1974 Chinese forces seized several of the islands. Hanoi, then receiving support from Beijing for the final conquest of the South, observed quietly, but took no action. From the spring of 1975, however, the now unified Republic of Vietnam seized control of six islands in the Spratly Island group that had been held by South Vietnam.¹⁹

While Hanoi was strengthening its hold on the Spratly islands, Kissinger set about weakening US relations with major allies—including an attempt to withdraw from South Korea. Accompanying this process was a reversal of Nixon's rapprochement with China. While withdrawal from the Republic of Korea was stymied by election-year politics, the US-China

¹⁹ John W. Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and National Interests," *China Quarterly* 132 (December 1992):1005.

relationship languished beyond what I have called the Kissinger “shogunate,” until President Carter established diplomatic relations with Beijing in 1979.

As is well known, Kissinger failed utterly in his attempt to revive Kennedy’s (and FDR’s) new world order strategy with Moscow. Indeed, the Soviets began a major geopolitical advance and military buildup at this time under the rubric of *détente*. But he succeeded in distancing the United States from China, leaving the nation with the worst of both worlds—a rapidly strengthening Soviet Union, helped immeasurably by our own short-sighted policies of technology transfer to and trade with Moscow, and estrangement from China, which greatly weakened the US global position.²⁰

For Mao, the shift in US strategy to *détente* with the Soviet Union and the collapse in Vietnam were major defeats, compromising his strategy and forcing him to rehabilitate policy opponents he had purged during the Great Proletarian Cultural Revolution. Principal among these was Deng Xiaoping, who demanded that China match Washington’s change of strategy with its own by shifting China’s position to the middle between the United States and the Soviet Union. This strategy of equidistance, originally termed the “three worlds strategy,” was the mirror-image of the new world order and *détente* strategies of the United States and the Soviet Union.

Despite the acknowledged failure of the new world order strategy, President Jimmy Carter publicly committed himself to continue to pursue *détente* with the Soviet Union, which initially meant no outreach to China, but another brief attempt to

²⁰ Thornton, *Nixon-Kissinger Years*, 2nd ed., chap. 9.

withdraw from South Korea. President Carter changed policy toward China only after becoming convinced that the Soviet Union was committed to achieving strategic weapons superiority over the United States and had mounted an extensive geopolitical challenge to American interests on four continents, including in the Western Hemisphere.²¹

Meanwhile, in the succession struggle that followed Mao's death in September 1976, Deng defeated Mao's designee, Hua Guofeng, who sought to shift China back to Mao's pro-American stance and maintain the finesse over Taiwan. Deng sought to deal even-handedly with Washington and Moscow. Once in control, he jettisoned Mao's and Hua's bipolar concept of moving China into the American camp and forged ahead with the equidistance strategy, in which China would occupy the middle position between the two superpowers, opening to both.

In this new geopolitical environment, the Senkaku and Taiwan issues returned to the headlines in early 1978, when Sino-Japanese normalization negotiations began, followed by US-China normalization negotiations later that same year. The Japanese, understanding full well that the Senkaku issue would arise once again, sought to strengthen their claim by sending a team to the islands to erect a lighthouse. Beijing reacted by dispatching some eighty small craft to the area, demanding that

²¹ Richard C. Thornton, *Carter Years: Toward A New Global Order* (New York: Paragon House, 1991), chaps. 1, 3, and 5.

the islands be “returned” to China. These moves temporarily interrupted the initial phase of treaty negotiations.²²

Although the Chinese focused on contesting Tokyo’s claims to the Senkakus, the underlying issue continued to be the American position in the Western Pacific codified in the US-Japan Security Treaty. The renewed Senkakus dispute posed the question once again, as in 1971, of the US commitment to defend Japan and maintain America’s influence in the region.

Carter sought to counter the Soviet challenge partly through normalization of relations with China. But he moved tentatively, following the advice of his secretary of state, Cyrus Vance, who espoused the détente strategy, against that of his national security adviser, Zbigniew Brzezinski, who advocated an early strategic (i.e., anti-Soviet) connection. As a key condition of normalization, Carter also finessed the Taiwan question, establishing the formula wherein China was required not only to agree to the peaceful resolution of the Taiwan problem, but also to continued US arms sales to ensure the *de facto* independence of the island.

Normalization negotiations nearly foundered over Deng’s objections to this formula. But in the end the essential *quid pro quo* was that the United States would break relations with Taiwan, abrogate its defense treaty, remove all its troops from the island, and have only unofficial relations with Taipei. China would adhere to the peaceful settlement formula written into the Shanghai Communiqué and also agree to permit the

²² Daniel Tretiak, “The Sino-Japanese Treaty of 1978: The Senkaku Incident Prelude,” *Asian Survey* 18, no. 12 (December 1978): 1241–42.

United States to sell arms to Taiwan for self-defense. Washington and Beijing issued a new joint communiqué on December 15, 1978, allowing normalization to occur on January 1, 1979.²³

Deng agreed to proceed with normalization because President Carter appeared to concede to the Chinese claim of sovereignty over Taiwan. President Carter had employed a bait-and-switch tactic on the issue. In announcing the decision to establish diplomatic relations, Carter recited the text of the joint communiqué, including the declaration that “The Government of the United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China.”²⁴

This statement appeared to indicate American recognition of Chinese sovereignty over Taiwan, but appearances were deceiving. American spokesmen immediately issued a clarification that the meaning of the word “acknowledges” in the statement meant only that the United States understood the Chinese position, not that it had conferred sovereignty. The Chinese objected, but neither Carter’s semantic gyrations, nor Beijing’s bold assertions could disguise the fact that China could not exercise sovereign power over territory it did not control.

The US Congress, in passing the Taiwan Relations Act on April 26, 1979, not only further clarified Washington’s position on Taiwan, but also issued a major statement of American policy toward the entire Western Pacific. Declaring that it was American

²³ Joint Communiqué on the Establishment of Diplomatic Relations Between the United States and the People’s Republic of China on January 1, 1979.

²⁴ “Text of President’s Statement on Ties with China,” *New York Times*, December 16, 1978, 8.

policy “to help maintain peace, security, and stability in the Western Pacific,” the Act sought to make clear that establishing diplomatic relations with Beijing rested “upon the expectation that the future of Taiwan will be determined by peaceful means.” Any attempt to do otherwise would be “a threat to the Western Pacific area and of grave concern to the United States.” With these objectives in mind, the United States will “provide Taiwan with arms of a defensive character” to “maintain the capacity to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system of the people on Taiwan.”²⁵

After the Soviet invasion of Afghanistan, Carter was forced to move closer to containment. Even so, he strove to keep the détente option open, pursuing a hybrid strategy of attempting to combine containment and the new world order, much to the discomfiture of both his secretary of state and his national security adviser. The two strategies were contradictory, and the result was again the worst of both worlds, as the United States was left with little leverage against Moscow, and poor relations with Beijing.

The Reagan Revolution

President Ronald Reagan rejected the new world order strategy of détente and withdrawal. Resurrecting containment, he sought to enlist China as a strategic partner against the Soviet Union. Basing his position squarely on the Taiwan Relations Act,

²⁵ Lester Wolff and David Simon, eds., *Legislative History of the Taiwan Relations Act* (New York: American Association for Chinese Studies, 1982), 288.

Reagan successfully reached agreement on a *quid pro quo* regarding Taiwan as part of his effort to develop a strategic partnership with Beijing. The communiqué of August 17, 1982 declared that in return for China's agreement to seek a peaceful settlement of the Taiwan question, the United States agreed to reduce arms sales to the Nationalist Government over time, but with no fixed termination date.

The US commitment was contingent upon Beijing's adherence to the peaceful settlement formula. In a memorandum for the record, President Reagan declared: "US willingness to reduce its arms sales to Taiwan is conditioned absolutely upon the continued commitment of China to the peaceful solution of the Taiwan-PRC differences. It should be clearly understood that the linkage between these two matters is a permanent imperative of US foreign policy."²⁶

The agreement settled the issue of Taiwan for the time being and seemed to lay a firm foundation for the future development of the US and China in alignment against the Soviet Union. However, the rise of Mikhail Gorbachev in Moscow and the eruption of a domestic scandal in Washington, the Iran-Contra Affair, ruined this promising development. In the wake of the scandal, in December 1986, Reagan was forced to relinquish control over foreign policy to his secretary of state, George Shultz. Secretary Shultz, who supported the *détente* and withdrawal strategy when he served in the Nixon administration with Kissinger, now changed US strategy again, moving it back

²⁶ For the memorandum, see James Lilley, *China Hands: Nine Decades of Adventure, Espionage, and Diplomacy in Asia* (New York: Public Affairs, 2004), 248.

onto the path of détente with Moscow.²⁷ The Iran-Contra affair marked the end of the struggle between pro-containment and pro-détente proponents in the American political establishment. Thereafter, in personnel and approach, the détenteists reigned.

The US reversion to détente with the Soviet Union following the Iran-Contra scandal marked a major turn in the Rubik's Cube that was the US-Soviet-Chinese relationship. The US shift was accompanied by a major change in Soviet strategy, as Gorbachev executed a complicated series of steps designed to reorder the Soviet position. Following the signing of the INF treaty in 1987 according to which the United States withdrew its Pershing II missiles from West Germany and the Soviet Union destroyed its SS-20 deployment, the door opened for major geopolitical change.

In 1989 Gorbachev pulled the plug on the Warsaw Pact and the Berlin Wall, which subsequently permitted the unification of Germany. In return for unification, newly unified Germany pledged to remain neutral, while former Warsaw Pact members sought independence from Moscow's grip. Gorbachev also walked back from Yugoslavia, as that state began to unravel over the next four years, amid civil strife. But Gorbachev also proposed to end the decades-long conflict with China, with predictable results.²⁸

The August 17, 1982 communiqué had led to the emergence of a pro-American constituency in Beijing under the leadership of Zhao Ziyang and Hu Yaobang, who pressed for both

²⁷ Richard C. Thornton, *Ronald Reagan: Revolution Betrayed* (Washington: Academica Press, 2021).

²⁸ Richard C. Thornton, "Mikhail Gorbachev: A Preliminary Strategic Assessment," *World and I* 8, no. 1 (January 1993): 583–93.

economic and political reform. They were opposed by pro-Soviet leaders, Chen Yun and Li Peng, who argued for continued total state control of the economy and no political reform. Between 1982 and 1986, Zhao and Hu gradually maneuvered China into a closer relationship with the United States, shelving the strategy of equidistance and introducing economic reforms and low-level political reform.²⁹

The US shift to détente and Gorbachev's proposed reconciliation precipitated a debate within the Chinese leadership, as the pro-Soviet faction advocated a return to close relations with Moscow as well as a return to tighter "socialist" controls over the Chinese economy. For Deng, however, Gorbachev's proposal afforded the opportunity to return to his own long-term strategy of equidistance between the two superpowers. Hu Yaobang continued to argue for both economic and political reform, but he was purged in early 1987 following a protracted internal struggle. This marked the beginning of the eclipse of the pro-American faction within the Chinese leadership.

Deng, in reaching a compromise with the pro-Soviet faction, determined that China would pursue controlled economic reform, but no political reform. He then returned to his equidistance strategy, seeking to position China in the middle between the two superpowers. Deng's attempt to shift China's strategy precipitated yet another internal battle in which Zhao Ziyang mounted a last-ditch challenge to maintain China's strategic alignment with the United States. This second struggle

²⁹ Richard C. Thornton, "Deng's 'Middle Kingdom' Strategy," in George Hicks, ed., *The Broken Mirror: China After Tiananmen* (London: Longman, 1990), 390–400.

climaxed in the Tiananmen massacre in June 1989, which represented the final defeat of the pro-American faction.

Tellingly, the defeat of the pro-American reformers took place in the presence of Mikhail Gorbachev, who had arrived in Beijing to reestablish party-to-party relations, broken three decades earlier. In addition to renewing party ties, the pro-Soviet faction won the battle over domestic economic policy, as China entered a period of “retrenchment.” Deng was forced to retire from public life, albeit temporarily as it turned out.

Ironically, for the Democrat establishment’s pro-détente strategists, the outcome in Beijing, distancing China from the United States, was the preferred structural outcome, one that they had pursued whenever in a position to determine American policy. They had consistently opted for détente with Moscow and a correct, but distant, relationship with Beijing, not one “aimed” at countering the Soviet Union. It seemed that, at long last, in President George H. W. Bush’s words, the United States and the Soviet Union were moving together toward a preferred new world order. But reality has a way of tripping up ideologues. Within two years, the USSR’s collapse foiled the détenteists’ new world order strategy.

1991: Strategic Watershed

The elimination of the Soviet Union as a superpower fundamentally changed the nature of international politics. A strategic watershed, it left the United States in the hegemonic position as the sole superpower. Being the sole superpower may have seemed ideal, but upon closer inspection, the Soviet demise left a political vacuum at the center of the Eurasian landmass, which threatened to unravel the geopolitical equilibrium. For the

new world order détentists, the collapse of the Soviet Union appeared likely to snatch defeat from the jaws of victory.

The central object of the détentists had always been, through accommodation with Moscow, to maintain a balanced structure of states from one end of the Eurasian landmass to the other. With the elimination of the Soviet Union as a strategic partner, American foreign policy entered uncharted waters. It was not long, however, before the détentists produced a new chart. During the 1990s, the United States endeavored to build a new strategic partnership—with China.

The American notion that China could replace Russia as a strategic partner occurred just as the Chinese leadership was reaching a momentous, parallel decision of its own. Although the Chinese viewed the collapse of the Soviet Union with dismay, they soon realized that the resulting vacuum afforded an unprecedented opportunity for China to ascend in its place, at the very least as the major Asian power.

The question was: could China take advantage of the opportunity? The Middle Kingdom was far too weak to displace even a weakened Russia, let alone play the role of strategic partner for the United States. As it became increasingly obvious, however, that Russia would require many years before it would be able to reclaim the title of a great power, in the waning months of the Bush presidency, American and Chinese leaders edged toward a fateful quid quo pro, with the initiative coming from Washington.

The essence of the bargain was that in return for US assistance in enabling China to embark upon a path of rapid economic growth, China would employ its strength to play a

stabilizing role, at least in Asia, if not beyond. The US decision to build up China was not to construct a counterweight against Russia, as in the days when containment prevailed, but to substitute China for Russia and become America's strategic partner. Part of the equation was Chinese agreement to maintain the *status quo* across the Taiwan Strait, the peaceful settlement condition established at the very beginning of the normalization process and incorporated into the three principal communiqués.³⁰

In late 1991, President Bush made one of the most consequential decisions in American history. In November he sent Secretary of State James Baker to Beijing to make the Chinese an offer they could not refuse. Baker would convey President Bush's offer of American assistance to accelerate China's modernization, opening the door to an unprecedented transfer of wealth, technology, and Western expertise to China, on a scale many times greater than the American effort to promote the recovery of West Germany and Japan after WWII.

The proposition was for the People's Republic to replace the defunct Soviet Union as a global power. It was an offer the Chinese did not refuse. The decision prompted Chinese leaders to bring Deng Xiaoping out of retirement to manage the opening to the West. Beijing made domestic legal changes to facilitate interaction with the West, but also took advantage of a

³⁰ The Shanghai Communiqué of February 28, 1972; the Communiqué on Establishing Diplomatic Relations, January 1, 1979; and the August 17, 1982 Communiqué.

simultaneous American retreat in the Western Pacific, which had just begun.³¹

In the Philippines, months of fruitless negotiations over the US-Philippines Security Treaty resulted in the Philippines Senate refusing to renew the treaty in September 1991. At the end of the year, the Philippines government ordered the United States to leave the strategic naval base at Subic Bay, and the US Navy promptly left. Thus ended the powerful American protective presence in the South China Sea held since 1945.³² That this was not simply Manila's decision became clear when the United States also shut down its ship repair facility on Guam.³³ The US decision seemed to be extraordinarily shortsighted, but it was consistent with the new strategy of détente with China and drawdown in the Pacific.

Chinese leaders concluded that the US withdrawal from the Philippines gave Beijing the green light to fill the vacuum. Within two months of the US evacuation from Subic Bay, in February 1992, the Chinese began to claim that *all* the islands in the Western Pacific, including Taiwan and the Senkakus, had been theirs "since ancient times," as noted above, a completely bogus claim.

³¹ See Michael Marti, *China and the Legacy of Deng Xiaoping* (Washington, D.C.: Brassey's, 2002) for analysis of Deng's skillful management of the opening to the West.

³² David Sanger, "Philippines Orders U.S. to Leave Strategic Navy Base at Subic Bay," *New York Times*, December 28, 1991, 1.

³³ Elbridge Colby and Alexander Gray, "America's Industrial Base Isn't Ready for War with China," *Wall Street Journal*, August 19, 2022, 15.

At the 24th session of the Seventh National People's Congress on February 25, 1992, Beijing promulgated Order no. 55 concerning "the territorial seas and the contiguous zone." Aside from declaring a twelve-mile territorial sea along its coast and a further twelve-mile contiguous zone based on the United Nations Convention on the Law of the Sea (UNCLOS), article 2 asserted that *all* the islands in the East and South China Seas "belong to the People's Republic of China." These included "Taiwan and all islands appertaining thereto including the Diaoyu [Senkaku] Islands; the Penghu [Pescadores] Islands; the Dongsha [Pratas] Islands; the Xisha [Paracel] Islands; the Zhongsha Islands [Macclesfield Bank and Scarborough Shoal] and the Nansha [Spratly] Islands."³⁴

This was an odd, yet brazen, juxtaposition of claims, breathtaking in its scope. All the named islands lay well *outside* China's proclaimed "territorial sea and contiguous zone" and only the Pescadores had traditionally been considered as "appertaining" to Taiwan. Furthermore, it was the first time that Beijing had included the Senkaku Islands in its territorial sea claim.³⁵ According to the Law of the Sea treaty, which China had signed ten years earlier, but not yet ratified, "a coastal state's sovereignty cannot extend beyond the 12-nm limit of the territorial sea."³⁶

³⁴ *Law of the People's Republic of China Concerning the Territorial Sea and the Contiguous Zone—1992*, adopted by the 24th Session of the Standing Committee of the Seventh National People's Congress on February 25, 1992.

³⁵ Beijing's 1958 *Declaration on the Territorial Sea*, for example, omitted the Senkaku/Diaoyutai from its list.

³⁶ Robert Beckman, "The UN Convention on the Law of the Sea and the Maritime Disputes in the South China Sea," *American Journal of*

Nevertheless, to counter Vietnamese claims, Chinese naval personnel began surreptitiously placing markers on features in the South China Sea to designate “symbolic sovereignty.” Then, Beijing enlisted an American oil company to use as its pawn. In May 1992, China National Offshore Oil Corporation signed an agreement with Denver, Colorado-based Crestone Energy Corp. to explore for oil in the Vanguard Bank located in the western Spratlys, some two hundred miles southwest of Vietnam’s main garrison on Spratly Island. It was China’s first concession to a foreign company in the Spratlys in twenty years. The Chinese pledged to use “all necessary military force to protect the company’s operations.”³⁷ It was, in short, China’s first step in a bald-faced bid to fill the vacuum emerging from the US retreat. The islands of the Western Pacific now magically became China’s inner defense zone.

There is little doubt that had the United States managed to retain its fleet presence at Subic Bay, the Chinese would not have been tempted to act because there would have been no vacuum to fill. With no permanent naval base in the Western Pacific except Japan, the United States could no longer protect the sea lanes through which cargo worth trillions of dollars traveled per year and was left with asserting periodic freedom of

International Law 107, no. 1 (January 2013): 142–63. See also US Department of State, Bureau of Oceans and International Environmental and Scientific Affairs, “China’s Maritime Claims in the South China Sea,” *Limits in the Seas*, no. 143 (December 5, 2014): 16.

³⁷ Garver, “China’s Push Through the South China Sea,” 1017.

navigation rights through the area—and Beijing challenged those.

One must question the Democrat establishment's penchant for attempting to develop strategic partnerships with Communist regimes. Is the impulse driven by a messianic instinct, or is there some opaque strategic benefit in such "partnerships"? Or was it simply about money? The publicly proclaimed rationale for deep engagement with the PRC was the dubious notion of promoting democracy in China, which shortly became a ludicrous contention. Even if the purpose were strategic, to establish a stable balance in the region, was it necessary, in President Clinton's words, to "coddle dictators"? Was there no other way to maintain a stable structure of states beyond some presumed partnership? Should not American interests have been decisive? Yet, this was the path chosen by the political establishment.

The fundamental assumptions underlying the decision to build China into a powerful state were that China would cooperate with the United States in maintaining stability, and abandon both the strategy of equidistance between the United States and Russia, and the strategy of alliance with Russia against the United States. These seemed to be safe assumptions. After all, cooperation with the country responsible for the main source of China's future wealth seemed obvious and Russia was still too weak and disorganized from its collapse. There can be little doubt about these assumptions, for the reverse could not have been true. It could not possibly have been the case that the United States deliberately chose to build China into a great power to become America's adversary, could it?

Yet, that is what occurred. Both assumptions were undermined within three years, as China increasingly posed

challenges to American interests, even as it drew on American resources, and strengthened ties to Russia, which readily extended military technology to Beijing. In other words, based on a quantum leap in its state power, China quickly began to pursue a course that posed a growing threat to the US-designed global order.

Beijing quietly served notice of the change to the United States in late October 1994 when a Han class submarine began to shadow the US carrier *Kitty Hawk* in the Yellow Sea one hundred miles west of Kyushu, Japan. The three-day encounter included Chinese air interception of planes from the carrier, and the approach of the submarine to within twenty miles of the vessel. It was the first of many such encounters from then on, as Chinese naval and air forces challenged US naval movements.

The Chinese pledge to seek a peaceful resolution of the Taiwan dispute, embodied in the third US-China communiqué (August 17, 1982), was the first casualty of China's new strategy. As China's power grew, with missile deployments along the coast, and ships and planes acquired from Russia, Beijing became more aggressive. There was no mistaking the intent to employ a strategy of coercion to compel "unification." In late 1992, President Bush, attempting to maintain a balance in the strait, agreed to sell 150 F-16s to Taiwan, but this belated recognition of the threat to Taiwan received no further attention.³⁸

³⁸ Michael Richardson, "F-16 Sale to Taiwan 'A 2-Edged Sword,'" *New York Times*, September 4, 1992, 1.

Beijing immediately countered with a fabricated claim that Taiwan's leaders had agreed on the basic principle of one China. Beijing had turned an unofficial conversation with Taipei's representatives into an official declaration. Despite Taipei's immediate denial that what came to be called the "1992 Consensus" ever occurred, Beijing has attempted to use it as a litmus test for talks with the island's leaders ever since.

Establishment Myopia or Design?

Chinese rejection of the peaceful settlement formula for Taiwan should have produced a change in American strategy but did not. With the door to the West now opened, President William Clinton carried the new American strategy forward with gusto, bringing about the greatest shift of resources from West to East in world history. Three broad decisions were crucial to China's recent rise: adoption of a neomercantilist economic strategy based on an undervalued currency, a quantum leap in foreign direct investment (FDI) into China, and the transfer of sensitive American military technology. Combined, these factors have enabled China to make a genuine "great leap forward."

The first step was to put in place an exchange rate regime that encouraged an export-led growth strategy. Harkening back to the immediate postwar period when the United States established undervalued exchange rates for West Germany and Japan at four marks to the dollar and 360 yen to the dollar, respectively, to spur recovery, China's exchange rate was eventually fixed at just over eight yuan to the dollar. Just as in the West German and Japanese cases, and in about the same amount of time, what followed was the rise of China into an export powerhouse. Benefiting also from extremely low labor costs,

China has accumulated foreign currency reserve assets worth over three trillion dollars.³⁹

The second step was an unprecedented flow of foreign direct investment (FDI) to China. Although Deng Xiaoping had announced China's opening to the West in 1978, FDI was negligible between 1978 and 1982. Following the August 17 agreement, the investment picture began to change, although slowly. Between 1982 and 1991, FDI increased gradually but never exceeded \$3 billion in any given year and total investment was less than \$20 billion for the decade.⁴⁰ The great surge in FDI began in 1992, following the decision to assist China's development noted above. Between 1992 and today FDI on an annual basis skyrocketed, reaching the \$40 billion level in 2000, exceeding the \$60 billion level in 2005, and reaching an astounding \$291 billion in 2013. The cumulative investment total has exceeded two trillion dollars.⁴¹

The FDI story seems to be a page from Goethe's *Sorcerer's Apprentice*. The US share of FDI that China reports as "utilized" in any given year has rarely exceeded 10 percent of the total and has accounted for less than 5 percent since 2005. But Washington's stamp of approval encouraged others to join in; Europe and Japan together provided about 23 percent in 1999, 11 percent in 2009, and 9 percent in 2019. Even as Western

³⁹ Official reserve assets reported by China's State Administration of Foreign Exchange, September 7, 2022.

⁴⁰ US Department of State, US Commercial Service, *Doing Business in China: A Country Commercial Guide for US Companies* (February 2005).

⁴¹ Data on FDI net inflows are from the World Bank; FDI stock data are from the United Nations Conference on Trade and Development (UNCTAD) *World Development Report* (2022).

shares declined, total FDI increased, partly due to flows from Hong Kong and other offshore financial centers such as the Virgin Islands and the Cayman Islands.⁴² These political entities, of course, are not sources of investment, but merely conduits for others, including investors from Taiwan, to funnel investment into China. Indeed, a partial source of FDI is from China itself, the result of “round-tripping” by Chinese citizens seeking to take advantage of preferential rules for foreign investors.⁴³

The third step was to transfer high technology to China, above and beyond industrial technology. Previously, so-called “dual use” exports to China were restricted to technology with limited military applications. Under President Clinton’s policy of “engagement,” however, export controls were eased. Supercomputer, aeronautical, satellite, missile, and nuclear weapons technologies were transferred to China. Exports included equipment to design nuclear weapons, process nuclear material, machine nuclear components, evaluate missile test data, to name just a few. Even US nuclear weapons laboratories were opened for Chinese use, prompting Beijing’s espionage apparatus to shift into high gear to steal what could not be bought.⁴⁴

⁴² National Bureau of Statistics of China, *China Statistical Yearbook, 2000-2020*.

⁴³ Kandy Wong, “‘Round-Tripping’ to Remain Vital: Experts,” *South China Morning Post*, June 4, 2022, A 3.

⁴⁴ *US Exports to China, 1988-1998: Fueling Proliferation*, A Report by the Wisconsin Project on Nuclear Arms Control, April 1999. See also US Library of Congress, Congressional Research Service, *China: Possible Missile Technology Transfers Under US Satellite Export Policy—Actions and Chronology* (Updated October 6, 2003), and *In Focus: US Export*

What was the Democrat establishment thinking? Building up China economically was one thing, militarily quite another. There was a clear difference between the German and Japanese cases and the Chinese case. The former two were allies. The latter, at best, was an independent power and at worst, a potential adversary. Even then, while the United States supported the export-led economic strategies and encouraged foreign investment to West Germany and Japan, Washington was exceedingly leery about transferring nuclear weapons technology to them.

If the Democrat establishment believed that it had succeeded in moving toward creation of a new, more secure global order because of the decision to assist in what it hoped would be a Pygmalion-like transformation of the Chinese Communist state into a modern proto-democratic market system, it would shortly be disillusioned. Soon after investment and technology began to flow, China exhibited a tendency to challenge the foundation of the United States' power, rather than cooperate with it.

Having circumvented the pledge to seek a peaceful resolution of the Taiwan issue, paramount leader Jiang Zemin moved to test Washington's resolve regarding the defense of Taipei—and of the Philippines. First, on January 30, 1995, in an “eight-point proposal,” Jiang made the tautological argument that *a priori* agreement to the principle of one China was a “prerequisite for peaceful reunification.” Then he said, “we do not promise not to use force, [but] if used, force will not be directed against our compatriots in Taiwan, but against the

foreign forces who intervene in China's reunification and go in for 'the independence of Taiwan.'"⁴⁵ Jiang's statement was a thinly veiled threat to attack the United States, if Washington sought to assist Taiwan. This was another moment that the Democrat establishment should have reconsidered US strategy.

Indeed, within ten days of Jiang's speech, the Chinese acted to test whether the United States would honor its mutual defense treaty with the Philippines after its recent departure from Subic Bay. On February 8, Philippine authorities discovered that Beijing had erected several flimsy structures on Mischief Reef in the Spratlys, located over eight hundred miles from Hainan Island, but only 135 miles from Palawan Island. They were wind shelters, the Chinese said, and refused to dismantle them.

When Manila sought US support, the Clinton Administration chose not to become involved, deeming the Spratly Islands as lying outside the purview of the US-Philippines Mutual Defense Treaty. Thus, Clinton declined to act regarding Mischief Reef as Eisenhower had done in 1955 regarding Kinmen and Matsu—extend the protection of a mutual defense treaty to include offshore islands. At the same time, however, the US and the Republic of Vietnam were making final preparations to normalize relations, indicating Washington's intent to retain a strong presence in the region.⁴⁶ As noted earlier, Vietnam has claims of its own in the Spratlys.

⁴⁵ "Text of Jiang Speech," Beijing XINHUA (January 30, 1995), Translation by the Foreign Broadcast Information Service, *FBIS Daily Report-China*, January 30, 1995, 84–86.

⁴⁶ Culminating a process that began in 1991, the US and Vietnam signed agreements to establish liaison offices on January 28, 1995. After

In April, Washington quietly raised concerns with Beijing about potential conflict over the Spratlys and implications for international access to vital sea lanes in the area.⁴⁷ The Chinese responded with a vow to “guarantee” safe passage through and over the islands in the South China Sea, implying a decisive role.⁴⁸

The US publicly declared its stance at a State Department press briefing on May 10, asserting that it strongly opposed use or threat of force to resolve competing claims; had a “fundamental interest” in maintaining freedom of navigation; and would view with “serious concern” any maritime claim or restriction of maritime activity in the South China Sea that was not consistent with international law.⁴⁹ A week later, China restated its position using less presumptuous language: “China’s action to safeguard its sovereignty over the islands, and its

achieving several additional milestones during the spring and summer, they opened embassies in each other’s capitals on August 6.

⁴⁷ Philip Shenon, “Rival Claims to Island Chain Bring Edginess to Asia’s Rim,” *New York Times*, April 5, 1995, A 11.

⁴⁸ Chen Jian, a foreign ministry spokesman, declared at a weekly press conference on April 20 that while claiming sovereignty over the Nansha [Spratly] Islands, China “also fulfills, according to international laws, obligations *guaranteeing* the free passage of foreign vessels or aircraft in the South China Sea.” (Emphasis added.) See “Comments on Spratlys Activity,” Hong Kong AFP (April 20, 1995); and “Facilities to Protect Fishermen,” Beijing XINHUA (April 20, 1995), translations by the Foreign Broadcast Information Service, *FBIS Daily Report-China*, April 20, 1995, 1.

⁴⁹ “Spratlys and the South China Sea,” Statement by the Acting Press Spokesman, US Department of State, May 10, 1995. The full statement is reproduced in Appendix G of Ralph A. Cossa’s report, *Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict* (Honolulu: Pacific Forum CSIS, March 1998).

relevant maritime rights and interests there, will not affect the freedom of safety of foreign vessels or aircraft.”⁵⁰

Meanwhile, ratification of the UNCLOS treaty by China and Japan in late May and early June 1995 sparked another round of contention over the Senkaku islands. China reaffirmed the claim made in order no. 55 which included the Senkakus. Japan’s response was to underscore its claim, as members of the Japanese Youth Federation (Nihon Seishinsha) sailed to the Senkakus to build a lighthouse on one of the islands. Tensions increased as charge followed countercharge through the summer.⁵¹

Tokyo maintained that it had no jurisdiction over the acts of private citizens. Beijing protested but responded in kind with a group of Chinese activists, who sailed from Hong Kong and attempted to land on the islands. Blocked by the Japanese Coast Guard, four of the activists attempted to swim to the islands, but one drowned. During the furor, LDP leader Ryutaro Hashimoto

⁵⁰ “Foreign Minister Qian Qichen, quoted in “Spratlys Trip ‘Provocation,’” Hong Kong AFP (May 18, 1995); and foreign ministry spokesman Shen Guofang, “On Spratlys ‘Navigation Right,’” with similar language, Beijing XINHUA (May 18, 1995), translations by the Foreign Broadcast Information Service, *FBIS Daily Report-China*, May 18, 1995, 1. See also Patrick E. Tyler, “China Pledges Safe Passage Around Isles,” *New York Times*, May 18, 1995, A 11, noting Beijing’s separation of its territorial dispute over the Spratlys from international freedom of navigation.

⁵¹ James Manicom, *Bridging Troubled Waters* (Washington: Georgetown University Press, 2014), 50–51.

supported Japan's claim to the islands, while Chinese premier Li Peng reiterated China's claim.

Complicating the issue, a week later, a group of Taiwanese reached the islands and planted both Taiwan and PRC flags, an ominous sign that on this issue, at least, Taiwan supported Beijing. The crisis ended during meetings commemorating the 25th anniversary of establishing Japan-China diplomatic relations in September. Japan stated it would not "recognize" the lighthouse and both sides pledged to manage their relations peacefully. Again, it was a temporizing compromise, not a lasting agreement. The United States played no apparent role.

Taiwan President Lee Teng-hui responded to Jiang's eight-point proposal in April 1995, with a six-point counterproposal, insisting that reunification should be based on the facts that the two countries were "separate political entities," and all issues between them should be settled peacefully. The Clinton administration, which had not responded to Jiang's proposal, agreed (but only after prodding by a Republican-dominated Congress) to issue President Lee a visa to attend a class reunion at Cornell University in June. Beijing perceived the US action as an attempt to promote "two Chinas" and stories proliferated in the press about how China might seize Taiwan by force.

Following Lee's return, Beijing demonstrated its resolve to carry out its threat, holding two series of missile tests, July 21-26 and August 15-25, with warheads splashing down within forty-five miles of the Penghu Islands; and redeploying several squadrons of aircraft to coastal airfields within 250 miles of

Taiwan. The Clinton administration hurriedly acted to calm the waters.

At a summit meeting on October 24, Presidents Clinton and Jiang reportedly reached agreement that the Taiwan issue would be dealt with in accordance with the three US-PRC communiqués, including the August 17, 1982, communiqué. The administration sought to test China's agreement in December by sending the USS *Nimitz* carrier group through the Taiwan Strait, the first time American ships had traversed that body of water since 1976. If President Clinton thought that the Chinese would adhere to the peaceful resolution agreement regarding Taiwan, he would soon be disabused of that belief.

After the turn of the year, Beijing intensified the pressure on Taiwan, coordinating Chinese moves with the island's first-ever presidential election scheduled for March 23, 1996. On March 5, Beijing announced that it would conduct missile tests from the 8th to the 15th and live-fire military exercises in the Strait until the 20th. The missile impact zones were thirty miles off Taipei and Kaohsiung, dangerously closer than the previous year's tests. Three missiles were fired, two to the north and one to the south.⁵²

If Beijing thought to intimidate the Taiwanese people, the attempt backfired. They reelected President Lee Teng-hui with a resounding 54 percent majority. But the US response to China's bullying tactic was notably restrained. The *Independence* carrier battle group deployed off the northeast coast of Taiwan and the *Nimitz* carrier battle group deployed to the South China Sea southeast of Taiwan. Neither formation ventured toward the

⁵² "Taiwan Strait: 21 July 1995 to 23 March 1996," GlobalSecurity.org.

Strait. The United States declined to seize the opportunity to assert its right to freedom of passage through the Taiwan Strait.

The Democrat Establishment Rolls Over

China's growing challenge should not have come as a surprise. The attempt to develop détente with the Soviet Union did not lead to a strategic partnership with Moscow. Quite the opposite. US friendship was taken as weakness and an opportunity for the Soviets to advance their own agenda. The Soviets sought to overturn the US-designed global order and replace it with their own, a strategy that was only defeated by the countervailing military buildup undertaken by Ronald Reagan. Surely, this is not a lesson the Democrat establishment should have had to learn twice.

Still, to justify US policy, the argument was made *ad nauseam* that economic development would lead to a democratic China, as if the Chinese Communist political system was a tabula rasa awaiting an American makeover. Even if the decision to build a so-called stabilizing force in Asia could be considered a sound one, was it necessary to include in that program the technology to acquire the most modern nuclear weapons capability? Making China militarily powerful as well as economically powerful encouraged Beijing to embark upon its own agenda, which decidedly is not congruent with our own. If there ever existed a coincidence of interests between China and the United States, including mutual economic benefit and the issue of North Korea to be discussed below, that is long gone.

With the United States in evident retreat in the Pacific, the Chinese decided to advance into the South China Sea. To

establish a “legitimate” basis for its actions and to reassure others of its peaceful intentions, Beijing entered negotiations with the Association of Southeast Asian Nations (ASEAN), which sought to develop a code of conduct to avoid conflict in the region.⁵³ Unable to overcome all their differences, China and the ASEAN countries settled for an interim non-binding Declaration on the Conduct of Parties in the South China Sea, signed November 4, 2002.

The salient points of the DOC were the determination to develop and promote “good neighborliness and mutual trust.” The parties reaffirmed their commitment to UNCLOS and “principles of international law which shall serve as the basic norms governing state-to-state relations.” They committed themselves to uphold “freedom of navigation in and freedom of overflight above the South China Sea.” They agreed to resolve disputes by peaceful means “in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea.” In this regard the parties agreed not to inhabit “the presently uninhabited islands, reefs, shoals, cays, and other features” of the South China Sea.

The DOC was designed to reassure all parties, but especially the United States, that China would play by existing rules and laws. But this was a deception. Beijing’s main objective was to buy time. In 2002, China’s naval strength was still unequal to the task of confronting the US navy, although the strength of

⁵³ ASEAN has ten members, five of which have claims over islands or other features in the South China Sea: Brunei, Indonesia, Malaysia, Philippines, and Vietnam. The other members are Cambodia, Laos, Myanmar, Singapore, and Thailand.

the South Fleet was growing fast.⁵⁴ The naval strength of China's main competitors in the region, Vietnam, Malaysia, and the Philippines was still negligible. Even combined they were no match for China.

No one was fooled by the Declaration on Conduct. It slowed down but did not prevent competitive position-building over the next several years. In what seemed like a maritime version of Weiqi (Chinese chess), China, Vietnam, Malaysia, and even Taiwan continued to stake out modest claims precisely to those previously uninhabited "islands, reefs, shoals, cays, and other features" in the South China Sea they had promised not to inhabit. China's objective was to keep a low profile and maintain the relative *status quo* until its naval buildup enabled it to move decisively, or circumstances forced action.

It turned out that changed circumstances prompted Beijing to move toward the end of the decade. The circumstances that precipitated Chinese action were legal steps by Vietnam and Malaysia, combined with what appeared to be US determination to play a stronger role in the region. Newly elected President Barack Obama espoused a renewed foreign policy focus on Asia, which came to be known as the "pivot" or "rebalance."⁵⁵ Ultimately the Obama administration's policy did not pose a

⁵⁴ Ralf Emmers, "Keeping Waters Calm in the South China Sea," *Straits Times*, November 21, 2002, 23.

⁵⁵ President Obama introduced the new policy during his inaugural overseas trip, in remarks at Suntory Hall, Tokyo, Japan, November 13, 2009, dubbing himself America's first "Pacific president." Secretary of State Hillary Clinton elaborated in "America's Pacific Century," *Foreign Policy*, October 11, 2011.

serious impediment to Chinese expansion, but Beijing could not have known that at the outset. On May 6, 2009, Vietnam and Malaysia submitted a joint petition to a UN Commission to extend the limits of their continental shelves beyond 200 nautical miles, and on May 7 Vietnam unilaterally submitted an additional petition. The respective petitions sought to assert maritime rights in areas encompassing the Spratly and Parcel Islands.

China objected on the same day, addressing two “notes verbales” to the UN Secretary General. Ignoring commitments made in the DOC of 2002, Beijing reiterated the premise in Order No. 55 of 1992, claiming that China has “indisputable” sovereignty and jurisdiction over the islands in the South China Sea, adjacent waters, and seabed. The notes included a map of the so-called “nine-dash line,” the first time that China officially presented this map to the international community. As before, however, China did not clarify the nature or legal basis of its claim or provide map coordinates.

Nevertheless, in 2011, when Vietnamese survey ships ventured out to chart the waters around the Parcel Islands, Chinese patrol boats were there to block them, cutting cables, ramming ships, and brandishing weapons. Chinese ships did the same to a Philippine-contracted private oil survey vessel in the Reed Bank, off Palawan, which was seven hundred miles from Hainan Island, the closest Chinese land. Each side blamed the other for conducting “illegal” activities, but the incident occurred well inside the Philippines’ Exclusive Economic Zone (EEZ).⁵⁶

⁵⁶ “China Accuses Vietnam in South China Sea Row,” *BBC-Asia Pacific*, June 10, 2011.

China's new, aggressive approach soon produced a reaction throughout the region, but elicited only a supine response from Washington. The following year, on April 8, 2012, Philippine patrol boats attempted to arrest Chinese fisherman in eight fishing boats at Scarborough Shoal, but Chinese patrol craft again were there to block the arrest. Scarborough Shoal lies within the Philippines EEZ due west of Manila and five hundred and fifty miles from Hainan Island.

After a month-long confrontation marked by protests in Manila, Hong Kong, and Beijing, the United States mediated a mutual withdrawal, which was to be followed by negotiations. Both sides withdrew, but as soon as the Philippine ships left, Chinese forces quickly and surreptitiously returned, built a barrier at the entrance of the shoal effectively controlling it, and prevented a Philippines return. China had acted with deception, humiliating the Philippine government, and demeaning the United States, which had unwittingly enabled the Chinese seizure.

New Chinese Leadership and a Change in Strategy

In retrospect, the Scarborough Shoal incident was the last straw. Frustrated, the Philippine government decided to take the issue to an international tribunal at The Hague for arbitration under UNCLOS and filed its case on January 23, 2013. Both the United States and the United Kingdom agreed to abide by the tribunal's ruling, but China refused, no doubt because they knew the outcome would be unfavorable. Indeed, the tribunal ruled that there existed "no historical basis" for China's claims.⁵⁷

⁵⁷ "The Hague Tribunal on the South China Seas Rules in Favor of the Philippines," *Reuters*, July 12, 2016.

Meanwhile, the Sino-Philippines confrontation sent warning signals to Japan and Vietnam. Both governments acted to secure their respective rights, but in different ways.

Following Tokyo governor Shintaro Ishihara's April 2012 announcement that his municipality intended to purchase the Senkaku islands from their private owner, the Japanese government moved to acquire them instead, and nationalized the islands on September 11, 2012. Professing to be outraged, China commenced a series of harassing moves by sea and air around the islands culminating, in November 2013, with declaration of an air defense identification zone (ADIZ) over most of the area, an act that affects all states.⁵⁸

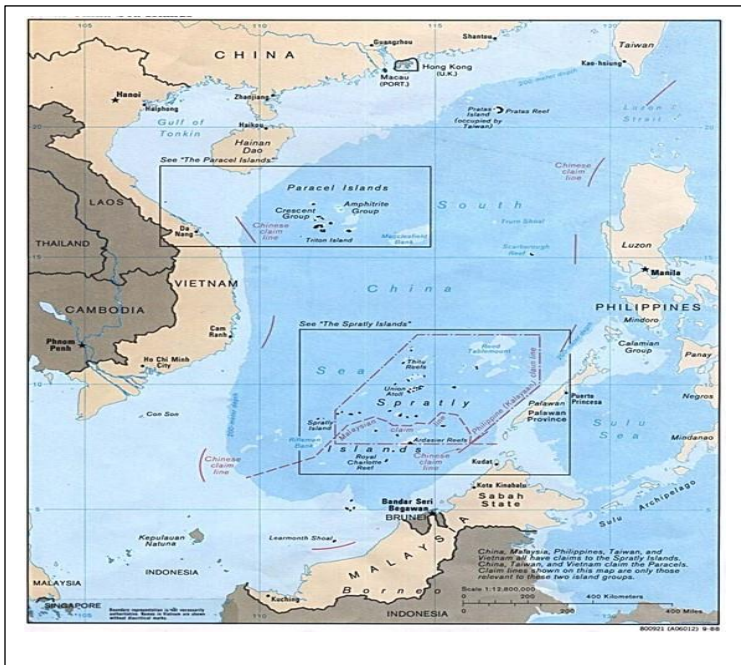


Hanoi, on the other hand, in late June 2012 passed legislation extending Vietnamese sovereignty over the Parcel

⁵⁸ Howard French, "China's Dangerous Game," *The Atlantic*, November 2014.

and Spratly islands, while strengthening security ties with the Philippines and the United States. The Chinese countered, establishing Sansha city on Hainan as the administrative center for the Paracels, Spratlys, and Macclesfield Bank.⁵⁹

Islands of Contention within China's "Nine-Dash Line"



Source: Perry-Castañeda Library Map Collection, University of Texas at Austin

⁵⁹ Roberto Tofani, "Hardened Lines in the South China Sea," *Asia Times Online* July 4, 2012. For an update, see Chunjuan Nancy Wei, "Beijing's Formidable Strategy in the South China Sea," *The Diplomat*, May 21, 2015.

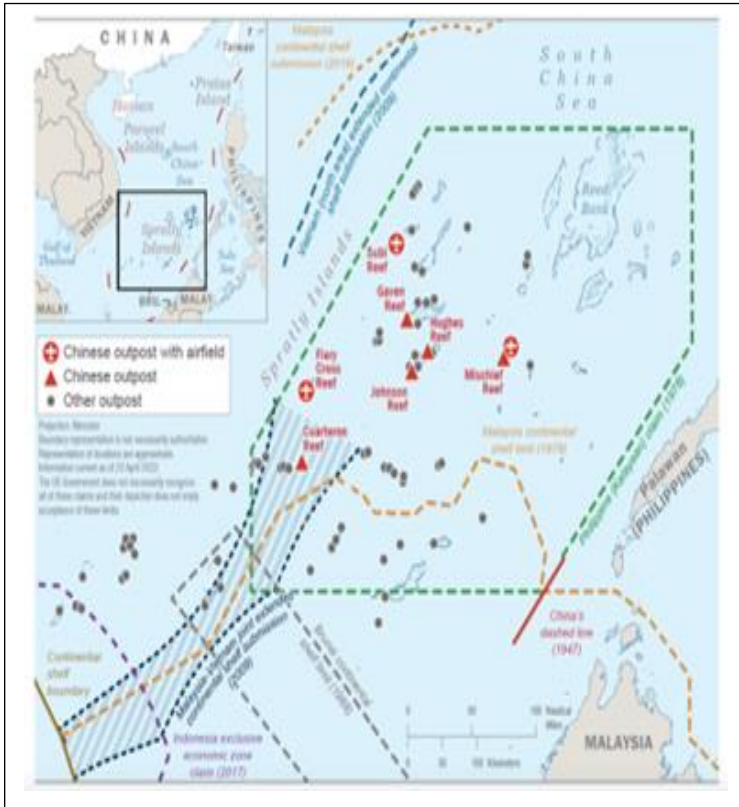
These changed circumstances produced a turning point. The combination of Vietnamese, Malaysian, and Philippine efforts to assert rights and appeal for legal redress in an international tribunal, and a prospect of greater US involvement on their behalf, suggested that time was running out for Beijing. Perhaps the decisive factor, however, was the change in the Chinese leadership, as Xi Jinping came to power in November 2012.

Denouncing Manila's move to the tribunal and Hanoi's legislative actions, China under Xi Jinping embarked upon a major escalation of its presence in the South China Sea. Their strategy was to move preemptively, gain control of strong points, and fortify their position to restrict access. The implications of these moves were immediately apparent. China had determined to gain control of the South China Sea, become the gatekeeper of the sea lanes to Japan and South Korea, replace the United States as the dominant power, and encircle Taiwan.

From early 2013, employing its new and large, Hainan-based fishing fleet as an advance pawn backed by a newly established Coast Guard, China moved to take control of seven key features in the South China Sea, enlarge them via land reclamation, and fortify each one with airstrips, helipads, missile emplacements, docks, and facilities to sustain habitation. Fiery Cross, one of the largest of the Spratly group, came first, followed by Subi Reef, Gaven Reefs, Johnson South Reef, Cuarteron Reef, Hughes Reef, and Mischief Reef. Combined with control of

Scarborough Shoal and the Paracel Islands the Chinese built a formidable position of strength in the region.⁶⁰

China's Outposts in the Spratly Islands



Source: US Department of Defense, China Military Power Report, November 2022

⁶⁰ Simon Denyer, "China's Front-line Fishermen," *Washington Post*, April 13, 2016, A1 and James Holmes, "No, China's Coast Guard Won't Reduce Tensions," *The Diplomat*, July 29, 2013.

President Obama, touring Asia in the spring of 2014, reiterated in remarks following a meeting with Japanese prime minister Shinzo Abe in Tokyo that the Senkakus were covered by the US-Japan Security Treaty. The matter was not highlighted but included in the “range of issues” discussed by the two leaders. Noting their common position on peacefully resolving disputes in the region, Obama stated, “We share a commitment to fundamental principles such as freedom of navigation and respect for international law. And let me reiterate that our treaty commitment to Japan’s security is absolute, and Article 5 covers all territories under Japan’s administration, including the Senkaku Islands.”⁶¹ Then in Manila on April 28 he signed an “Enhanced Defense Cooperation Agreement” with the Philippines. The agreement provided for a US return to Clark Air Base and Subic Bay, and US access to eight additional bases, including one on Palawan.⁶² The United States also agreed to limited sales of defense equipment to Vietnam for the first time, in the form of patrol boats and surveillance technology.

In early October 2015, Beijing declared that China “would not stand for violations of its territorial waters in the name of freedom of navigation exercises.”⁶³ Washington nevertheless commenced freedom of navigation exercises in the South China Sea, in late October sending the destroyer USS *Lassen* to within 12 miles of Subi Reef. Beijing sent two Chinese ships, the

⁶¹ The White House, Office of the Press Secretary, “Joint Press Conference with President Obama and Prime Minister Abe of Japan,” April 24, 2014.

⁶² Peter Lee, “South China Sea Dispute: Rewriting the History of Scarborough Shoal,” *Asia Times Online*, April 16, 2016.

⁶³ “China Threatens the US, Says ‘Will Not Tolerate Violations of its Territorial Waters’,” *Reuters*, October 9, 2015.

destroyer *Lanzhou* and the frigate *Taizhou* to shadow the US ship and deployed several fighter aircraft to Woody Island. On December 10, two American B-52s straying “accidentally off course” flew over Cuarteron Reef in the Spratlys. The Chinese protested, raising concerns that Beijing might declare an air identification zone there, too.⁶⁴

China continues to fortify its outposts, sail “sovereignty enforcement patrols,” send fishing fleets and conduct oil surveys into neighboring states’ EEZs, with impunity. Chinese actions have made a mockery of the 2002 Declaration of Conduct, and, not surprisingly, Beijing pushes for a final code that is weaker than ASEAN intended.⁶⁵ Although there seems to be no limit to the Chinese advance, Beijing is relying on a flawed strategic playbook.

A Strategy Bound to Fail

During the Cold War the Soviet Union attempted to build a global coalition that included China, North Korea, North Vietnam, the Warsaw Pact, India, Cuba, Egypt, Iraq, and a handful of client states, but could not hold it together. Its core, the Sino-Soviet alliance, collapsed in crisis by the mid-fifties and their conflict continued for thirty years. Today, a newly powerful China seeks to build a global coalition that includes Russia, North Korea,

⁶⁴ Preeti Naiwa, “China’s ‘Undeterred’ Strategy on the South China Sea: a ‘Challenge’ for the US,” *Pacnet* #3, Center for Strategic and International Studies, January 7, 2016.

⁶⁵ Minh Phuong Vu, “First Stalled, Now at Full Sail: China’s Rush Toward a South China Sea Code of Conduct,” Australian Institute of International Affairs, *Australian Outlook*, March 8, 2023.

Iran, India, Cuba, Saudi Arabia, Venezuela, Argentina, and assorted other left-wing regimes. The difference between the two is that the Soviet Union had never built the economic power base necessary to sustain its position, while China has accumulated a large war chest. But is it enough?

Xi Jinping's "election" to a third five-year term at the 20th Party Congress in October 2022 reflects a decision to continue the policies that he instituted earlier, but with a recognition that China must gird for the inevitable confrontation with the West and the United States. In a major speech in July, Xi laid out his plan for the next five years designed to "start building a socialist modernized country," "grasp the problem of unbalanced and insufficient development," and "propose new ideas and new measures to solve problems."⁶⁶ These new ideas include raising China into a globally dominant position and solving the problem of Taiwan.

Since coming to power in 2012, Xi has increasingly moved China away from the "reform and opening up" strategy of Deng Xiaoping, which was largely followed by his successor Jiang Zemin, though Hu Jintao began to tighten the reins.⁶⁷ Xi pushed the Belt and Road policy to project power abroad and set up a financial structure to support it; accelerated military modernization, including air, land, sea, and missile construction; and speeded up the construction of armed islets and islands in

⁶⁶ Gu Ting, "Chinese Leader Xi Jinping Sets Out Five-Year Strategy Ahead of Bid for Third Term," *Radio Free Asia*, July 28, 2022.

⁶⁷ See Mark Wu, "The 'China Inc.' Challenge to Global Trade Governance," *Harvard International Law Journal* 57, no. 2 (Spring 2016): 261–324 for institutional changes during the Hu-Wen regime that veered away from the market-oriented development presupposed by China's accession to the WTO.

the South China Sea to gain control of the sea lanes through which pass several trillion dollars in merchandise each year.⁶⁸

In his third term, Xi is shifting China further toward a command economic model reminiscent of Mao Zedong's rule. With increasing central control will come associated rigidities. This reveals a fundamental disconnect at the heart of Xi's strategy. He is abandoning the wealth-generating system that would be required to sustain a long-term confrontation with the West.

Communist systems do not generate wealth, they consume it. China grew wealthy because its leaders since Deng had allowed market operations in a relatively small private sector of the economy that enabled China to grow based on exports and investment. A shift toward more domestic consumption is a logical and necessary next step. But to forsake market-oriented reform in favor of a return to a more traditional Communist top-down control strategy is a prescription for stagnation.⁶⁹

Nevertheless, that appears to be the current course, and it seems that Xi has persuaded his politburo colleagues that China and its allies are strong enough to succeed in challenging the United States.⁷⁰ Part of Xi's calculation must be a belief in the passivity of the Democrat establishment, and the assumption that capitalists care only for profits, not principles, and can be

⁶⁸ Lee Kok Leong, "China Is Winning Without Fighting in the South China Sea," *Maritimefairtrade.org*, June 21, 2022.

⁶⁹ Mickey D. Levy, "The Middle Kingdom Is About to Fall into the Middle-Income Trap," *Wall Street Journal*, October 22, 2022, A17.

⁷⁰ Lingling Wei, "Xi's Slate Reflects Harder Line Toward West," *Wall Street Journal*, October 25, 2022, A7.

bought. Relatedly, he anticipates that China's huge market and manufacturing advantage will continue to sustain exports and attract investment even as Beijing prioritizes higher domestic consumption and greater technological self-sufficiency.⁷¹

But Xi's self-reliance strategy has its flip side in US and allied efforts to reorient supply chains away from China, depending on how much "de-globalization" occurs. Beijing could be hard pressed to generate enough domestic consumption and innovation to replace Western markets, technology, and money.⁷²

The fact is that China has begun to challenge the United States before it is powerful enough to do so. Its military capability is not yet sufficient to defeat the United States,⁷³ and its economic momentum has slowed as the population ages and the labor force shrinks.⁷⁴ Other systemic problems exacerbate the trend.

⁷¹ Xi has espoused a "dual-circulation development pattern" that would make the Chinese economy more reliant on domestic consumption and technology (internal circulation), while increasing the quality of exports and welcoming capital inflows, especially into Chinese stocks and bonds (external circulation). The two "circulations" are meant to be mutually reinforcing, enabling China to reduce its dependence on the West (especially the United States).

⁷² Derek Scissors, *China's (Rough) Economic Trajectory to 2050* (Washington: American Enterprise Institute, April 2023), www.aei.org.

⁷³ Bonny Lin and Joel Wuthnow, "The Weakness Behind China's Strong Façade," *Foreign Affairs*, November 10, 2022, www.foreignaffairs.com.

⁷⁴ The International Monetary Fund projects that Chinese GDP growth will average well less than 5% after this year's bounce-back from Covid lockdowns. See the IMF's World Economic Outlook Database, April 2023.

Financial stress and inefficiency are prime examples. A mountain of debt began to build following the 2007-2009 global financial crisis and credit continued to expand for another decade at double-digit annual rates via traditional and “shadow” banking channels. Money flowed mainly to state-owned enterprises (SOEs), local government projects and property developers, generating low returns and inflating risky asset bubbles. In 2016, the Xi regime began a serious deleveraging campaign, tightening lending regulations and eventually causing the bubbles to burst in the banking, corporate, and real estate sectors.⁷⁵ Although credit growth has been cut significantly, the debt mountain remains high, reaching 296 percent of GDP in September 2022.⁷⁶ Officially, general government (central plus local) debt is around 50 percent of GDP, but counting various contingent liabilities, the “augmented” figure is over 100 percent.⁷⁷

Inefficiency is a byproduct of state control. Notwithstanding all the investment in infrastructure, plant

⁷⁵ For a detailed analysis, see Logan Wright, *Grasping Shadows: The Politics of China’s Deleveraging Campaign* (Washington: Center for Strategic and International Studies, April 2023), www.csis.org.

⁷⁶ Bank for International Settlements, *BIS Total Credit Statistics*, www.bis.org, accessed April 21, 2023. For comparison, the same measure of US debt stood at 257 percent of GDP—close to China’s but staked with five times more income per capita.

⁷⁷ International Monetary Fund, “IMF Executive Board Concludes 2022 Article IV Consultation with the People’s Republic of China,” Press Release no. 23/28, February 3, 2023, table, p. 3, www.imf.org. See also Hunter Clark and Jeff Dawson, “Is China Running Out of Policy Space to Navigate Future Economic Challenges?,” *Liberty Street Economics* (blog), Federal Reserve Bank of New York, September 26, 2022, online at www.libertystreeteconomics.newyorkfed.org.

expansion, and urbanization in recent years, China remains a gigantic company town.⁷⁸ The government owns the biggest banks and companies. Banks dominate the financial system, and they lend mostly to the SOEs, which generate relatively poor returns, and the regime absorbs losses. The SOEs are favored because they constitute sectors deemed critical to national security. But the system is dysfunctional and short-changes more productive private businesses.⁷⁹

At the start of this century, Beijing recapitalized the large state-owned banks and set up asset management companies to siphon off their non-performing loans (NPLs). The ratio of NPLs to loans outstanding peaked in 2005 at 12.4 percent, according to official data (private estimates were twice that level).⁸⁰ China's

⁷⁸ Shaomin Li, *The Rise of China, Inc.* (Cambridge: Cambridge University Press, 2022, Kindle edition), 9; and 139–146. Li argues that the Communist Party runs China like a giant corporation, wherein “state-owned firms are business units, state-related firms are subsidiaries, Chinese-owned private firms are joint ventures, and foreign firms are franchisees of the party, with the party leader being the CEO of China, Inc.”

⁷⁹ Nicholas Borst, “China’s Balance Sheet Challenge,” *China Leadership Monitor*, no. 75 (Spring 2023), www.prcleader.org; and Tianlei Huang and Nicholas R. Lardy, “China’s Support for the Private Sector Is Only Lip Service So Far,” *Realtime Economics* (blog), Peterson Institute for International Economics, February 7, 2023, www.piie.com.

⁸⁰ “China Non-Performing Loans Ratio,” China Banking and Insurance Regulatory Commission via CEIC, www.ceicdata.com; and *China’s Financial System and Monetary Policies—The Impact on US Exchange Rates, Capital Markets, and Interest Rates, Hearing Before the US-China Economic and Security Review Commission*, August 22–23, 2006 (Testimony of Michael Petit, Managing Director, Standard & Poor’s Asia-Pacific Corporate & Government Ratings), www.uscc.gov.

NPL ratio supposedly has declined to less than two percent, but the true level could still be double or more what is officially reported.⁸¹

The regime also seeks to meet capital needs through bond and stock markets, which have grown impressively in volume and sophistication over the past several decades. However, the party-state retains a heavy hand in how these markets operate. The government controls interest rates, distorting the bond market, where banks are the largest participants. Equity markets suffer from untrustworthy issuer data and uncertainty about potential government intervention to guide stock price movements.⁸² Though nominally “private” firms make up an increasing share of stock market capitalization, companies with more than 10 percent state equity ownership and those funded by state-linked entities continue to dominate.⁸³

⁸¹ Ben Charoenwong, Meng Miao, and Tianyue Ruan, “Hidden Non-Performing Loans in China” (Conference Paper, Asian Bureau of Finance and Economic Research, April 20, 2021), 26, www.abfer.org. The authors calculate that total NPLs in China’s banking sector could be two to four times the reported amount.

⁸² *China’s Quest for Capital: Motivations, Methods, and Implications, Hearing Before the US China Economic and Security Review Commission*, January 23, 2020 (Testimony of Brian W. McCarthy, Managing Principal, Macrolens LLC), www.uscc.gov.

⁸³ Tianlei Huang & Nicolas Véron, *China’s State vs Private Company Tracker: Which Sector Dominates?* (online semiannual report), Peterson Institute for International Economics, February 2, 2023, www.piie.com. See also Barry Naughton and Briana Boland, *CCP Inc.—The Reshaping of China’s State Capitalist System* (Washington: Center for Strategic and International Studies, January 2023), www.csis.org, 15–16, where the authors describe Beijing’s “Little Giants” program that supports start-up tech firms and facilitates their listing on China’s stock markets.

Altogether, the bond and equity markets are still a small source of financial capital relative to bank loans, which account for about two thirds of total social financing.⁸⁴

Corruption is endemic, with officials at every level of Chinese life skimming a share of the economic pie, as the almost continuous campaigns against corruption make plain. The oversight and decision-making authority of party officials in “China, Inc.” provides opportunity for cadres to take bribes. The leadership must allow a degree of corruption to maintain loyalty, only to crack down when the illicit activity threatens to get out of hand.⁸⁵

If the financial system is China’s Achilles’ heel, its legal system is a black hole for those deemed out of sync with the regime. The rule of law, independent judiciary, and property rights that characterize most developed countries do not exist in China, where land is state- or collectively owned and the legal system is controlled by the Communist Party and used to achieve CCP aims. This is more aptly termed “rule by law.”⁸⁶ The enforceability of rules and contracts has often depended on the extra-legal attitude of party officials and local judges—the company town syndrome. New laws and institutional reforms over the past few decades have helped to reduce arbitrary judgements. But civic, religious, labor, and business leaders,

⁸⁴ Zhiguo He and Wei Wei, “China’s Financial System and Economy: A Review” (Working Paper 30324, National Bureau of Economic Research, August 2022), www.nber.org.

⁸⁵ Li, *Rise of China, Inc.*, 179.

⁸⁶ *Rule by Law: China’s Increasingly Global Legal Reach*, Hearing Before the US China Economic and Security Review Commission, May 4, 2023 (Testimony of Moritz Rudolf, Fellow, and Research Scholar in Law, Yale University Law School Paul Tsai China Center), www.uscc.gov.

journalists, ethnic minorities, and others that are thought to be a threat to the party-state are treated to harsh extra-judicial measures, and there is no clear public delineation of what might constitute a threat.⁸⁷ Foreign businesses engaged in high tech or other “sensitive” activities that could impinge on Chinese national security are unlikely to prevail if they sue to protect intellectual property rights.⁸⁸ In general, low public trust in state judicial institutions results in reliance on networks of close relationships in business and financial dealings, which imposes efficiency costs on scaling up economic activity; while politicization of corporate law enforcement erodes foreign confidence in Chinese trade policy commitments and deters inbound investment.⁸⁹

China’s rural/urban divide is another impediment to higher quality consumption-led growth. A half-billion Chinese people (and as many as 70% of China’s children) live in the countryside with low incomes, low skills, and little opportunity for improving their lot. Another 200-300 million internal migrants live and work in cities but are not entitled to urban education, health care and other services due to their rural

⁸⁷ Jamie P. Horsley, *Party Leadership and Rule of Law in the Xi Jinping Era* (Washington: Brookings Institution, September 2019), www.brookings.edu.

⁸⁸ *Rule by Law: . . . Hearing Before the US China Economic and Security Review Commission* (Prepared Statement of Dan Harris, Partner at Harris Bricken).

⁸⁹ Li, *Rise of China, Inc.*, chap. 3; Horsley, *Party Leadership and Rule of Law*; and Lingling Wei, “China Ratchets Up Pressure on Foreign Companies,” *Wall Street Journal* (online), April 28, 2023.

Hukou registration status.⁹⁰ Rural land expropriation for commercial development has sometimes sparked violent peasant protests. This unrest peaked in the mid-2010s after the regime offered a mix of reforms and retribution, but the problem has not gone away entirely.⁹¹ Meanwhile, China's agricultural output is not sufficient to satisfy domestic demand, as trade and industrialization have drawn land, labor, and capital away from farming and millions of acres have been rendered unusable by soil and water pollution.⁹² Xi Jinping has prioritized rural revitalization, and instituted a multifaceted program to achieve it. But policy changes have not gone far enough to have a major impact, especially with respect to raising the level of education and reforming the *Hukou* system.⁹³

⁹⁰ Scott Rozelle and Matthew Boswell, "China's Marginalized Millions: How Beijing's Failure to Invest in Rural Workers Hurts Economic Growth," *Foreign Affairs* (online), October 5, 2022.

⁹¹ Chih-Jou Jay Chen "Peasant Protests Over Land Seizures in Rural China," *Journal of Peasant Studies* 47, no. 6 (October 2020): 1327–1347.

⁹² Lauren Greenwood, *China's Interests in Augmenting Food Security through Investment Abroad*, Staff Research Report (Washington: US-China Economic and Security Review Commission, May 26, 2022); Joseph Glauber, "China's Accession to the WTO and its Impact on Global Agricultural Trade" (Discussion Paper 02085, International Food Policy Research Institute, December 2021); Bilge Erten and Jessica Leight, "Exporting Out of Agriculture: The Impact of WTO Accession on Structural Transformation in China," *Review of Economics and Statistics* 103, no. 2 (May 2021): 364–380; Danielle Wiener-Bronner, "Nearly One-Fifth of China's Arable Land Is Polluted," *Atlantic*, April 14, 2014.

⁹³ Kalpit A. Mankikar, "Decoding Rural Revitalization, Xi Jinping's New Priority," Observer Research Foundation *Issue Brief*, no. 574 (September 2022); Rozelle and Boswell, "China's Marginalized Millions"; Eduardo Jaramillo, "China's Hukou Reform in 2022: Do They

Military modernization also is a priority under Xi Jinping, with the goal of transforming the People's Liberation Army into a "world-class" force by mid-century. China now fields nearly a million active-duty army personnel, the world's largest naval fleet (by ship numbers), and the largest aviation force in the Indo-Pacific region. Missile forces are expanding, as are cyber capabilities.⁹⁴ Lack of experience with combat and joint operations call into question whether the PLA is ready to engage in a battle with the US and/or allies or could simultaneously manage a major conflict and "chain reactions" that might occur in other theaters, such as the Sino-Indian border.⁹⁵ China has stepped up military training exercises to remedy these deficiencies and to signal a willingness to use force as a means of political coercion, especially with respect to Taiwan and maritime claims in the South China Sea.⁹⁶

What is to be Done?

How should the United States deal with the rising power of China? China (and Russia) are employing their growing power to build a global coalition to contend against the United States.

Mean It This Time?" (blog post), Center for Strategic and International Studies, Freeman Chair in China Studies, April 20, 2022, www.csis.org; Charles Parton, "After the 'Two Sessions': China in 2023 and Beyond," Council on Geostrategy *Explainer*, no. GPE15, April 20, 2023, www.geostrategy.org.uk.

⁹⁴ US Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China* (2022).

⁹⁵ Lin and Wuthnow, "Weakness Behind China's Strong Façade"; and Alistair Gale, "China's Military Is Catching Up to the US. Is It Ready for Battle?," *Wall Street Journal* (online), October 20, 2022.

⁹⁶ Lin and Wuthnow, "Weakness Behind China's Strong Façade."

China seeks to weaken America's global position, with the eventual goal of supplanting the United States as the world's greatest power. Russia's objective in its invasion of Ukraine is to subordinate Europe to its own design. As of this writing, the Russian gambit has backfired on Vladimir Putin. Whatever the eventual outcome of the war, Putin's plan to resurrect the Soviet Union has failed and this will undoubtedly have an impact on Xi and his plans, including plans to seize Taiwan.

In any case, time has run out on the Democrat establishment gamble that a modernizing China would have a vested interest in maintaining the post WWII system. The dream of the globalists of a new world order is finished if it were ever possible. China under Xi is already waging an undeclared war against the United States. Washington must respond and can do so by acting well short of war. The same spigots of wealth that the US opened to China can also be turned off. US policy concerning China (and Russia) must be to constrict trade and investment, and deny advanced technology, especially military technology, and expertise.

Squeezing the economy was the strategy President Reagan successfully employed against the Soviet Union. President Trump emulated that strategy toward China but did not have time to develop it. President Biden, while seeking to avoid conflict, has maintained most of his predecessor's tariffs on Chinese imports and has further tightened investment and export controls.⁹⁷ But US-China merchandise trade was higher

⁹⁷ David J. Lynch, "US-China Economic Ties Continue to Fray, Despite Biden-Xi Meeting," *Washington Post* (online), November 18, 2022; The White House, "Fact Sheet: Executive Order Addressing the Threat from Securities Investments that Finance Certain Companies of the People's

than ever in 2022, and the negative balance, though somewhat diminished from the record in 2018, was still nearly \$400 billion, accounting for about a third of the US global deficit.⁹⁸ There is much more to be done.⁹⁹

The Chinese economy is in better balance than the Soviet economy was, with its gigantic military overhang. But other systemic problems, such as those discussed in the previous section, create vulnerabilities. Moreover, China is relatively more susceptible to US pressure than the Soviet Union was, since China's economy is tied more directly to the United States.¹⁰⁰ Chinese manufacturers' attempts to shift production offshore to evade import restrictions testify to the difficulties they face.¹⁰¹

Republic of China," June 3, 2021; and Sujai Shivakumar, Charles Wessner, and Thomas Howell, *A Seismic Shift: The New US Semiconductor Export Controls and Implications for US Firms, Allies, and the Innovation Ecosystem* (Washington: Center for Strategic and International Studies, November 14, 2022), www.csis.org.

⁹⁸ US Census Bureau, US Trade in Goods by Country, www.census.gov.

⁹⁹ Derek Scissors, "All Talk, No Action on China," *RealClearWorld*, March 27, 2023, www.realclearworld.com, and *What To Do About American Investment in China*, American Enterprise Institute, May 10, 2023, www.aei.org.

¹⁰⁰ For example, 17 percent of Chinese merchandise exports were destined for the United States in 2021— *WTO Trade Profile: China*, www.wto.org. In contrast, trade between the US and USSR averaged about one percent of the total for both countries during the 1970s and 1980s, according to Raymond E. Zickel, ed., *Soviet Union: A Country Study* (Washington: Library of Congress, May 1989), 607.

¹⁰¹ "Chinese Companies Shifting to Other Countries To Avoid US Tariffs," *Industry Week*, September 12, 2018, www.industryweek.com.

In the Soviet case, it was American pressure on allies to change their policies toward the Soviet Union that succeeded in denying hard-currency earnings and crippling the Soviet economy.¹⁰² The United States can deal more directly with China, although effective abatement of trade, investment, and technology transfer will require allied cooperation.¹⁰³ Concerted action against Chinese economic coercion would be a good first step.¹⁰⁴

Regarding China's maritime expansion, US policy of taking no position on territorial disputes was viable as long as there were no threats to the status quo. With China claiming the entire Western Pacific Island chain, this policy is no longer tenable. China's sovereignty claims must be rebuffed—legally, historically, and with force, and shown to be empty and unsustainable. The Hague Tribunal ruling against China provides a legal anchor on which to base future action. In July 2020, the Trump administration explicitly aligned US policy with the UNCLOS tribunal ruling and declared Chinese claims over certain maritime resources to be “unlawful,” meaning that Chinese entities engaged in exploration, extraction, or exclusion activities in disputed areas could be subject to US sanctions.¹⁰⁵ There must

¹⁰² Thornton, *Ronald Reagan: Revolution Ascendant*, chap. 9.

¹⁰³ Shaomin Li, *Rise of China, Inc.*, chap. 9; Sujai Shivakumar, Charles Wessner, and Hideki Uno, “Toward a New Multilateral Export Control Regime,” *Commentary* (blog), Center for Strategic and International Studies, January 10, 2023, www.csis.org.

¹⁰⁴ Annie Linskey, Ken Thomas, and Yuka Hayashi, “G-7 Aims to Check Economic Coercion by China,” *Wall Street Journal*, May 15, 2023, A1.

¹⁰⁵ See Secretary of State Michael R. Pompeo, “US Position on Maritime Claims in the South China Sea,” press statement, July 13, 2020; and Gregory Poling, “How Significant Is the New US South China Sea Policy?”

also be sufficient resolve and capability to use force if necessary to defend against Chinese encroachment. Augmented US basing rights in the Philippines and continued strengthening of ties with Vietnam and ASEAN in general, are positive developments.¹⁰⁶

The Reagan approach to the Soviet Union offers additional lessons for an approach to China's military assertiveness. Not only did Reagan attack the weak economic underpinnings of the Soviet economy, but he also presented Moscow with an unmatched challenge in the Strategic Defense Initiative, which eviscerated the strategy the Soviets were pursuing. Even in its most diluted form, ground-based missile defense defeated the Soviet strategy of attempting to bring about geopolitical change by reliance on a strategy of missile coercion. The United States is currently taking steps in this direction with deployment of the Aegis shipboard missile defense system to Japan and Taiwan, Patriot to South Korea, and the activation of a land-based missile-defense system in Alaska and California. This, too, is a good start, but not enough. We must

Center for Strategic and International Studies, Asia Maritime Transparency Initiative, *AMTI Update*, July 14, 2020, www.csis.org.

¹⁰⁶ Karen Lema, "Philippines Grants US Greater Access to Bases Amid China Concerns," *Reuters*, February 2, 2023; "ASEAN-US Leaders' Statement on the Establishment of the US-ASEAN Comprehensive Strategic Partnership," White House Briefing Room, November 12, 2022; Jonathan Stromseth, "A Window of Opportunity to Upgrade US-Vietnam Relations," Brookings Institution, *Order from Chaos* (blog), December 20, 2022, www.brookings.edu; Perrin Atreides, "From Bitter Enemies to Strategic Partners: The Remarkable Transformation of US-Vietnam Relations Since the 1973 Withdrawal," *Journal of Indo-Pacific Affairs* (March 2023): 48–52.

shift from passive to active defense and extend missile defense to include space-based defense.

It is time to revive President Reagan's broader vision of space-based defense to completely discredit the feasibility of a strategy based upon nuclear missile coercion. Such a step would also go a long way toward delegitimizing the Chinese Communist leadership, which is banking upon nuclear missile power to sustain its expansionary policy. (In my view, the Democrat establishment opposes missile defense because it negates the need for accommodation of America's adversaries, and therefore of any genuine need for détente.)

Perhaps the most serious crack in the CCP edifice is an undercurrent of public discontent.¹⁰⁷ Disillusionment stems directly from the increase of information available to the people through the internet, which has exposed the Chinese regime's brutal treatment of its own citizenry despite Beijing's "Great Firewall." The truth genie is out of the bottle never to be returned. I do not believe that even a trumped-up war over Taiwan would be sufficient to unify the people under some ersatz nationalism. The Chinese people are too wise and informed to fall for that.

The Communist Party is widely understood among the people to be an oppressive, illegitimate cabal expropriating the wealth and resources of the Chinese people and nation for its own gain and maintaining power for power's sake. A banner placed on the Si Tong Bridge in Beijing on the eve of the 20th

¹⁰⁷ Kevin Slaten, "Grassroots Protests Are Frequent in Xi Jinping's China," *Perspectives* (blog), Freedom House, November 17, 2022; and Freedom House's quarterly *China Dissent Monitor*, www.freedomhouse.org.

Party Congress expressed the wishes of the Chinese people. It called for “life, not lockdowns; freedom, not enslavement; truth, not lies; free elections, not dictatorship; reform, not repression.”¹⁰⁸ One of the most important steps President Reagan took, in his first press conference no less, was to deny the legitimacy of the Soviet Communist regime. We should adopt this course toward China, support the Chinese people and provide a focus for internal dissent.

After all, the Chinese Communist regime can only survive if it continues to expand and that can only happen if we continue to assist it. All future trade and investment must be conducted according to the principle of strict reciprocity and obviously include no items which could strengthen China militarily or enable it to repress its people internally. This policy, regrettably, is not one of our own choosing. But, given the fact that the Chinese Communists have elected to pursue a strategy of undeclared war against the United States, the gloves are off. We must defeat that strategy.

The Democrat establishment’s decision to support the buildup of China into a great power was not only unprecedented in world history, but it was also a strategic blunder of the highest order. Make no mistake: this was, in the first instance, an American decision, which the Chinese were only too happy to oblige. Moreover, numerous “red flags” signaled that it was a mistake and that a reconsideration of strategy was required.

Jiang Zemin’s January 30, 1995 repudiation of the “peaceful settlement” formula for Taiwan was the first. China’s

¹⁰⁸ “Anti-Xi Protest Spreads in China and Worldwide as Chinese Leader begins Third Term,” *CNN.com*, October 22, 2022.

commitment to the peaceful settlement formula is enshrined in each of the three joint communiqués that define the US-China relationship: the Shanghai Communiqué of February 27, 1972; the Communiqué on Establishing Diplomatic Relations, January 1, 1979; and the August 17, 1982 Communiqué. As President Reagan declared at that time, China's commitment "to the peaceful solution of the Taiwan-PRC differences . . . is a permanent imperative of US foreign policy."¹⁰⁹

If there was any doubt about China's intentions, Jiang's remarks to the press during his summit meeting with Clinton in October 1997 should have removed it. Jiang reiterated that China would not renounce the use of force against outsiders "attempting to interfere in China's internal affairs" and "those who are attempting to achieve separation of the country, or the independence of Taiwan."¹¹⁰

Despite these obvious and public red flags, the Democrat establishment's leadership persisted in the wholesale transfer of American and Western wealth, technology, expertise, even entire manufacturing plants and processes unabated. Another major benchmark in that process was the bilateral trade

¹⁰⁹ Lilly, *China Hands*, 248.

¹¹⁰ Jiang's comment during the press conference belies his assertion in the formal joint statement that handling the Taiwan question "in strict compliance with the principles set forth in the three China-US joint communiqués holds the key to sound and stable growth of China-US relations." See "The President's News Conference with President Jiang Zemin of China, October 29, 1997," in *Public Papers of the Presidents of the United States: William J. Clinton, 1997, Book 2, July 1 to December 31, 1997*, 1448 (Washington: Office of the Federal Register, National Archives and Records Administration), online at www.govinfo.gov; and "Joint United States-China Statement, October 29, 1997," *ibid.*, 1452.

agreement reached in November 1999 that paved the way for China's eventual accession to the World Trade Organization. China became a member in December 2001, with the advantage of self-designation as a developing country, and some disadvantages in trade remedy litigation due to its non-market economy status. Within the next few years, China became the big box store for most of the world. There was no excuse or strategic rationale for continuing the modernization process except to enrich those Western government officials and private entrepreneurs who were invested in it. The hollowing out of US manufacturing was already evident by that time, enriching the few but impoverishing the many.¹¹¹

There should have been no surprise that President Xi, in a 2018 speech, declared China's leadership role in the transformation of the current world order, calling for a "new style" of international relations that would be of "mutual benefit" for all.¹¹² There can be little doubt about what Xi meant.

¹¹¹ Robert E. Scott, "The High Cost of the China-WTO Deal," *EPI Issue Brief* no.137 (February 16, 2000), Economic Policy Institute, www.epi.org; *Evaluating China's Past and Future Role in the World Trade Organization, Hearing Before the US-China Economic and Security Review Commission*, June 9, 2010 (Testimony of Robert Lighthizer), www.uscc.gov. For a balanced, though still rueful retrospective, see Bob Davis, "When the World Opened the Gates of China," *Wall Street Journal* (online), July 27, 2018.

¹¹² From reports on Xi's address at the Central Conference on Work Related to Foreign Affairs, Beijing, June 22-23, 2018. See "Xi Says China Must Lead Way in Reform of Global Governance," *Reuters*, June 23, 2018, www.reuters.com; and "Xi Urges Breaking New Ground in Major Country Diplomacy with Chinese Characteristics," *Xinhuanet.com*, June 24, 2018.

It is for China to replace the United States as the world's dominant power.

Current Chinese saber rattling over Taiwan has once again illustrated Beijing's total contempt for international norms, laws and agreements and shows China's attempt to bring about geopolitical change by coercive means. This cannot be allowed to continue. The United States would not be permitted to live in peace in a world dominated by China. It is in our power to ensure that it will not happen.