Panel FA15: The South China Sea in Contest

US-China Mutual Hedging and the Relative Stability of the Asia-Pacific

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Abstract

Whether the future of the Asia-Pacific is one of peace or conflict depends to a large extent on relations between China and the United States. Contrary to pessimists who see a "Thucydides trap" or hegemonic competition or optimists who find reassurance from trade or international institutions, this paper argues that the two countries are likely to take a third route where they compete and cooperate with each other at the same time. This mutual hedging is attributable to the dual structure of the region (and the world): anarchy and heterarchy. The existence of anarchy is apparent given the suspicion and distrust that remain among states. Heterarchy manifests in the growing economic, financial, institutional and other linkages in the region and beyond, and in the possibility for multiple states to emerge as a central player on a given issue or linkage. This diarchic structure of the world makes it difficult for either China or the US to unambiguously define its self-interests or view the other (and many other states) simply as either friend or rival, prompting both to avoid a completely competitive or a wholly cooperative approach to relations with the other. Although the relative shares of cooperation and competition in Sino-US relations are likely to vary, the Asia-Pacific region, whose peace and prosperity greatly hinge on the future of this bilateral relationship, is likely to continue to experience relative regional stability accompanied by possible occasional tensions as long as the diarchic structure of the world persists.
US-China Mutual Hedging and the Relative Stability of the
Asia-Pacific

I. Introduction

There is no doubt US-China relations are critical to the peace and security in the Asia-Pacific and beyond. As China keeps rising in terms of both economic and military strength and political influence, there have been concerns about a possible, future frontal conflict between the two. And the changing balance of power between the two nations seems to give pessimists a lot to worry about.

A brief look at some basic indicators of its economic and military growth vis-à-vis the United States will help us understand what animates their worries. First, while for much of the 1980s China's growing GDP constituted less than 10% of that of the United States, it continued to expand quickly since the early 1990s, reaching 20% in 2006. After that, the pace of Chinese growth quickened appreciably as it only took two more years to reach 30% of American GDP in 2008, and another two years to reach a little less than 40% (or 39.75% to be exact) in 2010. The same growth rate maintained the momentum in the next few years as the figure stood at 51.89% in 2012 and 59.59% in 2014. Although Chinese growth has generally slowed in the past few years, the IMF's projected figures show that China's GDP will still make up more than 70% of that of the US by 2020.

Figure 1 Chinese Gross GDP As Percentage of the US, 1980-2020

Source: The percentages are calculated based on figures from the IMF's World Economic Outlook
Second, China's trade profile with the United States has been steadily increased. As shown in Figure 2, China's share of America's export, import and total trade in goods has all displayed similar patterns of impressive growth. First, while China's share of total US export slowly increased from 1.22% in 1990 to 2.01% in 1995 and hovered around 2% for the rest of the 1990s, it picked up the pace after 2000, reaching 4.23% in 2004, 5.23% in 2006, 6.58% in 2009, before climbing to its highest at 7.71% in 2013. The percentage for 2014 is 7.63%. Second, China's share of US imports has grown the most vigorously. Imports from China constituted 3.08% of US total in 1990, then quickly reached 5.43% in 1995, 10.87% in 2002. Afterwards, it swiftly rose to 15.52% in 2006, and has stayed around 18-19% since 2009, reaching its highest at 19.88% in 2014. Finally, China's share of America's total trade in goods has increased from 2.26% in 1990, to 5.36% in 1998, and 10.12% in 2004. Since 2009, it has remained around 14%, reaching 14.88% in 2014.

Figure 2 China's Share of America's Export, Import and Total Trade in Goods, 1990-2014

Third, China's military strength has continually been enhanced relative to the United States. As a key indicator, China military spending has made impressive gains over the United States. In 1990 China's military spending took up only 3.74% of the US military expenditures, and the percentage figures tripled by the beginning of the next decade, reaching 11.42% in 2001. Probably as a result of China's quick economic growth since the early 2000s, China's military expenditures as percentage of the US also soared, as it reached 20.70% in 2011, and 33.07% in 2014 (see Figure 3).

**Figure 3 Chinese Military Expenditure As Percentage of the US, 1990-2014**

![Chinese Military Expenditure As Percentage of the US, 1990-2014](image)


Given the above-mentioned mix of America's continued yet declining primacy and China's phenomenal rise which has quickened since the 2000s as just briefly sketched, it is no wonder there have been long running concerns about a potential conflict between the China and the US. In this debate, the there are pessimists who are largely informed by realism and optimists who basically subscribe to liberalism.

Prominent pessimists are represented by power transition theorists and offensive realists. Power transaction theorists (e.g., Kugler and Tammen, 2004, 2009; Tammen 2006), in keeping with their theoretical core, have been sounding alarm bells of such a gloomy scenario although they in fact cautiously provide suggestions for how to avoid the ultimate reckoning. The offensive realist John Mearsheimer (2001, 2006, 2010,
2014) has over more than a decade raised grave concerns about China becoming a "gathering storm" for the US because he believes that China will imitate the United States and try to dominate the Western Pacific region, thus setting itself on a collision course with the US which has been the region's most preeminent power. And in his more recent thinking (Mearsheimer 2014), Mearsheimer suggests that the US should cobble together a "balancing coalition with as many of China's neighbors as possible."

Yet another strand of the pessimist literature has capitalized on the notion of a possible "Thucydides trap" that sees the US and China as hopelessly drawn into a war that neither side wants. Zbigniew Brzezinski (2014, 31) concedes that "there is a real danger that, despite [...] good intentions, even the American-Chinese relationship may deteriorate" unless both nations work to "consolidate more deeply their strategic relationship." But the one who has consistently thought and published along this line is Graham Allison (e.g., 2013, 2015) who has in past few years popularized such a notion. He warns that "war between the United States and China in the decades ahead is not just possible, but much more likely than recognized at the moment. Indeed, judging by the historical record, war is more likely than not" (Allison 2015, para. 4).

Contrary to the gloomy picture the pessimists paint, the optimists see the possibility for China and the US to avoid sliding into a war. John Ikenberry (2008a; 2008b; 2011a; 2011b, esp. 242-248; 2013) for instance argues that the current international system built on the basis of Westphalian principles and the post-WWII arrangements are open, expansive and rule-based, which allows for the participation and integration of a rising China. Because the system's rules and norms are extensive and coalition-based (i.e., with the West), and China has no better alternatives, it has to choose to rise from within (see also Li M. 2011). Similarly, Quintus Snyder (2013) argues that the current open, liberal commercial order that the West has built creates systemic pressures for China to integrate itself into the system because inclusion entails benefits such as investment, market access, and competition. And this should help the two countries avoid going to war with one another. Liberally-minded scholars who study interdependence between China and the US also assure us that the two countries are linked ever more closely through globalization, leading to a convergence
of interests that limits strategic competition and promotes cooperation (e.g., B. Garrett 2006; Q. Zhao and Liu 2010).

These conflicting views on the possible direction of US-China relations are as incisive as they are confusing. Although there are scholars who recognize the complexity of the relationship and are more nuanced in their analysis of the future course of US-China relations (e.g., Glaser 2011; Christensen 2015; Drezner 20009; Mastandun 2014), there is no doubt that their analyses are also framed by the realist and liberal theories that point to either competitive or cooperative directions. And this bifurcated mode of thinking unnecessarily limits our horizon and prevents us from better appreciating the true dynamics at work in such an important relationship. A new framework is needed to help us understand the seemingly contradictory elements -- both cooperation and competition -- that are present in US-China relations.

This paper argues that this paper argues that the two countries are likely to take a third route where they compete and cooperate with each other at the same time. This mutual hedging is attributable to the dual structure of the region (and the world): anarchy and heterarchy. The existence of anarchy is apparent given the suspicion and distrust that remain among states. Heterarchy manifests in the growing economic, financial, institutional and other linkages in the region and beyond, and in the possibility for multiple states to emerge as a central player on a given issue or linkage. This diarchic structure of the world makes it difficult for either China or the US to unambiguously define its self-interests or view the other (and many other states) simply as either friend or rival, prompting both to avoid a completely competitive or a wholly cooperative approach to relations with the other.

The remainder of the paper is organized as follows. Section II will outline a general theory hedging that is based on a reconceptualization of the international structure as one of diarchy consisting of both anarchy and heterarchy. Section III will briefly situate the US and China in the changing diarchy. Section IV goes on to examine the Obama administration's China policies, 2013-2015 while Section V examines China's policies toward the US in roughly the same period. These are cases where the two countries are least likely to have cooperated with the other given
Obama's hardened rebalance to Asia and the more assertive foreign policy under Chinese President Xi Jinping.

II. A Diarchical Theory of Hedging

To better understand the seemingly contradictory dynamics in US-China relations, we need a structural theory that helps account for the hedging behavior on the part of both states. A starting point for the construction of a new structural theory is to see how it is different from the predominant structural realist theory advanced by Kenneth Waltz (1979). Then this section will then go on to outline a diarchical theory of hedging. Finally, it will briefly introduce some possible forms of hedging.

My new theory of hedging is based on a view of structure that differs from the Waltzian notion in some important respects. First, unlike Waltzian insistence on anarchy as the only conceptual form of international structure, it is possible for a great variety of forms to exist as demonstrated by several strands of relevant literature. Liberal scholars (e.g., Lake 1996; 2009; Donnelly 2006) and power transition theorists (e.g., Tammen et al. 2001; Kugler and Tammen 2004) have established the existence of hierarchies in international politics. And network theory (or systems theory) in a variety of social science disciplines points to emergent properties that stem from the interconnection and interaction of the various units. The crucial point is that the unit-level interactions may have systemic implications (e.g., Hafner-Burton, Kahler, and Montegomery 2009; Maoz 2010; Cairney 2012). Second, there is structure only when the units of a possible system are able to interact with one another. As Buzan, Jones and Little (1993, ch. 4) emphasize, interaction is more than a unit-level attribute and the system's "interaction capacity" increases with advances in technology, especially "communication, transportation and information," gradually making it possible for the units to be truly thought of as a system. In this sense, it is only after technology and trade, among other things, gradually made it possible for the units to come into contact with one another that there emerged various sub-systems in different parts of the world which finally constituted a larger system with interactions among them. And third, with growing interaction it is possible for
the system to evolve in significant ways. Both Modelski (1996) and Tang (2013) have demonstrated such possibilities, especially in a more peaceful direction.

Now that I have delineated the differences between my conception and the Waltzian notion of structure, I now suggest that structure consists of two basic elements -- anarchy and heterarchy -- that fundamentally reorients state strategies away from realist calculations of simple balancing or bandwagoning. And this new conception of the international structure may be referred to as the international "diarchy," which is characterized by both diffusion and concentration of power and authority and by the increasing interdependence of state and non-state actors. Although seemingly a marriage of convenience of various elements, the idea of an international diarchy is far from a haphazard hodgepodge. Instead, it captures the fundamental elements of the international system and allows for a more nuanced and principled understanding of the workings of the system and its impact on state strategy.

The idea that there is anarchy in the system is well underscored by the realists (Waltz 1979, chs. 5-6; Mearsheimer 2001, ch. 2), and accepted by some of the liberals (Keohane 1984, ch. 5; Axelrod and Keohane 1985; Oye 1985). To the extent that there is no institution to exercise effective governance on a global scale, then the state of anarchy persists as realists rightly insist. But the problem is the extent to which anarchy should constitute the mainstay of the structure as Waltz claims. While both Waltz and Mearsheimer emphasize the overriding impact of anarchy, I think the realist case is grossly overstated. As the foregoing paragraphs have sought to demonstrate, alternative structures do exist. And it is my contention that the degree of anarchy has gradually lessened over the long course of history as the international systems emerge and evolve. The primary mover of this process is trade and social-cultural exchanges made possible by, among other things, technologies of transportation and communication. With the increasing intensity and multiplying patterns of interaction among actors on the world stage (primarily states in the modern world), the system has evolved so much that alternatives to anarchy have developed (as cited above and further elaborated below) that effectively reduced the severity and impact of
international anarchy.

While it is still out there, anarchy no longer exercises a totalizing effect as realists assume in a rather ahistorical and primordial fashion. Rather than compelling states to be mostly or almost solely concerned with survival, a much moderated anarchy now still conditions state calculations especially on security matters yet without forcing states to be just security maximizers any more because states have developed links with one another in ways that also shape their calculations about how to deal with others states.

The second basic element in my new notion of the international structure is international heterarchy, which is a fairly new concept in international relations. According to anthropologist Carole Crumley (2005, 39), heterarchy can be defined as "the relation of elements to one another when they are unranked, or when they possess the potential for being ranked in a number of different ways, depending on systemic requirements." In other words, it allows for the possibility of unranked order similar to the idea of anarchy or of multiple hierarchies. Sociologist David Stark (2001, 22, 24-26) defines heterarchy as "an emergent, self-organizing form" that involves relations of interdependence and "a multiplicity of organizing principles." According to Kyriakos Kontopoulos (1993) who offers a much-cited theoretical treatment, heterarchy, which is "a partially ordered level structure implicating a rampant interactional complexity," entails "several-to-several connections" between different levels and the existence of "multiaccess, multilinkages, multiple determinations and differential stabilities" (381, chs. 3-4). Heterarchy should be seen as consisting of many different levels, which interrelate with one another in complex ways, with the potential for various groupings to emerge at the local level (ch. 13).

In international relations, heterarchy has only caught the attention of a few scholars. Baumann and Dingwerth (2015) have used the term without offering an explicit definition, simply implying it is almost tantamount to global governance, which has given rise to "the presence of multiple, and partially overlapping, rule systems that transcend national borders and that are not reducible to the interests and power of a single dominant actor" (106). Jack Donnelly (2009, 64), who draws on
work in other disciplines, defines heterarchy as "systems with multiple, and thus often 'tangled', hierarchies" which involve "multiple ranking associated with differentially divided capabilities or authority" (see also Jackson 2014).

For the purpose of this paper, I define heterarchy as multi-centric structures that emerge out of the complex interaction of actors on multiple levels with the potential of forming groupings that can impact the interests and strategies of other actors and structures in the system. This largely agrees with the spirit of the literature on heterarchy just cited, but the emphasis is a bit different from Donnelly (2009) who is more concerned with ranking. What I have in mind is the existence of the various ways for any number of actors to meaningfully relate and interact with one another in ways that carry implications for other actors and other similarly formed structures.

The reason for the emergence of heterarchy as I see it is again the result of interaction of actors and the evolution of the system with growing scale and intensity of the interactions that I discussed earlier. Global governance is certainly one important factor in the emergence of international heterarchy as Baumann and Dingwerth (2015) have argued. But global governance is as much a cause as it is also a result of globalization and the accelerating rate of interactions of actors that I have been emphasizing. As Keohane and Nye (2004) suggest, it is the growing "complex interdependence" that makes it possible for growing role of international institutions. Again I would argue that this increasingly complex interdependent relationship has had to do with the ability of the states to interact along with the policies of the states that facilitated the globalization process. In addition, one may just as well argue that state policies that promoted globalization was also partly a response to the growing need for more and freer trade and more exchange in other aspects.

So far we have identified and discussed the two basic components of the new international diarchy. But how do they relate to one another? They were all present when the international system first emerged, contrary to the realist focus on anarchy alone. This is the case because, as already argued above, the international system in the true sense only came into being after states were able to interact with one another in meaningful ways thanks to technology and trade. In other words, the system came
about primarily because the interaction capacity of the states reached a threshold level
that allowed all states to be conceived as constituting a whole on the global scale. And
in this sense, anarchy was certainly present even at the beginning. As indicated just
above, it is also true heterarchy was present at the creation of the system because by
then the interaction capacity of the actors already allowed them to interact with others
on a regional level. The inclusion of all or most regional structures in system marked
the beginning of a true system although it was and still is possible for some actors to
be excluded because of their small size or geographical isolation. But this does not
mean that the whole system has always remained the same since its beginning; rather
it has qualitatively evolved over the centuries. What has changed is that while there
was more anarchy in the early periods relative to heterarchy, now heterarchy has
greatly increased even though anarchy may not have been qualitatively changed, only
with less intensity than before.

What are the major characteristics of the new international diarchy? I suggest
that there is a dualistic mix of seemingly contradictory elements. On the one hand,
there are the familiar realpolitik characteristics of anarchy, one the other there are the
elements associated mostly with heterarchy. The realpolitik characteristics of anarchy
refer to the self-help principle in security, the uncertainty of intentions, and the
inequality of power as anarchy and hierarchy connote. I agree with the realists that
security is a primary goal of the state, and states spare no efforts to attain it. But we
also need to recognize that as the death rate of states go down considerably with the
evolution of the international system (Tang 2013, ch. 3), states are able to put more
efforts in other pursuits although they will not let down their guard. And given the
power inequality between states, states vary in their ability and freedom of action with
regard to what they can do to maintain their own security.

For the new elements in the diarchy that are mostly derived from heterarchy, I
would highlight two key features: growing interdependence and multicentricity. First,
interdependence can be demonstrated through the growth of multiple linkages and
multiple issues on which states are linked with one another. Multiple linkages refer to
the possibility for states to form meaningful ties with one another in many different
ways that have an impact on their interactions with other states. By meaningful ties, I mean the kind of association that can have an impact on or carry costs for their relations with others, in line with Koehane and Nye’s (2004, ch. 2) idea of “costly effects” as a way to distinguish interdependence from mere interconnection which may not produce any cost at all for the parties involved. Such ties can be forged on different issues, with multiple actors, and on different geographical levels (regional, trans-regional, global). And given the accelerating pace of meaningful ties among states, it is reasonable to expect their interactions will play out on increasingly more issues that they will come to be faced with.

The second is multicentricity which refers to the possibility for many different actors (states and non-state actors alike) to emerge as the central focal points on any given issue or cooperative endeavor. The focal actors play a leading and more central role in these efforts such as setting the agenda, providing necessary leadership, or simply being a central rallying force. Multicentricity in this sense is synonymous with multiple hierarchies which some authors (e.g., Donnelly 2009) have used to define heterarchy. And it must be kept in mind that the emergence and evolution of multicentricity is an evolutionary process that gains momentum with growing ties among states, making it possible for more players to assume some central roles in the system. It does not mean that equal distribution of power and authority; instead it is just a possibility for more actors to have more opportunities to gain and exercise greater influence through the ties they have with other states.

Then what are the implications of the new conception of the international structure as one of diarchy, especially for state strategy? My argument is that it induces a dualistic approach to strategy that combines seemingly contradictory elements. The realpolitik dimensions will most likely incline them toward competitive policies to deal with others given the concern for security, the unknowability of other's intentions and the importance of power in all of these security-related considerations. As a result, states will likely watch closely the policies of other states especially as they relate to their security, be concerned about or even fear the consequence of some of the actions of others, and will not hesitate to utilize all means at their disposal to
deal with what they see as a matter of concern or a threat to their security. The means they may use include diplomatic, economic, military, and any other resources that they have access to. Here, in a word, is the largely familiar story told by mostly realist scholars.

But in the diarchical thinking adopted here in this paper, such competitive aspects will be greatly moderated, not by their innate inclination toward more peaceful approaches, but by the countervailing imperatives of the heterarchic structure in the world. Specifically, the heterarchic structure will have an impact on three matters: power (more leverage points for power and influence), interest (entanglement of interests and conflict of self-interests), and strategy (strategic paradox). First, states have more leverage points for power and influence because of the multiple linkages they have with others, the existence of multicentricity, and diffusiveness of vulnerability. Since multiple linkages allow them to have many potential partners to work with on multiple issues and different actors may become the focal point on a given issue or in an interdependent relationship, a state may be able to use some of these linkages to balance its relations with another actor. This flexibility and the concomitant fluidity give states more opportunities to leverage their multiple linkages for power and influence. In addition, the diffusiveness of vulnerability also lends itself to the manipulation by a state to exert influence on another party. All these will make it possible for an actor to utilize various ways for the purpose of exercising some relative power and influence.

Does this mean that heterarchy tends to "equalize" power among states? The answer is both yes and no. Yes, because the availability of more leverage points certainly gives an otherwise less powerful actor more opportunities to exercise some power and influence that it previously was not able to do. In this sense, there is some leveling effect. But on the other side, this also gives the more powerful state more leverage as well. In addition, many of the arguments about power asymmetry is likely to hold. Factors such as relative size, first mover advantage, and the importance of hard power still favor the more powerful actors (Nye 2002, 63-65).

The second consequence relates to how a state now conceives of its own interests.
One aspect here is the entanglement of interests. This entanglement is attributable to the characteristics of the heterarchic structure. As a result of the complex ties a state has with other parties, it necessarily means that the state's calculation of its own interests becomes rather complicated because it has so many parties that it can choose to work with on so many issues. One's interests are now inexorably intertwined with those of so many others. Even with regard to just one specific state, a state's calculation of interests may be compounded as well because the state has ties on many issues with the other state. It does not mean that such ties are always for the better in the sense of generating more cooperation; in fact some of the ties may actually cause some conflict. It just means that it is difficult to view any other state in purely adversarial terms or purely friendly terms.

The other aspect on the conception of interest is the conflict of self-interests, again attributable to the consequence of the heterarchic structure. There is a conflict of self-interests in the sense that it is getting difficult to clearly formulate a coherent idea about one's own self-interests. One state may have an interest in working with another state on one particular issue but at the same finds itself in some conflict with the same other state on another issue. This has to do again with the characteristics of the heterarchic structure. Given the multiple ties that a state has with multiple others on multiple issues, it is unlikely for it to have compatible interests with all other actors. It may have common interests with other states on many issues of concern to it, and may need to work with those states that share common interest. But the problem is that the states with which it shares common interests on issue A may be different from those with which it has common interests on issue B. The incongruity of many of its common interest-groupings makes it difficult for the state to develop a coherent idea about where its self-interests lie.

The final consequence that emerges out of the heterarchic structure is strategic paradox. In a sense, it is the cumulative consequence of the previous two points on power and interest. On the one hand, since a state many potentially choose from many parties to work with on a whole host of issues, heterarchy implies great strategic latitude because of the freedom it gains in considering how to respond to one another.
Given multiple linkages, multicentricity, and diffusive vulnerability, a state may have more options to choose from in their strategic choices. Given the thick web of relations that now envelop states of the world, any state is potentially able to use their linkage with some of their interacting partners to influence the action of some others. It is no longer possible to conceive of a zero-sum situation. But on the other hand, the state will actually be faced with uncertainty in how committed it has to be in dealing with another state. This is understandable because too much freedom of choice also means difficulty in its determination to view the other as the only choice of partner, causing it to shy away from exclusive close ties with the other. This is also because the conflict of its self-interests with regard to other actors. Now that it has to deal with actors whose interests may overlap with its own only partially, it is difficult to view any single other state as just a friend or an adversary.

The cumulative impact of the diarchic structure is that states will likely choose to adopt a two-handed approach toward another in its international relations. We will discuss two scenarios. First, in relations with states with which it has security concerns, the state will necessarily adopt competitive policies that it thinks will help to increase its security. This is in line with the impact of the anarchic logic as the realists argue. But at the same time, the competitive side will likely be accompanied by cooperative policies that seek to realize the common interests it has with the state that poses a security concern. In the current climate, the common interests that can induce more cooperative relations include trade and cultural ties, for instance.

Second, even in its relations with a state that is not a security concern, or even a security partner or ally, the state will likely adopt two-handed approach as well. This is because while the security concern is largely absent, state A's interests are not likely to be totally compatible with state B's given the impact of the heterarchic structure. So state A will likely work with state B on some issues and compete with it on some others. And given state A's multiple linkages with a great number of states in the world, it is likely to share common interests with states that be in conflict with state B over other issues including security. To the extent that state A does not scale back its cooperative policies with those states that are in conflict with state B, then it can be
said that state A is partially competing with state B, even though the intensity may be rather mild.

Now that I have discussed the implications of a new international diarchy, the next task is to briefly explain what a hedging strategy will look like. And my answer goes beyond the familiar realist or liberal accounts. I make two points here. First, the strategies should not just involve military or political means, but also economic or financial means. Any hedging strategy is likely to be multidimensional because states under diarchy necessarily conceive their approaches in a holistic fashion by viewing each of their options as related to one another in meaningful ways. And the major dimensions include the military/security dimension, the political/diplomatic dimension, and the economic/financial dimension. Second, a hedging strategy will involve countervailing elements drawn from both competitive and cooperative options available in all three major dimensions.

III. The US and China in International Diarchy

Now that the previous section has just outlined the international diarchy, this section will provide some illustration of the position of the US and China in it. Because anarchy is well documented and theorized, both in general and as it relates to US-China relations, this section will focus on the new element of the heterarchy by illustrating two of its features: growing interdependence and multicentricity.

A. Growing Interdependence

This growing interdependence will be illustrated in two aspects: the political/diplomatic dimension and the economic dimension.

The political/diplomatic interdependence between China and the United States has been rising and can be demonstrated through their joint membership in IOs and the ever-growing number of dialogue mechanisms between the two countries. First, US and Chinese joint memberships in international organizations are a good example. As Figure 4 shows, US and Chinese comemberships in IGOs have seen a generally upward trajectory in more than a century since the late 19th century, with the exception of a tumble between 1940 and 1960, which was probably caused by WWII
and the onset of the Cold War that divided the West and the East. Shared memberships in IGOs went from just a few in the late 19th century to more than 10 in 1940. After the interruption of the 1940-1960 period, the comemberships leveled off at about 15 to 16 for the next two decades, reached 30 by mid-1980s, and 40 by 1990 before hitting 50 by the mid-1990s and stabilizing at 51 for up till 2005. And if we compare the US-China comemberships against the average dyadic IGO comemberships in the international system between 1960 and 2005, we see that the growth of US-China comemberships (especially for the period of late 1970s to 2005) was apparently more pronounced than the systemic average which reached 20 in the late 1970s and 30 only by early 2000s.

Figure 4 Chinese and US Co-memberships in International Organizations, 1860-2005

![Graph showing Chinese and US Co-memberships in International Organizations, 1860-2005](image)

**Source:** The percentages are calculated using dyadic information contained in the COW dataset on IGOs (v2.3).

Second, the growing number of US-China dialogue mechanisms that were established between 1972 and 2015 constitute another set of evidence in support of the growing political interdependence between China and the US. As shown in Figure 5, the cumulative number of mechanisms saw a rising trend although the line remains rather flat -- and below 20 -- for the period 1980 up to the mid-1990s. But since the late 1990s, the cumulative number of dialogue mechanisms climbed to 42 in 2004, 86 in 2008, 121 in 2012, and 143 in 2015, almost an increase by 10 on average each year.

**Figure 5 Cumulative Number of US-China Dialogue Mechanisms, 1972-2015**

![Graph showing cumulative number of US-China dialogue mechanisms, 1972-2015](image)

**Source:** Based on this author's calculations.

The growing interdependence between the US and China in the *economic and trade dimension* can be clearly seen through increasingly close bilateral trade and financial ties. First, bilateral trade has been growing at breathtaking pace. According to Figure 6, US trade with China as percentage of total US trade in goods, which was almost negligible in the 1960s, began to gradually rise from the early 1970s up till the late 1980s, reaching about 2%. Since the end of the Cold War, the figures have skyrocketed, rising to 4% by 1992, 8.23% in 2002, and 12.27% in 2006, finally hitting 16.38% by 2015. US export to and import from China have also experienced a similar rising trend although the exact patterns differ slightly from that of total trade with China. US export to China outweighed its import from China before the late 1980s, but was quickly overtaken afterward. Since the late 1980s, US import from China saw a greater rising trend than that of US trade with China, reaching 21.9% in 2015 while US export grew much slower than US trade with China, climbing to 7.8% in 2015. But since the different growth rates between export and import have more to do with US trade balance with China, their consistent rise with the overall trade percentage is an unmistakable indicator of the tightening of trade interdependence between China and the US. Although Chinese statistics on US trade with China are slightly different
and would suggest that it was around 1992-1993 that the US began to import more than it exported to China, the overall rising trend is very much similar (Feng Lei 2011, 15-17).

**Figure 6. US Trade with China as Percentage of Total US Trade (in Goods), 1962-2014**

Source: The percentages are calculated based on trade figures taken from the UN COMTRADE database (http://comtrade.un.org/). I have consistently used data reported through the SITC Rev.1 classification.

A second set of figures that can help to appreciate the deepening interdependence between the US and China is their financial relations. Although Chinese direct investment in the US is relatively insignificant (Xia Xianliang 2011, 53-55), China's holdings of US debts constitute a remarkable proportion of all US debts. As shown in Figure 7, China's holdings almost skyrocketed from 1989 to 2011, beginning with merely 0.2 billion USD, rising to 92.3 billion USD in 2000, nearly doubling in the next two years reaching 181.5 billion USD by 2002, and continuing to rise to 255.5 billion USD in 2003. Between 2004 and 2011, Chinese holdings would increase by an astonishing 100-200 billion USD each year, culminating in the peak at 1726.6 billion USD in 2011, which was 1.87 times as much as in 2007 and 5.06 times as much in 2004. Despite a slight fall in 2012, the figure rebounded and stood at 1843.4 billion USD in 2015. The sheer magnitude of China's holdings in the last few years is unprecedented because the 2014 Chinese holding of US debts would be equal to 17.5%
of China’s GDP in the same year.¹

**Figure 7  Chinese Holdings of US Debts, 1989-2015 (in billion USD)**

![Bar chart showing Chinese holdings of US Debts from 1989 to 2015.](chart.png)


**B. Increasing Heterarchy**

The increasing heterarchy can also be illustrated through the reduced gap in centrality in two respects: the political/diplomatic dimension and the economic dimension.

For the *political dimension*, there has been a narrowing in the gap between the centrality of the US and China in the system constituted by IGOs. There is no doubt the US played a very important role in shaping and building the post-WWII international institutional structure, but over time US influence in the structure has waned (Ikenberry 2001; 2011; Mastanduno 2014). For instance, this can be demonstrated through the changing US centrality scores in IGOs. For this I have again relied on the COW datasets on IGOs (v2.3), and calculated the centrality scores of all the states in the system by processing the numbers of dyadic comberships through UCinet 6. The results show that for the years 1950-2005, Chinese share of centrality

¹ The proportion is calculated by using GDP data identified in Figure 5.10.
stood at about 0.1% until the mid-1950s and then rose to 0.4% by mid-1960s, and has henceforth leveled off. In contrast, the US share of centrality has steadily gone down, from 2.4% in 1950 to, 1.7% in 1965, 1.3% in 1985, and 0.9% in 2005. This translates into a drop by 20-30% in US centrality since 1965 although US centrality is still higher than that of China's (see Figure 8).

**Figure 8  US and Chinese Shares of IGO Centrality, 1950-2005**

![Graph showing US and Chinese shares of IGO centrality from 1950 to 2005.](image)

*Source:* Data on dyadic IGO comemberships are derived from the COW datasets on IGO (v2.3) and then processed through UCinet 6 to calculate the centrality degree scores.

For the *economic dimension*, US and Chinese centrality in the global economic and trade system has changed in that China's centrality has gone up while the US centrality has gone down. This can be seen through changes in their relative share of GDP and their importance in the trading system. The first indicator of relative economic centrality is a country's share of GDP. According to data from the World Bank (see Figure 9), US share of world GDP since 1960 has on the whole seen a declining trend although there are periods of rebound. Starting from 1960 when the US share was nearly 40% of the world total, it gradually fell to 36.4% in 1970 and would lose nearly 10 more percentage points in a decade, hitting the bottom in 1980 when it was reduced to 25.7%. It rebounded to a high of 34.3% in 1984, but then fell again in a decade to 25% in 1994 before rising to another high of 32.1% in 2001. Since 2001, it has again gone down, and has hovered between 21.4%- 22.4% in the 2010s.

The Chinese share of world GDP, on the other hand, has seen an overall trend of growth, especially relative to the US, although it declined and fluctuated. According
to Figure 9, between 1960 and 1987, the Chinese share slowly declined from nearly 4.3% in 1960, to 3.1% in 1970, and 1.7% in 1980 before tumbling to the lowest of 1.6% in 1987, which many fluctuations in between the years. Since 1987, it would double almost every 7-10 years, reaching 3.1% in 1997, 6.1% in 2007, and 12.5% in 2013.

**Figure 9  Chinese and US GDP as Share of the World, 1960-2014**


A second way to measure Chinese and US centrality in world trade is to look at their share of trade centrality. As shown in Figure 10, US share of centrality in total trade stood between 8.1% and 9.3% between 1962 and 1990 with the years at both ends all at 9.3%. Since 1990, US share dropped to 8.7 and 8.1 in 1997 and 2000, and to 7.2 and 7.1 in 2004 and 2007, and finally to 6.3 and 6.2 in 2011 and 2014. US share of world export saw more fluctuation, especially a huge bulge in 1984, but was on the whole consistent with declining pattern of total trade. The decline in US share of world import saw greater fit with that of US total trade, but was on whole much lower than the share of total trade. And there is no doubt that on the whole the trend for US share in trade was one of gradual decline.

In contrast, the Chinese story was still one of steady growth, especially after 1990. While Chinese share of total trade climbed from 0.04% and 0.05% in 1962 and 1970, it hovered at 0.08-0.09% between 1974 and 1990. Since rising to 1.4% in 1997,
it nearly doubled, up to 2.7% by 2004, and doubled again in the next ten years reaching 5.4% in 2014. The patterns of growth for Chinese share in export and import were very much similar to their normalized scores of centrality in that export grew much slower than total trade while import was consistently greater than total trade.

Overall, the contrast between Chinese and US share of centrality in world trade makes it clear that US share has been declining while Chinese share has been going up. As Figure 10 clearly shows, the gaps in terms of total trade, export and import are all being narrowed. In particular, the line marked with a triangle (▲) which stands for the gap in centrality share between China and the US provides the clearest indication. The gap fluctuated between 7.3 and 8.9 percentage points between 1962 and 1990, but since around 1984/1990, it progressively went down from 8.3-8.4 percentage points to 6.4 in 2000, 1.8 in 2011, and 0.8 in 2014.

**Figure 10 Chinese and US Share of Centrality in World Trade (in Goods), 1962-2014**

Source: Dyadic statistics on world trade (i.e., between pairs of states or economies) are obtained from the UN COMTRADE database through the advanced query function of the World Integrated Trade Solution (WITS) system (https://wits.worldbank.org/) maintained by the World Bank. Dyadic trade ratios are then calculated and later processed by UCINET 6 to calculate the share of centrality.

**IV. Obama’s China Policy, 2013-2015**

Since Obama announced its rebalance to Asia in late 2011, the first three years in his second term was a time in which he made serious efforts to implement the
rebalancing strategy. Although such high-profile strategic stance has caused a lot of tension in the region and in US relations with China, a careful analysis of the actual policies Obama took in the three years 2013-2015, which were conventionally thought to be very confrontational, reveals that Obama in fact adopted a hedging strategy toward China as in all three dimensions, the US mixed both significant amounts of competitive and cooperative elements in its policy toward China. What's more, the intentions and perceptions as expressed by the key decision-makers are also consistent with the policy behaviors. The four subsections below address these issues in turn.

A. Political/ Diplomatic Dimension

In the political/diplomatic dimension, the Obama administration adopted mixed policies. On the cooperative side, it made serious efforts to enhance dialogue and consultation at the head of state and cabinet levels and continue to use or expand the range of dialogue mechanisms between the two countries. On the competitive side, it criticized China for human rights, tried to intervene in territorial disputes China has with neighbors, and worked to enhance its relations with countries around China.

As indicated just above, the cooperative side of the Obama's approach lay in its willingness to sustain political ties with China through high-level exchange and dialogue mechanism. First, at the presidential level, in the three years between 2013-2015, President Obama held three summits with President Xi, held talks with Xi three more times on the sidelines of international conferences, and had seven telephone conversations. What distinguishes the three summits is the hours Obama spent interacting with Xi: he held about 8 hours of talks with Xi at the Sunnylands informal summit in June 2013, and spent about 4.5 hours conversing with Xi at the November 2014 summit in Beijing and the September 2015 summit in Washington, DC, respectively. The length of the Obama conversations with Xi allowed them to exchange views in greater depth on wide ranging issues and to develop better working relations. (Glaser and Vitello 2013a, 25-27; 2015a, 27-26; 2016, 21-23, 25-27; Xuexi Xiaozu 2015a; 2015b).

Second, exchange also took place on the cabinet levels. US vice president Joe
Biden visited China in December 2013 to consult on North Korea and to express concern over the rising territorial disputes in East Asia (Glaser and Vitello 2014a, 24-25). US officials with foreign policy portfolios frequently meet their Chinese colleagues. For example, as Secretary of State, John Kerry was no doubt the most active in doing so. In addition to attending the 2014 S&ED which was held in Beijing, Kerry separately visited China once a year: first in April 2013, then in February 2014, and finally in May 2015. Kerry also held separate meetings with Foreign Minister Wang Yi or State Council Yang Jiechi many times a year on the sidelines of international conferences (Glaser and Billingsley 2013a; 2013b; Glaser and Vitello 2013; 2014a; 2014b; 2014c; 2015a, 2015b, 2015c; 2016).

Third, the cooperative side of Obama's policy can also been seen in its efforts to sustain and broaden institutionalized mechanisms for dialogue with China. There is no doubt that the premier mechanism has been the annual session of the S&ED that began in the first year of Obama's first term, and of particular relevance here is the its strategic track which largely focuses on diplomatic issues. In the past three S&EDs, discussions along the security track has produced growing lists of tangible results, including agreements on emission reduction, the implementation of energy policies, counter-proliferation, maritime law enforcement (Glaser and Vitello 2013, 28-29; 2014c, 27-28; S&ED 2013; 2014; 2015).

The competitive side of the China policy of the Obama administration consisted in criticism of Chinese human rights, in its efforts to wade into territorial disputes China has with neighboring countries, and in its attempts to enhance its relations with countries around China. First, the Obama administration continued to raise concerns with human rights in China. For instance, Obama voiced his concerns with human rights and rule of law in China when he met Xi on the sidelines of the Nuclear Security Summit in the Hague in March 2014. Kerry also raised human rights and China's denial of visas to foreign journalists when he met Wang Yi in New York in September 2014. The US monitored and criticized what it saw as China's "crackdown" on human rights lawyers. And Obama continued to meet the Dalai Lama, which he did in February 2014 at the White House and in February 2015 at the
Second, the Obama administration made sustained efforts to intervene in the territorial disputes China has with its neighbors, especially those in the South China Sea (SCS). Over the three years under study here, US policies gradually hardened and became more confrontational. For much of 2013, the basic approach of the Obama administration was to call for restraint and peaceful settlement of differences. Obama raised the issue with Xi at the Sunnyland summit in June 2013, and Vice President Biden in a speech in July stated that with respect the issue, nations should avoid intimidation, coercion or aggression. Defense Secretary Chuck Hagel both at the June Shangri-La dialogue and on his visit to Malaysia in August called for restraint and urged the parties to seek peaceful resolution. John Kerry stated that the US was against coercive or provocative action, called for the conclusion of a binding Code of Conduct and especially warned China not to establish an air defense identification zone (ADIZ). In January 2014, Assistant Secretary of State Daniel Russel challenged the legality of Chinese claims in the SCS by suggesting the nine-dash line was inconsistent with international law because it was not based on land features (Glaser and Vitello 2013, 31-33; 2014a, 26-27; 2014b, 29-31; 2014c, 33-34).

After the Obama administration failed to promote its idea of a "freeze" on all reclamations in the SCS in the summer of 2014, a slew of officials in the administration began to focus their criticism on China in late 2014 through mid-2015. They criticized Chinese reclamation activities as destabilizing and a challenge to the status quo (Glaser and Vitello 2014c, 33-35; 2015a, 29-30; 2015b, 22-24; 2015c, 30-32). Then in last few months of 2015, the Obama administration took even more competitive actions by actually challenging Chinese sovereignty in the SCS. For instance, in late October the US sent its navy destroyer USS Lassen to sail within the 12 nautical miles of the Subi Reef in the Spratlys. Then in December, an US B-52 strategic bomber flew within just two nautical miles of one of China's islands in the Spratlys (Glaser and Vitello 2016, 27-28; Pak 2015; Page and Lubold 2015).

Third, the Obama administration also worked to enhance its relations with
countries surrounding China. As it continued to pay attention to Southeast, Obama visited Thailand, Myanmar, and Cambodia, and had invited Thailand to join the TPP talks. It also worked to improve its relations with Vietnam and upgraded it to a comprehensive partnership, which was announced in July 2013, when the Vietnamese president visited Washington. The Obama administration also put a premium on its relations with India, and after Nerendra Modi became prime minister, it went out its way to embrace him despite its past misgivings about Modi (Ruan 2015, 37-38; Ni Feng 2015, 154).

B. Economic/Trade Dimension

In the economic/trade dimension, the Obama administration also adopted a mixed approach toward China between 2013 and 2015. On the cooperative side, it engaged in frequent high-level contact, cooperated with China through regular dialogue mechanisms and worked together on the negotiation of a bilateral investment treaty. On the competitive side, the Obama administration leveled criticism on China, took protectionist steps, and competed with China over trade and financial institutions.

On the cooperative side, first, Obama continued to engage China through high-level exchange. In his summits with Xi, some important decisions were made. For instance, at the June 2013 summit, Obama agreed with Xi to push forward the talks on a bilateral investment treaty (BIT). At the 2014 summit in Beijing, Obama and Xi agreed to expand the Information Trade Agreement (ITA), which serves to further liberalize trade. And at the 2015 summit in Washington, D.C., Obama announced the establishment of "mechanism on regular phone conversation on economic affairs" for two countries to consult on major economic issues (Glaser and Vitello 2015a, 27; 2016, 22; Song Guoyou 2014, 51; Obama and Xi 2015).

The Obama administration continued to cooperate with China through regular bilateral dialogue mechanisms, particularly the economic track of the S&ED which has been at the forefront in this respect, and the JCCT which has a long history. In the give and take at these dialogues, the Obama administration made some notable
cooperative moves in addition to raising its own concerns. At the SE&Ds, for instance, some important progress was made, including US promise to "treat Chinese investment equally and fairly" and welcome "Chinese investors, including SOEs," the signing of new Eco-Partnership with China, and an agreement to "implement the plan of IMF quota and Executive Board reform" that would give China more voting rights in the IMF (Glaser and Vitello 2013, 27-28; 2014c, 28-29; 2015a, 32; 2015c, 28-29; 2016, 30-32).

Another important issue on which the Obama administration cooperated with China was to push forward negotiations on the bilateral investment treaty (BIT), for which formal negotiations first began in 2008. In the years 2013-2015, the US worked with China, through bilateral exchanges and dialogues such as the S&ED and the JCCT, to make some real progress on the BIT (Glaser and Vitello 2013, 27-28; 2014c, 28-29; 2015a, 32; 2015c, 28-29; 2016, 30-32; Zhen 2016, 80-81).

On the competitive side, the Obama administration also took some moves with regard to China, including applying pressure on China on issues it was concerned about, taking protectionist measures such as anti-dumping and countervailing duty investigations, and pressing China hard on intellectual property rights, and competing with China over trade and financial norms and institutions.

First, the US continued to raise concern with or simply criticize China for what they viewed as unsatisfactory or unfair Chinese practices. US criticism revolved around a familiar set of issues including China's exchange rate, intellectual property rights, and barriers to foreign investment. It was apparent the US was getting impatient with the pace at which China was implementing its part of the deal. In addition, cyber security took an economic turn in these years because the Obama administration loudly criticized China for permitting cyber attacks against US companies (Glaser and Vitello 2013, 29; 2014c, 28; 2015b, 20-21).

Second, the Obama administration took very competitive steps against China by actively launching anti-dumping duty (AD) investigations and countervailing duty (CVD) investigations, and section 337 investigations against a wide range of Chinese products. In 2013, for instance, the investigations involved more than 443 million
USD worth of Chinese exports to the US (Jia Ru 2014). With regard to AD and CVD investigations, the US International Trade Commission (USITC) initiated 11 investigations against Chinese companies in 2013, 14 in 2014, and 11 in 2015, representing 17.2%, 37.8%, and 17.7% of all the initiations in the three years respectively (see Table 1). It is also worth noting that a great proportion of these investigations resulted in affirmative final determinations (54.6% and 85.7% for 2013 and 2014 investigations) or preliminary determinations (63.6% for 2015 investigations). It must be noted that the USITC has not yet made preliminary determinations on four other investigations initiated in 2015, so the final percentage in 2015 may be higher than 63.6%.

Table 1 AD and CVD Investigations Initiated Against Chinese Companies, 2013-2015

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Total No. of Initiations</td>
<td>62</td>
<td>37</td>
<td>64</td>
</tr>
<tr>
<td>Initiations against Chinese Companies</td>
<td>11 (17.7%)</td>
<td>14 (37.8%)</td>
<td>11 (17.2%)</td>
</tr>
<tr>
<td>No. of Affirmative Final/Preliminary Determinations as Percentage of No. of Initiations against China</td>
<td>54.6%</td>
<td>85.7%</td>
<td>63.6%</td>
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In addition to AD and CVD investigations, the Obama administration also took protectionist steps on intellectual property rights by extensively using Section 337 investigations against Chinese products, especially those that involve high-technology. In 2013, the USITC initiated 19 section 337 investigations against China, which constituted more than 45% of the total number of 42 investigations (Jia Ru 2014). In 2014, the USITC instituted 12 investigations against products of 68 Chinese companies. In 2015, it brought 11 investigations against Chinese products (involving 43 Chinese enterprises) which took up more than 30% of its total number of section 337 investigations (Chen Jie 2016; CTR 2015). In addition, the section 337
investigations increasingly targeted high-tech Chinese products, especially electronic products.

Third, the Obama administration continued to apply pressure on China with respect to intellectual property rights. The USTR in its annual "Special 301 Reports" consistently put China on the section 306 priority watch list for the years 2013-2015 for allegations of Chinese theft of US IPR involving issues such as software legalization, online piracy, and technology transfer requirements and so on (Marantis 2013, 31-38; Froman 2014, 30-37; 2015, 32-43). The Obama administration in particular made cyber theft of IPR an important issue, which constantly raised in its discussions with Chinese leaders. And in March 2014, the US took the unprecedented step of indicting five active duty Chinese officers for hacking and stealing commercial secrets from US companies such as Westinghouse, United States Steel, and Allegheny Technologies (DOJ 2014).

Fourth, the Obama administration took competitive actions toward China regarding trade and financial rules and institutions, such as the TPP and the AIIB. The TPP, which was the economic centerpiece of Obama's rebalance to Asia strategy, was important for the US to regain and enhance its influence in regional integration and the establishing rules of the road for the future of the global trading system because the agreement sets high standards on the protection of labor rights, the environment, and intellectual property rights. A New York Times article point out that "Many of the TPP's current provisions are designed to exclude China" (DePillis 2013). According to USTR Fromann (2014), the TPP would give the US strategic advantage by enabling it to play "a leading role in writing the rules of the road for a critical region in flux."

In an effort to conclude the TPP negotiations, the Obama administration made an aggressive push to enlarge its membership and to get the negotiations completed. It had worked hard to get Japan into the negotiations, a step that significantly enhanced the overall economic clout of the TPP. It also worked to encourage South Korean participation, although the latter did not formal join the negotiations (Fergusson, McMinimy and Williams 2015, 3; Ruan 2015, 40-41).

The Obama administration also took competitive action by trying to block
China's efforts to establish the Asian Infrastructure Investment Bank (AIIB), which was first announced in late 2013. While preparatory efforts were well under way and the parties were about to sign in October 2014 an MOU on establishing the bank, the US reportedly tried to persuade some of its allies such as Australia, Japan, and South Korea not to join, and the US would like the G7 countries to take a unified stand by refusing to be part of the bank. And when the UK became the first major Western country to announce its decision to join the bank, the US was very frustrated and complained about Britain's "constant accommodation" of China. In addition to trying to discourage its allies from joining, the Obama administration also talked down the Chinese project by raising various concerns about standards in an effort to create negative publicity for China. For instance, Obama also stated in his 2015 State of the Union address that the US should not let countries like China write the rules. And in mid-March 2015 while countries were in a rush to join, Treasury Secretary Lew similarly expressed doubts about the ability of the AIIB to "adhere to the kinds of high standards" on protecting workers' rights and the environment and on dealing with corruption (Glaser and Vitello 2015b, 25-26; Perlez 2015; The Economist 2015; Sobolewski and Lange 2015).

C. Military/ Security Dimension

In this dimension, the Obama administration adopted a mixed approach toward China. On the cooperative side, it worked to enhance high-level exchange on defense issues and improve military-to-military contact through mutual visits, port calls and joint exercises. On the competitive side, it took steps to challenge China on security matters, and particularly sought to bolster its military presence in the region and strengthen and upgrade its alliances and partnerships that could help to counterbalance China's growing military influence in the region.

On the cooperative side, the Obama administration sought to develop sound high-level military exchange. In the years under study here (2013-2015), the US took active measures to promote and enhance military contact with China, including mutual visits by high military/ defense officials, institutionalized dialogues mechani-
sms, and joint military exercises or friendly port calls. First, the Obama administration worked to engage with China through a series of high-level exchanges. Military relations was an important part of head of state exchanges. For instance, President Obama decided to sign on to proposals made by President Xi, and their November 2014 summit resulted in the signing of two memorandum of understanding (MOU), one on "rule of behavior for safe military encounters at sea and in the air," and the other on "mutual notification of major military activities" (Glaser and Vitello 2015a, 30-31). The Obama administration also engaged China in frequent contact between chief military/defense officials through phone calls and mutual visits.

Second, the Obama administration also worked with China through existing and new dialogue mechanisms. It used the annual Strategic Security Dialogue (SSD) which was part of the S&ED to discuss with China issues such as cyber security, maritime security, space, and risk reduction. It also availed itself of the Defense Consultative Talks (DCT) to promote its military relationship with China. The Obama administration also worked with China to develop new mechanisms of dialogue. For instance, it held the first Joint Staff Strategy Talks (JSST) with China in October 2014, and in November 2015, it also held with China their first bilateral Army-to-Army Exchange and Cooperation Dialogue Mechanism (Glaser and Vitello 2013, 29; 2014a, 27; 2014c, 28; 2015a, 31; 2015b, 27-28; 2015c, 30).

Third, the Obama administration worked to enhance military relations with China through joint military exercises and mutual port calls by navy warships. For example, US warships visited China and held drills or practiced the code for unplanned encounters at sea with Chinese ships. Of particular note was the US invitation to China to participate in the RIMPAC exercise, in which China did take part in late July and early August 2014. And in October 2014, the US welcomed China in a trilateral military exercise with Australia, which took place on Australian soil (Glaser and Vitello 2013, 27; 2014c, 32-33; 2015a, 31-32; 2015b, 27-28; 2015c, 35-36; 2016b, 29).

On the competitive side, the Obama administration directly challenged Chinese security by approving arms sales to Taiwan and challenging China's ADIZ, and it also
worked to bolster its military presence in the Asia-Pacific, enhance its alliances in the region, and improve military relationships with other countries surrounding China. First, the Obama team took competitive on a number issues directly related to China. In November 2013 when China announced the establishment of its ADIZ in the East China Sea, the US criticized it as an unilateral and destabilizing move that would change the status quo, and stated that it did not recognize the zone. The US military also sent two B-52 bombers to fly to the area to challenge China's ADIZ. In November 2014, Obama raised concern with China's concept of Asian security which President Xi proposed at an inter-Asian security conference earlier in the year. In December 2015, the US approved more than 1.83 billion USD of arms sales to Taiwan (Glaser and Vitello 2014a, 23-24; 2015a, 29; 2016, 30).

Second, the Obama administration took concrete steps to increase US military presence in the region. Secretary of Defense Chuck Hagel announced in 2013 that it had already allocated 60% of its overseas-based air forces to the Asia-Pacific, and the US Air Force would allocate 60% of space and cyber capabilities to the region (Hagel 2013). The administration also continued to optimize US military presence in regional allies. In late 2013, the US was able to finalize its adjustment of military forces in Japan after the relocation plan was approved by local authorities in Okinawa. In South Korea, the US made an additional deployment of 800 service men in 2014 as part of the rebalancing. In Singapore, the US deployed the first of its latest littoral combat ship in 2013. In 2014, the US signed an Enhanced Defense Cooperation Agreement with the Philippines which would allow the US to engage in military construction and use facilities that give it closer access to the South China Sea. In addition, the Obama administration made vigorous efforts to increase its military presence along the so-called "second island chain." In 2013, the US signed an agreement with Australia to include on Australian warship in the US Pacific Fleet (Ruan 2015, 45-48; Ni Feng 2015, 156; Glaser and Vitello 2014b, 30).

Third, the Obama administration sought to enhance it bilateral alliances. Given Japan's centrality in the alliance structure, the US paid particular attention to the upgrading the US-Japan alliance. At the October 2013 "2+2" meeting, Secretary of
State John Kerry and Defense Secretary Hagel and their Japanese counterparts reached the decision to revise the US-Japan Defense Guidelines. The April 2015 revision of the guidelines made it possible for Japan to assume great military responsibility in both peaceful and conflict situations and the grey area in between. The revision also enlarged the scope and geographic areas in which Japan may choose to get militarily involved such as situations in which the US or Japan's close partner is attacked, UN peace keeping missions, humanitarian assistance and disaster relief. This would make Japan far stronger ally for the US. On the Korean Peninsula, the Obama administration reached an agreement with South Korea in late 2014 to delay the transfer of operational control to the Koreans. Since 2014 the Obama administration had pressed South Korea to allow the US to deploy the Theater High-Altitude Area Defense (THAAD) system (Zhang Weiwei 2015, 33-35; Ruan 2015, 49-50; Ni Feng 2015, 157; Glaser and Vitello 2014b, 30; Manyin et al. 2016, 16). It also went to great lengths to upgrade and enhance its alliance with the Philippines through increased high-level military contact, arms sales, and joint exercises, in addition to the 2014 cooperation agreement mentioned above. It maintained frequent high-level exchange with visits by defense ministers, and held regular bilateral strategic dialogue (Song Runqing 2015, 114-124; Xin Qiang 2015, 57-58).

Fourth, the Obama administration worked to develop trilateral relationships among its key regional allies and its important partner India by relying on the US-Japan and US-Australian alliance as the core. Like the Bush administration, the Obama team used the trilateral collaboration with two key regional allies Japan and Australia to express concern and opposition to Chinese security activities. At the 2013 Trilateral Security Dialogue, the foreign affair ministers of the three countries voiced opposition to "coercive or unilateral actions that could change the status quo in the East China Sea", and emphasize the importance of freedom of navigation in the South China Sea, calling on claimants to exercise restraint. The defense ministers of the three countries held annual trilateral meetings on the sidelines of the Shangri-La Dialogue in 2013-2015 for security coordination. Their May 2015 joint statement, for
instance, makes a lot references to security matters relating to China, expressing concern over freedom of navigation and overflight, criticizing China's maritime activities, challenging China's territorial claim in the South China Sea (S. Smith 2013; Bishop, Kishida and Kerry. 2013; Nakatani, Carter and Andrews 2015). The Obama administration also encouraged the security coordination between its allies. It promoted a "2+2" meeting between Australia and South Korea, the first of which took place in July 2013. It also encouraged the cooperation between Japan and the Philippines (Ruan 2015, 25-26).

The Obama administration worked to enhance its security relationship with India which it values very much, and promote trilateral security coordination between India, the US and its allies. In 2014, Obama signed with Indian Prime Minister Singh "India-US Declaration on Defense Cooperation" that aimed to enhance their "long-term strategic partnership." In June 2015 the US signed with India a new "Framework for the U.S.-India Defense Relationship" which provided a framework of defense and security cooperation for the next ten years (DOD 2015). The Obama administration also promoted security cooperation among India, Japan, and the US. In June 2015, the defense chiefs of the three countries held a trilateral meeting in New Delhi where they expressed concern over China's "aggressive attitude" (Lang 2015, 1). Then in September 2015, the foreign ministers of the three countries held their trilateral meeting in New York where again they coordinated on security issues relating to China.

Fifth, the Obama administration also worked to improve its relationship other countries in Southeast Asia. It deployed its most advanced littoral combat warship in Singapore in 2013 and 2014 and more than 60% of US arms sales in the Obama administration to Southeast Asia went to Singapore. It decided to establish a "comprehensive partnership" with Malaysia in April 2014. With Indonesia, the US increased high-level military contact through mutual visit by national defense chiefs and other senior military officers in recent years. The scope of its military exercises with Indonesia was also expanded from counterterrorism to a host of security issues. On mainland Southeast Asia, the Obama administration consistently supported and
upgraded its security relations with its ally Thailand through joint military exercises, military aid, and arms sales. The Obama administration also worked to enhance security relation with other countries such as Myanmar, Cambodia, and Laos (Song Runqing 2015, chs. 3-5; Li Yibo 2016, 71-74; Xin Qiang 2015, 58-59).

D. Interests, Roles, and Strategy: US Assessments of China through Statements by Key Decision-Makers

Now that the preceding paragraphs have looked at the patterns of hedging in Obama's strategy toward China during the periods under study here, my next task is to see if the perceptions and calculations of the key decision-makers are also consistent with the predictions of the theory of hedging. I have systematically sorted through all the public remarks, statements, interviews of some of the most important foreign policy decision makers in which they talk about the overall approach to China.

Careful reading of these textual material reveals a few inter-related themes concerning the Obama administrations China policy, including an appreciation of the effect of the "interconnection" of the world, how Chinese interests intersect with those of the United States, the relationship between China and the US, and finally the kind of strategy the US should adopt in dealing with China.

First, the Obama administration had a fuller understanding of the impact of the interconnection that exists among countries of the world today. For instance, in remarks made during the 2013 Sunnylands summit with President Xi, Obama (2013a) pointed out there are many "global challenges that no single nation can address by itself," and that's why the US had to work with China on issues like climate change. Then at the November 2014 APEC CEO summit, he stated that "the pursuit of economic growth, job creation and trade is not a zero-sum game. One country's prosperity doesn't have to come at the expense of another." And commenting on US relations with China, Obama (2015f) stated at business roundtable in 2015 that US and Chinese "fates are sufficiently intertwined" to prevent a the relationship from turning worse. And John Kerry has also made similar remarks as when he (Kerry 2013a; Kerry, Biden, Liu et al. 2015) that US-China economic relations was not a
zero-sum game, or that the deepening economic interdependence between the two countries made them mutually dependent on each other's economy.

Second, the Obama team saw both common interests and differences between the US and China. It seemed to place equal emphasis on both the shared interests and on the differences (e.g., Obama 2015e; Kerry 2014c; Kerry, Wang and Lew et al. 2014). But for the most part, the terminologies changed a bit in that on most occasions, they tended to say there are instances where interests between the US and China overlap or align, and instances where they do not (e.g., Obama 2014b; 2014d; 2015c; Kerry 2014d; Russel 2014). In addition, the Obama team tended to see more serious differences in US relations with China. For instance, Obama made references to "some significant disagreements and sources of tension" (2013b), or "tensions and disagreements" (2014b) or some inevitable differences (2015b). But while this change of tone is largely detectable, their overall characterization of the intersection of interests between the US and China was still a mix of shared/overlapping interest plus differences/tensions (see also Obama 2015a; Kerry 2014e; 2015a; 2015b).

Third, with regard to how to view China's role or US relationship with China, the overall idea of the Obama team was that this was complex relationship that involved both cooperation and competition. The administration was very explicit about the non-zero-sum nature of the US relationship with China. They stuck with the basic view that the US had a complex or complicated relationship with China which was characterized by a "mix of competition and cooperation" (Kerry in Kerry, Biden, and Lew et al. 2013; Kerry 2014b; Donilon 2013a; Rice 2013a; 2013b). Biden (2013b) even described this as "a healthy mix of competition and cooperation." Under the broad theme, the Obama team emphasized that the US relationship with China (economic or otherwise) was not a zero-sum game because deepening economic interdependence meant both nations had "a stake in the success of the other" (Kerry 2013a; Kerry in Kerry, Wang, Lew, et al. 2014; Kerry in Kerry, Biden, and Liu et al. 2014).

Fourth, as a result of the foregoing views on interests, China's and the nature of US China relationship, the Obama administration expressly stated a hedging strategy
that combines both cooperation and competition was the right mix of policy in dealing with China. It basically summarized the overall approach as "practical cooperation" plus "constructive management of difference" (Kerry 2014e). Obama (2014b; 2014c; 2014d; 2015c) repeatedly stated that his approach toward China was to "cooperate where [US and Chinese] interests overlap or align," and "stand up for [US] interests and principles" "where there are difference," or that cooperate more where our interests align, even as we candidly confront areas of disagreement." Biden (2013a; 2015; see also Biden 2014) made similar pronouncements saying that policy toward China was to "cooperate and compete simultaneously," or to work together "where our interests align," and address "differences candidly and constructively."

While the overall approach to China as stated by the Obama team was one of mixing both competition and cooperation, they also took care to soften the competitive tinge by suggesting that they were not seeking to contain China and welcomed China's rise. In joint press conferences in the Philippines and in Beijing in 2014, Obama (2014b; 2014d) expressly stated that the US goal was not to "counter" or "contain" China, and the US pivot to Asia "is not about containing China." Similarly, Kerry (Kerry, Hagel et al. 2014; see also Kerry and Xi 2014) stated that the US was "not seeking conflict or confrontation" with China, an idea echoed by Donilon (2013) as well. And concomitant with these statement are likely those that indicated the US "welcomes the continuing rise of a China that is prosperous, peaceful, and stable" (Obama 2014b; 2014d).

V. China's America Policy Under Xi Jinping, 2013-2016

(To be completed)

VI. Conclusion

This paper has offered a new structural theory in an effort to shed new light on the past and the future of US-China relations. This theory differs from the mainstream liberal or realist theories in some important respects. It takes the realist notion of
structure to task by pointing out the dual nature of the system. While recognizing the role of anarchy, it highlights the role of heterarchy which is formed as a result of the interaction and interconnectedness of the countries of the world. This helps to put international relations theory on a sound historical basis.

The reconceptualization of the structure suggests that states do not normally behave the way realist or liberal theories expect them to do. Instead of adopting mostly competitive or cooperative policies, a state should find it sensible to hedge in a world where anarchy is increasingly moderated and counter-balanced by the growing heterarchy characterized by interdependence and multicentricity. Under the diarchical structure, a state, while still concerned about its security, will find it difficult to clearly define its self-interest because interests are intertwined with so many other states. And given this, a state will also find it difficult to clearly name another state as either a friend or an enemy in the complete sense of either word. Instead, it is very likely that one state may be a partner on some issues and a possible rival on others.

This structural constraint will fundamentally reorient state strategies in pursuit of their interests. Unlike the mainstream theories that see rational actors as utility maximizers, my new theory should lead us to expect states to be guided by a dialectical rationalism that seeks to strike a balance between the extremes of either cooperation or competition. This hedging strategy tries to advance state interests by at the same time taking precautions to avoid possible loss. Although the exact balance will depend on many other things in addition to the structural environment, it is reasonable to expect a state to avoid using just competitive or cooperative measures as diarchy thickens.

The theoretical framework has been successful in describing and explaining the policies of China and US toward one another in the last few years when the Obama administration hardened its rebalance to Asia and when China's new President Xi is said to have adopted more assertive policies. As the preceding empirical sections demonstrate, neither country adopted a purely competitive or cooperative approach. In fact, both have been hedging one another by mixing both elements in their policies toward the other. It is also remarkable that their conceptions about their interests and
strategies are congruent with the predictions of my new theory.

Since the international diarchy has already emerged and developed to a fairly impressive extent, it is reasonable to expect that both China and the US will continue to hedge one another in the decades to come, avoiding the gloomy scenarios that the pessimists have feared. But the optimists are also likely to be disappointed by the continued existence of elements of tension and competition in this most important bilateral relationship. The latest developments in the Trump administration's China policies are yet another example of hedging at work as it cooperates with China shying away from the hawkish campaign promises Trump made and competes with China through efforts to enhance US military power and economic and trade influence. And all this should reassure us that instead of a future frontal conflict between China and the US, the Asia-Pacific region will likely experience relative stability as the two countries continue to hedge one another.

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