A Misunderstood Power

*China, the US, and a year of deteriorating relations, 2010.*

*Gerard Lim*

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The year 2010 witnessed a dramatic decline in the US-China relationship, primarily over issues related to the Chinese currency, geopolitics, and human rights. Beijing’s apparent intransigence over these issues led to the perception of China’s growing assertiveness, prompting Washington to harden its stance vis-a-vis Beijing. As this thesis will show, however, such notions misinterpreted the rationale behind Beijing’s stand over the issues, distorting in the process the true nature of China’s rise. Consequently, US pressure served only to aggravate tensions between the two countries, contributing ultimately to the deterioration in bilateral relations.
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Introduction

China’s economy has been growing at a rapid pace since the beginning of the reform period in the late 1970s. It stands today as the world’s second largest economy behind the United States (US), having surpassed the Japanese economy in 2010 in terms of GDP. Experts, moreover, have projected that the Chinese economy could exceed that of the US as early as 2030, making it currently one of the world’s strongest and fastest developing economies. While this has been cause for much celebration in Beijing, details of China’s meteoric rise have left experts in Washington with a more sombre impression. Many have come to view the rise of China as a threat to the existing world order, an order which has been led hitherto by the US. Consequently, politicians, academics, and the media in America have all come to question China’s future motives, focusing primarily on the country’s strategic posture on the world stage. They search for signs of China’s intentions in its international behaviour, and use this as a means to shape Washington’s approach towards a rising China. Such


3 Bill Gertz, The China Threat: How the People’s Republic Targets America (Washington D.C.: Regnery Publishing Inc., 2002); Peter Navarro, The Coming China Wars: Where They Will Be Fought and How They Can be Won (New Jersey: FT Press, 2008): These two books are but a fraction of the literature that spans the topic of a rising “China threat”, a topic so large that it forms a distinct genre of Chinese strategic and international studies. Writers belonging to this genre, such as Gertz and Navarro, generally project the inevitability of conflict between the US and China. They also tend to assert, moreover, that the progression towards conflict is already currently underway. They point to China’s military build up – both conventionally and in its space and cyber warfare programmes – as evidence of this, and argue that the incompatibility of each side’s national ideologies preclude possibilities for compromise and peace. At the same time, China’s economic system, which emphasises its export-driven manufacturing sector, is blamed for the losses of jobs in America and the erosion of Washington’s economic power. This, “China threat” theorists argue, stands likewise as evidence of China’s hostile intentions towards the US, heralding America’s coming conflict with China.

measures, however, often fail to take into account the real reasons that inform Beijing’s behaviour, leading, as this paper will show, to serious miscalculations in the bilateral relationship. Ultimately, such miscalculations distort the true picture behind China’s rise, making instead for a scenario of mutual suspicion and controversy.

One result of these miscalculations is the growing perception in Washington of China’s increasing assertiveness, an impression that was made especially acute through the course of 2010. Over that year, three issues in particular emerged that brought both countries into contention, contributing ultimately to the deterioration in their bilateral relationship. Firstly, Washington began pressuring China to increase the value of its currency, the Renminbi (RMB), in a bid to reduce the US’s escalating trade deficit. The RMB, economists in Washington argued, was being manipulated to boost Chinese exports, hampering in the process America’s post-GFC recovery. US officials were thus highly critical of Beijing’s currency regime and censured Chinese leaders in numerous high level meetings. At the same time, Congress began issuing a series of bills in retaliation to the RMB’s apparent “misalignment”, promising to punish Chinese exports with countervailing duties. These actions, however, ultimately failed to bring about any concessions from Beijing, fuelling as a result perceptions of China’s growing intransigence. Consequently, the US became even more vocal on the issue with Beijing, aggravating further the already tense relationship.


8 Friedberg, A Contest for Supremacy, pp. 112-15.
Secondly, Beijing’s response to North Korea’s alleged sinking of the South Korean warship, the *ROKS Cheonan*, likewise became a subject of great controversy. Officials in Washington had expected Beijing to support their efforts to censure Pyongyang for its perceived role in the sinking, but were left deeply disappointed with China’s reaction. Not only did Beijing continue to host the North Korean leader, Kim Jong-II, in numerous state visits, but it also promised to increase economic relations between the two countries. Consequently, US officials saw this conciliatory approach as counterproductive to peace on the Korean Peninsula and stepped-up its pressure on the Chinese. They held military exercises off the Chinese coast with its allies in the region, and deployed an aircraft carrier into the Yellow Sea. At the same time, Washington began strengthening its military relations with countries along China’s borders in an unmistakable move to pressurise Beijing. All this achieved, however, was to increase the strategic threat perceptions of the Chinese, hardening Beijing’s resolve to resist US entreaties. Ultimately, this deadlock over the issue contributed to the declining relationship between the two countries, and added to Washington’s impression of China’s growing assertiveness.

Lastly, US pressure on China’s human rights record began to intensify following the awarding of the 2010 Nobel Peace Prize to Chinese dissident Liu Xiaobo, a vocal critique of the Chinese Communist Party (CCP). His recent imprisonment by Beijing on charges of sedition was described as unjust by US officials, who then went on to call for his immediate release. They identified Liu’s criticisms of the Chinese government as being in line with his rights to free speech, and thus labelled his incarceration as a travesty to justice. The White House subsequently issued a series of statements condemning Beijing’s actions, and urged the Party to implement liberal reforms to its authoritarian

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politics. Chinese leaders, however, viewed the Nobel award as an attack on China’s political sovereignty, and thus refused to accommodate US requests to set Liu free. Beijing, moreover, issued repeated appeals to numerous countries, warning them against attending Liu’s award ceremony. The controversy surrounding the Nobel Prize, therefore, became the subject of heated contention between Washington and Beijing, straining ties between the two countries. More importantly, Beijing’s response to Liu’s award was perceived by Washington as a sign of China’s growing international assertiveness, fuelling notions in America of a looming threat from the Chinese.

In all three areas, Beijing’s apparent inflexibility to Washington’s demands invited the impression of China’s rising assertiveness, intensifying in the process existing “China threat” theories. As will be argued in this paper, however, such conclusions remain woefully inaccurate, especially as they make little attempt to confront the realities behind Beijing’s stand on these issues. In his criticism of China’s currency policies, for instance, economist Peter Navarro accused China of deliberately seeking to weaken the American economy. This, he claimed, was part of a grand scheme to challenge Washington’s international leadership, with Beijing aiming in the long run to assert its own global authority. Similarly, expert Stefan Halper declared the inevitability of a confrontation between Washington and a rising China, highlighting their differing values as a flashpoint for conflict. Beijing’s apparent disregard for the issue of human rights, he argued, would propel China into a clash with America, with the former seeking to reshape the existing US-centric world order.

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14 Stefan Halper, The Beijing Consensus (New York: Basic Books, 2010), pp. 2-3: Part of the “China threat” comes from the spread of the “Beijing consensus”, a term coined by Halper to describe the growing appeal of China’s authoritarian-led capitalist system of government amongst third world countries. This, he argues, is slowly rolling back the appeal of the “Washington consensus”, the democratic system of governance promoted by the US.

15 Navarro, Death by China, pp. 67-76.

16 Ibid., pp. 2-6, 233-60.

17 Halper, The Beijing Consensus, pp. 2-3, 72-73, 139-40.

18 Ibid., pp. 72-73.
Seen through this lens, Liu’s imprisonment was just the first step in the emergence of a new “Beijing consensus”, one that would be defined by China’s refutation of human rights and democracy. Halper’s thesis, however, as in the case for many other “China threat” theories, was based solely on Washington’s perspectives of a rising China, misrepresenting in the process the vital standpoint of China’s authorities.

In seeking to rectify this discrepancy, this paper will show that Beijing’s actions were guided, in fact, by its perception of a driving need to preserve China’s stability, rather than the aim of challenging America’s supremacy. With the country still in the midst of extensive socioeconomic reforms, and with Beijing on the verge of a leadership change in 2012, the country has recently entered into a highly sensitive period of development. The CCP can thus ill-afford any move that would jeopardise the continued growth of the Chinese economy, which would put in risk the Party’s political legitimacy. The preservation of its position as China’s ruling authority has always been Beijing’s upmost priority and, hence, this, more than anything else, represented the rationale behind China’s reticence in the three issues. The failure of US analysts to comprehend this, however, served only to reinforce theories of China’s growing assertiveness, intensifying in turn Washington’s paranoia over a rising China. In the end, it was this miscalculation that guided US pressure on the three issues, aggravating the bilateral relationship with Beijing.

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19 Li Cheng, ‘China’s Midterm Jockeying: Gearing up for 2012’, China Leadership Monitor, no. 31 (2010), pp. 1-24: With as many as 60 percent of the current leadership expected to step down at the 18th National Party Congress in 2012, it has been argued that China has now entered into a period of political sensitivity.
Chapter One

Currency Wars: A Sign of China’s Growing Assertiveness?

Issues related to the value of the Renminbi (RMB) contributed to the decline in US-China relations throughout 2010. During this period, pressure from various US sources increased dramatically, culminating in the introduction of thirteen Congressional bills related to the currency’s apparent misalignment [Appendix A]. Still suffering from the effects of the GFC, and with the trade deficit and unemployment rates surging, the Obama administration began to single out the undervaluing of the RMB increasingly as the cause for the country’s economic woes. Pressure mounted on Chinese authorities to bring about a sharper and more rapid realignment of their currency, pursuant to US estimates of the RMB’s appropriate exchange rate. At the same time, US public opinion regarding China became ever more adversarial, and interest groups and the media augmented the chorus of voices that sought greater concessions from Beijing. Often confrontational in tone and uncompromising in nature, US pressure created an allusion of a “currency war” between the two nations. Congress’s attempts to penalise China’s traders through countervailing duties sparked fears

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of similar retaliatory measures by Chinese authorities.24 Meanwhile, the Federal Reserve’s quantitative easing practices came to be regarded by Beijing as a form of trade protectionism, aggravating the already tense climate for diplomacy.25 Chinese leaders, moreover, issued heated warnings against the politicisation of the RMB, describing the issue as a prerogative of Chinese sovereignty.26 This resistance, however, only served to fuel the US’s perceptions of an increasingly assertive China, escalating diplomatic tensions further into the first quarter of 2011.

While much has been written about US assessments of the RMB dispute, Beijing’s views have been less documented outside China.27 The reaction of Chinese leaders to US pressure, in particular, has been surprisingly overlooked, contributing to misconceptions that led to the decline in the bilateral relationship. China’s intransigence, as this chapter will show, stemmed not from a position of power, but from a sense of insecurity. Fuelled by escalating socioeconomic tensions like income inequality, the CCP embarked on an extensive restructuring of China’s economy in a bid to strengthen confidence in the Party.28 Stability was regarded as a vital element of the plan’s long-term success, and officials were thus reluctant to make sharp adjustments to the RMB. US pressure was seen,

24 Hader, ‘Mr. Hu’.


therefore, as an intrusion on Beijing’s core interests, and this demanded a firm response. As each side adopted uncompromising positions, tensions rose, and Beijing became convinced of the existence of a US “containment” strategy. It led Premier Wen Jiabao to assert that the US’s ‘real motive [behind its pressure] was to contain China’ – a perception shared by many within the Chinese policy making community.


As scholars have often pointed out, the main source of economic friction between China and the US in 2010 stemmed from their expanding bilateral trade deficit. This figure had increased from US$226 billion in 2009 to US$273 billion in 2010, resulting from the surge in US imports from China following the latter’s stronger post-GFC recovery. While the White House had been more tolerant of this trade imbalance in the past, the sluggish recovery of the US economy meant that, by 2010, Washington had drastically altered its economic and political priorities. Reducing soaring unemployment rates had become the most important goal of the Obama administration, and, as a consequence, the trade deficit came under ever increasing scrutiny. It was blamed for the loss of

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more than a million US jobs, particularly within the manufacturing sector, and US economists advocated the adoption of tougher measures vis-à-vis Beijing’s trading policies.\(^{35}\) Financial experts, such as Fred Bergsten of the Peterson Institute, testified to the detrimental effects of the imbalance on US employment rates, and pressed the administration for measures that could reduce the size of the deficit.\(^{36}\) Central to their arguments was Beijing’s apparent manipulation of its currency regime, a practice that essentially altered the competitiveness of China’s exporting industries.\(^{37}\)

According to the calculations of economists, such as Paul Krugman and William Cline, the RMB had been undervalued by as much as 24 percent against the dollar in 2010, effectively serving as a trade subsidy for Chinese exports to the US.\(^{38}\) This also meant that US exports faced the disadvantage of artificial tariffs in China, resulting in the pricing out of certain US industries from the Chinese market. US manufacturers, therefore, could not compete with the influx of low-cost Chinese goods, and many were forced to close or downsize their enterprises.\(^{39}\) In a period where monthly unemployment rates were regularly exceeding 10 percent, restoring US jobs could have potentially acted as a boost to the ailing economy.\(^{40}\) Furthermore, with the public’s attention fixed firmly on the economy, progress in this area would have represented a significant victory for the government.\(^{41}\) Attaining Chinese


cooperation over the RMB therefore became a fundamental goal of the administration, and many supported the adoption of tough, counteractive measures against Beijing.

In his 2010 State of the Union Address, President Obama made it clear that his top priorities were the revitalisation of the US economy and the creation of new jobs. Promising to double American exports by 2015, he also vowed to get ‘much tougher’ on trading partners over issues of currency manipulation. He described the RMB as being artificially undervalued in a meeting with Premier Wen, and acknowledged the role it played in worsening the bilateral trade imbalance. This, he stressed, had cost the US thousands of jobs, and as such, had to be remedied immediately. At the 2010 G-20 Summit in Seoul, Obama raised the issue of China’s currency with President Hu Jintao and criticised the Chinese for their irresponsible trading policies. With the RMB in mind, the US delegation pushed for the implementation of a framework that would reduce trade imbalances over given lengths of time, utilising the multilateral platform to increase pressure on the Chinese. Echoing other voices within his administration, Obama also insisted that the Chinese appreciate the RMB more rapidly. He expressed his dissatisfaction with Beijing’s currency reform efforts during

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Hu’s visit to the US in 2011, and issued a statement shortly after calling for the creation of a ‘level playing field for American companies’.  

Concern over the pace of Beijing’s reforms was also expressed by the US Treasury in the department’s biannual exchange rate reports to Congress. Treasury Secretary Timothy Geithner blamed the undervalued RMB for the loss of US jobs, and called for greater progress to be made on the issue. While the reports failed to officially identify China as a “currency manipulator”, they did express the administration’s sense of urgency over the matter, stressing the repercussions which an undervalued currency had on global economic recovery. The Chinese, the documents asserted, were putting undue pressure on the economies of other countries like the US, forcing them to bear the burden of exchange rate adjustments to the detriment of their industries. Geithner therefore recommended that China assume its role as a responsible trading partner and accelerate the reform of its currency. Although the department lacked its own enforcement measures to guarantee Chinese cooperation, Geithner’s reports nevertheless contributed to the administration’s growing pressure on Beijing. The Treasury ensured that the spotlight remained firmly fixed on China and the RMB, and kept the currency issue from slipping under the political radar. Moreover, it called attention to Beijing’s extensive intervention in its financial markets, and promoted the impression of China’s status as an economic pariah. This capacity to “name and shame”, therefore, made the Treasury an


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important part of the administration’s diplomatic arsenal, confirming its vital role in the US’s efforts at maintaining ‘constant pressure’ on Beijing.

The strongest and most boisterous source of pressure emanating from the US, however, emerged from Capitol Hill. Between April 2009 and June 2011, fourteen bills related to China’s currency undervaluation were presented to Congress for deliberation. Identifying the RMB as the main cause for the US-China trade deficit, the bills demanded that the White House press Beijing for a sharp and immediate appreciation of their currency. Many of the bills contained stipulations that promised retaliatory actions in the event of Beijing’s noncompliance, mandating the use of countervailing duties to penalise the Chinese. Bills such as H.R. 1603 and S. 1982, moreover, proposed the creation of special commissions to rectify US trade imbalances with countries like China, highlighting the detrimental effects such relationships had on US industries. These bills obtained bipartisan sponsorship, and were fiercely backed by members of the US manufacturing lobby. Yet, in spite of such strong support, the dubious legality of the penalties under WTO regulations ensured that none of the bills achieved successful outcomes.

The potency of the bills, however, was located not in their provisions but in their ability to draw attention to the currency issue. As Senator Charles Schumer claimed, they were meant more as “wakeup calls” than actual attempts at legislation; and from that perspective, the bills were essentially

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55 The legality of these countervailing duties have been disputed, with economist arguing that these could potentially precipitate a trade war between China and the US.
58 Herrmann, 'Don Yuan’, pp. 44, 49.
a success. Bills such as H.R. 2378, which attained a 348 to 79 margin of approval in the House of Representatives in 2010, served as clear signals of Congress’s tone over the RMB problem. And these signals were meant just as much for the White House as they were for Beijing. The overwhelming result compelled Obama to increase the pressure on China by publicly addressing Congress’s concerns, cautioning the Chinese of Washington’s growing impatience over the matter. Similarly, H.R 2378 also elicited strong reactions from Beijing, drawing objections from both the Ministry of Commerce and the Ministry of Foreign Affairs. Hence, while Congress’s currency bills initially appeared to be more bark than bite, they were nevertheless crucial at influencing the level of pressure exerted on the Chinese. Moreover, with congressional hearings highly publicised across various channels of the media, the bills also helped shape popular discourses surrounding the RMB. Already, by January 2011, more than 50 percent of Americans favoured tougher economic actions against China, while 47 percent expressed apprehension over the growing power of the Chinese. The impact of Congress over Washington and the wider public, therefore, ensured its crucial role in the shaping of US-China policy, establishing the currency issue as one of the administration’s top political priorities.

With the manufacturing sector suffering some of the worst effects of the GFC, lobbying groups, such as the US Business and Industry Council, came to represent yet another source of pressure on

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61 Tao, U.S-China, p. 54.


64 Tao, U.S.-China, p. 58.

Beijing. Speaking for companies like Evergreen, a solar panel producer that was forced to close its Massachusetts factory in 2011, the manufacturing lobby drew attention to the effects of China’s currency policies on the US’s ailing job market. Coupled with the findings of policy organizations, like the Peterson Institute, these interest groups provided politicians with strong incentives to engage in currency debates on Capitol Hill. The protection of US jobs, for instance, constantly formed the rationale behind currency bills introduced in Congress; while Beijing became consistently linked with the US’s deteriorating industries. In the context of declining public sentiment over China, interest groups and their representatives heightened the confrontational atmosphere with their rhetoric, stressing the need to adopt more aggressive measures against the Chinese. From plans to impose taxes on China’s Treasury holdings, to elaborate plots involving indirect purchases of RMB, advocates sought various means to intensify the pressure on Beijing. Forming coalitions amongst similarly aggrieved manufacturers, they represented a strong front in the currency war that was shaping between the two countries. Their influence over the RMB debate, therefore, ensured that interest groups played a crucial role in affecting political pressure on Beijing.

By the means of direct high level diplomacy, and through the constant vigilance of the US Treasury, the administration was therefore able to sustain pressure on Beijing all through 2010. Furthermore, Congress ensured that the currency issue remained a top priority in the White House’s political agenda, introducing a multitude of currency bills between 2009 and 2011. Fiercely supported by policy institutes and lobbying groups, these bills helped to shape and sustain public interest over the

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67 Ibid.


RMB issue. With unemployment rates near record highs, and popular attention firmly fixed over matters of the economy, China became increasingly blamed for the U.S.’s anaemic recovery. Talk of “China bashing” emerged in the media, and the heightened pressure strained US relations with Beijing. As the next section will show, Chinese leaders became ever more wary of the political climate in Washington, interpreting the confrontational atmosphere as signs of a US “containment” strategy. At the same time, China’s reluctance to accommodate US demands added to the air of mutual distrust in the relationship, contributing to a drastic decline in ties between the two countries.

**Beijing Blues: Chinese Resistance to US Pressure (2010-2011)**

Throughout the period of 2010 to early 2011, a host of official statements emerged from Beijing in response to mounting US pressure over the RMB. While admitting that some readjustment to the exchange rate was needed to help control spiralling inflation, Chinese leaders were nonetheless resolute in their maintenance of a gradualist approach at appreciation. Their motivations for resisting US pressure stemmed from domestic concerns, and can be largely grouped into three categories that define the internal interests of the CCP. Firstly, exchange rate reforms were depicted as part of Beijing’s wider objective of economic restructuring, and were thus contingent on the progression of this aim. The US’s focus on the RMB was regarded as unjustified and structural remedies were proffered instead as a means of resolving imbalances between the two countries. Secondly, the need to maintain socio-economic stability represented the Party’s paramount concern, especially since it bore directly on the CCP’s political legitimacy. Jobs in the export sector, therefore, had to be protected from shocks caused by sudden and rapid appreciations in the RMB. Lastly, Chinese leaders viewed the currency issue as a matter of national sovereignty. Washington’s attempts to politicise the RMB were thus regarded as incursions into the internal affairs of the Party, rousing suspicions of a US “containment strategy”.

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Though the subject of RMB revaluation has been fiercely debated over recent years outside of China, a consensus has yet to be reached within academic circles. Economists, for instance, have argued over the degree of the RMB’s undervaluation, producing wide variations in estimates of the currency’s equilibrium exchange rate. A 2008 analysis of the existing literature, conducted by William Cline and John Williamson, illustrated the complexities involved in calculating the RMB’s appropriate value. Their conclusion, after reviewing various methodologies, revealed the wide margin for error in designating an appropriate revaluation rate. At the same time, scholars have disputed the effectiveness of appreciation on reducing the US-China trade deficit, bringing into question Washington’s fixation over the subject. IMF economist Olivier Blanchard, for instance, pointed to China’s high savings rate as the main cause for the deficit, and supported Beijing’s macroeconomic reforms as the solution to the imbalance. Others, like Daniel Ikenson of the Cato Institute, emphasised the high price-inelasticity of Chinese goods as a reason against rapid revaluation. Appreciation, he argued, would only raise the prices of Chinese consumer goods without dampening demand, thereby hurting US consumers who depended on these imports. More importantly, US businesses that relied on Chinese imports would face steeper costs, exacerbating, instead of improving, the country’s unemployment crisis.

The ambiguity surrounding currency revaluation solidified Beijing’s resolve to approach appreciation gradually. Chinese leaders such as Premier Wen made public statements denying the undervaluation of the RMB, while the Commerce Ministry insisted that structural factors lay behind the US’s trade

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74 People’s Daily Online, Analysts Say.

75 Ikenson, ‘China Trade’.

76 Ibid;
deficit. Furthermore, with the implementation of long-term initiatives to develop a consumption-driven economy, Chinese officials argued that even these structural factors would begin to diminish eventually. The expansion of the social safety net, for instance, was expected to raise the purchasing power of households, while the development of the services sector and special industries would help increase wages and lower corporate savings. These measures, explained officials from the National Development and Reform Commission, would decrease dependency on exports and rebalance the Chinese economy. Imports were anticipated to rise, leading to a gradual reduction in the bilateral imbalance. The US’s focus on the RMB was thus interpreted in Beijing as not only unnecessary, but also counterproductive. It heightened the risk of speculative inflows of “hot money” into China, and increased inflationary pressures in the country. Additionally, as economist Dai Meixing argued, it served to complicate monetary control policies of the PBOC, threatening the stable and rapid growth of the Chinese economy. State officials were therefore wary of US pressure on the RMB, believing that they were already doing their part to resolve imbalances between the two countries.


Stability was essential in Beijing’s goal of economic restructuring.\(^85\) Hence, jobs in the export sector had to be cushioned from the effects of RMB appreciation. While Chinese manufacturers could adapt to a 5 to 6 percent readjustment annually, anything more was judged to be detrimental to their profit margins.\(^86\) With wages and commodity prices rising, enterprises already faced strong downward pressures on their earnings.\(^87\) A sharp appreciation, officials argued, would force businesses to close down, leading to a surge in unemployment that could destabilise the country.\(^88\) Beijing had only just recovered from the effects of the GFC, during which unemployment rates escalated into the double digits.\(^89\) Millions of urban workers had been laid-off, and companies began to cut back on hiring. By 2009, there already appeared to be a backlog of college graduates who were unemployed.\(^90\) The government could thus barely afford a new wave of foreclosures that would increase employment pressures in the cities. Since the Party’s legitimacy was intimately linked to its ability to improve the livelihood of its people, a failure to keep unemployment rates in check could potentially turn into a catastrophe. Maintaining fast and stable growth in the economy was therefore regarded as an imperative by the CCP.

With this concern in mind, Chinese leaders stressed that RMB appreciation would only push low paying jobs from China to other developing economies, leaving the US’s unemployment situation


\(^90\) Ibid., p. 519.
unresolved. Global recovery, they maintained, would be better served by the stable and sustained growth of the Chinese economy; a process that would be impeded by sudden fluctuations in the RMB. Supporting this view, the American Chamber of Commerce in China acknowledged that rising production costs was starting to become an issue of concern for its affiliated companies. Currency appreciation, it claimed, would curb China’s competitiveness, forcing enterprises to relocate to other developing countries. With Beijing in the midst of developing a consumption-driven economy, officials could ill-afford a massive flight of capital investment. The fate of the global recovery, argued the Ministry of Commerce, depended on the successful transformation of China’s growth model and the stability of the RMB. Furthermore, noted officials, a rebalancing of trade had already begun to occur as a result of Beijing’s initiatives, with China incurring a first quarter trade deficit of US$1.02 billion in 2011. US pressure was thus perceived as misguided, aiming only to solve America’s immediate problems at the expanse of the Chinese economy.

The perception that the US was acting in its own self-interest accrued a broad following within the Chinese leadership. Officials, such as Vice-Finance Minister Li Yong, reiterated the view that the US was attempting to limit China’s development through pressure on the RMB. Likewise, Premier Wen identified the Federal Reserve’s quantitative easing policies as an act of US protectionism, stressing that it not only raised inflationary pressures in China, but also devalued Beijing’s holdings of US

94 China Daily, Wen Insists on Gradual Appreciation of Yuan.
Treasuries.\textsuperscript{97} Chinese assets, he reminded Washington, represented the investment of the people’s money; their management was thus regarded as a matter of national sovereignty.\textsuperscript{98} It was also hypocritical for the US to demand the appreciation of the RMB, while simultaneously depreciating its own currency.\textsuperscript{99} This, warned Premier Wen, amounted to “containment”, and symbolised a major stumbling block in the bilateral relationship.\textsuperscript{100} Indeed, many within the policy making community had already arrived at the same opinion, leading to increased misgivings over US intentions with Beijing. Vice-Commerce Minister Zhong Shan asserted that US assessments of China were ‘a legacy of the Cold War’, and were thus unfair and inaccurate.\textsuperscript{101} Barriers preventing the sale of high-tech, dual-use technologies to Chinese firms, he argued, were built around the notion of a China threat, contributing needlessly to the US’s bilateral trade deficit. More importantly, it heightened distrust between the two countries, and empowered hawkish sentiments in Beijing. Academics, such as Li Daokui and Shi Jianxun, were already adopting inflammatory rhetoric, describing China’s resistance over the RMB as a battle to ‘resist American hegemony’.\textsuperscript{102}

Hence, US pressure on the RMB had a profound impact on the Chinese leadership over the past year, contributing to the emergence of widespread “containment” anxieties. Heightening just after the GFC, currency pressures intersected with Beijing’s attempts to restructure China’s economy. While

\begin{footnotes}
\item[100] China Daily, \textit{What's Behind US Pressure on Renminbi Exchange Rate?}.
\end{footnotes}
domestic imperatives drove the US administration to increase pressure on the Chinese, the CCP’s own objectives precluded any acquiescence over the RMB. Rather than risk the instabilities involved with currency adjustment, Chinese leaders opted to rely on macroeconomic reforms to rebalance bilateral trade discrepancies. Crucial to this decision was the gradual and controlled revaluation of the RMB, necessary to ensure the emergence of a consumption-driven economy. From Beijing’s perspective, therefore, China had already adopted measures designed to reduce trade imbalances, making US pressure both unwarranted and hypocritical. President Hu criticised the US’s propensity to ‘blame others for its own problems’, advising Washington to turn its attention to its own macroeconomic deficiencies. Statements such as these, however, led to impressions of China’s growing assertiveness, inflating narratives of the “China threat theory”.

Beijing was thus interpreted as an ascending power, one that intended to challenge US hegemony. In reality, it was anything but, and its leadership in fact suffers from numerous political insecurities. As the next section will show, China’s phenomenal growth, while benefiting a large portion of society, has nevertheless given rise to various socioeconomic deficiencies. These shortcomings, such as rising income inequality and corruption, have generated apprehension amongst Chinese leaders over the security of their political position. The Party’s anxiety over the success of its macroeconomic reforms, therefore, stems from its perceived need to bolster its political foundations in the long run, preserving thereby its place as the nation’s ruling power. This ultimate goal thus explains the recent inflexibility of China’s leaders over the RMB, and accounts for the aggressive defence of its currency policies.


The Party’s Over? Political Stability in Beijing

From environmental protests to labour unrests, reports of social disturbances have risen in recent years across China.\textsuperscript{105} Appearing in both rural and urban districts, their occurrences can be tied to mounting grievances associated with the country’s unbridled economic expansion. In 2010, China’s GDP per capita stood at $US 3680, while it scored 0.415 on the Gini coefficient index.\textsuperscript{106} This uneven distribution of wealth has caused tensions to rise between local officials and disaffected groups, heightening the anxieties of Party leaders. Released at the end of 2010, China’s first ever anti-corruption white paper was designed to demonstrate to the public the Party’s efforts at fighting corruption. Similarly, minimum wages were raised throughout the country in an effort to tame escalating work place disruptions.\textsuperscript{107} Impressions of China’s impressive economic growth have thus obscured the shortcomings resulting from development. It has led to a divergence between the US’s perceptions of China, and the growing apprehensions of the Party. The US’s failure to appreciate the imperatives of China’s leaders intensified frictions over the RMB in 2010. It contributed ultimately to the decline in bilateral relations, and formed the basis of Washington’s “assertive China” theories.\textsuperscript{108}

Numerous high profile labour disputes occurred in China during 2010, including a string of worker suicides at a Shenzhen factory.\textsuperscript{109} Underpaid and dissatisfied with poor working conditions, employees, such as those from the Foxconn facility, have long been resorting to drastic measures in protest of their treatment. Accounts of these disturbances, though, have been increasing in frequency each year, and they have involved ever growing numbers of participants. Writing in 2006, China

\begin{thebibliography}{9}
\bibitem{108} Halper, \textit{The Beijing Consensus}, pp. 175-81.
\end{thebibliography}
watcher Gordon Chang noted how protesters were beginning to number in the tens of thousands, escalating the level of violence against state authorities.\textsuperscript{110} Official efforts to encourage enterprises to raise wages, moreover, have not kept up with workers’ expectations, aggravating the situation for Party leaders. In 2010, in the midst of soaring housing prices and consumer inflation, numerous walkouts occurred at several major factories. A strike in a Honda plant in May was quickly followed by similar protests across the country, including demonstrations by laid-off workers from China’s banking industry.\textsuperscript{111} Well organised and determined, these incidences were coordinated using new media technologies, making their suppression all the more difficult for the regime.

The past two years have also seen a rise in environmental activism, caused by China’s rampant pursuit of economic development. Surpassing the US in 2010 as the world’s leading energy consumer, the year also witnessed two cases of major oil spills.\textsuperscript{112} Coming on the back of incidences of lead poisoning in 2009, these disasters served only to highlight the consequences of unbridled production.\textsuperscript{113} Popular attention, moreover, became trained on the corrupt actions of authorities, especially after they were found to have contributed to the incidents through their illegal activities.\textsuperscript{114} Even natural calamities became tied to economic growth, as in the cases of the Yushu earthquake and Zhouqu landslide. Both incidences were attributed to environmental degradation caused by the negligence of local authorities; charges which prompted the government to enhance surveillance of its


developmental activities.\textsuperscript{115} Public outcry also emerged following several food-related health scares through the course of the year, particularly the resurgence of melamine-laced products that had escaped recalls in 2008.\textsuperscript{116} Corrupt, profit-seeking officials were blamed for the occurrence of these dangerous incidents, negatively affecting public faith in the Party. In an effort to restore confidence in the government, state authorities released an anti-corruption white paper in December, detailing the achievements of the CCP in its fight against official corruption.

Entitled, \textit{China’s Efforts to Combat Corruption and Build a Clean Environment}, the Party’s white paper claimed victory over more than 240,000 cases of bribery, embezzlement, and rights infringement since 2003.\textsuperscript{117} It declared the successful prosecution of a large number of these cases, including some that involved high level cadres, and confirmed the indictment of a further 114,000 people in 2010 alone.\textsuperscript{118} Yet, while these achievements were promoted as a cause for celebration, the CCP remained sombre about the prospects of bringing corruption to heel in the near future. The report affirmed that the task remained ‘complicated and ardours’, and that more reforms were needed to fully purge the system of corrupt practices.\textsuperscript{119} This, acknowledged the Party, remained a top priority for the government, and it vowed to step up anti-corruption efforts in a bid to rein in social unrest.

It is obvious, therefore, that the CCP views China from a very different perspective than the “assertive China” theorists in the US. Its outlook of China’s development has been far more sober, and it finds itself constantly on the lookout for factors that could jeopardise its grip on political power. This sense of insecurity was particularly acute in 2010, especially with the occurrence of numerous high profile

\textsuperscript{115} Ibid., p.25.


\textsuperscript{118} Ibid.

\textsuperscript{119} Ibid.
incidences leading up to that year. In a bid to bolster its political authority, the Party introduced several measures that aimed at curtailting rising tensions within society. Nevertheless, while the Party succeeded in ‘muddling through’ these crises, its anxieties remained. Its attention, therefore, turned increasingly inward in an effort to ensure its political survivability. In March, 2011, the CCP released its Twelfth Five Year Plan, a proposal that has been described by some as ‘the boldest strategic document in Chinese history’. Detailing the efforts of the Party to develop a consumption-driven economy, the Plan outlined a strategy for dealing with escalating social inequities. By expanding the services industry, and through the enlargement of the social safety net, the Party aimed at redistributing the fruits of growth more evenly. Even corruption was expected to decline in the light of per-capita income increase, aiding in the preservation of the Party’s legitimacy. The implementation of the Plan, therefore, became the top priority of the CCP, and Chinese leaders constantly stressed the importance of stability to its realisation. Consumption, as Premier Wen argued, would be impossible if exports were to collapse and millions of jobs were lost. Viewed from this perspective, the Party’s fierce resistance to currency revaluation was thus not a sign of its assertiveness, but a reaction to external interferences that threatened to jeopardise its very own hold on power.

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124 Ministry of Foreign Affairs of the People’s Republic of China, Premier Wen Jiabao Meets the Press.
Conclusion: Mistaken Identity

US pressure over the RMB affected the Chinese leadership deeply, intensifying just as Beijing was commencing a major restructuring of its economy. As the CCP’s political survivability depended upon the success of these reforms, Chinese leaders became particularly resistant to Washington’s demands. Viewing RMB revaluation as a potentially volatile issue, officials were loath to suggestions that could have derailed their economic plans. Instead, they insisted that the issue remain depoliticised – a proposal that was met with strong criticism in the US.\textsuperscript{126} Driven by their own domestic imperatives, US officials continued to denounce China’s intransigence all through 2010, identifying it as confirmation of China’s growing assertiveness. As this chapter has shown, however, such perceptions misrepresented China, and symbolised a failure to comprehend China’s domestic reality. In the end, it was this failure that ultimately contributed to the decline in the bilateral relationship.

Chapter Two

China and the Korean Crisis: ‘Wilful Blindness’ or Strategic Anxieties?

The alleged Democratic People’s Republic of Korea’s (DPRK) sinking of the ROKS Cheonan on 26 March, 2010, marked the beginning of a critical episode in inter-Korean relations. The US and the Republic of Korea (ROK), acting on the findings of an international investigation (JIG report), hosted a series of joint-military exercises off the Korean Peninsula with the aim of deterring Pyongyang from future aggression.127 At the same time, the Obama administration began pressuring Beijing to rein in its unruly neighbour, identifying the DPRK’s reliance on Chinese aid as the vital leverage required to constrain rising tensions.128 China’s leaders, however, adopted a conciliatory approach towards Pyongyang, increasing both the level of economic activity and official exchanges between the two countries. Viewing the US’s confrontational stance as detrimental to regional stability, the Chinese proffered instead to resume the stalled Six-Party Talks as a means to diffuse the situation.129 Fearing further outbursts from the North, Beijing also refused to accept the findings of the JIG report, and shielded its ally from any meaningful UN castigation. China’s position shifted little throughout the year, even after the DPRK’s shelling of Yeonpyeong Island, prompting the US to heighten its pressure on the Chinese leadership. This included the deployment of an aircraft carrier battle group into the Yellow Sea in November, a move which drew intense criticism from Beijing, and increased the threat perceptions of the Chinese military.

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128 The New York Times, Clinton Condemns Attack on South Korean Ship (21 May, 2010), http://www.nytimes.com/2010/05/22/world/asia/22diplo.html, viewed 15 May 2011; Lee Dong Ryul, ‘China’s Policy and Influence on the North Korea nuclear Issue: Denuclearisation and/or stabilisation of the Korean Peninsula?’, The Korean Journal of Defence Analysis, 22, no. 2 (Jun 2010), pp. 167-69: According to recent estimates, Pyongyang depends on China for all its crude oil and 42.8 percent of its grain. Trade between the two countries have also increased over the past decade, mirroring the rise in Chinese investments in the DPRK.

China’s intransigence clearly frustrated US attempts to censure the DPRK, leading President Obama to accuse Beijing of ‘wilful blindness’.\textsuperscript{130} Chinese leaders, on the other hand, perceived US pressure as ‘unreasonable and irrational’, believing that chastisement would only worsen an already tense situation.\textsuperscript{131} Already of the view that the US was executing a “containment” policy in Asia, Chinese leaders were hesitant to isolate further their only ally in the region. Although errant at times, the DPRK remains nonetheless an important buffer between China and US troops in the ROK, and its loss would bring eastern China under US “encirclement”.\textsuperscript{132} This geostrategic concern, as will be shown in this chapter, informed Beijing’s conciliatory position, and hence precluded its involvement in the US-led effort to denounce the Kim Jong-Il regime. Furthermore, the subsequent ‘muscle flexing’ of the US military, including its engagement with ASEAN in the South China Sea, served only to intensify Chinese strategic anxieties.\textsuperscript{133} These moves, in the eyes of China’s leaders, confirmed the implementation of Washington’s “containment” policy, and hardened Beijing’s resolve to secure the DPRK’s stability. China’s support for the belligerent state, in turn, reinforced the US’s “China threat” theories, creating an atmosphere of mutual suspicion that strained ties between the two countries.


\textsuperscript{132} You Ji, ‘Hedging Opportunities and Crises against Pyongyang’s Hereditary Succession: A Chinese Perspective’, \textit{International Journal of Korean Unification Studies}, 20, no. 1 (2011), pp. 73,75,84-85: You argues that China’s short-term goal is to prevent regime collapse, thereby allowing Pyongyang to serve as a buffer between China and US troops in the South. Beijing’s long-term goals, however, are to encourage regime reform in the North, leading ultimately to a unified Peninsula under China-friendly rule, excluding the presence of US troops.

Rocking the Boat: US Pressure on China over DPRK Provocations (2010-2011)

The sinking of the Cheonan resulted in the loss of 46 ROK lives, and came on the back of an already tense year marked by DPRK provocations. Pyongyang’s nuclear test and attempted long-range rocket launch had led to a worsening of ties with the ROK in 2009, setting the stage for further confrontations between the two Koreas. The unprecedented attack on the Cheonan, however, threatened to escalate tensions to a boiling point, prompting the US to increase pressure on China to rein in its errant neighbour. Beginning in May, following the release of the JIG report, the US administration employed various diplomatic means to shore up its relationship with East Asia, concentrating on its regional allies, the ROK and Japan. At the same time, it hyped up its rhetoric with Chinese leaders, pressing them to partake in the international campaign to censure the Kim Jong-II regime. A series of US-ROK joint-military exercises was also conducted near Chinese waters, symbolising the US’s growing commitment to the region’s security. These measures were meant, first and foremost, to discourage Pyongyang from future aggression, demonstrating the US’s unwavering pursuit of regional stability. However, they were also intended to remind Beijing of the US’s expanding role in East Asia, especially in the absence of clear Chinese security guarantees. This, as one White House official calculated, would ‘negatively affect China’s perceived interests’ in the region, prompting Beijing to accede to US entreaties.

134 Leon V. Sigal, ‘Primer – North Korea, South Korea, and the United States: Reading Between the Lines of the Cheonan Attack’, Bulletin of the Atomic Scientists, 66, no. 5 (2010), pp. 35-44: Sigal argues that the DPRK’s actions in 2009 were in a response to ROK President Lee Myung-bak’s jettisoning of the previously established “sunshine policies”, adopting instead a more hard line approach with Pyongyang. This sparked the beginning of the decline in ties that ultimately led to the Cheonan incident.


Describing the DPRK’s attack as a ‘challenge to international peace and security’, the White House commenced a diplomatic campaign designed to consolidate foreign pressure against the Kim regime. Secretary of State Hillary Clinton embarked on a tour of Asia in May, 2010, where she reaffirmed the US’s support for its allies, Japan and the ROK. Making use of the heightened security anxieties in the region, Clinton was able to secure Tokyo’s agreement to retain US military forces in Okinawa – an issue that had long served as a sticking point in the US-Japan security alliance. Similarly, Seoul agreed to extend the US’s operational control over ROK forces up to 2015, ensuring a leading role for the US in the ongoing Korean crisis. In both instances, Clinton was met with expressions of appreciation over the presence of US forces in the region. Japanese Foreign Minister Katsuya Okada, for instance, described Washington’s military commitments to Japan as ‘indispensable for the security’ of the country, a view that was seconded by the Defence Minister, Toshimi Kitazawa, soon after the Yeonpyeong shelling. Public sentiment over China had also turned sour in the ROK following the sinking, with 73 percent of South Koreans expressing their misgivings with Beijing. China’s support for the DPRK, ostensible particularly in its hospitality towards the visiting Kim, drove both Tokyo and Seoul to seek reassurances with the US military. This then allowed Clinton to fulfil her goal of assembling a united, multilateral front in an attempt to overturn Chinese obstinacy. With this broad support, Clinton was able to call for Beijing’s


144 The New York Times, Clinton Condemns Attack on South Korean Ship.
contribution towards a response to the sinking, a contribution commensurate to China’s growing stake in the preservation of regional security.145

It was with this collective message that Clinton visited Beijing on 23 May, meeting with Chinese State Councillor Dai Bingguo for the second S&ED gathering. There, she presented the findings of the JIG report to her Chinese counterparts, pressuring them to accept the DPRK’s culpability in the sinking.146 The international investigation, Clinton argued, ‘was objective, the evidence overwhelming, [and] the conclusion inescapable’; China, therefore, had ‘a responsibility and a duty’ to the international community in seeing Pyongyang punished for its provocations.147 President Obama, speaking at the G-20 Summit in Toronto a month later, reiterated this stance when he called on Beijing to cease its ‘wilful blindness’ and face reality.148 Pyongyang, he stressed, ‘should not be indulged for acts of aggression’ – a statement that clearly identified China’s conciliatory approach as a source for regional instability.149 Obama also expressed his confidence and support for the ROK’s moves in the UN, placing pressure on China to accede to UNSC reproach over the DPRK.150 He urged Chinese leaders to ‘take a much tougher line’ with the North, aiming his remarks specifically at Chinese President Hu Jintao.151 These strong, public statements focused the international spotlight on Beijing, and placed the onus of restraining Pyongyang squarely at China’s feet. The inflexibility of


149 Ibid.


the Chinese leadership, however, served only to draw more criticism on Beijing, heightening the impression of China’s callous disregard for its regional responsibilities.\textsuperscript{152}

In light of Beijing’s persisting inaction following November’s Yeonpyeong shelling, US pressure on China increased dramatically. A firmer posture was adopted by the US and its allies in Asia, with Washington serving as host to a first-ever trilateral defence summit involving Japan and the ROK. The three countries pledged to strengthen their collaboration over security in the region, and presented a joint appeal to China urging for increased cooperation on the Peninsula.\textsuperscript{153} The US, declared Secretary Clinton, expected the Chinese to ‘send a clear, unmistakable message’ to the DPRK condemning its provocations; anything less, she argued, was tantamount to inaction.\textsuperscript{154} Obama further emphasised this position to President Hu in a phone conversation in December, warning the Chinese leader that Beijing was falling far short of its international obligations.\textsuperscript{155} This time, however, the White House was determined to add substance to their rhetoric, and Obama subsequently dispatched an aircraft carrier battle group into the Yellow Sea. An inimitable symbol of the US’s military power, the carrier was meant primarily to emphasise Washington’s commitment to the security of the region. Its deployment so close to China’s heartland, nonetheless, represented an escalation of US pressure on Beijing, serving as an indication to China of the consequences of its continued intransigence.

The \textit{USS George Washington} was deployed as part of exercise “Invincible Spirit”, a series of US-ROK joint naval drills designed to deter DPRK aggression through a unified show of force. Prearranged during a July defence meeting in Seoul between the two countries, the exercise was scheduled to take place in several stages through the course of the year, demonstrating the

\textsuperscript{152} Schreer, ‘The Korean Crises’, p. 17.


\textsuperscript{155} Ibid.
effectiveness and interoperability of the US-ROK alliance.\footnote{Us Department of Defence, Naval Exercise Wraps Up in South Korea (01 Dec 2010), http://www.defense.gov/news/newsarticle.aspx?id=61909, viewed 19 May, 2011; US Department of Defence, US-Korean Defence Leaders Announce Exercise Invincible Spirit.} Although Chinese objections had seen the earlier phases of the exercise occur away from the Yellow Sea, by late 2010, Washington had become less accommodating.\footnote{China Daily, American Intimidation (17 Jul 2010), http://www.chinadaily.com.cn/cndy/2010-07/17/content_10118733.htm, viewed 24 May, 2011.} In order to send a strong message to Beijing, the White House instructed that the exercise’s latter phases be carried out in these sensitive waters, in spite of China’s vociferous protests.\footnote{China Daily, Cold War Mindset Harms Peace (13 Aug 2010), http://www.chinadaily.com.cn/usa/2010-08/13/content_11150598.htm, viewed 24 May, 2011; The New York Times, As Tensions Rise, US and S. Korea Begin Drills (25 Jul 2010), http://www.nytimes.com/2010/07/26/world/asia/12military.html, viewed 15 May, 2011.} The Chinese, as Chairman of the Joint Chiefs of Staff Admiral Mike Mullen declared, had ‘unique influence’ over Pyongyang; hence, they had to ‘bear unique responsibility’ in upholding peace in the region.\footnote{Quoted in Scott Snyder (and See-Won Byun), ‘Cheonan and Yeonpyeong: the Northeast Asian Response to North Korea’s Provocations’, The RUSI Journal, 156, no. 2 (Apr/May 2011), p. 79.} This view was reinforced by then-Defence Secretary Robert Gates, who described the DPRK as a direct threat to the US and its allies.\footnote{The New York Times, Gates Warns of North Korea Missile Threat to US (11 Jan 2011), http://www.nytimes.com/2011/01/12/world/asia/26korea.html, viewed 15 May, 2011.} The joint exercises were thus a response to this threat, and they were meant to pressure Beijing just as they were designed to deter the Kim regime. As one White House Official plainly stated, ‘China clearly did not like to see US aircraft carriers in the Yellow Sea’, an event which Obama promised would reoccur should Beijing fail to take firmer action against the DPRK.\footnote{The New York Times, White House Seeks Chinese Help with N. Korea.}

As the next section will show, China took great notice of this series of exercises, particularly the presence of the 	extit{George Washington} in the Yellow Sea. “Invincible Spirit”, however, was not the only US-ROK joint exercise to occur in 2010, although it was by far the most controversial. The annual “Ulchi Freedom Guardian” drills also greatly alarmed Beijing, especially as it simulated a US-ROK
intervention in Pyongyang following the regime’s hypothetical collapse. With thousands of US troops and the Pentagon’s latest military hardware on display, these exercises were clear symbols of Washington’s power projection capabilities. Furthermore, that these drills were occurring at Beijing’s doorstep, and included participants from the region such as Japan, only underscored further the consequences of China’s persisting intransigence. In the absence of palpable security guarantees from China, countries in the region were being driven rapidly into the US’s orbit; an outcome facilitated by Washington in the face of Chinese inaction over the Kim regime. The joint exercises, therefore, represented some of the strongest pressure exerted on China by the US in the wake of Pyongyang’s provocations. Chinese leverage, as US officials argued, was the key to maintaining peace and stability on the Korean Peninsula. Beijing’s apparent failure to apply its influence over its ally, therefore, heightened perceptions of its flagrant disregard for regional security. It generated, in the words of a strategic analyst, an “us versus them” mentality, with China seen as being on the side of the DPRK. This outlook, as will be argued, severely distorted the intentions behind China’s conciliatory approach towards Pyongyang, impacting significantly the overall US-China relationship.

**Beijing’s Claustrophobia: China’s Resistance to US Pressure over the DPRK (2010-2011)**

China’s immediate reaction following the sinking of the Cheonan was to call for calm and restraint on the Peninsula, a stance that it would resolutely cling to for the rest of the year. Arguing against the

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use of coercion as a form of pressure, Chinese leaders urged instead for dialogue as the means to resolve the Korean crisis. Confrontation, as pointed out by the Foreign Ministry, served only to heighten Pyongyang’s threat perceptions, leading inevitably to its adoption of further aggressive actions.\textsuperscript{167} As a result, Chinese officials were reluctant to accept the findings of the JIG report, and expended considerable effort to mitigate the UNSC response to the sinking. Beijing subsequently announced the DPRK’s intentions of restarting the stalled Six-Party Talks, and stepped up its diplomatic and economic exchanges with the Kim regime. China also criticised the US for attempting to destabilise Pyongyang through its joint military exercises, describing the drills as blatant illustrations of ‘sabre rattling’.\textsuperscript{168} To China, the DPRK represented an important strategic buffer against US forces in the ROK, and the preservation of Pyongyang’s stability was thus a paramount goal for Beijing.\textsuperscript{169} China’s security, deemed its leaders, would be compromised should Pyongyang become isolated, especially with the rest of the region already leaning towards the US’s orbit.\textsuperscript{170} It was, hence, this fear of “encirclement” that drove China’s conciliatory posture with its ally in 2010, something which the US ignored or failed to realise. Instead, it criticised China for taking a lenient stand towards Pyongyang, accusing Beijing of enabling the DPRK’s belligerence.\textsuperscript{171} Washington’s confrontational approach, however, particularly its ‘muscle flexing’ in the Yellow Sea, served only to heighten China’s “containment” perceptions, making it more difficult for both sides to reach a compromise over the Korean crisis.

China’s reticence over the Korean crisis began with its reluctance to implicate Pyongyang over the sinking. Its unwillingness to accept the findings of the JIG report, for instance, was exemplified at the

\begin{footnotesize}
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\item \textsuperscript{167} China Daily, \textit{China Reaffirms its Hope for Restraint over ROK Warship Sinking}
\item \textsuperscript{171} The New York Times, \textit{Obama Urges China to Check North Koreans}.
\end{itemize}
\end{footnotesize}
May S&ED meeting, where no mention was made of the investigation in Dai Bingguo’s official remarks. Major General Zhu Chenghu, director-general of Beijing’s National Defence University, was even less tacit when he described the report as ‘controversial’ during the annual IISS Asia Security Summit (Shangri-la Dialogue), a remark made directly to then-Defence Secretary Robert Gates. Similarly, Premier Wen Jiabao, speaking at a trilateral meeting in Jeju, ROK, made only fleeting references to the report, emphasising instead the need to promote stability between regional parties. Economic development, the Premier counselled, would be jeopardised should the crisis escalate beyond control, ruining ‘the hard-won achievements’ of the wider East Asian community. Mollifying tensions, therefore, represented the crux behind Beijing’s conciliatory strategy, and this meant suppressing any mention of Pyongyang’s alleged role behind the sinking. Consequently, US-ROK attempts to obtain a strong UN response to the incident were blocked by Beijing, producing only a tepid Presidential statement that neither implicated nor condemned the DPRK directly. While this result clearly satisfied the Kim regime, which had repeatedly insisted on its innocence in the affair, it subjected Beijing to further pressure from the US. Even while the latter’s warships began their joint drills off the ROK’s coast, however, Chinese leaders continued to insist on dialogue as the best means of preserving regional stability.


Beijing had begun pushing for the resumption of the Six-Party Talks as early as May, when it served as host to Kim Jong-Il during an informal visit. During this trip, Kim announced the reversal of his 2009 decision to withdraw from the talks, creating the possibility for a recommencement of discussions.\(^{178}\) Designed primarily as a platform for achieving the denuclearisation of the Peninsula, the talks were nevertheless proffered by Beijing as a way to ease tensions over the Cheonan’s sinking. Engagement, asserted China’s Foreign Ministry, was more conducive to the preservation of stability than confrontation, and it thus beseeched Washington and Seoul to help revive negotiations.\(^{179}\) This appeal took on greater urgency in the wake of the Yeonpyeong shelling, with Beijing calling for an emergency meeting of delegates from the six parties.\(^{180}\) China’s offer, however, was turned down by the US and ROK in a joint statement in December, in which they both expressed their common misgivings with Pyongyang’s credibility.\(^{181}\) Past rounds had shown that the DPRK held a tendency to renege on its obligations.\(^{182}\) Secretary Clinton, therefore, declared that the US’s position would remain unchanged, unless Pyongyang took ‘concrete steps’ to demonstrate its commitment to the talks.\(^{183}\)

These ‘concrete steps’ included a demand for Pyongyang to apologise for its role in the Cheonan’s sinking, something the DPRK refused to do.\(^{184}\) As a consequence, the US-ROK joint military

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\(^{179}\) China Daily, *China Rebuffs US Criticisms over DPRK.*


\(^{182}\) Sigal, ‘Primer’, pp. 37-40: Pyongyang’s test launch of its long-range rocket; its second nuclear test in 2009; and its declared aim to pursue a uranium enrichment programme, are some examples of its violation of the Six-Party Talks joint Statement of 2005. In that statement, it had agreed to abandon all nuclear programmes and weapons, and allow IAEA inspectors to verify its denuclearisation process.

\(^{183}\) US Department of State Video, *Secretary Clinton Conducts Trilateral Meeting.*

\(^{184}\) Kwak, ‘North Korea’s Denuclearisation’, pp. 13-14: Although Secretary Clinton was not clear at the time what she meant by “concrete steps”, this was later clarified to include the DPRK’s admission to its role in the
exercises persisted throughout the year, drawing strong protests from the Chinese. Not only were the manoeuvres viewed as excessively provocative by Beijing, they were also regarded as counter-productive to the stability of the Peninsula.\(^{185}\) Exercises, such as “Ulchi Freedom Guardian”, for instance, simulated the collapse of the Kim regime and rehearsed US intervention strategies for such an event. Moreover, they involved thousands of US personnel and dozens of warships, amounting, in the eyes of the Chinese, to flagrant displays of Washington’s military power.\(^ {186}\) At a period where tensions were already stretched to a breaking point, these exercises served only to heighten Pyongyang’s apprehensions.\(^ {187}\) They fuelled its resolve to retain its belligerent behaviour and complicated the climate for Sino-DPRK discussions. Pyongyang, Chinese analysts argued, would never heed China’s counsel as long as Washington persisted with its confrontational policies.\(^ {188}\) Decision makers in China were thus highly critical of the manoeuvres, perceiving them as unhelpful and potentially destabilising to the Kim regime.

Concerned about the adverse effects Pyongyang’s collapse would have on Beijing, Chinese leaders consequently stepped-up their engagement with the North, promising fresh aid and economic agreements. They were well aware of the political challenges plaguing Pyongyang amidst the crisis, and were therefore reluctant to exert their full leverage on the vulnerable regime. Kim’s failed economic reforms, for instance, had already exacerbated the DPRK’s food shortages, while his imminent succession placed even further strains on the country’s stability.\(^ {189}\) Should the regime fall, Chinese policy makers warned, millions of refugees could flow across the border into China, provocations, and Pyongyang’s apology – factors that would contribute to the improvement of relations between the two Koreas.

\(^{185}\) China Daily, Muscle Flexing; China Daily, Cold War Mindset Harms Peace.


potentially involving Beijing in a humanitarian crisis. Furthermore, it would also upset the stability of the region, jeopardising the development of the Chinese economy. For these reasons, Chinese leaders viewed US pressure on Beijing as ‘unreasonable and irrational’, and questioned the authority of ‘a country that lay 8,000 kilometres’ overseas. They rebuked Washington for escalating tensions through its drills, and chose instead to advance diplomatic interaction with the Kims. Chinese officials hosted the visiting leader twice in 2010, first in May then in August, taking him on tours of China’s north-eastern industrial cities. Kim was even pictured embracing President Hu on one of his trips, signifying the deepening relationship between the two countries. Economic figures, moreover, revealed that China-DPRK trade had reached record highs through the course of the year, led by surging Chinese investments in the North’s mineral industries. All this, however, only added to the impression of China’s increasing intransigence, attracting further US pressure and criticism on Beijing.

The George Washington’s deployment in the Yellow Sea was officially touted as a move to deter further DPRK aggression. Chinese analysts, however, were unconvinced, interpreting it as part of a US “containment” strategy. To Beijing, the warship clearly symbolised Washington’s intent to influence its position on the DPRK, sparking officials to associate its deployment with colonialist “gunboat diplomacy”. The vessel, moreover, was identified by the PLA as a threat to China’s...

192 Gill, ‘China’s North Korea Policy’, pp. 11-12.
193 Beck, ‘North Korea in 2010’, p. 36.
194 Gill, ‘China’s North Korea Policy’, pp. 4-6.
national security, evoking memories of the controversial Taiwan Straits Crisis of the 1990s. The White House, on that occasion, had dispatched two aircraft carriers into similar waters in a gesture of US-Taiwan friendship, forcing China to retreat from its confrontation with the smaller state. Since then, the event has been remembered with great dissatisfaction, making the latest deployment of the \textit{George Washington} all the more contentious. 92 percent of Chinese, for instance, were found to construe the warship’s presence with some enmity, while a Kissinger Institute survey identified the US as the biggest threat in the eyes of China’s citizenry. The vessel’s proximity to Beijing, in particular, raised the level of trepidation in the capital, prompting China’s state media to label the deployment as a blatant act of hostility. The US’s actions, therefore, had raised the level of mutual suspicion between the two countries, heightening Beijing’s strategic threat perceptions. With the strengthening of US alliances throughout the region, Chinese leaders found themselves increasingly “contained” within a web of US-friendly nations and military bases. As a consequence, the DPRK’s role as a buffer took on greater importance, fuelling Beijing’s resolve to stand by its conciliatory policies. This, however, served only to intensify the dispute between the US and China, contributing ultimately to the deterioration in bilateral relations.

This section has thus shown that the US’s strengthening of its Japan-ROK alliances, along with its provocative ‘muscle flexing’ in the Yellow Sea, contributed greatly to Beijing’s “containment” anxieties. These developments alone, however, do not paint an adequate picture explaining China’s position in the Peninsula. In order to fully understand Beijing’s geostrategic mindset, it would be necessary to examine the wider events that surrounded the Korean crisis, particularly the re-expansion

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of Washington’s presence in 2010 throughout the Asia-Pacific. These developments, like the events surrounding the Peninsula, contributed ultimately to Beijing’s “containment” perceptions, leading inevitably to the worsening of US-China relations. The next section aims, therefore, to shed some light on these crucial issues, providing, in the process, a greater understanding of China’s growing fears of strategic “encirclement”.

**“Full Spectrum Dominance”: Beijing’s Perception of US Engagement with Asia**

As mentioned, the Korean crisis provided the US with an opportunity to strengthen its alliances and military presence in East Asia, intensifying in the process China’s strategic threat perceptions. The occurrence of further developments throughout the Asia-Pacific in 2010, however, also added to Beijing’s “containment” mindset, contributing ultimately to China’s dogged position on the Peninsula. Washington’s arms sale to Taiwan, for instance, was regarded as a violation of China’s “core national interests”, prompting Chinese leaders to suspend military-to-military ties with the US.\(^{200}\) Similarly, the White House’s engagement with ASEAN in the South China Sea (SCS) generated immense vexation in Beijing, which perceived the move as an unwarranted complication of its regional relations.\(^{201}\) The subsequent expansion of US military bases across Asia, and Obama’s growing attention to ballistic missile defence (BMD), likewise intensified China’s “encirclement” anxieties. They created the impression that Washington was hedging against a rising China, one which it viewed as a forthcoming enemy.\(^{202}\) Officials in Beijing, therefore, grew increasingly apprehensive in light of these developments, fuelling their cautious approach towards the Korean crisis. The ensuing pressure


\(^{201}\) Nalwa, “*Cheonan Epilogue*”, p. 227.

from Washington, however, only worsened the already tense context, trapping the two countries in a cycle of mutual distrust and strategic rivalry.

Chinese suspicions were first roused in January, 2010, following President Obama’s sale of a US$6.4 billion arms package to Taiwan, in spite of strong protests from Beijing.\(^{203}\) Included in the package, moreover, were 200 Patriot PAC-3 missiles, capable of mitigating the threat posed to Taipei from China’s missile batteries.\(^{204}\) This immediately led to a proliferation of hostile rhetoric in Beijing, which interpreted the deal as a violation of China’s “core national interests”.\(^{205}\) Chinese officials, viewing the island as part of China’s sovereign territory, regarded the sales as disrespectful intrusions into the country’s internal affairs. They expressed their displeasure with Washington’s previous agreements with Taipei, and identified them as impediments to US-China relations.\(^{206}\) Obama’s latest agreement, therefore, appeared to be a slap in the face of Beijing, prompting fierce reactions from the PLA. Major-General Yang Yi of the National Defence University, for instance, described the US as China’s largest security threat, echoing the views of China’s state media.\(^{207}\) At the same time, General Ma Xiaotian, China’s Deputy Chief of General Staff, criticised Washington for breaching the One-China policy, blaming it for the suspension of US-China military relations.\(^{208}\) Others within China’s defence community were equally boisterous in the wake of the arms sale, with many, such as

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\(^{208}\) Ibid.
academic Han Xudong, considering it a part of the US’s hegemonic strategy. The arms sale to Taiwan, therefore, generated animosity amongst China’s top military ranks, and led many to perceive Washington as a threat to China’s security. More importantly, it marked an episode that contributed to the growth of mistrust between the two countries, heightening in the process Beijing’s “containment” anxieties.

The controversial arms sale, however, was quickly followed by the US’s declaration of its renewed interests in the SCS, raising even further apprehension in Beijing. The resource-rich region had already witnessed a proliferation of territorial disputes in recent times, making it a highly contentious subject of diplomacy. Chinese frustrations were thus ignited when Washington announced its intention to mediate over the disputes, sparking outcries of a perceived US “containment” strategy. This was especially so when Secretary Clinton reaffirmed its military support for Japan, promising to aid Tokyo in the defence of its disputed territories. Even though China maintained its own claims over the Senkaku/Diaoyu Islands, these were essentially abrogated when Washington declared the islands covered under the US-Japan security treaty. It seemed to Beijing, therefore, that the

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210 Robert Beckman, ‘South China Sea: Worsening Dispute or Growing Clarity in Claims?’, *RSIS Commentaries* (Aug 2010), pp. 1-3; Michael S. Chase, ‘Chinese Suspicion and US Intentions’, *Survival*, 53, no. 3 (May 2011), pp. 140-42; Michael Mazza, ‘Chess on the High Seas: Dangerous times for US-China Relations’, *American Enterprise Institute for Public Policy Research*, no. 3 (Aug 2010), pp. 1-8; John Hemmings, ‘The Potential for Sino-US Discord in the South China Sea’, *The RUSI Journal*, 156, no. 2 (Apr/May 2011), pp. 90-95: The South China Sea disputes have been around for some time and involve countries like Vietnam, Brunei, Malaysia, the Philippines, and China, all of whom have overlapping claims with each other. While these disputes have been handled fairly amicably in the past, the passing of a recent UN dateline in 2009 for the registration of continental shelf claims led to a proliferation of confrontations in the region.


213 Ibid., pp. 141-43.
recently intensified engagement of the US was intended to curtail Chinese interest in the SCS. This view was reinforced when Admiral Robert Willard, commander of the US Pacific Command, identified Beijing’s naval spending as a source of regional instability. Echoing the remarks of defence Secretary Robert Gates, Willard named China as the driving force behind Washington’s heightened engagement with ASEAN countries. The strategic interests of the US, he argued, depended on Washington’s stepped-up presence in the SCS, especially in light of China’s rapidly expanding military capabilities. It was comments and actions such as these, however, that fuelled Beijing’s growing suspicions, engendering an outlook of US-China rivalry.

Washington’s engagement with the region, argued Chinese officials, was aimed at “containing” the rise of Beijing, exploiting in the process China’s disputes in the SCS. Similarly, by drawing attention to China’s military spending, the US escalated tensions within the region, thereby weakening Beijing’s ties with its neighbours. The result, as they pointed out, was the increasingly apparent


217 Gallup, China and the US: Competing for Political Influence (22 May 2009), http://www.gallup.com/poll/118591/China-Competing-Political-Influence.aspx?version=print, viewed 24 June, 2011: A Gallup poll conducted in 2009 already found China edging out the US as the country with the highest international approval rating – 39 percent to 34 percent.


realignment of the Asia-Pacific into a pro-US, anti-China bloc – what PLA academic Li Jie described as an Asian equivalent of NATO.\textsuperscript{220} Beginning with Vietnam, the US rapidly expanded its military cooperation with countries throughout the region, facilitated by high-level diplomatic and military dialogues.\textsuperscript{221} Secretary Clinton, for instance, spent twelve days travelling through Asia in November, meeting with her counterparts in Malaysia, Vietnam and Australia.\textsuperscript{222} Likewise, President Obama made a tour of India and Indonesia in the same month, concluding security agreements with both democracies.\textsuperscript{223} The former, in particular, has been described as a strategic partner by the US, with Obama expressing his support for its place on the UNSC.\textsuperscript{224} He also concluded a US$12 billion dollar arms deal with New Delhi, making it the largest defence transaction in their cooperative history.\textsuperscript{225} Diplomatic missions such as these therefore facilitated in the expansion of US military relations throughout the Asia-Pacific, particularly with countries along Beijing’s periphery. Together with its bases in Central Asia, these peripheral countries completed, what PLA Colonel Dai Xu called, a report to Congress, the Department of Defence identified China’s increasing military budget as a cause for concern, one which would require the US to counter through developments of its own.


\textsuperscript{221} Global Times, \textit{Arms Sales Help US Extend its Sphere of Influence}; Reuters, \textit{China High on Agenda for Obama’s Asia Tour – Aide} (2 Nov 2010), http://www.reuters.com/article/2010/11/02/obama-asia-idUSN0223588220101102, viewed 16 May, 2011; Nalwa, \textit{“Cheonan Epilogue”}\. The Global Times reported that the US had concluded arms deals with Hanoi which included, Harpoon anti-ship missiles, Patriot missiles, and F-16C/D fighter planes. August 2010 also witnessed the \textit{USS George Washington} pay a visit to Vietnam, as well as the first ever US-Vietnam security dialogue.

\textsuperscript{222} US Department of State, \textit{Secretary Clinton: Travel to Asia} (08 Nov 2010), http://www.state.gov/secretary/trvl/2010/149864.htm, viewed 18 May, 2011.


\textsuperscript{225} Global Times, \textit{Arms Sales Help US Extend its Sphere of Influence}. 49
‘crescent-shaped ring of encirclement’ around China.\textsuperscript{226} This intensified immensely Beijing’s “containment anxieties”, and affected its strategic perception of its surrounding regions. Consequently, it became wary of taking any tough actions on the Korean Peninsula, and strove instead to ‘promote China-DPRK relations to a new and higher level’.\textsuperscript{227}

As a result of these developments, the year 2010 witnessed a proliferation of Washington’s military presence in the Asia-Pacific region. Arms sales were concluded with countries, such as India, Taiwan and the Philippines, and joint exercises were carried out with a host of other countries across Asia. The Pentagon, however, sought to achieve “full spectrum dominance” in the Asia-Pacific, and consequently increased its focus on its BMD plans in the region.\textsuperscript{228} This involved distributing missile interceptors in a number of US-friendly nations, and conducting nuclear simulations in collaboration with its space-based assets. Both Japan and the ROK, for instance, were earmarked for joint BMD development, with the US providing assistance in the enhancement of their own indigenous programmes.\textsuperscript{229} In the meantime, Washington proceeded to extend its BMD coverage over the East Asia region through the deployment of its successfully tested Theatre Missile Defence programme.\textsuperscript{230} This was a sophisticated BMD system based off Aegis warships and land-based Patriot PAC-3 launchers, all of which were distributed to Taiwan, the ROK, and Japan.\textsuperscript{231} In addition to these deployments, however, the US Space Command also conducted computer simulations of a US nuclear


\textsuperscript{229} Ibid., p. 21.

\textsuperscript{230} Ibid., p. 19.

\textsuperscript{231} Ibid., pp. 20-23; Futter, ‘Getting the Balance Right’, p. 259.

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\textit{Conclusion: A Sinking Feeling}

Beijing’s support for UN sanctions on the DPRK had been forthcoming during Pyongyang’s nuclear violations in 2006 and 2009.\footnote{Lee, ‘China’s Policy and Influence on the North Korea nuclear Issue’, p. 176: China’s consent was crucial to the passing of UNSC Resolutions 1718 and 1874 in the wake of Pyongyang’s two nuclear tests in 2006 and 2009 respectively.} Furthermore, the freezing of Pyongyang’s financial assets in Macao in 2005, and the shutdown of the oil pipeline between China and the DPRK in 2003, illustrate that Beijing has acted in an internationally cooperative fashion in the past in reaction to Pyongyang’s provocations.\footnote{Ibid., p. 180: Pyongyang’s financial assets were frozen by China at the request of the US, while the oil pipeline was shutdown following the DPRK’s initial revelation of its nuclear weapons programme.} The \textit{Cheonan} incident in 2010, therefore, marked a perceptible turnaround in its approach with the DPRK, demonstrating China’s latest resolve to avoid aggravating the Kim regime.

As this chapter has shown, the dramatic shift in Beijing’s DPRK strategy stemmed largely from its rising geostrategic anxieties in the region. In light of Washington’s expanding military engagement in the Asia-Pacific, Beijing began to grow increasingly wary of a US “containment” strategy around
China. Not only had Washington positioned its military assets perilously along China’s periphery, it had also strengthened its alliances with the ROK and Japan. At the same time, the US persisted with arms sales to Taiwan in spite of Beijing’s protests, and asserted its authority over territorial disputes in the SCS. Officials in China were thus reluctant to adopt strong measures against Pyongyang in the wake of its provocations, fearing that it might cause the regime to collapse. They also did not want to isolate China’s only ally in the region, which, although errant at times, was nonetheless an important buffer between Beijing and US troops in the ROK. China’s conciliatory stance was shaped, therefore, by this crucial geostrategic imperative, and Washington’s pressure, particularly its ‘muscle flexing in the Yellow Sea, served only to harden Beijing’s stance on the Peninsula. In the end, it was this sense of mutual suspicion that fuelled the confrontational atmosphere on the Korean Peninsula, contributing ultimately to the decline in ties between China and the US.
Chapter Three

A Noble Struggle: Politics at the Expense of Human Rights?

The awarding of the 2010 Nobel Peace Prize to jailing Chinese dissident Liu Xiaobo generated great uproar in Beijing. It was regarded not only as an affront to China’s judicial system and national sovereignty, but also, more importantly, as an attack on the CCP’s political authority itself. Liu had been convicted for his role in the drafting of Charter 08, a grassroots manifesto calling for an end to the CCP’s political monopoly. Washington’s support for the award, therefore, together with its demands for Liu’s release, appeared as a blatant challenge to the Party’s leadership and political legitimacy. The issue of human rights had already been used against Beijing during the country’s standoff with the Internet giant, Google, earlier in the year. Now, it seemed that the White House was attempting to renew its pressure on the Party, utilising Liu’s struggle for freedom as a means to orchestrate political reform in China. Consequently, the CCP went on the offensive, intensifying its efforts to police dissident activity throughout the country. At the same time, it stepped up its regulation of the Internet, expunging the Web of sensitive information surrounding Liu’s Nobel accolade.

These draconian measures, however, attracted further criticism from Washington, which in turn served only to inflate Beijing’s siege mentality. The Party, perceiving itself to be a victim of a US-led plot to destabilise the country, tightened its control over politically subversive individuals and rights

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239 Christopher R. Hughes, ‘Google and the Great Firewall’, Survival, 52, no. 2 (Apr/May 2010), pp. 19-26: The Google saga began after the company reported that it had been subject to cyber attacks stemming from sources within China. The search-engine company then declared its intention to halt its cooperation with Chinese censorship rules, affirming its willingness to withdraw from the mainland market altogether if needed be.
activists. This trend intensified in the wake of the Arab Spring, especially after online appeals threatened to broaden the revolutionary movement into China. While the “Jasmine Revolution” ultimately failed to materialise, the stringent precautionary measures adopted by the state to suppress its occurrence, nevertheless, testified to the political anxieties of the CCP. US pressure, as this chapter will show, was thus instrumental in provoking unease in Beijing, fuelling conspiracy notions that heightened the threat perceptions of the Party. From the issue of Internet censorship to the imprisonment of Liu, Washington continued to censure China’s human rights record throughout 2010. The US expressed support for political dissidents in the country, and pushed for change in the politically repressive regime. These moves, however, only deepened Beijing’s suspicions even further, ensuring the persistence of its latest cycle of repression well into 2011.

**Awarding Dissension: US Pressure on China’s Human Rights Record (2010-2011)**

Liu Xiaobo was sentenced to 11 years in prison in December 2009 for his role in the drafting of *Charter 08*, a revolutionary document which was treated as politically subversive by the CCP. The manifesto, modelled after Czechoslovakia’s anti-Soviet *Charter 77* thirty years ago, contained provisions which called for the establishment of an electoral democracy in China. It criticised the authoritarian government for its failure to deliver on the issue of human rights, and highlighted the rampant corruption and repression which it claimed pervades Chinese society. Most importantly, it identified Party rule as unconstitutional, and demanded reforms that would help realise the rights and

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freedoms enshrined within the Chinese Constitution. Described by human rights groups as the most important political statement since the 1989 Tiananmen Square protests (in which Liu was also notably a part of), Charter 08 and its supporters consequently became the focus of a massive government crackdown. Fellow drafters, such as political theorist Zhang Zuhua, were detained and interrogated by police, while Liu was subsequently arrested and charged with subversion. His history with dissent had apparently earned him the wrath of the state, which, as fellow activist Xu Youyu asserted, persecuted Liu to discourage any further dissension. It was nonetheless a result of this harsh sentence that Liu subsequently gained his place on the world stage, transforming him into ‘the foremost symbol of the wide-ranging struggle for human rights in China’.

On 8 October 2010, the Norwegian Nobel Committee selected Liu as the recipient of the 2010 Nobel Peace Prize, awarding him the honour in recognition of his long struggle against the PRC regime. The White House immediately expressed its support for the decision, with both President Obama and Secretary Clinton releasing statements of commendation to Liu. Stressing the universality of the values which Liu was fighting for, Obama praised the Nobel laureate and appealed for his immediate release. Similarly, Clinton criticised the Chinese government for its failure to respect the rights of its citizens, reprimanding the authoritarian regime over its political obstinacy. Obama, who had himself obtained the award the previous year, was particularly poignant when he described Liu’s

sacrifices in his struggle for freedom. He conveyed his regret over China’s decision to keep Liu from receiving his prize, and identified his imprisonment as a clear and inimitable validation of the Nobel Committee’s decision.\footnote{The White House, \textit{Statement by the President}.} In a sign of respect, moreover, Obama declared that Liu was more deserving of the award than he was, emphasising the significant role which the dissident now occupied in the US’s campaign for human rights.\footnote{The New York Times, \textit{Winner’s Chair Remains Empty at Nobel Event} (10 Dec 2010), http://www.nytimes.com/2010/12/11/world/europe/11nobel.html?ref=liuxiaobo, viewed 10 July, 2011.} The administration’s message to Beijing was thus unmistakable, and its desire for change in China was clearly embodied in its support for Liu. Accordingly, the White House continued to raise the issue of Liu’s incarceration at bilateral meetings throughout the year, urging Beijing to release the only Nobel laureate still remaining in prison.

Joining the administration in its condemnation of China, Congress issued a resolution in November illustrating its admiration and support for Liu.\footnote{US Congress, \textit{H.RES. 1717: Congratulating Imprisoned Chinese Democracy Advocate Liu Xiaobo on the Award of the 2010 Nobel Peace Prize}, http://chrissmith.house.gov/UploadedFiles/HRes_1717_Liu_Xiaobo_Nobel_Congratulations.pdf, viewed 15 July, 2011.} The legislative body had become one of the most outspoken critics of China’s human rights record since the Tiananmen Square incident in 1989, and its passing of H.RES. 1717 symbolised a continuation of its activism against Beijing.\footnote{Tao Xie, \textit{U.S.-China Relations: China Policy on Capitol Hill} (London: Routledge, 2009), pp. 100-08.} Highlighting Liu’s role in the promotion of democratic reform in China, the resolution denounced his current persecution by the Chinese government and described him as a political prisoner of conscience. It went on to demand his immediate release, and motioned for the matter to be treated as a major US foreign policy objective.\footnote{US Congress, \textit{H.RES. 1717}.} In the months that followed, various members of Congress subsequently delivered several letters of appeal to Obama, urging the President to follow through on the issue. Ileana Ros-Lehtinen, chairwoman of the House Foreign Affairs Committee, for instance, wrote in praise of \textit{Charter 08}, and insisted that the topic of Liu’s imprisonment occupy a central part of the
agenda during Hu Jintao’s state visit. To drive home the importance of the issue, Ros-Lehtinen proceeded to hand a copy of the letter to Hu during his call on Congress, effectively demonstrating the intense controversy which the human rights issue generated between the two countries.

In another letter presented to Obama during Hu’s visit, 32 congressmen berated Beijing’s ‘egregious human rights record’, identifying Liu’s imprisonment as a violation of his fundamental liberties. Led by Frank R. Wolf, co-chairman of the Tom Lantos Human Rights Commission, the congressmen proposed a list of demands which they expected Obama to raise with the Chinese leader. Of highest priority on the list was the securement of Liu’s release, along with numerous other jailed activists and human rights lawyers. In addition, the congressmen listed steps which China had to take in order to improve its human rights record, beginning with an extensive reform of its political system. Testimony provided by exiled dissidents, such as Yang Jianli, helped influence Congress’s pressure on the Chinese, supplying legislators with first-hand accounts of Beijing’s human rights violations. Additionally, human rights organisations, such as Amnesty International and Freedom House, furnished officials with up-to-date reports of human rights abuses in China, facilitating Washington’s approach with Beijing. An appeal by nine human rights groups, for instance, led to a meeting between Obama and several Chinese dissidents in the White House, just days prior to Hu’s visit. According to an administration official, the meeting convinced the President of the gravity of China’s


258 Ibid.


260 Ibid.


deteriorating human rights environment, thereby ensuring that the issue remained a top priority during Hu’s trip.\textsuperscript{264}

Indeed, the topic did arise during the Chinese leader’s visit to Washington in January 2011, where Hu was pressed to acknowledge Beijing’s shortcomings regarding human rights.\textsuperscript{265} Obama, moreover, raised the question of Liu’s internment on numerous occasions during the summit, stressing to Hu the centrality of human rights in US foreign policy.\textsuperscript{266} While most of these sensitive discussions occurred behind closed doors, the issue was nevertheless treated publicly by the US media. Mainstream newspapers like the \textit{New York Times}, for instance, began documenting recent human rights abuses in China, identifying various dissidents detained by Beijing in the run up to Hu’s visit.\textsuperscript{267} Controversial statements by US officials also helped to keep the question of human rights in the public eye, adding to the pressure on the Chinese. Senator Harry Reid’s on-air depiction of Hu Jintao as a dictator, for example, may have been overstated (he later recanted his reference), but it served nevertheless to attract attention to the undemocratic nature of China’s regime.\textsuperscript{268} Negative coverage such as these underscored the dichotomy in the levels of freedoms between the two countries, casting Beijing in an unflattering light. They emphasised, furthermore, the US’s position as a champion of universal liberties, “naming and shaming” authoritarian Beijing. As former US Ambassador to China, John Huntsman, declared in his speech when leaving the country, the US had a special role to play ‘in the


fundamental struggle for human dignity’. Part of this struggle, therefore, meant challenging China’s perception of human rights, illuminating violations made by the regime and convincing it to change its ways.

This ‘frank and candid assessment’ of Beijing’s human rights record was exemplified in the State Department’s *US Human Rights Country Report* on China, released in April 2011.²⁷⁰ It highlighted a negative trend in the country’s human rights practices, and identified Liu’s incarceration as a distinct failure of China’s justice system. The report also criticised Chinese government policies surrounding religious freedom and ethnic minorities, particularly the strong arm tactics used to suppress members of its own population.²⁷¹ Furthermore, it shed light on the constraints faced by activists and human rights lawyers in the country, many of whom had allegedly experienced some form of harassment by the regime.²⁷² The purpose of the report, as stated by Clinton, was to focus attention on China’s ‘deplorable human rights record’; and to this end, it was highly successful.²⁷³ It gained the attention of Beijing and elicited vehement objections from the Chinese foreign ministry. The most important role of the report, however, lay in its perceived ability to inspire change in China. As Assistant Secretary of State Michael Posner emphasised, the public nature of the document ensured that it could


²⁷² Ibid.

be used to ‘help reinforce a human rights agenda’ in China, supporting movements within the country that advocate for reform in Beijing.274

The illumination of Beijing’s human rights violations was thus perceived by Washington as a means of bolstering democracy movements within China. It was designed to provide freedom advocates with not only the information needed to pursue legal cases, but also the knowledge that they were not alone in their fight against oppression.275 In addition, Washington’s approach was further designed to “name and shame” Beijing, vilifying the authoritarian regime in the eyes of its people. Political change, as Posner declared, ‘occurs from within a society’; the US, being a champion of human rights and liberty, had a duty therefore to help ‘Chinese citizens determine their own political future’.276 Consequently, Liu’s Nobel award and his incarceration turned him into the White House’s most potent weapon. His long history as an activist, together with his penchant for non-violence, made him an ideal symbol in the struggle against Beijing.277 As the next section will show, however, Washington’s celebration of Liu did not sit well with the Party, contributing ultimately to the deterioration in the bilateral relationship. Perceiving itself to be under siege, the CCP proceeded to launch a wave of repression, targeting subversive elements throughout the country. This only served to draw even more criticism from Washington, however, fuelling the growing distrust between the two countries.


275 Ibid.


277 Chin-Chuan Lee (with Hongtao Li and Francis L. F. Lee), ‘Symbolic Use of Decisive Events: Tiananmen as a News Icon in the Editorials of the Elite US Press’, International journal of Press/Politics, 16, no. 3 (2011), pp. 335-56: Lee’s article demonstrates the negative connotations which the US media imbued in the symbol of Tiananmen Square, particularly after 1989, associating the place and event with China’s human rights deficiencies. Liu Xiaobo, as a veteran of the 1989 movement, was thus in a fitting position to be cast as a hero in the current struggle against Beijing.
A Conspiracy in the Making: China’s Response to Pressure over Liu Xiaobo (2010-2011)

The awarding of Liu with the Nobel Peace Prize caused great uproar amongst Chinese leaders, most of whom saw the move as a blatant insult to China’s political sovereignty. Diplomatic relations with Norway entered a period of tension, and countries around the world were warned not to attend Liu’s award ceremony. At the same time, Beijing embarked on a wave of internal repression, clamping down on Liu’s supporters and colleagues throughout the country. Charter 08 signatories were detained and interrogated by the police, and Liu’s wife, Liu Xia, was kept under house arrest and round-the-clock surveillance. An information blackout was also enacted on reports related to Liu’s Nobel Prize, while the state media initiated a campaign defending the government’s stand on the issue. Beijing had become convinced that it was facing a political siege, and it interpreted the US’s focus on its human rights record as an attempt to undermine the CCP. This, argued state leaders, would result in political turbulence in China, leading ultimately to the weakening of the country. The party’s clamp down on dissension, therefore, was a response to this perceived threat, and it was aimed at shoring up its political stability. Beijing’s strong reaction, however, was viewed as excessive by US analysts, contributing as a result to Washington’s impression of China’s growing assertiveness.


Chinese officials had initially warned the Nobel Committee against awarding the prize to Liu, declaring that the move constituted an affront to China’s judicial sovereignty. The dissident was a convicted criminal in the eyes of Beijing, and his sedition against the state thus made him an inappropriate choice for the prestigious accolade. Government leaders were livid, therefore, when Liu’s award was confirmed in October, leading immediately to the suspension of high-level diplomatic exchanges with Norway. The Norwegian Ambassador, moreover, was summoned for a dressing down in Beijing, demonstrating the displeasure which Chinese leaders felt over the Nobel Committee’s decision. Policy makers described the award as an attempt to humiliate China, particularly at a time when the country seemed to be in an ascendency. They were convinced, furthermore, of the implications the prize could have on the Party’s authority, especially in the light of growing international support for Liu. In the weeks following the Nobel Committee’s announcement, therefore, Chinese officials began applying pressure on various countries to boycott Liu’s award ceremony. Beijing issued official demarches to numerous embassies, cautioning them against any expression of tribute to Liu. At the same time, Vice-Foreign Minister Cui Tiankai


denounced the apparent politicisation of the Nobel Prize, echoing his ministry’s standpoint on the futility of assailing China’s political system.  

16 countries eventually avoided the award ceremony in Oslo at Beijing’s behest, allowing China to claim a small victory against the Nobel Committee. Nevertheless, US pressure on China’s human rights record failed to recede, prompting even fiercer reactions from the Chinese. Beijing identified Washington’s focus on Liu as not only an intrusion in its internal affairs, but also as an attempt to weaken its political stability. It objected vehemently, therefore, to Congress’s passing of H. RES. 1717, describing the move as emblematic of the US’s ‘arrogant and rude attitude’ towards China. Chinese leaders, moreover, protested against Washington’s Human Rights Country Report on China, arguing that the article served no purpose other than to vilify Beijing internationally. As a further response to the damning report, Beijing issued its own account of the US’s human rights abuses, identifying issues, such as the wars in Iraq and Afghanistan, as examples of Washington’s human rights hypocrisy. The US, Chinese officials asserted, was in no position to lecture China on its

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294 People’s Daily Online, China Expresses Firm Opposition to US Resolution on Liu Xiaobo.


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treatment of Liu, especially in the light of its own human rights deficiencies. Washington, they advised, needed to focus instead on respecting China’s political and judicial sovereignty, as only then could relations improve between the two countries.

Beijing’s vigorous defence of its human rights record stemmed from the belief that domestic forces were being agitated against the regime. Washington’s support of Liu, Chinese officials anxiously observed, threatened to empower dissident movements in China, risking an erosion of the Party’s political stability. Ever haunted by the trauma of the Tiananmen incident in 1989, the CCP was only too ready to respond to any perceived threat to the state. Consequently, a wave of repression swooped over the country following the announcement of Liu’s award, targeting colleagues of Liu and fellow signatories of Charter 08. Liu’s wife, Liu Xia, was amongst the first to be subject to Beijing’s clamp down on dissent, with the state confining her to her apartment under house arrest. She was also placed under round-the-clock police surveillance, with authorities setting up a guard house next to the couple’s residence in Beijing. Despite calls from the US for her release, the Chinese government continued to restrict her movements, even preventing her from receiving her husband’s prize in Oslo. This, however, attracted more criticism from Washington, which only contributed further to Beijing’s deepening anxieties. Chinese rights activists and lawyers, such as Mo Shaoping and He Weifang, were also placed on strict travel restrictions, with the state fearing the


300 Reuters, Exclusive: China Crackdown Driven by Fears of a Broad Conspiracy.


fellow Nobel laureate, the Dalai Lama, accusing the US of colluding with individuals regarded as separatists in Beijing.\textsuperscript{312} The award, argued the editorials, was hence nothing more than a tool used to “contain” China, polarising its people in an attempt to restrain its growth.\textsuperscript{313} The Chinese people, therefore, owed it to themselves to reject the Prize and its associated values, and embrace instead the Party’s principles of reform and stability.\textsuperscript{314}

To demonstrate the appeal of the government’s position, the \textit{Global Times} conducted a poll in October, indicating Chinese attitudes towards Liu’s accolade.\textsuperscript{315} The data released showed that more than half of Chinese perceived Liu’s prize with some disdain, with many insisting on an apology from the Nobel Committee. Additionally, almost 20 percent of individuals polled felt that the West was out to vilify China, using the award to discriminate unfairly against Beijing. The government’s stand on the issue was therefore vindicated, with a majority of Chinese expressing support for Liu’s incarceration. To convey their contempt for the Prize, several Chinese citizens even went as far as to create their own award for the promotion of world peace. Terming it, the Confucius Peace Prize, the organisers intended to use their award to illustrate the meaning of ‘peace from an Eastern perspective’.\textsuperscript{316} Consequently, the inaugural Prize was bestowed upon a former Taiwanese diplomat, Lien Chan, specifically for his role in improving the China-Taiwan relationship.\textsuperscript{317} In this way, the organisers were able to portray “stability” as a main aspect in Chinese conceptions of peace,

\begin{itemize}
\item \textsuperscript{312} \textit{Global Times}, \textit{China Blasts Nobel Peace Prize Decision}.
\item \textsuperscript{313} \textit{People’s Daily Online}, \textit{The Nobel Committee Owes China an Apology}.
\item \textsuperscript{314} \textit{People’s Daily Online}, \textit{Gradual Political reform Good for China}.
\end{itemize}
reinforcing the official principles of the Party.\textsuperscript{318} China’s growth, declared officials, would be jeopardised should the country adopt the values espoused by the US and the Nobel Committee.\textsuperscript{319} The state’s harsh stance on Liu, therefore, was seen as justified, especially in the interest of preserving China’s continued stability.\textsuperscript{320}

Beijing’s heavy-handed response to Liu’s award was driven, therefore, by the Party’s deepening political anxieties. It perceived the Nobel Prize as an attack on its monopoly over power, and feared that it would inspire dissident groups across the country. This would have jeopardised the crucial stability which underscored the country’s growth, bringing to an end China’s hitherto phenomenal economic development. The government was thus reluctant to give in to US pressure over Liu, and instead stepped-up its efforts to bolster its political security. As the next section will show, however, the Nobel Prize remained but part of the White House’s wider effort to pressure Beijing on its apparent human rights deficiencies. The issue of Internet freedom, in particular, had been raised as early as January, during China’s standoff with Google, contributing partly to Beijing’s growing anxieties. The ensuing Arab Spring likewise amplified the threat perceptions of the CCP, which had begun by then to perceive itself as under siege. All these issues converged to intensify the political insecurities of the Party, prompting it to take increasingly repressive actions to guarantee its power base. These moves, however, only served to attract further criticism from Washington, adding to the apprehensions of the Party. The two countries found themselves trapped, therefore, in a spiral of escalating tension through the course of 2010, with each side adopting ever increasingly assertive actions.


\textsuperscript{320} For an analysis on the importance of stability to Beijing, and the threat which political reform might pose to this stability, see: Friedman, Edward, ‘China: A Threat to or Threatened by Democracy’, \textit{Dissent}, 56, no. 1 (Winter 2009), pp. 7-12.
In January 2010, Internet search engine giant, Google, announced that it was ending its cooperation with Chinese Internet censors, paving the way for its departure from the mainland market. While it backtracked on its decision just five months later, its initial moves had nevertheless called into focus the issue of China’s Internet censorship. The White House immediately picked up the topic and began pressing Beijing to cease its regulatory activities. It criticised Beijing for suppressing its citizens’ rights to free speech, and proclaimed its support for Internet freedom in the country. These moves, however, deepened the anxieties of Chinese leaders, and contributed to their harsh reaction in the lead up to Liu’s Nobel award. It created the perception that Beijing was under a political siege, with the US utilising the Web as a means to destabilise the Party. Hence, when an online attempt was made to broaden the “Jasmine Revolution” to China in the wake of the Arab Spring, Chinese state regulators swooped into action. They tightened up the information environment across all avenues of the media, and launched a fresh wave of repression against dissidents across the country. Just as before, however, Beijing’s strong reaction triggered even more expressions of disapproval from Washington, which began to sharpen its rhetoric against the Party. This in turn further intensified the CCP’s threat perceptions, effectively locking the two countries in a running dispute over the issue of human rights.


322 People’s Daily Online, Google Tweaks Search Engine (21 Jul 2010), http://english.people.com.cn/90001/90778/90858/90864/7074474.html#, viewed 11 July, 2011: Google eventually reached a compromise with the Chinese government over the censorship issue in June 2011. It agreed to halt its automatic referral of its users to its Hong Kong services, substituting it for a link on its Google.cn homepage instead. In this way, Google was allowed to renew its Internet Content Provider license and retain its presence in the lucrative mainland market.


325 Swartz, ‘Jasmine in the Middle Kingdom’, pp. 1-4: As Swartz points out, this is an especially sensitive time for the Party, with Beijing set to undergo a leadership change in 2012, and following the recent spates of unrests in Tibet and Xinjiang. Tensions are thus high in Beijing, along with the Party’s political anxieties and paranoia.

Google predicated its departure from the mainland market on its opposition to Beijing’s strict Internet censorship regime. It declared that it would end its compliance with the Chinese government’s rules on Web filtering, and began redirecting its users to the company’s less regulated services in Hong Kong. Citing its official motto, “Don’t be evil”, Google stated that it could no longer tolerate Beijing’s attempts to ‘limit free speech on the Web’, emphasising thereby the failings in China’s human rights practices. Its actions attracted the attention of the White House, and President Obama issued a statement expressing his support for Google’s stand against censorship. This was quickly followed by Clinton’s call on ‘American companies to challenge foreign governments’ demands for censorship and surveillance’, articulated in her much-publicised speech on Internet freedom. Speaking at the Newseum in Washington, a building dedicated to the value of a free press, Clinton proclaimed the US’s defence of a free Internet as Washington’s newest policy objective. Calling it, “21st Century Statecraft”, the policy would include the development of new tools and resources to help ‘groups around the world’ circumvent ‘politically motivated censorship’, providing in the process ‘equal access to knowledge and information ... for all of humanity’. Washington, in addition, would provide such groups with both funding and training, allowing them thereby ‘to advance democracy and human rights’ in their respective countries.

333 Ibid.
334 Ibid.
Congress was also quick to express its support for Google, with then-Speaker of the House, Nancy Pelosi expressing her commendation of the company.\(^{335}\) This was immediately followed by the introduction of a series of bills in Congress, all of which attempted to ban US companies from dealing with informationally repressive regimes.\(^{336}\) S.RES. 405, for instance, reaffirmed the centrality of freedom of speech and expression to the US, and condemned China for stifling these universal rights for its citizens.\(^{337}\) Similarly, H.R 5694 conveyed support for a ‘single, open, global Internet’, and denounced countries that adopted stringent regulative policies.\(^{338}\) Five senators, in addition, submitted an appeal to Clinton, urging her to increase the funding to projects supporting the circumvention of Internet censorship.\(^{339}\) Software programmes, such as Psiphon, Freegate, and Tor, they argued, were crucial in helping people bypass regulative “firewalls”, aiding therefore in the promotion of freedom and democracy.\(^{340}\) Their views were supported, moreover, by research and testimonies presented to Congress, highlighting the merits of these new technologies.\(^{341}\) As a result,

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further attention was turned towards the funding of the private sector, ensuring that they played a part in Washington’s Internet freedom strategy.\textsuperscript{342}

Pressure from Washington regarding China’s Internet regulations persisted throughout 2010, encompassing eventually the issue of Liu’s Nobel accolade. Beijing’s clamp down on the Web following Liu’s award, in particular, led the US to intensify its demands on the Chinese to end their censorship activities.\textsuperscript{343} Party leaders, however, were adamant on their stand on the issue, and insisted on the legality of their actions.\textsuperscript{344} They defended their right to regulate the Internet in their own country, and criticised the US for its attempt to interfere in Beijing’s internal affairs.\textsuperscript{345} A white paper on China’s Internet regulations was released, moreover, in support of the government’s stand on the Internet.\textsuperscript{346} It listed the scope of freedoms provided to Chinese netizens under the country’s Internet laws, and identified the transmission of subversive information as a clear violation of these regulations.\textsuperscript{347} Liu’s conviction for his role in Charter 08 was thus sanctioned under China’s judicial system, and Chinese authorities continued to refute Washington’s censure of Beijing’s regulatory actions.\textsuperscript{348} Chinese officials also criticised the US’s politicisation of China’s standoff with Google,


arguing that enterprises dealing in China had a clear responsibility to abide by Chinese regulations. The persistence of Washington’s pressure, however, continued to heighten the anxieties of the Party, with policy makers growing increasingly wary of a US plot to undermine China through its Internet freedom policy.

These fears increased dramatically in the wake of the Arab Spring, especially after calls for spreading the “Jasmine Revolution” to China surfaced on several overseas Chinese websites. Arising initially on the popular online forum, Boxun.com, these calls requested that people take to the streets in China in protest of the Party’s apparent oppression. In addition, organisers encouraged demonstrators to chant slogans, such as “we want food, we want work, we want housing, we want fairness”, emphasising their discontent with the government’s performance. Participants were instructed, moreover, to target major Chinese cities, replicating thereby the large-scale rallies that were taking shape in numerous Arab countries. Despite all the groundwork and precautions that went into organising the rallies, however, the demonstrations failed in the end to materialise. Only a handful of people turned up to the prescribed venues in the cities, and even fewer were seen actually protesting. Chinese authorities were nevertheless alarmed enough to launch an extensive suppression campaign, targeting political dissidents and democracy advocates throughout the

349 People’s Daily Online, Google Totally Wrong: Chinese Gov’t.
350 Lim, ‘China’s Media Regulations’, p. 113: Lim notes that Hu Jintao, in response to the Arab Spring, warned his cabinet to be extra vigilant to possibilities of domestic unrests, emphasising the Internet as an especially dangerous site for spreading dissent.
352 Ibid.
353 Ibid.
354 Swartz, ‘Jasmine in the Middle Kingdom’, p. 2: People were told to disguise their illegal assemblies in the form of “strolls”, helping thereby to evade detection for as long as possible.
country.\textsuperscript{356} Described by the US media as China’s ‘biggest crackdown on progressive thought in years’, this campaign witnessed the arrests and incarceration of numerous activists regarded as politically dangerous to the state.\textsuperscript{357} Even the prominent artist, Ai Weiwei, had been taken into custody in April, demonstrating the grave apprehensions which Chinese leaders held over the Jasmine issue.\textsuperscript{358} At the same time, Chinese censors began scouring the Internet for all traces of information surrounding the “Jasmine Revolution”, shutting down access to a number of websites frequented by the short-lived movement.\textsuperscript{359}

It was clear, therefore, from Beijing’s reaction that US pressures on Internet freedom had significantly deepened the political apprehensions of China’s leaders.\textsuperscript{360} Their paranoia surrounding the threat of a “Jasmine Revolution” prompted one of the harshest and extensive political crackdowns in the country’s recent history. Its reaction, however, drew even more criticism from the White House, turning the issue into a subject of fierce debate at the April US-China Humans Rights Dialogue in Beijing. During those talks, Assistant Secretary of State Michael Posner stated Washington’s alarm at the rate which China’s human rights record was deteriorating, emphasising that this represented a stumbling block in the bilateral relationship.\textsuperscript{361} Chinese leaders, for their part, continued to defend their regulatory actions in the face of mounting US pressure, dismissing Washington’s criticisms over


\textsuperscript{358} Ibid; Smith, ‘Art of Dissent: Ai Weiwei’, pp. 58-59; Swartz, ‘Jasmine in the Middle Kingdom’, p. 2: Ai is renown for his provocative art exhibitions and often pushes the boundaries of, what the Party considers to be, acceptable art. He had apparently tweeted, ‘Today we are all Egyptians’, on 11 February, in the midst of the Arab Spring, and just a month before his detainment by police.

\textsuperscript{359} Swartz, ‘Jasmine in the Middle Kingdom’, p. 3.


Liu and Beijing’s censorship policies. However, this apparent intransigence over the issue of human rights, clearly infuriated US officials, trapping both sides in a running dispute that continues to strain ties between the two countries.

**Conclusion: One Country’s Dissident is Another Country’s Freedom Fighter**

The awarding of the 2010 Nobel Peace Prize to Liu Xiaobo marked a significant event for democracy activists and human rights advocates throughout China. Many had petitioned the Nobel Committee to honour Liu with the award, arguing that his long and peaceful struggle for reform made him ideally suited for the prestigious accolade. In addition, his inclusion into the distinguished ranks of Nobel laureates, they argued, would serve as a clear message to China’s authoritarian regime, “naming and shaming” Beijing in the eyes of the international community.

Ultimately, however, this message became eclipsed in the midst of one of China’s largest crackdowns on dissident activity in its recent history, prompted primarily by Liu’s Nobel decoration. Despite the pressure which countries like the US applied on Beijing, Chinese authorities remained adamant in their stand on human rights. They viewed the Nobel Prize as an intrusion upon their national sovereignty, and stood firm against this perceived attack on their political power. China’s stability and continued development would be jeopardised, officials argued, should the country allow itself to become polarised by topics like democracy. Hard-earned achievements accumulated over the years

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would thus be lost, and ‘China would disintegrate’ to the benefit of its foreign rivals.\textsuperscript{365} Hence, Washington’s pressure, in this context, served only to fuel Chinese suspicions, hardening Beijing’s resolve to act assertively over the debate on human rights. Its reluctance to free the imprisoned Liu, and its persisting clampdown on dissidence, however, made it more difficult in turn for the White House to ease the pressure on Beijing. Eventually, both sides found themselves locked in a running dispute over these controversial issues, contributing ultimately to the straining of their bilateral relationship.\textsuperscript{366}

\textsuperscript{365} People’s Daily Online, \textit{West Risks its own Downfall with Arrogance}.

Conclusion

Over the past year, observers have claimed that China has become more assertive on the international stage. Its apparent determination to resist US overtures over the valuation of its currency, and its seeming failure to adopt firm measures against North Korea following the Cheonan’s sinking, fuelled perceptions that the country’s diplomatic posture had taken a more aggressive turn. Likewise, the White House was equally critical of China’s human rights record, describing Beijing’s recent persecution of Nobel laureate Liu Xiaobo as a stumbling block to better relations. Consequently, academics and politicians in Washington called into question the country’s “peaceful rise”, suggesting instead that China was making a challenge on the existing US-led global order. US pressure on China over these issues was thus strengthened through the course of 2010, with experts seeking to break down Beijing’s intransigence. In the end, however, all this achieved was to deepen the anxieties of officials in Beijing, convincing them that the US was attempting to constrain a rising China. Chinese leaders, as a result, became even more determined to resist US entreaties, illustrating the ultimately counterproductive nature of Washington’s pressure.

What these three cases studies have illustrated, therefore, are the difficulties which countries like the US have in adapting to a rising China.\[^367\] Relations with Beijing are often seen in zero-sum terms by politicians in Washington, making compromise an almost unachievable goal in interactions of strategic importance.\[^368\] Furthermore, any side’s attempt to assert authority over an issue is, more often than not, interpreted as a move in an aggressive direction. Nowhere has this been exemplified more clearly than in the three case studies examined within this thesis. By viewing China through the


\[^368\] On the economic front, for instance, job losses in the US were often framed as job gains in China; while on the strategic front, China’s military buildup was presented as a threat that had to be offset through counteractive programmes and additional military funding. Similarly, human rights were proffered as a means of countering the rise of a “Beijing consensus”, with liberal democracy seen as opposing the growing appeal of China’s authoritarian system.
lens of a potential aggressor, Beijing’s inflexibility became immediately associated in Washington with the notion of growing Chinese assertiveness. In the process, the considerations of Chinese authorities were ignored, resulting in the critical misrepresentation of Beijing’s strategic intentions. As this paper has maintained, far from acting out of a position of power, officials in China were in fact operating out of a state of anxiety and perceived vulnerability. Their apprehensions over their political stability and economic progress fuelled their resolve to stand firm against US pressure, maintaining instead China’s time-tested means of incremental reform. The more Washington attempted to force Beijing’s hand in the issues, therefore, the more apprehensive Chinese leaders became, convincing them in the end of the US’s apparent malicious motives. Their harsh crackdown on dissent in the wake of Liu’s Nobel award was thus carried out in this vein, demonstrating the effect US pressure had on the Chinese leadership. For all their apparent insight into Beijing’s statecraft, analysts in Washington nevertheless failed to pick up on this, choosing instead to perceive Beijing’s intransigence as a sign of its assertiveness. In the end, it was this critical miscalculation which prevented the US from gaining progress in any of these issues, leading ultimately to the deterioration in the bilateral relationship.

369 Reuters, China Internal Security Spending Jumps Past Army Budget (5 Mar 2011), http://www.reuters.com/article/2011/03/05/us-china-unrest-idUSTRE7222RA20110305, viewed 15 August, 2011: A clue as to how anxious Beijing is over its internal security may be gleamed from its recent revelation of its state security budget for 2011. For the first time, the amount, totalling some US$95 billion, outstripped Beijing’s military spending, said to be US$91.5 billion.

370 China’s traditional adherence to incremental reform can be traced back to Deng Xiaoping’s guiding phrase: “Crossing the river by feeling the stones”.

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### Appendix A. US Congressional Bills related to the RMB

<table>
<thead>
<tr>
<th>Bill number</th>
<th>Introduced</th>
<th>Sponsor</th>
<th>Bill Summary</th>
</tr>
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<tbody>
<tr>
<td>H.R. 1875</td>
<td>2 April 2009</td>
<td>Rep. Peter DeFazio</td>
<td>To establish the Emergency Trade Deficit Commission. The Commission’s mission would be to investigate the nature, causes and consequences of the US’s trade deficits and provide recommendations on how to address and reduce structural trade imbalances with countries like China.</td>
</tr>
<tr>
<td>S. 1027</td>
<td>13 May 2009</td>
<td>Sen. Debbie Ann Stabenow</td>
<td>A bill to amend title VII of the Tariff Act of 1930 to clarify that fundamental exchange-rate misalignment by any foreign nation is actionable under United States countervailing and antidumping duty laws, and for other purposes.</td>
</tr>
<tr>
<td>H.R. 2378</td>
<td>13 May 2009</td>
<td>Rep. Timothy Ryan</td>
<td>To amend title VII of the Tariff Act of 1930 to clarify that countervailing duties may be imposed to address subsidies relating to a fundamentally undervalued currency of any foreign country.</td>
</tr>
<tr>
<td>S. 1254</td>
<td>11 June 2009</td>
<td>Sen. Charles Schumer</td>
<td>A bill to provide for identification of misaligned currency, require action to correct the misalignment, and for other purposes.</td>
</tr>
<tr>
<td>S. 1982</td>
<td>28 October 2009</td>
<td>Sen. Sherrod Brown</td>
<td>A bill to renew and extend the provisions relating to the identification of trade enforcement priorities, and for other purposes. The Bill would identify foreign county practices, such as currency misalignment, that have negative effects on employment in the US and seek to correct them.</td>
</tr>
<tr>
<td>S. 3134</td>
<td>17 Mar 2010</td>
<td>Sen. Charles Schumer</td>
<td>A bill to provide for identification of misaligned currency, require action to correct the misalignment, and for other purposes. The bill provides for a countervailing duty that would be implemented on any country found guilty of currency misalignment.</td>
</tr>
</tbody>
</table>
Bill number:  H.R. 6071  
Introduced:  30 July 2010  
Sponsor:  Rep. Brad Sherman  
Bill Summary:  To withdraw normal trade relations treatment from the products of the People's Republic of China, to provide for a balanced trade relationship between that country and the United States, and for other purposes.

Bill number:  H.R. 639  
Introduced:  10 February 2011  
Sponsor:  Rep. Sander Levin  
Bill Summary:  To amend title VII of the Tariff Act of 1930 to clarify that countervailing duties may be imposed to address subsidies relating to a fundamentally undervalued currency of any foreign country.

Bill number:  S. 328  
Introduced:  14 February 2011  
Sponsor:  Sen. Sherrod Brown  
Bill Summary:  A bill to amend title VII of the Tariff Act of 1930 to clarify that countervailing duties may be imposed to address subsidies relating to fundamentally undervalued currency of any foreign country, such as China.

Bill number:  H.R. 1518  
Introduced:  13 April 2011  
Sponsor:  Rep. Mark Critz  
Bill Summary:  To amend section 310 of the Trade Act of 1974 to strengthen provisions relating to the identification of United States trade expansion priorities. The Bill would identify foreign country practices, such as currency manipulation, that provide exports from these countries with a competitive edge.

Bill number:  H.R. 1603  
Introduced:  15 April 2011  
Sponsor:  Rep. Peter DeFazio  
Bill Summary:  To establish the Emergency Trade Deficit Commission. The Commission’s mission would be to investigate the nature, causes and consequences of the US’s trade deficits and provide recommendations on how to address and reduce structural trade imbalances with countries like China.

Bill number:  S. 1130  
Introduced:  26 May 2011  
Sponsor:  Sen. John Rockefeller  
Bill Summary:  A bill to strengthen the United States trade laws and for other purposes. This bill identifies currency manipulation as a form of countervailable subsidy, subject to countervailing duties.

Bill number:  H.Res. 310  
Introduced:  16 June 2011  
Sponsor:  Rep. Mark Critz  
Bill Summary:  Providing for the consideration of the bill (H.R. 639) to amend title VII of the Tariff Act of 1930 to clarify that countervailing duties may be imposed to address subsidies relating to a fundamentally undervalued currency of any foreign country.
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**Other Sources**


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**Secondary Sources**


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