

# CHINA STUDIES REVIEW



*volume*

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*Featuring Articles by*

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*China Studies Review* is a publication of SAIS China, which encompasses the formal China-related programs at the Johns Hopkins University School of Advanced International Studies (SAIS). SAIS China is anchored by the China Studies Program at SAIS in Washington, D.C., which offers multidisciplinary graduate courses on U.S.-China relations, China's foreign policy, domestic politics, leadership, environment, economic development, and Taiwan and cross-strait relations. Students also complete courses related to the wider Asia-Pacific region across the school's more than 20 additional areas of study, taught by leading scholars and practitioners in their field.

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## *Letter from the Editor*

It has never been more important to understand China than now; in the sixth volume of the China Studies Review, our unified analysis of China as a global force gives us the capacity to do so. Understanding China as a major power means having a clear grasp of the dynamics that have shaped the country, to better comprehend the prism through which Chinese policymakers see the international sphere. To this end, we hope to shed light upon China as a global actor through multiple lenses: qualitative evaluation and quantitative analysis play a vital part in our interpretation of China's key actions abroad, as do articles focused on the distant past and the present day.

Hope Parker's "Two Paths to the Arctic" begins our volume with a comparative study of China and Japan in the Arctic Ocean. The divergent approaches taken by these countries in both multilateral forums and direct interactions with Arctic nations show striking differences, deeply influencing China and Japan's reception within the area. Hao Chen's "The Failed Alliance in Non-Communist Asia" is an historical analysis of the highest quality, arguing for a new interpretation of Cold War historiography. Hao argues that a full consideration of this time period requires us to go beyond simple U.S./Soviet dichotomies; his presentation of the failed alliance between the Republic of China and the Republic of Korea epitomizes this approach.

In Jennifer Conrad's "The Role of Sanctions in U.S.-China Economic Competition", we find a clear-eyed presentation of the impact of sanctions on the People's Republic of China, focusing particularly upon the role of the United States and the case of Huawei Technologies. Qiang Wu's "China's Use of Trade Retaliation in Territorial Disputes" looks at trade patterns through a different lens—he

uses sophisticated econometric analysis to consider the impact of Chinese diplomatic confrontations on its trade with neighboring countries. Wu presents a surprising conclusion within his four case studies; hostile rhetoric has essentially no impact on affected trade. Finally, Hongyi Lin's "Between Harmony and Chaos: An Analysis of Grand Strategy in the Ming Dynasty" provides a compelling framework for understanding the international relations of Imperial China, and supports his argument that China cannot be understood without the best of international and Chinese theoretical approaches—a valid insight today.

Indeed, the failure to fully understand China and its impact on the wider world has been catastrophic; at the current time of writing, we do not know how many thousands will perish from the novel Coronavirus, how many millions will lose their jobs, or how many additional months we will remain quarantined at home. The outbreak of COVID-19 demonstrates that China will be the shaping force of the 21st century, in both action and inaction. To fail to understand this, and to disregard the careful analysis of experts on China, would have calamitous implications for the international community.

My deepest thanks to all of the writers who submitted material for our consideration, the editors who have shaped it into professional work, and the unstinting support of the China Studies Program at SAIS; it is my privilege to share with you the best of the research conducted on China by graduate students at Johns Hopkins University.

***Mario Colella***

# *Two Paths to the Arctic: Analyzing Chinese and Japanese Advances*

***Hope Parker***

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## ***Introduction***

Climate change has led to severe ice melting in the Arctic, which has opened up sea-routes for maritime trade and eased access to resources in the region. Both of these issues are of more than passing interest to China and Japan.<sup>1</sup> However, as countries with no territorial claims in the region, both China and Japan need to cooperate with the states that comprise the Arctic Council to achieve their respective goals in the Arctic region.

The People's Republic of China (PRC) and Japan applied for permanent observer status in the Council in 2006 and 2009, respectively. In 2013, the Arctic Council granted them both permanent observer status at the Kiruna meeting.<sup>2</sup>

The full members of the Arctic Council are states that possess Arctic territory, including the Arctic littoral states of Canada, Denmark, Norway, Russia, and the United States as well as states with territory within the Arctic Circle: Finland, Iceland, and Sweden. Russia and Canada each lay the largest claims to territory in the Arctic, but there are many overlapping territorial claims among countries in the Arctic Council and management of competing claims remains unclear. The Arctic Council has yet to determine the legal framework under which the Arctic territory should be governed. Some states advocate for applying the United Nations Convention on the Law of the Sea (UNCLOS) as a mechanism to resolve the disputes, others argue UNCLOS does not completely apply. Further, states with significant territorial claims oppose using the UNCLOS legal framework because it could decrease their unilateral use of the territory.<sup>3</sup>

Although China and Japan have similar regional interests and both advocate for using UNCLOS to govern Arctic issues, Arctic states have reacted differently to each country's respective Arctic interests. Specifically, Arctic states express greater concern about China's interests and plans in the Arctic.<sup>4</sup> This essay compares China's and Japan's Arctic policies to assess how each country's approach may be affecting the level of concern among Arctic states. Ultimately, this essay finds that China has a more assertive policy in the Arctic than Japan does. China has pursued more unilateral and bilateral programs in the Arctic, whereas Japan has emphasized its role through the Arctic Council. This more assertive approach on the part of China has created backlash from the Arctic states. The difference in methods that each country has used—China's unilateral and bilateral approach versus Japan's multilateral-based approach—has led to concern about China and greater acceptance of Japan's Arctic goals.

### *Frosty Reception*

Russia and Canada initially resisted Chinese and Japanese participation in the Arctic Council due to fears of internationalizing disputes over competing territorial claims and decreasing their own agency over those disputes.<sup>5</sup> However, both states eventually relented and admitted China and Japan as permanent observer states to the Arctic Council due to new rules gov-

China's goals in the Arctic.<sup>10</sup> In articles about China's Arctic program, China has been characterized as "The Dragon [that] Looks North" and "The Dragon [that] Eyes the Top of the World."<sup>11</sup> Some Arctic states are concerned that China is interested in having more influence in the Arctic Council than its permanent observer status provides. In contrast, the media has paid less attention to Japan's Arctic policies. Further, when considering Asian states' applications

*As countries with no territorial claims in the region, both China and Japan need to cooperate with the states that comprise the Arctic Council to achieve their respective goals in the Arctic region.*

erning the status of permanent observers and because both Russia and Canada need foreign support for investment and development of the Arctic.<sup>6</sup> Specifically, the Northern Sea Route (NSR) and the Northwest Passage (NWP) both require significant foreign financial investment in order to develop them into profitable sea-lanes.<sup>7</sup> Consequently, although granting permanent observer status to China and Japan would open up governance of the territory to more voices, Russia and Canada agreed because it would help them achieve their own goals related to sea-route development.

Conversely, the Nordic states hoped to improve the Arctic Council's governance capabilities and importance through more international participation.<sup>8</sup> Nordic states were particularly interested in Northeast Asian countries' participation because these countries have strong research, knowledge, and technological capabilities for polar conditions.<sup>9</sup> Through cooperation with Northeast Asian countries, the Nordic states could improve their own capabilities and research in the Arctic. However, they too have expressed concern over

to the Arctic Council, members were more willing to accept Japan and South Korea, but debated China's potential influence in the Arctic.<sup>12</sup> Representatives of the Arctic states themselves have shown more concern over China's Arctic policies than those of Japan.

### *Arctic Programs in Japan and China: Theoretical Approaches*

The research examining China's and Japan's entry into the Arctic Council and participation in Arctic affairs often bundles China, Japan, and the Republic of Korea together, studying Northeast Asian programs collectively, rather than the actions of individual countries. This method limits understanding of each state's behavior and how it has affected the Arctic states' reception of them individually. The literature on Nordic countries' interests in China's and Japan's participation in Arctic affairs focuses on three areas: the economic and strategic benefits that China and Japan may bring; maintenance of peace and stability in the region by avoiding exclusivity; and the fear of pushing Northeast Asian states toward

other groups to cooperate on Arctic issues (i.e., the United Nations and the International Maritime Organization).<sup>13</sup> Although these ideas generally apply to all of the East Asian observer states, they do not address the specific concerns that each state introduces. Given differing reactions to China and Japan, research should differentiate between the two countries.

This essay hypothesizes that the differing reactions to China and Japan are based on China's more aggressive Arctic policy and behavior. If correct, the goals articulated in Chinese policy documents, and China's actions in the Arctic, will be broader and indicate more interest in participating in Arctic governance than Japan's documents and actions. Policies express what a government plans to do and how it will attempt to reach its goals, which could prompt concern from other countries. In assessing China's and Japan's Arctic programs, this essay consults each state's primary Arctic policy documents in addition to analyzing the tools and capabilities that each has developed for Arctic travel and exploration.

The following sections will first outline China's Arctic interests, actions, and policies before

### *China*

#### *Interests in the Arctic*

China has a high dependence on foreign energy imports and the Chinese economy is reliant on international trade, making the Arctic region important to the Chinese government.<sup>14</sup> In 2018, China consumed 13.5 million barrels of oil per day.<sup>15</sup> China's metal consumption has also increased with economic development. Whereas in the late 1990s, China was responsible for ten percent of world metal consumption, by 2010 they were responsible for 25 percent, and in 2014 that number had reached 46 percent.<sup>16</sup> As the Arctic territory is rich in previously unreachable energy resources and precious metals, resource extraction in the territory could help China diversify its growing foreign resource dependency away from Middle East imports. As these resources are necessary for China's continued economic growth and stability, China has an interest in obtaining its resources from more stable regions.<sup>17</sup> In 2017, trade comprised 38 percent of China's GDP.<sup>18</sup> Of the world's top twenty shipping container terminals, seven are Chinese ports.<sup>19</sup> In terms of manufactured goods and maritime

*The route from Shanghai to Hamburg via the NSR is 3,455 nautical miles shorter than the route that uses the Strait of Malacca and the Suez Canal.*

turning to those of Japan. After explaining the status of each state's Arctic program, the next section compares the two states to shed light on how their differing policies and behaviors may affect their respective receptions. The final section returns to the initial hypothesis: that China's pursuit of unilateral and bilateral Arctic programs, in lieu of multilateral cooperation, has created doubt about the state's future intentions in the eyes of Arctic states.

trade, the Arctic routes could significantly shorten the distance that Chinese ships and products need to cover. The route from Shanghai to Hamburg via the NSR is 3,455 nautical miles (nm) shorter than the route that uses the Strait of Malacca and the Suez Canal. Passage through the Barents Sea also reduces this trip by over 3,955 nm.<sup>20</sup>

Consequently, China argues that the Arctic should be governed by the UNCLOS, which grants innocent passage rights through international straits and gives high sea status to Exclusive Economic Zones (EEZ).<sup>21</sup> In effect, putting the Arctic area under the UNCLOS regime would give China and other non-Arctic states the right to use the Arctic sea routes as they would use any other international shipping lane. Arctic states have not achieved agreement on the applicability of the UNCLOS to the Arctic region—China’s stance agrees with some Arctic states, but opposes others, including Russia and Canada.<sup>22</sup>

### **Maneuvering in the Arctic Territory**

After being awarded observer status in the Arctic Council in 2013, China began pursuing closer relations with Iceland and Norway.<sup>23</sup> China has also invested in bilateral relationships with Iceland and Norway. In the 2008 financial crisis, China offered Iceland assistance through a currency swap program.<sup>24</sup> China has also conducted formal dialogues with Norway about Arctic issues to improve their relations.<sup>25</sup> In 2010, China positioned itself for better access to the Arctic via the Sea of Japan by beginning a ten year lease of the Port of Rason in North Korea.<sup>26</sup> China has also conducted Arctic research at a research base in Ny-Alesund, Svalbard, and through expeditions.<sup>27</sup> China has relatively robust Arctic capabilities as a non-Arctic state—it has four icebreakers in total and two icebreakers that are intended primarily for use in polar regions: *Xuelong* and *Xuelong II*.<sup>28</sup> Icebreakers improve the operability of a country’s ships in the Arctic. Although sea-lanes are emerging as the perennial ice melts, ships may still encounter ice as they pass through the sea-lines, requiring some ice-breaking capabilities in order to clear the way for trade and research ships. States with more icebreakers are better prepared for Arctic trade and exploration.

Additionally, Chinese investors have expressed interest in buying large pieces

of land in Iceland, including one attempt to buy 115 square miles of Icelandic farmland. The government prevented the sale by invoking Icelandic law, which states that only Icelandic nationals, citizens of the European Economic Area, or foreigners who have resided in Iceland for at least five years may purchase land.<sup>29</sup> In 2013, the Chinese phone company Huawei also expressed its goal to establish broadband service in all of Svalbard.<sup>30</sup> Svalbard is not a heavily populated area, prompting questions about why Huawei believes broadband service is necessary in the region. Overall, these actions imply that China’s interests go beyond research and determining a governance framework for the region. For a non-Arctic state, China has strong capabilities for travel into the Arctic and clearly plans to make use of the territory through the North Korean Port of Rason and establishing a business presence there.

### **China’s Policies in the Arctic**

In China’s 2018 White Paper on Arctic Policy, the government describes China as “an active participant, builder and contributor in Arctic affairs.”<sup>31</sup> The government also refers to China as a “Near-Arctic State,” a term used for the first time in the White Paper. The White Paper asserts China’s rights in “scientific research, navigation, overflight, fishing, laying of submarine cables and pipelines in the high seas and other relevant sea areas in the Arctic Ocean, and rights to resource exploration and exploitation in the Area, pursuant to treaties such as the UNCLOS and general international law.”<sup>32</sup> In the policy statements, China positions itself as a stakeholder in Arctic affairs, claims rights to economic interests in the Arctic, and asserts that the UNCLOS is the proper framework to govern the Arctic territory. China’s Arctic policy also expresses the country’s intentions to build a Polar Silk Road as part of the Belt and Road Initiative, entailing a trade route with international cooperation through the Arctic.<sup>33</sup> The White Paper asserts three other goals for China in the Arctic: exploration and

exploitation of resources (oil, gas, mineral, and other non-living resources), developing the Arctic tourism industry as Chinese tourists visit the Arctic, as well as participating in Arctic governance and international governance.<sup>34</sup> This final goal refers to China’s status in the Arctic Council and their bilateral cooperation programs, such as the 2012 Framework Agreement on Arctic Cooperation between China and Iceland and the Sino-Russian Arctic dialogues dating back to 2013.<sup>35</sup>

resources in the region. The sea route between Hamburg and Yokohama via the Suez Canal is about 11,500 nm, whereas the NSR decreases that length by about 40 percent to about 6,900 nm.<sup>36</sup> The shorter route would be advantageous for Japan’s shipping industry. In addition to having major exports of manufactured goods, such as vehicles and electronics, the maritime shipping industry itself has a strong presence in Japan’s economy and therefore has influence over political decisions. Shorter

*China’s self-bestowed title of “Near-Arctic State,” the plans for a Polar Silk Road, and the idea that they plan to extract resources from the region, pose a challenge to the idea that Arctic states should have preference in determining governance and usage of the territory.*

Given that China possesses no Arctic territory, some claim that China has no rights to usage or governance of the territory, except those that Arctic states have granted it. In contrast, China claims it does have rights to participate in Arctic affairs, largely through the claim that portions of the territory should be considered high seas and exclusive economic zones. China’s self-bestowed title of “Near-Arctic State,” the plans for a Polar Silk Road, and the idea that they plan to extract resources from the region, pose a challenge to the idea that Arctic states should have preference in determining governance and usage of the territory.

### **Japan**

#### **Interests in the Arctic**

Japan’s interests in the Arctic lie in the shorter trade routes that the region may afford it, as well as the newly accessible

routes would save trade ships time, energy, and money. In terms of energy resources, after the Great East Japan Earthquake in 2011 and the subsequent nuclear accident in Fukushima, Japan shut down most of their 54 nuclear power plants, forcing them to look for other energy sources.<sup>37</sup> Arctic resources could fill the gap in Japan’s energy supplies without requiring as much foreign dependence. From Japan’s point of view, increased cooperation with Arctic states could ease access (in the form of licensing and bilateral agreements) to Arctic energy resources that are currently under national control.<sup>38</sup> In addition, applying Article 136 of the UNCLOS legal framework would free areas up to international drilling.<sup>39</sup> The country’s research programs focused on energy resources in the Arctic demonstrate its interest in using Arctic resources to fulfill its energy needs.<sup>40</sup>

Like China, Japan also argues that the Arctic should be governed by the UNCLOS and be considered “part of the common



heritage of mankind.”<sup>41</sup> Overall, Japan’s foreign policy is guided by an “Iron Triangle:” the civil service, politicians, and business.<sup>42</sup> Although businesses are not part of the government, their interests are important to government agencies; in this instance, the business interests of the shipping industry have pushed Japan’s government into a more active Arctic policy.<sup>43</sup> In addition

Route Program (JANSROP).<sup>48</sup> JANSROP has researched the feasibility of the Japanese shipping industry’s use of the NSR.<sup>49</sup> From 2002 to 2006, JANSROP brought together scientists and experts from Russia, Norway, Canada, and Japan to study the eastern part of the NSR and the Sea of Okhotsk as well as to update the information on natural resources in the area.<sup>50</sup> Japan also

*Japan makes an effort to emphasize its interest in environmental issues in the Arctic.*

to its significant interests in shipping and energy resources, Japan makes an effort to emphasize its interest in the environmental issues in the Arctic. The country’s Arctic policies highlight the need for multilateral environmental cooperation for sustainable global development and the need to stay in line with the Kyoto Protocol.<sup>44</sup> This focus is in stark contrast to that of China: China’s policies reference environmental concerns, but it is not a focus of the country’s programs in the territory.

#### ***Maneuvering in the Arctic Territory***

After attaining permanent observer status on the Arctic Council in 2013, Japan’s programs in the Arctic have focused on its well-developed science and technology sector.<sup>45</sup> The country established a research station at Ny-Alesund on Svalbard in 1991.<sup>46</sup> The Ocean Policy Research Foundation (OPRF) is a Japanese think tank and lobbying organization which cooperated with the Fridtjof Nansen Institute in Norway and the Central Marine Research and Design Institute in Russia to research environmental concerns in the Arctic.<sup>47</sup> Two of the major research programs include the International Northern Sea Route Program (INSROP), and the Japan Northern Sea

contributed to the Arctic Monitoring and Assessment Program (AMAP), a working group on the Arctic Council.<sup>51</sup> AMAP provides guidance on policy through its research specifically on the effects of pollution and climate change on the Arctic region.<sup>52</sup> In addition to these research programs, Japan owns three icebreakers: *Shirase*, a part of the Japan Maritime Self Defense Force, as well as *Soya*, and *Teshio*, both of which are owned by the Japanese Coast Guard and used as patrol boats, limiting their usage.<sup>53</sup> Article 9 of Japan’s Constitution restricts the country’s use of force to self-defense purposes and the coast guard is meant to patrol the country’s coastline, assuaging any fears that Japan might militarize the Arctic or have undue presence in the region.<sup>54</sup> Consequently, Japanese actions in the Arctic are comparatively restrained as opposed to those of China.

#### ***Japan’s Policies in the Arctic***

In Japan’s policy documents, the government focuses on environmental concerns and how the country’s research capabilities can benefit Arctic management. Since the mid-1980s, sea-levels in Japan’s coastal regions have consistently risen, including

in the capital city of Tokyo.<sup>55</sup> Although the resource extraction and shorter sea-routes are of immediate interest to Japan, “Japan’s Arctic Policy” and the country’s “Basic Plan on Ocean Policy” both point out that environmental management and sustainability are of prime concern as well. “Japan’s Arctic Policy” claims, “Japan is called upon to recognize both the Arctic’s latent possibilities and its vulnerability to environmental changes, and to play a leading role for sustainable development in the Arctic in the international community with foresight and policy based on science and technology that Japan has advantage in order to achieve sustainable development.”<sup>56</sup> These policy documents highlight Japan’s involvement in Arctic research and development, such as establishing research networks and an observation station, dedicating resources to training researchers, and considering the development of a new research vessel for the Arctic.<sup>57</sup>

Japan’s “Basic Plan on Ocean Policy” places a higher emphasis on Japan’s cooperation with other states and involvement in international organizations in the Arctic. The plan stresses that “science and technology are Japan’s greatest strength[s]” and they can use those strengths to carve out a role for Japan in Arctic governance, by benefiting other states.<sup>58</sup> “Japan’s Arctic Policy” and the “Basic Plan on Ocean Policy” express goals of: establishing more international research collaboration, in particular increasing research on the social and economic impacts of Arctic issues; developing satellites, research stations, research rigs, and Autonomous Underwater Vehicles (AUVs); and upgrading microwave radiometers for sea ice observation.<sup>59</sup> Japan will pay attention to the Arctic Council and participate in Arctic governance through this framework.<sup>60</sup> The government is interested in developing more international rules through bilateral dialogues to protect freedom of navigation based on the UNCLOS.<sup>61</sup> These policies place an emphasis on research projects to understand the Arctic region and its potential relevance

to environmental problems. Japan’s plans for research in combination with its multilateral methods present a relatively small challenge to Arctic states and their interests in the region.

#### ***The Environment and Cooperation versus the Economy and Assertiveness***

China and Japan lay out very similar reasons for wanting more access to the Arctic. For China, international trade is a key economic driver, and shorter trade routes would decrease costs, benefiting the economy. Japan has a large shipping industry, which would also benefit from the shortened trade routes in the north and which has some influence over foreign policy through business interests. Although China’s trade volume is much larger than Japan’s, trade-related industries are a significant percentage of both economies: in 2018 China’s trade comprised 38.246 percent of GDP and Japan’s trade comprised 36.641 percent of GDP.<sup>62</sup> Additionally, each advocates the use of the UNCLOS in governance of the Arctic region. However, they have used differing methods to achieve their similar goals.

Based on policy documents and actions, China is pursuing more of its interests bilaterally and unilaterally. While Japan is looking to strengthen its Arctic position through the Arctic Council, China is attempting to do the same through bilateral relations with Arctic states and by making itself more important in the region (*i.e.*, through the Polar Silk Road). Some may point out that Japan has been developing bilateral and multilateral ties with foreign countries for a longer period of time, meaning (1) foreign countries already have more trust in Japan and (2) Japan has more of a foundation on which to improve multilateral relations and achieve goals multilaterally. However, this counterargument overlooks each country’s present-day behavior. China has opportunities to pursue its goals

multilaterally—through its observer status in the Arctic Council—but has continued to favor unilateral and bilateral methods. Japan has expressed interest in developing more capabilities for the Arctic, while China

policy paper analyses are only the product of China's visible promotion of its actions, even this publicity testifies to a stronger, more aggressive policy in the Arctic from China than from Japan. China's unilateral

*Japan's pursuit of its goals through the existent multilateral Arctic Council poses less of a challenge to the Arctic states' own interests than does China's approach.*

has asserted its rights under the UNCLOS, unilaterally named itself a "Near-Arctic State," begun the Polar Silk Road project, explored energy resources in the region, and developed tourism resources for Chinese tourists.

Other countries largely have not accepted or approved of these initiatives proposed by China. The "Near-Arctic State" title has not gained traction in international forums and US Secretary of State Mike Pompeo went so far as to actively reject the title during a speech in Finland.<sup>63</sup> China's White Papers have claimed that their Arctic programs are partially meant to facilitate Chinese tourism in the region, but Arctic states have opposed and prevented actions by the government, businesses, and private individuals that might attract Chinese tourism. Beyond media- and rhetoric-based disputes, Iceland and Norway each showed concern about Chinese involvement in the territory through efforts to stop land sales and the Huawei deal.

Japan's goals are based on cooperation, international interests, and mitigation of climate change. Japan has framed itself as a potential leader in research and technology through its policy papers, but has not taken the same recent actions as China to lead projects it is interested in. Although some observers claim that these

and bilateral methods in comparison to Japan's multilateral approach provides a link between each country's Arctic programs and their differing reception from Arctic States. Japan's pursuit of its goals through the existing multilateral Arctic Council poses less of a challenge to the Arctic states' own interests than does China's approach.

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# “One Arch Enemy” or “Two-Fold Danger”: The Failed Alliance in Non-Communist Asia

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## Introduction

This research examines the formation of an Asian anti-communist alliance, promoted by the Republic of China (Taiwan) and the Republic of Korea during the early Cold War period. By analyzing the issues that triggered significant conflicts between non-communist and anti-communist Asian countries, this paper argues that the ideas of national independence and liberation were widespread, so much so that anti-imperialism and decolonization were interwoven with the topic of communism in discussions of alignment. This led to widely divergent views among non-communist Asian countries about existing dangers, the severity of these dangers, and creating national policy to combat these possible threats. Due to their diverse historical experiences, non-communist countries held considerably different views about the nature of their overarching concern, independence. This caused

contradictions between aggressively anti-communist states, namely Taiwan and South Korea, created tensions between these two normally cooperative allies, and decreased the chances of building a multilateral alliance. Deviating from the U.S.-centric view of the non-communist world, this paper examines the ideas circulated among these states beyond the binary framework of Cold War confrontation and tries to analyze the transnational cultural background in a broader context.

## Setting the Stage

By the time World War II ended in 1945, China had supported Korea's movement for independence from Japan for over two decades, beginning in the Sun Yat-sen era.<sup>1</sup> The Republic of China (ROC) established a close patron-client relationship with the exiled Provisional Government of the Republic of Korea (led by Kim Koo (김구)), during the war. With the Japanese defeat, many observers expected that a peaceful and prosperous China, as well as a united and independent Korea, could be established; however, the outbreak of the Chinese Civil War and Korea's national division soon shattered this dream. The world order had shifted dramatically in the context of the Cold War and their domestic situations had become interwoven with the strategic landscape in a broader sense.

At that time, US policymakers were sharply divided over how to evaluate China's strategic value. In light of the disastrous failure of Chiang Kai-shek's military actions against the Chinese Communist Party (CCP), diplomats such as George Kennan raised the idea of abandoning Chiang; in February 1948, Kennan argued that the United States should “liquidate as rapidly as possible our unsound commitments in China and recover, vis-à-vis that country, a position of detachment and freedom of action.”<sup>2</sup> On the Korean peninsula, the ROK government in the south faced a tremendous threat from its communist counterpart to

the north; despite this danger, the United States shifted its attention to Japan and the Philippines to avoid unnecessary confrontations with the Soviet Union and its Asian communist allies.<sup>3</sup> In order to maintain the strategic status quo, the United States added the objective of “terminating the military commitment” in Korea and began to withdraw its troops, opting for “a middle course” to “establish within practicable and feasible limits conditions of support.”<sup>4</sup>

In 1949, the ROC and ROK briefly considered forming a military alliance; however, due to their divergent interests and a lack of US support, the proposal was unfinished by the time of the Korean War and indefinitely suspended thereafter. The idea of forming a regional anti-communist alliance re-emerged in Seoul and Taipei after the war’s end, but with the guarantee of the US-ROK military treaty, Korean policymakers did not see it as essential to their national security. Instead, a civil organization called

the anti- or non-communist world, existing works overwhelmingly focus on the United States, Europe, or other anti-communist allies’ relations vis-à-vis the United States—or how US policies affected their own. The study of interactions solely between non-communist Asian countries remains a relatively neglected subfield.

Existing works in the Korean and Chinese literature have already established a body of knowledge on the formation of anti-communist unions in the Asia-Pacific region. Many scholars focus on the Pacific Pact discussed by President Elpidio Quirino of the Philippines, Chiang Kai-shek, and Syngman Rhee in 1949;<sup>6</sup> some extend to the APACL and its founding in 1953.<sup>7</sup> These pieces tend to emphasize the impact of American involvement, yet few scholars have explored the history from different lenses or examined other factors, including the attitudes among other regional players and tensions between the two anti-commu-

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the Asian Peoples’ Anti-Communist League (APACL) was founded in 1954. From 1955 onward, ROK President Syngman Rhee tried to forge a mutual defense pact among “free Asia,” particularly with Taiwan and South Vietnam.<sup>5</sup> Rhee’s efforts ultimately failed in spite of escalating confrontation across the Iron Curtain.

Since the end of the Cold War in the 1990s, many scholars have paid renewed attention to Cold War historical research. This interest comes primarily from access to new archival records, especially from the former communist bloc countries. As for

nist partners—the ROK and ROC. Moreover, most of the literature views the issue as a simple military calculation and fails to position the issue in a broader historical context or to flesh out the issues surrounding neutrality and Japan’s role in the alliance.

### ***A New Perspective on the Historical Record***

In recent years, several innovative studies look at relevant historical facts through new lenses. Kai He and Huiyun Feng build on previous scholarship by introducing

a prospect-threat alliance model. They combine prospect theory from political psychology and a balance of threat theory from political science.<sup>8</sup> Through this model, policymakers calculate trade-offs between freedom of action and assistance of greater powers, and then choose to form multilateral or bilateral alliances based on their assessment. High threats frame politicians in a domain of losses, and multilateral alliances tend to be favorable, while low threats position leaders in a domain of gains, which leads to the opposite out-

To fill a gap in the existing research, and taking inspiration from the works mentioned above, this paper re-evaluates the relations among anti-communist and non-communist Asian states, as well as their efforts to create an alignment. Through analysis of the historical facts, it reconsiders topics of national liberation, anti-imperialism, and decolonization, emphasizing the distinction between non-communism and anti-communism and the differing perspectives of the two anti-communist allies of Taiwan and South Korea. The three threads

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come. Their research provides a significant alternative to rationalism and constructivism in the realm of international relations to answer a key question—Why is there no NATO in Asia? Charles Kraus’s paper uses the correspondence between Syngman Rhee and Choi Duk-shin from 1955-1957 about a potential military alliance in East and Southeast Asia to argue that Rhee’s worldview on both the Cold War and decolonization inhibited efforts to cooperate with other countries.<sup>9</sup> Kraus’s work calls for an integration of the Cold War and decolonization, contending that Rhee regarded these two topics similar in significance. Torben Gülstorff focuses on globally operating anti-communist networks, including the APACL.<sup>10</sup> By examining these organizations, Gülstorff illustrates the globally organized anti-communist movement and pursues a historical view of the international Cold War. Internationalized research provides an opportunity to rethink the Cold War and its global and transnational impact.

of national liberation, anti-imperialism, and decolonization were intertwined in policies dealing with communism. In the minds of ROC and ROK policymakers, the perceived dangers were pluralized and interwoven; their views of these intricately arranged threats often failed to accord with each other, thereby decreasing the incentive to forge a multilateral alliance. This analysis also moves the discussion away from a Washington-centric perspective, the Cold War dichotomy of communism versus capitalism, and the preconception of a closely cooperative relationship among nations in the same bloc.

### ***United in Anti-Communism***

At the beginning of 1949, both domestic politics and US policies compelled Chiang Kai-shek and Syngman Rhee to consider potential cooperation. As ROC Minister of Foreign Affairs Vi Kyuin Wellington Koo (Gu Weijun 顾维钧) later recalled, while Korea was very enthusiastic about a

potential Pacific Pact suggested after the UN meeting in January 1949, other countries were uninterested.<sup>11</sup> In the context of NATO's creation in early 1949, nations all over the world were having conversations about regional unions; Turkey and Greece lobbied for a Mediterranean treaty, and Australia and New Zealand proposed a Southeast Asian treaty. At the New Delhi Convention, the Philippine representative Romulo presented the idea of an Asian bloc.<sup>12</sup> Approximately two months later, President Quirino of the Philippines shared his vision of a Pacific Pact, and Syngman Rhee responded positively.<sup>13</sup> In June 1949, the soon-to-be ROC ambassador to Korea Shao Yulin (邵毓麟)<sup>14</sup> proposed his East-Asian policy and persuaded Chiang to ally with other anti-communist countries.<sup>15</sup>

On July 10, 1949, Chiang Kai-shek traveled to the Philippine summer capital of Baguio, to discuss with Quirino "how to organize and mobilize Far East countries to unite."<sup>16</sup> They agreed to invite Rhee to build an anti-communist alliance collectively.<sup>17</sup> South Korea responded positively to the Chiang-Quirino proposal and invited Chiang to visit Korea.<sup>18</sup> After arriving in

as Chiang strategy to use the two leaders to bolster relations with Washington.<sup>20</sup> Rhee also tried to secure America's written commitment to a collective regional security system under the leadership of the United States.<sup>21</sup> As for Quirino, US policy-makers thought he "[had] fallen in with Chiang's (and Rhee's) flattering suggestion...not only from genuine concern for Philippine security, but because his emergence as an Asian leader would improve his political prospects."<sup>22</sup>

Little progress toward a mutual alignment was made after the 1949 meetings. Noting the Americans' lack of support for both the Pacific Pact and Chiang's regime, the Philippines altered the course formulated at the Baguio meeting and prepared for a union that should be "publicized as non-communist rather than anti-communist."<sup>23</sup> South Korea and the ROC carried out some military cooperation: Rhee asked for weapons assistance, while Chiang aimed at utilizing Korean territory to support air force attacks against the CCP.<sup>24</sup> Though the US attitude served to push the two anti-communist leaders closer, the alignment treaty was never negotiated. Observers such as

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Korea at the coastal city of Chinhae (진해), Chiang released a statement claiming the visit would include discussions about organizing an anti-communist league among East Asian nations.<sup>19</sup> It was explained as an attempt to encourage more American aid for the regional quasi-allies. At that time, Rhee and Quirino both enjoyed closer relations with America than Chiang did, and the United States saw this alliance proposal

ambassador to Korea John Muccio argued that Rhee did not want to be directly involved in the Chinese civil war and thus antagonize the CCP.<sup>25</sup> The fact that Chiang and Rhee faced different enemies on different stages, with Chiang's defeat and Rhee's war not yet begun, further limited incentives for forming a formal alliance.

The year 1950 was a watershed moment for the ROC and the ROK, as the Korean

War fundamentally transformed their international environment. The United States modified its previous non-involvement policy toward Asia and significantly increased assistance to the regional partners. Rhee's and Chiang's different positions on the communist threat and national division further strained the relationship between them. When the Korean War entered a stalemate in mid-1951, the previous discussions about the Pacific Pact continued.<sup>26</sup> In 1952 and 1953, several Korean congressmen called for the signing of a military alignment with Taiwan and contacted the ROC ambassador, Wang Dongyuan (王东原).<sup>27</sup> Before Rhee's visit to Taipei in November 1953, Taiwan's Secretary-General of the Presidential Office Wang Shijie (王世杰) and the Ministry of Foreign Affairs drafted a Pacific Mutual Assistance Treaty, which included the article of mutual defense.<sup>28</sup> However,

Korea sent several officials and groups to Southeast Asia from December 1953 to April 1954, including Lee Bum Young (이범영) and Choi Duk Shin (최덕신). The Korean government also asked Taiwan to mobilize overseas Chinese in support of the initiative.<sup>31</sup> On June 15, 1954, the first APACL conference was held in Chinhae, Korea. Twenty-two delegates from eight East Asian states, Southeast Asian states, and other territories came to the conference,<sup>32</sup> to discuss the organization's principles and objectives.<sup>33</sup> The APACL consisted of anti-communist societies from different countries; although they were connected with governmental officials of their respective states,<sup>34</sup> these groups were able to maintain unofficial and nongovernmental status, which was exactly why those Southeast Asian nations agreed to participate.<sup>35</sup> Moreover, most participants were overseas Chinese, so the ROC played a prominent

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the Korean government did not express great enthusiasm for signing such a deal. Instead, Rhee wanted a people-to-people union, especially given the fact that South Korea understood the US stance on Korea's military affairs as a check on aggressive actions against North Korea; additionally, the US-ROK mutual defense treaty had just successfully concluded.<sup>29</sup>

What Rhee proposed eventually ended became the Asian Peoples' Anti-Communist League (APACL). At the time, South Korea lacked connections with Southeast Asia; therefore, the ROC Foreign Minister, George Kung-chao Yeh (叶公超), suggested that his Korean counterpart send an ambassador-at-large to contact those countries.<sup>30</sup>

role.<sup>36</sup> ROC domination of the APACL contributed to ongoing friction between the ROC and ROK.

Rhee promoted potential military collaboration in 1955, particularly with Taiwan and South Vietnam. In addition to the existing threat from North Korea and its allies, Japan's political situation was a legitimate concern for South Korea. In December 1954, Ichiro Hatoyama (鳩山一郎) began his two-year tenure as Prime Minister, and fundamentally shifted the foreign policy of his predecessor (Shigeru Yoshida, 吉田茂). Hatoyama intended to improve Japan's relations with communist states, thereby helping Japan return to the international community. Japan

tried to repair its relationship with the PRC by increasing bilateral trade and people-to-people exchanges. After negotiations, Japan and the Soviet Union signed the Soviet-Japanese Joint Declaration in 1956 and normalized diplomatic relations. Japan attained UN membership after the Soviet Union pledged to support it. As the resumption of trade contacts considerably improved the Japan-North Korea relationship, South Korea's distrust of Japan grew exponentially, and bilateral negotiations between the two countries collapsed.<sup>37</sup>

partners rather than a formal alignment. The ultimate failure of the proposal indicated how severe the divergences actually were, even though all actors were in favor of a free Asia—and it is vital to examine these differences. The early period of the Cold War in Asia witnessed several attempts to forge an anti-communist alliance. Although American policies influenced certain countries, differences among regional actors were the primary reason for this failure. In analyzing their strategies, it is necessary to dig into national ideologies and practical objectives, including national liberation

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In November 1955, the Korean ambassador sent a letter to George Kung-chao Yeh, saying that South Korea would be willing to ally with Taiwan militarily if Taiwan pledged to maintain distance from Japan.<sup>38</sup> In April 1956, Rhee again ordered his aide Choi Duk-shin to travel to Southeast Asia. Rhee reported, "Sentiment is growing in favor of a mutual defense pact being concluded among Vietnam, Formosa [Taiwan], and Korea."<sup>39</sup> After settling in Saigon, Choi was able to connect with different states' personnel in the capital and cultivate cordial relationships with them. There was some progress in terms of military exchange with South Vietnam,<sup>40</sup> but the Vietnamese government refused to sign a military alliance. Disappointed by both the Vietnamese and the American ambassador, Rhee ordered Choi in June 1956 to cease lobbying South Vietnam for the creation of a defense pact in June 1956.<sup>41</sup> After that point, Rhee and Choi focused on promoting substantive connections among the anti-communist

and independence, anti-imperialism, and decolonization. Particular idiosyncrasies and historical grievances heavily influenced each country's objectives.

#### ***Anti-Communist ROC and ROK: Interwoven Ideologies***

The two firmly anti-communist parties also upheld the ideologies of anti-imperialism and de-colonialization. Although the existing literature commonly asserts that exchanges between Chiang, Quirino, and Rhee were the starting point of the proposed Asia-Pacific alliance, this paper argues that the origins lie deeper, in earlier notions of anti-imperialism and independence before the war. The ideological views of the ROC government can be traced back to the founding father Sun Yat-sen's "Great Asianism" (大亚洲主义),<sup>42</sup> which proposed building a united region. Sun argued that all oppressed Asian nations should unite and connect, calling for a

culture of *Dabuping* (打不平, or helping victims of injustice). He maintained that Asia was the source of human culture, unjustly oppressed by imperialists in modern history. Japan's prosperity in the early 20th century boosted Asian people's confidence and hope. Hence, China and Japan were leading powers to launch united movements in Asia. Sun even tried to connect with the Japanese government to create a "Greater Asian League."<sup>43</sup>

Chiang Kai-shek inherited Sun's ideology and enshrined it as the KMT's fundamental guide. His Asian policy was reflected in China's assistance to the Korean independence movement, India, and Vietnam during WWII. China was able to play a world-class leadership role in World War II, especially in maintaining stability in Asia (according to the post-war blueprint), thereby encouraging China to view

policy due to the ROC's domestic rivalry with the CCP. More importantly, the relationship between anti-communism and anti-imperialism was intertwined. The KMT viewed the CCP's occupation of Mainland China as a Soviet invasion, so the struggle was twofold—anti-CCP as well as resistant to the USSR.<sup>47</sup> The perception that Asia was the preferred global target of communism served to intertwine the KMT's anti-communist policy and strict "Asia first" strategy.<sup>48</sup> Chiang also nursed grievances towards European and American imperialism. After signing the joint declaration with Quirino in 1949, Chiang thanked God for blessing the Eastern states so that they could unite and not be bullied by the West.<sup>49</sup> When Chiang encountered US and British opposition to the proposed alliance, he furiously criticized it as a white people's traditional policy, which would never allow Asia to have a united organization.<sup>50</sup> He felt that

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itself as a leading power.<sup>44</sup> For instance, in 1947, although Chiang had a limited relationship with Rhee, Chiang assisted when Rhee had to travel back to Seoul due to conflicts with the US military government in Korea.<sup>45</sup> Chiang invited Rhee to Shanghai, met him for the first time, and sent him to Korea using a personal airplane. Chiang told Rhee he would take responsibility for Korea's independence in order to carry out the ideas of the party,<sup>46</sup> showing that the origins of the later cooperation were far more than an extemporaneous situation.

The original purpose of aligning the Asian nations, as indicated in Sun's "Greater Asianism," was anti-imperialism, but anti-communism was later added into ROC

imperialists wanted to enslave "yellows" and make Asia their colony forever.<sup>51</sup> Thus, Chiang believed not only in fighting for China's freedom and independence, but in the liberation of other Eastern nations as well; this was his guiding focus when he was dealing with foreign affairs. The APACL envisioned itself as an alternative to the Non-Aligned Movement, although others saw the organization as against the European colonial powers and the United States.<sup>52</sup>

After several decades as a Japanese colony, the Republic of Korea viewed Japan in terms of anti-imperialism and de-colonialization. Since the gradual erosion of Korean sovereignty and its final annexation in 1910, Korean nationalist thinkers had ceaselessly

promoted the idea of national independence; the 1919 March First Movement spread the idea of independence across the entire nation. As a result, Koreans' attitudes toward Japan were unique in the Cold War era. As an anti-Japanese leader, Rhee advocated Korean sovereignty after fighting the Japanese invasion and colonization for half a century. The views in his early book were maintained throughout his whole political career: "The tens of thousands of words ultimately boil down to this one idea—*independence*."<sup>53</sup> The defeat of Japan in the war did not diminish the grievances of Rhee and the Korean people. In contrast with Chiang, who conflated anti-communism with national independence, Rhee believed that "the danger is two-fold: the Communist threat on one side and Japan's rapid expansion on the other."<sup>54</sup> In his mind, both Japanese imperialism and Korean communism threatened the independence of Korea; countering these two threats was his definition of the Cold War struggle.

### ***Conflicts between the two Anti-Communist States***

Although the two anti-communist leaders genuinely believed in their missions of national independence and fighting against communism, one can hardly conclude that they were of the same mind. In fact, their different viewpoints on identifying enemies and prioritizing degrees of severity contributed to the conflicts and disagreements not only between non-communist and anti-communist nations, but, more importantly, between the two anti-communist parties. The essential issue was Japan.

The KMT's relationship with Japan was complicated. Japan's invasion of China left deep enmity between the two countries, but the KMT's early revolution was largely supported by the Japanese, and many KMT leaders were educated in Japan. Sun Yat-sen had deep connections with Japanese society, and Japan was his base for

establishing political parties and organizing revolutions. The aforementioned "Great Asianism" of Sun Yat-sen argued for Japan's leadership role in Asian revitalization and called for a united Asia led by Japan and China. After retreating to Taiwan, anti-communism was foremost in Chiang's mind, and he tried to establish Japan as a member of the anti-communist free world. Chiang wanted to quickly normalize the ROC-Japan relationship for the sake of further cooperation. When Chiang implemented the "rendering good for evil" policy and did not demand reparations from Japan, he said, "We must avoid adopting the measure of demanding a large amount of reparation and weakening Japan. For Asia's stability, we must make Japan a powerful anti-communist state."<sup>55</sup> His adviser Shao Yulin concluded that policy toward Japan would be developing future cooperation on anti-communism and resisting Russia, while those old scores, namely Japan's responsibilities in WWII, could be written off.<sup>56</sup> From Chiang's perspective, Japan should be included in the prospective anti-communist union. The CCP criticized this approach as conspiring with Japanese "reactionaries."<sup>57</sup>

Few regional leaders shared Chiang's attitude towards Japan, particularly South Korea. South Korea was extremely concerned about Japan's economic revival, remilitarization, and increasing political participation in the international arena. Rhee deeply believed that Japanese imperialism was preparing for the domination of Asia after Japan recovered from its postwar destruction.<sup>58</sup> The United States supported Japan's resurgence and intended to make Japan the center of Asian policy after WWII, alarming South Korea. Rhee was suspicious of the peace-making process led by the United States in 1950 and said, "We are struggling with the pro-Japan Americans."<sup>59</sup> Rhee viewed persuading prospective regional anti-communist allies of the danger posed by Japan as more important than trying to convince the patron ally, because "Americans [had]

forgotten the danger of Japan." Therefore, South Korea worked to make its allies realize Japan's evil nature. When Rhee visited Taipei in 1953, his foreign minister Byeon Yeong-tae (변영태) responded to his counterpart Kung-chao Yeh's suggestion that South Korea normalize its relationship with Japan, saying that "being cunning and opportunist has become a second nature to the Japanese, and they will inevitably become invaders."<sup>60</sup> In South Vietnam, Rhee focused on educating the Vietnamese to help them "fully understand what Japan is after,"<sup>61</sup> especially Japan's economic ambition beneath the trading relationship. South Korea emphasized that Japan was seizing the natural resources of Asia and dominating technology, and "the next step for economic domination and military supremacy is the political conquest,"<sup>62</sup> which was "nothing more than the old Asian 'Co-prosperity-sphere' under a new name."<sup>63</sup>

South Korea's aversion to Japan was aggravated by Rhee's anti-communist sentiments. Since Japan pragmatically tried to engage with the Soviet Union, the PRC,

proposed to exclude Japan absolutely, and also target Japanese imperialism outside of communism: "This twofold threat—of Communist or Japanese dominance, or both—can be met through the medium of collective security."<sup>67</sup>

When the "pro-Japan" ROC encountered the determinedly anti-Japan ROK, predictable frictions complicated the mutual security alignment. For example, the only actual byproduct, the APACL, ran straight into the serious problem of Japanese membership. In 1954, the ROC intended to invite a Japanese delegation to participate in the 1955 second APACL conference; however, the negotiation with Korea was unsuccessful.<sup>68</sup> Korea would not accept a Japanese delegation that had observer status and said it would refuse to participate if Japan joined.<sup>69</sup> Thus, the second conference had to be postponed. The ROC received the Japanese delegation and traveled to the island. Chiang told them the trilateral concerted anti-communist struggle suffered from the unfortunate Japan-Korea problem, and the ROC would continue to cooperate with Japan as well as make suggestions

*The ROC's position that "Asia has only one arch enemy," conflicted with the ROK view that "the danger is two-fold."*

North Korea, and other communist countries, it was "clearly not anti-communistic in its attitude,"<sup>64</sup> and was even "certainly pro-communist and gradually entering the Red camp."<sup>65</sup> As these two dangers merged in Rhee's thinking, he felt that the Japanese were cooperating with communist powers to invade free Asia. If Chiang and other leaders believed Moscow was cooperating with Beijing to expand in the region, Rhee wanted to add Tokyo to this axis.<sup>66</sup> Therefore, he wanted the alignment South Korea

to Korea.<sup>70</sup> The next year, in anticipation of the postponed second conference, a Korean governmental newspaper commented that the ROC must make a choice between Japan and free Asia, and it was possible that Korea might build another organization with other free states.<sup>71</sup> During the conference, the ROC tried to discuss new membership issues, but the Korean delegation strongly opposed Japan's participation. Given the fact that the league was dominated by the ROC, South Korea



raised the rumor that Taiwanese chairman Ku Cheng-kang (谷正刚) was courting other representatives to oppose Korea.<sup>72</sup> In the end, Korea successfully blocked the extension of an ROC-backed invitation to Japan to the APACL for the entire Syngman Rhee era. Japan finally joined the league in June 1960—the month following Rhee's exile to the United States.

Friction between the two anti-communist partners over Japan was not exclusive to the APACL. As mentioned above, after nor-

communism and Japanese expansion, inevitably failed.

When we move away from Washington's policies and military calculation, the multi-faceted ideas of these Asian nations are revealed: for them, the historical period defined as the Cold War was not just a time of binary rivalry between communism and capitalism, but also a fight for national independence and liberty. Therefore, the competition between communism and anti-communism overlapped

*The most significant incentive for a mutual security treaty, a single shared enemy, was absent in Asia; this is the reason for the lack of such an alliance.*

malizing relations with the Soviet Union, Japan had an opportunity to join the UN. In November 1956, South Korea asked the ROC to veto Japan's application to the UN Security Council and used Taiwan's willingness to sign a friendship treaty vis-à-vis Korea to add pressure on Taipei.<sup>73</sup> Apparently, Taiwan did not veto the proposal, and Japan entered the UN in December.

### **Conclusion: Asian Cold War Perspectives**

In conclusion, the ROC's position that "Asia has only one arch enemy,"<sup>74</sup> conflicted with the ROK view that "the danger is two-fold."<sup>75</sup> The ROC government viewed Japan as an anti-communist bulwark and supported Japan's economic rejuvenation as well as its international political participation. However, such a positive attitude towards Japan made Rhee conclude that Taiwan was pro-Japanese.<sup>76</sup> Hence, the prospective alliance proposed by Seoul, which was aimed at fighting against both

with colonization and decolonization, as well as imperialism and anti-imperialism. In this sense, identifying the dangers, prioritizing their severity, and adopting practical solutions to address these dangers triggered divergent views among non-communist Asian countries. The divergences were a result of various factors such as historical experiences, ideological lines, personal worldviews, temporary urgencies, domestic politics, and understandings of regional futures.

When considering the conflicting opinions among Asian nations and the failure to foster a regional security pact, scholars tend to argue that non-communist Asian states were fighting against different communist threats, like the PRC, North Korea, and other communist guerrillas. This differed from Europe, which was commonly seen as facing only the threat from the Soviet Union. Therefore, the most significant incentive for a mutual security treaty, a single shared enemy, was absent in Asia; this is the reason for the lack of

such an alliance.<sup>77</sup> This paper broadens the concept of "the enemy," which does not solely refer to communism in the framework of the Cold War, but includes more issues that might violate the preservation of independence, a fundamental concern for the Asian nations. The diverse threats that could lower the sense of a common danger among the Asian nations made the leaders disinclined to form a multilateral alliance, especially given the fact that the alliance would greatly challenge the degree of freedom available for making and implementing decisions.

The origins, process, and result of building an Asian anti-communist alignment are exemplary of this complex historical period and encourage a strengthening of the scholarship on Cold War history. Cold War historiography requires a departure from America- or Soviet-centric perspectives that primarily emphasize uni-directional power- and policy-projections. Looking at the ideas and problems circulated within the third world and delving into the relationships among these anti- or non-communist states can internationalize the historical research based on multi-archival studies. This paper tries to break some habitual limits of Cold War research. Broadening the origins of the alignment discussion can break down the barrier of Cold War periodization and contribute to historical continuity. More importantly, it avoids the traditional notion of the Cold War, as a dualistic capitalist-communist clash or "big power rivalry." When we focus on the non-communist third world, struggles independent of pro- or anti-communism emerge in the shadow of the traditional framework, thereby enriching this historical period and widening the scope of the current research.

1 Min Shilin 闵石麟, *Zhonghan guanxi shihua* 中韩外交史话 [A Historical Account of Sino-Korea Diplomacy] (Chongqing: Dongfang chubanshe 东方出版社, 1942), 26-27.

- 2 Report by the Policy Planning Staff, February 24, 1948, PPS/23, *Foreign Relations of the United States (FRUS), 1948, General; the United Nations*, vol. 1, bk. 2 (Washington: Government Printing Office, 1983), 523-525.
- 3 Note by the Executive Secretary of the National Security Council (Souers) to President Truman, April 2, 1948, NSC 8, *FRUS, 1948, The Far East and Australasia*, vol. 6, bk. 2, 1164-1169. Report by the National Security Council to the President, March 22, 1949, NSC 8/2, *FRUS, 1949, The Far East and Australasia*, vol. 7, bk. 2, 970-978.
- 4 Report by the National Security Council, March 22, 1949, *FRUS, 1949*.
- 5 Letter from the President (Syngman Rhee) to Lt. General Choi Duk-shin, April 05, 1956, History and Public Policy Program Digital Archive, B-333b-091, The Korean Legation in Vietnam, Reports from the Korean Mission to the United Nations and Republic of Korea Embassies and Legations, Syngman Rhee Institute, Yonsei University. <https://digitalarchive.wilsoncenter.org/document/121025>.
- 6 David W. Mabon, "Elusive Agreements: The Pacific Pact Proposals of 1949-1951" *Pacific Historical Review* 57:2 (1988), 147-177. Mabon's work emphasizes the policies of the United States, the United Kingdom, and other powers towards the proposed Pacific pact, but the sources used are dated. Jin Jingyi 金景一, "Qianlun chaoxian zhanzheng qian jiangjieshi yu lichengwan guanxi de hexin xiansuo" 浅论朝鲜战争前蒋介石与李承晚关系的核心线索 [Discussion on the Core Clue of the Relationship between Chiang Kai-shek and Syngman Rhee before the Korean War], *Studies of International Politics* 国际政治研究; 2002, 4: 127-134. Jin argues that the core clue of the relationship was zaoshi (趑趄, "make the situation"), but the paper largely relies on a single source—Chinese ambassador Shao Yulin's memoir and lacks other supportive documents. Wang Xiaoping 汪小平, "Gouxiangtongmeng: 1950 nianqianhou yuandong 'taipingyanggongyue' wenti yu meiguo duitai zhengce" 构想同盟:1950 年前

- 后远东“太平洋公约”问题与美国对台政策 [Conceived Alliance: the Far East “Pacific Pact” Issue and American Policies towards Taiwan before and after 1950], *Youth Academic Forum of the Institute of Modern History, Chinese Academy of Social Sciences* 中国社会科学院近代史研究所青年学术论坛, (2010): 385-409.
- Kiyoung Rho, “The Development of Pacific Pact Policy and the Plan of Regional Security in the Syngman Rhee Regime,” *The Journal of Korean History*, 11 (2002), 186-223.
- Jeong-Bae Kim, “The Nature of the ‘Pacific Union’ Discussions in the Light of American Global Strategy,” (MA thesis, Pusan National University, 1990.)
- Jin-Hee Park, “Syngman Rhee’s Recognition toward Japan and Pacific Pact,” *Historical Criticism* 76 (2006), 90-118.
- Kim and Park analyze Taiwan’s relations with Japan and the United States during the discussion of the Pacific Pact.
- 7 Junghyun Park, “Frustrated Alignment: The Pacific Pact Proposals from 1949-1954 and South Korea-Taiwan Relations,” *International Journal of Asian Studies* xxii, no. 2 (2015), 217-237. Park’s work tries to jump out of the Washington-centric circle and view the issue via bilateral relationship; however, he fails to look at the Pacific Pact in a broader sense, regardless of if it is an Asian non-communist world, or the third world. Steven Phillips, “‘Yuandong de beiyue’: guomindang yu quyun junshi hezuo” “‘远东的北约’: 国民党与区域军事合作 [“A Far Eastern NATO”: The Nationalists and Regional Military Cooperation], *Studies of Social Sciences (Sichuan Academy of Social Sciences)* 社会科学研究 (四川省社会科学院) 2010, 6: 133-141. Phillips focuses on the mutual distrust and conflicts between Chiang and the United States through the fact that the proposed military alliance ended up with APACL, a people-to-people organization.
- Wang Enmei 王恩美, [Contradictions and Conflicts between Korea and the ROC on the Dominant Power around Asian Nation’s Anti-Communist League (1953-1956)], *Seoul: Studies of Asia*, 56:3 (2013). Wang discussed the conflicts between the two parties in the APACL, particularly the issues of dominance and the problem of Japan.
- Wu Ruiyun 吴瑞云, *Post-war ROC’s Anti-Communist Alliance Policy—the Facts of Anti-Communist Cooperation among Taiwan, Japan, and Korea* 戦後中華民国の反共連合政策—臺日韓反共協力の実像 (Taipei: Northeast Asia Regional Studies, Academia Sinica 中央研究院东北亚区域研究, 2001). Using archives in Taiwan, this Japanese book discusses the failure of the Taiwan-Korean military alliance as well as the collaboration between Taiwan and Japan, respectively.
- Chen Tzu-chi 陈孜琦, “Zhanhou taiwan duihan zhengce xingcheng yu bianqian (1945-1960)” 战后台湾对韩政策形成与变迁 (1945-1960) [The Formation and Change of Korea Policy in Post-War Taiwan (1945-1960)], (MA thesis, National Taipei University, 2018). This recent thesis primarily draws from Taiwanese published and unpublished records and thoroughly emphasizes the overall bilateral relations in Rhee’s era.
- Muhyung Cho, “The Establishment and Decline of APACL—Conceptualizing ROK-US Conflict based on Role Theory,” *Journal of World Politics* 29 (2008), 187-239.
- Youngho Choi, “Rhee Syngman Regime’s Ideas of Pacific Alliance and the Asian People Anti-Communist League’s Birth,” *Korea Journal of International Relations* 39 (1999), 165-182.
- Haruka Matsuda, “‘Pacific Pact’ and ‘The Asian People Anti-Communist League’: American Reactions to the Proposals of the Two Security Pacts by ‘Outpost Countries’ in East Asia,” *Pacific and American Studies* 5(2003), 135-52.
- Cho, Choi, and Matsuda’s research analyzes the transformation from the Pacific pact to the APACL, Rhee’s own role in the course, and the regional security collaboration at that time.
- 8 Kai He and Huiyun Feng, “‘Why Is There No NATO in Asia?’ Revisited: Prospect Theory, Balance of Threat, and US Alliance Strategies,” *European Journal of International Relations*, 18, no. 2 (2012): 227-250.
- 9 Charles Kraus, “‘The Danger is Two-Fold’: Decolonisation and Cold War in Anti-Communist Asia, 1955-7,” *The International History Review* 39 (2017), no. 2: 256-273.
- 10 Torben Gülstorff, “Warming Up a Cooling War: An Introductory Guide on the CIAS and Other Globally Operating Anti-communist Networks at the Beginning of the Cold War Decade of Détente,” *Wilson Center CWIHP Working Paper Series* #75, (2015).
- 11 Vi Kyuin Wellington Koo, *Gu Weijun huiyilu* 顾维钧回忆录 [The Memoir of Vi Kyuin Wellington Koo], vol. 7, (Beijing: Zhonghua shuju 中华书局, 1985), 289. Relevant history can also refer to archival records. Telegram from Stevenson to Foreign Office, January 12, 1949, FO 371/75799, F1306/10124/10, British Foreign Office Records.
- 12 The Chargé in the Philippines (Lockett) to the Acting Secretary of State, January 15, 1949, 890.00/1-1549, *FRUS, 1949, The Far East and Australasia*, vol. 7, bk. 2, 1115-1117.
- 13 Syngman Rhee, Collection of President Rhee Syngman’s Statements (Seoul: Ministry of Information, 1953): 144, cited in Junghyun Park, “Frustrated Alignment: The Pacific Pact Proposals from 1949-1954 and South Korea-Taiwan Relations,” 217-237.
- 14 Shao was invited by Kim Koo to serve as consultant to the Provisional Government and helped the government to participate in the international stage using his dual role as both the Chinese official and Korean representative. In January 1945, Shao traveled to the United States to participate in the Pacific Conference, which discussed the post-war Korean issue, and to try to coordinate the divisive America-based Korean independence groups. He met with Rhee several times, which was the first time Rhee had contact with an official from the ROC. Letter from Kim Koo to Wu Tiecheng, December 9 1944, 17/34.5, KMT Party History Office Archive. Shao Yulin 邵毓麟 *Shihan huiyilu* 使韩回忆录 [Memoir of an Ambassador to Korea] (Taipei: Zhuanjiwenxue chubanshe 传记文学出版社, 1980), 52-62.
- 15 Telegraph from Shao Yulin to Chiang Kai-shek, President Chiang’s Document, June 6, 1949, 002-080106-00068-001, Archive of Academia Historica. Shao Yulin, *Shihan huiyilu* (Taipei: Zhuanjiwenxue chubanshe, 1980), 103-106.
- 16 Visit to the Philippines, President Chiang’s Record, July 1949, 002-080106-00073-004, Archive of Academia Historica.
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- 18 Shao Yulin, *Shihan huiyilu* (Taipei: Zhuanjiwenxue chubanshe, 1980), 112.
- 19 Chiang Kai-shek Publicized a Statement when Arriving, President Chiang’s Document, August 6, 1949, 002-080106-00068-004, Archive of Academia Historica. Also see Shao Yulin, *Shihan huiyilu* (Taipei: Zhuanjiwenxue chubanshe, 1980), 115-116.
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- 21 Junghyun Park, “Frustrated Alignment: The Pacific Pact Proposals from 1949-1954 and South Korea-Taiwan Relations,” *International Journal of Asian Studies*, xxii, no. 2 (2015), 217-237.
- 22 Memorandum by the Policy Information Officer of the Office of Far Eastern Affairs (Fisher) to the Director of the Office (Butterworth), July 15, 1949, 890.00/1-1549, *FRUS, 1949, The Far East and Australasia*, Volume VII, Part 2, 1162.
- 23 The Chargé in the Philippines (Lockett) to the Secretary of State, July 25, 1949, 890.20/7-2549, Ibid, 1174-1175.
- 24 Telegram from Shao Yulin to Chiang Kai-shek about the Weapon Assistance List Asked by Korea, President Chiang’s Document, August 2, 1949, 002-080106-00068-006, Archive of Academia Historica. The Ambassador in Korea (Muccio) to the Secretary of State, September 19, 1949, A-282, Ibid, 1080-1084.

- 25 The Ambassador in Korea (Muccio) to the Secretary of State, September 19, 1949, A-282, FRUS, 1949, The Far East and Australasia, vol. 7, bk. 2, 1080-1084.
- 26 Kiyong Rho, "The Development of Pacific Pact Policy and the Plan of Regional Security in the Syngman Rhee Regime," *The Journal of Korean History* 11 (2002), 197-198, cited in Junghyun Park, "Frustrated Alignment: The Pacific Pact Proposals from 1949-1954 and South Korea-Taiwan Relations," 226.
- 27 Wang Doongyuan 王东原, *Fusheng jianshu* 浮生简述 [Brief Narration of My Life] (Taipei: Zhuanjiwenxue chubanshe 传记文学出版社, 1987), 107.
- 28 Abstract and Draft of the Pacific Mutual Assistance Treaty Delivered by Wang Shijie to Chiang Kai-shek, President Chiang's Document, November 2, 1953, 002-080106-00069-011, Archive of Academia Historica.
- 29 Chen Tzu-chi, "Zhanhou taiwan duihan zhengce xingcheng yu bianqian (1945-1960)," 84-85.
- 30 Conversation Summary between Kung-chao Yeh and Byeon Yeong-tae, President Chiang's Document, November 28, 1953, 002-080106-00069-015, Archive of Academia Historica.
- 31 Asian Peoples' Anti-Communist League, December 1953-May 1955, 11-13-13-02-001, Archive of the Institute of Modern History, Academia Sinica, 105-106.
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- 33 Asian Peoples' Anti-Communist Conference, Press Release No.4, June 17 1954, B-387-012, Wilson Center CWIHP, <https://digitalarchive.wilsoncenter.org/document/118314>.
- 34 Torben Gülstorff, "Warming Up a Cooling War."
- 35 After it was confirmed by Taiwan and the United States that the organization was a civil society, the Philippines and Thailand accepted the invitation. Asian Peoples' Anti-Communist League, December 1953-May 1955, 11-13-13-02-001, Archive of the Institute of Modern History, Academia Sinica, 106.
- 36 Torben Gülstorff, "Warming Up a Cooling War."
- 37 Yin Xizhen 尹錫貞, "李承晚政權の対日外交", [Syngman Rhee Administration's Japan Diplomacy], (PhD diss. Keio University, 2016) 92-102.
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- 45 Bruce Cumings, *The Origins of the Korea War*, vol. 1 (Princeton: Princeton University Press, 1981), 148-154. Shao Yulin, Shihan huiyilu (Taipei: Zhuanjiwenxue chubanshe, 1980), 85-92. Hsiao-ting Lin, *Kunshou yu fangong: lengzhanzhong de Taiwan xuanze* (Beijing: Jiuzhou chubanshe, 2017), 43.
- 46 Chiang Kai-shek Diaries, April 14, 1947, Archive of Hoover Institution, Stanford University.
- 47 Chiang Kai-shek, *Fangongkange jibenlun* 反共抗俄基本论 [Basic Theory of Anti-Communism and Resisting to Russia] (Taipei: Zhongyang wenwu gongyingshe 中央文物供应社, 1953)
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- 52 Torben Gülstorff, "Warming Up a Cooling War," 32.
- 53 Syngman Rhee, translated by Han-Kyo Kim, *The Spirit of Independence: A Primer of Korean Modernization and Reform*, (Honolulu: University of Hawaii Press, 2001), 53.
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## *The Role of Sanctions in U.S.-China Economic Competition*

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### **Introduction**

Going back to the 1949 founding of the People's Republic, China has frequently been affected by American unilateral sanctions, whether as a target or as a party carrying out actions against third countries – willingly or not. In recent years, sanctions have become an increasing point of contention between the United States and China, major companies in strategic sectors, such as telecommunications giants ZTE and Huawei, face U.S. accusations of espionage. America's centrality to the global financial system limits China's ability to avoid compliance, but Beijing appears to be working to build international opposition to the sanctions and developing its own forms of economic pressure. This paper describes the mechanisms behind U.S. sanctions, tracing the history of Chinese experience with

and responses to U.S. sanctions; it suggests that a more aggressive US posture is pushing China to work toward a global financial system less dependent on the dollar and the leadership of the United States, which in turn could weaken the effectiveness of American sanctions.

### **Department of Justice Puts Chinese Firms on Notice: The Huawei Case**

On December 1, 2018, Meng Wanzhou, CFO of Chinese telecommunications company Huawei and daughter of its founder, was arrested by Canadian authorities, carrying out a request from the United States.<sup>1</sup> Meng faces extradition to the United States for allegations that from 2009 to 2014 her company used a Hong Kong subsidiary to deceive banks—“victim institutions,” in the words of John Gibb-Carsley, an attorney for the Canadian Justice Department—into clearing Huawei transactions that violate American sanctions against Iran.<sup>2</sup> Some journalists have suggested the Huawei charges have less to do with reining in Tehran's nuclear ambitions than with intensifying U.S.-China economic competition and fears that Huawei equipment could present a security risk to the United States. “One can say, without exaggeration, that this is part of an economic war on China, and a reckless one at that,” wrote Columbia University economist Jeffrey Sachs.<sup>3</sup> Nationalistic Chinese newspaper the *Global Times* called the case a “U.S. political game against Huawei, forged to look like a lawsuit.”<sup>4</sup> President Donald Trump fueled such speculation with public statements that he might intervene in the case to secure a better trade deal with China.<sup>5</sup>

Similarly, partly state-owned Chinese telecommunications company ZTE,<sup>6</sup> faced being banned from buying products from the United States for seven years, as punishment for violating U.S. sanctions by selling items to Iran and North Korea.<sup>7</sup> The ban would likely have put ZTE out

of business, but after a personal appeal from China's President Xi Jinping, President Trump decided to take the pressure off, insisting the sanctions be removed in return for ZTE paying a fine. "Too many jobs in China lost. Commerce Department has been instructed to get it done!",<sup>8</sup> he tweeted. Many in Congress were outraged, including Senator Marco Rubio who said at the time, "I fought so hard to put ZTE out of business."<sup>9</sup> Since then, bills have twice been introduced in Congress to reinstate sanctions on ZTE.<sup>10</sup> Senator Tom Cotton, introducing a similar bill that targets Huawei, wrote that such companies deserve "nothing less than the death penalty" for violating U.S. sanctions.<sup>11</sup> Yet the tenor of the official statements from American leaders suggest the enforcement was less about stopping commerce with Iran and North Korea than with targeting specific Chinese companies, which are seen as an extension of the Chinese state.

has expressed a willingness...to choke off critical supplies of U.S.-origin hardware, software and technology."<sup>14</sup>

Writing just after President Donald Trump's election, York University political science professor Gregory Chin posits that "punitive trade measures" will push China to "reconsider its global monetary strategy," including "a stronger push to use its own currency internationally."<sup>15</sup> Such measures could ultimately weaken America's ability to impose unilateral sanctions.

### ***Unique and Powerful U.S. Methods to Impose Sanctions***

Financial sanctions are an effective form of pressure when they completely cut a country or group off from international trade and banking. International trade is most often denominated in dollars, and international

*Beijing appears to be working to build international opposition to the sanctions and developing its own forms of economic pressure.*

In November 2018, the Department of Justice announced a China Initiative to combat economic espionage,<sup>12</sup> part of the department's "strategic priority of countering Chinese national security threats."<sup>13</sup> Soon after, in January 2019, the law firm Skadden, Arps, Slate, Meagher & Flom LLP released a memo highlighting a quiet but aggressive increase in enforcement efforts aimed at Chinese companies. The authors believe that the moves are aimed at "putting Chinese companies on notice that it will vigorously pursue export-related violations, particularly those involving U.S.-embargoed countries, and

banks often have correspondent accounts in major U.S. banks, such as Citibank, to facilitate those transactions. Therefore, transactions that pass through the U.S. financial system or use dollars are subject to U.S. jurisdiction. A bank found to work with a sanctioned entity can be cut off from the American financial system – making it virtually impossible to do business globally. This is also the mechanism through which a foreign company, such as Huawei, can get caught up in enforcement issues over alleged transactions with Iran.

Though the United States has imposed unilateral sanctions and supported UN efforts since the start of the Cold War, the use of financial measures intensified after 9/11. In *Treasury's War*, Juan C. Zarate writes of how he and a group of "guerrillas in gray suits"<sup>16</sup> at the Treasury Department created a newfound mission for the department through "a novel set of financial strategies that harness the international financial and commercial systems to ostracize rogue actors and constrict their funding flows, inflicting real pain."<sup>17</sup> Treasury relied on Section 311 of the USA PATRIOT Act to label and isolate "bad banks" anywhere in the world that facilitate transactions for sanctioned groups. Less common but more controversial secondary sanctions target non-U.S. entities that do business with sanctioned countries or entities.<sup>18</sup> "The twenty-first-century financial and commercial environment had its own ecosystem that could be leveraged uniquely to American advantage. In this system, the banks were prime movers," writes Zarate.<sup>19</sup>

What Zarate calls a "new financial-warfare paradigm"<sup>20</sup> grew out of a desire to find a new way to put pressure on international actors without resorting to military action. "What else fills in the gap between pounding your breast and indulging in empty rhetoric and going to war besides economic sanctions?" Richard Holbrooke, President Bill Clinton's ambassador to the UN, asked in a 2003 *New York Times Magazine* article examining the impact of Clinton-era sanctions on Iraq.<sup>21</sup> However, statements from U.S. government officials exhibit ambiguity over what sanctions are intended to do: are they meant to protect the global financial system, effect changes in behavior, or create pressure for future negotiations? The unclear or changing justifications may be one factor encouraging other countries—especially China, which is sensitive to issues of national sovereignty—to push back against carrying out policies they didn't sign on to or suspect have ulterior motives. A post titled "Sanctions 101" on the Treasury Department's

website describes the role of sanctions as "defending the U.S. and global financial systems against abuse and... using financial intelligence and authorities to combat those who threaten our nation's security and core objectives." The post goes on to explain "before taking action, we coordinate closely with a number of government agencies—including the State Department, the intelligence community, and others—to ensure that our actions are consistent with and complement other U.S. government activities."<sup>22</sup> Zarate terms it "strategic suasion": "the directed use of American power and influence to align influential state and nonstate actors and networks with American interests."<sup>23</sup>

Zarate's "bureaucratic insurgents"<sup>24</sup> who design sanctions regimes argue that it is necessary to sanction entities in third countries "both to combat sanctions abuse and to demonstrate our seriousness of purpose."<sup>25</sup> But using sanctions to further foreign policy goals opens the United States to accusations of abusing sovereign privilege, especially after President Trump's internationally unpopular decision to reimpose sanctions on Iran. "It is America's central role in the global economy that gives it the exorbitant privilege of imposing its way in boardrooms across the world," according to an *Economist* article about concerns of "creeping extraterritoriality" in sanctions enforcement.<sup>26</sup> Within China, there is growing concern that the United States "wants to use financial hegemony to achieve diplomatic goals."<sup>27</sup>

However, there are important reasons to maintain these tools: these new methods wiped out Al Qaeda's financing network within a decade.<sup>28</sup> Fighting terrorism, human-rights violations, and rogue nuclear states through financial means are all "single best effort" collective action problems<sup>29</sup> best addressed by a unitary actor. "It should concern us if certain international transactions would start circumventing the U.S. dollar or the international financial system because if that starts happening,

we also lose track of those transactions and we might not have a good oversight of what's going on outside of our purview," said Heleen Bakker, deputy chief of mission at the Netherlands embassy, during a panel discussion in February 2019 sponsored by the Atlantic Council.<sup>30</sup>

### ***China's Experience as Sanctions Target and Enforcer***

Early experiences with American financial pressure set the tone for how China responds today. Tong Zhao, a doctoral student in the United States and former Chinese government worker, writes that China is one of the few countries to have "very rich experience" in both undergoing sanctions and having the capacity to impose sanctions on other countries.<sup>31</sup> In 1950, the fledgling People's Republic of China intervened on behalf of Kim Il Sung's communist government during the Korean War. As a result, China faced trade embargoes from the UN and the United States, the latter of which was only lifted in 1972.<sup>32</sup> During the war, Hong Kong businessmen found ways to circumvent the blockade, smuggling medication and iron sheets into mainland China.<sup>33</sup> After the end of hostil-

ities in the Korean War, the persistence of American sanctions "made China realize how dangerous it is to rely on the support of a single country [the Soviet Union] for all its needs."<sup>34</sup> The risk became even more acute after the Sino-Soviet split around 1960, following which China increased trade with communist countries such as

North Korea, Vietnam, and Mongolia; but also capitalist U.S. allies such as Japan and Western European countries.<sup>35</sup> After the deaths of student protesters in Tiananmen Square during June 1989, China was again the target of sanctions passed by U.S. Congress. Most of the restrictions have been lifted, but the arms embargo remains in place and came up in recent trade talks.<sup>36</sup>

Perhaps in light of its own difficulties, when faced with supporting UN sanctions against other countries, China historically took a position of "radical anti-interventionism and deference to sovereignty."<sup>37</sup> However over the past two decades, China has begun to support some sanctions regimes. Joel Wuthnow analyzes China's behavior in the UN Security Council regarding sanctions in his dissertation, "Beyond the Veto." In the case of Iran, a major Chinese trading partner, China agreed to three rounds of sanctions aimed at curbing Iran's nuclear program. But in 2009 and 2010, China held out, ultimately agreeing to back the resolution in the face of increasing "intransigence" from Iran, concessions from the United States with regard to Iran's energy sector, pressure from other members of the Security Council, and Russia's changing position.<sup>38</sup>

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On North Korea sanctions, Wuthnow argues that China acts based on concerns about three destabilizing factors: the North Korean government collapsing, harsh measures provoking extreme reactions from Pyongyang, or an American invasion of North Korea.<sup>39</sup> Throughout the 2000s, as Pyongyang conducted nuclear tests and

Beijing encouraged six-party talks, China became more amenable to supporting sanctions regimes. China cooperated with UN sanctions when alternatives narrowed, the United States made concessions on the scope and language of resolutions, American diplomats intervened, and, in most cases, regional partners came on board.<sup>40</sup> For example, in negotiating a 2006 resolution, China lobbied for concessions that narrowed the scope of sanctions and asked for softer language on the escalation of pressure and limits on the types of weapons embargoed.<sup>41</sup>

During the same period, Chinese banks became caught up in sanctions enforcement. In 2005, with the six-party talks faltering, the U.S. Treasury invoked section 311 of the USA PATRIOT Act to designate Macau-based Banco Delta Asia as a primary money laundering concern, alleging the bank provided financial services to North Korean government agencies and front companies.<sup>42</sup> Banco Delta Asia froze \$25 million in North Korean assets, while other Chinese banks also began freezing their North Korean assets. The news also caused a run on Banco Delta Asia, requiring the Chinese government to step in to stabilize it.<sup>43</sup> "Perhaps the most important lesson was that the Chinese could in fact be moved to follow the U.S. Treasury's lead and act against their own stated foreign policy and political interests," Zarate writes.<sup>44</sup> By 2007, the funds were returned to North Korea as part of an effort to restart nuclear talks.<sup>45</sup> The response from Beijing was fairly muted: a spokesperson expressed "deep regret" about the sanctions as the bank worked with American officials to return the funds to North Korea.<sup>46</sup>

Zhao divides sanctions into two categories: tactical and strategic. Strategic sanctions against China were "generally viewed by the Chinese government as intended to challenge the Communist rule" and did not have the intended effect.<sup>47</sup> In contrast, China usually complied when faced with "tactical" sanctions aimed at curbing a

practice (i.e. development of nuclear weapons). In its capacity to support or thwart sanctions regimes on other parties, China has been much more supportive of the use of tactical sanctions.<sup>48</sup>

In the case of North Korea, which is both China's neighbor and an important regional trading partner, increased pressure from the United States may not be enough to push China into actions that counter its national interest. "China will not be strong-armed into a course of action that it believes imperils its national security," warns Adam Szubin, distinguished practitioner-in-residence at the Johns Hopkins University School of Advanced International Studies and a former acting undersecretary in Treasury's Office of Terrorism and Financial Intelligence, testifying before the Senate Banking Committee in 2017.<sup>49</sup> In fact, historical experiences help explain Chinese resistance to recent U.S. measures.

### ***China's Growing Alarm***

Wu Quan, a spokesperson for China's Ministry of National Defense, called 2018 sanctions placed on China for military collaboration with Russia "a flagrant breach of basic rules of international relations" and "a stark show of hegemonism," as reported in Xinhua.<sup>50</sup> Based on such concerns, Chinese academics have proposed a number of methods for improving the country's "outside options"—"the expectations leaders have about what will happen if cooperation were to fail."<sup>51</sup>

In an editorial for The Chinese Banker, Liu Dongmin and Shi Chen of the Chinese Academy of Social Sciences write that, with the globalization of finance, the financial system has become "one of the most important weapons in the U.S. foreign policy 'arms arsenal' to dominate the world."<sup>52</sup> Sun Haiyong of the Shanghai Institutes for International Studies<sup>53</sup> argues, "when necessary, China needs to use the differences between the United States and

Europe and other important economies to strengthen the coordination of interests and prevent the United States from forming a unified front against China.<sup>54</sup> Sun encourages strengthening China's power to compete, but also believes China has leverage because the United States needs China's cooperation to pressure North Korea and Iran.<sup>55</sup>

Zhou Fufang of China's Ministry of Finance International Finance Center<sup>56</sup> calls financial sanctions "high intensity" economic sanctions.<sup>57</sup> Referencing *Treasury's War*, Zhou suggests the United States is acting "above international law," given that there is no international channel that sanctioned countries can appeal to for relief or reconsideration.<sup>58</sup> Zhou also raises concern about the U.S. debt held in Treasury bonds, which could theoretically be frozen in the future, and suggests increasing the amount of foreign exchange China holds in currencies other than the dollar; promoting more multilateral economic trade and financial cooperation; and speeding the internationalization of the RMB. Zhou also calls for an "early warning and response system"<sup>59</sup> to study the organizations and mechanisms for carrying out U.S. sanctions, and help Chinese financial institutions avoid "falling into the third-party sanctions trap."<sup>60</sup> Finally, Zhou suggests China develop its own sanctions system in order to "better safeguard national interests, fairness, and justice."<sup>61</sup>

### Case Study: Bank of Kunlun

The development of Bank of Kunlun illustrates how China has begun to look for options outside the U.S. financial system, while continuing to be responsive to American pressure. A banking subsidiary of state-owned China National Petroleum Corporation, Bank of Kunlun was structured to process Chinese oil payments to Iran without contact with the U.S. financial system.<sup>62</sup> It became subject to U.S. secondary sanctions in 2012 as part of Treasury's "commitment to use all the

tools at its disposal to intensify financial pressure against Iran while protecting the U.S. financial system from illicit activity," Under Secretary for Terrorism and Financial Intelligence David S. Cohen said in a press release. The sanctions barred Kunlun from access to the U.S. financial system,<sup>63</sup> but since the bank was designed to not touch the U.S. system or use dollars (transactions were usually processed in yuan or euros), they had no real impact on the bank. Even so, China suspended the bank's activities. "The Chinese certainly objected diplomatically, but they reacted the way that we would have hoped," Zarate said during Congressional testimony in 2017, noting similarities with the reaction to the Banco Delta Asia sanctions in 2005.<sup>64</sup>

In 2018, after the United States exited the Joint Comprehensive Plan of Action (JCPOA, commonly referred to as the Iran nuclear deal), Chinese Foreign Ministry spokesperson Hua Chunying said China "regrets" the American decision and "noted the widespread opposition to the unilateral sanctions and long-arm jurisdiction among the international community."<sup>65</sup> Although she said China will continue to trade with Iran in a responsible manner, Bank of Kunlun again stopped accepting yuan- and euro-denominated payments from Iran amid new U.S. pressure.<sup>66</sup>

Initially China received a waiver that would allow it to continue importing Iranian oil, a "more cautious approach" than defying the sanctions. Writing for Bloomberg Opinion, Esfandiyar Batmanghelidj asserts that waivers for China may be a strategic move by the United States to "undermine the broader international effort to defy the extraterritoriality of U.S. sanctions" and "could weaken Chinese resolve to find a purpose-built banking mechanism for other trade."<sup>67</sup> Yet in April 2019, as the Trump administration withdrew those waivers, China again formally complained about the U.S. "long-arm jurisdiction,"<sup>68</sup> but took no additional action.

### China's Response and the Global Financial System

Throughout the history of the People's Republic, the Chinese leadership has balanced two contradictory needs: to be a part of the global financial system, and to be protected from it.

As the Treasury Department took on a more prominent international role after 9/11, those within the organization felt, "we needed to bring China and Russia into the fold of the leading financial centers to give them a stake in the legitimacy, transparency, and defense of the international financial system."<sup>69</sup> In 2007, China joined the Financial Action Task Force (FATF), an intergovernmental body set up to promote "legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system."<sup>70</sup>

true ambitions, even if they weren't being affected by changing U.S. policies.

Within China, the 2008 recession prompted questions of whether it is wise for the dollar to play such a central role in the global financial system. In 2009, Zhou Xiaochuan, China's central banker, famously called for an international reserve currency "disconnected from economic conditions and sovereign interests of any single country" and increased use of special drawing rights (a basket of currencies mostly used as a unit of account by the IMF).<sup>73</sup> The RMB was designated a special drawing rights currency with the IMF in 2016, and other countries have increased their RMB holdings. The use of RMB has increased most dramatically in Asia, but has also risen in some African and Latin American countries, according to Chin's research.<sup>74</sup> In 2019, Russia, a frequent target of American sanctions, bought a quarter of the world's yuan reserves (as

*China played a key role in stabilizing the euro and the dollar after their crises, Chin notes, but also pushed for diversification away from the dollar.*

York University political science professor Gregory Chin argues China engages in "true revisionism" in global financial governance. The "PRC is seeking change in the system, as the immediate and medium-term goal, aiming to preserve a leading role for the U.S. dollar, though not 'the' leading role."<sup>71</sup> China played a key role in stabilizing the euro and the dollar after their crises, Chin notes, but also pushed for diversification away from the dollar. Chin looks at the public statements from Chinese officials, and finds appeals for reform and a more diversified system, but says "their normative and policy preferences have been left somewhat ambiguous."<sup>72</sup> This ambiguity makes it hard to discern China's

well as yen and euros).<sup>75</sup> European central banks are also beginning to trade some dollar reserves for yuan.<sup>76</sup> President Xi also advocates for expanded development and use of cryptocurrency, which could take more transactions out of U.S. jurisdiction.<sup>77</sup>

China has made additional moves into international finance. UnionPay, the Chinese state-controlled credit card issuer, launched in 2002 to take the place of U.S. issuers Visa and MasterCard.<sup>78</sup> By the end of last year, more than 100 million cards had been issued outside of China, including a dual Euro-RMB debit card issued by the Bank of China Paris Branch.<sup>79</sup>



China's financial market remains largely closed to international investors, but international investors can purchase so-called "dim sum bonds," RMB-denominated bonds issued by banks in Hong Kong.<sup>80</sup> "Panda bonds," in contrast, are RMB-denominated bonds issued to Chinese investors by foreign banks.<sup>81</sup> In 2016, China spearheaded the creation of the Asia Infrastructure and Investment Bank, a development bank headquartered in Beijing, with some of its loans denominated in RMB.<sup>82</sup>

However, international use of the RMB is far from widespread. According to the Society for Worldwide Interbank Financial Telecommunication (SWIFT), in November 2019 the RMB was ranked fifth in global payments by value – just 1.93 percent of payments recorded through the system,<sup>83</sup> – and only about about 2.01 percent of the world's reserves were held in RMB as of the third quarter of 2019.<sup>84</sup> Capital account controls, which limit the amount of RMB that can leave the country, do much to constrain the influence of the RMB,<sup>85</sup> as does the opaque financial system, including the lack of an independent central bank.<sup>86</sup>

Although options for circumventing the dollar and American banks are limited in the short term, China seems to be pushing for incremental change. "The observable

### ***Mirroring the United States: Chinese Financial Pressure***

The Chinese government continues to develop and refine methods of financial confrontation. In 2019, China threatened to sanction American firms involved with a proposed \$8 billion sale of F-16s to Taiwan.<sup>88</sup> The deal went through by the end of the summer, and although the sanctions never materialized, Chinese academics and political leaders have begun outlining tactics for future cases. Chinese commentators have floated the idea of creating an "unreliable entities list" in response to U.S. trade restrictions.<sup>89</sup> Writing for the Brookings Institution, Kaitan Vivian Zhang says Chinese sanctions are "by and large, symbolic and serve as a signaling device."<sup>90</sup> Following the arrest of Meng Wanzhou, for example, China banned Canadian canola oil. In response to maritime disputes in the South China Sea, China suspended imports of bananas from the Philippines for a time.<sup>91</sup>

Other actions have had more lasting impacts. In 2010, at a time of increased tensions with Japan over disputed waters, China banned shipments of rare-earth minerals to Japan, cutting off a critical component for several high-tech manufacturing industries.<sup>92</sup> In 2017, when

to South Korea,<sup>93</sup> and authorities closed several branches of South Korean supermarket Lotte (citing fire concerns) before the brand left the mainland market altogether.<sup>94</sup> Scholar of Chinese law Jacques deLisle suggests that China's use of these sorts of coercive measures challenges universal norms, "but only uncertainly, given how uncertain and contested international law is in this area."<sup>95</sup>

### ***The Role of Global Governance***

Within the UN, China can veto or abstain from sanctions packages, but it is largely powerless to oppose unilateral U.S. sanctions or find international redress when it feels that its banks have been unfairly targeted. In international economic negotiations, China frequently lobbies on behalf of developing nations, employing what Scott Kastner, Margaret Pearson, and Chad Rector call a "hold-up strategy." After 2008, for example, China lobbied for a greater proportion of voting rights and more representation for developing countries in the World Trade Organization (WTO).<sup>96</sup> Moreover, "Chinese initial investments in groups like the CMI [Chiang Mai Initiative] and the BRIC countries can be viewed as down payments on the development of outside options over the long run," they write.<sup>97</sup>

Chinese commentators also stress the importance of SWIFT neutrality. The Belgium-based organization, the main body responsible for facilitating clearing transactions between international banks, cut off Iranian banks under pressure from America and began sharing information with the Treasury Department after 9/11.<sup>98</sup> "If the United States can control SWIFT, it can control most of the cross-border payments in the world today," write Liu and Shi.<sup>99</sup> Iranians began using faxes and exchanging messages online to get around SWIFT messaging,<sup>100</sup> illustrating the difficulty of working around American authorities. China developed its own alternative to the SWIFT system, the Cross-border Interbank

Payment System, introduced by the People's Bank of China in 2015. According to Nikkei Asian Review, its use increased 80 percent last year, and CIPS is especially attractive to countries "exposed to U.S. sanctions, such as Russia and Turkey, as well as African nations on the receiving side of China-led infrastructure projects under Beijing's Belt and Road Initiative."<sup>101</sup> While an important step, the value of all transactions processed by CIPS in a year was still less than what SWIFT processes in a single day.

A *Foreign Policy* article titled "China and the EU Are Growing Sick of U.S. Financial Power" catalogs the ways that other countries are trying to erode American economic leverage, citing London banks that court Chinese and Russian customers as a key example. "If Beijing could count on a more cooperative London, with its key financial services, to circumvent U.S. jurisdiction, it could seriously damage the U.S. sanctions edifice," the authors write.<sup>102</sup> Recently the European Union created the Instrument in Support of Trade Exchanges (INSTEX), a special purpose vehicle (SPV) to continue trading with Iran after the United States pulled out of the JCPOA.<sup>103</sup> The SPV will only be used in limited cases, but—much like China's Bank of Kunlun, set up to sidestep contact with the U.S. system—it is an example of an innovation intended to regain control of foreign policy decision-making from the United States.

### ***Conclusion***

Huawei's Meng Wanzhou, who at this writing remains in Vancouver awaiting trial, has become a folk hero among Chinese netizens for her resistance to American pressure, making court appearances with her GPS-monitor ankle bracelet visible above designer heels.<sup>104</sup> However her case is resolved, the response to her arrest is indicative of growing suspicion of how the United States imposes and enforces sanctions. *The Economist* writes, "America's aims are often laudable. Much wrongdoing has

*If the United States can control SWIFT, it can control most of the cross-border payments in the world today.*

trends and patterns...suggest that the current CCP leadership leans normatively toward wanting change, however, given its low tolerance for destabilization, it will want the transition to be gradual and evolutionary," writes Chin.<sup>87</sup>

South Korea deployed the missile-defense system THAAD, which Chinese authorities believe could be used to spy into Chinese territory, China responded with "soft sanctions." Travel agents received "unofficial" instructions to stop selling travel packages



been brought to light, and probably prevented, as a result of its actions.” However, the piece continues, critics have begun to refer to American “financial imperialism,” especially as it impacts foreign companies.<sup>105</sup> Former Treasury Secretary Jacob Lew and former Deputy Coordinator for Sanctions Policy at the State Department Richard Nephew raise similar concerns: “Secondary sanctions are a tempting policy tool, since using them is far easier than working through international institutions or diplomacy, they write in *Foreign Affairs*, cautioning the United States should be sparing in the application of secondary sanctions and work to build international consensus.<sup>106</sup> “The outlook for U.S. economic statecraft, if it continues on its present trajectory, is bleak,” Lew and Nephew continue. “When it comes to sanctions, other countries will likely soon begin challenging or ignoring measures that have been imposed by Washington without international support.”<sup>107</sup>

Aside from a few high-profile instances, disputes over sanctions rarely make front-page news. The details fill the fine print of legal documents and are pored over by compliance officers at international banks. But if current U.S.-China tensions continue, the weaponizing of both countries’ financial systems could continue apace. Last spring, former Trump chief strategist Steve Bannon wrote in *The Washington Post* that the United States and China are in “an economic and strategic war.”<sup>108</sup> If that sentiment prevails in Washington, the United States will likely use all the tools at its disposal to fight a new type of war without military conflict, and should anticipate an increasingly combative Chinese response.

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# *China's Use of Trade Retaliation in Territorial Disputes: Interdependence with a Difficult but Rational Power*

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**Note: Additional data can be found in Appendices 1-8, in the online edition of this article, at <http://www.saicsr.org>**

## ***Introduction***

This research explores China's retaliatory trade behaviors in the context of territorial disputes, incorporating both quantitative and qualitative methods to analyze territorial conflicts between China and four of its neighboring countries: Japan, India, Vietnam, and the Philippines. This paper finds that territorial conflicts with China are simultaneously accompanied by a reduction in the partner's exports to China, though the degree of this reduction varies by country. To analyze the reasons for this variance, this study examines subjective factors from China and objective factors from each foreign country in each of the four cases. This study reveals that the variance

in each country's export reduction is not directly related to the level of Chinese animosity towards that country; instead, it has to do with the elasticity of demand for the partnering country's export goods. This finding sheds light on the Chinese government's possible thinking when it considers retaliatory trade measures during times of territorial conflict. Moreover, this empirical research contributes to the current theoretical debate on the relationship between trade and conflict. It supports the conclusion that an autocracy like China is also subject to economic rules when considering political decisions such as trade retaliation in response to territorial conflicts.

The incorporation of the People's Republic of China into the existing world order is perhaps the most crucial event of the past thirty years; observers in many countries have taken note of China's behavior and wondered about the formidable country's capabilities, desires, and intentions. Along with the creation of new terms like "sharp power"<sup>1</sup> and "weaponized interdependence,"<sup>2</sup> certain international observers have suggested that countries should exercise caution in developing cultural exchanges or economic interdependence with an autocratic China, which could leave them vulnerable to coercion.<sup>3</sup> The validity of this concern deserves to be examined, and the nature of the potential risk must be determined. Is China's behavior totally unpredictable, or is the country constrained by economic rules to act in a rational fashion? This research explores this theme by examining China's economic statecraft during the periods in which it has engaged in territorial conflicts with other countries, focusing on four main events: the Senkaku/Diaoyu Island dispute between China and Japan, the Doklam road construction standoff between China and India, the Scarborough Shoal/Huangyan Dao dispute between China and the Philippines, and the Ocean Oil 981 standoff between China and Vietnam.

The first section of this paper introduces the theoretical findings in the current literature, poses a research question, and presents three hypotheses. The second section analyzes the three hypotheses respectively, through four case studies. Finally, the third section concludes with some key thoughts and elucidates the contemporary significance of this research.

### ***Theories of Conflict and Trade***

The interaction between economic cooperation and political conflict is a key question within the study of International Relations. On the one hand, liberal academics such as Robert Keohane and Joseph Nye hold a positive view of this interaction and contend that increasing interdependence, especially trade dependency between countries, will decrease the possibility of conflict and provide incentives for countries to seek compromise.<sup>4</sup> Scholars have introduced concepts like “commercial peace” and “trade peace” to illustrate this insight. Anita Kellogg qualifies this theory, noting that the business sector must be suf-

Haavard Hegre, Oneal John, and Russett Bruce confirmed with an empirical study that commercial relations promote peace, while at the same time conflict reduces trade.<sup>7</sup> Beth Simmons focuses on territorial disputes and militarized conflict. She finds that an ongoing territorial dispute has an immediate and negative effect on trade and suggests that the causal effect stems primarily from policy uncertainties and a reduction in jurisdictional control.<sup>8</sup>

Han Dorussen delves deeper into the issue by disaggregating trade by type. He asserts that trade broadly has a positive effect on reducing conflict but argues that not all trade carries the same weight. For Dorussen, the elasticity of trade is crucial (i.e., the more elastic the goods, the lower the effect they have on reducing conflict, due to the lower opportunity costs generated if trade in those goods is disrupted). Dorussen allocates manufactured goods (incorporating both low-skilled and high-skilled labor) and primary chemical and metal products to the category of inelastic goods, while he places non-manufactured goods and food products into the category of elastic goods.<sup>9</sup>

*Certain international observers have suggested that countries should exercise caution in developing cultural exchanges or economic interdependence with an autocratic China which could leave them vulnerable to coercion.*

ficiently influential in domestic politics for a reduction effect to take place,<sup>5</sup> a finding that connects the theory of “trade peace” with the “democratic peace” theory.<sup>6</sup> This research suggests that democracies, as compared to autocracies, are more hesitant to engage in conflicts with each other.

However, some researchers have a less optimistic interpretation of the virtuous cycle of interdependence and conflict mitigation.

Chart 1 (on the following page) illustrates these theories and their connections. To summarize, current theories indicate that trade reduces the likelihood for conflict, but this effect varies, depending specifically on regime type and goods elasticity. Although inverse relations may exist, to date, there is insufficient research on whether reductions in trade are influenced by other factors, like the severity of the conflict or discrepancies in goods elasticity.

### ***Do Countries That Clash with China Put Trade at Risk?***

This research aims to contribute to the aforementioned theoretical gap by conducting a case study of territorial disputes between China and its neighboring countries, examining the impact of these conflicts on their trade relationship. The specific research question is:

To what extent and under what conditions do China's trade partners suffer from export losses when they are engaged in a territorial conflict with China?

Territorial disputes have occurred relatively frequently in recent years between China and neighboring countries, providing a unique opportunity for comparative analysis. Moreover, territorial issues are so territorial issues are so highly political and sensitive sensitive in China that territorial conflicts provide legitimacy in Chinese society for the government to conduct trade retaliation against foreign countries with which it has disputes. This research analyzes specific bilateral territorial disputes between China and four countries: Japan, India, the Philippines, and Vietnam.

There are three possible sources for this loss in trade: the effects of the Chinese government's retaliatory trade policy; Chinese consumers' conscious boycotting activities; and the voluntary decision of foreign exporters to refuse to trade with China.<sup>10</sup> Nevertheless, the influence of the Chinese government is significant among all three potential causes. Along with China's increasing economic power, the country tends to use its significant economic leverage to achieve its political objectives, despite its membership in the WTO, whose rules limit the use of trade restrictions as a political tool.<sup>11</sup> For example, research on the “Dalai Lama effect” demonstrates that countries whose highest political leader establishes an official meeting with the Dalai Lama will be punished by a reduction in exports to China.<sup>12</sup>

In the territorial conflict space, there is evidence of China attempting to employ economic statecraft to achieve its political aims. For example, in the China-Philippines dispute on Scarborough Shoal/Huangyan Dao, Chinese Ambassador to ASEAN Tong Xiaoling warned that “if the Philippines continues to go its own way, the bilateral relations, including trade and

**Chart 1: Trade, Elasticity of Goods, and Regime Type**

		Trade Partner	
		Autocracy (-)	Democracy (+)
Goods Elasticity	Elastic Goods (-)	High conflict possibility	Medium conflict possibility
	Inelastic Goods (+)	Medium conflict possibility	Low conflict possibility
Note: (+) and (-) show the possibility of reducing conflict (+) means higher possibility while (-) means lower			

business relations, will be damaged.”<sup>13</sup> Coincidentally, in May 2012, the Chinese government alleged “pest problems” as a reason to impound Philippine bananas, then the Philippines’ fifth largest export good; its banana sales to China reached US \$360 million in 2011.<sup>14</sup>

Therefore, there are reasons to believe that the Chinese government has contemplated or conducted retaliatory trade activity in its territorial conflicts with neighboring countries, though it has made no official declaration on this issue.

*There are reasons to believe that the Chinese government has contemplated or conducted retaliatory trade activity in its territorial conflicts with neighboring countries.*

### Three Hypotheses

Having synthesized the findings of current literature with the above analysis, this paper introduces the following hypotheses to address the research question:

**Hypothesis 1:** *Territorial conflicts with China are simultaneously accompanied by a reduction in trade, to varying degrees across countries.*

This hypothesis seems rather self-evident according to Hegre, John, and Bruce’s general findings in part which indicated that conflicts lead to trade reduction.<sup>15</sup> Nonetheless, empirical evidence must be presented to illustrate how this thesis applies to China, an autocratic state, which in theory behaves in a more bellicose manner than the average foreign economic partner.<sup>16</sup> It is also worth exploring whether this trade reduction effect varies based upon the country in question and type of dispute.

**Hypothesis 2:** *The degree of trade reduction is **not** in accordance with the level of China’s animosity towards the conflict and consequent desire for economic retaliation.*

Assuming that Hypothesis 1 holds, the next question is what factors influence these varying degrees of trade reduction. This paper considers two types of factors: subjective and objective, or willingness and feasibility. Willingness is measured by China’s level of animosity toward the offending country, which is presumed exogenous to any objective economic factors between

China and the offending country. Hypothesis 2 maintains that this subjective factor does not accord with these countries’ trade reduction to China. In other words, Hypothesis 2 suggests that China might be a more rational power than some international observers believe – one that treats its trade counterparts differently by means of pragmatic calculation, as discussed in Hypothesis 3.

**Hypothesis 3:** *The degree of trade reduction is in accordance with the trade elasticity of the export goods from the offending country.*

In contrast to Hypothesis 2, Hypothesis 3 considers objective issues within the counterpart country. Specifically, Hypothesis 3 discusses the feasibility of substituting each country’s exports to China (i.e., the trade elasticity of these countries’ export goods). This hypothesis is supported by the current literature, albeit from the “trade-peace” direction, which argues that trade elasticity

constrains the possibilities of countries involved in conflicts.<sup>17</sup> This paper will focus on whether, in the case of China, a trade disaggregating effect exists in the “conflict-trade” direction.

### Evidence and Case Studies: Japan, India, the Philippines, and Vietnam

This section combines regression analysis with case studies on territorial disputes with China. The reason to employ this dual methodology is that quantitative analysis provides the necessary evidence while qualitative analysis reveals important differences between cases, contributing a more plausible and nuanced reasoning to our understanding of the link between trade retaliation and conflict more broadly. The four cases outlined in this paper include the Senkaku/Diaoyu Island dispute between China and Japan, the Doklam road construction standoff between China and India, the Scarborough Shoal/Huangyan Dao dispute between China and the Philippines, and the Ocean Oil 981 standoff between China and Vietnam. The study conducts a regression of the territorial disputes’ influence on bilateral trade in each case. Subsequently, based upon the regression results and various subjective and objective conditions inherent to each case, this section discusses the relative explanatory power of the three hypotheses outlined in Section 1.

The basic idea is to run a regression of the exports to China based on each country’s dispute status. In design, this research uses the widely recognized gravity model<sup>18</sup> in trade analysis to control the underlying link between countries’ trade relationship with China. The regression function is designed as follows:

#### Regression Equation

$$\begin{aligned} \text{exportst} = & \beta_1 \text{djapant} + \beta_3 \text{dindiat} \\ & + \beta_4 \text{dphilippinest} + \beta_5 \text{dvietnamt} \\ & + \beta_6 \text{gdpt} + \beta_7 \text{popt} + \beta_8 \text{excht} \\ & + \beta_9 \text{indiat} + \beta_{10} \text{philippinest} \\ & + \beta_{11} \text{vietnamt} + \beta_{12} \text{febt} + \beta_{13} \text{mart} \\ & + \beta_{14} \text{aprt} + \beta_{15} \text{mayt} + \beta_{16} \text{junt} \\ & + \beta_{17} \text{jult} + \beta_{18} \text{augt} + \beta_{19} \text{sept} \\ & + \beta_{20} \text{octt} + \beta_{21} \text{novt} + \beta_{22} \text{dect} + \varepsilon \end{aligned}$$

The dependent variable, exports, stands for each country’s monthly exports to China. This data is taken from the International Monetary Fund’s Direction of Trade Statistics Database.<sup>19</sup> It is necessary to note, however, that the data of monthly exports to China is calculated by combining the exports to both mainland China and Hong Kong, China. The reason for this is that Hong Kong is a well-known hub for world trade to and from China. Meanwhile, the exports to Hong Kong are too large to be ignored (as opposed to those of Macao, China). In this research, the duration of the exports data starts in January 2002 and ends in December 2018. The starting month is right after China joined the WTO in December 2001, which served as a critical point at which China started to engage more in trade activities with the world. The end month is simply decided by the fact that it reflects the most recent data of all variables that can be surveyed at the time of this research. For the sake of a more comprehensive comparison among different countries whose trade volumes with China vary substantially, the log of this data is calculated for regression.

The variables of interest in this paper are *djapan*, *dindia*, *dphilippines*, and *dvietnam*. They are dummy variables that are binary. The “d” before each country’s name means “dispute”. Thus, the value of the variable is 1 if the dispute is ongoing in the month under study and 0 if it is not. This research references official Chinese media articles and other academic research to determine the start and end dates of a conflict. The case studies reveal further details.

The control variables include monthly dummy variables, country dummy variables, and gravity model variables. Monthly dummy variables include *feb, mar, apr, may, jun, jul, aug, sep, oct, nov, and dec* (*jan* is omitted due to collinearity). These monthly dummy variables are used to control the seasonal factors that influence trade, with a value equal to 1 if the trade data falls in that month and 0 if not. Country dummy variables include *india, philippines, and vietnam* (*japan* is omitted due to collinearity). These country dummy variables are used to control each country's fixed effects that influence trade. The number is 1 if the trade data comes from that country and 0 if not. Meanwhile, gravity model variables include GDP (*gdp*), population (*pop*), and exchange rate (*exch*). GDP refers to the counterpart country's GDP in current US dollars in that year, and population to the country's population in that year. Finally, exchange rate refers to the country's official exchange rate in that year, denoted by its local currency units relative to the Chinese Yuan. To make these variables more standardized in the regression, the log of GDP and population are taken. Data on these gravity model variables has been collected entirely from the World Bank's World Development Indicators.<sup>20</sup> It reflects a stochastic error.

For purposes of the regression analysis in this study, we must infer the starting and ending (or stabilizing) time of the dispute, to determine the number assignment of the *disputes* variable.

### ***China-Japan Dispute: Senkaku/Diaoyu Islands***

The territorial conflict between China and Japan is mainly over the Senkaku/Diaoyu Islands. They have been a source of dispute since the early 1970s, when the United States transferred the island's "administrative rights" to Japan (in the broader context of returning Okinawa and the Ryukyu Islands to Japan, according

to the "reversion" treaty of 1971).<sup>21</sup> In the time period this research focuses on (2002-2018), there were three diplomatic crises concerning the islands: the deportation of Chinese activists who landed on the islands in 2004; the detention of a Chinese captain whose fishing boat collided with a Japanese Coast Guard vessel in 2010; and the Japanese central government's nationalization of three of the Senkaku/Diaoyu Islands in 2012.<sup>22</sup> Because the 2004 and 2010 incidents were initiated by civilians, this research treats these events as insufficient to trigger official trade retaliation. Hence, the research focuses only on the 2012 conflict.

To decide the value of the *djapan* variable, it is necessary to confirm the starting and ending month of the 2012 conflict. The starting date is easier to distinguish. On April 2012, then-Tokyo Metropolitan Governor Shintaro Ishihara proposed that Tokyo buy the Senkaku/Diaoyu Islands from a private owner.<sup>23</sup> Unsurprisingly, this proposal immediately gave rise to criticism from the Chinese government. The ending month, however, is somewhat ambiguous, because the situation gradually stabilized without an official end date. To solve this problem, the paper references two sources, determining that, for the number assignment of the *djapan* variable, the end of this crisis is October 2012. This is due to the fact that the Japanese Prime Minister Yoshihiko Noda pledged to dissolve Japan's parliament in November 2012, so the future direction of Japanese foreign policy became unclear.<sup>24</sup> Meanwhile, Shinzo Abe became Prime Minister, in a transition of power from the Democratic Party to the Liberal Democratic Party.<sup>25</sup> This dynamic served as an opportunity for both Japan and China to seek a "cooling down" period. From the Chinese point of view, a search of related articles in the official media *People's Daily* reveals that articles with a subject including the key word "钓鱼岛" (Diaoyu Island) significantly decreased after this month (i.e., only one article was published with this key word in November, as compared to 24 in October). Thus, in the China-Japan case, the *djapan* variable is set to be 1 for April-October 2012.

### ***China-India Dispute: Daulat Beg and Doklam Plateau***

Two major territorial conflicts occurred during the 2002-2018 period between China and India. The first is the Daulat Beg Oldi Incident, a standoff between border forces on both sides in 2013.<sup>26</sup> It began in April and ended in May,<sup>27</sup> with both China and India agreeing to withdraw from the disputed area.<sup>28</sup> The second was the Doklam Road Construction Standoff, which lasted longer and proved to be more influential. It began when the Chinese People's Liberation Army (PLA) started to build a road in a disputed region of the Doklam Plateau, near the Bhutan-China-India tri-junction in June 2017. After Bhutan turned to India for assistance, the Indian Army entered the area to halt construction. Subsequently, military units from China and India became involved in a close confrontation, which eventually ended when the Chinese forfeited the road construction and both armies left the area in August.<sup>29</sup> Thus, in this research, the *dindia* variable is set to be 1 for April-May 2013 and June-August 2017.

### ***China-Philippines Dispute: Scarborough Shoal/Huangyan Dao***

In the South China Sea, China's dispute with the Philippines began on April 8, 2012, with the Philippine Navy's apprehension of eight mainland Chinese fishing vessels near the disputed Scarborough Shoal/Huangyan Dao.<sup>30</sup> Between April and June 2012, China and the Philippines engaged in a tense standoff.<sup>31</sup> In mid-June 2012, the two countries withdrew their civilian vessels on the pretext of the onset of the typhoon season, aiming to de-escalate the tension.<sup>32</sup> Afterwards, both countries persisted in claiming sovereignty over the shoal,<sup>33</sup> yet tensions between the two sides over the dispute have been markedly lower. Thus, in this research, the *dphilippines* variable is set to be 1 only from April to June 2012.

### ***China-Vietnam Dispute: The South China Sea***

Though the dispute between China and Vietnam over the South China Sea existed throughout the research period (2002 - 2018), the Haiyang Shiyou 981 standoff was the most serious demonstration of that dispute, involving both countries' official ships. The conflict started in May 2014, with skirmishes following China's move to station an oil rig known as the Hai Yang Shi You 981 in waters contested by Vietnam.<sup>34</sup> This action triggered a series of anti-China protests in Vietnam, which led to more than a dozen foreign-owned factories being torched by protestors.<sup>35</sup> After two and a half months, China moved the rig out of the waters that Vietnam considers to be its exclusive economic zone.<sup>36</sup> Accordingly, the *dvietnam* variable is set to be 1 from May to July 2014.

### ***Testing Hypothesis 1***

Chart 3 summarizes the four countries' disputes with China. It is worth noting that China was the first mover in the India and Vietnam cases, but the second mover in the Japan and Philippines cases; this difference is crucial for the analysis. With the four dispute-related variables constructed, this study carries out an Ordinary Least Squares (OLS) regression. Chart 3 demonstrates the regression result. Generally speaking, the model is very good at explaining the exports to China from these countries, with R-squared valued at 0.966. Most control variables show a certain degree of statistical significance. In terms of the four dispute-related variables, all coefficients display the desired negative signs, though three of them are statistically insignificant. In terms of the degree of trade reduction influenced by disputes, the four countries' coefficients vary substantially. However, it remains unclear what causes these differences. Possible explanations will be discussed in Hypotheses 2 and 3. Overall, based on the regression results, it is reasonable to confirm that territorial conflicts with China are simultaneously accompanied by trade reduction, with varying degrees across countries. In other words, Hypothesis 1 holds.



**Chart 2: Regression Result**

(1) exports		
djapan	-0.0494	(0.607)
dindia	-0.257*	(0.022)
dphilippines	-0.176	(0.219)
dvietnam	-0.176	(0.224)
gdp	1.434***	(0.000)
pop	-3.197***	(0.000)
exch	0.000405***	(0.000)
india	6.940***	(0.000)
philippines	1.035***	(0.000)
vietnam	0.473	(0.051)
feb	0.00485	(0.908)
mar	0.196***	(0.000)
apr	0.0927	(0.028)
may	0.127**	(0.003)
jun	0.0171**	(0.000)
jul	0.169***	(0.000)
aug	0.190***	(0.000)
sep	0.239***	(0.000)
oct	0.214***	(0.000)
nov	0.188***	(0.000)
dec	0.230***	(0.000)
_cons	26.98***	(0.001)
R-sq	0.966	
F	1059.0	
N	816	

p-values in parentheses

\* p&lt;0.05

\*\* p&lt;0.01

\*\*\* p&lt;0.001

That said, it is necessary to mention the limitations of this OLS regression. The first is Omitted Variable Bias (OVB), given that it is quite difficult to rule out the possibility that other factors contributed to the trade variance. As such, there could be some other control variables that should have been included in this regression. The second is the issue of reverse causation. Although it sounds counterintuitive, there is a small possibility that a decrease in exports causes territorial disputes.

### Testing Hypothesis 2

Hypothesis 2 focuses on the relationship between trade reduction and China's willingness to punish a rival country. In this hypothesis, willingness is equivalent to China's level of animosity and resentment toward the rival country, measured by a new variable: China's "*Animosity Index*". This has been calculated by counting the number of relevant articles published by a Chinese official media source, *The People's Daily*, whose articles were retrieved from the CNKI China core newspapers' full-text database.<sup>37</sup> These articles were searched by respective keywords during the dispute's period. The key word for the China-Japan dispute is "钓鱼岛" (Diaoyu Island); for the China-India dispute, "印度&领土" (India & Territory); for the China-Philippines dispute, "黄岩岛" (Huangyan Dao); and, for the China-Vietnam dispute, "越南&南海" (Vietnam & South China Sea). The number of articles is further standardized by averaging the duration of the disputes. Chart 4 displays the search results and calculates China's "*Animosity Index*".

Examining Chart 4, it is necessary to note that China was the first mover, or breaker of the "status quo" in the cases of India and Vietnam, while in the case of Japan and the Philippines, China was passively involved, as a "status quo" taker. These facts are reflected in the "*Animosity Index*," suggesting that China will be more offended if it is the second mover, but less offended if

**Chart 3: Summary of Disputes**

Country	Japan	India	Philippines	Vietnam
Dispute	Senkaku-Diaoyu Island Dispute	Daulat Beg Oldi Incident Doklam Road Construction	Scarborough Shoal / Huangyan Dao Standoff	Hai Yang Shi You 981 Standoff
Period of Conflict	April 2012 to October 2012	April - May 2013 June - August 2017	April - June 2012	May - July 2014
Conflict Duration	7 months	5 months	3 months	3 months
First Mover	Japan	China	Philippines	China

it is the first. Hence, it is natural to infer that increasing Chinese animosity would lead to a Chinese-imposed economic punishment of the offending country, according to the existing level of contention.

However, this supposition is not supported when comparing the "*Animosity Index*" in Chart 4 with the coefficients of the four dispute-related variables in Chart 3. Before making a case-by-case analysis, it is necessary to distinguish between the countries. Considering the power asymmetries among these four countries, the research places Japan and India in one group while placing the Philippines and Vietnam in another. The countries in each group are closely related in terms of their economic strength. Coincidentally, there is one country in each group that acts as a first mover in its conflict with China, while the other country acts as a second mover.

Comparing Japan and India, we find that, even though Japan has a rating about 20 times that of India on the "*Animosity Index*," it has a much lower coefficient on

the *djapan* variable than on the *dindia* variable. This lower coefficient demonstrates a lower degree of export reduction in Japan's dispute with China than in the case of India. Additionally, the coefficient of *djapan* is statistically insignificant with a very high p-value (0.607), while the coefficient of *dindia* is statistically significant in the 0.05 significance level. Meanwhile, the Philippines and Vietnam cases are similar to Japan and India's. The Philippines' "*Animosity Index*" is about four times higher than Vietnam's, though the two countries' coefficients on the dispute variables are the same.

Moreover, the "*Animosity Index*" is also helpful in distinguishing the trade reduction effects caused by different sources – namely, the government, consumers, and exporters. It is reasonable to assume that, compared to the Chinese government, Chinese consumer behavior is more influenced by the media.<sup>38</sup> Therefore, it is plausible to suggest that the media exposure of a dispute should largely correlate with a consumer reduction in purchasing



**Chart 4: China's "Animosity Index" in the Four Disputes**

Country	Japan	India	Philippines	Vietnam
Number of Articles	111	4	27	7
Months of Duration	7	5	3	3
China's Animosity Index	15.9	0.8	9.0	2.3

Source: CNKI China Core Newspapers' Full-text Database

that country's goods. A similar logic can be applied to exporters. If this is the case, the significant contrast between China's "animosity level" and the trade reduction effect on the four countries cannot be attributed to factors related to the consumer or the exporter. Rather, the contrast must be related to the Chinese government's differential trade retaliation policies which, instead of being subject to the "Animosity Index," must be related to China's rational judgment of these different counterpart countries.

Overall, the above phenomenon and subsequent analysis strongly supports Hypothesis 2, which affirms that the degree of trade reduction is not in accordance with the "Animosity Index."

### Testing Hypothesis 3

In contrast to Hypothesis 2, Hypothesis 3 focuses on the objective aspect of these disputes: namely, the characteristics of the four involved countries. Now that Hypothesis 2 has affirmed that the subjective reasons (i.e., the Chinese government's level of animosity towards its offending counterpart) are dissociated from the level of trade reduction, we must consider whether any objective elements can explain this reduction in trade. In Hypothesis 3,

trade elasticity is considered the objective factor that influences the Chinese government's decision on trade retaliation policy.

To analyze trade elasticity, this research collects disaggregated trade data from the United Nations COMTRADE database.<sup>39</sup> Details of the four countries' top ten exports to mainland China and Hong Kong, both in the year when the dispute happened and in the year preceding the dispute, are displayed in Appendices 1 through 8,<sup>40</sup> with one finding especially worth mentioning. Although there was evidence demonstrating that China had put in place some embargo regulations on the Philippines' banana exports,<sup>41</sup> "edible fruit and nuts" from the Philippines continued to increase in 2012, as the dispute was happening.<sup>42</sup>

Chart 5 summarizes the eight appendices (found at [saiscsr.org](http://saiscsr.org)) and finds that Japan and the Philippines have a much lower rate of raw material/agricultural product exports to China than India and Vietnam. Both Japan and the Philippines reflect very high rates of manufactured goods, while India and Vietnam exhibit lower rates. Considering that manufactured goods are in general more difficult to substitute than raw material/agricultural products, it is reasonable to speculate that countries that export lower elasticity goods (i.e., Japan and the

Philippines) should suffer less from trade reduction than countries exporting higher elasticity goods (i.e., India and Vietnam). Comparing the results of Chart 5 with the regression results of Chart 3 conclusively verifies this speculation; especially in the Japan-India group, where Japan suffers less, and India suffers more. In the Philippines-Vietnam group, the Philippines and Vietnam suffer the same trade reduction, although China has a much higher "Animosity Index" towards the Philippines.

Chart 6 (on the following page) demonstrates the commodities that suffered the most serious export declines in the year preceding the onset of the dispute. The chart shows that seven out of eight types

of commodities ("Nuclear reactors" is the only one that belongs to the manufactured category) are high elasticity goods, especially of the raw material/agricultural variety. This finding further bolsters the above argument by verifying that China's trade retaliation has generally concentrated on the raw material/agricultural sector.

To summarize, the analysis of the four countries' cases confirms that, when territorial disputes take place, the trade elasticity of the offending country's exports is the key factor that influences its degree of trade reduction vis-à-vis China. In other words, Hypothesis 3 holds.

**Chart 5: Disaggregated Trade in Year of Dispute**

To Mainland China		
Country	Manufacturing Goods Total Percentage	Raw Materials / Agricultural Total Percentage
Japan	77.64%	2.70%
India	25.95%	49.12%
Philippines	75.97%	15.91%
Vietnam	26.30%	44.93%

  

To Hong Kong		
Country	Manufacturing Goods Total Percentage	Raw Materials / Agricultural Total Percentage
Japan	71.02%	8.56%
India	2.45%	94.29%
Philippines	87.57%	8.92%
Vietnam	81.30%	7.88%

Note: The percentage is calculated based on that country's top ten exports. Data in Appendices 1-8 ([saiscsr.org](http://saiscsr.org)).

Source: United Nations COMTRADE database.

**Chart 6: Decrease in Commodity Exports****To Mainland China**

Country	Commodity	Proportion in Dispute Year	Proportion in the Year before Dispute	Decrease
Japan	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	20.76%	24.24%	-14.36%
India	Cotton	9.23%	14.17%	-34.86%
Philippines	Copper & articles thereof	2.34%	5.37%	-56.42%
Vietnam	Rubber & articles thereof	5.57%	9.14%	-39.06%

**To Hong Kong**

Country	Commodity	Proportion in Dispute Year	Proportion in the Year before Dispute	Decrease
Japan	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2.70%	4.59%	6.97%
India	Raw hides and skins (other than fur skins) and leather	49.12%	1.81%	-19.34%
Philippines	Copper & articles thereof	15.91%	1.77%	-37.85%
Vietnam	Cereals	44.93%	2.59%	-30.12%

**Notes:**

1. This chart shows the decrease of the commodity whose export proportion decreased the most in the dispute year, compared with the year before the dispute. All data come from Appendices 1-8 (see saiscsr.org).
2. The number in the "Proportion in Dispute Year" and "Proportion in the Year before Dispute" column is the ratio of that time period's goods to the whole export of that country to China.
3. The "Decrease Rate" is calculated by the following equation:

$$\frac{(\text{"Proportion in Dispute Year"} - \text{"Proportion in the Year before Dispute"})}{\text{"Proportion in the Year before Dispute"}}$$

Source: United Nations COMTRADE database

**Conclusion**

Combining regression analysis and case studies, this paper suggests that all three hypotheses hold when tested in the context of the four cases described. The research finds that, in China's case, territorial conflicts accompany an immediate reduction in the rival country's exports to China. The degree of this reduction does not depend upon how angry or vindictive China is, but rather on the elasticity of demand for the offending country's export goods. This finding suggests that, although China can be a difficult power to engage with, it is, like other countries, largely rational when employing trade retaliation as a policy of economic statecraft.

The research also finds that the first mover in these disputes matters. On the one hand, if the rival country moves first in a territorial conflict, China will be more offended; on the other hand, if China moves first, it will be less offended. In any case, China's level of animosity in the conflict does not influence the degree of its reduction in importing the rival country's goods. Considering that China's level of animosity should accord with the purchasing patterns of Chinese consumers, as well as with the hesitance of a rival country's exporters to continue exporting to China, this paper strongly suggests that the difference in the degree of reduction in the rival country's exports to China chiefly derives from the Chinese government's behavior (e.g., trade retaliation policy).

For further studies, it would be helpful to investigate whether there is any official evidence that the Chinese government conducted specific trade retaliation policies against offending countries during its periods of territorial conflict with them. Moreover, considering the possible delay in policy implementation, the lagging effect of trade retaliation policy would also be worth exploring. Finally, by comparing territorial conflicts with other types of conflicts, it might be possible to

determine whether the Chinese government exhibits different trade retaliation preferences when dealing with different types of perceived aggression.

From a theoretical standpoint, this research also serves as an empirical example to complement existing studies on "trade peace" or "democratic peace." It demonstrates that, although conflicts simultaneously lead to trade reduction, the strength of the trade relationship (i.e., trade inelasticity) matters. The more inelastic the trade, the more resilient trade will be during political conflicts. This consistency in trade relationships may in turn serve to stabilize conflicts between the two sides, according to "trade peace" theory. This finding strongly underscores the idea that interdependence is valuable to peace by confirming that an autocratic country like China is at the same time pragmatic and subject to economic rules, so long as it continues to engage in the world trade system.

Such a belief in interdependence and in the relevance of international "trade peace" is even more significant in the contemporary era, with anti-globalization, nationalist, and populist ideologies sweeping across the globe, in autocracies and democracies alike. Some in the U.S. have promoted more extreme ideas, such as fundamentally "decoupling" the U.S. from China. However, there is no evidence in this research to suggest that an autarkic country of China's magnitude would be easier to deal with, or even be able to coexist, with liberal democracies in the West. The challenges of interdependence with a difficult but rational power are considerable, but these challenges pale in comparison to the prospect of cold war with such a power.

**Note: Additional data can be found in Appendices 1-8, in the online edition of this article, at <http://www.saiscsr.org>**

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# *Between Harmony and Chaos: An Analysis of Grand Strategy in the Ming Dynasty*

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## **Introduction**

The system describes the pre-colonial hierarchical order of East Asia, a structure underpinned by a network of extensive bilateral trade between China and its neighboring tributary states. The tributary system reached its full development during China's Ming Dynasty, which ruled from 1368 to 1644. As the only unified dynasty ruled by Han Chinese after the collapse of the Song dynasty in 1279, the Ming left clear historic and physical legacies representing China's strategic culture; the Forbidden City manifests China's majesty, and the Great Wall exhibits China's concern for defense. Not only was China the clear regional hegemon under the rule of the Ming Dynasty's Hongwu Emperor (1368-1398) and the Yongle Emperor (1403-1424),<sup>1</sup> but the tributary system also reached its

full development and expansion during these years.

This paper focuses on the Ming dynasty's changing strategy through a series of case studies. By dividing the Ming dynasty into three independent but interrelated periods, we can identify a period of ascent (1368-1410), a period of initial decline (1410-1449), and the period of furthest decline (1449-1644). This paper primarily relies on anecdotal data of state capacity and the judgment of historians as indirect indicators of relative power. Relative power in this paper is equated with the comparison of relative military strength between the Chinese Ming dynasty and the Mongols, their primary military challenger. Although the Ming enjoyed a more advanced economy and sophisticated transportation network than its rival, it ultimately failed to effectively defend its northern lands from the Mongols.

## **Understanding the Chinese Tributary System**

Among scholars, it is widely accepted that hierarchical order was fundamental to the East Asian tributary system; equally accepted is the importance of the distinction between Chinese and "barbarian" culture, with Chinese culture being superior to any other. Embedded within the principle of "clear distinction between advanced [Han Chinese] civilization and crude barbarians" (华夷之辨),<sup>2</sup> classical Confucian philosophy assumed that sovereigns in vassal states would be required to acknowledge the superiority of the Chinese emperor and accept their own subordinate position.

However, scholars do not agree on how many participants were active in the tributary system throughout its history, or the particular balance of power these participants accepted. Morris Rossabi refers to the tribute system as a multilateral framework among states sharing relatively equal

power, for example, observing that China experienced relatively balanced international relations during the Song period (960-1279) when the Chinese military was weaker than that of the northern nomad states.<sup>3</sup> Bongjin Kim proposes a similar idea, stating that the tribute system was a multi-layered international society with an emphasis on the *feng-gong* system (朝贡体系), a ritual and institutional mechanism to regulate the relationship between the Chinese court and the outsider tributary states.<sup>4</sup>

Nevertheless, these observations only partially explain the full scope of the tributary system. According to the historical record, the architecture of the system does not depend on the number of participants, but hinges instead on the number of major powers capable of shaping it. The tributary system is most easily recognizable when dominated by a unipolar Chinese state, but there are examples from the Song dynasty

power in a state of anarchy. In an anarchic world, in which power is the key deciding factor governing relationships between states, the stronger state sets up rules serving its own interests while weaker states defer to the stronger for survival.<sup>5</sup> Yuan-Kang Wang, a prominent disciple of realist John Mearsheimer, merges this concept of structural realism with the tribute system, suggesting that the premodern East Asian hierarchy was a consequence of China's preponderance of material power.<sup>6</sup> Wang believes that periods of apparent peace can be explained by Chinese domination; dynasties like the Tang, the Ming, and the early Qing were so much stronger than their competitors that weaker states submitted to the Chinese court to avoid war.<sup>7</sup>

By contrast, many constructivist scholars use institutionalization and socialization to explain the tributary system; these ana-

*The key factor behind a paradigm shift, the rise or fall of a Chinese state, was whether a revisionist power capable of challenging Chinese domination emerged.*

of the tributary system co-existing with competing states of relatively equal power. That said, aside from the periods when the present territory of China was ruled by the militarily weak Song dynasties, the East Asian international order has mainly shifted between unipolarity and bipolarity. The key factor behind a paradigm shift, the rise or fall of a Chinese state, was whether a revisionist power capable of challenging Chinese domination emerged.

Scholars also disagree on the source of legitimacy for the tributary system. For structural realists, the equilibrium of a hierarchy can be explained by the asymmetry of

lysts focus on the social dimensions of the system. Scholars in this camp believe that the asymmetrical distribution of material power does not capture the complexities and durability of the Chinese hegemonic position. The legitimacy of imperial China's hegemony was not only underpinned by its superiority of its material power, but also by the consent of neighboring states; a sufficiently benign Chinese government was thus capable of maintaining regional peace and stability for extended periods of time.<sup>8</sup> Despite the different focal points they address, these scholars generally agree that shared norms and rules are fundamental components of the tributary system, with

self-enforcing norms naturally emerging between the central government and its tributary states.<sup>9</sup> The tributary system can be seen as an endogenous framework for rulers of the tributary states; to solidify their domestic legitimacy, the recognition of a Chinese sovereign could be essential.

However, the constructivist perspective can be challenged on empirical grounds. Stanford University's Stephen Krasner posits a theory of "organized hypocrisy," and demonstrates that material interests

tributary states. China might interfere with their domestic affairs when neighboring countries transitioned from one leader to the next, but would otherwise largely disregard their internal affairs. Yet despite this minimal oversight, China's hegemonic position was backed up by material prowess. China's hegemonic reign would come to an end when the northern nomads overpowered a Chinese regime, as was the case during the end of the Song dynasty and at the end of the Ming dynasty.

*The concept of *houwangbolai* (厚往薄来) was key to the tribute system, in which gifts from outside countries were superfluous but Chinese products given to foreigners in exchange were vital and valuable.*

are historically more consequential than normative considerations.<sup>10</sup> Under the tributary system, shared principles were conspicuously violated in eras when China's weakening power could no longer sustain them. In contrast with the pluralistic order of premodern Europe, with its extensive multilateral connections between many states, intrastate relationships in premodern East Asia consisted primarily of bilateral relations between the Chinese court and each tributary state; there were few indicators of wider institutionalization.

China's governance in the tributary system was built on a mixture of symbolic importance and material prowess. Although China concretely controlled the relationship at the symbolic and ritual level, exacting material resources from neighboring states was not sufficiently important to imperial courts. The concept of *houwangbolai* (厚往薄来) was key to the tribute system, in which gifts from outside countries were superfluous but Chinese products given to foreigners in exchange were vital and valuable.<sup>11</sup> China gave substantial latitude to

### **Theories of China's Grand Strategy of War**

There are three schools of thought among Western theorist that stand out in explaining the occurrence of "major war" between the two most powerful countries in an international system.<sup>12</sup> For the long cycle theorists, war is a selection process of finding a new leading power; the primary cause of war is the uneven rate of development among the actors of the international system.<sup>13</sup> The hegemonic stability theory, developed by Robert Gilpin and others, states that a hegemonic war reshapes the systemic order between the dominant power in the system and the rising challenger; this kind of hegemony may occur with an increasing disequilibrium between existing political organizations and the actual distribution of capabilities.<sup>14</sup> To minimize threats, a declining hegemon might initiate a preventive war to weaken or destroy the challenger in order to avoid a later debacle.<sup>15</sup> Similarly, the theorists of power transition Abramo Organski and Jacek Kugler argue that a

challenger unsatisfied with the *status quo* would initiate war to revise the existing order.<sup>16</sup>

The logic of preventive war in hegemonic stability is most convincing in the case of China. For instance, when the *Longxing* northern expedition (隆兴北征) occurred in 1206, The Xiaozong Emperor of the Southern Song dynasty took advantage of the rival Jin dynasty's domestic instability by launching massive warfare. However, one common limitation for these three theories is that they fail to take fundamental elements of the East Asian context into account, such as an anti-militarist culture defined by the Confucian worldview.

Rather than focusing on the dichotomy of "offensive" and "defensive" realism, Alastair John Johnston coined the term "cultural realism," arguing that China's decision to use force is rooted in China's strategic culture. *The Seven Military Classics* (武经七书), a collection of Chinese military texts compiled in the eleventh century, is a clear example of this martial strain.<sup>19</sup> Johnston noted that "strategic culture is a prism through which changes in relative capability are interpreted. Absent this paradigm, changes in relative capabilities should, in a sense, be meaningless."<sup>20</sup> Yan Xuetong, a prominent Chinese realist scholar at Tsinghua University, focuses his vision of moral realism on leadership, contending that the choice of leaders is the key factor in determining the

*According to Yan Xuetong, a state of humane authority practices moral principles and maintains high credibility, but a state of tyrannical authority prefers to violate international norms and adopt amoral policies.<sup>21</sup>*

Given that theories originating in the West may not be entirely compatible with Chinese history, theories with East Asian characteristics offer strong alternatives to explain Chinese grand strategy. The influence of Confucian pacifism upon Chinese state actions is a widely held tenet in scholarship regarding China's strategic behavior. Confucian pacifist theorists such as Edward Boylan and Mark Mancall hold that Chinese dynasties primarily used noncoercive acts and a defensive strategy, expanding their influence by means of culture.<sup>17</sup> In contrast, Yuan-Kang Wang incorporates Mearsheimer's offensive structural realism theory when examining imperial China's grand strategy. According to Wang's analysis, Chinese dynasties with a strong military tended to adopt an offense-oriented grand strategy by escalating their war aims to total military victory, political destruction of their adversaries, or annexation of territory.<sup>18</sup>

grand strategy of states. According to Yan, a state of humane authority practices moral principles and maintains high credibility, but a state of tyrannical authority prefers to violate international norms and adopt amoral policies.<sup>21</sup>

Despite their broader appeals, each of these four theories (Confucian pacificism, offensive structural realism, cultural realism, and moral realism) fails to provide a complete explanation. The theoretical struggle between Confucian pacifism and offensive structural realism falls short by over-generalization; empirical findings show that imperial China usually alternated between benevolence and coercion in its foreign policy, contingent not only upon material power, but also the willingness of emperors to protect the rulers of tributary states recognized by the Chinese court. However, the viewpoint of both cultural realism and

moral realism that the effect of material power and structural element is indeterminate for the Court's grand strategy is wrong. In contrast, the orientation of strategic choices were sensitive to the outer environment where power distributions shifted dynamically. Compared to Johnston's assertion that "structural realpolitik can be subsumed within the cultural realpolitik model"<sup>22</sup> or Yan Xuetong's argument that "political leadership [is] the foundation on which resource strengths play their roles,"<sup>23</sup> it may be more accurate to say that the Chinese emperors' perception of their own power subsumed other factors in determining their choice between benevolence and aggression.

### *The Example of the Ming*

The Ming dynasty's complete trajectory of relative power, from the heights of the Yongle Emperor to defeat by the Manchus, makes it the best sample to test theories of imperial China's strategic statecraft. Given that the tributary system during the early Ming period is recognized as the full-fledged version of the Sino-cen-

### *The Tributary System in the Early Ming Period (1368-1410)*

The zenith of the Ming's military prowess occurred during the reigns of the Hongwu and Yongle emperors. During the Yongle period from 1360-1424, the Ming had approximately 1.5-2.5 million soldiers throughout the country, as well as plentiful food reserves for military campaigns.<sup>25</sup> The number of horses, an essential indicator of military strength during the steppe warfare of the time, steadily rose from 37,993 to 1,585,322 during the Yongle reign.<sup>26</sup> The Ming dynasty was powerful enough to be considered the clear hegemon of the time. Neither Japan nor Korea could be considered major powers, and the Mongols had not yet recovered from the collapse of the Yuan dynasty.<sup>27</sup>

Consistent with the theory of hegemonic stability, both the Hongwu and Yongle emperors made enthusiastic use of their overwhelming strength to expand the Ming's geopolitical influence and provide public goods in the regions where it dominated. The Yongle Emperor established this Sino-centralized regional order to con-

*The Ming dynasty's complete trajectory of relative power, from the heights of the Yongle Emperor to defeat by the Manchus, makes it the best sample to test theories of imperial China's strategic statecraft.*

tric regional order, testing the degree of coercion during the apex of Ming power can illustrate whether Confucian antimilitarist tenets dissuaded Chinese courts from an offensive grand strategy.<sup>24</sup> At the same time, the strategies of defense and appeasement during the declining phase of the Ming's power exemplify the challenges of grand strategy when the hegemon's position is challenged.

solidate his claim to the "mandate of heaven", socializing other states to the Confucian beliefs of universal benevolence and harmony. This acceptance of values was the first step in persuading the rulers of the surrounding states to accept the Sino-centric regional order.<sup>28</sup> To facilitate the process of socialization, the Hongwu and Yongle emperors proactively engaged with their neighbors to demonstrate the



benevolence and cultural attractiveness of the Middle Kingdom. The Hongwu regime maintained frequent exchanges of envoys between the Chinese court and the tributary states, including Annam, Champa, Cambodia, Siam, Japan, Brunei, and Korea.<sup>29</sup> During the Yongle period, the Ming court sent seven maritime expeditions led by Admiral Zheng He to demonstrate China's cultural achievements and military might along the coastlines of the Southeast Asian countries. Although military preparation was evident in the fleets of Zheng He, Yuan-Kang Wang's assertion that "Zheng He's voyages manifested a great level of coerciveness" does not accord with the written record according to some scholars.<sup>30</sup> Instead, two prominent historians of East Asia, Yoshihara Toshi and James R. Holmes, assert that Zheng He's voyages were not for looting resources, but for friendship. In trade with foreign countries, he gave much more than he took, fostering understanding, friendship and trade relations between the

the use of coercive strategy during the height of Ming power was the invasion of Dai Viet in 1406 to suppress an internal rebellion and protect the Vietnamese rulers professing loyalty to the Ming court.<sup>33</sup> During the Yongle reign, the Sino-Mongolian relationship was characterized by the tributary relationship among the Ming and two major Mongolian tribes, the Eastern Mongols and the Oirats, both of which presented intermittent tributes to the Ming court.<sup>34</sup>

### ***The Rise of the Mongols (1410-1449)***

The Ming's unsurpassed military strength in the steppe had started to decline at the beginning of the 15th century. The expense of maintaining the tributary system led to sharply deteriorating economic conditions, making defensive actions along the northern border increasing unaffordable.<sup>35</sup>

*This full-scale invasion resulted in a devastating debacle at Tumu, in which the Mongols captured the Zhengtong Emperor.*

Ming Dynasty and foreign countries in Southeast Asia."<sup>31</sup> In short, the strategy of socialization to the Ming's moral authority and predominant strength was significant, and the Ming dynasty expended considerable resources throughout this process for the sake of regional stability.

During its early period, the Ming court was very hesitant to adopt coercive strategies in order to resolve differences. Instead, the Hongwu and Yongle emperors were inclined to use political or economic sanctions to enforce their wills; the threat of retracting recognition from regional rulers was a more common tactic than war.<sup>32</sup> The only record of

Additionally, the rise of the Mongolian power in the first half century of the 1400s triggered a disadvantageous shift of relative power for the Ming dynasty, challenging its clear hegemonic position.

The Yongle Emperor made a strategic decision to retract the Ming's northern outer defensive line, pulling back one garrison after another.<sup>36</sup> Without the pressure of the Ming's military, the Mongols leaders were able to gradually suppress anarchic tribal competition and begin reviving their "Golden Age" of steppe hegemony. The growing Mongolian military buildup appeared to challenge the Ming's

superiority in the steppe. As a response to the rising Mongols, the Ming's strategy towards the Mongols gradually shifted to coercion.

To re-establish the Ming dynasty's pre-eminence, the Yongle Emperor personally led five grand-scale offensive campaigns against the Mongols in 1410, 1414, 1422, 1423, and 1424.<sup>37</sup> Although the Ming

The year 1449 was another inflection point of the Sino-Mongol balance of power. In 1449, the Zhengtong Emperor (1435-1464) of the Ming dynasty decided to personally lead the northern expedition against the Mongols to defend China's northern lands and assert his military supremacy. This full-scale invasion resulted in a devastating debacle at Tumu, in which the Mongols captured the Zhengtong Emperor.

*The Sino-centric tributary system of the Ming, which existed for approximately 200 years, had gradually fallen to the Mongols.*

ended the five campaigns claiming victory, these preemptive strikes failed to fundamentally eradicate the rising Mongolian threat. Aside from the 1410 campaign, which was a defensive counterstrike against the Mongolian assault, the remaining four out of five northern expeditions during Yongle's reign were examples of massive warfare initiated by the Ming. The military expeditions were committed to "assert Chinese military superiority on the steppe" by seeking the devastation of Mongolian power.<sup>38</sup> However, given that the terrains situated between Ming China and the Mongolian heartland created a buffer zone that shielded the Mongols from the Yongle emperor's attacks, the Ming's expeditions failed to destroy Mongolian power.

The year 1434 was the turning point; in that year, Esen, the most competent leader of the Oriat Mongols, united the steppe forcefully and reconstructed the Mongolian Empire from Manchuria in the east to Xinjiang in the far west (a span of more than 2,500 miles).<sup>39</sup> The Xianzong Emperor (1425-1435), successor of the Yongle Emperor, initiated a series of wasteful campaigns that failed to stop this shift in power.

After the defeat at Tumu in 1449, the Ming court started avoiding direct confrontations with the Mongols. Instead it adopted a grand strategy of defense, withdrawing from the steppe zone and beginning construction of the Great Wall. The Ming emperor also began a strategy of appeasement by granting Mongolian tribes honorary titles and trade privileges.<sup>40</sup>

### ***Defensive Strategy During the Declining Phase (1449-1644)***

According to Columbia University historian Ray Huang's analysis, there is evidence of the accelerating decline of Ming military strength following the Tumu blunder in his study of Ming military expenditures.<sup>41</sup> Following his data, the Ming's ability to feed soldiers in garrison posts weakened considerably, and Huang states that, "by the early sixteenth century, a military colony in the interior at 10 percent of its prescribed strength set up in the Emperor Hongwu's reign. Farm income of Liao-tung in 1412 was 716,100 piculs; in the early 16th century 383,800 piculs, the latter being 53 percent of the former. The same of Ta-t'ung

in 1442 was 513,904 piculs and in 1535 was 112,998 piculs, the latter being 22 percent of the former.”<sup>42</sup>

The decline of Ming power also resulted in the collapse of the tributary system. Beginning in the 1460s, the Ming government terminated naval expeditions to Southeast Asia, and strictly prohibited maritime trade activities.<sup>43</sup>

The Oirat Mongols took advantage of the power vacuum after the Ming withdrawal from the steppes to occupy the strategically important Ordos and use it as a base to invade the heartland of the Middle Kingdom.<sup>44</sup> The hawkish Chinese voices advocating recovery of the Ordos by military force were suppressed by the Chenghua emperor (1464-1487), who was an advocate of the advantages of defense.<sup>45</sup> Because of military weakness, the Ming court initiated only one conflict during the period from 1449 to 1474 – far less than the period of offensive grand strategy which averaged 1.6 aggressive Ming actions per year.<sup>46</sup> In 1474, the Ming court started to build a defensive system composed of a series of garrisons and fortifications, extending from the Yalu River in the east to the Taolai River in the west, to ward off the Mongolian raids.<sup>47</sup> This cultural heritage would later become the Great Wall of China, traditionally recognized by historians as the physical representation of China’s cultural preference for defense.<sup>48</sup>

As the discrepancy in military strength between the Ming and the Mongols widened, Mongol assaults became a severe challenge to the Ming court. The construction costs of the defensive fortifications became an enormous burden for the Ming treasury. Soldiers constructing the wall in some districts were unpaid and obliged to provide their own equipment when called to active service.<sup>49</sup> During 1550, only 140,000 of a nominal 380,000 troops were assembled; only 50,000 to 60,000 had been properly trained.<sup>50</sup> Even the system of troops safeguarding the capital

of Peking was abolished in 1558; this was made worse by the fact that Mongolian power under the rule of Altan Khan continued to grow.

Although the Ming government fully comprehended the changed balance of power, it was still humiliating in the extreme for the Chinese to reach a diplomatic compromise with the nomads. In the eyes of Ming policy-makers, the Middle Kingdom should still stand at the center of the regional hierarchy.<sup>51</sup> Altan Khan (俺答汗) repeatedly requested more trade frontiers between 1541 to 1549, but these requests were rejected by the Ming court of the time. Nevertheless, the Ming gradually had no choice but to adopt a strategy of appeasement. In 1571, in the face of Altan Khan’s threatened invasion, the Longqing Emperor decided to compromise and buy peace from the Mongols. Altan Khan accepted the title “obedient and righteous king” (顺义王) from the Longqing Emperor and secured the right for the Mongols to trade with the Chinese in eleven border cities.<sup>52</sup> The Sino-centric tributary system of the Ming, which had existed for approximately 200 years, had gradually fallen to the Mongols.

### ***The Tributary System in Perspective***

The Ming dynasty’s foreign policy revealed a mixture of benevolence and aggression. As analyzed above, the ritual and symbolic elements of the tribute system were deeply embedded in concerns of realpolitik for coercion and appeasement. The Ming’s strategic culture made use of both benevolence and coercion, but the strategic demonstration of benevolence was traditionally privileged by the Court when they had the strength and ability to make the choice.

Arguably, the strategy of other Han-Chinese dynasties also corresponds with the Ming’s grand strategy. The high level of flexibility and pragmatism were perpetual

throughout Chinese imperial history. The Yuan Emperor of the Han dynasty and Taizong Emperor of the Tang dynasty also formulated marriage alliances with the neighboring leaders when the Middle Kingdom’s national power was at its peak. The largest military strikes, the *Yuanshuo* expeditions (元狩北征) of the Han dynasty (128-123 BCE) and *Zhengguan* expeditions (贞观北征) of the Tang dynasty (627-649 AD), occurred when the Middle Kingdom’s national security was threatened by powerful northern nomads. Regardless of how rituals and norms were underpinned by the tributary system, rational and calculated responses dominated imperial China’s grand strategy in international relations.

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