**Grappling with the Rise of China:**

**A New Model for Thinking about Sino-American Relations**

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This short memo provides an overview of my talk on Friday. My main goal here and in Friday’s talk is to encourage the reader to think beyond the traditional “engagement” versus “containment” framework that has dominated the discussions of U.S.-China relations over the past two decades. I hope to show that there is an important alternative approach, one that not only explains China’s recent increased “assertiveness” in foreign policy but also allows us to set Chinese behavior within the last three hundred years of great power geopolitics. This alternative model can help American decision-makers craft a balanced policy that avoids the problems inherent in both of the traditional options. Since that’s a lot to bite off, the memo will only hit a few key points to make the talk easier to follow, and we can have the fuller discussion on Friday.

The debate between the advocates of engagement or containment has revolved around disagreement over two key variables: whether a rising China will actually overtake the United States in economic power (GNP), and what kind of state China will be if indeed it does become the number one economy in the world. The engagement camp tends to argue that (a) it is not certain that China will ever surpass America in relative economic power, and (b) that even if it did, there are a whole host of reasons to believe China would be a moderate in its foreign policies, even if it is increasingly authoritarian at home. The containment camp starts from the premise that China will overtake the U.S. in GNP (at least if engagement continues) and that once China is the dominant economic power, it will become truly expansionist in its region, and perhaps beyond. Yet if we restrict its economic growth and stand up to its adventurism in East Asia now, America can preserve its dominant position and keep the peace.

Underpinning these positions are certain assumptions. Advocates of engagement tend to argue that China today is very different from the China or Russia we saw in the Cold War era, and in particular the leaders’ commitment to high levels of trade give them an incentive to act moderately even if China catches up in total GNP. Advocates of containment believe that recent Chinese policies regarding military modernization and the South China Seas indicate that Chinese leaders are driven by status and glory goals, if not also by ideological

ends. High trade levels do not constrain such states, and indeed may only make things worse by increasing China’s ability to project power and to leverage its trading partners.

There are a number of problems with above two models as they stand. The engagement model only captures the positive benefits of commerce – the gains from trade that give a leader an incentive to avoid conflict – and it downplays the extent to which high levels of dependence on vital raw materials and foreign markets can push great powers in history to expand their economic power spheres, sometimes through force, to ensure continued trade into the future. The model thus ignores the extent to which China will be driven to support its Belt Road Initiative by strong economic and even military policies to secure access to goods and markets. The containment model’s main downside is this: it ignores or minimizes the extent to which Chinese leaders are *already* worried about their ability to sustain economic growth into the future, and how a U.S. switch to containment could push them into much more hostile actions, sparking a cold war spiral or worse. In short, China’s recent “assertiveness” may be driven not by a new confidence and drive for status. Rather, it may reflect Chinese leaders’ anticipation of a peaking of relative power if they *don’t* push harder now to establish a Chinese sphere of economic influence that can sustain GNP growth and ensure the stability of CCP rule at home into the future.

The third, alternative approach – the stabilization model – takes what is strong in the other two logics and leaves behind their weaknesses. It starts from a premise that is nicely supported by geopolitical history, namely, that *great powers are constantly driven by their uncertainty about the future to expand their commercial spheres of influence.* Even when they do this in moderate ways, they bump up against one another, sparking competitions over raw materials and markets. Yet when these competitions lead dependent states to fear their ability to maintain access to goods and markets, their negative expectations for the future and fear of relative decline can push them into military action that leads to dangerous great power crises and war.[[1]](#footnote-1) (Japan’s attack on Pearl Harbor after American cut-offs from oil and raw materials is one such example.) In essence, given that fears for the future drive great powers into conflict and war, states should seek to stabilize each other’s expectations of the future commercial

environment and relative power positions to moderate the incentive to engage in destabilizing behavior.

The stabilization model focuses on the trade-offs states face when determining their best policies. China has indeed benefitted from trade over the last thirty years, and thus has an incentive to act moderately, if only to make sure it avoids an action-reaction spiral that creates the one thing that Chinese leaders fear above all else – an end to the trade-driven growth that has sustained the CCP’s internal legitimacy and hold on power. Yet in the anarchic world of great power politics, great-power leaders must act to ensure they can protect their access to resources and markets and deter other great powers from threatening that access. This is why all great powers after 1890, including the United States, built strong navies to secure their lines of communication and trade. This is why America put such emphasis on the free flow of oil out of the Middle East after 1940. The tension here, for any great power, is between growing and protecting one’s economic power sphere while not provoking counter-balancing and containment from other great powers which are also seeking to grow and protect their economic power spheres.

This is China’s core dilemma today. Now that it has entered a period of slower growth (5-6% rather than the 10-12% of 1990-2012), it must use such things as the Belt Road Initiative to increase access to cheap raw materials and markets or risk seeing a slowdown to 2-3% growth (or the 0-1% growth Japan experienced after 1991). And like great powers of old, China feels the necessity of projecting greater military power, particularly naval power, to protect its growing economic sphere and trade routes. In this sense, the third model provides an important corrective to the containment camp’s approach. China’s military modernization and projection into the South China Sea is not about glory or status, but about anxiety regarding the Malacca Straits and Beijing’s belief that a stronger position in the Spratly Islands will deter any American leader from using the threat of a trade cut-off to leverage China on foreign policy issues.

From the perspective of the third model, one cannot look at recent Chinese behavior in the South China Seas and assume that the premises of the containment model are confirmed. It is much more likely that China’s new assertiveness is driven by fears of the future commercial access than by status goals. Beijing’s anticipation of a peaking in power if China does keep expanding its trade is primary. This is a classic concern of rising great powers in history. But

overall, China’s assertiveness has been much less bold and aggressive than comparable rising great powers in history – the British after 1720 and 1820, Germany and Weltpolitik after 1895, and the United States and its shift to colonialism (Philippines) and Caribbean interventions after 1898, for example. Moreover, there is indeed a big potential downside to trying to contain China at this stage. China is now so dependent on trade that, like Japan in the 1930s, a growing belief that it will be cut off from the very resources and markets it needs to sustain domestic stability and its position as a great power may lead China and the United States into a new cold war. The risk of Cuban-Missile-type crises over commercial and political spheres of influence would rise accordingly.

The talk on Friday will provide much more space to discuss the relative advantages and disadvantages of the three different models briefly outlined above. For now, I simply want to convince you that there is indeed a “third way” between the traditional dichotomy of engagement and containment. The third model suggests that the United States *does* have to be concerned about China’s relative growth through neo-mercantilist economic policies and its expansion of its commercial power sphere. Yet because Chinese leaders are driven more by insecurity for the future and the implications of economic stagnation for the CCP’s domestic hold on power, we should be cautious about provoking undesired spirals of mistrust and hostility. China is more like a normal rising great power in world history – worried about sustaining its commercial access and relative power position – than it is like a Maoist state compelled to spread a universalistic ideology around the world. And by understanding the mistakes that led to wars in the past, we can avoid making the same mistakes in the future.

1. See Copeland, *Economic Interdependence and War* (Princeton University Press, 2015) and *The Origins of Major War* (Cornell University Press, 2000). [↑](#footnote-ref-1)