

The New Cold War

The New Cold War:

A Case of History Repeating Itself?

By

John Glenn

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CHAPTER ONE

HOW DID WE GET HERE?

Introduction

This is a revised edition of a book that was published as Jack Green - “The New Cold War: China versus America”, published with Amazon in 2021. As the earlier version attests, even before Russia’s second invasion of Ukraine in February 2022, the central argument of this book was that we are entering a new cold war. However, Russia’s actions have acted as an accelerant with attitudes hardening and military alliances consolidating. Since the invasion, NATO has welcomed Finland as a new member and with Sweden following a year later (March 2024). On the other side of the divide, although not entering into a formal military alliance, China and Russia have held joint military exercises in various theatres, including the South China Sea, the Gulf of Oman (with Iran) and even into the Alaskan air defense identification zone.¹ Both President Xi and President Putin view their partnership as heralding the beginning of a new world order.² The world is once again becoming divided into two antagonistic camps.

However, the argument of this book is that the new cold war has one very obvious difference with the old Cold War. It is an inverted mirror image of the previous one - whereas previously Russia was the major partner in the Sino-Russian alliance, it is now China that is the most technologically advanced and economically far more powerful. It may initially seem a rather odd claim that China and America are the key protagonists this time given that Russia is currently at war with Ukraine, but we need to analytically

¹ Kathrin Hille and Max Seddon, “Russia and China fly joint air patrols near US for first time”, Financial Times, July 25 2024. <https://www.ft.com/content/b2ef8e97-55b1-474b-acbf-a44f55892a1e>. Al-Jazeera, “China, Iran and Russia stage joint naval drills in Gulf of Oman”, March 12 2024. <https://www.aljazeera.com/news/2024/3/12/china-iran-and-russia-stage-joint-naval-drills-in-gulf-of-oman>.

² Bloomberg, “Xi, Putin Building “More Just” World Order, Top China Envoy Says”, September 13 2022. <https://www.bloomberg.com/news/articles/2022-09-13/xi-putin-building-more-just-world-order-top-china-envoy-says?leadSource=verify%20wall>.

separate cold wars from hot ones. It is therefore worth revisiting what the old Cold War actually consisted of.

After the Second World War, the world divided into two camps: a larger capitalist system and a smaller but growing communist system. The two hostile camps centred on America in the West and Russia in middle Europe. Although the start of Cold War I began around 1947, the division of the world became even starker when the communists gained power in China in 1949. From 1947 to 1991, the world was divided by two opposing ideologies with remarkably little interaction between them in terms of flows of people, money and even, to some extent, ideas. A huge military build-up accompanied the division. This was most apparent on the borders of Eastern Europe where both sides faced off with vast amounts of soldiers, missiles, tanks, aircraft, rockets and landmines. At the same time, there was a build-up of their nuclear arsenals with tens of thousands of nuclear warheads and a bewildering array of delivery systems.

Yet, it may well be that because these missiles made Armageddon a certitude if either side decided to start a war, the tensions between the two sides remained at the level of a cold war rather than a hot one. In other words, the two sides were locked in an antagonistic relationship competing in terms of economic growth, technological and scientific discoveries, spheres of influence, military capability etc. These tensions often spilt over into “proxy wars” where America and Russia would intervene in warring countries or civil wars – each backing a different side. However, the antagonism remained as a cold war and never escalated to an actual hot war between the two main protagonists.

In hindsight, the Soviet Union’s demise was marked by the 9th November 1989 when East Germans took to the streets and finally broke through the Berlin Wall that divided Germany into East and West for almost 30 years. The latter marked a major watershed in international relations, heralding the end of Cold War I and the division of the world into two ideologically opposed camps, both armed to the teeth with conventional and nuclear weapons. At the time, few, if any, foresaw that the Soviet Union’s embrace of the “Sinatra Doctrine” (states could do things “their way”) as a replacement for the centralism of the “Brezhnev Doctrine” (in which Soviet policies had to be followed) would lead to the final dissolution of the Soviet Union itself. But the effects of the springtime of nations in Eastern Europe reverberated throughout the Soviet bloc. By September 1991, most of the Soviet Republics had announced their independence and by the end of the year the Soviet Union officially ended.

But what was highly significant at the time was that, despite the tumultuous separation of Eastern Europe from the Soviet Union and ethnic separatism erupting within the empire, all-out war between the two sides failed to materialize. With the demise of the Soviet Union, it appeared a truly global world was emerging centred on capitalism. Although China continued to profess that it was communist, this was in name only – at least when it came to the economy (although, as we shall see, its political system remained largely the same).

The process of globalization gathered pace with the integration of these former communist countries alongside more and more complex production and supply chains spanning the world. As this book argues the most recent globalization involved a “great inversion” in economic relations. Previously, globalization essentially involved production sites in the core powerful states and raw material extraction in the less economically developed states. In the last few decades industrial production has been relocated to various sites in the developing world because of the cheap labour, land and energy. However, it is the contention of this book that, in a few decades, we may view the period from the late seventies to now as a blip - a high point of global integration and openness – one which is already in decline and soon to be replaced by a new cold war.

Cold War II

The benefits of globalization for the highly industrialized countries and for several developing countries has been great. The industrialized countries import super cheap raw materials and manufactured goods whilst several emerging economies have been able to go up the technology ladder producing manufactured goods for sale to a world market. This is no where more true than with the economic relationship between America and China; and it is not only America that has reaped dividends from China’s development. Europe and East Asia have invested large amounts of money into the country over several decades. That investment has allowed large profits to be made by exporting back to one’s home country and the rest of the world. In addition, as Chinese citizens have become richer, overseas companies have benefitted from a market made up of around 1.4 billion consumers – that’s almost a fifth of the world’s population. But more than this, in the seventies and eighties, Japan and the Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan) were coming under fire from the West for unfair trade because they were exporting far more products than they were importing. Just as these trade wars were heating up, Deng Xiaoping

announced the opening up of China to foreign investment. These East Asian States took full advantage of this serendipitous moment and shifted their factories to the Chinese mainland. They not only made super-profits from the cheap labour; their products were now stamped with China as the place of origin. They could therefore continue their export drive and China could take the blame for their trade imbalances with America to the point where, a few years ago, over half of all China's exports were not produced by Chinese companies but by foreign companies located in China.

Yet, arguments suggesting that greater trade and investment would bring China and America closer together on a permanent basis ran the risk of making the same mistake as Norman Angell who, just prior to the First World War, predicted a pacific future based on the increasing global integration at the time. Angell's mistake was to assume such closer relations would continue for ever.³

A more pertinent explanation of America and China's behavior is the enduring pattern throughout history of inter-state competition. Great powers tend to view each other as competitors or potential future competitors. Without an overarching authority with the military means to ensure peace at the international level (the UN has no standing army), states have to rely on their own military might to ensure their security. But this generates a continual dynamic within international relations of an action-reaction spiral where one state's accumulation of power engenders others to try and acquire the same degree of power – provoking the first state to intensify its efforts of being the stronger state – thus producing never ending competition.

Indeed, integration may promote close relations lasting for decades but, from a historical perspective, once an emerging economy reaches a level at which it can challenge the predominant state, it is highly probable that the lead state (in this case America) will no longer see the relationship in a positive light and will do everything to increase its economic and military wherewithal and to slow the growth of the rising power (in this case China).

This is not only because of the security dynamic outlined above. The benefits of controlling the international system are just too great to give up. Having the wherewithal to set the rules at the global level brings distinct advantages that no state would willingly forego.

We are now seeing an unprecedented military build-up by China as it tries to catch up with American might; similarly, the United States has responded

³ Norman Angell, *The Great Illusion*, (New York: G.P. Putnam's Sons, 1910).

with significant increases in its military expenditure. Cooperation with certain Chinese technology firms that are viewed as security threats is now banned. Trading is not allowed with Chinese entities involved in Uighur human rights abuses. Each side is trying to forge alliances and allies across the world - often through the use of aid and military supplies. The seventieth anniversary of the Chinese communist revolution in 2019 proved highly symbolic given the rising tensions between these two great powers. The military parade in Beijing was taken straight out of the pages of the Soviet Union's play book with rows and rows of China's newest military technologies on display. If anyone held any doubts about the message the leadership wished to convey, President Xi Jinping dispelled them by bluntly stating that, "no force can shake the status of this great nation".⁴

Given the United States' history of ensuring that any challenge to its predominance is still-born, it is highly likely that this change of direction in American foreign policy will persist. However, there are and will be several important differences between it and Cold War I between America and the Soviet Union. It is the aim of this book to explore both the similarities and differences of these two cold wars. The book begins first of all by placing the new cold war in context by examining the meteoric rise of China's economy, because this is fundamentally at the heart of most of the issues that now divide America and China whether it be trade policy, intellectual rights, the South China Sea, or its military build-up.

Chapter Three then explains why America reacted so slowly to China's rise. Chapter Four examines the similarities of Cold War I and II. Namely: a military build-up on both sides; trade sanctions and embargoes; using aid to increase one's sphere of influence; human rights and ideology. Chapter Five, on the other hand, examines the differences with Cold War I: the existence of cyber space; the geopolitical landscape; globalization; and the absence of bilateral norms and agreements. Finally, the conclusion points to certain possible future scenarios based upon the similarities and differences identified in the preceding chapters.

⁴ Gemma Graham-Harrison and Verna Yu, "China celebrates 70th anniversary as Xi warns no force can shake great nation", (The Guardian, October 1 2019). <https://www.theguardian.com/world/2019/oct/01/China-celebrates-70-years-military-parade-xi-jinping-hong-kong>

CHAPTER TWO

THE RISE OF CHINA

It is difficult to comprehend the incredible speed of China's development and the breath-taking changes this has brought about in terms of modernisation. Visiting the country in the early eighties, one was struck by its ageing transport system, basic domestic air service, its rudimentary road systems, high levels of poverty, ageing factories and the lack of industrialisation of agriculture. The absolute opposite is true of today's China. One is struck by the gleaming spires of glass and steel in every major city, its vast airline network, the unabashed affluence, its modern roads and rail system – especially its showcase maglev train from Shanghai's airport. In 1976, two years before Deng Xiaoping announced an open door policy, China's economy was shrinking rather than expanding at a rate of -1.5 per cent and the overall size of its economy was just \$154 billion in terms of GDP. Although economic take off took some time to manifest after China actually opened - once it lifted off, its growth was exponential. Defying predictions that such vertiginous growth was unsustainable in the long term, China managed to generate a real growth rate of around 10 per cent every year over a period spanning more than three decades.¹ This has meant that the size of its economy has doubled every 7-8 years reaching an incredible \$17.79 trillion in 2023.²

One of the main reasons for Deng's decision to permit private enterprise and to open the country to foreign investment and greater trade was the failure of the Soviet style centralised state economy – greatly exacerbated by self-induced political turmoil and misguided economic initiatives. The hope was that this investment would stimulate the economy and help

¹ Cai Fang and Wang Meiyang, "How Fast and How Far Can China's GDP Grow?", China: An Economics Research Study Series, 3, 2004, and World Bank, World Development Indicators, accessed August 03 2023.
<https://data.worldbank.org/country/China>.

² World Bank, World Development Indicators, accessed August 03 2024,
<https://data.worldbank.org/country/China>.

increase agricultural and industrial production thus reducing the abject poverty of the population.

China is now the largest manufacturer in tobacco, textiles, leather goods, apparel, rubber and plastics, non-metallic products, base metals, electrical machinery and cars.³ With regard to the latter, in 2011 it overtook the United States (2011) as the world's largest automobile maker and now produces twice as many cars as Japan.⁴ It is also the biggest producer of personal computers (90%), air conditioners (80%) and three quarters of the world's mobile phones.⁵ But China's success is not simply down to attracting investment and increasing trade. Given that many countries before it had done the same without their economies experiencing China's vertiginous growth, this cannot be the whole story. It is to this puzzle that we now turn.

There is no one reason for China's exponential growth, rather a complex mixture of factors. However, China's policies promoting fast growth do bear a strong resemblance with other East Asian states. In fact, one can see that these countries have each mimicked the Japanese developmental model to a certain degree. First, countries like Taiwan, South Korea and Hong Kong copied at least some of Japan's economic policies, but at different times. Then came Thailand, Malaysia, and Indonesia, China, Vietnam and others. This is what Kaname Akamatsu referred to as the "flying geese" formation of East Asia in the sixties.⁶ Akamatsu was mainly referring to the idea that the states in East and South-East Asia would economically develop as the lead industrial states in the region would seek cheaper production sites and cheaper sources of goods because of the rising labour costs in their home countries (as a result of their economic growth). Neighbouring countries in the region certainly did benefit economically because of this demand for their cheap labour, but it is equally true that their economic

³ Donald Hepburn, Andrew Black, Matteo Ferazzi, Andrea Goldstein, David Hurst, Steven McGuire and Michael Owen, "The World's Industrial Transformation: A Chatham House Report", Donald Hepburn, Andrew Black, Matteo Ferazzi, Andrea Goldstein, David Hurst, Steven McGuire and Michael Owen, July 2013, accessed August 18 2024.

https://www.chathamhouse.org/sites/default/files/public/Research/International%20Economics/0713r_industrialtransformation.pdf, p. 3.

⁴ Donald Hepburn, et al., *The World's Industrial Transformation*, p. 3.

⁵ *The Economist*, "Global Manufacturing: Made in China?", March 12 2015.

<https://www.economist.com/leaders/2015/03/12/made-in-China>

⁶ Kaname Akamatsu, "A historical pattern of economic growth in developing countries", *Journal of Developing Economies* 1(1), March-August 1962, 3–25.

success resulted from copying many of the economic development policies that Japan, Taiwan, South Korea etc. had followed.

In this regard, China is little different to many of the other “Asian Tigers”. As we shall see in this chapter, one of the most obvious similarities is that of copying successful technology. As Robert Atkinson and Caleb Foote point out, for most East and South-East Asian states, their economic growth has come about because of vast improvements in technology – both in terms of its application in industry (thereby improving industrial efficiency and capacity) and the actual production of technological goods. According to these two researchers, climbing this technological ladder has involved several distinct phases. Stage one, involves acquiring technology either by demanding that foreign companies transfer technology as a condition of them operating in a country, or through licensing or simply by reverse engineering a product and copying much, if not all, of the product. The second phase is diffusion of the acquired technology throughout a country’s industry, The third phase is adapting and improving this imported technology and the final phase is actually to develop one’s own technology thus becoming a global innovator.⁷

As we shall see, China is no exception when it comes to this method of acquiring technology and production know-how. Indeed, it has been the most forthright country in the region when it comes to demanding technology transfer from foreign companies operating within its borders. If the multitude of press reports and security analyzes are to be believed, it has also obtained industrial information on an unprecedented scale through cyber-theft (see Chapter Five).

But technological leap frogging was not the only reason for the rapid growth of South-East/East Asian states. Their rapid growth is also attributable to the fact that they established special economic zones providing tax breaks for overseas companies, encouraging technological hubs to emerge that created synergies between domestic and foreign firms. Their economies were also essentially export orientated allowing economies of scale by tapping into world markets. State coordination of the economy was also very much apparent, providing much needed grants and cheap credit to their fledgling companies as well as coordination of economic activities. The details of these policies and the manner in which they were implemented in China are given below.

⁷ Robert Atkinson and Caleb Foote, “Is China Catching Up to the United States in Innovation?”, Information Technology & Innovation Foundation, April 2019, 1-57.

Exports and Special Economic Zones

China's development in various industrial sectors has followed a similar path to the rest of the East Asian region. It has invited overseas companies to set up factories in the country to take advantage of its cheap labour, land and energy. However, in so doing, it has requested the transfer of technical know-how and overseas cooperation with Chinese companies. Those Chinese companies then branch out on their own competing with the very firms that they had cooperated with just a short time before. In order to attract overseas companies to the mainland, China set up so-called special economic zones (SEZs), luring foreign companies through special tax breaks. Initially, this project was limited in scope because, at the time, it was politically sensitive – inviting capitalist companies to establish themselves in communist China was far from uncontroversial and not uniformly approved of within the communist party. Therefore, in 1979 only two provinces and four cities close to the coast were allowed SEZs with the primary objective to promote joint ventures with foreign companies and to promote an export-oriented industrial sector.⁸ Five years later, even more cities near the coast were opened up to foreign investment and by 1986 foreign companies no longer had to set up joint ventures in order to enter China.⁹

The companies that set up factories were not just attracted by tax breaks and cheap factors of production. In what must be one of the most fortunate coincidences of economic history, Deng Xiaoping opened China just as the countries surrounding it were looking to save production costs. The economic success of Japan, South Korea, Taiwan, Hong Kong and Singapore brought with it better standards of living, but this entailed rising wages. Economic development also brought significant inflation in energy and land prices. As a result, products from these countries became less competitive. The answer to this problem was clearly to move to China where super cheap labour, land and electricity would mean super cheap production costs and super profits for those that did so.

Moreover, in order to prevent a looming trade war with America and Europe, a vast number of overseas companies set themselves up on the Chinese mainland in order that their exports be registered as coming from China rather than, say, South Korea, Japan and Taiwan. Much of the foreign

⁸ Shaun Breslin, *China and the Global Political Economy*, (Basingstoke: Palgrave Macmillan, 2009), 84.

⁹ Shaun Breslin, *China and the Global Political Economy*, 84.

investment was through the network of expatriate Chinese from countries neighbouring China – a relationship that Deng Xiaoping deliberately nurtured. Many Chinese diaspora who invested still had relatives in China particularly in the coastal regions and these old ties were reignited smoothing the way for investment.¹⁰

This pattern of investment and the export orientated nature of these industries has had a lasting effect on China's trade. China exports far more than it imports, but someone has to buy these goods and it is the US that absorbs the most. In 2022, China exported around \$536.3 billion worth of goods to America while only importing \$154.0 billion, creating a trading surplus for China of \$367.4 billion in 2022 (for both goods and services).¹¹ This would have been larger if it wasn't for the fact that America exports more services to China than it imports. The second greatest deficit is with the EU. However, it is also clear that the burden of this European deficit falls disproportionately on some countries and not on others – Germany, for instance, has managed to maintain a fairly balanced trade relationship with China and currently exports \$28 billion more than it imports.¹² If we then reverse the picture and examine which countries are the main states exporting to China, it is striking just how much is sourced from the neighbouring region, resulting in a positive trade balance for these countries: Japan (\$33 billion); Korea (\$95 billion) and Malaysia (\$17 billion) and Australia (\$57 billion).¹³

Much of China's productivity improvements are due to the presence of foreign companies. This has therefore been a positive development story for China thus far because such business practices can be copied leading to more efficient Chinese companies. However, it has created a certain degree of dependency on these companies with total investment over the years amounting to around \$1.5 trillion and explains why the Chinese government

¹⁰ Wang Wangbo and Lin Zhiqing, "Investment in China: The Role of Southeast Asian Chinese Businessmen" in Emile Kok-Kheng Yeoh and Joanne Hoi-Lee Loh (eds), *China in the World: Contemporary Issues and Perspectives*, (Kuala Lumpur: Institute of China Studies, University of Malaya), 147-160.

¹¹ United States Trade Representative, "The People's Republic of China", accessed October 02 2024.

<https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>.

¹² World Bank Group: World Trade Integrated Solution, accessed May 25 2018.

<https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2018/TradeFlow/EXPIMP/Partner/by-country>

¹³ World Bank Group: World Trade Integrated Solution, accessed May 25 2018.

has been keen to push policies that increase home grown innovation (see section below on indigenous innovation).

Capitalist Coordination: The role of the state

It is worth remembering that, just a few decades ago, China's industry was completely run by the state. The whole economy was run on a highly centralized model that used a basic measure of success, that of gross industrial output leading to extremely low quality and often unusable produce in all areas of the economy. The challenge that confronted the leadership was how to reduce state involvement in the economy without destabilising the economy with high unemployment and also risk a political backlash from diehard communists. The first phase of reform therefore concentrated on foreign investment alongside some town and village enterprise initiatives which essentially acted as a spur to the economy but left much of the state owned sector alone (apart from some minor reforms). Indeed, one of the advantages of establishing special economic zones was that it kept what was seen as a radical economic experiment limited to specific enclaves within the country.

However, as private Chinese enterprises, joint ventures and wholly foreign owned companies became more and more successful, the government felt that it could take the politically risky move (because, after all, it was supposed to be a communist country) of dealing with many of the loss making state owned enterprises. So, in 1997, small and medium sized State Owned Enterprises (SOEs) were given permission to be privatised under the so called policy initiative "Grasping the Large, Releasing the Small" in the hope that these companies would become profit making on their own.

Once the government's policy of "Grasping the Large, Releasing the Small" had had its desired effect, the government moved on to the large state enterprises, offering shares in these companies, thus generating revenue for updating their plants. Frequently, debt for equity deals were made with major (often foreign) corporations where their debt was paid off for a significant share in the SOE.¹⁴ However, although these are listed companies on the stock exchange, the government usually retains a controlling share. It is difficult to ascertain just how many companies remain state owned enterprises in this manner because of the various categories of shares

¹⁴ The information for the above passage has been taken from Zhang Chunlin, "Revisiting China's SOE Reform Strategy", (China: An Economics Research Study Series) 46-60.

created for Chinese IPOs. A recent report highlighted the fact that of the 109 Chinese corporations listed on the Fortune Global 500, only around 15% are privately owned in the proper sense of the word.¹⁵ State owned enterprises are still very significant players in the economy with “51,000 state owned enterprises still remaining and collectively worth \$29 trillion”.¹⁶

Many Chinese state companies are clearly on par with overseas competitors often because of either their access to natural resources or access to strategic infrastructure. For example, the largest Chinese company on the Fortune 500 list, State Grid is number three, just behind Walmart and Saudi Aramco. China National Petroleum’s revenue of \$483 billion easily beats its Western oil competitors like ExxonMobil (\$413 billion) and Shell’s (\$386 billion).¹⁷ Similarly, China Mobile has the largest telecommunications network in China as a result of its state ownership and it is therefore no surprise that it is placed number 27 in Forbes list of top companies in the world (Global 2000). Indeed, the top 12 Chinese companies listed on the Fortune 500 list are in fact state owned to one degree or another.¹⁸

It is not only government loans that give Chinese companies a competitive advantage, it is also the high degree of state coordination of the economy both in terms of regulations and critical infrastructure development. One of the best examples of this is its battery powered vehicle sector. Overall, it has encouraged cleaner technology in the automobile industry by imposing emission reductions – if companies fail to meet their targets they have to buy credits from other car companies. At the same time, the government has helped electric car companies like NIO and BYD by investing huge amounts via state owned funds (\$1.4 billion in the case of NIO) and providing subsidies to consumers when they buy electric cars (around 40 per cent of the price in some cases).¹⁹ In tandem with this initiative, the government is creating a national network of charging stations to support the surge in the

¹⁵ Amir Guluzade, “Explained, the role of China’s state-owned companies”, World Economic Forum, May 07 2019. <https://www.weforum.org/agenda/2019/05/why-Chinas-state-owned-companies-still-have-a-key-role-to-play/>

¹⁶ The Economist, “Technology Quarterly”, January 04-10, 2020, 4.

¹⁷ Wikipedia, ‘Fortune Global 500’, accessed August 18 2024.

https://en.wikipedia.org/wiki/Fortune_Global_500

¹⁸ Scott Cendrowski, “China’s Global 500 companies are bigger than ever—and mostly state-owned”, Fortune, July 22, 2015, accessed September 20 2015.

<https://fortune.com/2015/07/22/China-global-500-government-owned>

¹⁹ Katrina Yu and Dan Sagalyn, “How China is driving the future of electric cars”, (PBS Newshour, Oct 2, 2019).

number of electric vehicles. America now trails in this market with Chinese sales at five times that of the United States (2021).²⁰

Five Types of Knowledge Acquisition

Much of the current friction between the United States and China concerns the degree of copying that Chinese companies are said to engage in. From the United States point of view, copying of patented intellectual property needs the permission of the inventor/license holder and royalties should be paid. However, there are in fact several different types of knowledge acquisition, some legitimate and some less legitimate (cyber-theft is actually covered in Chapter Four but it is a sub category of the copying detailed below). The first of these is the simplest and most obvious – outright replication. China is number one in the world for counterfeit goods in terms of output, to the point where highly industrialized countries struggle to keep up with the sheer volume coming in at their borders. The most visible signs of this can be found in China’s street markets where knock-offs can be bought at knock-down prices. Legal action by famous brand names has simply meant the goods being taken off display but still available “under the counter”.²¹

But it is not only high fashion where China has been engaged in unbridled replication. More importantly, at least in terms of its developmental path, China has been intensively engaged in so-called reverse engineering. This literally involves taking heavy machinery, automobiles, computers, semi-conductors etc. apart, working out how it works and then reproducing it on a grand scale. Such activities have been greatly aided by globalization. These days, most companies out source a huge number of parts that go towards creating their final product. The average computer will have screens made in one country, their drives in another, the keyboards in yet another and the actual microchips and circuits somewhere else. This revolution in production only really began in earnest 45 years ago and it has made it very easy for China to technologically leap-frog up the development ladder. If a Chinese company is incapable of making certain parts, it can simply buy it off the shelf on world markets.

²⁰ Wikipedia, “New energy vehicles in China”, accessed August 18 2024.
https://en.wikipedia.org/wiki/New_energy_vehicles_in_China

²¹ Jonathan Watts, “European luxury brands challenge Chinese pirates”, The Guardian, November 4, 2005.
<https://www.theguardian.com/media/2005/nov/04/marketingandpr>

How on earth has China managed to get away with copying for so long? There are three main reasons: market access; utility patents and the World Trade Organization (WTO). With regard to the latter, China only became a member of the WTO in 2001 and so could not be compelled to follow the international agreement on intellectual property rights that the organization oversees before that time. The other issue is market access. Even after acceding to the WTO, China continued copying on a vast scale – either with or without the permission of the companies who owned the patents. The reason such companies didn't protest is that they knew that if they did, access to the huge Chinese market would become difficult. Companies have all too often been worried that if they take assertive action against such practices, China will shut them out of a market of 1.4 billion consumers. So, most foreign car companies continue locating their factories in China. This is despite brand "lookalikes" of Volkswagens, Hondas, BMWs, Minis, Kias, Porsches etc. being produced on a continual basis – even a similar model to the Rolls Royce Phantom produced by the Chinese motor company Geely was presented at the Shanghai Motor Show just yards from the original.²²

The third reason moves us on to the second type of copying – incremental innovation. Taking an original design, copying it and then adding various amendments is seen as legitimate in many countries (including Germany and Japan) and is covered by law under the term utility patents. This partly explains the exponential increase in inventions being registered at China's National Intellectual Office as it is far easier to modify an existing invention than to come up with something entirely new.

The fourth type of copying is another "legal" form – knowledge transfers. Much of China's production know-how has come from requiring foreign companies to enter into joint ventures with domestic firms. In return for jointly producing goods for both the Chinese and export markets, China has more often than not requested the transfer of managerial and production know how for manufacturing current models, as well as blue prints of older models of a brand – whether it be planes, trains or automobiles. Much of Chinese technological know-how was gained by foreign companies actually permitting producers to imitate slightly out of date foreign technologies and through the cooperation with foreign companies producing goods within China. In addition, China often demanded high levels of domestic content

²² "A £30,000 copycat Rolls-Royce? It must be made in China", Daily Mail, April 24 2009. <https://www.dailymail.co.uk/news/article-1172635/A-30-000-copycat-Rolls-Royce-It-China.html>

for the parts making up a finished product in China, thus encouraging the growth of locally based sources of high quality supplies.²³

But much of this knowledge transfer is not done willingly by overseas companies. Essentially, Chinese companies (which the government often has a majority stake in) use both their own buying power and/or access to the Chinese market to ensure that overseas companies agree to direct knowledge transfer and/or joint ventures (where knowledge is transferred anyway). Such agreements are so multitudinous that it is regarded simply as common practice and ranges from trains, planes and automobiles to mobiles phones and computers. In addition, in the military sector, Chinese manufacturers have used co-production agreements to “learn by doing” in order to then independently produce very similar products.²⁴ A good example of this is the Russian Sukhoi SU-27. In 1996, Moscow and Beijing reached a \$2.2 billion deal for the co-production of the SU-27 in China by the Shenyang Aircraft Company. After a hundred or so aircraft were successfully completed, production was shifted to a Chinese only version, the J-11, which included several improvements to the aircraft and its weapons capabilities.²⁵

In China’s final stage of development, it has turned towards the acquisition of overseas companies, investing via venture capital and private equity companies in order to enhance knowledge transfer of industrial processes, inventions and managerial practice. This does not mean that its other methods of knowledge acquisition have fallen into abeyance, simply it reflects China’s growing wealth and, with it, a significant increase in purchasing power. In recent years, Chinese companies (often state owned) have gone on an international spending spree. It is estimated that, since 2012, Chinese companies have invested in US technological companies to the tune of \$19 billion involving “641 different deals...with particular focus on AI, robotics, and augmented or virtual reality”. More recently, Chinese investment “accounted for approximately 10 percent of all U.S. venture deals per year”.²⁶ In addition, it is not unusual to see participation of such a developed state in venture capital and private equity operations, but it is

²³ Dani Rodrik, “What’s so Special about China’s Exports?”, 2006. accessed October 06 2007. <http://ksghome.harvard.edu/~drodrik/Chinaexports.pdf>.

²⁴ Herman Schwartz, *States Versus Markets: The Emergence Of A Global Economy*, (London: Palgrave, 2000 -2nd edition).

²⁵ Wikipedia, “Shenyang J-11”, accessed January 2021.
https://military.wikia.org/wiki/Shenyang_J-11

²⁶ Office of the United States Trade Representative, “Findings of the Investigation Into China’s Acts, Policies”, 143.

unusual that some of the funding for these operations comes from the government.

For example in the more legitimate sphere, Chinese private equity firms recently participated in the takeover of the American printer company Lexmark and the “\$2.75 billion purchase of Dutch chipmaker NXP Semiconductors” while the Chinese company HNA Group took over the electronics distributor, Ingram Micro for \$6.1 billion”.²⁷ But, at least from a Western perspective, there have been buyouts that are not so straightforward because they are by Chinese state owned or state backed companies. For example, in 2017, National Chemical Corporation’s took over Syngenta (Swiss pesticides) for \$43 billion.²⁸ More controversial was the takeover of the UK chipmaker Imagination Technologies in 2017 by Canyon Bridge. One of the major stakeholders in this private equity firm is the Chinese state-owned China Reform holdings that recently (2020) tried to place four Chinese directors on the board of Imagination Technologies raising fears that China planned to relocate the company to the mainland.²⁹

This comes after the Cambridge based chipmaker, Arm, effectively had its Chinese based operations (Arm China) taken over by the local CEO after he was accused of misconduct. Foolishly, Arm in 2018 agreed to the Chinese state sponsored group, Hopu, owning 51 per cent of its Chinese subsidiary, and Arm UK, 49 per cent making it impossible to wrest back control of the new entity.³⁰ This raises all sorts of questions about the ownership of its proprietary hardware in China and it looks likely that China has now fully taken over operations in the mainland (Arm personnel were refused access to its site in China).³¹ As a result of the events at Arm, the Chair of the UK Foreign Affairs Select Committee has argued that the UK must intervene in the case of Imagination Technologies company in order to prevent a repeat

²⁷ Michael Brown and Pavneet Singh, “China’s Technology Transfer Strategy: How Chinese Investments in Emerging Technology Enable A Strategic Competitor to access the Crown Jewels of U.S. Innovation Washington D.C.: Defense Innovaton Unit Experimental, January 2018, 10.

²⁸ Michael Brown and Pavneet Singh, “China’s Technology Transfer Strategy”, 10.

²⁹ James Warrington, “China “using Covid cover” to seize control of Imagination Technologies”, City AM, April 14 2020. <https://www.cityam.com/China-using-covid-cover-to-seize-control-of-imagination-technologies/>

³⁰ Matthew Field, “Inside Arm’s growing China rebellion”, The Telegraph, June 21 2020. <https://www.telegraph.co.uk/technology/2020/06/21/inside-arms-growing-China-rebellion/>

³¹ Matthew Field, “Inside Arm’s growing China rebellion”.

of this behavior.³² In a similar vein, President Trump blocked the same private equity firm (a mis-nomer if there ever was one given its access to large amounts of state credit), Canyon Bridge, from taking over Lattice Semiconductor Corp for \$1.3 billion.³³

Previously, we mentioned how China is surging ahead in the electric vehicle market. This is not only because of the grants and the state coordinated network of re-charging stations. Chinese automobile companies have also sought to acquire hi-tech knowledge through buying into or taking over overseas firms. One of the most active companies has been Wanxiang Group and its subsidiary Wanxiang America Corporation. In 2013, they purchased A123 systems which produces lithium batteries for electric vehicles. Again, in 2014, Wanxiang's American subsidiary bought Fisker Automotive. The company is known for producing one of the first luxury plug-in electric hybrid vehicles but had to file for bankruptcy – providing a great opportunity for Wanxiang to leapfrog several stages of technological learning.³⁴

National innovation

The above details of knowledge acquisition do not imply that indigenous innovation does not exist in China – as is clear from their cutting edge supercomputer to their electric vehicles. Major new engineering and hi-tech projects are now conducted solely by Chinese companies (albeit with much help from the Chinese government). China is benefitting from its own investments in education and R&D whilst at the same time benefitting from overseas expertise in areas of weakness. Indeed, in 2017 a total of 7.4 million students graduated from Chinese universities and a total of 5.86 million Chinese have studied abroad from 1978 to the end of 2018, picking up vital know-how for the country's development.³⁵ The number of science and engineering graduates is the largest number in the world and many are also gaining expertise overseas. Chinese students studying Science,

³² Guy Faulconbridge, "UK urged to stop China taking control of Imagination Tech: lawmaker", Reuters, April 14 2020. <https://www.reuters.com/article/us-china-britain-imaginationtechnologies/uk-urged-to-stop-china-taking-control-of-imagination-tech-lawmaker-idUSKCN21W1FW>

³³ Guy Faulconbridge, "UK urged to stop China taking control of Imagination"

³⁴ Office of the United States Trade Representative, "Findings of the Investigation Into China's Acts, Policies", 142.

³⁵ Zou Shuo, "Chinese students studying abroad up 8.83%", China Daily, March 28 2019 and www.statist.com.

Technology, Engineering and Mathematics (STEM) in the United States make up 16% of all American graduate STEM students (although this may rapidly change as a result of the second Trump administration).³⁶

However, such innovation is greatly aided by state policies of insisting that foreign companies transfer technology as part of joint venture agreements and, of course, the huge amount of state funding that leading Chinese companies receive. In January 2006, China launched the national strategy of “indigenous innovation” with the aim of assuming a leadership role in science based industry by 2020 and possessing a high tech industrial base by mid-century.³⁷ In 2009, as part of the “indigenous innovation” drive, the government actually officially announced that Chinese products would be given preferential treatment. Such products have been defined as domestically sourced if the domestic manufacturing costs make up at least half of the final price.³⁸ Associated with this drive has been the usual requirement that managerial and technological know-how be transferred, but in show-case projects even the research and development must be done jointly with a Chinese firm. China’s main way of making such conditions arises out of the fact that it has not yet signed the WTO government procurement agreement that ensures free competition when governments tender contracts. This means that the government has an alternative method of favoring those companies that agree to technology transfer and/or joint ventures with Chinese companies by choosing those that agree to such conditions over other bids for major infrastructural contracts.

The indigenous innovation drive has been strengthened through several official policies, most notably the 2015 announcement of the Made in China 2025 ten year strategic plan targeting, amongst other things: advanced information technology; robotics and automated machine tools; aircraft and aircraft components; advanced rail equipment; new energy vehicles; and pharmaceuticals and advanced medical devices.³⁹ China therefore continues

³⁶ Jacob Feldgoise and Remco Zwetsloot, “Estimating the Number of Chinese STEM Students in the United States”, Centre for Security and Emerging Technology October 2020. <https://cset.georgetown.edu/publication/estimating-the-number-of-chinese-stem-students-in-the-united-states/>

³⁷ James McGregor, China’s Drive for “Indigenous Innovation: A Web of Industrial Policies, Washington D.C.: US Chamber of Commerce, 2010, 13.

³⁸ James McGregor, China’s Drive for “Indigenous Innovation: A Web of Industrial Policies, 20.

³⁹ Office Of The United States Trade Representative, “Findings Of The Investigation Into China’s Acts, Policies, And Practices Related To Technology Transfer,

to place conditions on companies seeking to establish a presence in the country in industries that are deemed strategic--including local content requirements, plus knowledge transfer in the areas of management, production and technology.⁴⁰ However, the difference now compared to before is that it seems the government is targeting major innovatory projects for joint ventures where the research and development is also done jointly. Once the requisite knowledge is acquired, Chinese companies then take on new projects using the innovatory techniques that they have learned.

In the IT sector the most obvious examples of success are Lenovo and Huawei. Lenovo first managed to capture a large part of the domestic market in China and then went on to successfully take over IBM's personal computer arm in 2005 and has since become the leader in terms of global market share for PCs.⁴¹ Initially, Lenovo had fairly limited capabilities in terms of computer production, to the extent that it outsourced 100% of its laptops (2003). Yet, as with so many Chinese companies, they quickly adapted by buying up the personal computer section of IBM (2005), thus reducing its reliance on out sourcing radically, bringing many of the production processes back in-house.⁴² Lenovo has now become the leader in terms of global market share for PCs.⁴³ The path followed by Lenovo is exactly that which China wishes to pursue. Initially, the company began as a major distributor of IBM and other companies' computers. It then began producing its own computers mainly through out sourcing and then it used its profits to takeover a major overseas company enabling it to design and create cutting edge computers independently.

Similarly, Huawei has overtaken Nokia, RIM and HTC in the smartphone market with its global market share amounting to 17 per cent, thus taking second place behind Samsung and outpacing Apple.⁴⁴ It is improving its

Intellectual Property, And Innovation Under Section 301 Of The Trade Act of 1974", 29, March 22, 2018, accessed April 11 2018.

<https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF>

⁴⁰ Roselyn Hsueh, *China's Regulatory State: A new strategy for globalization*, Ithaca: Cornell University Press, 2011, Chapter Eight.

⁴¹ Lorretta Chao, "As Rivals Outsource, Lenovo Keeps Production In-House", *Wall Street Journal*, July 9 2012. <http://www.wsj.com/articles/SB10001424052702303302504577325522699291362>.

⁴² Lorretta Chao, "As Rivals Outsource"

⁴³ Lorretta Chao, "As Rivals Outsource"

⁴⁴ Anton Troianovski, "Huawei's Smartphone Sales Eclipse Nokia, RIM", *Wall Street Journal*, January 27 2013. <http://online.wsj.com/news/articles/SB10001424127887323854904578264234043436260>.

high-end models rapidly and its overall growth has been breath-taking. Moreover, several other Chinese smartphone companies now capture an impressive share of the overall market, such as, Oppo, Xiaomi, Vivo and Lenovo. In addition, the Hanguang 800 chip made by Alibaba for AI operations actually out performs intel chips in some tasks, although it is worth pointing out that it was designed by Alibaba but had to be produced by a Taiwanese company.⁴⁵ Huawei has been in the news recently because it is ahead of many of its rivals when it comes to 5G networking. Whilst this is a clear sign of how China's technological prowess has advanced, it is worth remembering that the omnipresent arm of the Chinese state was present in the background. According to research by the Wall Street Journal in 2020, Huawei received £57bn in aid from the Chinese government enabling it to "offer generous financing terms and charge 30 per cent less for network equipment than competitors", thus undercutting its rivals.⁴⁶

China's success is as much in industrial products as consumer goods. In 2016, it launched a satellite (the Micius Quantum Communications Satellite) equipped with a state of the art quantum encryption device. In the same year, China produced the world's fastest supercomputer (Taihu Light) using Chinese designed and manufactured microprocessors. In the military sphere, it is designing cruise missiles that use artificial intelligence so that they essentially become semi-autonomous in terms of avoiding defenses and final targeting paths.⁴⁷

Overall, there are many reasons to believe that China will become as competitive in the high value high tech end of production for two key reasons. The first is the way in which the government directs the economy and reduces the risk for those companies engaged in innovative technologies. This is well illustrated by its efforts in helping to develop silicon chip design and manufacturing by Chinese companies - seen by the government as one of its main strategic weaknesses, especially since the ban on sales of certain electronics to its companies. Currently, China imports \$312 billion worth of chips and in order to stimulate its own chip-making industry the government has earmarked \$29 billion for investment.⁴⁸ The

⁴⁵ The Economist, "Technology Quarterly", January 04-10, 2020, 11,

⁴⁶ Mark Schiefelbein, "Huawei received £57bn in aid from China to undercut rivals", The Times, December 28, 2019. <https://www.thetimes.co.uk/article/huawei-received-57bn-in-aid-from-china-to-undercut-rivals-mbcw33pj6>

⁴⁷ This paragraph is a summary from Michael Brown and Pavneet Singh, "China's Technology Transfer Strategy", (Washington D.C.: Defense Innovation Unit Experimental, January 2018) 12.

⁴⁸ The Economist, "Technology Quarterly",

second is that more and more of the investment by Chinese companies is going into research and development. In 2017 alone, research and development spending increased by an astonishing 12 per cent, reaching a total 293.6 billion dollars for the year. By 2022 the amount had reached 418 billion dollars – a huge jump in just five years.⁴⁹ This does not yet match that of the United States, but with such prodigious increases it is highly likely that it will close the gap significantly in the next five years.

Conclusion: China – Past its Peak?

Although China's economy is now slowing, its exponential growth for four decades has brought it very close to matching the size of America's economy. China's current trajectory shown in Figure 2-1 suggests that it may even be getting closer. Although in 2015/16 it looked as if America was pulling away again and China's economy was slowing, China managed to pull off a new growth spurt.

However, the Covid lockdowns that were stricter and far longer in China compared to the approach taken by America have had a very tangible effect upon the economy. As a result, relative to American growth, China's performance has been lacklustre and the gap between their economies has once again widened. China's economy now generates around US\$18 trillion whilst America generates \$US27 trillion (2023). The numbers are so vast, it is difficult to take in exactly what this means. But, in relation to the rest of the world, the American economy now accounts for almost a quarter of global economic activity (measured by GDP). If we add these two giants together, then they account for over 40 per cent of the world's economic activity.

In addition to this, China became the world's largest manufacturer in 2010. It now accounts for just under 30% of the world's manufacturing value added.⁵⁰ In 2010, manufacturing made up 35 per cent of its GDP, but this has fallen to 26 per cent (2023).⁵¹ However, this should not be seen as a negative point, the lower value is mainly because China is becoming more

⁴⁹ "China's R&D spending exceeds 3 trln yuan in 2022, "Xinhua News Agency, accessed August 18 2024.

<https://english.news.cn/20230918/be73d86c69394af28abb12995b413ddc/c.html>

⁵⁰ Felix Richter, "China Is the World's Manufacturing Superpower", Statista, accessed Augst 18 2024. <https://www.statista.com/chart/20858/top-10-countries-by-share-of-global-manufacturing-output/>

⁵¹ World Bank, "Manufacturing, value added (% of GDP) – China", accessed August 18 2024. <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=CN>.

like other highly industrialized countries where services play a far bigger part in the economy. In 2010, services accounted for 44 per cent of GDP whereas in 2023 they accounted for just under 55 per cent of GDP.⁵² The absolute contribution made by manufacturing has not actually decreased. Indeed within just a decade China's manufacturing value added doubled to almost \$5 trillion by 2022.⁵³

Value added is an important measure, because it essentially measures expenditure on labour and materials (as well as other costs) in the manufacturing process and is therefore an indirect way of gauging exactly how much is being produced in a country. In today's world most countries are integrated into the global economy through production chains. In other words, very few products are made in one country – instead the production tasks are split up and carried out across the world wherever it is cheapest to do so. Think of the average car and you will have the engine from one country, the electronics from another, the axles from another and so on and so on. Given the huge amount of investment by foreign companies in China, one of the greatest dangers it faced was being used for its cheap labour, land etc. for the simpler labour intensive tasks. Because this is cheap unskilled labour the economic benefits associated with this part of production are relatively low. The value added to a product is mainly made up of labour, materials and machine costs plus profit. The parts of the production that use cheap unskilled work therefore create little value added. This not only means poor wages, it also carries with it far less economic benefits compared to medium to high tech production that uses skilled labour. Countries can end up with very impressive looking export growth, but the level of actual business generated can remain at the lower end of the scale.

But China has pulled off something rather remarkable and very unusual (if the trajectory of most developing states is anything to go by) – it has gone up the technology ladder from basic labour intensive work to ever more skilled work and succeeded in the creation of medium and high technological goods. Because the state insisted on technological transfer alongside technical and managerial know-how, it has successfully engaged in the more technical sides of production that companies can charge more for. So much so that, in medium high technology industries, China now dominates – far outstripping the amount of value created by America in this

⁵² World Bank, "Services, value added (% of GDP) – China", <https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=CN>.

⁵³ "China Economic Indicators", The Global Economy, accessed August 18 2024. https://www.theglobaleconomy.com/China/manufacturing_value_added/

sector. In 2016, the United States made \$619 billion in this sector. In comparison, China's value added in this sector was over one trillion US dollars. Given its original growth was based on being a site of cheap labour for huge foreign multinationals, this trajectory was deemed virtually impossible forty years ago. More worryingly for both America and Europe is its gigantic leaps in high technology manufacturing. In 2000, the value produced in this sector by China was a mere \$35 billion but by 2016 this had reached an outstanding \$380 billion. This does not yet match America's \$495 billion and one needs to keep in mind China's continuing partial reliance on foreign firms with regard to technological improvements.⁵⁴ But, Figure 2-2 once again shows a common pattern here with the two lines of growth in this sector – America and China's – rapidly converging.

Other indicators back up the conclusion that China is establishing itself as an equal to other highly industrialized countries. In 2018, it broke into the top 20 rankings (17th) of the global rankings for global innovation.⁵⁵ Spending on research and development (a key source of innovation) has doubled since 2010, reaching around 2.55 per cent of GDP (2022).⁵⁶ This is still lower than the United States (3.46%), Germany (3.13%) and Japan (3.3) – all figures from 2021.⁵⁷ However, it is worth remembering two points in relation to this data. China's GDP is the second highest in the world compared to Germany's at \$4 trillion and Japan's at \$5 trillion – so in fact, its actual expenditure is more than these countries.⁵⁸ The second factor is the one covered in this chapter. China has gained a huge degree of research and development knowledge by both legitimate and illegitimate means from the highly industrialised countries. One can see why America now seeks to clamp down on any potential sources for cyber-theft and to ensure its

⁵⁴ National Science Board, "Science and Engineering Indicators: 2014". <http://www.nsf.gov/statistics/seind14/index.cfm/appendix/tables.htm#c6>, accessed September 26 2014. Table 6-11.

⁵⁵ "Global Innovation Index 2018: China Cracks Top 20", World Intellectual Property Organization, accessed August 18 2024. https://www.wipo.int/pressroom/en/articles/2018/article_0005.html

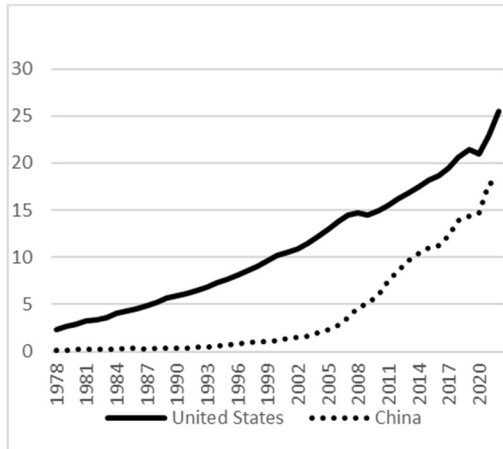
⁵⁶ "China's spending on R&D hits 3 trln yuan in 2022", The State Council: The People's Republic of China, accessed August 8 2024. http://english.www.gov.cn/archive/statistics/202301/23/content_WS63ce3db8c6d0a757729e5fe5.html

⁵⁷ "OECD Indicators 2021", OECD, accessed December 18 2021. <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>.

⁵⁸ "OECD Indicators 2021".

companies are not pressured into agreeing to joint ventures/knowledge transfer when doing business in mainland China.

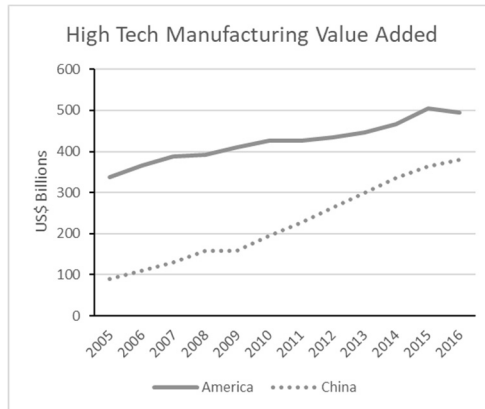
Figure 2-1: America and China's GDP 1978-2022



Source: World Bank Indicators: 2023

However, it is instructive to recall Japan's prodigious growth and how America eventually viewed it as challenging its pre-eminence. What is truly fascinating is the comparison of Figure 2-1 with Figure 2-3. The first shows how China's economy has grown closing in on America's and the second shows what happened when Japan's economy also came close to that of the United States. Once Japan's economy had almost reached approximately three quarters of the size of America's, the United States began a trade war with its Cold War ally criticizing it for unfair trade practices and demanding that it open its doors to more trade and investment. Indeed, it even insisted that Japan adopt "voluntary" export restraints on various goods, particularly cars. Of course, there had been similar moves during Japan's earlier development, but the demands reached fever pitch from the mid-eighties onwards. But what is most interesting is that China has now reached the exact same point in relation to America – it is now three quarters the size of the United States and....guess what? The United States is trying as hard as possible to make sure that China reaches thus far, but no further.

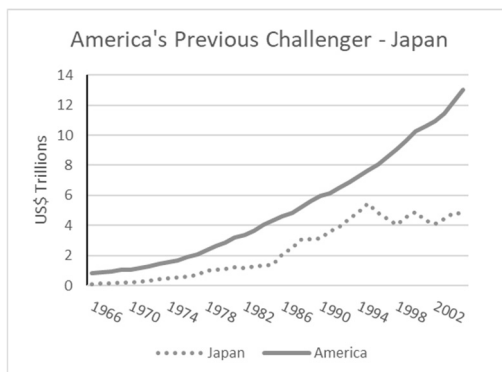
Figure 2-2: US and China High Technology Manufacturing Value Added (\$Billions)



Source: National Science Board, Science and Engineering Indicators: 2018

However, there are important differences. Size does matter - the sheer enormity of China's population would suggest that it still has capacity to grow through domestic demand. Japan's population of 125 million alongside its relatively small geographic size plus relatively low levels of natural resources meant that it was always going to struggle in a competition with America. This is very different to that of China with its population of 1.4 billion (four times that of America) combined with a huge land mass that is resource rich.

Figure 2-3: Japan's Growth Stalled



Source: World Bank Indicators: 2020

Second, it is worth separating out the parts of the Chinese economy that are slowing down from the other sectors. For China, the main problem has been a slow down in construction which has thus far played a major role in economic growth. Although this industry was slowing anyway, the slowdown has been exacerbated by the Chinese government emphasizing the importance of focusing on what it sees as the more productive aspects of the economy – controlling credit to cool the speculative property market. As a result, construction has slowed, yet most of the other elements of the economy have continued to grow strongly.⁵⁹

The final difference is that the competition between America and Japan was between two allies who shared the same ideology and who were cooperating militarily to contain the Soviet Union in Cold War I, so any tensions were limited simply to trade talks. Moreover, Japan was not at the same time making any expansionary territorial claims and taking over areas whose ownership was disputed. The same cannot be said of China. After years of being held in abeyance, communism is now part of a resurgent ideology combined with nationalism – creating a potentially lethal mix. At the same time, China has physically taken over territories that it has asserted ownership over – regardless of other alternative claims. As a result, we can now discern the general landscape of a second cold war, but one whose exact contours are not yet fully determined.

⁵⁹ Martin Wolf, “We shouldn’t call “peak China” just yet”, Financial Times, September 19 2023.

<https://www.ft.com/content/8a7fb1d5-bb3a-48b7-aa72-1c522fd21063>

CHAPTER THREE

THE DOG THAT DIDN'T BARK

At least since the early seventies, pundits and academics alike have claimed that the current international system established by the United States after the Second World War has been suffering from an acute case of *Anno Domini* and was soon to exit the political stage as quickly as it entered – only to find that they have had to recant their predictions. But this author is not endeavouring to claim that U.S. power has finally declined and that other nations have become more powerful than it. Rather the aim of the book is to raise the question as to whether we are witnessing the beginnings of Cold War II, a cold war in which America attempts to contain its main challenger – China. And, if so, what will Cold War II look like – just how similar will it be to the Cold War between the United States and the Soviet Union (1947-1991)?

Indeed, it is only a few years ago that international relations' specialists were arguing that with the end of Cold War I, America stood head and shoulders above any other state and that it was likely to do so for the foreseeable future.¹ As Charles Krauthammer succinctly put it at the time, “American pre-eminence is based on the fact that it is the only country with the military, diplomatic, political and economic assets to be a decisive player in any conflict in whatever part of the world it chooses to involve itself”.² Yet the international sphere is a dynamic one and history demonstrates that states rise and fall continuously in terms of economic and military power. Only a few decades after the collapse of the Soviet Union, China has risen to fill its shoes. It is rather ironic that China's growth is as

¹ Charles Krauthammer, “The Unipolar Moment”, *Foreign Affairs*, No. 70:1, (1990), 23-33; C. Layne, “The Unipolar Illusion: Why New Great Powers Will Arise”, *International Security*, No. 17:4, (1993), 5-51; W. Wohlforth, “The Stability of a Unipolar World”, *International Security*, No. 24:1, (1999), 5-41; M. Mastanduno, “Preserving the Unipolar Moment: Realist Theories and U.S. Grand Strategy”, *International Security*, No. 21:4, (1997), 49-88.

² Charles Krauthammer, “The Unipolar Moment”, 24

a result of joining the international economic system that America set up and, by and large, continues to run.

However, other states have also experienced exponential growth in earlier periods and yet have failed to come anywhere near challenging America's predominance. Japan is an obvious case in point. As explained in the previous chapter, once its economy had reached a certain level, America did as it is now doing to China, i.e. demanding free trade that is not supported by government subsidies alongside requiring greater access to Japan's domestic market for American exports plus demanding that intellectual property be respected so that America's inventions are not simply copied verbatim and sold around the world as their own product. Although America is now applying the same tactics to China, it has done so rather late in the day. Whereas Japan was never in a position to fully challenge the United States, China is beginning to in several areas. Clearly, with a population of 1.4 billion, a richer China always had a greater potential to become another superpower.

However, it is also true that, unlike in the Japanese case, the reaction by America to China's rise was very slow. In the case of Japan, America took decisive action at a much earlier stage to thwart its growth. Just like Conan Doyle's dog that didn't bark in the night, this inaction by America presents us with a puzzle. Why on earth did America take so long to react to China's exponential growth and military strength? This book argues that it was not one but several factors that delayed America's usual tactics of demanding greater compliance with the international rules of the game that structure the international economy, such as, international trade, investment and intellectual property rules – rules that it primarily established.

Four Factors That Explain America's Belated Response

The first of these factors was the way in which China developed its economy. With the rise to power of Deng Xiaoping and the emergence of a new Open Door Policy at the end of the seventies, overseas companies were more than happy to take advantage of China's cheap, labor, land and energy. China's opening came at a serendipitous moment. With Western and East Asian firms facing ever increasing costs, a revolution in production practices emerged heralding the rise of global production and supply chains which we now take for granted. Previously, the traditional structure of a large company was based around on-site production from the beginning of the life cycle of a product to the end. With the exception of just a few parts everything was made in-house. But companies began slicing up the

production chain locating the different stages of manufacturing wherever they were cheapest in the world or simply buying parts from whichever company could supply them at the cheapest price.

Given its relatively low levels of industrial development, China was more than happy to welcome such investments. This created a different dynamic to that of Japan's economic rise. Compared to Japan with its relatively low presence of foreign companies, more than 30% of profits for large and medium sized enterprises in China are generated by foreign companies.³ This is mirrored in industrial output, with foreign funded enterprises accounting for about a third of everything produced in China.⁴ Much of what is produced is shipped to the highly industrialized countries either as a finished product to be sold or as a semi-finished product that re-joins the production chain to be finished off elsewhere. The degree to which Western and East Asian firms rely upon China as a production base is illustrated by the fact that, until recently, 50 per cent of all of its exports were actually made by foreign owned companies or joint ventures (i.e. part owned by a Chinese company and part owned by an overseas company). Indeed, although this figure has decreased somewhat, it remains high at about 40% of all exports. Moreover, only 38.6 per cent of the total output in manufacturing of these foreign companies residing in China is exported – the other three fifths of goods are produced for the domestic market from which overseas companies benefit greatly.⁵

From 2000 onwards, China began to significantly export more than it was importing and, as a result, the amount of foreign currency reserves held by its central bank increased exponentially. In 2014, its foreign currency reserves peaked at \$4 trillion (its now around \$3.3 trillion) and much of that has been piped back to America and its allies as China buys their government bonds and other assets. For America alone, the investment in government bonds is around \$1.1 trillion, allowing the United States to borrow on the cheap as such a high demand for its bonds allows it to offer low yields despite its high level of debt.

³ Table 9.1 in Xiao Geng, Xiuke Yang and Anna Janus, "State-Owned Enterprises in China" in Ross Garnaut, Ligang Song and Wing Thye Woo (eds), *China's New Place in a World in Crisis*, (Canberra: Australian National University, 2009), 155-78.

⁴ In Fang Cai (ed), *Transforming the Chinese Economy*, Leiden, Brill Academic Publishers, 2010.

⁵ Yasheng Huang, *Selling China: Foreign Direct Investment during the Reform Era*, (Cambridge: Cambridge University Press, 2003), 18

Over a decade ago, commentators emphasised the growing interdependence of China and America – the so-called emergence of “Chimerica” – and the development of a win-win economic relationship between these two giants.⁶ American and other overseas companies have been able to make “super profits” from the ultra-low labour costs and an undervalued yuan by producing in China and selling to the world. Indeed, once China developed to a certain level there was the dual benefit of a burgeoning internal market as well as an external one. American consumers have benefitted from cheaper consumer goods, which in turn have helped keep inflation low. China’s export surplus has earned it huge amounts of dollars, but these have been recycled mainly to America much of which has been invested in US Treasury bonds thus helping to keep interest on government debt low. The low cost of Chinese goods has helped create the so-called “Great Moderation” – low inflation rates and therefore low interest rates - which has proved a boon for American industry and consumers. This helped reinforce Chimerica because American consumers went on a spending spree using cheap credit buying, amongst other things, lots of cheap Chinese imports.

The benefits were such that, until recently, American president after president sought to sustain the relationship. This was even true after the Tiananmen Square massacre, when both Presidents Bush and Clinton sought to maintain trading relations. Indeed, by May 1994 the Clinton Administration dropped its policy of linking trade to human rights which had initially been implemented in his first year of office).⁷

With the exception of the Taiwan Straits crisis when, in 1996, President Clinton ordered two aircraft carrier battle groups to prevent China firing missiles close to Taiwan, America has been extremely reluctant to confront China on a whole host of issues. One can understand why from the above. The economic benefits were just too great – super cheap goods for American citizens, a massive and growing Chinese market, cheap borrowing for the American government etc. As a result, president after president seemed to forget Adam Smith’s famous dictum that defense is of much more importance than opulence.⁸ Indeed, if American foreign policy towards

⁶ Niall Ferguson and Moritz Schularick, ““Chimerica” and the Global Asset Market Boom”, *International Finance* 10:3, 2007: 215–239.

⁷ Dale Copeland, “Economic Interdependence and the Future of US-Chinese Relations” in John Ikenberry and Michael Mastanduno (eds), *International Relations Theory and the Asia-Pacific*. (New York: Columbia University, 2003), 323–352.

⁸ Adam Smith, *Wealth of Nations*. (Random House: New York, 1937), 431.

China pre 2011 is anything to go by, one could be forgiven for thinking that the opposite were true.

The second reason that America failed to curb Chinese growth was 9/11 when a determined and well organized unit of al-Qaeda managed to plough two planes into the Twin Towers of the World Trade Center and one into the outer walls of the Pentagon (the fourth plane never reached its destination crashing into a field in Pennsylvania killing all passengers and crew). In the aftermath of the “two hours that shook the world”, it was clear that the strategic landscape had shifted once again and the U.S. and its allies were now confronted with the new threat of neo-terrorism.⁹

To be sure, the West had confronted several varieties of terrorism in the past, but Al-Qaeda and 9/11 marked a watershed in terrorist history for several reasons. First, the group's willingness to engage in violence towards civilians on a massive and possibly unlimited scale. Previously, the use of violence to instil terror in the civilian population was limited in order not to alienate those sections of society that were possibly sympathetic towards the terrorists' cause. Second, the lack of ownership of such acts stood in sharp contrast to the extreme violence that the perpetrators were prepared to use. Third, it appeared that the political objectives were extremely nebulous in nature. However, this may be more to do with the manner in which they were communicated i.e. wrapped up with a whole range of other issues. It may also simply reflect the fact that the political demands are at odds with a Western state-centric view of the world, for it has since become clearer that al-Qaeda's core aims include: the dismantlement of Israel, the toppling of pro-U.S. regimes and possibly the establishment of a caliphate in their place; and the withdrawal of U.S. troops from the region.¹⁰ Finally, their tactics distinguished them from previous groups – they turned the highly developed infrastructure of the West into a weapon itself. As Paul Kennedy has pointed out al-Qaeda was extremely adept at exploiting the Achilles' heel of the Western economic and political order, one based on the free movement of goods, people and information.¹¹ This can be seen most clearly in their instrumental use of the complex sinews of urban transportation systems to both create carnage (such as the taking over of airplanes or the bombing of underground/rail networks) and to cause the breakdown of such

⁹ Fred Halliday, *Two Hours That Shook The World*, (London: Saqi Books, 2001.)

¹⁰ Niall Ferguson, *Colossus: The Price of America's Empire*, (New York: Penguin Press, 2004) 120.

¹¹ Richard Falkenrath, Robert Newman & Bradley A. Thayer, *America's Achilles' Heel: Nuclear, Biological, and Chemical Terrorism and Covert Attack* (Cambridge, Mass.: MIT Press, 1998).

systems. It can also be seen in the disparate cell-like nature of the organization and the movement across state borders with relative ease; using both the everyday mass movement of people to hide themselves and the mass volume of information transmitted across the internet to conceal their communications.

If Al-Qaeda's operations and America's response had been simply limited to Afghanistan, then greater attention would have been spent on the security ramifications of China's rise. But the popularity of Al-Qaeda's message led to the emergence of ever more like-minded militant Islamic groups, such as ISIS and the Islamic State of Iraq. At the same time, America's interventionist approach in other states like Iraq and Syria or support for intervention by other powers, such as the Saudi led intervention in Yemen, greatly increased the number of weak/failed states in the region. The governments of such states have either collapsed completely so that rival factions vie for power or there is a formally recognized government in power, but it controls only part of its territory while the rest has had to be ceded to its enemies. At the same time,— as Robert Cooper put it, “chaos spreads” - fighting often spills over borders with armed militia setting up bases in neighbouring states, outside forces join the fight to help their ethnic brethren and infrastructural breakdown leads to the mass exodus of refugees.¹² America has had to confront all of these security issues to a far great degree since 9/11, so it is not surprising that it was not able to give the ramifications of the rise of China the attention it required

Indeed, support for Al-Qaeda spread to Tunisia with Al-Qaeda in the Islamic Magreb, down to Somalia and Kenya with Al-Shabaab and across to Nigeria with Bokum Haram. During Cold War I, in reaction to a wave of Soviet friendly revolutions in developing countries, the U.S. National Security advisor Zbigniew Brzezinski argued that an “arc of crisis” stretched

along the shores of the Indian Ocean, with fragile social and political structures in a region of vital importance to us threatened with fragmentation. The resulting political chaos could well be filled by elements hostile to our values and sympathetic to our adversaries.¹³

Just over a decade after 9/11, this arc of crisis had re-emerged extending from the Horn of Africa to Afghanistan. But this time the threat to the U.S.

¹² Robert Cooper, *The Breaking of Nations: Order and Chaos in the Twenty-first Century*. (London: Atlantic Books, 2003) Chapter 2.

¹³ Quoted in Robin Edmond, *Soviet Foreign Policy: The Brezhnev Years*, (Oxford: Oxford University Press, 1983) 177.

was not from these countries becoming Soviet client states, but from the collapse of their governments and the religious radicalization of their populations. It would appear that history indeed may not repeat itself but it certainly rhymes.

At one point, it looked as though America would suffer a “death by a thousand cuts”.¹⁴ However, it was clearly willing to put boots on the ground and to spend whatever was necessary. Yet, the effects on its global operations, particularly in East Asia, have been noticeable. This is not only because at least some of the \$1.6 trillion spent since 9/11 on its war on terror could have been directed to expanding its presence in the South China Sea and developing military technologies, but also because the focus of attention was necessarily on the Middle East rather than China.¹⁵

America may be omnipresent with military bases positioned across the globe, but clearly it is not omnipotent. The withdrawal from Afghanistan in August 2021 was far too quick leading to chaos across the country, with the Afghan army either unable or unwilling to fight the Taliban. However, it is also clear that the Biden Administration felt that it needed to concentrate on East Asia. It may also have been driven by the desire not to make the classic strategic mistake of fending off foes on two fronts.

In addition, America's (and its various coalition allies) attempts at promoting democracy throughout the region was probably ill-advised. Just like Voltaire's coconuts, the economic and social conditions meant that any attempt to instil democracy from outside was bound to fail.¹⁶ This was not only in Afghanistan – Iraq, Libya, Syria, Yemen are but a few examples of either direct intervention or providing military support for actions by other parties. These attempts at changing the face of the Middle East meant that the focus on other areas was clearly diluted. Moreover, as will be discussed in the conclusion, it may have had a deleterious effect on America's reputation. Given China's emphasis on sovereignty and non-interference, such interventions can only bolster support for China's alternative vision of world order.

¹⁴ Joseph Nye, *The Paradox of American Power: Why the world's only superpower can't go it alone*, (Oxford: Oxford University Press, 2002) 169.

¹⁵ Amy Belasco, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, (Washington D.C: Congressional Research Service, 2014) 1.

¹⁶ Ian Buruma, *Voltaire's Coconuts: or Anglomania in Europe*, (London: Weidenfeld & Nicholson, 1999).

The third reason why China's rise was not acted upon much earlier was the devastating consequences of the 2007/8 financial crisis. Despite the crisis often being portrayed as beginning in America, the first warning signs were actually in 2007 when the French Bank, BNP Paribas, froze several of its funds as it acknowledged that it was unable to accurately assess the collateralized debt obligations underpinning them. A month later (in September) Northern Rock, a British bank, could not persuade investors to buy mortgage backed securities on the markets. The resulting bank run involving vast lines of customers trying to withdraw their money was all too reminiscent of the Great Depression.

It took until spring of 2008 for the ramifications of these events to ripple out to America when J.P. Morgan bought out Bear Stearns because of its financial woes. In early autumn of the same year, America experienced a full blown financial crisis with the collapse of Lehmann Brothers after it became clear that no bank was willing to take it over and the Federal Reserve refused to bail it out. The ensuing crisis led to \$3 trillion worth of write downs in the banking sector and a halving in value of the Dow Jones in just 18 months.¹⁷ One could possibly argue that the world continued to suffer the effects of this crisis for at least a decade after.

In the aftermath of the crash, the US Treasury Secretary, Hank Paulson, was on the hotline to China on almost a daily basis emphasising the importance of a Chinese stimulus package to help prop up the world economy.¹⁸ Given its reliance on exports and the social instability that rising unemployment levels were already producing within its own borders, China duly obliged. It provided a massive economic stimulus alongside America's own efforts through both a major investment in further improving the infrastructure of the country and a major injection of liquidity through a huge supply of credit to companies. The availability of cheap credit resulted in an estimated \$1.35 trillion in lending in 2009 leading to a housing bubble amongst other things.¹⁹

¹⁷ The Economist, May 16-22, 2009. 'Three trillion dollars later', 73

¹⁸ Refer to Robert Peston's *How China Fooled the World*, (BBC Documentary, February 2014.)

¹⁹ Jonathan Fenby, "China's Domestic Economy" in David Shambaugh, *Charting China's future: Domestic and International Challenges*, (London: Routledge, 2011) 41.

As a result, America found itself caught in a web of complex interdependence.²⁰ President Obama was well aware of China's growing strength - chiding those of his advisers who were involved in China's entry to the WTO during President Clinton's administration by asking them "Did you guys give away too much?".²¹ But despite Tim Geithner, Hank Paulson's successor, fulminating against China's alleged intellectual property rights theft, its trade surplus and what he viewed as an undervalued yuan – at that particular moment in time it was more important to keep their respective economies afloat. Without the need to prevent further financial crises, it is highly likely that the tougher policies of President Trump would have been put in place far earlier. However, the hesitancy in actually challenging Chinese economic practices that was apparent from 2008 through to 2016 provided China with a golden opportunity which it willingly embraced – doubling the size of its economy in those eight years.

The fourth reason that the United States has been slow to react to China's rise has less to do with America and everything to do with the strategy that China adopted towards the United States. In terms of overall strategy, China's initial behavior in the eighties and nineties, in tandem with its new economic growth, mirrored that of a classic rising power – seeking immediate commensurate gains and influence in line with its economic growth. China's behavior was very similar to now – asserting control in the South China Sea. There exist multiple claims to the islands of this region by a plurality of nations, which are highly complex and often based on both different historical sources and different legal standpoints. The point here is not to privilege one claim over the other, but to highlight the manner in which China sought to resolve such issues, which, at the time (up to the mid-nineties), suggested a penchant for establishing *faits accomplis* throughout the region – establish a physical presence and argue from a position of strength rather than engage in diplomatic negotiations.

However, a major watershed in China's foreign policy seemed apparent at the turn of the century when it realised that such unbridled use of its growing capabilities may have been counter-productive generating a negative reaction amongst its neighbours who promptly reaffirmed their commitments to the United States. This included: the July 1996 joint declaration between Australia and the US on the "Relations of Strategic Partners of the 21st

²⁰ Robert Keohane and Joseph Nye, *Power and Interdependence: World Politics in Transition*, (Boston: Little, Brown and Company, 1977).

²¹ Mark Landler, "Obama's Journey to Tougher Tack on a Rising China", (New York Times, September 20, 2012) 5.

Century; the revision of US-Japan military cooperation during 1996-97; and New Zealand's improvement of the Waihopai spy station in order to compensate for US loss of intelligence gathering as a result of the hand-over of Hong Kong in 1997.²² Most importantly, the Taiwan crisis of 1995/6 when China fired unarmed missiles close to the island's shores led to America deploying two aircraft carrier fleets in the region with one fleet actually passing through the Taiwan Straits between China and Taiwan.

Possibly as a result of this wave of negative reaction and partly because the leadership was cognizant of the concerns over China's growth, in November 2003 and February 2004, two special Politburo sessions were held with all the members in attendance with the aim of ensuring that China's rise continued uninterrupted. The members, "heard from academic experts about the rise and fall of nations since the fifteenth century and the implications of China's current situation. The negative examples of Germany and Japan were discussed. The lesson drawn from the fall of the Soviet Union was that if you try to challenge the United States militarily, you will bankrupt yourself and collapse from internal problems".²³

In many ways, the conclusion reached chimed with Deng Xiaoping's advice to "hide your strength and bide your time". As a result, China embarked upon a "charm offensive" in an attempt to assuage fears that its rise would have negative repercussions, not only for its regional neighbours but also for the general stability of the international system.²⁴ The turn in China's foreign policy was marked by an emphasis on China's "Peaceful Rise" coined by Zheng Bijian who argued that

China does not seek hegemony or predominance in world affairs. It advocates a new international political and economic order, one that can be achieved through incremental reforms and the democratization of international relations. China's development depends on world peace - a peace that its development will in turn reinforce.²⁵

²² Avery Goldstein, "An Emerging China's Emerging Grand Strategy: A Neo-Bismarckian Turn?" in John Ikenberry and Michael Mastanduno (eds), *International Relations Theory* 68 & 92, fn. 33.

²³ Susan Shirk, *China: Fragile Superpower*, (Oxford: Oxford University Press, 2007) 242.

²⁴ Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World*, (New Haven: Yale University Press, 2007) 38.

²⁵ Zheng Bijian, "China's 'Peaceful Rise' to Great-Power Status", *Foreign Affairs*, 84:5 (2005) 24.

However, its actual military strategy (as opposed to the political strategy above) was far more consonant with that of a rising power. This can be seen most concretely in its so called “Three Island Chains Strategy”. Rather ironically the strategy was actually popularised shortly after the Chinese Revolution in 1949 by John Foster Dulles who became the United States Secretary of State under Dwight Eisenhower. For the Americans, the idea was to contain China within the first chain of islands neighbouring China. If that failed the idea was to contain it within a second chain and a third chain further eastward if its influence continued to expand.

China has essentially inverted the strategy so that its aim is to be able to project its military power further and further out as it becomes more economically powerful, first into the East and South China seas and then into the Pacific Ocean. The three chains of islands are therefore in fact expanding lines of influence representing the growth of its strategic reach as its capabilities grow:

The first, running from Japan to Taiwan to the Philippines, would constitute China's naval defense perimeter by 2010. By 2025, China would establish a wider perimeter running from Sakhalin to the islands of the Southwest Pacific. The “third island chain”, running from the Aleutian Islands off Alaska to the Antarctic, “was to be the goal by 2050”.²⁶

It is therefore worthwhile separating China's political strategy from its military strategy. Its political strategy, has emphasised its peaceful rise and is aimed at reassuring its neighbours in part to prevent or at least delay a regional arms race while at the same time limiting US presence in East Asia. It engaged in international diplomacy that intentionally assuaged the fears of other states, whilst progressively increasing its economic and military might. By not engaging in overt displays of its power and by becoming a full member of the international community, China was thus able to “maximise, or at least satisfy, certain values or interests at the lowest possible cost to themselves”.²⁷

In many ways, the strategy worked. By emphasising the peaceful settlement of disputes and seemingly conforming to international norms of behavior with regard to inter-state relations, China bought itself invaluable time. During that period, it modernised its army, air force and navy. Most

²⁶ Gary Schmitt (ed.), *The Rise of China: Essays on the future competition*, (New York: Encounter Books, 2009) 5.

²⁷ Robert Gilpin, *War and Change in World Politics*, (Cambridge: Cambridge University Press, 1981) 9.

importantly for controlling the region, its navy moved from green water (close to shore) to blue water capability, enabling it to have a strong military presence far off-shore. Once its military might was deemed sufficient, its peaceful mask was discarded and the Three Island Chains Strategy was no longer disguised and has come to the fore. Since 2013, strong arm tactics have become routine with the establishment of more and more military bases on disputed South China Sea islands.

America's Belated Response

President Trump took up the cause of those who have had long standing concerns over China's behavior in the political, economic and military spheres in a far more emphatic manner. In so doing, he went further than any other president in confronting China over these issues. Of course, his predecessors sought to curb some of China's worst excesses through the "Pivot to Asia" and various trade cases taken to the World Trade Organization. But, President Trump is far more willing to take unilateral action and has a penchant for working outside the global institutions that America was so influential in previously setting up. For example, the United States has imposed tariffs on hundreds of billions of dollars' worth of Chinese imports. Defense spending reached \$750 billion for 2020 – a \$150 billion increase in just five years.²⁸ This trend has continued under President Biden with a mirror image increase of \$150 billion so that it is predicted that Defense spending will reach \$850 billion for 2025. With regard to the South China Sea, President Trump resurrected the "Quad" – a dialogue with Japan, India and Australia to improve security cooperation with China's military expansion within the region in mind.²⁹ Again this initiative has continued under President Biden with regular meetings of all four leaders.

President Donald Trump made China a key issue in the 2016 election arguing that it engaged in: currency manipulation; unfair trade practices; and intellectual property theft - this has clearly continued through to his

²⁸ Lara Seligman, "Pentagon Eyes Windfall as Trump Seeks \$750 Billion Defense Budget: The White House's annual budget request would give the Defense Department even more than it hoped for", Foreign Policy, March 10, 2019.

<https://foreignpolicy.com/2019/03/10/pentagon-eyes-windfall-as-trump-seeks-750-billion-defense-budgetmilitary/>

²⁹ Derek Grossman, "The Quad Is Not Enough: Trump has revived a four-way security dialogue among the United States, India, Australia, and Japan, but if it's going to make China pay attention, it will need some new members", Foreign Policy, October 19, 2018. <https://foreignpolicy.com/2018/10/19/to-balance-China-call-vietnam-malaysia-philippines/>

second term. After his victory, he expanded his concerns to China's military build-up and activities in the South China Sea. America's sights are firmly locked on China's meteoric rise and how to ensure it doesn't make a grab for the number one spot. The issues range from: trade imbalances; construction of military bases on South-East Asian islands; security vulnerabilities from Chinese technology; human rights issues; counterfeit copies of fashion, copycat tech companies etc. etc.

In 2017, the National Security Strategy concluded that engagement with China had, by and large, failed and concluded that - "China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model and reorder the region in its favor".³⁰ The Department of Defense went on to say that:

China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As China continues its economic and military ascendancy, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global pre-eminence in the future.³¹

In 2018, these statements were followed up by the Asia Reassurance Initiative Act, that allocated \$1.5 billion for various programs in East and South-East Asia with monies specifically allocated to "counter China's attempts to undermine the international system" and to counter cybersecurity threats.³² Shortly after, the Department of Defense unveiled its Indo-Pacific Strategy report that sought to ensure "combat-credible forces are forward-postured in the region" while at the same time strengthening "its commitment to established alliances and partnerships".³³

³⁰ National Security Strategy of the United States, Washington D.C.: The White House, 2017, <https://www.hsdl.org/?view&did=806478>

³¹ US Department of Defense, "Summary of the 2018 US National Defense Strategy", 2018, accessed June 20 2022. <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>

³² "An act to develop a long-term strategic vision and a comprehensive, multifaceted, and principled United States policy for the Indo-Pacific region, and for other purposes", accessed August 20 2023. <https://www.congress.gov/bill/115th-congress/senate-bill/2736>

³³ The Department of Defense, "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region", Arlington, Virginia: June 1, 2019, accessed January 21 2022.

Many associate this sea change solely with Trump's presidency, probably because of his pugilistic stance and love of rhetoric. The argument of this book is that such an assumption would be a mistake. Even before China's greater engagement with the West under Deng Xiaoping's Open Door Policy (1978) there were problematic issues that prevented a frictionless relationship from emerging. Such problems quickly multiplied in tandem with China's rapid economic growth and accompanying military might with, amongst other things: George Bush Senior being confronted with the Tiananmen Square massacre; Clinton having to deal with the Taiwan Strait Crisis and China's WTO accession; the mid-air collision of a US spy plane and a Chinese interceptor shortly after George Bush Junior's inauguration in 2001. For sure, things have come to a head under Trump, but this is as much to do with China continuing along a path that was bound to lead to confrontation as it is to do with Trump's inimitable style of presidency.

History will no doubt view Obama's "Pivot to Asia" as the watershed moment that signalled the start of Cold War II. Announced by Obama towards the end of 2011, it was seen as a major strategic response to China's military rise with the security of the region becoming a "top US priority".³⁴ This had been presaged by the Secretary of State, Hilary Clinton a few weeks earlier in an article for *Foreign Policy*. The article emphasised the need for "forward-deployed democracy" with American statecraft focused on "substantially increased investment – diplomatic, economic, strategic, and otherwise" in the region.³⁵ As detailed later in this book, this included a greater naval presence and an increase in the number of boots on the ground of allied territory reflecting a sea change in threat perception with China becoming the primary focus.

One can see the continuing concern with China's rise in the similarity of approaches of the Trump and Biden Administration. Despite their different political colors, there is as much continuity as change. As mentioned previously, defense spending has risen inexorably the inexorably to \$850

<https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/Department-Of-Defense-Indo-Pacific-Strategy-Report-2019.Pdf>

³⁴ "Remarks By President Obama to the Australian Parliament: Parliament House - Canberra, Australia", Washington D.C. The White House November 17, 2011, accessed October 11 2023. <https://obamawhitehouse.archives.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>

³⁵ Hilary Clinton, "America's Pacific Century: The future of politics will be decided in Asia, not Afghanistan or Iraq, and the United States will be right at the center of the action", *Foreign Policy*, October 2011, accessed June 13 2019. <https://foreignpolicy.com/2011/10/11/americas-pacific-century/>

billion – more than most countries' GDP.³⁶ President Biden has continued President Trump's engagement with the Quad. The second meeting in September 2021 was actually hosted by President Biden in person despite Covid. The joint statement read, "Together, we recommit to promoting the free, open, rules-based order, rooted in international law and undaunted by coercion, to bolster security and prosperity in the Indo-Pacific and beyond" – again chiming with the Trump Administration.³⁷

Even more telling is that one of the first decisions by President Biden was to send two aircraft carrier strike groups, the Theodore Roosevelt Carrier Strike Group and the Nimitz Carrier Strike Group, to the South China Sea.³⁸ The emblematic significance of this move will not have escaped Chinese officials. Given the recent island "land grabs" and the increasing number of military garrisons in the region, the US has signalled that it will stand with its allies and protect their interests. The move also sent two other messages that China would have understood immediately. Given that the Trump Administration had also adopted dual carrier operations in the area (and continued to do so after the State Department "rejected China's claims to much of the South China Sea"), President Biden was signalling continuity of policy towards China.³⁹ The move also resonated with President Clinton's actions when he deployed two carrier strike groups during the 1995/1996 Taiwan crisis when China fired unarmed missiles into the Taiwan Straits. At the time, China felt a deep humiliation that it had to back down from this stand-off in such a public manner. Within a month of his inauguration, through a relatively simple military gesture, President Biden

³⁶ Aaron Mehta and Joe Gould, "Biden requests \$715B for Pentagon, hinting at administration's future priorities", *Defense News*, 9 April 2021.

<https://www.defensenews.com/breaking-news/2021/04/09/biden-requests-715b-for-pentagon-hinting-at-administrations-future-priorities/>

³⁷ Saheli Choudhury, "The Quad countries pledge to promote an Indo-Pacific region that is "undaunted by coercion", *CNBC*, September 27 2021.

<https://www.cnbc.com/2021/09/27/quad-leaders-summit-us-india-japan-australia-statement-on-indo-pacific.html>

³⁸ Kari Soo Lindberg, "U.S. Aircraft Carriers Conduct Exercises in South China Sea", *Bloomberg News*, February 9th 2021.

<https://www.bloomberg.com/news/articles/2021-02-09/u-s-aircraft-carriers-conduct-exercises-in-south-china-sea>

³⁹ Sam LaGrone, "Two U.S. Carriers Return to South China Sea After State Dept. Formally Rejects Chinese Claims", *USNI*, July 17, 2020.

<https://news.usni.org/2020/07/17/two-u-s-carriers-return-to-south-china-sea-after-state-dept-formally-rejects-chinese-claims>

had thus shown America's resolve and demonstrated that relations with China would continue to be tense.

At the same time, President Biden's reaction to tensions between Taiwan and China showed that his term of office differed to President Trump's approach by putting multilateralism back at the heart of American grand strategy. On China's national day, the 1st October 2021, 38 Chinese warplanes entered Taiwan's Air Defense Identification Zone. This was followed up the next day with 39 warplanes. Although the air defense zone is not the same as Taiwan's air space recognized under international law, the incursion was part of a wider set of tactics aimed at intimidating Taiwan (viewed as part of China by the People's Republic of China).⁴⁰ The response by Taiwan's allies was to show off their own capabilities. A week later a multilateral force assembled south-west of Okinawa with two US aircraft carriers, one British aircraft carrier and a Japanese helicopter carrier taking part. In addition, warships from Holland, Canada and New Zealand were also present.⁴¹ The message was not just one of showing solidarity with Taiwan, but also that America's strength emanates not only from its formidable military force but also the array of military alliances it has forged around the world.

With regard to trade, rather than push for a phase 2 basket of talks, the Biden Administration was keen to ensure compliance with phase 1 agreements that were established under President Trump. China has only managed to buy around 60 per cent of the US goods they promised to purchase and the new administration is more interested in China proving it can be trusted before making agreements that would be worthless if China fails to keep its word. Where the two administrations do differ is the return of multilateralism and nurturing of alliances. This is in stark contrast to President Trump's unilateral approach.

In its competition with China, America is clearly happy to increase state intervention in the economy in order to outdo China's hybrid model of capitalism. Of course, America has intervened in the past with financial assistance which helped in its competition with Japan, for example, its

⁴⁰ Andrew Latham, "Are Chinese incursions into Taiwan's air defense zone a prelude to war?", *The Hill*, October 08 2021.

<https://thehill.com/opinion/international/575912-are-chinese-incursions-of-taiwans-air-defense-zone-a-prelude-to-war>

⁴¹ Keoni Everington, "4 US, UK, Japanese carriers patrolled north of Taiwan over weekend", *Taiwan News*, October 05 2021.

<https://www.taiwannews.com.tw/en/news/4306367>

automotive industry in 1979 (Chrysler) and in 2008 after the financial crisis (all of the Big Three). Most notably in 2008 America embarked upon its Troubled Asset Relief Program (TARP) and, of course, quantitative easing. But President Biden's \$1.2tn bipartisan infrastructure bill to build new roads, bridges, airports, internet communication, ports, waterways, the national power grid etc. is more reminiscent of President Roosevelt's New Deal and President Eisenhower's Interstate Highway System. President Biden's initiative strongly resembles the New Deal's "Public Works Administration" because it aims to vastly improve America's basic infrastructure but also to increase employment after an economic crisis (the Wall Street Crash of 1929 and then today's Covid crisis). But it also resonates with President Eisenhower's initiative to spend huge amounts creating a state of the art road system which was a child of Cold War I. At the time, it was argued that a highway system was needed for nuclear evacuation and speedy mobilization of the military.⁴² Similarly, President Biden has managed to pass his bipartisan bill by invoking the spectre of Chinese dominance, stating at the time that, "We're in a race with China and the rest of the world for the 21st Century"... "This agreement signals to the world that we can function, deliver and do significant things".⁴³

What is interesting about this is that it places state intervention at the heart of what most would agree is the homeland of a highly liberal form of capitalism. The American version of capitalism has for the last forty years generally sought to create a night watchman state which takes as its economic guiding principle "the less state intervention, the better". State intervention is seen as often creating inefficiencies in industry and market distortions. Whereas pure market led capitalism is seen as inducing competition thus ensuring only the leanest, most efficient, adaptable and innovatory enterprises survive. Whereas the Biden Administration seeks to bring the state back in. This doesn't necessarily entail the abandonment of market principles, but acknowledges that industry needs rail, road, air and telecommunication networks that benefit them in their competition with companies whose governments have absolutely no qualms in supplying such public goods providing them with a competitive advantage over rivals.

⁴² Lee Lucy, "Dwight D. Eisenhower and the birth of the Interstate Highway System", accessed August 18 2024. https://www.army.mil/article/198095/dwight_d_eisenhower_and_the_birth_of_the_interstate_highway_system.

⁴³ "Biden backs \$1.2tn infrastructure bill but places big condition", BBC News, June 25 2021. <https://www.bbc.co.uk/news/world-us-canada-57604121>.

In order to compete with the state capitalism of China, it seems inevitable that America will need to put more resources into its infrastructure.

The new Biden Administration was keen to avoid using the actual term “new cold war”. The Secretary of State Antony Blinken pointedly refused to label the deterioration in US-China relations in this manner, preferring instead to emphasise the so-called threes Cs - competition, cooperation, and confrontation.⁴⁴ Yet, American policies and actions in the last decade provide ample evidence that, although it may have been slow to react initially, America is now gearing up for Cold War II. Indeed, as soon as President Biden was elected he warned that China would “eat our lunch” and America needed to re-build its infrastructure if it was to retain its status as the strongest economic and military power in the world.⁴⁵ Certainly, China seems to have no doubt. From its perspective, the increased military presence of the United States and the recent strengthening of alliances in East Asia means only one thing – the beginning of a new cold war.⁴⁶

The next two chapters therefore turn to identifying just how similar Cold War II will be to the first Cold War. Just because the term naturally makes us reflect back to the previous Cold War, it doesn’t mean it will be identical. So much has changed since that time and, yet, heightened tensions, alongside perennial competition in the military and economic spheres make the comparison valid. It is through comparison that we may derive lessons from the past to guide the future, but also to make us aware of significant differences that neither side should ignore.

⁴⁴ Cheng Li, “Biden’s China strategy: Coalition-driven competition or Cold War-style confrontation?”, (Washington D.C.: The Brookings Institute, May 2021).

⁴⁵ “Biden warns China will “eat our lunch” on infrastructure spending”, BBC News, February 12th 2021. <https://www.bbc.co.uk/news/business-56036245>.

⁴⁶ For example, see Guy Faulconbridge and Kate Holton, “China says U.S. fuelling new Cold War due to presidential election”, Reuters, July 30, 2020. <https://www.reuters.com/article/us-china-britain-usa-idUSKCN24V1VR>.

CHAPTER FOUR

COLD WAR SIMILARITIES

Introduction

It is difficult to imagine now the world as it was during Cold War I. Even for those like myself who grew up during that period it is difficult to remember how divided and dangerous the world was. So, for those who were born after the collapse of the Soviet Union, it must be nigh on impossible to imagine a world divided into two hostile camps bitterly opposed to one another's way of life. The most obvious division was that in Europe, splitting the land mass into two with opposing sides existing right next to each other. On one side you had the communist satellite states of East Germany, Poland, Czechoslovakia (as it was then known), Hungary, Romania etc. and on the opposite side West Germany, Austria, Italy, Greece etc.. The (relatively) unhindered travel we enjoy today was literally unthinkable during Cold War I. The average person could not go travelling through the Soviet Union or China (Eastern Europe was a little more relaxed in granting visas, but those that did travel were monitored closely). The few that did go were usually ambassadors alongside their diplomatic entourages and academics who had been given a special invitation by a university. The exception to this rule were the defectors that each side welcomed and paraded on TV as proof that their system was better than the other – but that was necessarily a one way trip rather than a short vacation.

The most obvious material manifestation of the division were the fences running all the way along the borders between Western and Eastern Europe – usually electrified. As if this were not enough, the city of Berlin was physically divided by a huge concrete wall accompanied by watch towers spaced at regular intervals in order to shoot anyone attempting to cross from East to West. This human-made monstrosity was constructed in 1961 to prevent more East Germans from following the millions that had already fled the communist regime. Just behind the borders on each side were rows of mine fields with masses of military materiel – tanks, artillery, fighter/bomber planes and helicopter gunships – alongside millions of military personnel. This standoff included short range nuclear missiles, but the main

threat was actually physically some way back hidden deep inside concrete bunkers to protect them from any pre-emptive strike – the nuclear armed inter-continental ballistic missiles primed and ready to go, enough to destroy both sides several times over. The biggest bomb ever built was the Tsar Bomba made by the Soviets and had a potential yield of 100 mega tonnes – in other words one bomb could be equivalent to 100,000,000 tons of TNT (they intentionally lowered the yield to 50 million tons for the experiment).¹ But this superfluous overabundance was there for a reason. The nuclear rationality of Cold War I had produced one thing that both sides could agree upon – MAD. Mutually assured destruction (MAD) made sense in a nuclear world. If both sides could guarantee that each could completely annihilate the other – regardless of who fired first (i.e. each would have a second strike retaliatory capability), then no one would be crazy enough to start a war – a war that no one could win.

How similar will the stand-off between China and America be to the bifurcated world of 1947 to 1991? There are many similarities to that period that are developing today, such as: a military build-up on both sides; the formation of alliances shoring up support for their views of the world; accusations of human rights abuses; geopolitics and the carving out of spheres of influence; the use of aid as influence; and, of course, differing ideologies. These are discussed below in greater detail and the subsequent chapter highlights the key differences between the two periods.

Ideology

The main impetus for communism initially came from the writings of Karl Marx and, to a lesser extent Friedrich Engels (it was he who put Marx's later manuscripts into coherent form after his death). Put very simply, Marx saw a line of progression in history in terms of who owned the means of production and the inequalities that arose from that ownership. In the period before industrialization, production was centred on agriculture and most of the profits made from this activity went to the landed aristocracy. With industrialization, Marx argued, the majority of profits go to the capitalists who own the factories leading to a huge inequality between those who own and those who work. Such inequality was said to inevitably lead to a revolution in which the workers would take control of their workplaces –

¹ Alex Wellerstein, "An unearthly spectacle: The untold story of the world's biggest nuclear bomb", *Bulletin of Atomic Scientists*, October 29, 2021. <https://thebulletin.org/2021/11/the-untold-story-of-the-worlds-biggest-nuclear-bomb/>

they would be communally owned – hence communism. But this was then combined (especially by Lenin) with the idea that for some time it would be necessary to have a dictatorship of the workers until such time that this brave new world had stabilized and was no longer threatened by those capitalists that had lost possession of their factories, income and wealth.

In practice, rather than in theory, the result was dictatorship short and simple. The Soviet Union had regular elections just as China still has. But, this is not like Western versions of democracy. Because their communist parties were tasked with being the vanguard of the workers and, as such, had to ensure that capitalists did not take control again, the vast majority of candidates were from the communist party. Moreover, rather than the workers owning the factories, the state ended up taking over because the state was controlled by the communist party and they were said to always represent the workers. The result was a top-down highly centralized, highly controlling state which, rather than representing the workers, represented a small communist elite who somehow knew what was in the workers' best interest and made sure that the workers knew what was best for them through a constant barrage of propaganda (whilst enjoying the spoils of leadership).

One can see how such a philosophy is anathema to the largest capitalist country in the world – America. Built on the ideas of liberalism, individualism and private enterprise, it couldn't be any more different to communism. At the core of liberal philosophy is the idea of minimal government and maximum individual freedom. Not only that, but the government should represent the people's wishes through regular free elections and be held to account by a free media. Free enterprise is said to benefit the economy as individuals seek to establish commerce that satisfy demands. Self-interest is said to therefore benefit society even though the aim of the individual is to make profit. In addition, a market economy is also essential because we have no way of telling what consumers actually want. Compare this to the centralised economies of communist countries, mass producing goods that few desired (apart from basic food stuffs). For liberalism, the so-called "wisdom of the market" dictates what should be produced – if a certain product e.g. an Apple Ipad proves immensely popular, then the company will respond by supplying more. The other aspect of liberal individualism is that it is said to spur innovation which is the major driving force of economies. Given that individuals will be rewarded (often immensely) for inventing new things that people want, through self-interest many will strive to innovate and be successful.

Given these two opposite and opposing ideologies, how is it that America and China have not been at loggerheads with each other for the last few decades?

In general, China's communist ideology has tended to be more pragmatic than that of the Soviet Union's when it still existed. The Soviet Union tended to become deeply embroiled in debates about the best way forward to achieve the socialist paradise that it was supposed to be progressing towards. All too often these arguments were in reality thinly disguised attacks on political opponents. In the early days, ideological rifts provided ideal ammunition to denounce potential competition, for example, Josef Stalin's "Socialism in One Country" versus Leon Trotsky's "Permanent Revolution". Often these rifts would resemble the theological debates of old about how many angels can dance on a pinhead or, indeed, Monty Python's film "Life of Brian" where the Judean People's Front and the Judean Popular People's Front are denounced as splitters by the People's Front of Judea. They get so carried away that they then denounce the People's Front of Judea as splitters – only to realise that they have just denounced themselves!

But unlike the "Life of Brian", these debates had serious consequences for those who ended up losing. Those opposed to the main ideological positions supported by Stalin soon found themselves denounced and subsequently purged from the party, ending up in prison or, worse still, murdered with an ice axe as befell Trotsky. Even when Gorbachev announced radical reforms to the Soviet system it was deemed necessary to legitimise it with a new ideological course involving *perestroika* (restructuring), *glasnost* (openness) and new political thinking.

In China's case, it is worth making a distinction between totalitarianism and authoritarianism. Authoritarianism is non-democratic unchecked power usually concentrated in the hands of one person. State laws emphasise the importance of the state over individual freedoms like human rights, independent press etc. Totalitarianism shares these characteristics, but it also saturates all forms of state media with an all encompassing ideology in an attempt to change people's beliefs. Using this distinction, we can say that, from the Chinese revolution to the rise of Deng Xiaoping (1949-1978), China was totalitarian. With the rise of Deng and subsequent leaders up to 2012, communist ideology was left on the back burner to a large degree and the state was more authoritarian than totalitarian. Ideology never fully went away as can be seen by Deng's reaction to the Tiananmen Square protests and his view that it was an existential threat to communism. But the micro-surveillance and inculcation of communist ideals became more relaxed.

Since 2013, China has moved more and more towards totalitarianism once again with a strong attempt at inculcating communist ideology.

Under Mao, China suffered from the same tendencies that bedevilled the Soviet Union - with those who failed to follow the party line labelled “capitalist roaders”, Marxist revisionists and “splitters” (mainly aimed at the Soviet Union). But, for the last few decades, ideological differences and denunciations have not been expounded by China’s leaders who have favored a far more pragmatic approach to reform. Deng Xiaoping cleverly cloaked his radical reforms in Marxist-Leninist garb. At the same time, he emphasised the importance of Mao’s contribution to Chinese society and the continuing significance of his political writings whilst pointedly highlighting that Mao, Marx and Lenin were not “immune from misjudgements of one sort or another”.² In order to get his revisions accepted by the Chinese communist party, Deng stressed continuity as much as change. He argued that China must uphold the four cardinal principles of Chinese Communism, to: keep to the socialist road; uphold the dictatorship of the proletariat; uphold the leadership of the communist party; and uphold Marxism-Leninism and Mao Zedong Thought.

But, in actual practice, Deng’s approach was highly pragmatic introducing major economic reforms that have brought China to where it is today. Although he stressed the four cardinal principles, the meaning of socialism was radically changed by pointing out that both socialism and capitalism were “peas in the same pod” because both require planning.³ He then turned communist thought on its head by arguing that both are consistent with socialism – despite the fact that Leninist/Maoist socialism was actually based on centralization whereas capitalism was based on market (supply and demand) driven planning. In reality, Deng supported privatisation and markets because it was the quickest way for China to develop – neatly summed up by his own aphorism that it doesn’t matter if the cat is black or white as long as it catches mice. Caution and pragmatism could also be seen in his foreign policy. The most important point was to economically develop as quickly as possible and not to get involved in overseas adventures or diplomatic clashes that would hinder China’s growth. He therefore stressed that “by no means should China take the lead”. Instead it was better to “keep

² Deng Xiaoping, “Uphold The Four Cardinal Principles”, March 30, 1979, accessed June 13 2023. Available at <http://en.people.cn/dengxp/vol2/text/b1290.html>.

³ Ken Moak and Miles W. N. Lee, *China’s Economic Rise and Its Global Impact*, (New York: Palgrave Macmillan, 2015) 91.

a low profile and bide your time” in order to ensure that his economic reforms and China’s development could go ahead unhindered.⁴

From 1978 until Xi Jinping took over as General Secretary in 2012 and President in 2013 this pragmatism continued with communist ideology firmly placed on the back burner. China shifted from a totalitarian state to an authoritarian one. Previously, the state had tried to politically mobilize the whole population in the pursuit of communist ideals. However, from 1978 onwards, the emphasis was on mobilising the population towards economic rather than political activities. The country was still heavily centralised with an overbearing state run on the principle of rule by law and not by the rule of law. At the formal level, the courts cannot interpret the constitution which is left to the National People’s Congress.⁵ But also in reality major judicial decisions have to be sanctioned by the communist party.

The legal rights of citizens and their lawyers tend not to be upheld with multiple cases of harassment, detention and, more recently, disappearances. The authoritarian aspect of the Chinese state has certainly got worse since 2012, with high profile activists/lawyers being suddenly grabbed off streets and trains.⁶ In addition, ideology has once again come to the fore. China is now moving towards totalitarianism by reinforcing communist ideology throughout society. Even under other leaders, companies were obliged to create a party organization within their firm but this was mainly symbolic and seen as a formal requirement rather than an actual active drive to inculcate ideas. Nowadays, the communist party cell is far more active and sometimes party officials even sit in on boards when major decisions are made. This is most clearly seen within state owned enterprises, but under Xi this practice now extends to both private companies and joint ventures.⁷

⁴ Son Daekwon, “Xi Jinping Thought Vs. Deng Xiaoping Theory”, *The Diplomat*, October 25, 2017.

<https://thediplomat.com/2017/10/xi-jinping-thought-vs-deng-xiaoping-theory/>

⁵ Sophia, Woodman, “Legislative Interpretation by China’s National People’s Congress Standing Committee” in Hualing Fu, Lison Harris, Simon N. M. Young (eds.), *Interpreting Hong Kong’s Basic Law: The Struggle for Coherence*, (New York: Springer, 2008), 222-241.

⁶ Nicholas Bequelin, Amnesty International, “Hong Kong: Arbitrary arrests, brutal beatings and torture in police detention revealed”, September 19 2019.

<https://www.amnesty.org/en/latest/news/2019/09/hong-kong-arbitrary-arrests-brutal-beatings-and-torture-in-police-detention-revealed/>

⁷ “Party Manages Cadre”, *Global Security*, accessed August 18 2024.

The importance of President Xi Jinping's political thoughts was most clearly seen by its incorporation into the Constitution of the communist party of China at the 19th Party Congress in 2017 alongside Mao Zedong and Deng Xiaoping's. Xi signalled his departure from Deng by announcing a "new era of socialism with Chinese characteristics" i.e. one that would be different to Deng's "socialism with Chinese characteristics" (cue Monty Python). In terms of China's economy, where Deng accepted that some would prosper before others, Xi now stresses that China should concentrate on "better quality and more efficient, equitable and sustainable development".⁸ This is in line with his attempt to use communism as a motivating factor within the population. Significantly, Xi emphasises the importance of state investment and this is borne out in practice with ever greater amounts of industrial investment coming from the state rather than private sources. This penchant for state centralization puts it on a direct collision course with the United States, which has continually complained that its privately run companies face unfair competition on the world stage from state run and heavily state subsidized "private" Chinese companies.

This is one of the biggest differences between Cold War II and Cold War I. The Soviet Union's industry was state run, but it was highly inefficient and incapable of competing with America's. China's economy is essentially bifurcated – a mixture of state and private companies – so state run industries can copy the practices adopted in the private sector and improve through cooperation in joint ventures. In addition, Xi continually emphasises the importance of shifting to high value production sectors through innovation and it is clear he is willing to spend whatever it takes to do that.

The other major shift signalled in Xi Jinping's speeches is that China no longer needs to hide its capacities and shun its leadership role and instead take, what it sees, as its rightful place in the world. Now, it is argued, China will become a "constructor of global peace, a contributor to development of global governance, and a protector of international order".⁹ In Xi Jinping's view of the world, communist ideology is often combined with nationalism. Communism is credited with achieving China's dream of returning to greatness. In his first address to the nation at the 12th National People's Congress in March 2013 he stated, "We must make persistent efforts, press

<https://www.globalsecurity.org/military/world/China/ccp-cadre.htm>.

⁸ Michael Peters, "The Chinese Dream: Xi Jinping thought on Socialism with Chinese characteristics for a new era", *Educational Philosophy and Theory*, 49:14, (2017), 1299-1304.

⁹ Son Daekwon, "Xi Jinping Thought vs. Deng Xiaoping Theory", <https://thediplomat.com/2017/10/xi-jinping-thought-vs-deng-xiaoping-theory/>

ahead with indomitable will, continue to push forward the great cause of socialism with Chinese characteristics, and strive to achieve the Chinese dream of great rejuvenation of the Chinese nation". He then continued, "To realise the Chinese road, we must spread the Chinese spirit, which combines the spirit of the nation with patriotism as the core and the spirit of the time".¹⁰ For Xi, this "great rejuvenation" means restoring China to its rightful place in the world by 2049. What this actually means is not certain, but given the Chinese empire once extended into Central and South-East Asia, it is not surprising that China's neighbours are worried. Similarly, China's attempt at re-establishing the importance of the Silk Road under the "One Belt, One Road" initiative (see below) is welcomed by some because of the huge loans that are being handed out, but its resonance with, for example, the Tang Dynasty's control of this East-West trade route makes many wary.

Xi Jinping also sees any abandonment of communist principles as paving a road to national self-destruction. His views on the collapse of the Soviet Union are very instructive in this regard:

Why did the Soviet Union disintegrate? Why did the communist party of the Soviet Union fall to pieces? An important reason is that in the ideological domain, competition is fierce! To completely repudiate the historical experience of the Soviet Union, to repudiate the history of the CPSU, to repudiate Lenin, to repudiate Stalin was to wreck chaos in Soviet ideology and engage in historical nihilism. It caused Party organizations at all levels to have barely any function whatsoever. It robbed the Party of its leadership of the military. In the end the CPSU—as great a Party as it was—scattered like a flock of frightened beasts! The Soviet Union—as great a country as it was—shattered into a dozen pieces. This is a lesson from the past!¹¹

So, although we are just at the beginning of a resurgence of communism, it is clear that, like Cold War I, ideology will play a major part. In the last few years the communist party has targeted schools and universities as the main sites to instil communist values in the young with new education programs being rolled out. A recent directive by the education ministry has ordered the removal of books and other reading material that endanger national security, harm social stability or national honour. Books that promote the

¹⁰"What does Xi Jinping's China Dream mean?", BBC News, June 6 2013. <https://www.bbc.co.uk/news/world-asia-China-22726375>

¹¹ Tanner Greer, "Xi Jinping In Translation: China's Guiding Ideology", Palladium, May 31, 2019. <https://palladiummag.com/2019/05/31/xi-jinping-in-translation-Chinas-guiding-ideology/>

“incorrect global outlook and values” are also banned.¹² It is therefore highly likely that this ideological competition will outlive Xi Jinping’s reign as new generations are brought up pledging loyalty to communist ideals. At the moment, disagreements centre more on the state’s role in the economy and unfair competition and certainly Xi’s speeches focus less on the immiseration of the workers and far more on the guiding role the state has in all spheres of life. But, as the antagonism between America and China grows, Xi Jinping’s rejuvenation of communism for the younger generations necessarily means that the two countries will remain divided along ideological lines beyond the next few years.

The greater danger may come from the fact that communism is being mixed with nationalism and totalitarianism (in the guise of communism’s leading role of the workers’ state), producing a rather dangerous combination. One can see just how potent this ideology is with regard to the awful treatment of the Uighurs and some other minorities (see below). At least a million people have been rounded up and placed in huge prisons reminiscent of the Soviet gulags. It can also be seen in secret documents that indicate just how far the party is willing to go in using state repression. In rounding up Uighurs and other Muslim minorities, Xi has ordered officials to use the “organs of dictatorship” to repress extremism – without any real attempt to prove the guilt of so many.¹³

Military

At the moment, the military competition between America and China is a lot less than it was between America and the Soviet Union - but the exponential technological improvements in China’s military hardware means that within a decade this may no longer hold true. Although, at times, relations between America and the Soviet Union improved to the point that they signed many agreements on arms control; the military threat, even towards the end, was so great that it was difficult to comprehend. The Soviet Union had just over 4.5 million military personnel while America usually had around 2 million, although this increased significantly when it was

¹² Lily Kuo, “Book burning by Chinese county library sparks fury”, The Guardian, 9 December 2019. <https://www.theguardian.com/world/2019/dec/09/book-burning-by-Chinese-county-library-sparks-fury>

¹³ Lily Kuo, “Show no mercy”: leaked documents reveal details of China’s Xinjiang detentions”, The Guardian, November 17 2019. <https://www.theguardian.com/world/2019/nov/17/show-no-mercy-leaked-documents-reveal-details-of-Chinas-mass-xinjiang-detentions>.

engaged in war, for example, during the Vietnam War numbers increased to around 3.5 million.¹⁴ In terms of the nuclear threat, both sides agreed at one point to limit their long-range nuclear launchers (land and sea missiles and nuclear bombers) to a total of 2,400 each. The problem was that each delivery system could carry multiple nuclear warheads – each one capable of hitting a different target. So, in actual fact, the nuclear arsenal of each country was much greater: in the 1980s, America’s amounted to over 23,000 warheads; and the Soviet Union’s was approximately 40,000.¹⁵ It is highly likely that if this adversarial confrontation that lasted almost half a century had erupted into war, it would have led to the mutual annihilation of each side or even perhaps the end of life on this planet.

Although the opposing forces for the US and China are somewhat less than for Cold War I, there is an obvious escalating trend. By 2023, US military spending totalled \$850 billion for 2025 and, more significantly for the argument of this book, China has become the second biggest spender in the world increasing its budget in 2023 to \$296 billion.¹⁶ As the Stockholm Institute for Peace Research points out, China’s “military expenditure has increased for 28 consecutive years, the longest uninterrupted period of spending growth made by any country in the SIPRI Military Expenditure Database”.¹⁷

We now have a situation where almost half of all the world’s military spending is accounted for by these two superpowers and, when stacked up against other major powers, they account easily for more than half. This is important because the Cold War was said to be defined by what analysts called bipolarity and this was said to exist “operationally when two states control at least 50% of relative military capabilities, with each of the two states controlling at least 25%, while no other state controls as much as

¹⁴ Edward Bruner, “Military Forces: What is the Appropriate Size for the United States?”, Congressional Research Service, (Washington, D.C.: Library of Congress, 2005), 1.

¹⁵ Hans M. Kristensen & Robert S. Norris (2013) “Global nuclear weapons inventories, 1945–2013”, *Bulletin of the Atomic Scientists*, 69:5, 78 (75–81).

¹⁶ Nan Tian, Diego Lopes da Silva, et al. “Trends In World Military Expenditure, 2023”, Stockholm, SIPRI, 2024.

https://www.sipri.org/sites/default/files/2024-4/2404_fs_milex2023.pdf.

¹⁷ Nan Tian, Diego Lopes da Silva, et al. “Trends In World Military Expenditure, 2022”.

25%”.¹⁸ If we were to include just the other traditional major powers, then China is not quite yet at the 25% level but its expenditure is growing apace and in the next few years it will easily reach this level. Moreover, the most relied upon source for data – the Stockholm Institute of Peace Research – measures spending at market exchange rates. The problem with this is that it severely underestimates the amount of “bang for their buck” that China actually gets for their military expenditure because a dollar’s worth of spending goes much further in China than in America. The estimates on exactly what China’s military spending is once you factor in that things are cheaper there vary widely, but it is highly likely that China’s expenditure is at least a quarter of all military spending of the major powers. We are therefore now living in a bipolar world akin to Cold War I.

With regard to hard power, China has far more boots on the ground than America. With US military personnel numbering around 1.3 million, China actually has a larger military base in terms of military personnel at just over 2 million. If tensions escalate, it is highly likely that China would rely on Russia to bolster its strength just as America would rely on Western Europe. We therefore need to add around a million military personnel on the Russian side and just under 2 million that America can rely upon from its NATO allies. However, if there were to be a confrontation, it would more than likely be in the East Asian theatre rather than in Europe and only a few of its European allies have the capability for such strategic stretch. America would then have to rely predominantly on its allies in East Asia numbering around a million active personnel.

In terms of nuclear capabilities, the number of warheads that America possesses far outnumbers that of China (at 1,770 strategically deployed and 1,938 stored). China only has an estimated 500 nuclear warheads altogether.¹⁹ This is an estimate as the government keeps the exact number a state secret, but analysts point out that the “stockpile is likely to grow further over the next decade as additional nuclear-capable missiles become operational”.²⁰ A recent (2021) Pentagon report estimates that China will

¹⁸ Thomas Volgy and Lawrence Imwalle, “Hegemonic and Bipolar Perspectives on the New World Order”, *American Journal of Political Science*, No. 39:4, (1995), 820 (819-34).

¹⁹ Stockholm International Peace Research Institute, ‘Role of nuclear weapons grows as geopolitical relations deteriorate’, July 24, 2024. <https://www.sipri.org/media/press-release/2024/role-nuclear-weapons-grows-geopolitical-relations-deteriorate-new-sipri-yearbook-out-now>.

²⁰ Hans Kristensen and Robert Norris, “Chinese nuclear forces”, *Bulletin of the Atomic Scientists*, No. 74:4, (2018) 1.

have 700 nuclear warheads by 2027 and 1,000 by 2030.²¹ It appears that China is most concerned with ensuring a reliable second strike capability by upgrading its missile technology, fitting its missiles with multiple warheads and constructing hardened silos to protect their nuclear strike force. In other words, if a country launches a nuclear strike against it, no matter what the devastation, it will still have the capability of hitting back. Its strategy therefore follows typical nuclear deterrence doctrine that argues that ensuring your missiles can survive an attack is the best form of deterrence. The argument goes that no one would be mad enough to launch a nuclear attack on an enemy that is sure to respond with a nuclear counter strike.

Certainly, China appears to be developing its nuclear triad (land, air and sea delivery systems) to ensure that if it were subject to a nuclear attack it would have the ability to strike back. A good example of this development was on show at the 70th anniversary of Chinese communism in 2019. China displayed its new nuclear missile, the DF-41, which can easily hit the United States and is probably capable of carrying ten warheads at a time. China also showed off its JL-2 submarine-launched ballistic missile during the parade.²² What is significant about these two systems is that, in a nuclear exchange, it would be nigh on impossible to track where all of these missiles were located because the DF-41 could be moved at a moment's notice and the JL-2 would be on submarines. They therefore ensure China is unlikely to ever experience a nuclear attack as they will always be able to respond. Yet, with America's inventory of stealth fighters and missiles increasing on a yearly basis, it may even be capable of taking on a nuclear adversary by launching a first strike that successfully knocks out China's communications infrastructure and possibly nuclear arsenal rendering it incapable of launching a retaliatory strike. In order to reduce the probability of this, China is likely to increase its nuclear missiles and we are therefore likely to see an upward action-reaction spiral where each side enters into an arms race just like Cold War I

At the moment, the United States still has a technologically superior military machine at its disposable. Its military is the only one that can be truly called global with "around 752 military installations in more than 130 countries" and possesses an unrivalled 11 super aircraft carriers at the core of its six

²¹ Office of the Secretary of Defense, "Military and Security Developments Involving the People's Republic of China", (Arlington, Virginia: Department of Defense, 2021) 90.

²² Information taken from Helen Regan and James Griffiths, "No force can stop China's progress, says Xi in National Day speech", CNN, October 1, 2019. <https://edition.cnn.com/2019/09/30/asia/china-oct-1-national-day-intl-hnk>

fleets (seven if you include its Fleet Cyber Command).²³ As Paul Kennedy has argued, these fleets are floating military bases, moving a vast array of firepower (including fighter jets, cruise missiles and nuclear missiles) across oceans to wherever is needed.²⁴ To back this up, it has nine amphibious assault ships, 22 cruisers, 66 destroyers and 16 littoral combat ships with the possibility that this number will increase to 60 in the future.²⁵ It also has 71 submarines at its disposal: eighteen Ohio class submarines – 14 of which can carry up to 24 Trident II nuclear ballistic missiles; three Seawolf attack submarines designed for deep diving under polar ice; and 48 Virginia and Los Angeles attack submarines (the latter are slowly being replaced by the former).²⁶

Concerning the so-called revolution in military affairs the United States stands out head and shoulders above the rest. The combination of precision guidance and stealth technology provides the United States with unrivalled supremacy in the air. The precision guidance ranges from the laser guided bombs to the well-known contour hugging Tomahawk cruise missiles. Its stealth technology includes the lesser known JASSM and JASSM-ER air launched stealth cruise missiles as well as its range of bombers, such as, the B2 and fighters, such as, the F-22 Raptor and the F35 Lightning II.²⁷ Moreover, as seen in the first and second Iraq wars, its first strike capability may even be enough to knock out a country's C4I capabilities (i.e. command, control, communications, computers and intelligence) rendering it incapable of launching an effective counter strike.

The most emblematic program of America's vanguard position is the Golden Dome project. Although details are not yet concrete, the defense system aims to successfully knock out missile attack on the U.S. homeland. This system is actually divided into several stages. The hope is to develop, amongst other things: airborne and space-based lasers to knock out missiles

²³ Niall Ferguson, "Colossus: The Price of America's Empire," (New York: The Penguin Press, 2004) 16.

²⁴ Paul Kennedy, "The eagle has landed", Financial Times, January 31 2002.
<http://www.ratical.org/ratville/JFK/JohnJudge/linkscopy/EagleLand.html>.

²⁵ <https://www.naval-technology.com/projects/littoral/>

²⁶ Popular Mechanics, "Here Are All the Fighting Submarines of the U.S. Navy".
<https://www.popularmechanics.com/military/navyships/a19746695/us-navy-subs-infographic/>

²⁷ Missile Defense Project, "JASSM / JASSM ER," Center for Strategic and International Studies, October 6, 2016, <https://missilethreat.csis.org/missile/jassm/>

in the booster phase and use missiles for mid-course knock-out capability.²⁸ This would supplement the terminal stage land based Patriot missile and sea based Aegis defense systems that are already deployed. Whilst it is highly unlikely that all of these systems will come to fruition, the potential technological leap in at least some capabilities must be worrisome for other states.

The U.S. already has significant coordination capabilities with its approximately 176 military satellites. This array provides “reliable and secure communications for ships and submarines at sea, aircraft and military ground units throughout the world”.²⁹ Such capacity ensures not only that the U.S. is preponderant in all theatres of warfare, but can execute sophisticated battle plans in a highly coordinated manner. Its imagery intelligence satellites have the capability of providing real time high resolution images.³⁰ This reconnaissance capability has gained in importance with the ability to communicate coordinates to cruise missiles and armed unmanned air vehicles actually in mid-flight.

Its military capability has obviously been further enhanced with the use of armed unmanned air vehicles, such as the Reaper and Predator (armed with Hellfire missiles) that provide the US with the ability of remote controlled seek and destroy capability. The latter type of operation can now run around the clock as a result of upgrades that include radar and infra-red video.³¹ But, just as important, are the UAVs that are unarmed operating at very high altitudes (18,000 meters) and able to carry out surveillance over large swathes of territory using high resolution radar and infra-red (thus partly solving the problem of cloud cover).³² The Global Hawk, for example, “can travel halfway round the world on a single tank of fuel and can track a man

²⁸ Hugo Lowell, “Golden Dome missile defense program won’t be operational by end of Trump’s term”, *The Guardian*, May 30, 2025.
<https://www.theguardian.com/us-news/2025/may/30/trump-golden-dome-missile-defense>.

²⁹ John Pike, “The military uses of outer space”, *SIPRI Yearbook 2002: Armaments, Disarmament and International Security*, (Oxford: Oxford University Press, 2002), 620.

³⁰ Pike, “The military uses of outer space”. 620.

³¹ Dennis Gormley, “New developments in unmanned air vehicles and land-attack cruise missiles”, in *SIPRI Yearbook 2002: Armaments, Disarmament and International Security*, (Oxford: Oxford University Press, 2003) 410-28.

³² Jonathan Beale, “Drones: A rare glimpse at sophisticated US spy plane”, *BBC News Online*, October 13 2013. Online at <http://www.bbc.co.uk/news/world-us-canada-24729998>.

(*sic*) on the ground, even when the earth is covered by cloud”.³³ The creation of 24/7 solar powered drones will no doubt lead to deployment in the field in the very near future.

It needs to be remembered that all of this is done for under four per cent of GDP. Not only does the US possess a force that no other country or group of countries can match, but it could easily increase the amount spent without crippling the economy. As Paul Kennedy put it, “Being Number One at great cost is one thing, being the world’s single superpower on the cheap is astonishing”.³⁴

Although the US is well ahead of any potential rivals, China has started to become more fully engaged in its so called fourth modernization (agriculture, industry, science and technology being the first three). In terms of military hardware, as will be detailed later, China is keen to avoid falling into the same trap as the Soviet Union, dedicating ever more of its resources in a head on arms race with the US. Instead, it is updating its forces with several objectives in mind. First, its emphasis is on asymmetric warfare aiming to take advantage of weaknesses in a larger adversary’s capabilities. This is seen as giving it time to fully develop and modernize its own armed forces. Second, and not unrelated, is the Taiwan issue. At a minimum, China seeks to present such a show of force that any future Taiwanese leader will be deterred from any declaration of formal independence. Lastly, in order to achieve its overall strategy of securing sea-lanes and controlling the wider strategic theatre in the oceans that surround it, China is seeking to rapidly modernize its sea fleet from green water to blue water capability i.e. coastal to deep-water operations.

Although China has embarked upon a rapid modernisation of its armed forces, it realises that to fully match the United States will take some time. Its short term objective is therefore not to counter-balance US military might, but rather to engage in asymmetric warfare taking advantage of certain vulnerabilities in the adversary’s forces., such as, denial of service through the use of cyber warfare, alongside traditional jamming devices and the dazzling of spy satellites using ground lasers which will blind its opponent.³⁵ The greatest asymmetric warfare weapon is its ability to carry out cyber-attacks making America’s military systems inoperable – or worse

³³ Jonathan Beale, “Drone”.

³⁴ Paul Kennedy, “The eagle has landed”.

³⁵ The Economist, “The fourth modernisation: China is becoming a military force to reckon with in the western Pacific. How should America respond?”, December 02 2010. <http://www.economist.com/node/17601487>.

still, being able to control them and turn them against America itself. Indeed, cyber-space has become the new theatre of war between these two powers with China developing specialised military units focusing on hacking into computer systems and creating viruses, worms and Trojan horses in order to attain cyber-space dominance.

At the moment, China has two aircraft carriers – the first from Ukraine in 1998 and the second launched in 2017 was built by China itself and a third one is currently undergoing sea trials. China also possesses just over 60 submarines in total. Included in this are six of the all-important Jin Class Submarines capable of carrying nuclear ballistic missiles and operates six nuclear-powered attack submarines. It also purchased 12 Russian *Kilo*-class conventional submarines from Russia which can carry anti-ship cruise missiles.³⁶ Although powered by diesel and battery they have very low noise emissions.³⁷ The projected force in the next ten years will be around “60 stealthy conventional submarines and at least six nuclear attack submarines”.³⁸ The fact that China was seen to retreat when America flexed its muscle was deeply humiliating and it is clear that it will not allow that to happen again. To that end, it is now constructing its own stealth destroyers (Type 055 Destroyer) which also have the potential of deploying a missile defense – eight are already deployed and two more are near deployment phase.³⁹ This may not mean that it will obtain dominance in the seas within the first island chain (see next section), but it will give it influence and will certainly force others to pause for thought before acting.

With regard to its military competition with the US, or other major powers, two major strategic overhauls have occurred. The first began in 1993 when Jiang Zemin, the then General-Secretary of the communist party, in response to the revolution in military affairs (stealth technology, cruise missiles, high-tech, high precision weaponry) initiated China’s own military high tech revolution. A second overhaul was begun at the beginning of the

³⁶ Office of the Secretary of Defense, “Military and Security Developments Involving the People’s Republic of China”, (Arlington, Virginia: Department of Defense, 2021) 49.

³⁷ Office of the Secretary of Defense, “Military and Security Developments Involving the People’s Republic of China”, 49.

³⁸ The Economist, “China’s military rise The dragon’s new teeth A rare look inside the world’s biggest military expansion”, April 7, 2012. Online at <http://www.economist.com/node/21552193>.

³⁹ The Economist, “China’s military might: The long march to be a superpower”, <http://www.economist.com/node/9581310> and “Military and Security Developments...”, 80

new century with the realisation that the military also needed to replicate the unified C4ISR capabilities of other leading nations (i.e. command, control, communications, computers, intelligence, surveillance and reconnaissance).⁴⁰ To this end, it is embarking on major developments in satellite technology, unmanned aerial vehicles, cruise missiles, cyber warfare and stealth aircraft.

China now has around 200 Intelligence, surveillance and reconnaissance satellites and about half of these are owned and operated by the military.⁴¹ These military reforms were given a major boost by the unveiling of the J-20 stealth fighter in January 2011, which took its maiden flight at the same time that the former Defense Secretary Robert Gates was visiting Beijing and the unveiling of the J-31 when President Obama visited Beijing in November 2014. China's progress in stealth technology has been nothing short of astounding, leading to allegations that it benefitted from parts it acquired from the F-117 nighthawk that was shot down by Serbian forces in 1999 and blueprints acquired through computer hacking.⁴²

As mentioned previously, China has adopted a strategy of asymmetric warfare – adopting tactics that take into account and try to counter an enemy's superior force. To that end, because China has far fewer aircraft carriers, destroyers, cruisers and nuclear powered submarines than the United States, at the moment it must rely on its smaller ships that far outnumber America's. It therefore has far greater numbers than America in the frigate, corvette and fast attack craft. It appears that the main tactic in any confrontation will be to swarm the enemy with these smaller craft armed with anti-ship cruise missiles. The lack of larger ships and technological sophistication will be made up for by the vast number of smaller fast and agile craft.⁴³ America is clearly vulnerable to these missile attacks from smaller fast and agile attacks – the attacks just off Yemen on the USS Cole in 2000 (although not an actual missile attack) and the multiple anti-ship cruise missile attacks on the USS Mason (and others) in 2016 are testament to this.

⁴⁰ The Economist, "China's military rise".

⁴¹ "Military and Security Developments Involving the PRC", 67.

⁴² The Guardian, "Chinese stealth fighter jet may use US technology", January 23 2011.

<http://www.theguardian.com/world/2011/jan/23/China-stealth-fighter-us-technology>.

⁴³ David Lague and Benjamin Kang Lim, "The China Challenge: Ruling the waves", Reuters, April 30, 2019.

In addition, most recently, China unveiled its DF-17 hypersonic glide vehicle at its 70th Anniversary parade. This puts it at the forefront of this technology with America needing to play catch up. These are launched using a ballistic missile but then descend to earth at hypersonic speed – up to 20 times the speed of sound - and can be manoeuvred around the globe either for reconnaissance missions or to destroy targets by either simply using its kinetic energy or by equipping it with a warhead. The main concerns for America and its allies are two-fold. First, that it may lead to China being able to take out much of America's nuclear missiles. The fact that these hypersonic gliders can change course at high speed will render America's missile defense shields obsolete. Second, hypersonic vehicles may be able to take out aircraft carriers and they currently have no real defense against them. All of the highly sophisticated anti-missile technology thus far has been designed to take out ballistic missiles which have a very predictable trajectory – unlike the gliders which can change direction to avoid such threats.

The assumption was that these hypersonic weapons were prototypes which were not fully functioning and were unveiled more for propaganda purposes than anything else. Yet, in the middle of 2021, two successful test flights were launched with one missing its target by just 24 miles.⁴⁴ Moreover, for historical reasons, America's ballistic missile defense system is more dedicated to the northern hemisphere – manoeuvrable hypersonic vehicles can therefore be targeted at its soft underbelly by flying via the South Pole.⁴⁵ If these missiles become more accurate, it may well lead to a temporary situation where China could potentially deliver a first strike knock-out blow on America's nuclear arsenal.

Although America is currently testing its own version of this hypersonic weapon, it still doesn't have a missile defense system that can neutralise the threat of the DF-17, although the Aegis sea based defense system is being upgraded in an attempt to counter these innovations. This may be a real game changer – at least temporarily until a full solution is found. America's ability to play a global policing role has not only been based in large part on its super carriers and the lethal state of the art fighter planes and missiles they carry, but also upon the reassurance that if a state should seek nuclear retaliation it would be dissuaded by America's nuclear superiority. Earlier

⁴⁴ Demetri Sevastopulo & Kathrin Hille, "China tests new space capability with hypersonic missile", Financial Times, October 16, 2021.

<https://www.ft.com/content/ba0a3cde-719b-4040-93cb-a486e1f843fb>

⁴⁵ Ibid.

it was suggested that China seems to be following standard nuclear deterrence strategy. However, recently it was discovered that it has been constructing several hundred missile silos – essentially nuclear missile sites built into the ground with the rockets surrounded by several rings of reinforced concrete to protect them from attack.⁴⁶ It could be, that these will be used merely to keep other states guessing which silo has which missile. Given the current increases in nuclear warhead production by China, it seems increasingly likely that we will see a surge of nuclear armed missiles in the near future to fill these silos.

This may just mean that China's long term strategy is to even up the nuclear balance between itself, Russia and America – which, as argued earlier, is not particularly worrisome. But there may be a dual strategy at play here. In addition to establishing a nuclear balance, China may be seeking to use its temporary advantage as a tactic in its main shorter term objective – the integration of Taiwan into a greater China. Although it is highly unlikely that China would actually launch a nuclear attack, having nuclear capabilities that can evade America's defense system would possibly deter the United States from coming to Taiwan's defense if it were attacked. China's increasing nuclear arsenal and its innovatory technology may well also serve as a prelude to a surprise attack on Taiwan.

Certainly, America is aware of its vulnerability and is about to deploy much longer range anti-ship missiles on its naval Super Hornet jets and Air Force B-1 bombers.⁴⁷ It also intends to deploy these longer range anti-ship missiles on its warships in the region with Lockheed successfully test-firing its newest model from the type of launchers used on US ships.⁴⁸ It is worth noting here (and will be picked up later in the next chapter) that, before 2019, America was unable to test and deploy ground based nuclear or conventional missiles (ballistic and cruise) with a range of 500–5,500 kilometres because it was a signatory to the Intermediate-Range Nuclear Forces Treaty (INF) that was agreed with the Soviet Union in 1987.⁴⁹ Since

⁴⁶ Shannon Bugos and Julia Masterson, "New Chinese Missile Silo Fields Discovered", Arms Control Today, September 2021

⁴⁷ David Lague, Reuters, "Special Report: U.S. rearms to nullify China's missile supremacy", May 6 2020. <https://uk.reuters.com/article/uk-usa-china-missiles-special-report/special-report-u-s-rearms-to-nullify-Chinas-missile-supremacy-idUKKBN22I17Q>

⁴⁸ David Lague, "Special Report"

⁴⁹ Daryl Kimball, "The Intermediate-Range Nuclear Forces (INF) Treaty at a Glance", Arms Control Association, August 2019.

America withdrew from the treaty, it has focused on plugging this gap in its armoury with updated ballistic and cruise missiles to counter similar weaponry deployed by its various adversaries.

Possibly realising its vulnerability to the swarming of its fleets with smaller craft armed with anti-ship cruise missiles, America is also about to arm its marines in the region with land based Tomahawk cruise missiles.⁵⁰ If the marines can establish footholds on some of the islands in the South China Sea, this would substantially boost America's firepower and would initially provide an important element of surprise. As previously mentioned, America is quickly introducing its littoral combat ships which are designed for missions around coastal areas. Several have already been deployed to Singapore.⁵¹ However, if America is to counter China's apparent strategy of overcoming technological inferiority through numbers (quantity against quality), it will need to increase the number of these ships and smaller fast attack craft (of which it has none in the region) for search and destroy missions in the otherwise treacherous shoals that populate the region. Moreover, America will need to station these in allied territory at strategic points within the three seas (at least) i.e. the South, East China Seas and the Yellow Sea

At the moment, we are some way off the levels of military hardware deployed in the first Cold War. But, the levels and quality of Chinese military materiel is already enough to pose a viable force within the East Asian region and it is clear we are at the beginning of a new military competition between the two superpowers. On the Chinese side, the technological sophistication of equipment is improving rapidly and the amount of equipment growing rapidly. The quality of their destroyers, aircraft carriers, missiles and hyper-gliders is improving dramatically. For example, it plans to build another four aircraft carriers, but this time nuclear powered with the newest launching mechanisms for its fighter planes. The second similarity with Cold War I is the action-reaction cycle that is already apparent – one side makes a leap in military technology, only for the other side to either produce its own version and/or produce a new technology to defend against the threat. We can already see this with the hypersonic glide

<https://www.armscontrol.org/factsheets/intermediate-range-nuclear-forces-inf-treaty-glance>

⁵⁰ David Lague, "Special Report: U.S. rearms to nullify China's missile supremacy".

⁵¹ Agence France-Presse, "US to base four warships in Singapore as China flexes military muscles" in *The Guardian*, February 18, 2015.

<https://www.theguardian.com/world/2015/feb/18/us-to-base-four-warships-in-singapore-as-china-flexes-military-muscles>

vehicles – America is not only designing its own, but is working on anti-missile technology to neutralise the problem.

However, what is different is the speed at which China's military capabilities are moving up the technology ladder. This is in part because one of the key differences between now and Cold War I is the level of openness of its economy and also in part because of the cyber age we now live in. As will be highlighted in the chapter on cold war differences, China's openness to trade stands in marked contrast to that of the Soviet Union's. As a result, it has literally been able to buy weapons systems "off the shelf", set about copying them and then surpass the originals with substantial upgrades once they have mastered the building techniques. We can see this with the aircraft carriers and destroyers it has bought from other countries, to the extent that China is about to launch high tech, domestically built military ships. It is also highly probable that their stealth planes benefitted from cyber-theft – certainly if the alleged hacking activities reported by America's leading aircraft companies is anything to go by.⁵² It normally takes decades to achieve the sophisticated aeronautical engineering required to build stealth jet fighters and, yet, China has built them in almost no time at all. It would have taken legions of Soviet spies to achieve the same result, but in today's world it takes a bunch of hackers working in a room full of computers to accomplish the task.

Geopolitics and Alliances I

The 24th of February 2022 changed geopolitics fundamentally. Of course, the direction of travel for international politics was already clear. However, the invasion of Ukraine served to supercharge the existing tendencies so that the demarcation of the world into two major blocs has crystallised at a far more rapid pace than predicted.

In hindsight, the annexation of Crimea in early 2014 was a clear sign of things to come. However, at the time, few analysts were predicting that Russia would launch a full scale invasion to establish a cordon sanitaire between itself and the West (if indeed that was the true aim). Looking back at how the West reacted it may be that the diplomatic signalling at the time

⁵² Andrew Blankstein, "Chinese Hackers Stole Boeing, Lockheed Military Plane Secrets: Feds", NBC News, July 11, 2014.
<https://www.nbcnews.com/news/investigations/chinese-hackers-stole-boeing-lockheed-military-plane-secrets-feds-n153951>

was not strong enough and it only served to embolden rather than discourage Putin.

If one compares the sanctions imposed after February 2022 with those in 2014, it is clear that those following the annexation of Crimea were far too weak and did little to deter Putin. Moreover, the Helsinki Summit in 2018 between President Trump and President Putin was long on words, but short on action and did little except bolster President Putin's legitimacy. The Geneva Summit of 2021 – this time with President Biden and President Putin – had a similar effect, although the tone was less cordial.⁵³ Despite this, the unintentional message that President Putin probably took away from these meetings was that even after annexing the Crimea, the United States was willing to engage and even to some extent normalise relations (albeit with sanctions still in place).

Indeed, at first glance, President Biden's actual actions on the international stage seem strikingly at odds with his rhetoric of "democracy versus autocracy" – particularly the administration's waiving of sanctions with regard to the Nord Stream II pipeline less than a year before Russia's invasion of Ukraine.⁵⁴ At that time, it may well have been that the Biden Administration was trying to adopt a pragmatic approach to implement a "reverse Henry Kissinger".⁵⁵ This refers to the 1970s when President Nixon and Henry Kissinger (National Security Advisor and then Secretary of State) intentionally developed warmer relations with China in order to split the Sino-Soviet bloc thus ensuring United States predominance through a divide and rule strategy. As one former intelligence analyst pointed out just before President Biden and Putin met in June 2021, it was thought that "The more Biden treats Russia with respect as a great power, which is what Putin craves, the easier it will be for him to loosen Russia from China's embrace".⁵⁶

⁵³ Benjamin Siegel, "Still a summit secret: What happened in Helsinki between Putin and Trump?", ABC News, June 16, 2021.

<https://abcnews.go.com/Politics/summit-secret-happened-helsinki-putin-trump/story?id=78273344>

⁵⁴ "Biden lifts US sanctions on major Russian pipeline", BBC News, May 19 2021. <https://www.msn.com/en-us/news/world/biden-lifts-us-sanctions-on-major-russian-pipeline/ar-AAKaRHA> 1/10

⁵⁵ Fiona Hill quoted in Edward Luce, "America is back — and wants everyone to focus on China", Financial Times June 18 2021.

<https://www.ft.com/content/f029ba6a-2b4c-45c0-b423-74089d953173>.

⁵⁶ Fiona Hill quoted in Edward Luce, "America is back".

However, President Putin clearly interpreted America's engagement as proof that he could use military force to achieve his strategic goals whilst incurring limited costs at the international level. This was a major miscalculation and the second invasion has been met with a very robust response: trade sanctions; financial sanctions; military aid to Ukraine etc. As a result of the West's reaction, Russia has sought to cement its relationship with China. Just a few weeks prior to the 2022 invasion, President Putin visited Beijing and President Xi Jinping where they infamously issued a joint statement declaring a "no limits" partnership – although it is still not at all clear whether China knew what Russia was planning with regard to the Ukrainian invasion.⁵⁷

The close relations of China and Russia in opposition to the West is deeply reminiscent of the first Cold War, although the mirror image is inverted with China now playing the economic and military superpower. But, just as was the case previously, the relationship has not fully lived up to the rhetoric. Since the invasion, the two leaders have met and there has been much talk of them being the standard bearers for a new multi-polar world. Yet, China's actual material support for Russia has been fairly limited. Moreover, the oil and gas deals that have been made have been on highly favorable terms for China. Most significantly, President Xi Jinping is said to have balked at the frequent use of nuclear threats by President Putin.⁵⁸

It is also worth pointing out that there is no formal alliance between China and Russia. This doesn't mean that the closer relations between the two are insignificant. Their sharing of military technology reduces costs and lead times in the production of sophisticated weaponry thus improving their military capability at a far more rapid pace than would otherwise have been the case. In the economic sphere, cooperation lessens the impact of sanctions as has clearly been the case with Russian exports of oil and gas.

The greatest significance of Sino-Russian cooperation is in the military sphere. For almost two decades, the countries have conducted various military exercises together on land, sea and air. Moreover, since 2017 these activities have become more formalised through the use of five year plans

⁵⁷ Patricia. Kim, "The Limits of the No-Limits Partnership: China and Russia Can't Be Split, but They Can Be Thwarted", *Foreign Affairs*, February 28, 2023.

⁵⁸ Max Seddon, James Kynge, John Paul Rathbone and Felicia Schwartz "Xi Jinping warned Vladimir Putin against nuclear attack in Ukraine", *Financial Times*, July 5 2023. <https://www.ft.com/content/c5ce76df-9b1b-4dcf-a619-07da1d40cbd3>

for such cooperation.⁵⁹ This raises the possibility of either side coming to the other's aid either if attacked or if offensive actions by them provoke a robust response from either the West or Asian states that leads to imminent defeat. The most significant aspect of this evolving relationship is the future possibility of the United States being confronted with a war on two fronts – something that the military of any country tries to avoid because of the dilution of personnel, resources and reconnaissance.

Aid for Allies

Aid (grants and loans) was used throughout Cold War I in order to help allies and influence those countries that preferred to remain somewhat neutral ('somewhat' because most countries leaned more to one side than the other). Initially, aid efforts were concentrated on Europe's post-war reconstruction after 1945. The Marshall Plan is probably the most famous mass aid program with a total of \$12.6 billion (at 1948 prices) actually allocated between 1948 to 1951 to sixteen European countries.⁶⁰ The aim was to get their economies up and running again and, in so doing, prevent communism spreading from Eastern Europe to the West. On the other side, the Soviet Union launched the Molotov Plan that saw Eastern Europe drawn closer to it via a series of bilateral trade agreements. The political nature of aid continued throughout Cold War I, as the head of Soviet foreign aid put it in the seventies, "The Soviet people do not conceal their sympathies toward the countries which orient their development in a socialist direction" and similarly US aid went to those that leaned towards its system.⁶¹

The international nature of this aid competition was clearly indicated by President Kennedy's creation of USAID in 1961. Indeed, the United States became the largest provider of international aid, initially targeting countries like South Korea, Taiwan, India and Pakistan that were geographically close to the Soviet Union and China. Obviously, over time, priorities changed with huge amounts of aid going to South Vietnam in the sixties/early

⁵⁹ Dmitry Gorenburg, Elizabeth Wishnick, Brian Waidelich and Paul Schwartz, "Russian-Chinese Military Cooperation", Center for Naval Analyzes, March 2023. <https://www.cna.org/reports/2023/05/Russian-Chinese-Military-Cooperation.pdf>

⁶⁰ Roy Gardner, "The Marshall Plan Fifty Years Later: Three what-ifs and when", in Martin Schain (ed.), *Marshall Plan: Fifty Years After*, (London: Palgrave MacMillan, 2001), 120.

⁶¹ David Shieler, "Soviet Explains Aim of Its Foreign Aid", *New York Times*, October, 6 1976. <https://www.nytimes.com/1976/10/06/archives/soviet-explains-aim-of-its-foreign-aid-with-unusual-candor-moscow.html>

seventies (\$16 billion in today's money towards the end of the sixties) and Israel (\$10 billion in 1974) and shifting from other countries if they moved away from Soviet influence, for example, to Egypt in the eighties (\$4 billion in 1981).⁶² The Soviet Union concentrated mainly on Turkey, the Middle East and South Asia, spending a total of \$16 billion in the former and \$11 billion (in today's money) in the other two strategic regions. But, in terms of individual countries, the Soviet Union mainly targeted India, Egypt, Ghana, Guinea and Mali in the sixties because of their political stance.⁶³ At least initially, much of the economic assistance from both sides was spent on major infrastructure projects like power plants, oil refineries, steel mills and dams for generating electricity, although America adopted a more human needs approach in the seventies. But, of course, huge sums were also spent on military assistance. So, for example, out of the billions a year dedicated to Vietnam, over \$7.5 billion went towards military aid. Similarly, the Soviet Union spent almost twice as much on military assistance compared to its economic assistance from 1955-1964.⁶⁴

Cold War II bears remarkable similarities to Cold War I with each side using aid as influence – attempting to foster allies or at least keep countries neutral through the distribution of funds. Indeed, over the period 2000-2014 official financing excluding military aid was almost the same for both sides (America spent around ten per cent more).⁶⁵ However, the level of Chinese aid rapidly increased after President Xi announced the “One Belt, One Road” (OBOR) strategy at the end of 2013. With this, China now had a strong long-term strategic vision to accompany the grants and loans it dispensed. Xi's vision is to link China with Central Asia and Europe by reconstructing the old Silk Road, but this time with tarmac and steel while also constructing or modernising a string of ports to create a Maritime Silk Road of shipping lanes. Conservative estimates of funding put the total costs at around \$1.7 trillion, but many believe that the money involved is far greater than this.⁶⁶ One reason why it is difficult to accurately measure is that the funds are from a variety of sources. The China Development Bank

⁶² *USAID*. <https://explorer.usaid.gov/aid-trends.html>

⁶³ Gu Guan-Fu, “Soviet Aid to the Third World an Analysis of Its Strategy”, *Soviet Studies*, 35:1 (Jan., 1983), 71-89.

⁶⁴ *USAID*, “USAID trends”, accessed June 18 2023. <https://tcb.usaid.gov/trends.html>.

⁶⁵ Nyshka Chandran, “5 charts that show how China is spending billions in foreign aid”, *CNBC*, October 13 2017. <https://www.cnbc.com/2017/10/13/China-develop-ment-aid-how-and-where-beijing-is-spending-its-cash.html>

⁶⁶ *Bloomberg*, ‘China's New Silk Road’, April 15, 2019. <https://www.bloomberg.com › quicktake › China-s-silk-road/>

announced a \$900 billion investment for the “one belt, one road” initiative over the long term and has thus far provided “\$190 billion for more than 600 projects”.⁶⁷ Similarly, the Chinese Export-Import Bank has provided \$149 billion for more than 1,800 projects associated with the OBOR initiative.⁶⁸ There is also a specific Silk Road Fund with \$40 billion dedicated to the overland section of the scheme.⁶⁹ China has also been instrumental in establishing the Asian Infrastructure Investment Bank (AIIB) in 2014 providing 30 per cent of the \$100 billion of initial funds. Although, the bank is not specifically set up just for OBOR funding, several of its projects are linked to the overall project.

It is noteworthy that one of the sparks that ignited Cold War I was the unveiling of America’s Marshall Plan in 1947 and the Soviet Union’s refusal of the aid offered – preferring instead to establish its own project for Eastern Europe. Both sides subsequently saw each other’s aid plan as a strategic move to attract the hearts and minds of Europe, thus exacerbating already existing tensions. One wonders if the aid battle that is currently being waged will be seen by later historians as a similar historic turning point marking the beginning of the competition for global influence. For sure, it seems that China is making its strategic play, constructing a hub and spokes infrastructure encompassing Central Asia, South Asia, Russia, Africa, parts of East Asia and, at least in terms of a consumer supply chain, Europe.

Certainly, American spending in this area has not been insignificant. During the Obama Administration it was around the \$50 billion mark per year, although it has declined under the Trump Administration to \$40 billion. Israel remains a large recipient, but the main recipients have naturally been Afghanistan which peaked at \$14 billion in 2012 (\$10 billion of which went on military aid) and Iraq at \$11 billion in 2004 (\$9.5 billion of which went

⁶⁷ Reuters, “China Development Bank provides over \$190 billion for Belt and Road projects”, March 27 2019.

<https://uk.reuters.com/article/us-China-finance-cdb-bri/China-development-bank-provides-over-190-billion-for-belt-and-road-projects-idUKKCN1R8095>

⁶⁸ Reuters, “China’s EximBank provides more than \$149 bln for Belt and Road projects”, April 18 2019.

<https://www.reuters.com/article/China-bank-beltandroad/Chinas-eximbank-provides-more-than-149-bln-for-belt-and-road-projects-idUSL3N2202TI>

⁶⁹ David Cohen, “China’s “second opening”: Grand ambitions but a long road ahead” in François Godement and Agatha Kratz (eds) “One Belt, One Road”: China’s Great Leap Outward, (London: European Council on Foreign Relations) June 2015. http://www.ecfr.eu/page/-/China_analysis_belt_road.pdf, 3

on military aid).⁷⁰ More recently, aid has mainly been focused on Africa, with some focus on the countries near China (Laos, Cambodia, Vietnam, Nepal, Indonesia and Bangladesh for example) and also Central America.⁷¹ It is also important not to forget loan disbursements through multilateral institutions like the World Bank, where America and Europe have much of the voting power. Loans from the World Bank currently (2023) go mainly to Africa (over \$90 billion), South Asia (almost \$60 billion) and East Asia (\$38 billion).⁷²

The Trump and Biden administrations have also tried to provide alternative infrastructural investment projects to the developing world which are clearly designed to compete with China's "One Belt, One Road" initiative – huge investments across the developing world. In 2018, the Trump Administration signed the "Trilateral Partnership for Infrastructure Investment in the Indo-Pacific" with Australia and Japan to enhance investment in the Indo-Pacific region, focusing particularly on "energy, transportation, tourism, and technology".⁷³ In order to back up its commitments the US created the International Development Finance Corporation to provide loans and insurance for such projects. A year later, the Trump Administration launched the Blue Dot Network initiative in cooperation with Japan and Australia (and several countries signing up later) to ensure that such investments are transparent, economically viable and environmentally sustainable.⁷⁴

President Biden has continued in much the same manner as President Trump, retaining the Blue Dot Network and the International Development Finance Corporation. In addition, he has successfully launched his Build Back Better World (B3W) with the other members of the Group of Seven (the US, Germany, Japan, UK, France, Italy and Canada) which envisages

⁷⁰ USAID. "USAID trends" accessed June 30 2023. <https://explorer.usaid.gov/aid-trends.html>

⁷¹ USAID. "USAID trends".

⁷² Word Bank Group, "Maps", accessed August 25 2023.

<https://maps.worldbank.org/>

⁷³ US Embassy and Consulates in Australia, "The U.S., Australia and Japan Announce Trilateral Partnership on Infrastructure Investment in the Indo-Pacific", July 30 2018, accessed February 6 2020.

<https://au.usembassy.gov/the-u-s-australia-and-japan-announce-trilateral-partnership-on-infrastructure-investment-in-the-indopacific/>

⁷⁴ John Reed, "US backs infrastructure scheme to rival China's Belt and Road", Financial Times. November 4 2019.

major new infrastructural investment in developing countries.⁷⁵ This initiative is supposed to provide an alternative source of funding to China's One Belt, One Road investment. However, the actual details of how much finance would be available and what the commitments of each of the G7 will be is still to be worked out and it may well end up being a case of too little, too late.

In comparison to America's initiatives, the sheer scale of China's plans are breath-taking and it has one thing that America and its allies don't have - a long term strategy which its leaders can implement uninterrupted by election cycles (especially now that it looks like Xi will be president for life). Since the "One Belt, One Road" initiative was announced, they have unveiled one project after another in quick succession. The sheer audaciousness is hard to grasp - the one belt and one road actually turns out to be anything but. In fact, it is a multitude of transportation networks all linking into China (or sometimes to ports where ships can then sail to China). One "belt" leads to Russia, the other across Central Asia into Europe, another links it to South-West Asia and also the Middle East and yet another links it to the East Coast of Africa. Gleaming new trains on brand new rails alongside vast highways that stretch off over the horizon are cropping up all across continents and more and more investment/loans are pouring in for oil, gas and mining. This is nothing less than a plan to construct a transcontinental network that covers half the world, stretching east to west from Beijing to Lisbon and north to south from Helsinki to Cape Town. But, instead of all roads leading to Rome they will all connect in one way or another to China – raw materials going in one direction and consumer goods going in the other.

Making good on its promises, China has established rail and road networks both internally in Western China and across Central Asia into Europe. Internally it has completed: a rail line from Golmud to Lhasa connecting Tibet and Qinghai; a high speed railway is being constructed from Lanzhou to Xinjiang; and in the next few years the plan is to connect Tibet to Xinjiang, Sichuan and Yunnan.⁷⁶ This western region is being linked up westwards to Europe across Kazakhstan via the "Silk Road Railway" and southwards to Pakistan by updating and widening the Karakoram Highway

⁷⁵ White House, "President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership", June 11, 2021.

<https://g7.utoronto.ca/summit/2021cornwall/210611-whitehouse-b3w-launch.html>

⁷⁶ The Economist, "Faster than a speeding bullet", November 09 2013.

<http://www.economist.com/news/China/21589447-Chinas-new-rail-network-already-worlds-longest-will-soon-stretch-considerably-farther-faster>.

providing a corridor down to the deep sea port at Gwadar and thus access to the Indian Ocean. The impact of this massive investment is already being felt. At the end of 2014, the first train from China's East Coast arrived in Madrid after traversing 8,111 miles across Kazakhstan, Russia, Belarus, Poland Germany and France.⁷⁷ A few years later, freight trains arrived in London at the beginning of 2017 and then in Helsinki in 2018.

China has increasingly focused on Africa as a region to forge relationships through aid. A meeting of The Forum on China-Africa Cooperation (FOCAC) at the end of 2006 announced a doubling of aid to Africa by 2009 and the cancelling of all debt "stemming from interest-free government loans that, by the end of 2005, had matured for thirty-one of the least developed countries (LDCs) most indebted to China (an amount estimated at around US\$1.4 billion)".⁷⁸ Sure enough, China kept its word and in 2009 announced a doubling of aid from \$5 billion to \$10 billion. Following up on this, China announced in the same forum in 2018 that it will make a further \$60 billion available for African development.⁷⁹ According to the most comprehensive study conducted by AidData, from 2000-2014, China helped with 4,373 projects with a cumulative contribution of \$354 billion of financing.⁸⁰ From 2003 to 2013, it spent around \$75 billion just in Africa alone.⁸¹ Moreover, the amount of loans is increasing rapidly so that by 2016 it was providing \$30 billion worth to the continent.⁸²

⁷⁷ Stephen Burgen, "The Silk Railway: freight train from China pulls up in Madrid", *The Guardian*, December 10 2014.

<http://www.theguardian.com/business/2014/dec/10/silk-railway-freight-train-from-China-pulls-into-madrid>.

⁷⁸ Ian Taylor, *The International Relations of Sub-Saharan Africa*, "New York: Continuum International Publishing Group, 2010", 74

⁷⁹ George Tubei, "10 massive projects the Chinese are funding in Africa - including railways and a brand-new city", *Business Insider: South Africa*, September 25 2018. <https://www.businessinsider.co.za/here-are-150-million-rand-projects-in-africa-funded-by-China-2018-9>

⁸⁰ AidData, "Mapping China's Global Investments and Inequality Geocoded Chinese Development Projects and the Diffusion of Economic Activity", accessed June 11 2018.

<https://www.aiddata.org/mapping-China-global-investments-andinequa lity>

⁸¹ Claire Provost and Rich Harris, "China commits billions in aid to Africa as part of charm offensive", *The Guardian*, April 29 2013.

<https://www.theguardian.com/global-development/interactive/2013/apr/29/China-commits-billions-aid-africa-interactive>.

⁸² "Reality Check: Is China burdening Africa with debt?", *BBC News*, November 5 2018. <https://www.bbc.co.uk/news/world-africa-45916060>

The main recipients of this aid have traditionally been Nigeria, Angola, Ethiopia and Sudan with Nigeria and Angola receiving the lion's share. South Sudan, for example, will receive the greatest slice of the \$60 billion promised at the FOCAC summit and this is unlikely to be unconnected to the granting of concessions to China National Petroleum Corporation in several newly discovered oil fields.⁸³ However, the number of aid recipients beyond the traditional four is clearly expanding.⁸⁴ For example, the \$600 million project to update the Democratic Republic of Congo's rail network is funded mainly by China (\$200 million) and the World Bank (\$219 million).⁸⁵ In 2017, the \$3.2bn Kenyan train line running from Nairobi to the main port Mombasa which was funded by China opened 18 months early. These developments should not be seen in isolation. The plan is to provide land-locked South Sudan, eastern Democratic Republic of Congo, Rwanda, Burundi and Ethiopia access to the Indian Ocean.⁸⁶ The Chinese funded rail link between Ethiopia's capital, Addis Ababa, and Djibouti can also be seen as part of this grand strategy.

These projects have obvious benefits for China. The clearest benefit is that it strengthens ties with countries in these regions which it hopes will reap diplomatic support as and when needed. Second, China usually ends up being the contractor under such deals laying down rail networks, motorways, fibre optics etc. Third, most of the aid is actually given in the form of loans rather than grants (what most people would see as actual aid i.e. it does not have to be paid back) – it is estimated that only 21 per cent of China's aid is actually grants - the rest is loans.⁸⁷ Finally, the deals have usually involved some sort of “minerals-for-infrastructure” agreement where China is supplied with natural resources as part of the loan repayment. For example, in Nigeria's and Angola's case, oil supplies are

⁸³ Middle East Monitor, “Sudan to get largest share of \$60bn Africa aid from China”, September 24 2018. <https://www.middleeastmonitor.com/20180924-sudan-to-get-largest-share-of-60bn-africa-aid-from-China/>

⁸⁴ Vivien Foster, William Butterfield, Chuan Chen, Nataliya Pushak, *Building Bridges - China's Growing Role as Infrastructure Financier for Sub-Saharan Africa*, (Washington D.C.: World Bank, 2009), 26.

⁸⁵ “DR Congo's rail revamp backed by China and World Bank”, BBC News, May 12 2011. <https://www.bbc.co.uk/news/world-africa-13381205>

⁸⁶ “Kenya opens Nairobi-Mombasa Madaraka Express railway”, BBC News, May 13 2017. <https://www.bbc.co.uk/news/world-africa-40092600>

⁸⁷ Celia Hatton, “China's secret aid empire uncovered”, BBC News 2017, October 11 2017. <https://www.bbc.co.uk/news/world-asia-china-41564841>

part of the agreement; whereas, in the DRC's case it is copper, cobalt and timber.⁸⁸

However, there are some risks to their approach. First, China's no political interference rule with regard to good governance may be part of the reason why many of the projects have ended up benefitting the ethnic groups of Africa's leaders (about three times as much funding goes to the region of their birthplace).⁸⁹ Given the multi-ethnic nature of African states, this may inadvertently sow the seeds of future instability. Second, as a result of this, if a new leader from a different ethnic group comes to power, China's previous aid may actually negatively influence relations rather than draw the country closer to it. This may be one of the reasons why President Xi in the second OBOR forum in Beijing in 2019 pointedly stated that China must "cooperate with member countries on how to fight corruption as well as on good governance by involving different political parties of those countries".⁹⁰ Third, because most of the work is carried out by Chinese companies, there has been a substantial backlash by African workers who have been effectively excluded from work opportunities arising from these projects. Fourth, China may be blamed for creating a new debt trap for Africa as it is now the largest creditor nation and at least 18 countries already have a debt to GDP ratio of at least 50%. Tied to this is the accusation that Beijing is demanding major strategic assets when countries default. In 2017, Sri Lanka could not pay the interest on a loan from China that was used to build a new port in 2010. In the end, a Chinese company has been given the operating rights on a 99 year lease basis to help pay the debt back. Similar issues have arisen in Africa where rumours abound that Kenya used Mombasa's port as collateral in its major rail deal with China – although this has been denied by both sides and may simply be a case of

⁸⁸ Gracelin Baskaran, "A Window of Opportunity to Build Critical Mineral Security in Africa", Center for Strategic and International Studies, October 10, 2023. <https://www.csis.org/analysis/window-opportunity-build-critical-mineral-security-africa>.

⁸⁹ Axel Dreher, Andreas Fuchs, Roland Hodler, Bradley C. Parks, Paul A. Raschky, and Michael J. Tierne, "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance", AidData Working Paper 3, 2014. https://docs.aiddata.org/ad4/files/inline/wp3_revised_working_paper_series_dreher_et_al_2016_october.pdf.

⁹⁰ Onyango K'onyango, "China, world leaders call for transparency in Belt and Road project", The East African, April 26 2019. <https://www.theeastafrican.co.ke/business/transparency-infrastructure-projects/2560-5088786-p78b49z/index.html>

rumours fuelled by the Sri Lankan experience.⁹¹ Finally, one of the aims of the One Belt One Road initiative was the internationalization of the Chinese currency. Essentially, more and more loans were meant to be done in Yuan encouraging the use of it in international transactions. However, most countries have preferred dollars and so, ironically, China is funding much of its massive operation using its foreign reserves of dollars – money gained through its huge trade surplus with America and others.

Human Rights

The Soviet Union's record on human rights was truly dreadful both on an intentional individual level and on a mass "unintentional" level. In the twenties and thirties under Stalin, the intentional individual human rights abuses took the form of show trials and purges begun in the thirties. The aim was to get rid of political opponents and critics of the government. Stalin felt it necessary to have show trials of major opponents in which they essentially confessed their wrongdoings before they were imprisoned or executed. Prior to the trial they were imprisoned and tortured without recourse to legal advice and their families threatened. The extent of these purges is still hard to gauge, but it is estimated that at least a million were killed and it was estimated by the CIA that in 1947 there were up to 15 million in forced labour camps, although some of these would have been actual criminals – many were those who spoke out against the system to those they thought they could trust.⁹² The forced labour aspect remained for many after the death of Stalin with up to two million still incarcerated this way even in 1982.⁹³ But, after Stalin, most of those found guilty of political dissent usually ended up in psychiatric hospitals to correct their "deluded thoughts".⁹⁴

The other aspect was the multitude of deaths through ill thought out projects that were brutally implemented. The worst of these was the collectivization from 1928 onwards which saw larger farmers, labelled as "kulaks", have their private land, grain and livestock confiscated. Populations were herded into state controlled farms on which they had little incentive to work.

⁹¹ "Reality Check: Is China burdening Africa with debt?", BBC News.

⁹² CIA, "Directorate of Intelligence: The Soviet forced labour system", November 1982, accessed November 10 2019.
<https://www.cia.gov/library/readingroom/docs/CIA-RDP83M00914R001200120005-5.pdf>.

⁹³ CIA, "Directorate of Intelligence: The Soviet forced labour system",

⁹⁴ Ibid.

Indeed, many killed their livestock rather than see it handed over to the government. The result was all too obvious to see for anyone who wasn't brain washed with the Soviet Union's version of what communism ought to be. The early period witnessed a massive decline in agricultural output with millions starving to death. Indeed, even Stalin realised he had gone too far and in 1930 warned that those implementing the policy had done so a little too enthusiastically, or in his words, they had become "dizzy with success". Estimates of the number that died vary, but up to 14 million are thought to have died. Some ethnic groups bore the brunt of the changes more than others, for example, it is thought that around 38% of all Kazakhs perished in the early thirties from this ill-conceived and ill-executed idea.⁹⁵

America's response to the imprisonment of political dissenters in the seventies came in the form of an amendment to the 1974 Trade Act which aimed to fast track trade agreements that the President had negotiated and also enable action to be taken against any country using unfair trade practices (the famous 301 section). Senator Henry Jackson and Congressman Charles Vanik successfully campaigned for an amendment (that became known as the Jackson-Vanik amendment) that denied normal trade relations with non-market economies that denied the freedom to emigrate. Although this was not a full frontal assault on the Soviet Union's human rights abuses, it was an indirect attempt at trying to give Soviet citizens a way of escape.

Human rights were more directly dealt with in the 1975 Helsinki Accords that centred on security and cooperation in Europe which specifically concentrated on the respect for human rights mainly in one of the "baskets" of issues – the so called third basket.⁹⁶ Although the accords were only an agreement rather than a treaty, it gave America and Europe a forum in which they could press the Soviet Union on this issue. More direct action came in 1981 after the military crackdown on striking Polish workers (rather ironic for a communist state). America reacted through a series of trade sanctions on high technology, oil and gas equipment and landing rights for Aeroflot in America.⁹⁷

⁹⁵ Wikipedia, "Kazakh famine of 1930–1933", accessed August 10 2023.
https://en.wikipedia.org/wiki/Kazakh_famine_of_1932%E2%80%931933

⁹⁶ Daniel Fried, "Fifty years later, the Helsinki process stands as a turning point for human rights in Europe", New Atlanticist September 1, 2023.
<https://www.atlanticcouncil.org/blogs/new-atlanticist/csce-fifty-years-human-rights-europe/>

⁹⁷ Steven Weisman, "Reagan Curtails Soviet Trade And Halts Technology Sales; Walesa Said Agree To Talks", New York Times, December 30 1981.

China's human rights record is strikingly similar to that of the Soviet Union's. Indeed, they share similar causes with regard to mass "unintentional" deaths – collectivization. In both countries, communist ideology drove their leaders to abolish private ownership in favor of mass collectivization and rapid industrialization. Chairman Mao seemed to learn nothing from the earlier experiences of the Soviet Union, if the results are anything to go by – up to 45 million Chinese citizens died as a result of the Great Leap Forward of 1958-61.⁹⁸ The effect of these state policies was made far worse by Mao's decision to launch the Four Pests Campaign at the same time. The edict demanded that sparrows, rats, flies and mosquitoes be eradicated. The problem was that sparrows carried out the rather useful function of killing insects like locusts that destroyed crops. The outcome was all too predictable with swarms of locusts happily chomping through China's crops.⁹⁹

The most renowned massive human rights abuse that was intentionally focused on the individual under Mao was, of course, the 1966 Cultural Revolution. Again, the dynamics were strikingly similar to those under Stalin. The stated objective was "to struggle against and crush those persons in authority who are taking the capitalist road".¹⁰⁰ Yet, oddly, many of these capitalist "revisionists" that were either killed, imprisoned or sent to the countryside for "re-education" turned out to be Mao's revolutionary comrades who had stood side by side with him in the Chinese civil war and the Long March. The aim was clear – after the awful failure of his Great Leap Forward, Mao realised that it was imperative to deflect criticism and prevent any challenge to his power. In order to eradicate any potential political opponents of his generation, Mao targeted students who created bands of Red Guards. Essentially, these teenagers were given a license to kill and maim and gleefully took the opportunity of murdering those they identified as revisionist or even having bourgeois western haircuts and

<https://www.nytimes.com/1981/12/30/world/reagan-curtails-soviet-trade-halts-technology-sales-walesa-said-agree-talks.html>

⁹⁸ Frank Dikötter, "Mao's Great Leap to Famine", New York times, December 15 2010. <https://www.nytimes.com/2010/12/16/opinion/16iht-eddikotter16.html>

⁹⁹ Goran Blazeski, "In 1958 Mao Zedong ordered all the sparrows to be killed", The Vintage News, September 26 2016.

¹⁰⁰ Tom Phillips, "The Cultural Revolution: all you need to know about China's political convulsion", The Guardian, May 11 2016.

<https://www.theguardian.com/world/2016/may/11/the-cultural-revolution-50-years-on-all-you-need-to-know-about-Chinas-political-convulsion>.

clothes.¹⁰¹ Ironically, the chaos was such that, by 1968, Mao ordered the very youths that had been so enthusiastic in his Cultural Revolution to be hauled off to the countryside so that they themselves could be re-educated. Estimates vary, but it is thought that between 500,000 to two million people died as a result.¹⁰²

As mentioned earlier, following Deng Xiaoping's rise to power, Chinese politics became more pragmatic and less ideological. Until Xi, his successors followed suit and China enjoyed more than three decades of economic prosperity and political stability - with the exception of the Uighur unrest detailed below. Since Xi became General Secretary of the Chinese communist party in November 2012 and also President in March 2013 the government has embarked upon a three pronged clampdown focused on corruption, individual political dissenters and mass protests/riots motivated by issues of autonomy (Uighurs in Xinjiang province and Hong Kong). Each of these clampdowns has been heavy handed, bringing fears that China is reverting back to the bad old days of unbridled state power, lack of legal due process and human rights abuse.

At least with regard to political dissent and corruption, some of his authoritarian tendencies may be explained by Xi's own initial political weakness. Although one of the so called princelings (because his father, Xi Zhongxun, was part of the revolutionary movement), he is part of the fifth generation of leaders which means he is part of the first group not to have been directly lined up for the higher echelons by Deng Xiaoping himself.¹⁰³ Whatever the reasons, he has dealt with those who challenge the communist party's authority severely. Political activists, like the "Hong Kong Five" publishers and sellers of books critical of the Chinese state, have been snatched from the streets disappearing into detention for long periods, only to reappear confessing to various crimes. At the same time (2015), a policy of harassment towards human rights lawyers has emerged with more than

¹⁰¹ Tom Phillips, "The Cultural Revolution: all you need to know about China's political convulsion", *The Guardian*, May 11 2016.
<https://www.theguardian.com/world/2016/may/11/the-cultural-revolution-50-years-on-all-you-need-to-know-about-Chinas-political-convulsion>.

¹⁰² The paragraph is a summary of Tom Phillips, "The Cultural Revolution: all you need to know about China's political convulsion", *The Guardian*, May 11 2016.
<https://www.theguardian.com/world/2016/may/11/the-cultural-revolution-50-years-on-all-you-need-to-know-about-Chinas-political-convulsion>.

¹⁰³ Sujian Guo, *Chinese Politics and Government: Power, ideology, and organization*, (London: Routledge, 2013), 106.

200 detained and many of those tortured.¹⁰⁴ Indeed, in December 2015, the United Nations Committee Against Torture reported that “the practice of torture and ill-treatment is still deeply entrenched in the criminal justice system” of China.¹⁰⁵ In fact, the situation has deteriorated rapidly in recent years with those lawyers showing any form of independence being beaten, detained and losing their licenses as a result of representing activists. Moreover, the ability of lawyers to defend their clients successfully since 2016 has been severely curtailed by the introduction of a directive that demands that they must “support the leadership of the Chinese communist party” and must not express any opinions that “reject the fundamental political system” of China.¹⁰⁶

The second aspect is the clampdown on corruption and the cleansing of the party of these elements. Although an anti-corruption drive would not normally be considered as a human rights issue, the methods used to extract “confessions” are an issue with police using “regular beatings, sleep deprivation, stress positions and solitary confinement” to break down those in detention.¹⁰⁷ Those arrested are assumed guilty and there is little attempt at actually proving this is the case, leading to great uncertainty as to whether those accused have carried out such acts. The most high profile anti-corruption trial thus far is that of Bo Xilai and his wife’s imprisonment for the murder of the British businessman Neil Heywood.¹⁰⁸ Bo Xilai himself was given life imprisonment for accepting bribes. Interestingly, in court he recanted the confessions that he had made during his detention leading to questions about how they were extracted in the first place.

Although Xi is probably genuinely trying to reduce corruption which is found at almost every level of bureaucracy, it may also be aimed at reducing

¹⁰⁴ “China torture condemned by UN rights watchdog”, BBC News, December 10 2015. <https://www.bbc.co.uk/news/world-asia-China-35058284>

¹⁰⁵ Ibid.

¹⁰⁶ Human Rights Watch, “China: New Rules Gag Lawyers Relentless Assault on Legal Profession Escalates”, October 25 2016.

<https://www.hrw.org/news/2016/10/25/China-new-rules-gag-lawyers>

¹⁰⁷ This is according to Human Rights Watch. See Benjamin Haas, “China torturing suspects in “war on corruption” says Human Rights Watch”, The Guardian, December 06 2016.

<https://www.theguardian.com/law/2016/dec/06/China-torturing-suspects-in-war-on-corruption-says-human-rights-watch>

¹⁰⁸ Tania Branigan, “China: Bo Xilai sentenced to life in verdict intended to send a message”, The Guardian, September 22, 2013.

<https://www.theguardian.com/world/2013/sep/22/bo-xilai-sentenced-life-prison>

the influence of the various political cliques that populate the communist party. Although the news often presents the communist party as a monolithic entity, there are many different factions, for example: the princelings; those who rose through the Communist Youth League (tuanpai); the Shanghai clique led by former President Jiang Zemin; and the Tsinghua clique based on graduates from that university etc. It is noteworthy that Bo Xilai was both a princeling and enjoyed Jiang Zemin's patronage. Moreover, his anti-corruption initiatives and creation of the so called Red Culture Movement to reinvigorate the ideological spirit of the party can be seen as competing with Xi Jinping's efforts which appear to mirror Bo's earlier policies.¹⁰⁹ The purge has included other protégés of Jiang Zemin and can be seen as an attempt to weaken the Shanghai clique (despite Xi's own connections to Jiang) by arresting influential members, such as, the former Vice Chairman of the Central Military Commission Xu Caihou and former Politburo Standing Committee member Zhou Yongkang (a supporter of Bo Xilai's) who also held the extremely powerful position of secretary of the Committee of Political and Legislative Affairs with control of the police and security forces.¹¹⁰

The third clampdown is against those seeking to either retain autonomy within China or achieve full independence. In Hong Kong two major protests have occurred recently centering on concerns that its autonomy is being eroded. The "Umbrella Movement" of 2014 so named because umbrellas were deployed to hide their identities and fend off the deployment of pepper spray by the police. The protests arose about the screening of candidates for the election to the office of Chief Executive. The protestors wanted a completely free election where all candidates could stand and be voted for. Despite the protest being non-violent many of its leaders were jailed.¹¹¹ However, the 2019 protests were of an altogether nature – at least at the end. The "Be Water" movement had clearly learnt from the 2014 protests and was deliberately leaderless, taking its name from Bruce Lee's aphorism to be "formless, shapeless, like water".¹¹² The issue this time was

¹⁰⁹ https://en.wikipedia.org/wiki/Bo_Xilai.

¹¹⁰ Tania Branigan, "China begins corruption inquiry into former security chief Zhou Yongkang", *The Guardian*, July 29 2014. Online at <http://www.theguardian.com/world/2014/jul/29/China-corruption-inquiry-zhou-yongkang>.

¹¹¹ Lily Kuo, "Hong Kong 'umbrella movement': nine convicted over protests", *The Guardian*, April 9 2019. <https://www.theguardian.com/world/2019/apr/09/hong-kong-umbrella-movement-protesters-guilty-over-pro-democracy-rallies-jail>

¹¹² Erin Hale, "'Be water': Hong Kong protesters adopt Bruce Lee tactic to evade police crackdown", *The Independent*, August 7 2019.

an attempt by the Hong Kong Government to introduce an extradition law allowing persons to be extradited to China. Given the various “disappearances” in previous years, many in Hong Kong were worried by the introduction of this bill (which was eventually withdrawn). But this time, violence began between the two sides and full on riots erupted with a level of chaos not seen before. Amnesty International has accused Hong Kong Police of “torture and other ill-treatment” of those in detention.¹¹³

The second clampdown is on a different scale altogether and centres on discrimination felt by the Uighurs, issue of land availability because of Han Chinese migration and, for some, the desire for independence. Although there is a long history of Uighur separatism, the most recent events can be traced back to riots that erupted as a result of an incident far from the Uighurs home province of Xinjiang. The so called Shaoguan incident in Guangdong province began because of an accusation that a Uighur worker in a toy factory had sexually assaulted a Han Chinese female. The violence that broke out resulted in at least two Uighurs being killed.¹¹⁴ This immediately sparked protests in the capital of Xinjiang, Urumqi, which turned violent resulting in at least 200 deaths. Moreover, these riots were then followed by a series of bombings, violent attacks and even an attempted aircraft hijacking.¹¹⁵ The initial response by security forces was to launch a “strike hard and punish” campaign to root out those responsible and execute them.¹¹⁶

However, since that time, what has emerged is a systematic rounding up of mainly Uighurs, but also other Muslim ethnic minorities like Kazakhs and Kyrgyz into vast prison camps for “re-education”. Although Chinese authorities have stated that these camps are voluntary and labelled them

<https://www.independent.co.uk/news/world/asia/hong-kong-protest-latest-bruce-lee-riot-police-water-a9045311.html>

¹¹³ Nicholas Bequelin, Amnesty International, “Hong Kong: Arbitrary arrests, brutal beatings and torture in police detention revealed”, September 19 2019.

<https://www.amnesty.org/en/latest/news/2019/09/hong-kong-arbitrary-arrests-brutal-beatings-and-torture-in-police-detention-revealed/>

¹¹⁴ Wikipedia, “Shaoguan incident”, accessed August 10 2024.

https://en.wikipedia.org/wiki/Shaoquan_incident.

¹¹⁵ Wikipedia, “Xinjiang conflict”, accessed August 10 2024.

https://en.wikipedia.org/wiki/Xinjiang_conflict

¹¹⁶ Tania Branigan, “China launches “strike hard” crackdown in Xinjiang”, The Guardian, November 3 2009.

<https://www.theguardian.com/world/2009/nov/03/China-strike-hard-crackdown-xinjiang>

“Vocational Education and Training Centers”, in 2019 hard evidence emerged in the form of the “China Cables” passed to journalists probably by a concerned Chinese official that confirmed the worst fears of human rights observers. The cables provide evidence that the detainees are not there by choice but are forcibly detained and subjected to a programme of indoctrination. One of the memos states:

Never allow escapes
 Increase discipline and punishment of behavioral violations
 Promote repentance and confession
 Make remedial Mandarin studies the top priority
 Encourage students to truly transform
 [Ensure] full video surveillance coverage of dormitories and classrooms free of blind spots.¹¹⁷

China has responded by denying that these are detention camps, but also some have argued that this is similar to the war on terror and the detentions at Guantanamo. Whatever one’s individual views about Guantanamo, what is going on in Xinjiang is on a completely different scale with around a million Uighurs and other Muslim ethnic minorities detained to under a thousand in Guantanamo.

America’s response to Chinese human rights violations in the past has been rather weak, to the extent that it is rather hard not to conclude that it has suffered from “state capture” by big business. The clearest example of this is the 1989 Tiananmen Square crackdown that began on the 3rd June, when large numbers of students protesting peacefully in the square were killed or injured by the military. President George Bush Senior’s general attitude was summed up when he replied to reporters’ questions on the incident whilst jogging – he replied “not while I’m running”.¹¹⁸ The sanctions that eventually followed were actually placed in a broader bill and passed by the House of Representatives in July 1989. The bill “banned or restricted arms sales, crime control equipment, and technology transfers, and shifted the U.S. government’s stance to restrict loans to China by international financial institutions”.¹¹⁹ In early 1990, the Senate also passed it, but diluted it so that

¹¹⁷ “Data leak reveals how China “brainwashes” Uighurs in prison camps”, BBC News, November 24 2019.

<https://www.bbc.co.uk/news/world-asia-China-50511063>

¹¹⁸ Michael Schaller, *The United States and China: Into the Twenty-First Century*, (Oxford: Oxford University Press) 203.

¹¹⁹ Richard C. Bush, “30 years after Tiananmen Square, a look back on Congress” forceful response”, Brookings Institute, May 29 2019.

the President could waive the sanctions if deemed to be in America's "national interest" (previously it stated "national security interests" which would have made it difficult for the President to circumvent).¹²⁰ Indeed, President Bush had secretly written to Deng assuring him that the relationship would continue, stating that, "I am respectful of the differences in our two societies and in our two systems".¹²¹ In 1991 and 1992, the House of Representatives tried to tie America's favorable trade deal with China (Most Favored Nation status- MFN) with human rights reforms, but this was vetoed by President Bush Senior.

Similarly, President Clinton called China's leaders the "butchers of Beijing" during the 1992 election, but he continued with the favorable trade that China enjoyed in 1993 (MFN status) – promising that conditions would be applied in 1994 (the trade deal had to be renewed every year).¹²² But by May 1994, the Clinton Administration dropped its policy of linking trade to human rights (which was adopted in the first year of office).¹²³

This section on human rights was going to end with a prediction that, in the near future, human rights would become a major issue to the extent that America's trade relations with China would be seriously affected. But recent events have meant that the prediction has already come true. In response to the crackdown on those involved in the "Be Water" movement, America passed the "Hong Kong Human Rights and Democracy Act of 2019" in November 2019. The bill targets asset transactions and visas of Chinese and Hong Kong officials deemed responsible for human rights abuses in Hong Kong. In addition, the act also requires the US State Department to annually review Hong Kong's autonomy and whether it is sufficient to justify continued favorable US trading terms.¹²⁴

<https://www.brookings.edu/blog/order-from-chaos/2019/05/29/30-years-after-tiananmen-square-a-look-back-on-congress-forceful-response/>

¹²⁰ Martin Tolchi, "House, Breaking With Bush, Votes China Sanctions", New York Times, June 30 1989. <https://www.nytimes.com/1989/06/30/world/house-breaking-with-bush-votes-China-sanctions.html>

¹²¹ The Economist, "The communist block", December 21 2019- January 03 2020, 90.

¹²² Richard C. Bush, "30 years after Tiananmen Square, a look back on Congress" forceful response", The Brookings Institute, May 29, 2019. <https://www.brookings.edu/blog/order-from-chaos/2019/05/29/30-years-after-tiananmen-square-a-look-back-on-congress-forceful-response/>

¹²³ Michael Schaller, The United States and China, 211.

¹²⁴ "H.R.3289 - Hong Kong Human Rights and Democracy Act of 2019", U.S. Congress, accessed June 21 2022. <https://www.congress.gov/bill/116th-congress/>

By the middle of 2020, the Hong Kong security law was enacted in response to the continuing protests bringing some forms of criminal activity under mainland China's jurisdiction. The law came into effect just one hour before the 23rd anniversary of the British handover of the island to the People's Republic of China – highly symbolic given that much of the law was seen as reneging on the agreement between those two countries.¹²⁵ The law included the following:

“Crimes of secession, subversion, terrorism and collusion with foreign forces are punishable by a maximum sentence of life in prison.”

Damaging public transport facilities can be considered terrorism.

Beijing will establish a new security office in Hong Kong, with its own law enforcement personnel - neither of which would come under the local authority's jurisdiction.

This office can send some cases to be tried in mainland China.

Hong Kong's chief executive will have the power to appoint judges to hear national security cases, raising fears about judicial autonomy.

Importantly, Beijing will have power over how the law should be interpreted, not any Hong Kong judicial or policy body. If the law conflicts with any Hong Kong law, the Beijing law takes priority.

Some trials will be heard behind closed doors.¹²⁶

Given the “disappearances” of political dissenters as previously discussed (where individuals have been abducted and taken across the border to mainland China – usually “confessing” to various crimes after a certain period in detention), these new powers are deeply concerning for many Hong Kong citizens.

The United States' immediate reaction was through a presidential executive order that revoked Hong Kong's special trading status so that the territory is now treated the same as main land China with regard to tariffs on imports

house-bill/3289. Lily Kuo, ““Full of arrogance”: Trump angers China by signing bills backing Hong Kong protesters”, *The Guardian*, November 28 2019. <https://www.theguardian.com/usnews/2019/nov/27/trump-hong-kong-bills-signed-China-protest>

¹²⁵ Grace Tsoi and Lam Cho Wai, “Hong Kong security law: What is it and is it worrying?”, *The Guardian*, June 30 2020. <https://www.bbc.co.uk/news/world-asia-China-52765838>.

¹²⁶ Grace Tsoi and Lam Cho Wai, “Hong Kong security law”.

into America. It also means that a ban on sensitive technologies will now apply to Hong Kong as well. Just as importantly, there will no longer be preferences for Hong Kong passport holders with regard to entering the US (length of visas and fees were different for the two regions). Even the Fulbright academic exchange program has been terminated for the Special Autonomous Region.¹²⁷

With regard to the mass detention of Uighurs, a bill was passed by 407-1 and then passed by the Senate. The Uighur Human Rights Policy Act of 2019 condemns the gross violations of human rights, by the People's Republic of China's mass surveillance and internment of over 1,000,000 Uighurs and other predominantly Turkic Muslim ethnic minorities".¹²⁸ It targets senior Chinese officials responsible for such abuses with sanctions and actually names the Xinjiang Communist party secretary, Chen Quanguo.¹²⁹

China responded to the Hong Kong Human Rights and Democracy Act by prohibiting U.S. military ships and aircraft from visiting Hong Kong and placed sanctions on "several U.S. non-government organizations for allegedly encouraging anti-government protesters in the city to commit violent acts".¹³⁰ With regard to the Uighur bill, China's foreign ministry stated that it was aimed at "arrogantly discrediting China's efforts to combat terrorism...and seriously interfering in China's internal affairs". It further

¹²⁷ Helen Davidson and Agencies, "China promises "firm response" to Trump's order ending Hong Kong's special status", The Guardian, Wed Jul 15 2020. <https://www.theguardian.com/world/2020/jul/15/trump-targets-China-with-executive-order-ending-hong-kongs-special-status>. The full text of the Executive Order can be found at <https://www.whitehouse.gov/presidential-actions/presidents-executive-order-hong-kong-normalization/>

¹²⁸ U.S. Congress, S.178 — 116th Congress (2019-2020. "An Act to condemn gross human rights violations of ethnic Turkic Muslims in Xinjiang, and calling for an end to arbitrary detention, torture, and harassment of these communities inside and outside China", accessed June 15 2021. <https://www.congress.gov/bill/116th-congress/senate-bill/178/text?format=txt>. Reuters, "US House approves bill that calls for sanctioning Chinese officials over Muslim detainment camps", December 4 2019. <https://www.cnn.com/2019/12/04/us-house-approves-bill-calling-for-tougher-response-to-china-muslim-detainment-camps.html>

¹²⁹ Guardian and other agencies, "US House approves Uighur Act calling for sanctions on China's senior officials", The Guardian, December 4 2019. <https://www.theguardian.com/world/2019/dec/04/us-house-approves-uighur-act-calling-for-sanctions-on-chinas-politburo-xinjiang-muslim>

¹³⁰ Guardian Staff and Agencies, "US House approves Uighur Act calling for sanctions on China's senior officials".

argued that it is “not a human rights, nationality, or religion issue at all, but an issue of anti-terrorism and anti-secession.”¹³¹

Tensions over China’s actions in Hong Kong have continued after President Biden’s inauguration. In July 2021, America imposed sanctions on seven individuals working for China’s Hong Kong liaison office – the main institution through which Chinese policies are organized with the territory.¹³² Around the same time, the new administration issued an advisory note to American businesses on the risks of conducting business in Hong Kong. President Biden himself warned that the “situation in Hong Kong is deteriorating. And the Chinese government is not keeping its commitment that it made how it would deal ... with Hong Kong.”¹³³ Less than a month later, the president also offered a temporary (18 months) “safe haven” to Hong Kong citizens currently residing in the United States. The White House Press Secretary didn’t pull any punches, stating that, “Given the politically motivated arrests and trials, the silencing of the media, and the diminishing the space for elections and democratic opposition, we will continue to take steps in support of people in Hong Kong.”¹³⁴

Just at the end of President Trump’s term of office, the Secretary of State, Mike Pompeo, declared that China was carrying out a genocide against Uighurs and other Muslim peoples. If China thought that this was simply done for effect and the issue would subside with a new administration, they were sorely mistaken. Even during the confirmation hearings of President Biden’s nominee for Secretary of State, Anthony Blinken stated that he agreed with the judgement and has since repeated the allegation.¹³⁵

¹³¹ Guardian and other agencies, “US House approves Uighur Act calling for sanctions on China’s senior officials”.

¹³² Humeyra Pamuk and David Shepardson, “U.S. to sanction Chinese officials and warn companies over Hong Kong -sources”, Reuters, July 16 2021. <https://www.reuters.com/world/asia-pacific/us-sanction-chinese-officials-warn-companies-over-hong-kong-sources-2021-07-15/>

¹³³ Michael Martina and David Brunnstrom, “U.S. sanctions Chinese officials over Hong Kong democracy crackdown”, Reuters, July 16 2021. <https://www.reuters.com/world/asia-pacific/us-sanctions-seven-chinese-individuals-over-hong-kong-crackdown-2021-07-16/>

¹³⁴ Associated Press in the Guardian, “Biden grants “safe haven” to Hongkongers in US amid China crackdown”, The Guardian, August 5 2021. <https://www.theguardian.com/world/2021/aug/05/biden-hong-kong-china-crackdown>

¹³⁵ Deirdre Shesgreen, ““The world’s on fire” and other takeaways from Biden’s secretary of state nominee confirmation hearing”, USA Today, January 19 2021.

This sentiment has been followed up by some concrete action. In March 2021, the United States said it would implement sanctions against Wang Junzheng, the Secretary of the Party Committee of the Xinjiang Production and Construction Corps and Chen Mingguo, Director of the Xinjiang Public Security Bureau (XPSB), for human rights abuses against ethnic minorities in Xinjiang.¹³⁶ Whilst signalling continuity with the Trump Administration it was also significant that the move was part of a wider multilateral response. At roughly the same time as America's statement, the European Union, the United Kingdom and Canada also imposed sanctions and targeted various Chinese officials.¹³⁷

This multilateral approach to human rights was also apparent during the first G7 (Group of Seven) meeting since President Biden's inauguration. The joint communique at the end of the summit was notable for the fact that all seven major powers agreed that what is occurring in both Xinjiang and Hong Kong is a breach of fundamental human rights. The joint statement therefore called on China "to respect human rights and fundamental freedoms, especially in relation to Xinjiang and those rights, freedoms and high degree of autonomy for Hong Kong enshrined in the Sino-British Joint Declaration and the Basic Law".¹³⁸ Most worryingly for China from an economic point of view was the call "to eradicate forced labor from global supply chains" – which was mainly a reaction to the alleged use of forced labour in Xinjiang.¹³⁹

These tensions have all the hallmarks of Cold War I. At the heart of the matter, there is a fundamental difference in how each side views the world. Just like the Soviet Union, China views the state and its territory as

<https://eu.usatoday.com/story/news/politics/elections/2021/01/19/biden-nominee-antony-blinken-china-committing-genocide-uyghurs/4215835001/>

¹³⁶ Anthony Blinken, "Promoting Accountability for Human Rights Abuse with Our Partners", US Department of State. March 22 2021.

<https://www.state.gov/promoting-accountability-for-human-rights-abuse-with-our-partners/>

¹³⁷ Dareh Gregorian and Abigail Williams, "Biden admin sanctions Chinese officials for abuses against Uyghurs", NBC News, March 23 2021.

<https://www.nbcnews.com/politics/politics-news/biden-admin-announces-sanctions-against-chinese-officials-over-human-rights-n1261745>

¹³⁸ The White House, "Carbis Bay G7 Summit Communique", June 13 2021, accessed August 14 2024. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/13/carbis-bay-g7-summit-communique/>.

¹³⁹ Koichi Hagiuda, "G7 agree to eradicate forced labor amid China's treatment of Uyghurs", Japan Times, October 23 2021.

<https://www.japantimes.co.jp/news/2021/10/23/world/g7-china-forced-labor/>

inviolable – what happens within its borders is its business and its business alone. The United States believes that sovereignty should be respected, but only up to a certain point. It views human rights as innate and possessed by all peoples of the world, no matter where they reside. However, China points out that America has not kept to its own high standards because of Guantanamo and often asks what is the difference between its response to terrorist incidents and America's response. It also sees America's vocal support for human rights less as a policy of virtue and more as something it weaponizes to vilify those that it sees as a threat. It is therefore highly likely that disagreements over human rights will remain high on the agenda and become a permanent feature of Cold War II

Sanctions and Embargoes

During Cold War I, America and its allies imposed severe restrictions on trade with the Soviet Union. Indeed, when China became communist, it was added to the list of communist countries for which exports were to be severely restricted. There were several objectives to these trade restrictions. As we have seen, trade sanctions are when import/export restrictions are applied when a country attempts to change another state's behavior. In this case, trade is directly linked to both punishment and compliance – for example, America responded to the crackdown in Poland in 1981 by restricting trade with the Soviet Union to punish such behavior and in the hope that it would respond by revoking martial law. Then there are more general trade embargoes which identify certain types of goods that cannot be exported for security reasons – although such embargoes may also slow the economic growth of the target country which is seen as beneficial as well. Such embargoes usually divide the types of merchandise into two: those items that would obviously benefit a country militarily, such as, guns, tanks, nuclear material etc.; and those items that have a dual use nature e.g. high-tech lathes that could be used both in general manufacturing and for, say, submarine/ship propellers.

In the case of the Soviet Union, sanctions were often applied by America in an attempt to change behavior it found unacceptable, such as, the invasion of Afghanistan and the crackdown in Poland. But, it also applied trade restrictions across the board from the very beginning of the Cold War. Moreover, it did not do this on its own, but instead got agreement from most of Europe and Japan to ban trade in military equipment; nuclear equipment; and anything that could possibly have a positive effect on the Soviet Union's military capability.

The Coordinating Committee for Multilateral Export Controls (COCOM) was set up in 1950 by America and its allies. The key to its success was that it was multilateral incorporating all of the highly industrialized countries who were capable of producing hi-tech/sophisticated industrial products. In fact the block on technology also included China, although sanctions were relaxed with regard to the latter some time before COCOM effectively ended in 1994.¹⁴⁰ In reaction to COCOM, the Soviets in particular engaged in pervasive and highly intensive industrial espionage in order to leap frog up the technological ladder. Although the hit TV series “The Americans” about Russian spies posing as an all American middle class family living in suburbia is not necessarily factually correct, there were many operatives deployed like this to try to get the technology the Soviets needed to keep up in its technological race with the West – including highly convincing married couples passing as Westerners. Some of the projects that are alleged to have benefitted from this infiltration are “Concordski” (Tupolev TU-144) that looked remarkably like the British-French Concorde and the “Buran” shuttle that looked like a mirror image of the US Space Shuttle.¹⁴¹

As was mentioned above, China is no stranger to embargoes/sanctions because it was placed on the list of banned countries in COCOM. Indeed, the United States’ unilateral action targeted the country with a total trade ban from 1951 to 1972 in retaliation for China entering the Korean War on the side of North Korea.¹⁴² The COCOM restrictions lasted until a gradual easing in the mid-eighties as it became apparent that China’s economic liberalization was going to proceed apace. Recent trade actions by America have operated along all three lines mentioned above.

Even before the Trump Administration (although obviously still operating through President Trump’s term), America’s ITAR (International Traffic in Arms Regulations) maintained a list of armaments that could not be exported to certain countries (including China). These regulations are primarily aimed at preventing the export of military equipment to China and other countries on its list. This is the clearest form of embargo (i.e. banning certain goods for security reasons), although even military equipment can have a broader impact upon China’s economic development because, obviously, some components from hi-tech military equipment can be used

¹⁴⁰ Congress of the United States, “Technology and East-West Trade”, (Washington D.C.: Office of Technology, Assessment, 1979.)

¹⁴¹ Robert Windrem. “How the Soviets stole a space shuttle”, NBC News, February 11, 2008. <https://www.nbcnews.com/id/wbna18686090>

¹⁴² Xin-zhu J. Chen, “China and the US Trade Embargo, 1950-1972”, *American Journal of Chinese Studies*, No. 13, No. 2, (October 2006), 169-186.

in other industries. But, in addition, the Trump Administration is targeting both imports and exports to/from China over security concerns. Huawei, China's leading phone maker and supplier of equipment for mobile networks has been deemed a security risk. As a result, two actions were actually taken on the same day (May 15th 2019). The first targeted Huawei's supply of telecommunications and 5G network which is way ahead of any western competitor (hence allegations that the actions were about trade not security), effectively banning American firms from using it. The executive order didn't actually name Huawei individually but stated any company supplying such services that are "subject to the jurisdiction or direction of a foreign adversary" deemed a risk to national security.¹⁴³ The second action was far more wide-ranging and more harmful to Huawei's business. The Department of Commerce effectively banned American companies from doing business with Huawei which was reliant on American chip makers and tech giants like google and android for software.¹⁴⁴

Secondly, America is targeting hi-tech that is used for surveillance purposes in the hope that China will respect the human rights of its Uighur minority. At the beginning of October 2019, a mixture of government agencies involved in internal security and Chinese companies that supply surveillance equipment e.g. facial recognition and tracking software were added to the list of entities that American companies cannot do business with. In total, 28 entities were added, but this included some of the biggest companies in this sector, such as, Hikvision.¹⁴⁵ America is also targeting trade with Hong Kong to try to prevent further crackdowns in the region. As mentioned earlier, the Hong Kong Human Rights and Democracy Act requires an annual review of the situation in the Special Administrative Region and trade sanctions could follow if the assessment concludes that its autonomy has been jeopardised. In addition, another bill was passed at the same time that places an outright ban on munitions Hong Kong police use

¹⁴³ President of the United States, Donald Trump, "Executive Order on Securing the Information and Communications Technology and Services Supply Chain", May 15 2019 accessed June 22 29020.

<https://www.whitehouse.gov/presidential-actions/executive-order-securing-information-communications-technology-services-supply-chain/>

¹⁴⁴ The Economist, "Huawei has been cut off from American technology", May 25 2019. <https://www.economist.com/business/2019/05/25/huawei-has-been-cut-off-from-American-technology>

¹⁴⁵ Reuters, "US blacklists 28 Chinese companies and government agencies over Uighur repression", The Guardian, October 08 2019.

for crowd control, such as, “tear gas, pepper spray, rubber bullets and stun guns”.¹⁴⁶

In many ways, Biden’s embargoes are even more comprehensive and what is emerging is an integrated strategy with regard to ensuring America prevails in the high-technology sector. On the one hand the Biden Administration has overseen a huge investment in cutting edge technology through the CHIPS and Science Act of 2022. The main purpose of this Act is to invest \$280 billion in the high technology sector in order to boost domestic production of semi-conductors and ensure America retains a competitive lead across the spectrum of hi-tech innovations. At the same time, the Biden administration has placed large tariffs on Chinese electric vehicles (100%) and other products where they lead, like lithium batteries and solar panels.¹⁴⁷

The above moves seem more about trade competition rather than security. However, the Biden Administration has engaged in embargoes citing security issues (although the reasons often blend with trade competition). Towards the end of 2022, it was clear that a clear strategy had emerged that sought to target certain chokepoints. By restricting trade and investment with China in certain areas that are critical for chip making and advancement in artificial intelligence, it is hoped that America can slow China’s progress in these cutting edge technologies.

Four chokepoints have been identified and targeted with the aim to

(1) strangle the Chinese AI industry by choking off access to high-end AI chips; (2) block China from designing AI chips domestically by choking off China’s access to U.S.-made chip design software; (3) block China from manufacturing advanced chips by choking off access to U.S.-built semiconductor manufacturing equipment; and (4) block China from

¹⁴⁶ Verna Yu, “Hong Kong: anger in China as US Senate passes bill protecting protesters’ rights”, *The Guardian*, November 20 2019.

<https://www.theguardian.com/world/2019/nov/20/hong-kong-anger-in-china-as-us-senate-passes-bill-protecting-protesters-rights>

¹⁴⁷ The White House, “FACT SHEET: President Biden Takes Action to Protect American Workers and Businesses from China’s Unfair Trade Practices”, May 14, 2024. <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/>.

domestically producing semiconductor manufacturing equipment by choking off access to U.S.-built components.¹⁴⁸

China's response has been to create its own list of banned companies that it will refuse to do business with – the so called unreliable entities list. This is an indication of how far Chinese technology has developed and the fact that some American companies are actually dependent on certain supplies from China. In addition, it is most likely that China will escalate its espionage activities in order to help it create substitutes for the products they can no longer import. Indeed, this is in some ways another similarity with Cold War I where the Soviet Union sought to technologically catch up with the West by acquiring information concerning industrial innovation. However, as we will see in the next chapter, one of the key differences is that China has concentrated much of its resources into cyber-theft activities – something that did not really exist during Cold War I. Nonetheless, traditional espionage activities are still very actively engaged in. According to the United States' Department of Defense, since 2015, China has endeavoured to “acquire sensitive, dual-use, or military-grade equipment” which has included “radiation hardened integrated circuits, monolithic microwave integrated circuits, accelerometers, gyroscopes, naval and marine technologies, syntactic foam trade secrets, space communications, military communication jamming equipment, dynamic random access memory, aviation technologies, and anti-submarine warfare”.¹⁴⁹ Indeed, to some extent, the increase in espionage activity is already visible with many Chinese officials with diplomatic cover entering university labs and research facilities without authorization. At the end of 2019, America expelled two such officials because they entered a military base in Virginia which is home to some of America's Special Operations Forces.¹⁵⁰ To quote Donald Rumsfeld, these activities are only the “known knowns” and therefore it is likely that much more has been acquired and even more will be illegitimately acquired in the future if America continues to ban trading

¹⁴⁸ Gregory Allen, “Choking off China's Access to the Future of AI”, Center for Strategic and International Studies, October 11, 2022.

<https://www.csis.org/analysis/choking-chinas-access-future-ai>.

¹⁴⁹ William Reinsch, John Hoffner & Jack Caporal, “Unpacking Expanding Export Controls and Military-Civil Fusion”, Centre for Strategic and International Studies, May 14, 2020. <https://www.csis.org/analysis/unpacking-expanding-export-controls-and-military-civil-fusion>

¹⁵⁰ Edward Wong and Julian E. Barnes, “U.S. Secretly Expelled Chinese Officials Suspected of Spying After Breach of Military Base”, New York Times, December 15 2019. <https://www.nytimes.com/2019/12/15/world/asia/us-chinaspies.html?action=click&module=Top%20Stories&pgtype=Homepage>

in hi-tech items with China. The actual scale of China's espionage will remain one of the great "known unknowns".

Conclusion

How similar is Cold War II to Cold War I? This chapter has shown that there are indeed many similarities between the two. Although China's military build-up is only in its middle phase, it has clearly initially concentrated on weapons suited for asymmetric warfare. This is an obvious strategy to adopt and one that any weaker adversary would implement against a superpower like America. Using cyberspace to disable America's hi-tech military combined with military hardware like ground lasers that effectively blind America's eye in the sky and offensive weapons that can knock out its aircraft carriers that are essentially floating garrisons makes perfect sense from a military standpoint. But also China is moving into an endgame phase where it is rapidly developing capabilities to match that of the United States. We are therefore beginning to see the classic action-reaction cycle that was so apparent in the competition between America and the Soviet Union. As China begins to increase its military materiel, America is responding by updating and increasing its military capabilities.

With regard to ideology, like the Soviet Union, China promotes a highly centralized state form of communism. For many years as China sought to rapidly develop, its approach was highly pragmatic although, of course, communism was still taught through the state education system. Whether this was an intentional strategy to present a façade of a modernising and reforming system (think of Deng's advice about "hiding our capabilities and biding our time") or whether former leaders were really reformers and its only Xi Jinping who has radically altered course to a return to communism, only history will tell. It is rather surprising that Xi Jinping has turned out to be a stalwart of communism given that during the Cultural Revolution his father, Xi Zhongxun, was denounced, beaten up and sent into exile and his half-sister may have taken "her own life after being persecuted".¹⁵¹ Xi may actually believe in communism and sees China's future not only as the next superpower, but also one that will oversee a gradual transition from capitalism to communism as technology reduces our need for human labour. But, it is equally possible and maybe more probable that Xi learnt one thing

¹⁵¹ Tom Phillips, "The Cultural Revolution: all you need to know about China's political convulsion", *The Guardian*, May 11 2016.
<https://www.theguardian.com/world/2016/may/11/the-cultural-revolution-50-years-on-all-you-need-to-know-about-Chinas-political-convulsion>.

from the Cultural Revolution; just like Mao, he is simply using ideology as a reason to root out opponents and the deep seated corruption within the communist party. Xi may also be using it to cement a very fragmented society that now has high levels of inequality and a potentially toxic mix of regionalism, separatism, modernism, traditionalism, communism and capitalism with a unifying ideology that combines Chinese nationalism with communist ideology.

We can also see that, just like the Soviet Union before it, China is using aid to create allies across the globe. Indeed, it is out doing the Soviet Union not just in the amount of aid it is providing (ironically much of it through the dollars it has gained through its trade relationship with the United States), but in its strategic vision. The “One Belt, One Road” initiative is breathtaking in its scope and its audacity. It is essentially a massive infrastructural project to connect Europe, Eastern Europe, Africa, the Middle East, Central Asia and South Asia to enable trade. The idea is clearly to facilitate the movement of raw materials to China and the movement of finished or partly finished consumer goods in the other direction. This is a project on a mammoth scale – one that the world has never before seen.

With regard to human rights and sanctions - again we can see strong similarities with the Soviet Union. America often applied sanctions to the Soviet Union, either to stop human rights abuses or to change what it viewed as aberrant behavior in the Soviet Union’s foreign policy, such as, military adventures abroad. For at least three decades, America was incredibly reluctant to raise human rights issues with China and even more wary of applying sanctions. Its response to Tiananmen Square was a classic example of state capture by big business; but America was also probably wary of pushing the issue given China’s sensitivity to outside interference and its accusation that such interference is imperialism pure and simple. With regard to China, we are at the early stages of human rights being placed firmly on the political agenda and of sanctions being applied by America in an endeavour to stop abuses. However, 2019 was clearly a watershed for this issue, with human rights moving to the top of the political agenda. It is likely that human rights will continue to affect America’s relationship with China in future years and much will depend on how the latter responds to demands for change.

Although there are clear similarities with Cold War I, we now live in a very different, economic, political, cultural and technological environment. The most obvious difference is that the World Wide Web only came into existence on the eve of the Soviet Union’s collapse. The benefits this has

given China in terms of information gathering have been immense, but it also adds a new and novel security dimension to international relations. Economically, the world is completely different with regard to the way things are produced – with production divided up into discrete sections and allocated to countries around the world depending on cost factors. This then has political ramifications, because America's allies are reluctant to disrupt an economically beneficial relationship that they have enjoyed for over forty years. Culturally, the relationship with China is bereft of the myriad of agreements that were actually established between the Soviet Union and America. These agreements helped develop expectations of each state's behavior by creating norms that both sides adhered to. Thus far, this has not really developed in America's relationship with China and it brings an element of instability that must be worrisome for both sides. It is to these aspects of the developing international landscape that we shall now turn.

CHAPTER FIVE

COLD WAR DIFFERENCES

The last chapter identified several strong similarities with Cold War I: a military build-up; aid to attract/influence allies; communist ideology; issues with human rights; and sanctions. But the strategic landscape is also very different in several ways and these differences are no doubt going to influence the way in which Cold War II plays out. The first aspect is proximity – the two sides are not face to face along a long border. Indeed, unlike the military build-up along the Iron Curtain, China lacks close allies in the region – other than North Korea. Second, we now live in an internet age enabling far reaching and near instantaneous communications. Yet, this cyberspace also brings with it many vulnerabilities from cyberattacks to cyber theft – activities that are hard to track and find out who is really responsible. Third, we live in a much more globalized world than during the Cold War I period. This is not just because the World Wide Web was invented only just before the Soviet Union collapsed, but also because the level of trade and investment that crosses borders is of a much greater magnitude. Fourth, despite their hostility, the relationship between America and the Soviet Union was given a certain degree of stability through multiple agreements on arms control and disarmament. These helped produce mutually agreed norms of behavior towards each other and made their relationship more predictable. This is notable by its absence in America's relationship with China leading to a potentially more volatile relationship.

Geopolitics and Alliances

One of the most obvious differences between Cold War II and Cold War I is geography and the alliances/territorial control each of the adversaries forged. The Soviet Union essentially used Eastern Europe as a buffer zone – a cordon sanitaire – to provide it time in the case of a military offensive by the West. Eastern Europe would be used to take the brunt of any invasion whilst a Soviet counter-attack would be launched to save the motherland. A mutual defense organization was established in 1955 – the Warsaw Pact. However, this was not so much a mutual defense alliance, but a form of

territorial control with the Soviet Union placing armed forces in Eastern Europe and controlling (or trying to control) those in power. Any protests against this policy were dealt with severely, for example, Hungary in 1956, Czechoslovakia in 1968 and Poland in 1981 (although this was technically a domestic crackdown it was done in order to avoid Soviet intervention). Indeed, the Warsaw Pact invaded Czechoslovakia in 1968 after it displayed a little too much independence – which gave an indication of the true nature of the “alliance”. The Warsaw Pact was therefore inherently weak. Given its coercive nature, the Soviet Union could never be sure that Eastern European troops would support it in any confrontation with the West. The most important alliance with the Soviet Union that was entered into voluntarily was that with China in 1950. But even this lay moribund by the end of the sixties as the two entered into minor skirmishes over territories on their border.

The Western alliance, on the other hand, came in the shape of the multilateral defense organization, NATO (North Atlantic Treaty Organization). Initially, in 1949, the members included: Belgium, Canada, Denmark, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, the United Kingdom and the United States, but it quickly expanded to include Greece, Turkey (1952) and Germany (1955). The cornerstone of the alliance was its “musketeer” all for one and one for all approach to defense enshrined in Article 5 – “The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all”.¹

The Cold War in Europe had a very clear physical presence with the armed forces of each side facing each other across the “iron curtain”. The stand-off with China is different in several ways. The most obvious difference is the geographical situation. In most cases, America’s allies in the region are separated from the East Asian mainland by sea. This affects the dynamics and strategy of Cold War II. Soviet and Western troops were literally eye-ball to eye-ball in Europe poised for war at any time. This time both have forces in the region, but a full-on rapid frontal assault is logistically more difficult. Second, the nineteenth century Prussian field marshal, Helmuth von Moltke famously pointed out that no plan survives contact with the enemy, if this is true of land forces then it is doubly so for sea battles. It is far more difficult to locate vessels at sea (especially submarines), but also very difficult to respond quickly to counter-strategies by the enemy – things

¹ NATO, “The North Atlantic Organization” accessed August 2024.
https://www.nato.int/cps/en/natolive/official_texts_17120.htm

are just slower at sea. One's plans can be made completely ineffective by a mechanical malfunction of an aircraft carrier which then has to be towed to a port, or by a successful hit using an anti-carrier ballistic missile. Such vulnerabilities do not have to be hi-tech – think of Al-Qaeda's successful attack on the destroyer USS Cole simply using a boat, some explosives and suicide attackers. Even if one engages and destroys the enemy at sea, establishing a foot-hold on enemy soil is notoriously difficult – the Western allies in World War 1 found this out to their cost at Gallipoli, Turkey. Indeed, the logistics are so challenging that one famous International Relations theorist has argued that America's effective military strength is severely curtailed by the "stopping power of water".²

The other big difference is that, after the Second World War, rather than build an overarching multilateral defense organization in East Asia, America chose to set up a series of bilateral alliances with each country separately. The principle was similar, to ensure no further acquisition of territory by communist countries via the tethering of a multitude of "Davids" with the American goliath. But, the United States may now regret not having a more coordinated organizational approach that ensures military inter-operability amongst East Asian states rather than the fairly individualised arrangement it has in place. It is highly likely that, as Cold War II deepens, America will attempt to bring most of China's neighbouring states into a NATO like organization with the same mutual defense commitment, so that all must respond to an attack on a member state. However, this will be an uphill battle for three reasons. The memories of conquest by neighbouring states is still very much present. For example, Japan's invasion of many of the states in the region is still bitterly remembered. Second, several states are ambivalent towards Taiwan's status and do not necessarily disagree with China's viewpoint that it has a legitimate claim to the island. The more modern issue is China's high level of trade and/or investment in the region from which East Asian states benefit greatly (remember from Chapter Two that, unlike the West, many East Asian states have a trading surplus with China. Whether an East Asian state would come to the rescue of a neighbour that is being attacked and forego these benefits is a moot point that has not been tested. It may well depend on China's general behavior and how large a threat it is perceived to be – states are much more likely to come to another's aid if they think they might be next on China's list.

² John Mearsheimer, *The Tragedy of Great Power Politics*, (New York: W.W. Norton & Company, 2001).

As was mentioned previously, in tandem with the rapid improvement in its economy in the late eighties and early nineties, China initially sought to extend its control in the South and East China seas. The negative international reaction alongside the Taiwan incident that saw America position two aircraft carriers near the island probably made China rethink its strategy. However, despite all the rhetoric about a “peaceful rise” it is now clear that China sought to buy time to economically develop which would, in turn, make it possible to modernise its military. Shortly after Xi came to power, China began to rapidly develop military bases with airfields on islands all across the South China Sea despite the disputed ownership of several of the islands. When ships from other countries get too close to disputed territories and Chinese oil rigs China has rammed and even sunk vessels. Again, this is something that has increased in frequency in the last few years.³

At first glance, China’s islands grab appears to be a badly thought out case of “how to lose friends and alienate people”. Indeed, its only friends in the region now seem to be the North Korean regime of Kim Jong-Un and Putin’s Russia. But there are several reasons why China may have thought that it had to act now or never. Much of the Chinese political elite view rising tensions with America as inevitable as China’s power continues to grow to the point where it becomes a challenger to America’s control of the region. Maybe actual conflict between the two superpowers won’t occur, but a severe deterioration in relations alongside a rapid military escalation in the region looks to be already unfolding. In addition, China probably acted to pre-empt a decision by the United Nations in a case brought to it by the Philippines in 2013 challenging China’s historical territorial claims to the South China Sea. China has for a long time maintained that it has historic rights within an area demarcated by a nine-dash line which essentially encompasses most of the South China Sea. However, the UN ruled against China in 2016 concluding that it had no historic title to the territory (but would still have territorial claims under the UN’s Convention for the Law of the Sea – which would need to be put forward in negotiation with other states).

Seen from this perspective, the strategy of building military bases throughout the South China Sea, despite opposing claims to the various islands, can be understood as taking advantage of a once in a lifetime opportunity. Further into Cold War II, the island grabs may have sparked a

³ RAND, “China, Inside and Out: A Collection of Essays on Foreign and Domestic Policy in the Xi Jinping Era”, Sana Monica, (California: RAND Corporation, 2015.)

conflict. By acting now, China has managed to militarily secure much of the South China Sea and, although the United Nations does not recognise its historic claim to the region, China will insist (as it is already doing) that others respect its territory and stay clear of the region. China maintains what is called an A2/AD strategy. This is simply a strategy of controlling an area through anti-access (A2) by deploying a range of offensive strike weapons (aircraft, warships, cruise missiles etc.) and area denial (AD) through a range of more defensive measures like anti-submarine sensors and weaponry and surface to air missile (SAM) systems.⁴ If we recall the three island chains mentioned previously, the first chain, by and large, encompasses the Yellow, East China, and South China Seas. Once its military bases on the islands are fully armed with missile systems that are capable of knocking out warplanes and incoming missiles and the island airfields have fully equipped air squadrons backed up by its modern navy, China may well attain maritime superiority within the First Island Chain. This will create the equivalent of the Soviet Union's Eastern Europe *cordon sanitaire*, but this time using a vast expanse of sea between its mainland and its adversaries.

However, such assertive actions by China may have produced a self-fulfilling prophecy. It believed that a strengthening of alliances with America and a deterioration of relations with its neighbours was almost inevitable given its increasing power. By ignoring the United Nations' arbitration and militarising the islands, it has convinced all states in the region that it has ill intentions. Therefore, there is now an array of countries that are strengthening their own capabilities and alliances/partnerships with the United States, some (but not all) of which are outlined below.

Taiwan

Taiwan is critically dependent for its survival on its partnership with the United States and has been ever since the Kuomintang Government that lost the Chinese civil war retreated to the island and settled there. China views Taiwan as a rogue province and envisages eventually bringing it back into the fold, possibly under a one country two systems style of arrangement similar to that in Hong Kong. The problem is that Taiwan's situation changed radically in 1979 largely because of the tectonic shift in great power politics that occurred in the seventies. President Nixon and Henry

⁴ Missile Defense Advocacy Alliance, accessed August 18 2024.
<https://missiledefenseadvocacy.org/missile-threat-and-proliferation/todays-missile-threat/China-anti-access-area-denial-coming-soon/>.

Kissinger (Secretary of State) saw an advantage to be had by establishing better relations with China and potentially exacerbating the rift between China and the Soviet Union that had become ever more apparent in the sixties. As a result, a series of meetings took place between China and America with Henry Kissinger embarking upon a secret trip to Beijing in 1971 that eventually led to the two sides establishing diplomatic relations in 1979.

The problem was these great power machinations left Taiwan out in the cold. The United States abandoned its formal treaty commitment to defend Taiwan by terminating the Sino-American Mutual Defense Treaty of 1955. After much protest both in Taiwan and America, the United States replaced its absolute commitment with a poorer cousin - the 1979 Taiwan Relations Act. The problem for Taiwan is that the Act only talks of a commitment “to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan”, without actually stating that it would definitely come to Taiwan’s aid. America has thus maintained a stance of strategic ambiguity as to whether it would defend Taiwan if it were attacked. The Act does, however, commit the United States to providing military capabilities “to enable Taiwan to maintain a sufficient self-defense capacity”.⁵ Over the years, this has become a source of great tension between China and America because of the sophisticated military materiel that the latter continues to supply to Taiwan.

Until relatively recently, it was possible to maintain this position of strategic ambiguity simply because it was questionable whether China had the military capability for a full invasion. Today, there is little doubt that it could launch a full scale invasion. A recent Department of Defense report provided a sobering account of how China now outguns Taiwan on every front: 33 destroyers to Taiwan’s 2; 50 attack submarines to Taiwan’s 2; 1,500 fighter jets to Taiwan’s 350; and its 5,800 tanks to Taiwan’s 800.⁶ China also now has two aircraft carriers and hundreds of missiles that it can rain down on the island.

⁵ American Institute in Taiwan, “Taiwan Relations Act (Public Law 96-8, 22 U.S.C. 3301 et seq.)”, accessed August 10, 2024. <https://www.ait.org.tw/taiwan-relations-act-public-law-96-8-22-u-s-c-3301-et-seq/>.

⁶ Department of Defense, “Military and Security Developments Involving the People’s Republic of China 2019”, accessed August 20 2019. https://media.defense.gov/2019/May/02/2002127082/-1/1/2019_CHINA_MILITARY_POWER_REPORT.pdf#page=1&zoom=auto,-69,740

America's response has been two fold. It is providing Taiwan with more hi-tech military equipment in the hope that quality will overcome quantity. It has recently approved the sale of 66 upgraded F-16 Viper fighter jets alongside 108 M1A2T Abrams tanks and portable Stinger anti-aircraft missiles (it already has patriot air defense systems).⁷ Secondly, since the Trump Administration, America has begun to signal a possible shift in its policy of strategic ambiguity towards a firm commitment of defending the island from any attempt by China to take the island by force – although it is still not official policy at the moment.⁸ Certainly, the Trump Administration's Indo-Pacific Strategy emphasises that it is America's objective to "ensure that Taiwan remains secure, confident, free from coercion, and able to peacefully and productively engage the mainland on its own terms".⁹ Moreover, President Biden has twice stated that the US would defend Taiwan, even including it in a list of defense commitments to countries that included NATO. This obviously created some consternation - given the absolute mutual defense commitments that the US has with its NATO allies. A spokesperson from the White House was quick to clarify that America's relationship with Taiwan is guided by the Taiwan Relations Act and America continues to help it in its self-defense.¹⁰

Whether these were accidental slips of the tongue or a deliberate signal to China that America will not brook an invasion of Taiwan is difficult to tell. Certainly the most recent military deal with the US (2023) was different in kind and not just degree. Rather than authorizing the sale of arms to Taiwan, President Biden used the "presidential drawdown authority" to authorize actual US military aid for the first time.¹¹

⁷ Ryan Browne, "Trump admin formally approves fighter jet sale to Taiwan amid China trade fight", CNN, August 21 2019.

<https://edition.cnn.com/2019/08/20/politics/taiwan-fighter-jet-sales/index.html>

⁸ Joseph Bosco, "The end of strategic ambiguity on Taiwan?", The Hill, August 02 2019. <https://thehill.com/opinion/national-security/428093-the-end-of-strategic-ambiguity-on-taiwan>

⁹ The Department of Defense, "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region", June 01 2019, 31.

<https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>

¹⁰ Vincent Ni, "China warns against "wrong signals" as Biden suggests US would defend Taiwan", The Guardian, October 22 2021.

<https://www.theguardian.com/world/2021/oct/22/biden-suggests-us-would-defend-taiwan-against-china-forcing-fresh-white-house-clarification>

¹¹ Kylie Atwood, "US approves first-ever military aid to Taiwan through program typically used for sovereign nations", CNN News. August 31 2023.

However, any such defense agreements will be by necessity one way. It is impossible to see at this point how Taiwan could become a member of a larger multilateral defense pact because, if Taiwan did step in to aid another country in the region that was in conflict with China, China would almost certainly react with a full frontal assault on the island. From an American perspective, if there is some sort of conflagration between China and a regional neighbour, the last thing it would want is a rapid escalation of the situation; so it too would not want to bind Taiwan into any such military commitment.

Vietnam

Rather surprisingly, there has been an extraordinary warming of relations between the United States and Vietnam despite their turbulent history. This is doubtless because of the rising tensions with China over disputed territories in the South China Sea. In 1988, China and Vietnam clashed over the control of some of the Spratly Islands, with Chinese naval forces prevailing. Although at an ASEAN conference, in July 1992, China agreed that “any territorial or jurisdictional dispute should be resolved by peaceful means, without resort to force”, just a few weeks prior to the meeting it landed troops on more of the Spratly Islands and announced an oil exploration deal with a foreign multinational in a disputed part of the South China Sea.¹² In December 2007, China announced that one of the islands in the Paracels - Woody Island (Yongxing Island) – was to be upgraded to that of County City and it would administer the Paracel, Spratly Islands and the Macclesfield Bank reefs (the latter Zhongsha Islands are actually a group of shoals and reefs).¹³ In 2012, seemingly in response to the Vietnamese Parliament reaffirming their claim to some of these islands, China officially announced Woody Island as a city and established a military garrison there.¹⁴

<https://edition.cnn.com/2023/08/30/politics/us-taiwan-foreign-military-financing-program/index.html>

¹² Philip Bowring, “Chinese designs make for bad nerves in ASEAN”, *The Guardian*, July 28 1992, 13 and ASEAN, “Joint Communique 25th ASEAN Ministerial Meeting Manila, Philippines, July 21-22 1992”.

¹³ *The Economist*, “Disputes in the South China Sea Whale and Spratlys: Yet another cold-war revival”, December 13 2007. Online at <http://www.economist.com/node/10286863>.

¹⁴ Bloomberg News, “Vietnam Protests China’s Plans for Sansha City Garrison”, August 15 2012. Online at <http://www.bloomberg.com/news/2012-07-24/vietnam-protests-china-s-plans-for-sansha-city-garrison.html>.

Most recently (2019), China has sent an exploration vessel several times to the most western part of the Spratly Islands, Vanguard Bank, which is close to and claimed by Vietnam. Its presence has greatly alarmed the Vietnamese government given its proximity to its mainland and the fact that it is known to be rich in oil and gas. In 2020, Vietnam accused China of using one of its naval ships to ram and sink one of its fishing boats near the Paracels, something that appears to be happening on a regular basis.¹⁵

The United States would probably like to establish some sort of defensive alliance or agreement with Vietnam. Of late, it has been busy wooing the country by inviting Vietnam's military and political elite on board its aircraft carriers when they are in the area (American warships have been visiting Vietnam since 2003). Visits by Vietnamese officials whilst under sail actually began in 2009 with the USS John C. Stennis and continued with several invites to the USS George Washington and has culminated in the USS Carl Vinson actually docking in Danang in 2019.¹⁶ Near the end of Obama's second term, his administration also fully lifted America's arms embargo on the country, paving the way for possible future purchases of hi-tech weaponry to defend itself.¹⁷

There has thus been a remarkable warming of US-Vietnamese relations (given their history) with the two countries even carrying out joint naval exercises (non-combatant) in the summer of 2010.¹⁸ However, these exchanges remain relatively limited. Vietnam has signed a minor maintenance and repair contract for US military ships at Cam Ranh Bay. In 2011, the two sides also agreed on their first Memorandum of Understanding covering five points: "the establishment of a regular high-level dialogue between defense ministries; maritime security; search and rescue; studying and exchanging experiences on United Nations peacekeeping; and humanitarian assistance

¹⁵ Khanh Vu, "Vietnam protests Beijing's sinking of South China Sea boat", Reuters, April 4, 2020. <https://www.reuters.com/article/world/vietnam-protests-beijings-sinking-of-south-china-sea-boat-idUSKBN21M07B/>

¹⁶ Steve Owsley, "Vietnamese Ministry of Defense Officials Visit USS John C. Stennis", Navy News Service, April 24 2009. https://www.navy.mil/submit/display.asp?story_id=44660

¹⁷ "Obama lifts US embargo on lethal arms sales to Vietnam", BBC News, May 23 2016. <https://www.bbc.co.uk/news/world-asia-36356695>

¹⁸ "US and Vietnam stage joint naval activities", BBC News, August 10 2010. <https://www.bbc.co.uk/news/world-asia-pacific-10925061>

and disaster relief”.¹⁹ This warming of relations culminated in Nguyễn Phú Trọng becoming the first Vietnamese Communist Party General Secretary to officially visit the United States in 2015.²⁰

In 2023, this steady warming of relations culminated in President Biden visiting Hanoi. With the signing of a comprehensive strategic partnership between the two countries this was truly an historic moment representing more than just a normalising of relations. It elevated America’s status to the highest level, equal to that of “China, Russia, India and, as of last year, South Korea”.²¹ What is also of interest is that Vietnam had previously dragged its feet on this matter fearing China’s ire. The Vietnamese government has clearly recalculated the costs and benefits of closer ties with the US and has decided that the latter outweigh the former.

However, historically, Vietnam has followed a “three nos” defense policy, i.e. “no military alliances, no aligning with one country against another, and no foreign military bases on Vietnamese soil”.²² How set in stone this policy is is open to question, given its various agreements with other countries promoting strategic cooperation and it permitting access to its strategic ports. But, the older generation of politicians still feels a natural affinity towards China because of their communist roots, despite the 1979 conflict between the two sides (China invaded the north in response to Vietnam going into Cambodia). The new generation is much more pro-American and sees it as a useful counter to China’s influence in the area. Indeed, in recent years, Vietnam has proven quite adept in playing cat and mouse or, in this case, mouse and cat. Many of the diplomatic moves it has made towards America have come at times of tension with China and can therefore be seen as warnings to its larger neighbour that its behavior may result in a bigger American presence in the region. But even with a newer pro-American political elite emerging, it is unlikely that America would be granted a military base. Access to ports will be crucial in Cold War II, but even more

¹⁹ C. J. Jenner, Tran Truong Thuy (eds.), *The South China Sea: A Crucible of Regional Cooperation or Conflict-making Sovereignty Claims*, (Cambridge: Cambridge University Press, 2016), 235.

²⁰ Wikipedia, “United States–Vietnam relations”, accessed May 05 2024.
https://en.wikipedia.org/wiki/United_States%E2%80%93Vietnam_relations

²¹ Mercedes Ruehl, James Politi Henry Foy and Stefania Palma, “Vietnam and US upgrade relations in move to counter China”, *Financial Times*, September 10 2023.

²² Derek Grossman and Dung Huynh, “Vietnam’s Defense Policy of “No” Quietly Saves Room for “Yes””, *The Rand Corporation*, 2019.
<https://www.rand.org/blog/2019/01/vietnams-defense-policy-of-no-quietly-saves-room-for.html>

importantly not having a foothold in Vietnam deprives America of a crucial land base which would allow a pincer movement strategy in any confrontation (i.e. coordinated offensives from South Korea and Vietnam providing enough distraction to allow an amphibious landing on the Chinese mainland). For Vietnam to shift fully towards America depends far more on Chinese behavior in the region than anything the United States can currently offer. If China militarises the region even more and/or forsakes arbitration for greater territorial control of disputed islands (usually claimed by several countries), then we may see further security arrangements being forged with America – but this is unlikely to resemble a NATO style defense pact.

Philippines

In 1994, with the international reaction to Tiananmen Square subsiding and the US withdrawal from the Philippine's Subic Bay and Clark Air Base, China built some permanent structures on Mischief Reef, also claimed by the Philippines.²³ In 2012, probably the most egregious land grab in the South China Sea in recent history occurred when China effectively shut off the passage to the Scarborough Shoal previously under the control of the Philippines and relatively close to its western land mass (but again with competing claims from the countries in the region) and disbarred Philippine vessels from fishing in the area. This was the main reason for the Philippines' request to the United Nations for a ruling on China's historical claims to the whole of the South China Sea. It may be that China's deteriorating relations with America has prompted the communist party to launch a final land grab in the furthest reaches of the South China Sea in order to control the outer perimeter of the area. At the time of writing, it looks like China may be attempting to take an island occupied by the Philippines further east by swarming the island with hundreds of fishing boats (Thitu/Pag-Asa Island). The island is actually inhabited by Filipino civilians and if the situation continues, it will become a real test of America's commitment to its allies in the region.

Previously, America's lack of action in 2012 over the Scarborough Shoal led to the Philippines accusing America of being an unreliable ally. However, the Philippines made a major strategic blunder in the early nineties when it failed to renew leases to Subic Bay and Clark Air Base –

²³ Dale Copeland, "Economic Interdependence and the Future of US-Chinese Relations" in John Ikenberry and Michael Mastanduno (eds), *International Relations*, 323-352.

which were the largest American overseas bases.²⁴ With China's attempt to assert control over the whole of the South China Sea, the Philippines clearly rues the day that American forces left and has now backtracked to some extent with US aircraft re-deployed at the air base and the US navy is also back at Subic Bay under the Enhanced Defense Cooperation Agreement of 2014 and the Visiting Forces Agreement of 1999.²⁵ This was essential as otherwise it was difficult to see what the United States could gain from an agreement that commits it to the defense of the Philippines with very little in return (the military forces of the country are one of the weakest in the region).

If the Mutual Defense Treaty (MDT) is to work for the Philippines, more clarity is required over exactly what the United States has committed itself to. The treaty states that each country recognizes that "an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety". It then elaborates that, "an armed attack on either of the Parties is deemed to include an armed attack on the metropolitan territory of either of the Parties, or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific".²⁶ At first glance, the treaty appears to be quite a comprehensive security agreement between the two sides. However, it is very loosely written with the Pacific undefined (does it include the Western islands of the Philippines for example?) and it is unclear if it includes those islands where ownership is disputed, particularly given that some territorial claims were made some time after the treaty was signed. It is also unclear what constitutes an armed attack – which may also explain China's tactic of using fishing boats and marine surveillance ships to block access to various territories.

Even without these issues over the treaty's terminology, the commitments are not as absolute as NATO's. Article V of the latter treaty states unequivocally that each member will "assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore

²⁴ Wikipedia, U.S. "Naval Base Subic Bay", accessed April 11 2024.
https://en.wikipedia.org/wiki/U.S._Naval_Base_Subic_Bay

²⁵ Mico Galang, "A Decade On: EDCA and the Philippines–US Alliance", Royal United Services Institute, April 18, 2014. <https://www.rusi.org/explore-our-research/publications/commentary/decade-edca-and-philippines-us-alliance>

²⁶ Yale Law School, "Avalon Project - Mutual Defense Treaty Between the United States and the Republic of the Philippines; August 30, 1951", accessed June 20 2024.
https://avalon.law.yale.edu/20th_century/phil001.asp

and maintain the security of the North Atlantic area”.²⁷ Whereas the Mutual Defense Treaty simply states that each country “would act to meet the common dangers in accordance with its constitutional processes”.²⁸ Having said this, the treaty is one of several key security commitments in this region between the United States and other countries albeit on a bilateral rather than multilateral basis and the Philippines is part of the original First Island Chain ring of steel of Cold War I (i.e. the other half of the iron curtain). Moreover, the Philippines, despite much rhetoric about cosying up to China, has clearly decided that providing America with invaluable military access to air and sea ports is the best way forward to secure its future in the region.

Australia and New Zealand

Australia and New Zealand are also long term allies of the United States. Indeed, the ANZUS treaty was drawn up in the same year (1951) as the Philipinnes’ MDT and many of the articles are the same – to the extent that the treaties look like a cut and paste job. So, once again, there is the commitment that, “an armed attack on any of the Parties is deemed to include an armed attack on the metropolitan territory of any of the Parties, or on the island territories under its jurisdiction in the Pacific”.²⁹ Although for all intents and purposes New Zealand’s commitments fell into abeyance in the eighties after a dispute over US nuclear capable/nuclear powered vessels visiting its ports. However, the relationship was substantially strengthened with the signing of the Wellington Declaration on Defense Cooperation in 2012.³⁰ Militarily, New Zealand would not add much to any confrontation with China, although it is now beefing up security with the purchase of four P-8 anti-submarine planes and Hercules aircraft.³¹ However, the United States benefits from the Waihopai Spy Station which

²⁷ North Atlantic Treaty Organization, accessed May 15 2024.
https://www.nato.int/cps/en/natolive/official_texts_17120.htm

²⁸ Yale Law School, “Avalon Project - Mutual Defense Treaty Between the United States and the Republic of the Philippines”

²⁹ Australian Parliament House, “The ANZUS Teaty”, accessed August 19 2024.
https://www.aph.gov.au/~media/wopapub/house/committee/jfad/usrelations/report/appendixb_pdf.ashx

³⁰ New Zealand Government, “New Zealand Treaties Online”, accessed August 19 2024. <https://www.treaties.mfat.govt.nz/search/arrangement/496/750>.

³¹ Brad Lendon, “With eye on China, New Zealand buys US anti-submarine jets”, CNN, July 10 2018. <https://edition.cnn.com/2018/07/09/asia/new-zealand-military-aircraft-China-intl/index.html>

underwent major improvements in order to compensate for US loss of intelligence gathering as a result of the hand-over of Hong Kong in 1997.³²

Australia's relationship with America has been far more stable in comparison and, for the United States, far more significant. Indeed, the two sides have been keen to ensure that the alliance is further cemented with the July 1996 joint declaration on the Relations of Strategic Partners of the 21st Century and then The Force Posture Agreement of 2014 which was first publicly aired by President Obama as part of his "Pivot to Asia" when he visited the country. The latter is highly significant as it allows for "the presence of United States Forces in the territory of Australia".³³ This has led to around 1,500 United States troops in northern Australia with a possible expansion to 2,500 troops and greater access to Perth's naval base.³⁴ America also benefits from intelligence gathering conducted mainly at the jointly-run Pine Gap base near Alice Springs, but also at a satellite station outside Geraldton in Western Australia, a facility at Shoal Bay, near Darwin, and a new centre in Canberra.³⁵ Its force projection is also more significant for the Americans with 6 submarines, 2 destroyers, 8 frigates, 8 P-8 anti-submarine planes with 3 more on order, 72 F-35s on order with some already delivered and 78 hornet/super-hornet fighter planes (excluding training aircraft).³⁶ As such, Australia is one of America's most significant allies in the region.

Further evidence of this strengthening of ties between the two countries is the recent AUKUS Pact (Australia, United Kingdom and United States).

³² Avery Goldstein, "An Emerging China's Emerging Grand Strategy: A Neo-Bismarckian Turn?" in John Ikenberry and Michael Mastanduno (eds), *International Relations Theory*, 68 & 92, fn. 33.

³³ Australian Parliament House, "The Force Posture Agreement between the Government of Australia and the Government of the United States of America – 2014", accessed August 19 2024.
https://www.aph.gov.au/~media/02%20Parliamentary%20Business/24%20Committees/244%20Joint%20Committees/JSCT/2014/26August2014/force_posture_text.pdf?la=en.

³⁴ Nick Deane, "US troops are now in Darwin. But questions remain as to why", *The Guardian*, April 27 2018.
<https://www.theguardian.com/commentisfree/2018/apr/27/us-troops-are-now-in-darwin-but-questions-remain-as-to-why>

³⁵ Jason Om, "Spy expert says Australia operating as 'listening post' for US agencies including the NSA", *ABC News*, October 30 2013.
<https://www.abc.net.au/news/2013-10-30/australia-acting-as-listening-post-for-us-spy-agencies/5056534>

³⁶ Wikipedia, "Royal Australian Air Force", accessed August 19 2024.
https://en.wikipedia.org/wiki/Royal_Australian_Air_Force

Much of the news commentary focused on the procurement of at least 8 nuclear submarines and how Australia had cancelled a previous deal with France who were to supply 12 diesel-electric submarines. The new agreement is highly significant because there are currently only six countries (US, Russia, UK, France, China and India [with just one]) that have this nuclear powered submarine capability. The purchase of these submarines are strategically more valuable than diesel-electric given that they can run relatively quietly and do not have to worry about fuel supply.³⁷

But the more important point is the actual AUKUS Pact between Australia, the United Kingdom and the United States. The pact seeks to enhance “joint capability and interoperability” between the three countries initially focusing on “cyber capabilities, artificial intelligence, quantum technologies, and additional undersea capabilities”.³⁸ The pact also included significant enhancement of Australia’s military capabilities in several areas not only in submarine technology. The pact included, amongst other things, access to purchase American: Tomahawk Cruise Missiles for its destroyers; Long-Range Anti-Ship Missiles; and the continuation of collaboration with the US to develop hypersonic missiles for Australia’s air capabilities.³⁹ The real significance of the pact is therefore that its main aim is to improve the cyber and military capabilities of Australia by some margin and to ensure that such capabilities can be used effectively in joint operations with the United States.

South Korea

Given the help that America provided in the 1950-53 Korean War (under the aegis of the United Nations) after North Korea invaded South Korea, it is no surprise that the latter has been one of the United States’ most stalwart

³⁷ Norbert Neumann, “Why the Aukus submarine pact caused a falling-out with France”, *Naval Technology*, September 20 2021. <https://www.naval-technology.com/analysis/aukus-submarine-deal-australia-france-us-uk/>

³⁸ Australian Government, Department of Defense, “Joint media statement: Australia to pursue nuclear-powered submarines through new trilateral enhanced security partnership”, September 16 2021, accessed December 12 2021. <https://www.minister.defense.gov.au/minister/peter-dutton/statements/joint-media-statement-australia-pursue-nuclear-powered-submarines>

³⁹ “Joint media statement: Australia to pursue nuclear-powered submarines through new trilateral enhanced security partnership”, Australian Government, Department of Defense, September 16 2021.

<https://www.minister.defense.gov.au/minister/peter-dutton/statements/joint-media-statement-australia-pursue-nuclear-powered-submarines>

allies in the region. The Mutual Defense Treaty signed just at the end of the Korean War has the usual clauses about an attack on either of the parties would trigger measures to meet the common danger. But, significantly, it also includes a clause on stationing American troops in South Korea – “The Republic of Korea grants, and the United States of America accepts, the right to dispose United States land, air and sea forces in and about the territory of the Republic of Korea as determined by mutual agreement”.⁴⁰ This has meant that throughout Cold War I and beyond, the United States has not only had vital access to air and sea ports, but has also had boots on the ground on the Asian landmass, thus providing a key strategic point from which to launch any land offensive (instead of amphibious assaults which have a history of ending up in a bloody and unsuccessful mess). Currently, the United States has just under 30,000 personnel stationed there.⁴¹

South Korea is also a vital lynchpin for the United States because on-going tensions with North Korea necessitates a strong military capability; it therefore has one of the largest standing armies of the world - around 3.5 million military personnel.⁴² It can thus provide solid military support for the United States if need be. Its navy currently has: 18 submarines, 9 of which can launch cruise missiles; 12 destroyers; 11 frigates; and 64 patrol vessels plus several other support vessels.⁴³ Three of the destroyers are equipped with the aegis anti-surface, anti-air, anti-submarine defense system and three more are being built. Moreover, its air force boasts: 13 F-35s with 47 more on order; 59 F-15s; 167 F-16s; more than a hundred F-5 fighter jets; four AWACS; and its defense posture is considerably strengthened by eight batteries of patriot missile systems.⁴⁴ In addition, the United States has just moved its main military base from Seoul to Pyeongtaek bringing their presence much closer to China. The new base is

⁴⁰ Yale Law School, “Avalon Project - Mutual Defense Treaty Between the United States and the Republic of Korea; October 1, 1953”. https://avalon.law.yale.edu/20th_century/kor001.asp

⁴¹ For an excellent overview refer to, Mark Manyen, Stephen Daggett, Ben Dolven, Susan Lawrence, Michael Martin, Ronald O'Rourke and Bruce Vaughn, “Pivot to the Pacific? The Obama Administration’s “Rebalancing” Toward Asia”, (Washington D.C.: Congressional Research Service, July 2012).

⁴² Wikipedia, “Republic of Korea Armed Forces”, accessed December 16 2023. https://en.wikipedia.org/wiki/Republic_of_Korea_Armed_Forces

⁴³ Wikipedia, “Republic of Korea Navy”, accessed December 13 2023. https://en.wikipedia.org/wiki/Republic_of_Korea_Navy

⁴⁴ Wikipedia, “Republic of Korea, Air Force”. https://en.wikipedia.org/wiki/Republic_of_Korea_Air_Force

the largest outside of America and, of course, the Pusan Naval Base provides a vital strategic asset for the American fleet when needed.⁴⁵

Yet, oddly, in November 2019 South Korea suddenly put the alliance into question by signing a security agreement with China. Much of the agreement is concerned with establishing hot lines so that lines of communication stay open between the two countries in case of rising tensions, a military accident or conflagration. This is to be welcomed given the potential for misunderstandings and mistakes triggering conflict; but the talks also aimed to improve security ties with the South Korean Defense Minister already agreeing to go to China in “order to foster bilateral exchanges and cooperation in defense”.⁴⁶ This must be rather worrisome for America. There are two possible explanations for South Korea’s extraordinary action. The first is that it believes American power in the region is on the wane and it is beginning to side with the rising power that it believes will eventually dominate. The second and most likely reason is that this is just a temporary tactic in response to the Trump’s Administration’s demands for a substantial increase in contributions to the costs of keeping the US military in South Korea (from \$1 billion to \$5 billion a year).⁴⁷ It is more likely than not a tactic to remind America that alliances work both ways – but South Korea’s recent actions would have been unthinkable during Cold War I.

Japan

Just as in the South China Sea, China has also become more assertive in its operations in the East China Sea, particularly around the disputed but Japanese controlled Senkaku Islands (Japanese) or Diaoyu Islands (Chinese). In response to the right wing mayor of Tokyo’s attempt to buy the islands from their private owners, the Japanese government bought them instead. However, this solution prompted a sharp response from China which initially involved a maritime stand-off between the two sides’ ships, but which quickly escalated into each scrambling fighter jets at one time or

⁴⁵ B.J. Lee, “South Korea is one of the most loyal U.S. allies. Now we’re being bullied by Trump”, Washington Post, November 20 2019.

<https://www.washingtonpost.com/opinions/2019/11/20/south-korea-is-one-most-loyal-us-allies-now-were-being-bullied-by-trump/>

⁴⁶ Julian Ryall, “China signs defense agreement with South Korea as US angers Seoul with demand for \$5bn troop payment”, The Telegraph, November 18 2019. <https://www.telegraph.co.uk/news/2019/11/18/China-signs-defense-agreement-south-korea-us-angers-seoul-demand/>

⁴⁷ Julian Ryall, “China signs defense agreement with South Korea as US angers Seoul with demand for \$5bn troop payment”.

another. This brinkmanship almost got out of hand when Chinese ships actually locked their radars on to a Japanese destroyer indicating that they were actually targeting it with weapons.⁴⁸

It is likely that such assertive behavior is helping forge an even closer relationship with the United States. Japan's situation has always been an unusual one given that Article 9 of its constitution (shaped in the aftermath of the Second World War) renounces war and, in order to ensure this, no armed forces are to be maintained. However, only a few years (1954) after establishing the constitution, Japan created the Self-Defense Force (SDF) by creatively interpreting the constitution – something it has continued to do. Since the end of Cold War I, further reinterpretations have taken place. In 1992, its International Peace Cooperation Act allowed for overseas peace-keeping operations as long as a ceasefire has already been agreed between the two warring sides. In 1997, the area of operations for the so-called SDF was expanded to include not just Japan but “surrounding areas”.⁴⁹ In 2015, the role of the SDF was again reinterpreted to include the defense of its allies. If such an attack is deemed to threaten Japan, then the new guidelines permit, “the use of force to respond to situations where an armed attack against a foreign country that is in a close relationship with Japan occurs”.⁵⁰

It should be pointed out that these reinterpretations have been generally welcomed by the United States as Japan is its most important and powerful ally in the region. The formal basis for their future cooperation first began in 1951 with the signing of a security treaty between the two sides. This was at a time when Japan had no serious means of defending itself and allowed the stationing of US troops for the security of the “Far East and to the security of Japan against armed attack”.⁵¹ The treaty was further strengthened in 1960 when the United States was allowed to establish actual military bases in Japan (it is home to the Seventh Fleet and has 50,000 personnel

⁴⁸ Jonathan Soble and Kathrin Hille, “Abe blasts China over maritime incident”, *Financial Times*, February 6 2013. <http://www.ft.com/cms/s/0/7ed11fb8-6f7f-11e2-956b-00144feab49a.html#axzz2P9OGiA9M>.

⁴⁹ Lindsay Maizland and Beina Xu, “The US-Japan Security Alliance”, Council on Foreign Affairs, August 22 2019. <https://www.cfr.org/backgrounder/us-japan-security-alliance>

⁵⁰ The Guidelines for Japan-U.S. Defense Cooperation, Ministry of Defense (Japan), April 27, 2015. https://www.mod.go.jp/e/d_act/anpo/shishin_20150427e.html

⁵¹ Yale University Law School, “The Avalon Project - Security Treaty Between the United States and Japan; September 8, 1951”, accessed August 19 2024. https://avalon.law.yale.edu/20th_century/japan001.asp.

stationed in Japan).⁵² Many of the recent changes outlined above can be seen as strengthening Japan's commitment to the United States, for example, the 2015 Ministry of Defense guidelines also seeks to increase greater coordination between the two sides and military interoperability. Most recently (2019), a Security Consultative Committee meeting of the two sides agreed that cyber-attacks would trigger the security obligations of their alliance. The meeting was also significant because both sides stated their mutual "need for an increasingly networked structure of alliances and partnerships" i.e. multilateralism in the region.⁵³

Although Japan's military is called a Self Defense Force and its military budget is only around 1% GDP, appearances can be deceiving. Despite such a low amount of its revenue being dedicated to the military, the size of its economy still means that in 2023 the budget will be around \$56 billion.⁵⁴ Its military hardware is substantial and significantly bolsters American firepower in the region. Its air force has 62 of its own Mitsubishi F-2As and 155 American F-15s, but it is rapidly updating its force to include 147 of America's state of the art flagship fighter – the F-35 (the navy will have another 42 F-35Bs); and it has 4 AWACs and 13 Hawkeye's for early detection of incoming aircraft. The navy plans to have more than 70 Kawasaki P-1s which, like the American P-8, will be dedicated to submarine detection. They have two aircraft carriers to match China's and will be kitted out with the F-35Bs as mentioned previously, plus two helicopter aircraft carriers. It also has 40 destroyers with eight of these equipped with the Aegis guided missile system and 19 attack submarines.⁵⁵

Although many of the alliances mentioned above were in place during Cold War I, the main theatre of operations was in Europe. The Iron Curtain was an incredibly static theatre – necessarily so, because of the huge amount of

⁵² Mark Manyen, "Pivot to the Pacific?", 5.

⁵³ Ministry of Foreign Affairs Japan, "Joint Statement of the Security Consultative Committee", accessed August 19 2024.

<https://www.mofa.go.jp/files/000470738.pdf>

⁵⁴ The Japan Times, "Japan approves record ¥8 trillion defense budget", accessed August 19 2024. <https://www.japantimes.co.jp/news/2023/12/22/japan/politics/record-defense-budget/>.

⁵⁵ Information for the above lists are from Wikipedia, "Japan Maritime Defense Force", accessed December 12 2023.

https://en.wikipedia.org/wiki/Japan_Maritime_Self-Defense_Force and Wikipedia, "Japan Maritime Self-Defense Force Ships", accessed December 12 2023.

https://en.wikipedia.org/wiki/List_of_active_JapanMaritime_Self-Defense_Force_ships

troops and armaments confronting each other. Of course, the Asia-Pacific also loomed large as an area for possible confrontation. As mentioned previously, the soon to be US Secretary of State, John Foster Dulles, popularised the Three Island Chain Strategy for containing Communism during the Korean War in 1951 (although he actually personally supported more proactive action of rollback). It appears that this remains the United States' strategy with it seeking "not to defeat the rising power but to prevent its further expansion".⁵⁶ America is clearly shoring up its agreements, arrangements and alliances with the countries that make up the First Island Chain in order to ensure that China's force projection is countered. Certainly, this seems to be part of America's current thinking with the Obama's Administration's announcement of its strategic "pivot to Asia", the Trump Administration's "Free and Open Indo-Pacific Strategy" and President Biden's emphasis on the region in his Interim National Security Strategy. These strategies will result in the majority of American maritime assets stationed in Asia (60 per cent by 2020).⁵⁷

As we have seen, this military capability is bolstered by its many alliances in the region (not all of which are mentioned above), many of which provide access or permanent deployment to air and naval bases. This is one of the key differences with Cold War I that we see developing today – an actual further strengthening of these traditional ties with countries in the region. Singapore which a few years after it separated from Malaysia in August 1965 became a vital port for US navy ships during the Vietnam War has further strengthened ties. In 1990, both countries signed a Memorandum of Understanding (MOU) covering the US military's use of air and naval bases in Singapore, including Changi Naval Base which was built to accommodate aircraft carriers and has around 150 US naval ships visiting every year.⁵⁸ It further strengthened military cooperation in 2005 by signing a Strategic Framework Agreement with the United States. We have also seen that Australia and Japan, two of its most important allies in the region have

⁵⁶ Randall Schweller, "Managing the Rise of Great Powers: History and Theory", in Alastair Johnston and Robert Ross, *Engaging China: the management of an emerging power*, (London: Routledge, 1999), 10.

⁵⁷ John O'Callaghan and Manuel Mogato, "The U.S. military pivot to Asia: when bases are not bases", Reuters, November 14 2012.

<http://www.reuters.com/article/2012/11/14/us-usa-asia-military-idUSBRE8AD05Y20121114>

⁵⁸ Tong See Kit, "Singapore and US reaffirm defense ties, agree importance of sustained engagement by Washington in Asia", *Channel New Asia*, March 29 2022. <https://www.channelnewsasia.com/singapore/pm-lee-lloyd-austin-pentagon-defense-ties-2592266>.

established even stronger ties than during Cold War I and are busy enhancing their own military capabilities often through the purchase of American state of the art equipment.

China, on the other hand, has inverted the Three Island Chain Strategy and has long sought to build up its naval power to increase its strategic reach not only past the First Island Chain, but past the second and into the Third Island Chain. This is reminiscent of the Cold War I strategy when the US and its allies sought to develop a “ring of steel” to contain communism (i.e. the First Island Chain and the Iron Curtain in Europe), but the key difference is that China is now improving its capabilities so that it can successfully breach this ring. This brings a large degree of fluidity to the strategic landscape. Unlike Cold War I with the very static situation in Europe, Cold War II is far more dynamic for several reasons.

First, America is confronted by the “stopping power of water”.⁵⁹ Military landings are notoriously difficult to implement and so China has a certain home advantage, it can use both its naval and land forces in any attack (e.g. air force, missile divisions etc.). This levelling of the playing field may tempt China to invade Taiwan at some point or make further significant island grabs, possibly triggering a conflict. Second, by its very nature, naval stand-offs are far more conflict prone. Ships don’t usually stay still for long periods of time. Unless nuclear powered, they need to refuel, re-stock food etc. and sometimes repair; they also sometimes need to shift to calmer waters – particularly in the typhoon ridden East and South China seas. Such manoeuvres can easily be misinterpreted if tensions are high. For sure, the Iron Curtain stand-off had many red alerts over each side misinterpreting what the other side was doing; but, in a mainly sea-based stand-off, the possibility of this happening increases manifold.

Third, the political environment is far more fluid to that of Cold War I. Countries like Vietnam and India that previously leaned more towards the Soviet Union are forging cooperative relations with America (in 2005 India and the US signed a ten-year defense framework agreement, this was renewed in 2015). What is going on is classic power balancing as has been witnessed over the millennia in international relations. As China’s power increases, the other states of the region seek to counter this rise by both increasing their own capabilities and siding with the strongest state in the international system – the good old US of A. However, there is always the danger that some countries will assess that siding with China is in their

⁵⁹ John Mearsheimer, *The Tragedy of Great Power Politics*.

interests. If these countries believe that the United States will not step in to help them if they are attacked or their island territories are overrun by China's military with no action taken by America, then they may reassess their alliance. Similarly, some countries' economies may become so integrated with China's that the costs of disentanglement will be considered too high. Third, and related to the first two points, American power may be perceived as waning and a new Chinese world order being born – then these countries may think it is better to bandwagon at an early stage with the new dominant power. The costs and benefits of choosing who to ally with are far more complicated in Cold War II for reasons expounded below. This combined with the fact that the rest of the world has not yet become divided along the fault line between China and America (unlike Cold War I) means that the next decade or so will see a rather dynamic situation emerging.

The Fifth Dimension - Cyberspace

The Berlin wall that divided the Cold War I opponents has been replaced by the Great Firewall of China (also known as the Golden Shield Project). This may be targeted at the virtual world, but its effect is every bit as real as the electrified fences and concrete slabs that cut the Soviet sphere of influence off from the rest of the world. China clearly feels vulnerable when it comes to the free flow of information, because with it comes alternative images of alternative life styles and political ideas as well as alternative news sources. As President Xi sees it, the “internet has become the main battlefield for the public opinion struggle”.⁶⁰ This explains the fact that a whole raft of news websites, like the BBC, CNN and The New York Times are blocked from the mainland. This censorship has recently increased (2018) with the tracking and blocking of encrypted virtual private networks which are usually used to get around such censorship. Discussion forums such as Facebook and Twitter are banned and Chinese censors continually monitor comments made on line. Since 2013, those found deliberately “spreading rumours and lies” can face up to three years in jail.⁶¹ Just how repressive the regime is becoming is highlighted by the police reprimand of Doctor Li Wenliang who tried to warn people of a potential new virus (the Coronavirus) on Wechat.

⁶⁰ Elizabeth Economy, “The great firewall of China: Xi Jinping’s internet shutdown”, The Guardian, June 29 2018.

<https://www.theguardian.com/news/2018/jun/29/the-great-firewall-of-China-xi-jinpings-internet-shutdown>

⁶¹ Elizabeth Economy, “The great firewall of China”

As is argued below, the issues of cyber-security go well beyond information control. States/private individuals or groups now regularly engage in computer hacking often involving cyber-theft whereby blueprints, commercial designs, inventions, information from databases etc. are stolen on an industrial scale. Moreover, low level cyber-war is on the rise where attacks (not necessarily from China thus far) via the internet are made on civilian infrastructure, such as, water and energy plants, stock markets and even nuclear installations. But these attacks also extend into the military sphere with software viruses, worms and Trojan horses deliberately created to control or disable military capabilities such as the recent attacks on American military satellites.⁶² Indeed, the cyber world is now referred to as the fifth dimension of military operations – the other four dimensions being land, sea, air and space).

In many ways, these attacks are akin to the so-called “proxy wars” that the US and the Soviet Union engaged in. Such wars involved each side backing opposing sides in a civil war but although both would supply copious amounts of military equipment to support their ally, the two countries would not engage in war directly with each other. Either both countries kept out of the war or one side would put its troops on the ground and the other would refrain from so doing (although covert operations still took place), for example, Vietnam and Afghanistan. These were the “hot wars” that went alongside the actual cold war but they did not involve the superpowers directly engaging one another. In today’s world we are experiencing a continual stream of “hot wars” but they come in the shape of limited yet highly effective cyber attacks while, like Cold War I, direct conflict remains off the agenda.

Ironically, the Internet has its origins in the US Defense Department’s desire in the sixties to establish a digital communications network that would survive a Soviet nuclear attack. By 1969 the Defense Advanced Research Projects Agency (DARPA) had created the Advanced Research Projects Agency Network (ARPANET) which would eventually evolve into the Internet. The Internet is simply an electronic network and provides the infrastructure for information to flow along – a super highway for electronic information. In fact, still by the mid-eighties the use of this network was limited to a privileged few - the military, scientists, librarians, academics etc.. Much of this was to do with how difficult it was to use – the interfaces

⁶² Joseph Menn, “China-based campaign breached satellite, defense companies: Symantec”, Reuters, June 19 2018. <https://www.reuters.com/article/us-China-usa-cyber-idUSKBN1JF2X0>

that allowed computers to connect to each other was incredibly user unfriendly. So, although a limited version of the Internet was available during Cold War I, its extent and influence was extremely limited. Just as the Soviet Union was collapsing in on itself, everything changed with the creation of the World Wide Web by a team at CERN in Switzerland (led by Sir Tim Berners-Lee) and its eventual release in 1991. This combined with laptops that have the processing power akin to that of room sized mainframes forty years ago, mobile phones that have the processing power almost equivalent to those laptops, fibre optics that convey information literally at the speed of light and Wi-Fi that is available almost anywhere in the world has produced the cyber world of today that was simply unimaginable, even during the death throes of Cold War I.

It is now clear that with our high dependence on the Web comes a high degree of vulnerability. This vulnerability is not limited to the cyber world whereby one computer can disable or control another computer, but it extends out into the real world because we now use computers to operate, machinery, power plants, airplanes, cars etc. Indeed, the next technological revolution is already happening with the promotion of the Internet of Things whereby our everyday devices (heating, fridges, lighting etc.) are able to send and receive data in order that we can remotely control them. That means that those with ill intent can increasingly manipulate the physical world within which we live through these networks. Although the use of an internet virus, Trojan horse or worm to produce actual physical infrastructural damage may seem fanciful, the first known attack of this kind has already occurred. The Stuxnet worm was deployed by the US and Israel in 2010 against the Iranian nuclear enrichment facility at Natanz, successfully destroying the centrifuges at the plant.⁶³ The problem was that the virus was supposed to be contained just to the nuclear plant but somehow got out and infected other nuclear plants (some say that the Israelis altered the code and others say it was simply that an Iranian engineer accidentally spread it through a memory stick or via their home computer). The other problem was that Iran concentrated efforts on a cyber-reply and, in 2011, attacked several major US banks (J P Morgan, Capital One, Bank of America) and the New York Stock Exchange/Nasdaq, overwhelming the systems with information via a denial of service attack. Since then, Iranian hackers have crippled hundreds of American computer systems and even taken control of

⁶³ Eric Schmidt and Jared Cohen, *The New Digital Age: Reshaping the Future of People, Nations and Business*, (London: John Murray Publishers, 2013) 109.

a New York dam (luckily the gate was disconnected for maintenance preventing a potential flooding of parts of the city area).⁶⁴

But it is not only the taking control of or rendering inoperable computer systems that is of concern, it is the alleged cyber-theft of company/military secrets by China on an industrial scale. Such knowledge acquisition allows states to technologically leap-frog stages of economic development that take time and money in terms of research and development. Yet, we are now in an unprecedented era in which the potential for mass transfer of information and knowledge on a scale hitherto unknown is possible. It is alleged that China has benefitted enormously from cyber-theft and the boost to its technological base is obvious. For example, it is alleged that China's latest stealth fighter jets, the J-20 and J-31, benefitted from crucial design information of America's newest fighters, the F-35 and the F-22 – said to be gleaned via cyber-theft from Lockheed Martin and six companies that it outsourced work to.⁶⁵ Although the planes do not match the sophistication of the American versions, if the allegations are true, then China has managed to leapfrog into the fifth generation of fighter planes with little of the development costs that they would have otherwise incurred and they have done it in a fraction of the time (it has taken almost 30 years to develop and make the F-35).⁶⁶

It is not only in the military sphere but also the commercial sector that is suffering from industrial espionage. Indeed, the Office of the National Counterintelligence Executive has asserted that “Chinese actors are the world's most active and persistent perpetrators of economic espionage”.⁶⁷

⁶⁴ David Gilbert, “Iran Has Already Hacked the U.S. At Least 4 Times — and Could Do It Again”, Vice News, January 06 2020.

https://www.vice.com/en_us/article/bvgxkd/4-times-iran-has-hacked-the-us-before-and-could-do-it-again

⁶⁵ Dipanjan Chaudhury, “America says China's fifth-generation jet fighter J-31 stolen from its F-35”, The Economic Times, November 13 2015.

<https://economictimes.indiatimes.com/news/defense/America-says-Chinas-fifth-generation-jet-fighter-j-31-stolen-from-its-f-35/articleshow/49762382.cms>.and Siobhan Gorman, August Cole and Yochi Dreazen, “Computer Spies Breach Fighter-Jet Project”, Wall Street Journal, April 21 2009. Online at <http://online.wsj.com/articles/SB124027491029837401>.

⁶⁶ David Rennie, “China and America: Trade can no longer anchor America's relationship with China”, The Economist, “Special Report: A New Kind of Cold War”, May 16 2019, 10.

⁶⁷ The Office of the National Counterintelligence Executive, “Foreign Spies Stealing U.S. Economic Secrets in Cyberspace”, October 2011. Online at

The report also warns that, “One or more fast-growing regional powers may judge that changes in its economic and political interests merit the risk of an aggressive program of espionage against US technologies and sensitive economic information”.⁶⁸ It is estimated that the theft of industrial secrets by China is currently costing America “between \$225 billion and \$600 billion annually”.⁶⁹ Indeed, according to US Deputy Attorney General Rod Rosenstein, “more than 90 percent of the Justice Department's economic espionage cases in the past seven years involve China”.⁷⁰

In 2018, the Justice Department charged two Chinese nationals for stealing intellectual property from 45 companies, ranging from the “banking and finance world to medical equipment to oil and gas exploration to aviation and space to the maritime industry”.⁷¹ What is noteworthy about this case is that the two belonged to a group in China labelled APT10 which, according to the UK’s National Cyber Security Centre is either used by or operated by the Chinese Government to carry out some of its cyber theft (Advanced Persistent Threat – APT - is simply a general term for groups that pose a cyber-threat, but each identified group is assigned a number).⁷² Indeed, the indictment also charges that the two acted “in association with the Chinese Ministry of State Security’s Tianjin State Security Bureau”.⁷³ The economic implications of this are impossible to calculate, simply because we are in

http://www.ncix.gov/publications/reports/fecieall/Foreign_Economic_Collection_2011.pdf, p. i.

⁶⁸ The Office of the National Counterintelligence Executive, “Foreign Spies”, 10.

⁶⁹ Sherisse Pham, “How much has the US lost from China's IP theft?”, CNN Business, March 23 2018. <https://money.cnn.com/2018/03/23/technology/China-us-trump-tariffs-ip-theft/index.html>

⁷⁰ Ryan Lucas, “Justice Department Charges Chinese Hackers In Bid To Curtail Cyber-Theft”, National Public Radio, December 20 2018.

<https://www.npr.org/2018/12/20/678587956/justice-department-charges-Chinese-hackers-in-bid-to-curtail-cyber-theft?t=1578662555647>

⁷¹ Ryan Lucas, “Justice Department Charges Chinese Hackers”.

⁷² National Cyber Security Center, “APT10 continuing to target UK organisations”, accessed August 19 2024. <https://www.ncsc.gov.uk/news/apt10-continuing-target-uk-organisations>

⁷³ For the full indictment refer to CNBC, “Conspiracy to commit Computer Intrusions”, accessed August 19 2024. <https://fm.cnbce.com/applications/cnbc.com/resources/editorialfiles/2018/12/20/China%20case.pdf>

uncharted waters, but in 2012 National Security Agency director, Keith Alexander, called it the “greatest transfer of wealth in history”.⁷⁴

Another issue for both private companies and the US government is the degree of outsourcing they have engaged in and the reliability of their suppliers. The problems arise not just with computer systems but anything with a silicon chip and, of course, the software that is used for these systems. Think of the millions of lines of software code that are produced in another country which may eventually end up in aircraft carriers and fighter jets to electricity and water plants – any of these could potentially have malware embedded in them. This may seem like hyperbole, but in 2020, surveillance cameras were found throughout the U.S. government including aircraft carriers that were actually made in China and could have been vulnerable to hacking. Although the boxes said “made in America”, the contractor clearly went against government regulations and sourced the cameras from China.⁷⁵ As retired US Lieutenant General Karl Eikenberry pointed out, in the 1970s or 1980s perhaps 70% of the technology that mattered to military commanders was proprietary to the government, and the rest off-the-shelf and commercial – “Now it is 70% off-the-shelf, much of it coming from Silicon Valley”.⁷⁶

America’s cyber-security strategy seeks to address the risk from such dependency “by reviewing contract or risk management practices and adequately testing, hunting, sensing, and responding to incidents on contractor systems”.⁷⁷ However, the only truly secure solution to this threat is to bring all development and production back “in-house” or at least within the United States, reversing a four/five decade trend. Even then, one would have to create so-called “air-gaps”, effectively disconnecting R&D and production from the outside world by disabling inter-net capability (still this would not prevent espionage by employees or employees bringing work to and from home on a memory stick leading to spyware contagion). However, at least in terms of military procurement, it does look as though the

⁷⁴ Garrett Graff, “How the US Forced China to Quit Stealing—Using a Chinese Spy” Wired, November 18 2018. <https://www.wired.com/story/us-China-cybertheft-subin/>

⁷⁵ Nicole Hong, “A Military Camera Said “Made in U.S.A.” The Screen Was in Chinese”, New York Times, November 07 2019, 3.

⁷⁶ The Economist, “In Washington, talk of a China threat cuts across the political divide”, May 16 2019. <https://www.economist.com/special-report/2019/05/16/in-washington-talk-of-a-china-threat-cuts-across-the-political-divide>

⁷⁷ The White House, National Cyber Strategy of the United States of America, (Washington D. C.: The White House, 2018). <https://www.whitehouse.gov/wp-content/uploads/2018/09/National-Cyber-Strategy.pdf>

Department of Defense is now intent on bringing as much work back to the homeland and security checking any companies involved in outsourcing – including third parties (where the company who wins the contract out sources work to someone else).

The American response to the cyber threat has gradually become stronger over time. Certainly, the Obama Administration was aware of the threat and carried out an extensive review in 2009--The US Cyberspace Policy Review. Assuring a Trusted and Resilient Information and Communications Infrastructure -- noting that the “Nation’s approach to cybersecurity over the past 15 years has failed to keep pace with the threat”.⁷⁸ In 2011, the International Strategy for Cyberspace went as far as to say that America will “respond to a cyber attack with all necessary means, including military force as a last resort”.⁷⁹ This threat has remained in succeeding strategy documents, with the 2018 strategy stating that America’s responses may include “military (both kinetic and cyber)”.⁸⁰ It has also been reported that President Trump has authorized “classified orders for the Pentagon’s cyberwarriors to conduct offensive attacks against adversaries more freely and frequently”.⁸¹ Certainly, this was the case when America disabled the command and control systems of Iranian rocket and missile launchers, although this was in response to its shooting down one of America’s drones in 2019 rather than a cyber-attack.⁸²

⁷⁸ Executive Office of the US President, The US Cyberspace Policy Review. Assuring a Trusted and Resilient Information and Communications Infrastructure, 2009, accessed August 24 2024, <https://irp.fas.org/eprint/cyber-review.pdf>.

⁷⁹ Paul Bolt and Benjamin Shearn, “Cyberpower and cross-Strait security”, in Monique Chu and Scott Kastner (eds.), *Globalization and Security Relations across the Taiwan Straits*, (London: Routledge, 2015), 161.

⁸⁰ The White House, National Cyber Strategy of the United States of America, Washington D. C.: The White House, 2018, accessed June 20 2019. <https://www.whitehouse.gov/wp-content/uploads/2018/09/National-Cyber-Strategy.pdf>

⁸¹ Originally reported in the New York Times. Refer to Dan Lohrmann, “New National Cyber Strategy Message: Deterrence Through U.S. Strength”, *Government Technology*, September 29 2018.

<https://www.govtech.com/blogs/lohrmann-on-cybersecurity/new-national-cyber-strategy-message-deterrence-through-us-strength.html>

⁸² Zak Doffman, “U.S. Military Satellites Likely Cyber Attacked By China Or Russia Or Both”, *Forbes*, July 05 2019.

<https://www.forbes.com/sites/zakdoffman/2019/07/05/u-s-military-satellites-likely-cyber-attacked-by-china-or-russia-or-both-report/#18b533f3dd32>

Cyber-space has thus become the new theatre of war between these two powers with China not only using proxies like APT10, but also developing specialised military units focusing on hacking into computer systems and creating viruses, worms and Trojan horses in order to attain electromagnetic and information space dominance. China has formed specialist units within the People's Liberation Army to conduct its cyber operations which are alleged to involve, disinformation activities, information gathering/hacking and control/destruction of vital infrastructure and military targets etc. The units appear to be embedded with the army's Third General Staff Department and are labelled, units 61398 and 61486 and may have been in operation for around 15 years. Several hacking groups labelled Advanced Persistent Threats (APTs) are either run by these units or operate on their behalf. There exists a wide range of Chinese APT groups and they seem to be distinguished from each other by their specific tasks, for example, APT30 appears to concentrate on South-East Asian nations.⁸³

In mid-2009, the US also centralised its capabilities in this area by creating a new cyber command centre USCYBERCOM.⁸⁴ It is estimated that, at the moment, America has 133 cyber teams engaged in various activities.⁸⁵ America's recent (2018) Department of Defense's Cyber Strategy indicates that the United States is ramping up its response to China by formally stating that it is moving to an offensive position (or defend forward as they put it). This includes "cyberspace operations to collect intelligence and prepare military cyber capabilities to be used in the event of crisis or conflict".⁸⁶ But it also involves what is called defend forward to protect the military and critical civilian infrastructure, such as, power stations, water supplies, transport networks etc. The strategy argues that, in order to

Pre-empt, defeat, or deter malicious cyber activity targeting U.S. critical infrastructure that could cause a significant cyber incident regardless of whether that incident would impact DoD's [Department of Defense] warfighting readiness or capability. Our primary role in this homeland

⁸³ Phil Muncaster, "China Pegged for Long-Running APT 30 Attack Group", Infosecurity Magazine, Apr 14 2015.

<https://www.infosecurity-magazine.com/news/China-pegged-longrunning-apt-30/>

⁸⁴ Eric Schmidt and Jared Cohen, *The New Digital Age*, 109.

⁸⁵ Nicole Lindsey, "New CNCERT Report Shows Most Cyber Attacks on China Originate from United States", CPO Magazine, June 24 2019.

<https://www.cpomagazine.com/cyber-security/new-cncert-report-shows-most-cyber-attacks-on-china-originate-from-united-states/>

⁸⁶ "Summary: Department of Defense Cyber Strategy 2018", Department of Defense, Arlington: Department of Defense, 2018, 1.

defense mission is to defend forward by leveraging our focus outward to stop threats before they reach their targets.⁸⁷

It is clear from the revelations by Edward Snowden that US surveillance of cyber-theft activities was already highly intensive and on a global scale. It is highly likely, therefore, that counter-intelligence operations are on-going, particularly against the so-called PLA Units 61398 and 61486 and various other hacker groups informally connected to the government like China's various APT groups. It is unlikely that US counter-operations would be simply limited to enhancing defense, but will extend to sophisticated falsification of blueprints (leading to failed Chinese projects if they do steal such false information) or in-built vulnerabilities to US attack/control, Trojan Horses attacking the perpetrator's computer systems and massive cyber counter offensives.

Indeed, Snowden has pointed out that the US has been actively engaged in cyber-attacks itself, including "operations to hack into Chinese Internet traffic hubs and cellphone companies".⁸⁸ It has also developed sophisticated counter strike software which has the ability to automatically retaliate against a cyber-attack (what constitutes an attack is unclear).⁸⁹ Through Operation Genie, the US has taken control of computer systems using "covert implants into PCs, firewalls, and routers".⁹⁰ It is also alleged that, already "malware plug-ins totaling 85,000" have been installed around the globe by the US.⁹¹ The new strategy by the Department of Defense seems to indicate not only a ramping up of these activities, but also a determination to aggressively respond to imminent attacks. Certainly, there seems to have been a recent step change in activities with a doubling of viruses in just a

⁸⁷ "Summary: Department of Defense Cyber Strategy 2018", Department of Defense, 2

⁸⁸ William Wan, "After Snowden revelations, China worries about cyber defense, hackers", The Washington Post, September 4 2013. Online at http://www.washingtonpost.com/world/after-snowden-revelations-China-orries-about-cyberdefense-hackers/2013/09/04/0b5ae97e-ff62-11e2-9711-3708310f6f4d_story.html.

⁸⁹ Refer to the interview of Edward Snowden by James Bamford, "The Most Wanted Man in the World", August 22 2014. Online at <http://www.wired.com/2014/08/edward-snowden/>.

⁹⁰ David Chirico, "Snowden Reveals the US' Offensive Cyber-Operations Launched in 2011", US Finance Post, September 01 2013. Online at <http://usfinancepost.com/snowden-reveals-the-us-offensive-cyber-operations-launched-in-2011-6467.html>.

⁹¹ David Chirico, "Snowden Reveals the US' Offensive Cyber-Operations Launched in 2011".

year being sent from America to China endeavoring to embed themselves in computer systems, so that, in 2018, “14,000 servers in the U.S. infected by a Trojan virus or botnet controlled 3.34 million host computers in China” - although how much of this was private and how much was actually government led is unknown.⁹²

The 2018 United States’ National Cyber-Strategy also states that America will launch an international Cyber Deterrence Initiative. As one commentator accurately observed, this, “sounds similar to efforts to develop a theory of nuclear deterrence”.⁹³ This is where there are some similarities with Cold War I, albeit in a very different and relatively unique domain (i.e. the fifth dimension). If we break cyber activities into their constituent elements, we can also see the different forms of defense/deterrence responses that are most likely.

The first and simplest form of cyber-activity is information warfare. This can be likened to the Cold War I tactic of propaganda and involves disinformation through websites and other media alongside the hacking of websites and replacing genuine articles with whatever propaganda message the infiltrator wishes to place there. Whereas this is a dissemination activity, the second form of cyber-attack acts in the opposite direction – information gathering – which is directly equivalent to the Cold War I activity of espionage. This includes industrial espionage in order to improve one’s economy and what most people understand as spying proper – the acquisition of military/government secrets by illicit means. Cyber-theft enables states to leap-frog technological stages of development and massively reduces the costs of doing so and should therefore be seen as part of an on going and continuous economic war except when military secrets are involved. If it involves sensitive military information (operations information, vulnerabilities of hardware, manoeuvres) then this is equivalent to intelligence operations in the “real” world.

⁹² Nicole Lindsey, “New NCERT Report Shows Most Cyber Attacks on China Originate from United States”, CPO Magazine, June 24 2019.

<https://www.cpomagazine.com/cyber-security/new-ncert-report-shows-most-cyber-attacks-on-china-originate-from-united-states/>

⁹³ Dan Lohrmann, “New National Cyber Strategy Message: Deterrence Through U.S. Strength”, Government Technology, September 29 2018.

<https://www.govtech.com/blogs/lohmann-on-cybersecurity/new-national-cyber-strategy-message-deterrence-through-us-strength.html>

States can also engage in what John Arquilla and David Ronfeldt term “netwar”.⁹⁴ This can range from basic denial of service, such as the attack on Estonia in 2007 which shut down government services by inundating the servers with emails, information requests etc., or it can deliberately target the operation of particular infrastructures, such as electricity grids, gas and oil supplies, air traffic control etc). Cyber-war proper, on the other hand, involves the deliberate targeting of the enemy’s military C4ISR capabilities (i.e. command, control, communications, computers, intelligence, surveillance and reconnaissance). Obviously, armed forces have become more vulnerable to such attacks as they become increasingly high-tech.

With regard to all cyber activities, the difference in the cyber-world is the problem of attribution – who really sent or extracted the information. Of course, the tracking of network traffic and forensic examination of the computer code often provides key evidence. Thus far, it appears that the United States has provided reasonably solid evidence that has allowed them to issue indictments. But, given that the offenders live in China; there is nothing they can really do. This may explain why China has not really made it very difficult to track their activities. If they really wished to hide their activities, they would set up computer hacking sites in third countries or attach a memory stick to a computer outside China if they wished to spread malware. Indeed, if they were to leave a false trail to another state it could potentially lead to some form of cyber conflict with an innocent party – potentially gaining two benefits from one action (attacking the US with malware and causing a deterioration of relations between the US and another country).

However, we can liken the defensive systems using anti-virus software and high levels of surveillance of suspected intrusions to counter-intelligence and defense operations in the “real world”. In terms of counter-espionage, both sides appear to be engaged in intensive intelligence gathering across a broad spectrum of targets. It is highly likely that America is now deploying standard tactics against those identified as intelligence gathering and using practices that have been applied in the “real world”, such as, creating false leads to fake information, embedding tracker software in code in order to find those responsible for cyber-theft activities or even embedding damaging code in software leading to critical system malfunctions if used by China/Russia or others. The other similarity to Cold War I is that the United States’ strategy now appears to include offensive attacks against

⁹⁴ John Arquilla and David Ronfeldt, “Cyberwar is Coming!”, *Comparative Strategy*, 12(2), (1993), 141-65.

known perpetrators by disabling their computer centres and/or escalating attacks on military/commercial sites in response to similar attacks.

From China's perspective, the cyber world has turned out to be the greatest leveler providing crucial economic and military secrets – all for relatively low costs. The advantages of concentrating resources in this area are obvious given its cost effectiveness and levelling effects. Although such activities may seem to have no drawbacks, the very fact that we are now in unknown territory with no agreed norms of behavior should give pause for thought. It is very early days in this technological revolution and so it is not surprising that no agreed norms have emerged thus far. It is also complicated by the fact that the difference between net-war and cyber-war is not as neat as it seems, given that the military relies heavily on civil infrastructures being operational and also net-war has the potential of producing large numbers of civilian casualties - in such a scenario, an attack would be seen as an act of war.

It is here that we may learn something from the Cold War I nuclear deterrence strategy that evolved over time. At the beginning of the nuclear arms race, strategic options included so-called counter-value targets – this was the deliberate targeting of civil infrastructure and populations using nuclear weapons. It also included so-called counter-force targeting of the other side's military assets – something most people would find more acceptable. One of the most famous works at the time (1960) was by Herman Kahn – *On Thermonuclear War* – which listed an escalation ladder involving various actions that would be applied in order to encourage the other side to desist. This included blockades, embargoes, specific military targets, on to nuclear counter-force attacks, then on to counter-value and finally full nuclear war.⁹⁵

Moral revulsion to these scenarios (indeed Kahn himself called it insensate war i.e. lacking all reason) led to a completely different deterrence strategy – that of mutual assured destruction (MAD). In essence, this divided nuclear weapons into two categories – first strike and second strike. If a country should attack another one knocking out their first strike capability, the country that was attacked would have nuclear missiles on submarines, mobile launchers and also many hidden deep underground protected by steel and concrete silos. The idea was that no one but a mad person would be foolish enough to launch a nuclear attack knowing full well that the other

⁹⁵ Herman Kahn, “On Thermonuclear War”, (New Jersey: Transaction Publishers, 2007) Lecture 1.

side would hit back in a second strike annihilating the perpetrator of the first strike. This may well have been the highest stake poker game ever played, but the fact that it assured that both sides would be destroyed actually concentrated minds (and still does) and brought stability to the antagonistic relationship between America and the Soviet Union for over 30 years.

Cyber and net war strategic deterrence have not yet evolved to this point. Even, internal protocols appear to be at a very embryonic stage. The Stuxnet attack on Iranian nuclear centrifuges led to contagion with the virus showing up in other systems. In addition, highly sophisticated American viruses, worms and Trojan horses have been found by China on various companies' systems and these have then been used by China for attacks on America.⁹⁶ This is something that should be and probably will be fixed very soon. It not only carries the risk of harmful contagion, it also provides one's adversary with highly sophisticated and harmful coding – for free. At a minimum, national security protocols should be established ensuring self-destruction of software and containment of viruses, worms and Trojan horses to the target site. No mutually agreed norm is required for this – it is in each side's mutual interest to adopt such a protocol independently.

Based on the most recent pronouncements of US cyber strategy, current deterrence is based on identifying the perpetrators and either replying in kind or replying with an even stronger counter-attack. One wonders if current deterrence strategy is akin to Kahn's escalation ladder. In other words, if a counter-value strike is made against American infrastructure (nuclear and other energy plants, transport networks, stock exchanges etc) then the United States counters with a forceful but similar reply. If the attack is escalated and China attempts to disable sectors of the military, again America replies in kind but always maintaining a superiority in counter-attack capabilities. But what is unclear is the threshold for a counter-strike. It would be unwise to initiate some form of cyber conflict because of espionage for example (given there are other counter-espionage tactics available as listed above and one can always indulge in similar activities). This strategy also assumes the distinction between netwar and cyberwar detailed above – yet it is easy to see how one side would escalate to attacking military targets if an attack on its infrastructure led to significant deaths/injuries. It is highly likely that eventually, just as America and the Soviet Union did with nuclear weapons, both sides will come to an

⁹⁶ Nicole Perlroth, David E. Sanger and Scott Shane, "How Chinese Spies Got the N.S.A.'s Hacking Tools, and Used Them for Attacks", New York Times, May 6 2019. <https://www.nytimes.com/2019/05/06/us/politics/china-hacking-cyber.html>

understanding that any attack on either its infrastructure or military will be met with an all-out attack by the other side. Hopefully, this will encourage both sides to act responsibly and they will refrain from such courses of action. Sadly, it may well take some sort of major cyber event for both sides to come to agreement.

Globalization

One of the key differences between the old and new cold wars is how globalized the world now is. The amount of trade and investment between countries in the eighties pales into significance when compared to contemporary levels. This is nowhere more true than the economic relationship between China and America. For example, in 1987 the trade between the United States and the Soviet Union was around “\$2bn a year, or less than 0.25% of America’s total trade with the world. In 2018 two-way trade between America and China hit “\$2bn a day, or 13% of America’s world trade”.⁹⁷ The low level of trade between America and the Soviet Union meant that increasing import taxes (tariffs) was not part of the economic war waged between the two sides. This contrasts sharply with today’s situation where China and America announce new import taxes against each other on a regular basis. This effectively increases the cost to consumers of Chinese/American goods coming into each other’s country, decreasing sales of those products as consumers search out cheaper alternatives. The situation for China is thus very different to that of the Soviet Union.

China’s integration into the world economy should be understood in a much wider context. Globalization has been around for centuries, but it has evolved through at least three distinct phases. The first phase was defined by colonialism. In order to secure cheap raw materials and foodstuffs to mass produce consumer goods, the industrializing economies colonized most of the world. Taking over other parts of the world had become relatively easy precisely because Western (and Japanese) armies could mass produce technologically superior weapons. The leading protagonist in the British comedy, *Blackadder*, summed it up humorously when he said that, “the prerequisite for any battle was that the enemy should under no circumstances carry guns”.

⁹⁷ David Rennie, “China and America: Trade can no longer anchor America’s relationship with China”, *The Economist Special Report: A New Kind of Cold War*, May 16 2019.

The second phase of globalization occurred with the rise of American predominance after the Second World War. Its commitment to the independence of hitherto colonial states was embodied in the Atlantic Charter of 1941 even before the war ended. Agreed by Roosevelt and Churchill at Placentia Bay, Newfoundland, this agreement set the world on course for mass decolonization of countries previously controlled by the major powers, with Britain agreeing to “respect the right of all peoples to choose the form of government under which they will live’ and to “see sovereign rights and self-government restored to those who have been forcibly deprived of them”.⁹⁸

As a result, more and more countries became independent through the fifties to the seventies so that a world of sovereign states that we now know eventually emerged. The problem was that, bar a few countries in the Far East, the economic relationship remained largely unchanged as the rest of the world found it difficult to economically develop because they struggled to compete with the flood of cheap goods from the great powers that were already industrialized. The relationship became mainly one of, yet again, supplying cheap raw material and foodstuffs for those countries who would then sell their finished consumer goods across the globe.

The third phase of globalization is better labelled “the great inversion” and truly marked a revolution in economic relations. Indeed, in many cases the historical relationship between the industrialized and developing countries reversed so that certain developing countries became major sites of investment, producing cheap consumer goods that would then be shipped off to the richer nations. This huge shift in investment and trade patterns was initially in reaction to a sharp increase in labour costs beginning from the late sixties as workers began demanding higher and higher wages in the industrialized countries. At the same time, the rise of East Asia meant increased international competition with more and more consumers choosing the high quality yet cheaper goods from that region.

As a result, multi-national corporations radically altered their structures so that instead of producing their goods in one place, they now set up factories in a multitude of countries, producing different components wherever it was cheapest and then bringing everything together in a factory simply dedicated to the assembly of the car, train, computer etc. There has also been a sharp increase in the practice of “out-sourcing”. Some companies prefer to own

⁹⁸ Britannica Encyclopaedia, “The Atlantic Charter”, accessed August 19 2024. <https://www.britannica.com/event/Atlantic-Charter>.

the factories where their goods are made. But rather than investing in setting up their own service or production plant and directly managing the business, many corporations are procuring the required components or services from independent sources. It is argued that, as a result, greater emphasis is now placed on the core functions of managing the supply chain and final assembly rather than concentrating on “in-house” manufacturing of a product from start to finish. The growth of “out-sourcing” heralds a new form of business structure, one in which the upstream linkages of suppliers and the downstream linkages to the final customer have become stretched across continents.⁹⁹

Companies have been happy to spread their production chains across countries because of the lower factors of production costs, labour, land and energy are far cheaper in developing countries. This is primarily because the labour intensive aspects of production at the bottom end of the supply chain have lower yields of value added compared to those activities at the top end of the supply chain such as sales, marketing and customer service.

China’s rise can only be understood in the context of this great inversion. After 1978 it became more and more integrated into this global production chain, providing ultra-cheap labour, land and energy. But if China had simply remained a site for cheap factors of production, it would not have grown so rapidly and its technology base would have remained relatively low. But, as the second chapter showed, China has been persistent in its demands for technology transfer as part of the conditions for allowing companies to enter the country. As a result, it has gone up the technology ladder to the extent that it now competes in most industrial spheres and in many it dominates. As was highlighted in the second chapter, China embraced the globalization trend by opening its doors to both trade and investment, to the point where it is the second most favorite country for companies to invest in (after America) and is now the world’s biggest exporter.

Two competing globalizations

As highlighted above, since the seventies the American form of globalization has not followed the traditional pattern of trade and investment. This inverted form of globalization involves companies slicing

⁹⁹ For more on this, refer to Martin Christopher, *Logistics and Supply chain Management: Strategies for Reducing Cost and Improving Service*, (Harlow: Prentice Hall, 1992) 15.

their production processes up into specific tasks and establishing global production chains wherever labour is the cheapest for each individual task. One can only imagine the complexity of the production chain required for a top of the range laptop. But, as a result of this “great inversion”, some states are in a position to take advantage of this change and technologically leapfrog into competition with the West. One only has to glance at East Asia, South-East Asia and India to see this great transformation.

China’s aim is to both climb the technology ladder and surpass others in doing so. This is most clearly seen in the Chinese Communist Party’s plans which have included the policies of “Indigenous Innovation” (2006) to make China scientifically and technologically advanced by 2020 and the “Made in China 2025” policy launched in 2015 to ensure China moves into the high value added sector. As a result, it has come to dominate world trade. A quick glance at the figure below (Figure 4-1) graphically illustrates how China is currently out competing America in shares of world trade. However, the graph conceals as much as it reveals. China and America are both promoting globalization and both dominate world trade.

Figure 4-1: China & America’s share of world exports



Source: Eurostats: 2020

The combination (and obviously connected) process of domestically driven industrialization and integration into global production chains has, of course, led to a seemingly unquenchable thirst for raw materials. As mentioned in the previous chapters, in order to ensure that China has an uninterrupted flow of relatively cheap raw materials, it has embarked upon

the most ambitious economic plan the world has ever seen – and this is no hyperbole. By 2027 the total bill will have reached around \$1.7 trillion if all the plans in the pipeline are executed.¹⁰⁰ The plan is very clear in its intent, even if the Chinese leadership do not spell it out. The first element is attempting to build road, railway and port networks across Africa, the Middle East, Central Asia, South/South-East Asia and also Russia in order to ensure the uninterrupted supply of raw materials from these regions. The second element is its rail network across Central Asia that links into Europe, thus providing an uninterrupted route to supply one of the biggest consumer markets – the European Union. China has essentially created a conveyor belt transferring raw materials to itself and then back out again to Asia, Europe, the Americas, Australasia and Africa.

The first element also has two added benefits. The first benefit is that these networks are obviously not one way streets and they provide/will provide a conduit for consumer goods to these regions as well – particularly to the more affluent countries in the Middle East and South East Asia. But the second benefit ties directly into China's economic practice when it comes to raw materials – monopsony. As Dambisa Moyo details in her book on the subject - *Winner Take All: China's Race For Resources and What It Means For Us* – even before the One Belt, One Road Initiative, China has tried to corner as much of the raw material market as possible.¹⁰¹ Using its vast purchasing power it has tended to shun pure market approaches and instead signs long term supply deals and at as low a price as possible. This tendency has only strengthened with the OBOR – with many of the road and rail networks at least partly paid for by long term raw material contracts.

It is clear that what is now emerging is an alternative to the “great inversion” - the third phase of globalization promoted by America and its allies. We now have a Chinese led transcontinental network that actually covers a majority of the continents of the world if one includes the plethora of sea routes. But its form of globalization is not that of the “great inversion” – China is seeking full spectrum dominance in both the manufacturing and service sector. However, it also doesn't chime fully with phase one and phase two types of globalisation – instead it is a new hybrid form of globalization and one that puts it in direct competition with the American led phase three form of globalization based on unfettered open trade and

¹⁰⁰ Bloomberg, “China's New Silk Road”, April 15 2019.

<https://www.bloomberg.com › quicktake › China-s-silk-road/>

¹⁰¹ Dambisa Moyo, *Winner Take All: China's Race For Resources and What It Means For Us*, (London: Penguin, 2013.)

investment. It is creating a relationship with the developing world that doesn't involve colonization and yet neither is it like phase three where the economic relations are purely market based. Rather, it is establishing an alternative to the West's form of globalization, one where long term contracts at low prices are negotiated using its power as the main buyer for raw materials. This is combined with using huge loans for massive infrastructure projects in developing countries often agreed in exchange for advantageous raw material contracts.

America's Economic Strategy Towards China

Clearly, this is one of the major differences between Cold War I and Cold War II. The Soviet Union aspired to establish an economic system that would "bury the West" as Nikita Khrushchev put it. The Soviet Union may not quite have been Upper Volta with missiles as the German Chancellor Helmut Schmidt once said, but its supply-led centralized economy proved no match for the West and certainly there was only a small degree of economic interaction between the two sides.¹⁰² China, on the other hand, is deeply integrated into the West's production chains/trade supply and Western companies play a major role in its economy. In the economic war between America and the Soviet Union, the tactic of reducing trade through import taxes would have been ineffective. This is not the case for the new cold war. One of the main instruments used in the new economic war between China and America has been the imposition of higher import taxes. But, the degree of economic integration also means that the implementation of this tactic alongside others, such as technology export control, are not as straightforward as they seem: increasing the cost of Chinese imports through taxes may hurt Chinese industry but it also hurts American consumers and has the potential of increasing domestic inflation.

This may explain why the Obama Administration opted for a strategy that allowed for the continuation of trade between the two sides, while at the same time excluding China from new regional trading blocs that the United States was creating – unless China agreed to play by America's rules. The main Asian trade agreement – the Trans-Pacific Partnership (TPP) which was almost ready to be signed just after President Trump came to power - had the potential of reinforcing the United States alliances and drawing new countries into the American sphere of influence (for example Vietnam

¹⁰² Klaus Wiegrefe, "The Siren Song of NATO's Hawks", Spiegel International, July 12, 2016. <https://www.spiegel.de/international/world/nato-efforts-to-boost-force-in-baltics-will-not-boost-security-a-1102578.html>

which was party to the agreement). Indeed, it may not be a simple coincidence that Japan finally decided to join the Trans-Pacific Partnership (TPP) negotiations at a time when tensions over the on-going islands dispute with China had just reached new heights. The new trade agreements would not only have had the effect of developing more intensive trading relations, but it also proposed the strengthening of intellectual property rights. China was excluded but, if it agreed to the much more stringent rules concerning fair trade and ensuring other people's work would not be copied, then it could join. The advantages here were that the TPP was less confrontational, bound the American alliance closer and left an incentive for China to reform.

The Trump Administration opted for a different approach believing that bilateral negotiations allow it to apply American power more directly and effectively. It also has the advantage of ensuring that China continues to comply with agreements as America is the sole judge of whether it is in breach of an agreement (often multilateral agreements involve some form of arbitration). As a result, we have witnessed a major change in American policy with the launch of a trade war that has seen both sides ramping up import taxes (tariffs) on goods coming into their respective countries. The Trump Administration began the trade war in July 2018 with a relatively modest imposition of import taxes on \$34 billion worth of goods with China responding like for like, but within 3 months this had been ramped up to \$200 billion by America and then another \$300 billion of goods in August 2019. Prior to the so called Phase One Agreement in January 2020, the total amount of goods lined up for import taxes (not all have been applied) amounted to \$550 billion on Chinese goods entering America and China threatening to place taxes on \$185 billion on American imports.¹⁰³

The Phase One Agreement, which partly addresses America's trade concerns with China) will open the Chinese market further between 2020 to 2022. It is hoped that the amount of goods sold by America to China will increase by \$200 billion which would have a significant impact upon America's trade deficit.¹⁰⁴ It also contains a commitment by China not to devalue its currency to gain advantage in trade (the more yuan you can buy for your

¹⁰³ For a detailed timeline, see Dorcas Wong and Alexander Chipman Koty, China Briefing, August 5 2020.

<https://www.China-briefing.com/news/the-us-China-trade-war-a-timeline/>

¹⁰⁴ Dominic Rushe, "Donald Trump set to sign US-China trade deal with eyes on election boost", The Guardian, January 15 2020.

<https://www.theguardian.com/business/2020/jan/15/us-China-trade-deal-donald-trump>

buck, the cheaper Chinese products will be). There is also a commitment by China not to force American companies to transfer technology as a condition for operating in China, plus an increase in protection for American intellectual property. Many issues have been left for later discussions, such as, subsidies given to Chinese companies and state owned companies.¹⁰⁵ The deal will keep much of “the \$360bn worth of tariffs that the US has already imposed on Chinese goods and the threat of additional punishment if Beijing does not live up to the terms of the deal”.¹⁰⁶

The Biden Administration’s trade strategy is remarkably similar to that of the Trump Administration’s. The US trade representative, Katherine Tai, has focused on the fact that China has not fully met its commitments under the Phase One agreement – making only 62 per cent of the promised purchases of US goods.¹⁰⁷ The Biden Administration therefore wishes to ensure full compliance with the initial Phase One Agreement as its first main objective. However, it is also clear that any further negotiations will have very similar objectives to the Trump Administration. The Office of the United States Trade Representative has stated that we “will raise our broader concerns with Beijing’s non-market policies and practices like abuse of state-owned enterprises, anti-competitive behavior and subsidies, the theft of American intellectual property directly and in coordination with our allies and partners. We will defend American economic interests using the full range of tools we have and by developing new tools as needed”.¹⁰⁸

How successful the United States strategy has been depends very much on the aims of the trade war. If it is simply about the trade deficit, fair trade and intellectual property rights, then the Phase One Agreement looks like it has made some inroads, but China has still not been fully compliant. It is clear

¹⁰⁵ David Lawder, “U.S., China look to reset trade relations with signing of Phase 1 deal”, Reuters, January 15 2020.

<https://www.reuters.com/article/us-usa-trade-china/u-s-china-set-to-sign-massive-purchases-deal-easing-trade-war-idUSKBN1ZE011>

¹⁰⁶ Dominic Rushe, “Donald Trump set to sign US-China trade deal with eyes on election boost”.

¹⁰⁷ Demetri Sevastopulo and Aime Williams, “US urges China to fully honour trade pact signed with Trump”, Financial Times, October 4 2021.

<https://www.ft.com/content/9bb00532-8818-448d-a92f-b5cba0b19fae>.

¹⁰⁸ Office of the United States Trade Representative, “Fact Sheet: The Biden-Harris Administration’s New Approach to the U.S. – China Trade Relationship”, October 04 2021.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/october/fact-sheet-biden-harris-administrations-new-approach-us-china-trade-relationship>

that China's behavior has not altered dramatically despite the trade negotiations with a new export resurgence since Covid, trade deficits with western countries are on the rise again.

If the aim is to slow down China's technological development, particularly in the military field, it may not be so successful (only time will tell). Certainly the targeting of imports and exports to/from China over security concerns is directed far more at China becoming a technological leader in certain spheres and the vulnerabilities this could lead to. If the trade war is part of a much larger economic war as it seems to be, then it is worth assessing the economic relationship in terms of the degree of dependency of each state. Certainly, there have been many costs to America in terms of harming its agricultural sector, its hi-tech sector (many companies were placed on an "unreliable list" in response to America targeting Huawei and others) and the cost to the average American citizens wealth (the import taxes are said to have increased the cost of goods for the average household by \$800 a year).¹⁰⁹ But for China which is already suffering an economic downturn, the cost has been far greater and has had to engage in various economic stimuli to boost the economy.

However, if America is serious about an economic/technological war with China it will need to put in place a much longer term strategy. As highlighted in the previous chapter, America and its allies created the Coordinating Committee for Multilateral Export Controls (COCOM) to ensure the Soviet Union would not get its hands on their technology. This required a high degree of cooperation and was highly effective at preventing the Soviet Union ever really challenging the West. Yet, the situation now couldn't be more different with China deeply integrated into the global economy with America and its allies heavily reliant on its products. Although America may have had some success with China's penchant for copying inventions, it has not addressed the fact that such technology is often accessible from other countries.

Indeed, the whole world is so much more integrated one wonders if an attempt at blocking such technologies will ever succeed. For example, some American chipmakers, like Intel and Micron, have been able to continue to supply Huawei despite the American government's ban on trade because some of their chips are not made in the United States and are therefore not

¹⁰⁹ "Trade war: US hits China with new wave of tariffs", BBC News, October 21 2019. <https://www.bbc.co.uk/news/business-49505781>

technically American goods.¹¹⁰ But, more importantly, China benefits from what the Economist has called a “Geo-epistemological advantage”.¹¹¹ The fact that China is embedded in production chains that are global in nature gives it a distinct advantage. It not only learns about producing the part it supplies, it also learns about the other components and how they all go together. Moreover, “it is situated in webs of supply chains giving them “easy access to technological know-how” which they can either buy off the shelf or copy”.¹¹² In addition, because this deal only includes America and China, there is nothing to stop China imposing technology transfer requirements on other foreign companies producing in China, such as, Japan, Europe, Taiwan, South Korea etc. Even American companies may opt to stay quiet about technology transfer deals, because they are afraid of losing one of their biggest markets. The other weakness is that China may well have agreed to phase one of the trade talks, but there is nothing to stop it stealing company secrets via cyber space where attribution is very difficult (it could easily set up a cyber-unit in North Korea, for example).

If the trade war between America and China is in fact an economic/technological war aimed at ensuring China doesn’t catch-up with the United States, then what is required is a long term strategy that will involve some costs for America and its allies. The first option is for America to encourage foreign companies to move to another off-shore production site. It could, for example, cancel any remittance taxes on profits for companies that set up in India or Vietnam or provide aid to establish special economic zones which provide tax cuts in those countries in return. This policy could be applied by America’s allies as well and it has the benefit of not confronting China, but simply making another country more attractive (the cost would be in relocating factories). This may be combined with the on going trade war – companies will relocate because the additional import taxes on goods from China makes them uncompetitive – but such tariffs must be long not short term if they are to work. One can see how effective this might be – annual American investment (foreign direct investment) in China has dropped by 60% since 2017, similarly, an astonishing 84% of

¹¹⁰ Steven Musil, “US companies reportedly bypassing Trump ban on sales to Huawei”, C-Net, June 25 2019. <https://www.cnet.com/news/us-companies-reportedly-bypassing-trump-ban-on-sales-to-huawei/>

¹¹¹ The Economist, “Technology Quarterly”, January 04-10, 2020, 4.

¹¹² Ibid.

Taiwan's annual outward investment went to China in 2010, but it is now only 34% (2019).¹¹³

The second and more costly option is for America to set up a modern day equivalent of COCOM where all of its allies in the West and East stop production and sale of certain hi-tech goods to China that could give it a strategic advantage. This would mean rapidly relocating production either back home where costs are high or at another overseas site and a ban on selling certain hi-tech to China. The problem is that China would react using a consumer boycott on those companies unless all were fully committed to technologically isolating China. COCOM succeeded because all of America's allies felt sufficiently threatened by the Soviet Union. But, China's military is not yet strong enough to threaten all of East Asia and therefore the solidarity created by an overwhelming threat - "hang together, lest we be hung separately" is not yet there. However, if Chinese adventurism in the South China Sea tinderbox sparks off a major international incident, then efforts at creating an embargo on hi-tech goods may be successful.

International Institutions and Agreements

The Soviet Union's and China's engagement with global institutions, norms and agreements are a reverse image of each other. The Soviet Union in many ways had limited engagement with the various global institutions that existed at the time. For instance, it only applied for membership to the World Bank and the International Monetary Fund (IMF) just before the Soviet Union's collapse in 1991. It was also not a member of the precursor to the World Trade Organization (WTO) – the General Agreement on Tariffs and Trade (GATT), although it did try to apply unsuccessfully in 1986 (the United States opposed the move).¹¹⁴ Even in areas that were traditionally regarded as "low politics", engagement could be minimal. For example the first United Nations Conference on the Human Environment in 1972 was boycotted by the Soviets due to the lack of inclusion of East

¹¹³ The Economist, "Poles Apart: The Planet's biggest break-up is under way", January 04-10, (2020), 9; The Economist, "China and Taiwan: The Honey Trap", November 09 2019, 53.

¹¹⁴ The Los Angeles Times, "The Soviets in GATT?", August 25 1986.

<https://www.latimes.com/archives/la-xpm-1986-08-25-me-16126-story.html>

Germany.¹¹⁵ Of course, it was active in the United Nations, often using its veto in its competition with the United States and it was also effective in drumming up support for various issues in the General Assembly. However, its engagement in peacekeeping operations was very limited - its first major participation was in 1973 contributing observers to the second United Nations Emergency Force (UNEF II) as part of the peace keeping initiative in the Middle East.¹¹⁶

Yet, when it came to norms and agreements with the United States, there was much more active engagement by the Soviet Union, particularly with regard to armaments. The first major agreement that helped pave the way for further agreements rather oddly concerned keeping the Antarctic a zone for scientific exploration only. In 1959, twelve countries, including the Soviet Union and America, agreed to prohibiting “establishing military bases, carrying on military manoeuvres, testing any weapons (including nuclear weapons), or disposing of radioactive wastes in the area”.¹¹⁷ The Partial Nuclear Test Ban Treaty followed relatively soon after in 1963 and effectively banned the testing of nuclear weapons anywhere except underground (even the use of space was prohibited). Five years later, a major watershed was reached with both countries together with Britain agreeing not to proliferate nuclear weapon technology. The seventies and early eighties then witnessed a wave of arms control and reduction treaties solely between the Soviet Union and America. The Strategic Arms Limitation Talks (SALT) in 1972 and 1979 sought to limit the number of nuclear delivery systems each side possessed whilst the Strategic Arms Reduction Talks (START) which started in 1982 but was only signed in 1991 aimed at actually reducing the number of nuclear weapons. One of the most significant agreements was the Intermediate Nuclear Force Treaty (INF) in 1987 because it not only banned a particular type of nuclear missile (intermediate and medium range that could reach from 500 to 5,500 km),

¹¹⁵ Wikipedia, “United Nations Conference on the Human Environment” accessed August 19 2024.

https://en.wikipedia.org/wiki/United_Nations_Conference_on_the_Human_Environment

¹¹⁶ Joachim Koops, Joachim Alexander Koops, Norrie MacQueen, Thierry Tardy, Paul D. Williams (eds), *The Oxford Handbook of United Nations Peacekeeping Operations*, (Oxford: Oxford University Press, 2015), 193.

¹¹⁷ Encyclopedia Britannica. “The Atlantic Treaty”, accessed June 22 2023.
<https://www.britannica.com/event/Antarctic-Treaty>

but it also set up a highly intrusive monitoring regime with each side allowed to inspect the other's sites.¹¹⁸

What was significant about these talks and agreements was that they were fundamentally political processes that facilitated dialogue and understanding between the two sides. Of particular importance was the Anti-Ballistic Missile (ABM) treaty in 1972 agreed at the same time as SALT I. Two streams of thought were prevalent at the time – a technical and political one.¹¹⁹ The technical one, often favored by the Americans because of their technological lead, tended to offer scientific solutions to the nuclear threat. The other view was to treat the nuclear threat in a similar manner to traditional arms build-ups i.e. that the reason behind them was essentially political and therefore a political solution should be sought. The ABM treaty may actually go down as one of history's greatest oddities in that it committed both sides not to defend themselves with anti-ballistic missiles that could shoot down in-coming nukes. Both sides were only allowed to deploy one system around their capital and one system to protect one of their nuclear missile sites. Although this appears bizarre, it is highly significant because it demonstrates that the two sides came to an understanding and could see that the logic of mutually assured destruction makes sense in a world where both sides could annihilate each other and possibly destroy the whole planet in so doing. The treaty essentially assured both sides that no matter who started the war, both sides would be destroyed – because the treaty stopped the deployment of defensive measures and yet ensured each side possessed a second strike capability. This may hold important lessons for future dialogue between America and China not only in the nuclear arena, but in other spheres, such as, cyber-security.

Compared to the Soviet Union, China has had a rather different trajectory. It has shifted from non-engagement to norm-taker and is possibly emerging as a norm-shaper. So, for example, with the Non-Proliferation Treaty China previously argued that it was discriminatory and so refused to sign it. Worse still, they supplied weapon grade uranium to Pakistan in 1982 and then a

¹¹⁸ Daryl, Kimball, "The Intermediate-Range Nuclear Forces (INF) Treaty at a Glance", Arms Control Association, August 2019.
<https://www.armscontrol.org/factsheets/intermediate-range-nuclear-forces-inf-treaty-glance>

¹¹⁹ Michael Sheehan, "Arms Control: Theory And Practice", (New York: Basil Blackwell, 1988).

year later gave it plans for a nuclear bomb.¹²⁰ However, China seems to have learnt the dangers of letting the genie out of the bottle. The nuclear technology that it shared with Pakistan spread across to other countries, such as, Libya, North Korea and Iran, through what has become known as the A.Q. Khan network – after the Pakistani scientist at the centre of Pakistan’s nuclear program. Possibly as a result of this lesson and also the need to be seen as a responsible power, China eventually signed the NPT in 1992 and has become a strong advocate of nuclear non-proliferation. Like the Soviet Union, China was initially not a member of the IMF and World Bank. It became a member in 1980 as a result of its new open door policy. Similarly, it was not a member of the GATT trade regime and, although it wanted to join from the mid-eighties, it was only allowed to become a member of the World Trade Organization in 2001 (GATT became the WTO in 1995). Its participation in the United Nations led sanctions against North Korea for going nuclear in 2006 (UNSCR 1718) and in 2009 when sanctions were stiffened (UNSCR 1874) was a major watershed and signaled China’s willingness to support the international community even if it meant challenging an ally.¹²¹

But China is also keen to become a norm shaper – influencing the way in which agreements and organizations operate. This is mainly in the East Asian region where it has the greatest influence and is seeking to establish a hegemonic role, but it has also included international initiatives partly as a result of the space left by America as it became more isolationist. China was part of the ASEAN Plus Three (APT) process from the very beginning in December 1997 in Kuala Lumpur. The aim of the APT is to foster cooperation and further develop an East Asian community. It now covers a broad range of issues, including: “transnational crime; economic; finance; tourism; agriculture and forestry; energy; minerals; small and medium-sized enterprises; environment; rural development and poverty eradication; social welfare; youth; women; civil service; labour; culture and arts; information and media; education; science, technology, and innovation; and public health”.¹²² Just as importantly, in November 2002, the ASEAN leaders and

¹²⁰ R. Jeffrey Smith and Joby Warrick, “Scientist: China gave Pakistan nuke blueprint”, NBC News, November 13, 2009.
<https://www.nbcnews.com/id/wbna33904300>

¹²¹ Neil MacFarquar, “U.N. Security Council Pushes North Korea by Passing Sanctions”, New York Times, June 12 2009. Online at
http://www.nytimes.com/2009/06/13/world/asia/13nations.html?_r=0&gwh=07F986D7B36AFEBD7D89BF BF8A9B0139.

¹²² ASEAN Secretariat Information Paper, “Overview of ASEAN Plus Three Cooperation”, June 2017. Accessed July 10 2020.

China agreed a framework for the ASEAN China Free Trade Area and, by 2015, the agreement was fully implemented with the elimination of tariffs on 95 per cent of goods and a trade in services agreement that ensure “national treatment” for member countries.¹²³

Just as with trade, China has been active in developing what can only be described as regional alternatives to the World Bank and the IMF. China led the initiative to create the Asian Infrastructure Investment Bank (AIIB), and the BRICS-led New Development Bank headquartered in Shanghai (both agreed in 2014). The AIIB has around half the capital of the World Bank which is impressive given its short life.¹²⁴ China has also been a major player in creating a regional version of the IMF. Just like the IMF, the Chiang Mai Initiative in 2000 set up funds to provide foreign currency to its East Asian members if they experienced a financial crisis. This initiative was strengthened in response to the 2007/8 financial crisis in 2010. The so-called Chiang Mai Initiative Multilateralised has increased the funds available to \$240 billion (2012) with Japan and China as the main overall contributors.¹²⁵

China is also increasing its influence at the international level. Indeed, one wonders if this is part of a longer term plan to shift from regional to global dominance. China is now the third largest financial contributor to the IMF and World Bank and, because voting power is mainly based on financial contributions, it is increasingly having a larger say in how the two financial institutions operate. It also took advantage of the vacuum left by America when it pulled out of the UN climate convention. At the time, China stressed its continuing commitment to the goals of reducing carbon emissions. China has positioned itself as a model for developing states whilst also successfully portraying itself as a responsible member of the international community. Industrially developing states have long argued that most of the damage done to the environment historically came from the highly industrialized states and emphasize that therefore the burden mainly lies with those countries and that they maintain their right to develop in a similar fashion. China has been one of the most vocal proponents of this position (for example, China did not have to commit to reductions under the 1992 Kyoto Protocol). However, it has shifted its position so that it is now

<https://asean.org/storage/2017/06/Overview-of-APT-Cooperation-Jun-2017.pdf>

¹²³ Christopher Dent, *East Asian Regionalism*, (London: Routledge, 2008) 207.

¹²⁴ Wikipedia, “Asian Infrastructure Bank”, accessed June 13 2019.

https://en.wikipedia.org/wiki/Asian_Infrastructure_Investment_Bank

¹²⁵ Bangko Sentral Pilipinas, “Chiang Mai Initiative Multilateralization”, September 2015. <http://www.bsp.gov.ph/downloads/publications/faqs/cmim.pdf>.

agreeing to reduce its carbon dioxide intensity by 45% of the levels in 2005 by 2020. This idea cleverly allows China to keep growing, but economic activity must produce almost half as much CO₂ compared to similar activities in 2005. It has also promised “to increase the share of non-fossil fuels in primary energy consumption to around 15% by 2020, and increase forest coverage by 40 million hectares”.¹²⁶

Bilateral Norms of Understanding

As mentioned above, the Soviet Union and China represent reverse images of each other when it comes to norms. The Soviet Union tended to be isolated from some of the largest international institutions and global norms whereas, since 1978, China has assiduously followed a path of integration. However, when it comes to bilateral agreements, the exact opposite is true. The Soviet Union and the United States managed to agree upon a raft of arms control and disarmament measures. Yet, at the moment, the relationship between China and America is marked by a relative absence of such agreements. This is worrisome for two main reasons. First, such agreements are a political as well as a technical process. At times, there may need to be technical solutions, such as surveillance of certain weapon sites, but more importantly these agreements require long term commitments and dialogue in order to compose the final document. It is clear from Cold War I that such a process led to a much deeper understanding of the other side’s point of view and concerns and, as such, helped to calm tensions in a very dangerous world. At the moment, this dialogue is non-existent not only between America and China but also with other states that it regards as adversaries. Moreover, the United States has been keen to withdraw from many of the agreements that took so many years to establish. For example, in 2002, the Bush Administration withdrew from the ABM treaty giving it the freedom to further develop its defense systems and in 2019 the agreement between Russia and the US to ban missiles with a range of 500-5000 kilometers came to an end when the Trump Administration withdrew (as a result of alleged violations by Russia).

It may well be that this dialogue takes some time to develop. In the case of Cold War I, it took a decade and a half before any major agreements on nuclear weapons were signed. In addition, the really substantive limits and reductions on nuclear weapons only really came to fruition when: the Soviet Union reached rough nuclear parity with the United States; and each side

¹²⁶ Wikipedia, “Copenhagen Accord”, accessed August 19 2024.
https://en.wikipedia.org/wiki/Copenhagen_Accord#Emissions_pledges

had enough weapons to ensure global Armageddon. It may well be that such nuclear agreements will only manifest when China has a greater number of weapons (or America reduces its own stock). If this is the case, then all the more reason for China to be transparent about its nuclear stockpile – something it has not been keen on doing. The good news is that, given these types of agreements have been reached before during Cold War I, both sides know it is possible and the lead-time should be much shorter. It may even be that the MAD norm is sufficiently well established that both sides simply refrain from deploying too many anti-ballistic missile defense systems and ensuring they have a second strike capability. Certainly, China has been concentrating on ensuring it (like America) has mobile land-based nuclear missiles and submarine launched nuclear capability to ensure it has a second-strike capability and this may suffice for now.

In regard to the relative lack of agreements between China and America, the second worrisome aspect is the rise of new hi-tech weaponry, the potential impacts of which are still unknown. Anti-ballistic missile (ABM) technology has advanced much since the seventies and it may well be that the leaders of these two countries believe they can defend themselves against a nuclear attack. This would be a major mistake - such systems are never fool proof as we saw with the downing of the Ukrainian civilian plane by Iran and the downing of the Malaysian plane over Ukraine. In addition, such systems will never afford one hundred per cent security simply because the other side will change tactics in response. The new hypersonic glider missiles are a case in point – they were designed to travel at incredible speeds and manoeuvre in-flight mainly in response to the improvement in ABM technology. Indeed, it may be that as both sides develop these missiles, it will force both sides to come to some type of agreement on their numbers and use.

An even greater threat to instability is at the ultra-hi-tech end with robot warfare, killer drones and cyber-war. All of this may sound fanciful, but it is either already here or it is just around the corner. One only has to look at the sophistication of the humanoid robots created by Boston Dynamics to understand that the possibility of robots being deployed instead of humans in a theatre of conflict is just years away. Similarly, the use of artificial intelligence in tracking the enemy is already here. In both of these hi-tech developments, the minimum that both sides should agree upon is that the final decision to engage an enemy is made by a human – in other words the automated aspects of search and destroy are kept to the search element. Although most find such methods of warfare abhorrent, it is unlikely that both sides will agree to a total ban just yet. It may be that after some awful

mishap or a massive escalation in the number of military robots/drones that can be deployed, both sides agree to limit such devices.

As already noted, defense against cyber-war is rather complicated because the lines between that and an attack on civilian infrastructure are blurred. Moreover, although hacking is usually considered a non-military action, if it involves the theft of top secret military secrets then, again, many would view this as crossing the Rubicon between purely attacks on civilian sectors and the military. It is likely that responses to such activities will range across a broad spectrum. At the lower end, it may include creating false trails to fake blueprints, such blueprints may actually be similar to the real thing but have critical fails in-built when the technology is actually used. Or it may involve Trojan horses within files leaving the other side vulnerable to spying/attack. It may also involve tit-for-tat attacks from the other side. This seems to have already occurred. It is believed that China used American National Security Agency hacking software which it discovered on its computers against America in a reprisal attack. Significantly, the code then became readily available and it is believed to have been used by Russia and North Korea.¹²⁷ However, although such leakages should give both sides pause for thought, it is unlikely that intelligence activities will be curtailed. Cyber espionage is highly effective and it continues to be seen as part of the “great game” between the two sides. Far more serious is a medium to high level attack on either civilian infrastructure or the military that is not confined to a specific target like nuclear centrifuges or missile defenses but to a wide range of assets. It is highly likely that as technology develops and/or an attack occurs that both sides start to follow a cyber version of mutually assured destruction. In this situation, neither side will engage in an all-out cyber attack because they would know the enemy has an air-gapped cyber unit (disconnected from any networks until a counter-attack is launched) that will survive the attack and will respond in a similar fashion.

For all of these new technologies, there is some hope that they can be controlled if all major parties (not just the United States and China) begin political dialogue on these issues. Hopefully, they will draw on history and realise that previous arms control/disarmament agreements contain lessons that can be learnt. The banning of intermediate nuclear weapons and blinding lasers indicates that, where there is the political will, specific categories of weapons can be completely prohibited and verification

¹²⁷ Nicole Perlroth, David E. Sanger and Scott Shane, “How Chinese Spies Got the N.S.A.’s Hacking Tools, and Used Them for Attacks”, (New York Times, 06 May 2019) 5.

procedures can be put in place to ensure compliance. It may be that AI drones and robots will eventually fall into this category and maybe even software that is deliberately designed to disable civilian and military infrastructures. It is also worth remembering that the 1977 additional protocols to the Geneva Conventions already ban attacks on “objects indispensable to the survival of the civilian population” (Article 54).¹²⁸ So, many states have agreed that deliberate cyber-attacks on critical civilian infrastructure should already be prohibited. If the United States ratified this convention that it has already signed, this may be a step towards both sides agreeing to some basic rules of engagement.

Conclusion

Just as the last chapter showed that there are many similarities between Cold War II and the old one, this chapter has outlined that there are also several important differences. This is important because, although there are clear indications that we are experiencing some similarities, e.g. military build-up, deterioration in diplomatic relations etc., the dynamics and therefore the trajectory of Cold War II will be very different this time. At the moment, several of these differences should be a cause for concern because they are highly fluid and unpredictable in nature.

One of the most obvious differences is the geo-political situation in East Asia compared to that in the European theatre. When Winston Churchill warned us in 1946 of an iron curtain descending between East and West Europe, he was speaking metaphorically and yet, a few years later, the metaphor transmogrified into a real yet surreal form with steel fences and concrete walls erected all along this divide. The Berlin Wall that was built in 1961 is the best representation of the static nature of Cold War I, with concrete walls dividing the city into two and anyone daring to cross into the West without permission was simply shot.

The situation in the South and East China Seas could not be more different. By its very nature, a maritime theatre of war is highly fluid with fleets having to cover vast areas of ocean. Such manoeuvres can lead to an

¹²⁸ International Committee of the Red Cross, “Factsheet on the 1977 Protocols Additional to the Geneva Conventions”, 31-05-2007 Legal Fact Sheet, accessed September 5 2023. <https://www.icrc.org/en/doc/resources/documents/legal-factsheet/protocols-1977-factsheet-080607.htm>

“unresolvable uncertainty” over the actual intentions of either side.¹²⁹ Moreover, the political situation is far more unstable because of the various competing claims to the plethora of small islands in this region. One can easily see how a major conflagration could occur unintentionally through misperception/miscalculation of one another’s actions.

A similar problem exists with cyber-attacks. This new fifth dimension of security can produce highly volatile situations. The three biggest issues in this area are: attribution and intention; speed; and degree of devastation. The first concerns an unresolvable uncertainty over who is actually attacking you and whether it was intentional or not. True, it is usually possible to track the perpetrators and forensically examine code to identify similarities with code from previous attacks by one’s enemies. However, in cyber-space it is relatively easy to mask your true identity – at least over the short term – by initiating an attack from a third country. It is also easy to copy software code to make it look like it is from someone else. There is also a problem in assessing intentionality. The American/Israeli Stuxnet attack on Iran is a case in point. The virus used also ended up on lots of other similar facilities. Luckily, because the virus was not designed to attack automatically it therefore remained dormant on these other computers, but one can see through this example how easy it is to start something that is then difficult to stop. This is exacerbated by the speed at which such attacks can occur. It is worth remembering that the wonders of the internet are based upon a fibre-optic infrastructure that conveys information literally at the speed of light – the fastest thing in the universe. Just as in the nuclear realm, decisions may well have to be made in a split second and that is likely to lead to grave errors of judgement. This brings us to the third aspect – the degree of devastation. Regardless of whether an attack is intentional or unintentional, a cyber-attack has the potential (depending upon how specific the target is) to cause untold havoc. A full on attack on civil infrastructure could lead to: stock market crashes; hospitals unable to function; road, train and air accidents (if traffic systems are affected); gas and electricity power cuts; or, worse still, nuclear meltdowns. Most worrisome is that both sides see this new form of warfare as cheap and efficient and are clearly willing to use it, believing that the risks in so doing are manageable. Only time will tell if they are right or whether they have made a gross error of judgement.

¹²⁹ Nicholas Wheeler and Ken Booth (1992) “The security dilemma” in John Baylis and Nicholas Rengger (eds) *Dilemmas of world politics: international issues in a changing world*, (Oxford: Oxford University Press), 29–60.

The third volatile aspect is a political one. Despite the fact that America and the Soviet Union stood eye ball to eye ball armed to the teeth with enough firepower to destroy most if not all of the world, their relationship evolved to a point where certain norms of behavior were agreed on both sides. This not only helped ease tensions between the two, it also promoted greater understanding – at least to a certain degree. As it stands today, the relationship between America and China is marked by the absence of such agreed norms of behavior. This is all the more odd, given that China has signed up to a raft of global institutions and agreements. This could be the channel through which both sides continue to talk. Because of the American political system, the United States often signs up to treaties but then fails to ratify them because of a lack of votes in Congress. If America finally ratified the UN Law of the Sea and/or the 1977 additional protocols to the Geneva Conventions, it might kick-start further discussions in other areas about how to best manage this increasingly fraught relationship.

CONCLUSION

Whilst writing this book the phrase the “new cold war” has become part of the lexicon of this generation. Yet, it is used in a variety of ways and, thus far, little detailed analysis has emerged. It is worth remembering that the term cold war refers both to presence and absence – the presence of antagonisms and tensions in many spheres of economic, political and military relations between two or more countries, but the absence of direct war between adversaries. This book has compared Cold War II between China and America with that of Cold War I between the Soviet Union and America that lasted from 1947 through to 1991. The comparison has helped to clarify whether we are entering a new cold war and to what extent it resonates with the earlier antagonism between the Soviet Union and the United States. In so doing, the book identifies some strong similarities, but it also found some significant differences. This is to be expected given both the different nature of America’s new adversary and the modern environment in which these antagonisms are being played out. Indeed, as is detailed below, it is because of, and not in spite of, these differences that we can justify calling this rivalry a cold war. Much of the competition between the two countries is now carried out in the so called fifth dimension – cyberspace – which was only truly emerging at the end of Cold War I. Yet, many of the activities in this sphere closely resemble those of Cold War I – espionage, intellectual property theft, the covert nature of cyber-attacks; it is the mode of delivery that has radically changed.

As we have seen, in terms of ideology, Cold War II bears a striking resemblance to Cold War I. Indeed, as this book has pointed out, communist ideology has once again come to the fore in the last few years. Ever since China re-opened its economy it has been a curious amalgam of state run companies and private enterprise. Overseas observers have tended to think that this amalgam would evolve into an admixture with capitalism dominating with vestigial state run enterprises taking a back seat. However, state run enterprises still represent a significant part of the economy. Whether this strengthening of communist ideology will actually lead to the opposite outcome – an admixture of state and private enterprise with the latter representing the smaller element – we have yet to see.

A return to a purely state run economy is highly unlikely mainly because the Chinese Communist Party is very aware that it is dependent upon private enterprise for entrepreneurship and innovation. Both their own past experience and that of the Soviet Union's clearly demonstrated that state control of the whole economy was no substitute for capitalist innovation. The strength of China's economic development in the last four decades is testament to this and it is unlikely that they would wish to deliberately sabotage China's success. Indeed, it is highly likely that China will become ever more reliant on indigenous innovation as other countries become less tolerant of cyber-theft and begin to put in place more robust security systems. For the foreseeable future China will continue to permit private enterprise whilst maintaining a highly centralised state apparatus promoting communist ideology, censorship, political conformity, plus strong state surveillance and control when deemed necessary as in the case of some ethnic minorities. It will also undoubtedly continue to use nationalism in order to shore up support from its population. Such a path will mean that China and America will remain at loggerheads over issues of human rights, democracy and what America sees as unfair economic competition as a result of state involvement in the economy.

The other obvious similarity is the building up/modernisation of each side's military. The classic action/reaction cycle that was so apparent in Cold War I is obviously present in Cold War II. In other words, one side introduces updated or new weaponry and the other side responds with new defensive measures (new tactics, deployments or new defensive weapons) alongside similar weapons of their own. At the moment, American weaponry is ahead in sophistication, but China clearly has greater numbers of military personnel. In addition, China is rapidly advancing in all military spheres with ever more sophisticated aircraft, satellites, ships, artillery, missiles, tanks etc.

Advances in the nuclear field are difficult to gauge because the number of nuclear warheads China actually has is a closely guarded secret. As mentioned previously it is estimated that it now has 500 warheads. As we have seen in Chapter Four, China is clearly modernising its nuclear delivery systems so that its warheads can now be deployed on land, air and sea – so that it possesses the so-called nuclear triad. Such developments should not necessarily be viewed in a negative light. Having land, air and sea nuclear delivery systems ensures that it has a second strike capability. In other words, if another country should launch a nuclear attack against it, despite the devastation wrought it would be capable of responding in a like manner. Such capability ensures mutually assured destruction (literally known as

MAD) and actually produced a high degree of stability in Cold War I because each side understood it would be irrational to start a war against the other side.

One aspect in the military sphere that is different to Cold War I is China's reliance on asymmetric warfare tactics (i.e. not matching an enemy's military might with similar weapons but instead adopting tactics and weapons that take advantage of vulnerabilities in the seemingly superior weaponry of one's enemy). For example, it has developed hypersonic ballistic missiles, lasers that can blind American satellites, a variety of armed drones and also laser weapons that can take out drones (the so called "Silent Hunter" weapons), it has also proven adept at using cyber-warfare to counter the military superiority of others.¹ In 1947, when the old Cold War began there was little need of such asymmetric warfare because the Soviet Union still had a huge, relatively sophisticated, military from the Second World War which had only just ended and therefore the balance between it and America was more even. Whereas, in China's case, it has had to play catch-up with the United States. Until it does so, it is highly likely that it will continue to develop weapons and tactics that present defensive problems for its adversaries.

Cold War II bears remarkable similarities to Cold War I with regard to the politicisation of aid. As pointed out in Chapter Three, for many years both sides contributed almost the same amount of aid to various countries. However, with the announcement of the "One Belt, One Road" (OBOR) strategy in 2013, China has promoted the modern day equivalent of America's Marshall Plan to Europe after the Second World War. But this time the project spans several continents creating the equivalent of a two way conveyor belt; primarily raw materials from Africa and Asian (although of course consumer goods also flow in the other direction) and finished products primarily going out to Europe and East Asia (plus the Americas via ships). Of course, China hopes the OBOR project will also give it greater influence in various countries and regions, just as the Soviet Union sought influence through aid.

Just like the Marshall Plan, much of the OBOR is not true aid in the sense of unconditional cash to countries. Most of the money is for specific projects and the "aid" is in the form of long-term cheap loans. It should be

¹ Military Watch Magazine, "Chinese Laser Weapons Now Defending Russia Against Ukrainian Drone Strikes: How Capable is the Silent Hunter 3000?", May 1, 2025. <https://militarywatchmagazine.com/article/chinese-laser-weapons-now-defending-russia-forces-against-ukrainian-drone-strikes>

remembered that America is still the main contributor to the World Bank's lending fund whereas China clearly prefers bilateral loans, although it does contribute a significant amount to the World Bank as well. This bilateral lending can increase China's soft power, but it does come with some risks. Several of China's loans have benefitted particular regions within countries over others and these areas have tended to be where the dominant ethnic group resides. As a result, Chinese loans have often become political hot potatoes, creating resentment amongst other ethnic groups against both China and those in power. The multi-ethnic nature of many developing countries in Africa and Asia means that such favoritism has the potential of exacerbating underlying ethnic tensions and conflict. In addition, Chinese loans have often had a reverse effect – producing a negative image of the country. There is a general wariness of such loans because of fears of a new debt trap.

Just like Cold War I, the principle of human rights has become a political football internationally. Just as the Soviet Union did in Cold War I, China argues that America has ill-intentioned ulterior motives for raising the issue of human rights and that the real reason is to enable economic sanctions to be put in place in order to slow down China's economy so that it does not overtake the United States. This argument is strengthened by the fact that America did little in the past when similar human rights issues came to the fore, such as, the Tiananmen Square incident. In addition, China points to America's own ethnic political protests such as the Black Lives Matter movement (although the movement is in itself multi-ethnic the issue is about human rights abuses mainly against one ethnic minority). These arguments will, of course, run and run. One thing is for sure, it will remain a contentious issue between the two superpowers exacerbating their already deteriorating relationship.

Yet, there are just as many differences as there are similarities when one compares these two cold wars. But this does not invalidate this book's claim that we are now entering Cold War II. Indeed, in many ways the opposite is true. Several of the differences are indicative of the way the world has changed since the collapse of the Soviet Union in 1991. Cold War II is being played out not only in a new geopolitical landscape, but also through a new medium – that of cyber-space.

It is also true that the world is far more globalized than it was forty odd years ago. Moreover, China and America are key players in this globalizing world with both of them, until recently, investing heavily in each other's economy and trading across their borders at unprecedented rates. This is

totally different to the trading and investment relationship of the US and Soviet Union which was, in comparison, at miniscule levels. Under the Trump and Biden Administrations, America has attempted to use this intense trading relationship in two ways: using import tariffs and the threat of such tariffs to get China to open its economy further and to engage in fairer trading practices; it has also used sanctions and the threat thereof to alter China's political behavior. Both attempts have met with some difficulties, although the resetting of America's economic relationship with China has met with more success.

However, America quickly discovered that its trade with China is characterised by mutual interdependence. By raising import taxes on certain Chinese goods it not only had an economic cost for Chinese companies, but also hit US companies and consumers as the costs of increased prices were passed on to the American public who in turn reacted by reducing consumption. Moreover, American policy also had an effect on the exports of US, European and East Asian companies whose factories are based in China. It is worth remembering that these companies are actually responsible for 43 per cent of China's exports to the world and out of the 20 largest exporting firms in China, 13 are actually foreign owned.² America has also used sanctions, outlawing conducting business with some of China's hi-tech companies because of either potential security vulnerabilities or their involvement in the crack down on various segments of China's population. Once again, this has raised several problems, not least the circumvention of these new laws by American companies themselves who continued to do business with these listed Chinese firms. They were able to do so because of the globalized nature of today's world – simply shifting the sale of equipment to their production bases outside of America.

Although the Trump Administration seems to have had some success in convincing China that it needs to adopt fairer trading and investment practices, the cost of not doing business is quite substantial. Whereas the use and threat of sanctions has had little tangible success with China continuing with its crackdown of various regions including. It is also apparent that gaining support for such action from America's traditional allies is not going to be straightforward. America has tended to see economic interdependence as a one-way street with the US able to take unilateral action without significant costs to itself. The recent trade wars tell a different

² Tom Hancocock, "China's relentless export machine moves up the value chain", Financial Times, September 23 2018. <https://www.ft.com/content/cdc53aee-bc2e-11e8-94b2-17176fbf93f5>

story. This is significantly different to Cold War I where the use of economic policies to influence the Soviet Union had little negative impact on the West and East Asia. However, it may well be that this mutual interdependence will change over time because foreign companies will move out of China both as a result of the increasing costs of production (mainly due to rising wages) and the economic uncertainty that a new Cold War brings. It is noteworthy, for example, that last year (2019) Samsung moved its last phone factory from China to India and Vietnam to take advantage of the cheaper labour and tax breaks on offer.³

The strategic landscape that faces China and America is also very different to Cold War I. The military stand-off ran all the way through the middle of Europe and although this generated a terrifying atmosphere it was also relatively stable (although red alerts were issued occasionally because of sudden troop movements). The East Asian theatre is completely different because the territory of most of America's allies do not abut China's. There is therefore a much greater reliance on naval power which is why both sides are busy increasing their firepower. It is also true that the ownership of many of the seas/islands surrounding China are disputed to the extent that it is the new powder keg of the world. Added to this mixture is Taiwan's disputed status. From China's perspective it is the last and most important part of its sovereign territory that has not yet been incorporated back. Taiwan, on the other hand, jealously guards its independence and democratic values – recent events in Hong Kong have reminded them just what is at stake.

China has adopted the tactic of swarming in recent island disputes with weaker countries, using large numbers of boats (many from the coast guard) to surround islands and prevent access. China may be tempted to use this as an asymmetric tactic against the United States or one of its allies, attempting to surround a larger vessel such as an aircraft carrier. If such boats were then armed, even a highly sophisticated ship would struggle with such numbers. All too often in history, greater powers have been defeated by the good use of tactics. The United States is responding to China's growing military strength and seems determined to ensure its dominance on the seas continues. It aims to increase its fleet to "more than 355 ships, from the current 293".⁴ Most significant is that many of these additions will be

³ Ju-Min Park, "Samsung ends mobile phone production in China", Reuters, October 2 2019. <https://www.reuters.com/article/us-samsung-elec-China/samsung-ends-mobile-phone-production-in-China-idUSKBN1WH0LR>

⁴ Agence France-Presse, "US plans big expansion of navy fleet to challenge growing Chinese sea power", The Guardian, September 17 2020.

smaller vessels and submarines which will be “optionally manned, unmanned and autonomous” ... alongside “a broad range of unmanned carrier-based aircraft”.⁵ A typical example of this is the new replicator initiative which aims to produce thousands of sea drones that can swarm and destroy enemy ships – almost a Chinese strategy in reverse, but with less risk to lives.⁶ This is alongside underwater and surface drones that can continually scour the seas for enemy submarines. Technological solutions like this may change the balance of power within the region’s seas, but the replacement of boots on boats with drone technology increases the risk of miscommunication and mistakes still further.

One of the other major differences of Cold War II is the “geo-tech” wars. This is simply because the Soviet Union was not in any position to really challenge the technological superiority of America and its allies (of course it had its own successes but it never really challenged across the full technological spectrum). China is embedded in highly complex production networks giving it what The Economist has called geo-epistemological advantages such that it can gain technological knowledge simply from its suppliers.⁷ If America suddenly drops out of this supply chain then, in many cases, China can simply shift to another supplier. It therefore requires a concerted and coordinated effort not only by America, but also its allies rather than unilateral action. Thus far such cooperation amongst America’s allies has not appeared possibly because the financial benefits of continuing economic relations with China are very great. However, it is noteworthy that some states are now reconsidering Chinese technology in state procurement. For example, India has recently (2020) banned 118 Chinese apps and is now ensuring that state bodies and agencies are no longer dependent upon Chinese network provision.⁸

<https://www.theguardian.com/us-news/2020/sep/17/us-plans-big-expansion-of-navy-fleet-to-challenge-growing-Chinese-sea-power>

⁵ “US plans big expansion of navy fleet to challenge growing Chinese sea power”, The Guardian, September 17 2020.

https://www.theguardian.com/us-news/2020/sep/17/us-plans-big-expansion-of-navy-fleet-to-challenge-growing-chinese-sea-power?CMP=gu_com.

⁶ Micah McCartney, “Pentagon Plans Sea Drone Fleet for Possible China War”, Newsweek, March 14, 2024. <https://www.newsweek.com/pentagon-plans-sea-drone-fleet-possible-china-war-1879309>.

⁷ The Economist, “Technology Quarterly”.

⁸ “India bans 118 Chinese apps, accusing companies of stealing data”, The Guardian, September, 3 2020. <https://www.theguardian.com/world/2020/sep/03/india-bans-118-Chinese-apps-accusing-companies-of-stealing-data>

Related to this concern that China may well become technologically superior is the emergence of the so called fifth dimension – cyber-space. This didn't really exist to any great degree in the first cold war and represents one of the major security issues of our time. Firstly, there is the issue of both industrial espionage in the commercial and military spheres. America has tried to deal with the first of these through the usual way via bilateral agreements on intellectual property rights, but it is hard to tell if this will really work – certainly China has not complied with previous international agreements.

In the military/intelligence sphere, both parties have engaged in high degrees of surveillance. America first argued that it did not engage in economic espionage but when cases came to light it modified its stance in 2009 saying that “it does engage in economic spying, but unlike China, the spying is never done to benefit American corporations”.⁹ As Edward Snowden revealed, America's National Security Agency: uses a program called Dishfire to collect over 200 million text messages globally; has access to data that the UK taps from fiber-optic cables around the world; uses the XKeyscore to search just about anything done on the internet; intercepts phone calls of world leaders; and uses Tailored Access Operations (TAO) that place malware on computers worldwide to spy on activities.¹⁰ It therefore should come as no surprise that when America accuses China of such activities, China views this as hypocritical. Having said that, thus far it is China that has clearly benefitted more from industrial espionage in the commercial and military spheres. What is crucially lacking here is a mutual understanding of what is acceptable and unacceptable behavior in cyber-space. It is unlikely that intelligence gathering for security purposes and the theft of blueprints of military hardware will be curtailed, but if some agreement on commercial espionage was agreed and adhered to this would go a long way in improving relations.

There are in fact two other crucial threats arising from cyber-space. The first is potential attacks on a country's infrastructure. This can simply be the use of denial of service attacks bombarding a country with so much internet traffic it renders the network or part of the network inoperable (e.g. targeting

⁹ Glenn Greenwald, “The U.S. Government's Secret Plans to Spy for American Corporations”, *The Intercept*, september 5 2014.
<https://theintercept.com/2014/09/05/us-governments-plans-use-economic-espionage-benefit-American-corporations/>

¹⁰ Lorenzo Franceschi-Bicchieri, “The 10 Biggest Revelations From Edward Snowden's Leaks”, *Mashable*, June 5 2014.
<https://mashable.com/2014/06/05/edward-snowden-revelations/?europe=true>

government networks), but it can also involve attacks on critical infrastructures from train signalling to energy plants. The other threat is similar in kind, but targeting various aspects of a state's military capability rendering it inoperable – this can be a full spectrum attack, but thus far it appears to have been limited to specific military operations, such as, satellite operations (as China allegedly did against the US) or missile launchers (as the US allegedly did against Iran).¹¹ Although this is a completely different world to that of the first cold war, it is reminiscent of the proxy wars fought outside the main theatre of confrontation – in Angola, Vietnam, and Nicaragua etc. There is the possibility that various hacking groups are funded by both sides and at times encouraged to launch various attacks so that both countries can deny responsibility. But also cyber-attacks are being used by both sides when tensions rise because they are seen (wrongly in the opinion of this author) as safer than traditional forms of confrontation just as proxy wars in the developing world were used as a playground for Soviet-American competition and were viewed as possessing little potential to spill over into full blown confrontation (the Cuban missile crisis which took us right to the brink of a nuclear war should have dispelled such notions but didn't).

Another major difference that this book has identified is the general lack of norms/agreements between China and the United States. Indeed, much of the trade dispute is actually about the lack of adherence by China to agreed international standards concerning intellectual property rights. The lack of agreement/norms between the two stands in stark contrast to Cold War I where, despite the huge military build-up, many agreements helped regulate the relationships between the US and the Soviet Union. The three central issue areas where the lack of norms will lead to further antagonism are: the Law of the Sea; arms control; and cyber-space.

After the Second World War, America's blueprint for a new world order was predicated upon an open world economy with free trade and investment between countries at its heart. The signing of the United Nations Convention on the Law of the Sea (UNCLOS) in 1982 and its large number of signatories (majority of countries in the world) in many ways reflects this vision by limiting the amount of territorial waters a country can legally control with regard to the passage of ships. In addition, it defines the

¹¹ "US 'launched cyber-attack on Iran weapons systems'", BBC News, June 19 2019. <https://www.bbc.co.uk/news/world-us-canada-48735097>. Joseph Menn, "China-based campaign breached satellite, defense companies: Symantec", Reuters, June 19 2018. <https://www.reuters.com/article/us-China-usa-cyber-idUSKBN1JF2X0>.

territorial zone that countries can legally claim with regard to the economic exploitation of the seabed (e.g. oil and gas) in the waters surrounding its coast. Yet, we have a rather odd situation where the US has signed the convention and recognized much of it as customary international law, but has not ratified it. China, on the other hand, has signed and ratified the convention - yet its claims to the various seas and islands around its coasts based on the so-called nine dash line means that it is not complying with the convention. In order to justify its actions, it has made various historical claims – but the United Nations has stated clearly that China’s historic rights to the areas is not valid. A major step forward would be for the United States to ratify UNCLOS and for it to push for some type of resolution to the competing claims in the East and South China Seas, which has become the tinderbox of the world.

There is also a marked absence of norms/agreements in the military sphere. On the positive side, a “hotline” has been established in the case of emergency and, under Obama, a memorandum of understanding on notification of any major military exercises was signed in 2014. Moreover, China is a member of the Biological Weapons Convention (1984) banning the production and acquisition of biological weapons and the Chemical Weapons Convention (1997) banning the production and use of chemical weapons. However, it isn’t a member of the Partial Test Ban Treaty banning the testing of nuclear weapons in the atmosphere, but it did join the Non-Proliferation Treaty in 1992.

Most importantly, there are no bilateral agreements for the reduction and/or limitation of nuclear weapons. In 2020, the Trump Administration did try to get China to join the talks it was having with Russia on a potential replacement for the New Strategic Arms Reduction Treaty which Russia and the United States signed in 2010 (that had a duration of ten years only). At the time, the Chinese position was clear – that the United States needed to reduce its nuclear arsenal significantly to somewhere near China’s number of weapons. As mentioned previously, China is increasing the number of nuclear weapons it possesses. Interestingly, in response to reporters asking why it would not join the new attempts to agree a reduction in strategic nuclear weapons, a Chinese foreign ministry spokesperson stated the reason for not taking up the invitation is that “The time is not yet ripe for China to participate in nuclear disarmament negotiations”.¹² This

¹² Julian Borger, “US-Russia nuclear envoys make guarded comments as talks begin in Vienna”, *The Guardian*, Jun 22 2020.

may mean that it is hoping that both Russia and the United States reduce their nuclear arsenals, but it could also mean that China will now increase its arsenal until it reaches parity with these two countries. This is not as alarming as it sounds. It is worth noting in the nuclear context that it was only when the Soviet Union was America's nuclear equal that talks to limit and reduce these weapons of mass destruction began in earnest.

Norms/agreements on cyber-space activities are also absent. As we have seen, these activities range from cyber theft, to attacking infrastructure or rendering them inoperable and outright attacks on another country's military. It may well be that three different agreements for each of these spheres could be pursued. Some of the cyber-theft issues could be dealt with in a wide-ranging intellectual property rights agreement. However, cyber-theft also involves the theft of state secrets, military operations and the blueprints of military hardware. At the moment, it looks unlikely that an agreement in any of these three areas will be reached. Both sides view the cyber world as providing quick and easy solutions.

If a country decided to launch an all out cyber attack then this would be analogous to a pre-emptive launch in the nuclear world because such behavior would result in mutually assured destruction of each other's societies. Many may think that this is hyperbole, but just think of the chaos if an attack simply took out the traffic lights of a city, then multiply that with such things as shutting off water supply, gas, electricity, computers, phones and even attacks on nuclear facilities. Sadly, it may take a similar event to the Cuban missile crisis where Russia and America almost went to nuclear war to make both sides realise that both must refrain from such attacks if they wish to avoid untold devastation on both sides.

From a Cold War to a Hot One?

At the beginning of this book we emphasised the cold war nature of Soviet-American relations. The competition between these two powers was intense with tensions ever present. A massive military build-up attended this antagonistic relationship and the period passed without a large scale conflagration between the two sides (although on more than one occasion it almost came to be so). This is obviously why we refer to it as the Cold War. The book has highlighted several similarities and differences and the concluding part now turns to the possibility of a major difference – that Cold

War II turns into a hot war with both sides engaged in a major military conflagration.

If this did come to pass, then some of the similarities between the cold wars become extremely significant. Both sides are engaged in a massive military build-up and both sides are nuclear weapon states. Both sides have a set of allies that could potentially be drawn into such a conflagration. Potentially North Korea and Russia might side with China. America, on the other hand, is an ally of many countries in East Asia, such as, South Korea, Taiwan, the Philippines, Japan, Australia, New Zealand etc. As was pointed out in this book, many of these allies have been busily bolstering their militaries in the last few years as has Russia.

Although such a conflagration seems unlikely in today's world, another similarity to Cold War I - ideological differences, could make preventative diplomatic overtures difficult. The Chinese authorities are quite obviously committed to re-education camps incarcerating massive numbers of ethnic minorities so that they can be indoctrinated with "correct" political thoughts. To what degree ideology is being used simply to bring conformity and control in turbulent times is difficult to tell, but China seems to have no inclination to veer away from capitalism at this moment in time. What it does seek to promote is the idea that the communist party is the patriotic guiding hand providing stability, leading China's economic development and returning it to its historic greatness. Such an emphasis under the Leninist notion of "vanguard of the proletariat" (although the proletariat is rarely asked) shores up support for this one party state. In terms of external relations, this may offer a glimmer of hope because if ideology is merely being used instrumentally rather than the leaders being true believers, then in any military stand-off there is a greater chance that pragmatism and cool heads will prevail.

Two of the major differences between Cold War I and II give some cause for concern because they are most prone to producing a hot war as a result of miscalculation. Cyber space is being used because states can mete out punishment on their adversaries swiftly and with what at first seems little repercussions or collateral damage. Several scenarios should give pause for thought. It is likely that America or one of its allies will be tempted at some point to intentionally create false blueprints for military hardware/electronics which have critical failures secretly built into them in order to deter further thefts. If unnoticed by China or others, such critical failures may lead to some catastrophic event – military planes or missiles etc severely

malfunctioning. If such a scenario did unfold, it is not known how China or its allies would respond.

The second scenario is similar but different because it is far more direct. This is the use of viruses, worms or Trojan horses to incapacitate another country's military or civilian infrastructure. The potential for such software to have unintended consequences spreading far beyond the intended target is very real. The American/Israeli attack on Iran's nuclear facility at Natanz using Stuxnet may have been successful but the worm was then found to have embedded itself in the systems of several other countries. Although not enabled in this case, one could easily envisage software designed to automatically incapacitate a target spreading and wreaking havoc to other parts of a country's infrastructure. The other side would respond by incapacitating all the enemies systems and launching a military strike – a major conflagration and even mutually assured cyber destruction may then occur through miscalculation rather than rational calculation.

The second major difference is the potential theatre of confrontation. We have already mentioned the fluid nature of naval operations and the high potential for misinterpretation and miscommunication on the high seas. But added to this is China's clear intention to acquire (re-acquire from its perspective) what it sees as territory that it has historical claims to. As its armed forces have increased and its strategic reach grown, China has either set up military bases on various islands or created exclusion zones preventing others accessing disputed territories. Its tactic is to establish a series of *faits accomplis* to fulfil its grand strategy of establishing pre-dominance in the seas that surround it. Rather than entering negotiations, islands are essentially militarized and exclusion zones established and there is little anyone can do about it once China has established a foot hold.

It is worth remembering that when the Soviet Union's power (especially its nuclear forces) had increased, it used exactly the same tactics but in a rather different context. It engaged in risky threats and actions believing that other states would not intervene because of its nuclear status. Yet, what is highly significant is that this tactic quickly ran aground in Cuba when the United States discovered nuclear missiles there.¹³ But deploying missiles 90 miles from the United States proved to be a bridge too far leading to a stand-off that almost triggered a nuclear war.

¹³ Julian Borger, "US-Russia nuclear envoys make guarded comments as talks begin in Vienna".

It is not too far-fetched to say that China's behavior is analogous and indeed more risky than that of the Soviet Union's behavior. It has asserted control over much of the seas that surround it and was even involved in a very gruesome confrontation (using bats spiked with nails) on the Himalayan border with India. What is deeply worrying is that, given China's recent assertive behavior, one can easily see China over stepping the mark and triggering an international incident either with Japan over the disputed Diaoyu/Senkaku Islands or with Taiwan just as the Soviets did with Cuba.

Of these potential conflicts, Taiwan has the greatest potential of producing a major war and is also the more likely of the two. From China's perspective, Taiwan is an errant province that needs to be brought back into the fold. Taiwan doesn't appear to have any inclination to give up its independence. Indeed, China's turn towards greater authoritarianism is pushing Taiwan ever further away and relations have declined to a low point with incursions by Chinese jets into Taiwan's air defense buffer zone. As Taiwanese commentators have pointed out, this has drastically increased the chances of "firing off a shot while polishing the gun".¹⁴ Let us hope that this does not become a reality.

As mentioned previously, China may well have stolen a march on America with its testing of a hypersonic vehicle capable of carrying a nuclear payload. If China is serious about integrating Taiwan, then it may take this short term window of opportunity to do so. There are two potential scenarios in such a case and would occur after China makes several successful test flights of its hypersonic vehicle with improved precision – possibly alongside an announcement that it has increased its nuclear arsenal significantly. China would then be fairly confident that America would not engage in nuclear retaliation. It is very unlikely that America would ever respond with a nuclear exchange, but China's leadership wants to ensure that this is ruled out of the equation.

Once China felt confident in the nuclear realm, if it were to try and take Taiwan, it is most likely that it would mount a surprise attack attempting to attain full spectrum dominance in the region. This would initially involve a wholesale cyber attack on communications and general infrastructure as well as on Taiwan's military (and any US ships near enough to Taiwan to pose a threat). This would most likely also involve jamming all telecommunications

¹⁴ Ben Blanchard, Yew Lun Tian, "Polishing the gun': China, U.S. tensions raise Taiwan conflict fears", Reuters August 26 2020. <https://www.reuters.com/article/us-taiwan-china-security-analysis-idUSKBN25M0VE>

and the use of electromagnetic warfare. It is also likely that China would deploy lasers to blind any satellites flying. Once China believes the other side's capabilities have been significantly degraded, it would most likely try to take out Taiwan's missiles, air defense systems and air force, probably with a mass attack with unmanned drones.

All of the above would have to occur in rapid succession to minimise American involvement. Once the first phase was completed, China could surround the island with its actual navy and its vast number of naval vessels from its coastguard and then could do one of two things. It could give Taiwan an ultimatum to sign a declaration that it would integrate with China and that relations would operate on a "one country, two systems" principle. This scenario would likely entail invasion of Taiwan's surrounding islands, providing strategic ports with land for bases and missile launches. A blockade of Taiwan and control of the Taiwan Straits would then ensue, giving it an enormous strategic advantage and control of a key sea lane. On the other hand, it could opt for a full-scale invasion to take full control of the island. The former strategy is probably the one China would favor as a full scale invasion would be costly and the outcome would be uncertain. A full scale invasion would also attract the greatest ire from the international community. A blockade, on the other hand, would mean that China could simply play for time and any change in the strategic stalemate would have to come from the US and/or Taiwan. Given Taiwan's reliance on international trade, such a blockade would be extremely detrimental to its economy and China would be sure to use this as leverage to gain the outcome it desires.

The problem is that the last few years have demonstrated the fragility of China's commitment to the "one country, two systems" approach. Hong Kong is a stark reminder to Taiwan of its possible future should it agree to such demands. It is therefore very unlikely to sign such a deal and would probably delay as long as possible hoping that America and its allies come to its aid. In a scenario where China potentially held an ace card of a hypersonic vehicle that could penetrate America's missile defense system, it is highly questionable whether it would step in and risk a greater conflagration. Indeed, very recently a former lieutenant colonel of the US army argued strongly that "America should refuse to be drawn into a no-win war with Beijing".¹⁵

¹⁵ Lt Col Daniel L Davis (ret), "The US must avoid war with China over Taiwan at all costs", *The Guardian*, October 5 2021.

The problem is that if America failed to intervene, it would have huge ramifications for its security network in the Asia-Pacific. Many of the weaker states would think that it is better to cosy up to China, than get on the wrong side of it. Any alliance with the United States would be seen as increasingly costly because it would no doubt have a negative impact on relations with China – ranging from trade and investment through to security threats. It is highly likely that in such a scenario, China would become a regional hegemon at the core of a hub and spokes trading and investment area – possibly with the exception of Japan which would continue to try and maintain relations with both superpowers but retaining its security arrangements with the United States.

A positive alternative scenario would be for America to rapidly perfect hypersonic vehicle technology itself and to develop its missile defenses so that they could deal with highly manoeuvrable warheads. This would at least give Beijing pause for thought before embarking upon an invasion of Taiwan. Clearly, America is responding to this challenge with \$3.8 billion dedicated in 2022 to further develop their versions of these weapons.¹⁶

But time is of the essence. President Xi seems to see the integration of Taiwan as one of his main objectives – something that would provide him with a historical legacy and would raise his status to one of the greatest of China's leaders. At the same time, the marked slow down of the economy creates a conundrum for China's leadership. The Chinese Communist Party has built its legitimacy largely on the back of incredible economic growth and the improvement in the quality of life for the vast majority of the population. Demands for democracy and a reduction in the disparities of wealth have often been countered by the argument that the party provides the stability for such economic growth and all have gained from this (albeit to different degrees). The rapid slow-down of the economy will no doubt dent the legitimacy of the communist party and the worry is that it will try to shore up this legitimacy through the forced integration of Taiwan. Clearly, China is no stranger to using nationalism to increase its popularity - the big question for this decade is whether this remains confined to rhetoric so that it doesn't spill over into actual action.

<https://www.theguardian.com/commentisfree/2021/oct/05/the-us-must-avoid-war-with-china-over-taiwan-at-all-costs>

¹⁶ Shannon Bugos, "Biden to Speed Development of Hypersonic Weapons", Arms Control Today, July August 2021. <https://www.armscontrol.org/act/2021-07/news/biden-speed-development-hypersonic-weapons>

Equally, America will need to tread very carefully given the sensitivity of the issue. It is one thing to once again embark upon a major military build-up against a new adversary – one which for all intents and purposes is as challenging as the Soviet Union, but it is another thing to use that power wisely. Greater naval power in the South and East China seas should be used for the purpose that it is there for – as a deterrent. We are now entering a most dangerous phase, expectations within China have risen in tandem with its re-emergence as a great power. If it feels that it is not being given adequate recognition as a great power, relations with the West will deteriorate rapidly.

However, if judicious use of diplomacy works, it is likely that China will struggle to compete with America in the long term – especially as the United States shifts back from unilateral action to ensuring cooperation and consensus amongst its allies. Key to the peaceful containment of China would be a long term strategy for America and its allies to relocate at least some of their businesses from China so that its economy slows at an even faster rate than predicted. It will be difficult to convince allies to do this given its enormous market and cheap labour that it provides. Central to convincing its allies will be America providing a positive alternative to China. As George Kennan pointed out in his famous “Article X” at the beginning of Cold War I with the Soviet Union, how successful America will be in dealing with China comes down to a “question of the degree to which the United States can create among the peoples of the world generally the impression of a country which knows what it wants, which is coping successfully with the problems of its internal life and with the responsibilities of a World Power, and which has a spiritual vitality capable of holding its own among the major ideological currents of the time”.¹⁷

All therefore depends on which country - China or America - promotes the most attractive values and acts the most judiciously on the world stage. For many countries, the last three decades have made them wary of America despite its internal values of liberty and democracy. The long list of military interventions for the purported purpose of promoting democracy has led to a certain degree of estrangement as countries wonder who will be next. On the other hand, China’s domestic political system does not produce a particularly attractive image to put it mildly. However, its huge investments in the developing world alongside its non—interventionist stance with regard to state sovereignty does win it friends; at least outside of the South

¹⁷ Initially published in *Foreign Affairs*. An *American Quarterly Review* in 1947, No 4; No. 25, 566-582 anonymously by Kennan simply using the pseudonym X.

China Sea area where rhetoric and reality collide. Which side creates the strongest alliances and wins the most hearts and minds will very much depend upon the economic benefits bestowed and international behavior towards other states within the world system.

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