

**The Syndrome of Diana
On recent anti-Japanese demonstrations in China**

As well as China is posing challenges and opportunities to world markets, many raise questions about the future position of the country within the global political system. Does it represent a threat to international stability? Is China's rise necessarily to challenge US hegemony? How could a communist authoritarian State integrate within an international political system that regards - now more than ever - democracy and human rights as a sort of basic admission test? Does have China the necessary political resources to become a great power? The aim of this article is - first and simply - to give full account of three different visions of China's role in the world that have been offered by three distinguished scholars. In particular, we look at a possible emerging neo-Bismarckian strategy, then at a more Asian-oriented tradition of hierarchy in international relations, and finally at the relationship between economic interdependence and US hegemony. Secondly, we try to apply these three different theories to recent anti-Japanese protests and clashes which took place in China early this spring, in order to explain both the deep meaning of the support that Chinese government in fact gave to the protesters and the real addressee of the message, since it is my conviction that this is more revealing

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than the events themselves. However, before reaching this conclusion, it will also be necessary to look at the broad picture of East Asian economic and security issues.

A NEO-BISMARCKIAN STRATEGY: GOLDSTEIN'S VIEW

According to Goldstein (2003), China will try and face the reality of a unipolar world while trying to “exploit the opportunities” presented by a possible emergence of multipolarity. China is a rising, but not dominant, power surrounded by potential adversaries who do not trust China’s intentions. This position is very similar to Bismarck’s Germany in the 19th century, and that is why China could adopt a neo-bismarckian strategy, which is based on “pursuing national interests by making a country a very attractive partner for the system’s major powers, thereby reducing the chance that potential adversaries would unite in opposition” (Goldstein 2003: 58).

Most of the literature predicts that inevitably China will challenge US power. In fact, that outcome is not as inevitable as it looks like. China could adopt one of four different “grand strategies” (Goldstein 2003: 60). Under a hegemonic grand strategy China would try and maximize its power relative to all rivals: this would require an aggressive China with a modernized army. The second option is a balancing strategy that would allow Beijing to choose a middle-of-the-road policy which is partly made of assertiveness and partly made of co-operation with States which share the same security concerns. Under the third option of a bandwagoning strategy the regime would prefer to go along with the preferences of the hegemonic power, obtaining absolute

gains from the integration within the global economy and profiting by the collective good of security that the United States provides. Finally, the fourth - and least likely - strategy would be an isolationist strategy, based on autarchy and defence of national borders.

In Goldstein's view, China is not pursuing any of these strategies, but would be rather combining globalisation - engaging fully with international economy - with nationalism - developing national capabilities and crediting itself with the vision of a reliable party everyone must deal with. Like Bismarck's Germany, China is a nationalist rising power which cannot - and does not want to - put its economic development at risk with aggressive strategies. Economy matters the most. Economy needs peace. Even if Chinese interests might conflict with others, these conflicts must be resolved in a way that protects economic interests anyway.

During the cold war, China had to accept a logic of survival (Goldstein 2003: 63), relying on one superpower to counterbalance the other and vice versa. It was a friend of the Soviet Union in the 1960s, then a friend of the US in the 1970s and 1980s. At the end of the 1980s, as the international security environment improved, China could have good economic relations with both superpowers. But the end of the cold war and the Tiananmen tragedy isolated China from the rest of the world, which was becoming a unipolar world assertively led by the United States. In the middle of the 1990s, the United States seemed to be concerned about a rising China, and the regime in Beijing could see American actions in Asia-Pacific as part of a new strategy of containment. That was particularly clear when dealing with the Taiwan issue.

Taiwan, which enjoys a *de facto* sovereignty, is considered by Beijing a renegade Province, and the regime has always made it clear that it is ready to use force should Taiwan one day declare formal independence – most recently, with the approval of an “Anti-Secession Law”¹. Although the United States has always denied its support to any such declaration - stating that there is only one China and that the issue must be resolved peacefully - Washington has been ambiguous on what kind of reaction it would have should China invade the island, which has historically been economically and militarily supported by America.

Nevertheless, even if China could have adopted different strategies regarding the security environment, according to Goldstein Beijing chose a neo-Bismarckian strategy which consisted of: i) reassuring the world that China was a reliable partner; ii) building “strategic partnerships” with major powers in order to prevent their union against China.

As far as the first part of action is concerned, China began to be involved in multilateralism, directly (WTO) or indirectly (co-operation with Asian States) as a way to advance national interests. In 1997-98, during the Asian financial crisis, it did not devalue the Yuan, then being awarded the status of a

¹ On March 14th, 2005, the National People’s Congress in Beijing approved an Anti-Separation Law, which states that the People’s Republic of China will use the military force against Taiwan should the renegade province declare independence or should all other pacific means to regain sovereignty on the island be proved ineffective. Even if the norm does not signal anything new on China’s position and it has been regarded as a concession to the CCP conservatives, the law has been criticized by the US Secretary of State, Condoleeza Rice, and by the Taiwanese President, Chen Shui-Bian: “The house of war?”, *The Economist*, March 12th 2005; “Own Goal”, *The Economist*, April 2nd 2005; Chen S., *President Chen Issues a Solemn Six-Point Statement Regarding China’s “Anti-Separation Law”*, Office of the President, Taipei, March 17th 2005.

responsible regional power.

Concerning the second element of the strategy, China chose to build strategic partnerships with all major powers, which in the end would find it very costly to act against Chinese interests and power. The essential points of a strategic relationship are (Goldstein 2003: 75): a commitment to promoting stable political links and economic exchange; a mutual understanding not to interfere in domestic politics while working together on international issues; frequent official high-level visits.

For instance, China developed a strategic partnership with Russia, on the basis of the common desire to check the American power, but it could not become an anti-American alliance, because Russia could not offer the same economic pay-offs granted by the US.

Goldstein is right to stress that even the Sino-American partnership survived the ups and downs of the 1990s. Of course the two countries have different interests in Asia and there are still many areas of disagreement: human rights, minorities' treatment, trade, labour exploitation, and so on. In the 1990s it seems that there were not any feasible alternatives. The exit of the country from global markets would be too costly both for China and for the US. The end of the partnership would surely provoke a military build-up in the Taiwan Strait, and China knows that its army is relatively weak. Even in a couple of serious incidents, China was careful not to let the situation boil up to the point of a breakdown. First, in 1996, when China threatened Taiwan with missiles from the coast, and the US sent the navy to the Taiwan Strait, the Party let circulate an internal note stating that in no way this political action

would interfere with the good conduct of business by Taiwanese companies on the mainland (Gabusi 1998: 66). Secondly, in 1999, after the embassy bombing in Belgrade, the regime played the nationalist card by staging organized protests in front of the American embassy, letting them work off without seriously breaking any co-operation with America.

China established also bilateral partnerships with the European Union - the first China-EU summit took place in 1998 - and Japan, but these partnerships could not be defined as strategic either because the partner (EU) cannot offer strong security benefits, or the partner (Japan) is still viewed with suspicion because of historical legacies of war and mistrust.

*Given China's
superiority
balancing is
unthinkable*

Goldstein makes the point that it is only open to question whether this strategy of building a political and economic network of partners is bound to last: It will certainly last as long as China is still a developing country with relatively limited military capabilities. It needs peace and stability for its economic development. Rather, like Bismarck's Germany, China's strategy could become a victim of its own success: if a partnership with one of the major partners deteriorates, the other partnerships could be regarded as more formal alliances, and consequently States would be forced to "choose side", in an escalation of security concerns.

Goldstein's position is very interesting because, as we will see, there is evidence that it must not be taken for granted that China would unconditionally sacrifice everything to the cause of economic development.

HIERARCHY IN ASIA

There is then another point of view, illustrated by David Kang (2003). Kang remembers that historically international relations in Asia - before the arrival of Western powers in the 19th century - have been more hierarchic, peaceful and stable than in Europe: While Asian international relations have been characterized by formal inequality and informal equality, in Europe relations among Nation-States have been characterized by formal equality and informal hierarchy (Kang 2003: 164). In Asia China was historically the centre of regional power, with all the other States as "vassals". According to Kang, future international relations in Asia are going to reproduce the same pattern, and Asia will be more secure and stable than presently expected.

Kang accepts the realist assumption of anarchy in international relations, but it assumes that where there is a situation of formal hierarchy there is no need for the lesser powers to balance against the largest power in the area. Equilibrium takes place because these minor powers "know that opposing the central State is impossible" (Kang 2003: 166). They are "functionally independent", not only sovereign, and do not need to be subject to central State's directives on all matters. They are substantially free, but they know that there are some actions that the regional power would not accept, and which would be challenged by the same power, consequently destroying the benefits of being part of a hierarchy system.

Hierarchy has some implications on States' behaviour (Kang 2003: 167-168). First, bandwagoning is a central feature: "Good relations with the central State ensures survival and prosperity" to minor powers, which can benefit

from flows of trade and ideas. If “the lesser States challenge the central power, the central power will have the right to use force” and restore order within the system. Second, the system is less stable when the central power experiences domestic disorder and chaos and cannot deal with the periphery States, which feel free to do whatever they want. Third, material power is important, but also a shared system of cultural values and norms matters, because it helps to communicate and mitigate mutual suspicion. Fourth, there is no need for the central power to interfere in the domestic affairs of the lesser States, as long as these States explicitly recognize the central State’s dominant position.

When we use this analytical framework to study Asian international relations, Kang points out (Kang 2003: 169-173) that in the period 1300-1900 Asia was more stable than Europe. It comprised a central part - in fact, “the centre of the world”, as the meaning of “Zhongguo” (China) is- and a network of lesser States (the barbarians) which showed formal obedience to China while enjoying substantial independence. Major wars in the area happened only when one Chinese dynasty was collapsing and internal chaos emerged as a result. But once order was restored in China, all conflicts in the periphery disappeared. Every country had to send tribute missions to Beijing, and kings had often to receive a formal investiture by the Chinese emperor, but in return they could keep their independence and receive helps from China when fighting foreigners- like, for instance, in the case of Vietnam against the France. All the lesser States engaged in mutual trade, and tributes to the Emperor were often more symbolic exchanges of gifts than serious taxes. Culturally, languages and administrative systems in Vietnam, Korea and Japan had strong

similarities with China's. China was widely respected and enjoyed legitimacy. The system broke down with the arrival of the Europeans, which, by the way, contributed to precipitate China into chaos. According to Kang, it is only now that the system is showing the same hierarchy pattern again.

For instance, many regard China's assertiveness against Taiwan as evidence of a rising China which is challenging the US and the world order. On the contrary, according to this theoretical insight, the hierarchy system can explain why China is acting that way without necessarily presenting itself as an unreliable, challenging and global partner. Taiwan was not a formal Province of China, nor an independent State. China considers Taiwan a renegade Province, and the Taiwan issue a domestic affair. It seems that even the lesser States substantially recognize this claim and have a relationship with Taipei under which Taiwan can enjoy "the benefits of a nation-state" unless it declares formal independence. In 1996 and in 2000, when China threatened to invade the island before the first-ever island's democratic election, the rest of Asian countries remained strikingly silent: they knew that somehow Taiwan was threatening to "break the pact" (Rigger 1997). Kang thinks that, in fact, this means that they recognize China's right to restore order, should Taiwan declare independence. This does not necessarily mean that China's foreign policy will become more aggressive on other issues (Kang 2003: 179-80).

The hierarchic view of the system has a logical consequence for Kang. Realism predicts that, should the US leave Japan alone, Japan would rearm in order to balance China and Asia would precipitate into chaos. In a hierarchic system, this would not necessarily be the outcome. A strong and self-confident

China would preserve the order in Asia, with all nations- including Japan- recognizing the role of China as the central power in the continent and adjusting to it as they had been done for centuries. But are they, really?

**COPELAND'S FOCUS ON ECONOMIC INTERDEPENDENCE
AND SINO-AMERICAN RELATIONS**

American scholars are divided on China policy between the supporters of "engagement" and the supporters of "containment". The first group of commentators share the liberal view that open trade makes everyone better off by giving everyone an economic incentive not to engage in mutually destructive wars. The second group of analysts share the realist view that economic interdependence makes things worse, as States fight for access to markets and raw materials (oil, for instance, which China has become a net importer of). Dale Copeland argues that we need to introduce the concept of a "State's expectations for future trade" in order to understand whether economic interdependence will lead States towards war or peace (Copeland 2003: 324). The theory is that if future trade expectations are positive- namely, countries are expecting to obtain the positive benefits of trade in the future- countries will be "more inclined towards peace". On the other hand, if future trade expectations are negative, countries will be more likely to go to war.

In fact, Copeland broadly argues that "the lower the expectations of future trade, the lower the expected value of trade, and the more likely it is that war will be accepted as the rational option" (Copeland 2003: 327), because the cost of an end to trade will be not so high. Nevertheless, if two countries

are relatively equal, it is the cost of the war which will be high, and the likelihood of victory low. Thus, the option of war will have a negative expected value. On the other hand, if one power has positive expectations for future trade with the other, then it will estimate a high expected value to peaceful trade, compare the negative expected value of war, and choose peace as a rational choice.

Copeland compares today's China with Japan in the 1920s, when Tokyo was a rising economic power, engaged in trade with the US, but which in the end preferred to go to war, disrupting all the economic links with America, and not only with America. Japan depended from abroad for markets and raw materials, which were necessary for its industrialization. At the end of the 1920s, the aftermath of the Great Depression forced major powers to introduce protectionist measures. "Pessimistic expectations for future trade lowered the expected value of trade, making aggressive foreign policy more likely" (Copeland 2003: 330). In 1931, Japan invaded Manchuria and started to build a sphere of economic influence in Asia that it deemed necessary for its economic security. By early 1941, Japan was facing the worst possible scenario: high dependence on others for survival but low expectations for future trade. After the outbreak of war in Europe, America and Britain put in place an embargo against Japan. The leadership in Tokyo realized that the cost of war, even if high, would be lower than the expected total disruption of economic supplies. Therefore, as Copeland underlines, war became a rational, albeit painful, choice.

Copeland makes the point that China could be following the same

pattern. In fact, its leadership recognizes that market access and integration into global economy is essential for political survival and economic modernization. China is more and more dependent on foreign resources like oil. If future trade expectations become pessimistic, Chinese leadership could regard the cost of alternative military options as affordable.

In this situation, containment will not work because it would turn into a self-fulfilling prophecy, by making China rearm and expand territorially. But also, considering Japan's history between the two world wars, liberal engagement is not enough. Copeland proposes a policy of realistic engagement which would prevent the United States from repeating the same mistakes that ultimately brought Asia into World War II. It does have to limit China's territorial aggression but it does not have to cut economic links, so undermining the sense of security China feels. Apparently, this strategy worked in the past, as the Taiwan crisis in 1996- when the US sent its navy into the Strait- and the Belgrade embassy bombing in 1999 did not prevent the two powers from signing the trade agreement which paved the way to WTO accession.

A neo-bismarckian strategy, the return to old Asian hierarchies, and a stable relationship with the United States under clear principles, all point in the same direction: a peaceful and successful integration of China in world politics. It remains to be seen if all countries will act in the way predicted by these theories, and especially if the post-9/11 world will introduce some new elements in China's relationship with Asia and the world, thereby changing the assumptions which are behind these theories. In fact, it seems to me that

each of the three positions are useful in order to shed some light on recent anti-Japanese clashes in China, because all of them, in my view, can help us to discover that these street protests- adequately supported by the regime in Beijing- were formally directed against Japan, but substantially against the United States and its Asian policy.

A CHANGE OF MOOD IN SINO-AMERICAN PARTNERSHIP

It cannot be denied that the Sino-American relationship in the 1990s has been a “marriage of convenience” of some sort. Basically, while the Chinese government needed to fully integrate the country into the global economy to ensure steady economic growth and to resist pressures coming from the conservative wings of the Communist Party, the American business was allured by the (future and largely over-estimated) promises of the huge Chinese market. In November 1999, after thirteen years of negotiations, finally the United States signed a bilateral agreement which paved the way first to a China-EU agreement in 2000 and then to China’s full accession to the World Trade Organization in December 2001. In July 1986 China (People’s Republic of China) submitted to GATT a request to join the organization. China presented a memorandum, and the GATT Council established a Working Party on China, which met for the very first time in February 1988. Negotiations were expected to go on quite smoothly and quickly, but history had something different in mind. First, the Tiananmen massacre made all Western governments impose economic sanctions, cancel all economic assistance and reduce diplomatic ties and contacts. Also, the break-up of the

Soviet Union in 1991 and the emergence of transition economies in eastern Europe increased the need to treat all these States in the same way, on rather strict terms. In the early 1990s, the debate concerning China's application was if it needed to be considered as coming from a developing country or not. In fact, on strict nominal grounds, the low level of per capita GDP made China automatically a developing country, but- on the other hand- China seemed so successful, and with such a disruptive potential on international trade, that nobody was ready to comfortably and confidently grant China the special treatment reserved for developing countries. The Uruguay Round was conclude in 1994 with the creation, in 1995, of the World Trade Organization, which extended negotiations and rules to other sensitive issues like agriculture, services and intellectual property rights. For this reason, the United States started to ask for though conditions for China. Practically, China was treated neither as a developing nor as a developed country, but on peculiar and unique terms. Therefore, the negotiations with China took longer than original expected.

In April 1999, during Mr Zhu Rongji's trip to the United States, President Clinton refused a Chinese offer to conclude the negotiations on quite generous terms, and this provoked an anti-American outcry in the country, only reinforced by the American bombing of the Chinese embassy in Belgrade. It was just at the end of that year that the American administration fully realized the possible negative impact of its mistake, and signed the bilateral agreement mentioned in the text (see, among others, Lardi 2002; Lampton 2001, Supachai and Clifford 2002). Then, it seemed that China could easily become a reliable

partner within the American-inspired and American-led WTO free-trade framework. But after China's entry into the WTO and the consequences of 9/11 something has probably changed the pattern of the relationship.

First, of course, past have the days when US President Clinton could plausibly say "It's the economy, stupid!". Now security is high on the global agenda, while multilateral trade talks are struggling to find their way out to an end of the WTO Doha round. Second - even if the terms and conditions of China's WTO entry present a picture of a long transitional period when it would be easier for WTO member States to legitimately adopt defensive measures against China's export - the huge increase of Chinese trade in textiles and the well-known economic difficulties in industrialised countries are turning the US and the EU to a neo-protectionist mood. Quite naturally, China has formally accepted all WTO general rules. But in particular, as far as safeguards and antidumping is concerned, China had to accept discriminatory rules - that is, requirements that are not imposed to any other WTO Member State. For example, in China's accession case, it is easier for importing countries to impose transitional product-specific safeguards and it is more difficult for China to retaliate. In fact, a restriction can be applied even in case of simple "market disruption", instead of the common "serious injury" standard; for instance, in US trade law market disruption is defined as the condition when "imports are increasing rapidly, either absolutely or relatively", being "a significant cause of material injury, or threat of material injury to the domestic industry". Of course this is a much lower standard. Moreover, a WTO MS can impose restrictions against China even if imports of

the same product from all other countries have increased. This represents a “China-specific” clause which violates the non-discrimination principle which is at the very heart of the WTO system. These and other strict conditions regarding product-specific safeguards will last for twelve years after accession. Finally, China had also to accept a special textile safeguard in the context of the WTO Agreement on Textile and Clothing. Under the provisions of this agreement, countries could impose quotas on textiles and apparel but these would be gradually phased out and would disappear by January 31st, 2005. But, in China’s import case, restrictions can still be imposed quite easily until 2008 - a material injury or the threat of it is enough, material injury being defined in US law as imports increasing rapidly, both in absolute or relative terms. Restrictions can be applied even when imports are not rising, but products from China are displacing those of other suppliers. China cannot retaliate and restrictions take effect immediately - both conditions are discriminatory against China, without considering that for this industry product-specific safeguards will remain available anyway after 2008 and until 2013.

Also, by entering the WTO, China has accepted that non-market methodology be used in antidumping cases against its companies for fifteen years from its accession. For many years the USA - in order to consider whether or not a product was being dumped - has treated China as a non-market economy, allowing the US government not to compare the price of the good sold in the domestic market with the price of the same good sold in China or in a third country. The reason is that the domestic price is deemed

not to reflect market factors – for instance, because of the use of subsidized factors of production. These non-market methodology approaches have serious shortcomings for China. Third countries which are used to evaluate costs have higher labour costs than China, so that it is quite possible to find that a Chinese good is sold at a lower price – but for economic reasons, not because it is being dumped! So, Chinese comparative advantage in world markets risks to be lost (Lardy 2002).

The third change in US-China relations concerns the new emphasis of the American administration on “spreading democracy around the globe”, which is viewed in Beijing with great suspicion, given also that in the meantime Taiwan has become a fully-fledged democracy whose people last year re-elected as President Mr Chen Shui-Bian, the much-hated leader of the pro-independence Democratic Progressive Party².

Fourth, China does not even seem to be helpful within the framework of the six-way nuclear talks dealing with the North Korean nuclear menace. In 1994, North Korea signed a deal with America, Japan and South Korea whereby North Korea would abandon its nuclear programme in exchange for oil and food, but in 2002 Pyongyang declared that it had been pursuing a project of uranium enrichment with Pakistani technology (see *Consequences of Confession*). Following this admission, diplomacy conceived a pattern of six-party talks involving the Koreas, America, China and Japan. Talks were held

² The first democratically-elected President of the Republic of China (Taiwan) was Lee Teng-Hui in 1996, then leader of the Kuomintang. Chen Shui-Bian was elected in 2000 and got a second term in 2004.

in 2003 and 2004, without any significant positive outcome, and at the end of 2004 North Korea withdrew from the talks declaring itself a nuclear power and that there would be no point in keep on discussing if Washington did not want to sign a non-aggression pact. Now the USA would like China to step up some pressures on Pyongyang (*A Lull in Insult Diplomacy*). Finally, but most crucially, Washington is constantly being militarily upgrading its alliances in Asia-Pacific, having signed commitments with Japan and Australia that do not exclude Taiwan from the theatre of operations covered by such bilateral agreements - like, for instance, the TMD Treaty³.

Thus, in view of these recent developments, there is no doubt that the Sino-American strategic partnership (in Goldstein's terms) is not as strong as it used to be.

In security issues, it is true that China was strikingly silent when America invaded Afghanistan and obtained the lease of permanent military bases in Central Asia, but this has lot to do with the presence of a strong separatist, partly fundamentalist, Uighur movement in the Western Province of Xinjiang. Then, not surprisingly, Beijing joined Moscow, Berlin and Paris in voicing its strong opposition to a new war against Iraq and Washington realised that its strategic partnership with China could not be stretched as far as to include a political support and involvement in security and military affairs. Moreover, recent transatlantic tensions on arms sale to China are showing that the "choose-side" fears pointed out by Goldstein can really become true, proving

³ The Theater Missile Defence (TMD) project aims at developing a system of ballistic missiles for the defence of the American soil and that of other participants to the system against long-range missiles launched by the territories of foreign enemies.

that a neo-Bismarckian strategy could indeed unravel as it happened in Germany at the end of the 19th century. In fact, earlier this year the European Union wanted to lift an embargo on weapons sales to China that had been in force since the 1989 Tiananmen crackdown, to strong objections of the American administration. Apparently, the plan of lifting the embargo was shelved after the approval of the “Anti-Secession Law” against Taiwan, whose indirect effects evidently had not been considered by Beijing’s diplomacy (*Own Goal*). If the partnership with America deteriorates, all the other partners - which do not want to be inimical to China - will really be forced to regard their partnership as a more intimate alliance, and to turn their back to the United States in China policy issues. China could quite easily strengthen its ties with Russia, led by Mr Putin, not a beloved friend of America anymore. Just two days before the recent summit of the Shanghai Co-Operation Organisation, China - more and more in need of Central Asia’s oil and natural resources - and Russia issued a joint communiqué celebrating the role of the organisation “in establishing a just and rational new international political and economic order”. The summit called for “non-interference in the internal affairs of sovereign states”, so that Member States can keep on repressing their internal dissent by justifying it as part of the America-led war against terrorism while uncovering the inconsistencies of current American drive to “spread democracy” around the globe. Above all, the summit called for an end to the presence of American airforce bases in Kirgizstan and Uzbekistan, which are so crucial for the military operations in Afghanistan (for the declarations quoted in the paragraph see *Suppression, China, Oil*).

Also, the “realistic economic engagement” recommended by Copeland is under threat by the expectation of a new flow of protectionist measures against the rising “China’s menace”. So, not only America (and the EU) are reasonably and legitimately implementing some protectionist devices allowed by China’s WTO accession (for protectionist measures in the textile industry, see *The Great Stitch-Up*), but also a strong lobby in the Congress – pressured by a strange coalition of small and medium enterprises and anti-communist activists – is threatening to adopt measures which are against WTO rules. For instance, in April the Congress introduced a bill that would impose a 27.5% tariff on all goods from China unless Beijing adjusted its currency, precisely by the same value, within six months. Paradoxically, while once the United States criticized China for “not playing by the rule”, now it risks sitting behind the defendants’ bar, with China happily observing America falling into its own trap. America today is also the world’s biggest debtor, and one of its most important creditors is precisely China. And while America’s current account deficit with Japan in the mid-1980s was 3.5% of GDP, now its current account deficit with China is 6.3% of GDP, provoking a “Chinese fear” that sometimes seems the paranoid search of a scapegoat (for a survey of the neo-protectionist mood in Washington see *Putting Up the Barricades*. Moreover, it does not help that Chinese State-Owned Enterprises look to be able to buy American companies. For instance, on June 23rd China National Offshore Oil Corporation (CNOOC), a listed company owned by a state unlisted parent company, offered USD 18.5 billion to buy Unocal, a Californian oil and gas business (see *China’s Gas Guzzler*, and *The Dragon Tucks in*). Undoubtedly, these actions and public

opinion perceptions make the expectations of future trade lower than they used to be in the 1990s and could signal a declining curve of the costs of conflict.

Under the current stress on democracy in framing America's foreign policy, the view of a democratic Taiwan *vis-à-vis* a communist authoritarian State is only complicating an issue that was already complex enough. In the early 1950s, in coincidence with the birth of the People's Republic of China, the establishment of the Chiang Kai-Shek regime in Taipei and the Korean war, a powerful anti-communist movement, labelled as *China lobby*, became active in the United States (Koen 1974). Therefore, there is a strong tradition of China-bashing in the American society, which survived even after the Sino-American rapprochement in the 1970s and was the main force behind the approval of the 1979 Taiwan Relations Act. In a sense, this law *de facto* represents the cornerstone of the US commitment to the defence of the island. This tradition is now being reinforced by the fact that its supporters are defending not a right-wing dictatorship like Taiwan was until the late 1980s⁴, but a well-established, Asian-style, democracy. Even if in Cross-Strait relations we are used to register periodically a "war of words", and we know that even economic interests make a conflict not so inevitable and imminent, it is undoubtedly clear that democracy in Taiwan is helping to shape a distinct Taiwanese identity which is horrific to Beijing, since it could lead to a growing support for formal independence. No surprise, then, that a strong and

⁴ The martial law on the island was repealed by Chiang Ching-Kuo, Chiang Kai-Shek's son, only in July 1987.

powerful American pro-democracy stance which can easily join forces with a reinvigorated anti-Chinese national lobby must be viewed with deep- and double, considering the monopoly of power of the Communist Party - suspicion on the Chinese mainland.

Democracy and security overlap also when dealing with the self-declared nuclear power of North Korea, which all parties in the six-way talks are trying to convince to reverse its decision in 2004 to leave the negotiations. In this context, it did not help that this year Condoleeza Rice, America's Secretary of State, labelled North Korea as one of a few remaining "outpost of tyranny" (for this definition and other facts quoted in the paragraph see *A relationship reconsidered*, *A Lull in Insult Diplomacy*, and *Keeping their Balance*) - which was also not entirely correct anyway because Pyongyang's secluded dictatorship is terribly unique and not even comparable to other forms of present tyrannies around the world. So, while the USA would like South Korea and China to make some serious pressure efforts towards Pyongyang, Seoul and Beijing do not want to apply or only threaten any kind of sanctions against North Korea. Seoul is even reported being ready to offer even more aid if talks resume and North Korea gets rid of its nuclear bombs and plants. And the isolationist threat cannot work, if South Korean and Chinese investment, smuggling and trade keep on flourishing. China embarrassingly knows that its failure to bring back Pyongyang to the table will only shift Seoul and Tokyo more and more towards the American embrace. In fact, Washington has already announced the deployment of anti-radar stealth fighters to South Korea. Apparently, it was precisely South Korea's promise of 500,000 tonnes of food aid and future

energy that has just recently convinced North Korea to resume talks. It wasn't any Chinese pressure. In a sense, how can we expect America to stick to a so-called "strategic partnership" when - in dealing with one of the most important strategic concerns of the current American administration - a major partner is more and more useless?

"THERE CANNOT BE THREE OF US IN A MARRIAGE"

Thus, Copeland's model can explain the danger of the current worsening of US-China bilateral economic relationship, while Goldstein's view shows that should China feel that in strategic terms it is not so important any more for America as it used to be in the aftermath of the 9/11 terrorist attack, Beijing could really end up entangled in more formal alliances. But if we turn to Kang's powerful view of international relations in Asia, I think we will come to the core of the issue at stake. Chinese protests and damages against Japanese property, especially in Shanghai, - promptly fuelled by a regime which is eager to play the nationalistic card and to divert the target of popular discontent to anything but the Communist Party - apparently erupted when the Japanese government sanctioned a new textbook (among many others already used in schools) which would not give full account of Japanese atrocities committed in Asia during WWII (for a detailed account of the events see *The Genie Escapes* and *Managing Unrest*). Together with the strong candidacy of Tokyo to a new seat within the UN Security Council as a permanent member, China seized again the opportunity to remind Japan that it is still waiting for a full and unconditional official regret and it does not

want the Japanese Prime Minister to visit each year the Yasukuni Shrine where war criminals are remembered among all the other victims of war (a quick and updated resume of historical mistrust and conflict of interest between China and Japan can be found in *So Hard to Be Friends*).

But in my view it is not only historical animosities that drove this reaction - there is much more behind it. In fact, a stronger alliance between the US and Japan - with their less and less ambiguous commitment not to exclude the defence of Taiwan - could in fact allow Tokyo to challenge China's historical central position in Asia underlined by Kang, by exploiting the unconditional support given by a non-Asian power which should be Beijing's main "strategic partner" - or, I would say, "husband of convenience". On December 17th 2004 Japan joined the American-led TMD system, thereby substantially upgrading its defence commitments in Asia. Moreover, in February 2005 the USA and Japan issued a joint statement saying that they want to "encourage the peaceful resolution of issues concerning the Taiwan Strait through dialogue" (*Keeping their balance*). The content of this declaration is not substantially different from the Chinese official position, which has always stressed the need to exploit to the full all possible peaceful solutions before using force. Instead, the reason why China reacted angrily is that this was the first time that Tokyo and Washington explicitly named Taiwan as a topic of mutual concern. These two powers did what in 1996 all Asian countries did not dare to do: they interfered in the "Imperial" hierarchy system. Kang's theory, in this case, predicts - precisely - that China would react. In Kang's and Rigger's terms, I would say they "broke a (customary)

fact". Moreover, Japan is co-operating with America under the anti-proliferation security initiative aimed at checking suspect cargoes from and to North Korean shores, is offering logistical support in Afghanistan and - to China's concern - has supported the Iraqi war, sending a contingent of troops to Baghdad after the demise of the Saddamite regime. That is why I believe that the hidden message under these recent clashes was subtly but substantially addressed to America, signalling that Washington would undermine the - already damaged and now rhetoric-sounding - strategic partnership by simultaneously improving military links with Japan while playing the protectionist card in economic matters.

The unfortunate Princess of Wales, Lady Diana, released a shocking interview at the beginning of the 1990s stating that "There were three of us in a marriage", and this clear statement contributed to precipitate her marriage into divorce in 1995. Her former husband, Charles Prince of Wales, eventually managed to marry last April his long-time *fiancée*, after declaring that she was a "non-negotiable part of his life". It is possible that China and the US would in the long-term put an end to their "marriage of convenience", if the alliance affair with Japan were to be regarded as a "non-negotiable part of the American interest". Washington would then come to know that Asia is not Europe, and Japan is not Great Britain. The consequent divorce could end up in acrimony, putting peace at risk. But China, unlike Lady Diana who died in a still-to-be-clarified car accident in 1997 and has since then crossed the line between a celebrity and a myth, is a well-alive reality, and here to stay with all of us.

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