

# Bipolar Disorder in Statehood: is China “Dr. Jekyll” or “Mr. Hyde” or Both?

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## Abstract

American and Chinese interests seem to be at one time in agreement and at another at loggerheads over issues that involve armed services, diplomacy, economics, human rights, intelligence, trade and culture. Part of what may appear to be a growing *déracinement*, or mutual disenchantment, arising from diverse viewpoints over infrastructure development globally but especially in sensitive developing areas such as the stand-off in the South China Sea and elsewhere along the Pacific coastline of Southeast Asia, and the Western Pacific Rim. China seems to be reconstructing its ancient feudal empire, actual or imaginary, in the territory to its South, the ASEAN bloc. This article will address some issues of compatibility and conflict that unite China but that sometimes divide it from the United States and the West, then assesses what alternative strategies should be adopted or abandoned in the interests of global and regional harmony coupled with security. It urges greater cooperation and collaboration, a development of a code of conduct for state behavior in the Indo-Asia-Pacific region, together with a concerted East-West effort to maintain a stable economy for China and a sustainable trade relationship between China, Europe, and North America.

**Keywords:** China, South China Sea, United States, State Bi-polarity, TPP, TTIP.

## Introduction

The People's Republic of China ("China") enjoys a relationship with the United States of America and its Allies that is more or less peaceful but that is becoming increasingly fraught with hostile rhetoric, most recently over marine traffic across parts of the South China Sea that China has staked out and claimed to be its "sovereign" territory. At the same time, and earlier, China has favored the United States in other respects: as its largest trading partner, for instance, by increasing its reserve currency in dollars well beyond the USD trillion mark during the 2008 financial crisis, then increasing this total to USD four trillion by the middle of 2014 (Gayou), then most recently by changing its mind to use USD instead of RMB (CNY), its own currency, within its new Asia Infrastructure Investment Bank ("AIIB to Use U.S. Dollar") so that the more dollars China buys, the harder it becomes for it to divest itself of its dollar holdings. Similarly, the more weaponry China deploys along the Western Pacific Rim, the higher the stakes and risk of war become, and the harder it is to reverse course. In 2016, on Memorial Day weekend in the United States, just after then – president Barrack Obama had completed his visits to Vietnam and Japan, during which he laid a wreath at the memorial to victims of the nuclear bombing of Hiroshima and Nagasaki in 1945, China announced its plan to deploy submarines with nuclear warheads along the East and South China Seas, close to numerous islands claimed by different neighbours (Daiss). Nine months after, China's foreign ministry seemed to tout a peace offering, at least of sorts, declaring:

[A] healthy Sino-U.S. military relation adheres to the basic interests of the two nations' people, as well as being beneficial for peace and security in the Asia-Pacific region and the world [that] needs China and the US to jointly maintain it. We hope both sides can work together, strengthen communication, avoid misunderstandings and push forward military relations on the right track (Sonowane).

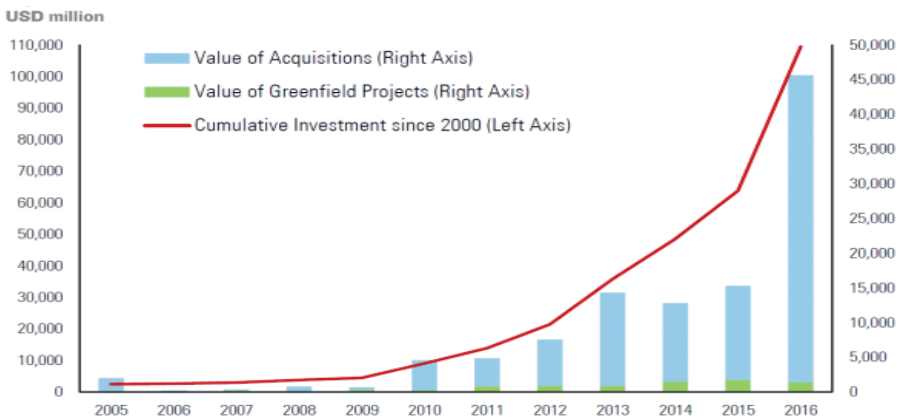
So, which will it be, conflict or diplomacy, or conflict in rhetoric but diplomacy in practice? Does this translate into reluctant conflict or begrudging diplomacy?

## Sino-American Relations

In 2016, the National Committee on United States – China Relations (NCUSC) celebrated its 50<sup>th</sup> anniversary on its website (National Committee) with the publication of the "U.S. – China Foreign Direct Investment (FDI) Project entitled "Two-Way Street: 25 Years of U.S. – China Direct Investment" (Hanemann, Rosen & Guo). In this analytical publication, done in partnership with the American Chamber of Commerce in Shanghai, the China General Chamber of Commerce (CGCC) USA, and the CGCC

Foundation, the objective was to document “volume, patterns and industry details of (...) (FDI) flows between the United States and China – in both directions – from 1990 to 2015”. In the publication it was also noted that “American companies have been active in the Chinese economy throughout the post-1979 reform period, investing hundreds of billions of dollars,” and that from 2006 “Chinese investors have begun to expand their US presence as well, turning the FDI relationship into a two-way street with multi-billion dollar flows every year [in each direction, prompting a change that reflects] “important economic and political implications, and has turned FDI into a first-order priority in the bilateral relationship” (Hanemann et al., 15). An increase in Chinese FDI within the United States that jumped three-fold in 2016 coupled with maritime expansion across the Western Pacific Rim creates at least the appearance of a duality of behavior much akin to the beloved Dr. Jekyll’s inexplicable transformation into the detestable Mr. Hyde in Robert Louis Stevenson’s eponymous novella.

Chinese FDI in the United States has amounted to USD 109 Billion since 2000, tripled in 2016 with a record USD 45.6 Billion in that year alone (Hanemann & Gao), as Figure 1 reflects. Just as the Chinese were tripling their investment in the United States, displaying a “Dr. Jekyll” beneficence, the Chinese government’s fortifications in the South China Sea region reflected China’s “Mr. Hyde” bipolar personality disorder in statehood. Is a record increase in Chinese FDI within the United States intended to induce the United States to look the other way as its allies in Asia become confronted with Chinese hostility? Similarly, was the recent takeover by China’s CITIC Bank and another investor of McDonald’s across Mainland China and Hong Kong intended to send a message on the flip side of the coin: that one way or another the Chinese want to control inward FDI into China?

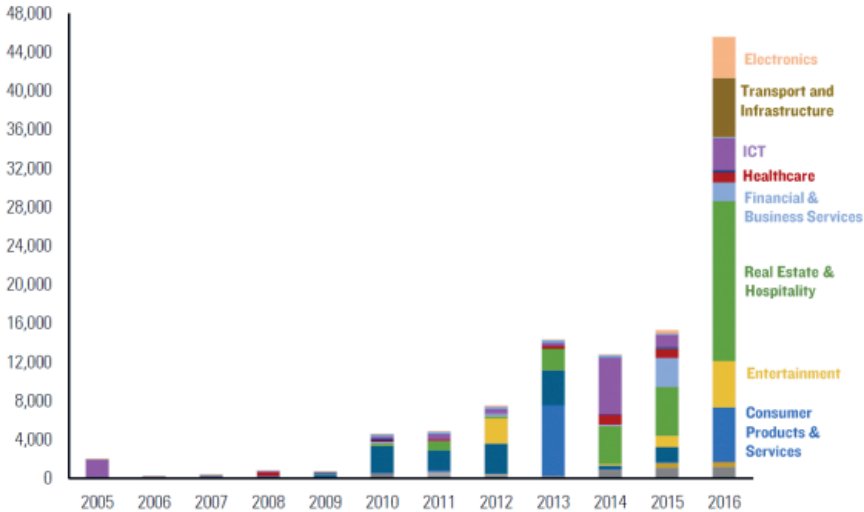


**Figure 1.** Chinese FDI Transactions in the US, 2005–2016\*

\* Data are preliminary and subject to adjustment. A detailed explanation of sources and methodology can be found at <http://rhg.com/interactive/china-investment-monitor>

Source: Rhodium Group

Chinese investors in the United States targeted some economic sectors over others, as Figure 2 below reflects, predictably preferring real estate and hospitality plus transport and infrastructure.



**Figure 2.** Chinese FDI Transactions in the US by Industry, 2005–2016\*  
\* Data are preliminary and subject to adjustment. A detailed explanation of sources and methodology can be found at <http://rhg.cm/interactive/china-investment-monitor>  
Source: Rhodium Group

In its 2016 report to Congress on the Chinese Military, the U.S. Department of Defense criticised China for its military build-up in the South China Sea, supporting this premise with evidence. Chinese infrastructure that consists of communications and surveillance systems installed on artificial islands had been followed early in 2017 with the construction of buildings that appear to have roofs that open as depicted in the upper left quadrant of Figure 3 below, possibly to allow missiles to be launched from within (Varandani). This prompted China to respond angrily that this posture was a “distortion” that had “severely damaged mutual trust” between itself and the United States (Lim). Mutual trust is very important in international relations between and amongst nations, but trust is undermined much more by actions than by language. As with Mr. Hyde, the conduct of whom consisted of violence toward others, the military buildup in the East and South China Sea regions began with China’s polarization of its neighbors in the region, from Japan to the north, and from Vietnam to the Philippines in the south. At most, the United States has deployed ships and aircraft to monitor the situation (Pestano), most recently with three aircraft carrier strike force groups, the *USS Chester W. Nimitz*, *USS Ronald Reagan*, *USS Theodore Roosevelt* (Brown), ostensibly to retaliate in the event that North Korea launches ordnance against the United States’ homeland or any of its allies.



**Figure 3.** Surveillance photos documenting China's fortification of islands in the South China Sea region  
Source: Varandani

President Donald J. Trump's defense secretary, former Marine Corps General James Mattis, has urged the parties to proceed diplomatically, presenting China as “Dr. Jekyll” to praise General Mattis as having “dispersed the clouds of war” (Martina). Whether that wish is accurate is dependent entirely upon China and its willingness to backtrack from its maritime advances.

So the two countries seem to get on well economically notwithstanding some tensions militarily, which reminds observers of *The Strange Case of Dr. Jekyll and Mr. Hyde*, published by Robert Louis Stevenson in 1886. In the story, respected physician Dr. Henry Jekyll displays his dark side by appearing to change personality into a character displaying an alter ego personality with behavior that is very different from his own, known as “Mr. Edward Hyde,” suffering from what today might be considered to be a bipolar personality disorder. This form of dysfunction may be discernible in statehood as well as in the personalities of individuals, causing challenges to international relations. Is this what the United States and its allies face with China under its present leadership? As Stevenson's novella evolves, it is learned that the upstanding Dr. Jekyll transforms himself into the evil Mr. Hyde by drinking a potion that becomes increasingly difficult then finally impossible to recreate, leading to Hyde's death, possibly by suicide in fear of not being able to transform himself back to Jekyll and consequently in fear of being revealed as his true self: the murderer that Hyde had become. Some of China's domestic policies betray a similar bipolar personality, different from and casting

a blemish on its international philanthropy. Is the real China the “Dr. Jekyll” of China’s magnanimous effort to reduce poverty in Africa, Eurasia, and elsewhere? Or is China a neighborhood bully, a “Mr. Hyde” who frightens its neighbors along the Western Pacific Rim with threats and/or force of arms?

Countries, similar to individuals, tend to have internal strengths and weaknesses and to pose external opportunities and threats. Sometimes self-perceptions differ from what others observe either objectively or through their own biased lenses. Countries may display characteristics that are either virtues or vices or that may vacillate from one to the other, seemingly without explanation or reason. This seems to be the case of China in the second decade of the 21<sup>st</sup> century, where its strengths are virtues and its weaknesses are vices at least from the perspective of the rest of the world. This is completely evident in *Human Rights Watch: World Report 2015, China*, reporting events of 2014, and reflecting a bipolar disorder in domestic policies that range from the closing of notorious “Re-education Through Labor” (RTL) camps early in President Xi Jinping’s administration to an increase in harassment and punishment of ordinary people who have simply rendered assistance to people in need such as pregnant women, the disabled, gays, ethnic minorities in Xi’zhang (Tibet), Xinjiang, Hong Kong, as well as religious leaders such as H.H. the Dalai Lama and Roman Catholic bishops and priests. Amnesty International reports an estimated 500,000 people are currently in confinement for such status offences across China (Human Rights Watch).

In 2012, the Robert Schuman Foundation evaluated internal strengths and weaknesses together with external opportunities and threats faced by China as it rises to become a global power. It praised China’s rise to having the world’s second largest GDP and the global leader in terms of exports, and creation or expansion of industrial companies aiming to invest in Europe and further, along its overland “New Silk Road” from South Asia to Europe and its maritime “New Silk Route” from East Asia to Africa [collectively, “One Belt One Road” (OBOR)]. In addition, it acclaimed China’s domestic and international investment in new technologies such as solar and other renewable energies, but warned that China’s economy had become overly dependent upon exports instead of domestic consumption, is plagued by both social and geographic inequalities, and requires an increase in “its capacity to sustain high value added growth via innovation” (“China’s Strengths and Weaknesses”). Five years later, these concerns still hold true. In 2014, the Center for Strategic and International Studies (CSIS) undertook to “decode” China’s “Great Power” strategy across Eurasia, reaching similar conclusions (Johnson et al.). This paper echoes both, underscoring however that China is neither prepared nor welcome at present to “take the helm of the global economy if Western nations abdicate their leadership role” which Chinese leaders seem to have pledged it will do (Chin). This is another reason why Western leaders must not abdicate the West’s leadership role.

The Schuman Foundation report confirmed a United States security paper published in 2011 that labeled the Chinese style to “import/assimilate/re-innovate” by coercing foreign companies manufacturing products in China to share their own innovations with China as a government (Center for American Progress). This is not true innovation, of course, and is a part of the Jekyll and Hyde bipolar disorder: copying innovation originated by others is not the same as one’s own. Not only does it denigrate respect for intellectual property, it abandons concern for self-innovation. This author also argues that Chinese State Owned Enterprises (SOEs) that invest abroad are using China’s sovereign wealth as subsidies to unfairly compete with American and European private enterprises as the sources of real innovation.

What is China’s weakness, its greatest weakness? Debt appears to be the answer in mainstream literature, along with unoccupied “ghost town” property that China has pledged to secure this debt (Pesek). In addition, what used to be China’s Key Success Factors (KSFs) have now turned out to be its Key Failure Factors (KFFs): “The country’s traditional drivers of growth – manufacturing, real estate and local government infrastructure spending – are now among the biggest threats to China’s economy” (Gough). This is because China has been over reliant on these factors, constructed more infrastructure than its citizens are able or willing to purchase. Instead of making sick people well, as Dr. Jekyll would have tried to do, China is making its once healthy citizenry sick by stifling their growth, even killing them quietly, behaving in the likeness of Mr. Hyde. Some have articulated that China is using Sun Tze’s military strategies in an effort to accelerate its technological competitive edge rapidly but recklessly (Li & Ling, 42).

According to the International Institute for Management Development (IMD) *World Competitiveness Yearbook for 2002*, China ranked 25 among 49 countries and regions, but this fell to 43/49 when controlled for China’s huge population, as reflected in the chart below. The IMD stated that, “[g]enerally, the information technology sector in China is competitive, however, the influence of information technology to the public remains low” (IMD).

**Table 1.** China’s “Competitiveness” Relative to Other Nations

Category	Ranking
Technology competitiveness	25
R&D budget	9
R&D budget per population	43
R&D workforce	2
R&D workforce of total population	34

Source: International Institute for Management Development (IMD). 2002. *Competitiveness Yearbook for 2002*. <http://www1.american.edu/initeb/fl9577a/IT%20S&W.htm>.



By 2015, China’s position advanced to 22<sup>nd</sup> among 61 economies studied, was attributed to improvements in education and public expenditure (IMD). On the World Economic Forum measure, however, China ranked 28<sup>th</sup> overall out of 144 economies studied (Schwab, 14), although this varied in rankings across the twelve criteria used as indicators, but the country listed among 30 economies labeled as efficiency-driven economies. This report identifies some challenges for the Chinese economy:

China’s competitiveness continues to suffer from limitations resulting from low sustainability, especially as it pertains to the environment. In terms of social sustainability, China is slowly expanding access to drinking water and sanitation for the entire population, but inequality is still high and the welfare system is available only to some full-time urban workers. The country does not report data related to youth unemployment or vulnerable employment; these indicators cannot therefore be assessed. On the environmental sustainability side, China encounters some severe difficulties especially concerning water and air pollution. CO<sub>2</sub> emissions have stopped increasing but they remain high, while the concentration of PM 2.5 particles signals potential health concerns related to air pollution, especially in urban areas. The country’s management of water resources is relatively unsustainable: increasing water stress and the heavy pollution of streams results in severely damaged water resources, and only a low proportion of the water withdrawn is treated before it is returned to the ecosystem. The introduction of pollution taxes has not yet delivered a significant reduction of emissions, and, despite intentions to improve the situation, policy has yet to be implemented in an effective way (Schwab, 71).

Pollution of air, land, and water is viewed as being a significant impediment to the sustainability of China’s economy, notwithstanding China’s belated support for the Paris Climate Agreement.

**Table 2.** Changes in China’s Competitiveness, 2013 to 2017

Year	2013	2014	2015	2016	2017
OVERALL & Factors	38	38	33	35	31
Knowledge	28	27	22	24	23
Technology	39	42	37	39	36
Future Readiness	50	48	39	38	34

Source: International Institute for Management Development (IMD). *World Digital Competitiveness Index 2017*, 62. [https://www.imd.org/globalassets/wcc/docs/release-2017/world\\_digital\\_competitiveness\\_yearbook\\_2017.pdf](https://www.imd.org/globalassets/wcc/docs/release-2017/world_digital_competitiveness_yearbook_2017.pdf)

As is reflected in Table 2 above, China’s competitiveness relative to 169 other countries improved from 38<sup>th</sup> to 31<sup>st</sup> position overall in the half decade from



2013 to 2017, most of this during the past year, with the most significant advance (from 50 to 34) reported to be in “future readiness,” defined as being “the level of preparedness of an economy to assume its digital transformation” according to three components: “Adaptive Attitudes, Business Agility, and IT Integration,” with competitiveness requiring “available digital technologies to be ‘absorbed’ by society” particularly in terms of “Adaptive Attitudes including the willingness of a society to participate in digital-related processes, for example, to engage in internet purchases” (IMD, 2017, 62). It is interesting that for a country where Internet use is censored, and social media is blocked, an astute observer might question the price to performance ratio (PPR) achieved through Internet purchases. Hong Kong ranks 7<sup>th</sup> in global economies (2).

## **China’s Virtues**

### **An Optimistic Population**

More than four-fifths (82%) of the Chinese people surveyed in 2013 by a Gallup poll reported that they considered their standard of living to be improving, compared with only half of the Americans surveyed, although nearly one-third (32%) of the Chinese surveyed reported that they found it difficult to be very difficult to live on their incomes, compared to one-fourth of Americans who responded, but only ten percent of responding Chinese reported they can live comfortably on their incomes, compared with 38 percent of responding Americans (Dugan). This tends to show that the Chinese citizenry are loyal and nationalistic, willing to work with their government to improve their own lives and their descendants, but it also shows that China needs to improve the quality of life of at least one-third of its population. Quality of life in China seems to be improving at the same rate in both urban and rural areas, more than it has in the past, with the same proportion of city dwellers and residents of China’s countryside (82%) reporting their feeling that their lives were improving (Ibid.).

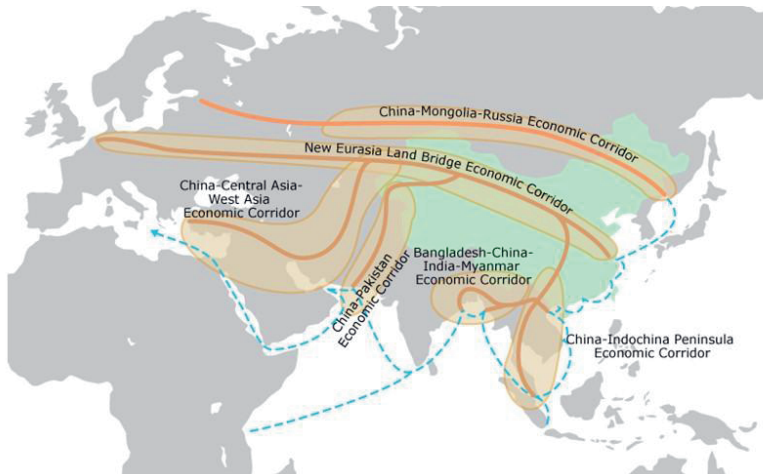
### **Trade Surplus**

China’s trade surplus is an asset to China and in some respects a liability to the United States and other trading partners of China that have trade deficits. Growth has been stagnating in China, however, as noted in 2014 by “The Economist”, it explained this apparent paradox as having been caused by a lack of domestic consumption: “[p]ut simply, this was a trade surplus from a position of weakness – a reflection of the sluggish domestic economy rather than voracious global demand” (“China’s Trade Surplus”). Surplus in global trade is a false virtue for China that has to correct lackluster domestic consumption because an average

Chinese person and family lacks sufficient disposable income that, if corrected, would change China from an import/export economy to a domestic consumption economy. What reasons explain this deficiency? One is that too high a proportion of China's wealth, including its sovereign wealth, disappears abroad each year: USD one Trillion in 2015 (“\$ 1 trillion Exited China in 2015”).

### Steadily Developing Economy?

Chinese leadership projects a steadily advancing economy across the duration of Xi Jinping's Presidency, capable of creating a “moderately prosperous society” by 2020 that is sustainable, but Babones warned in 2016 that “the Chinese government spending is now rising much faster than government revenue, leading to a widening budget deficit. Without rapid GDP growth, China will find it very hard to pay the bills for its poverty reduction and other social goals.” Babones addressed Chinese domestic economic challenges. What is much worse is that it appears that China's ability to step up to the plate internationally as it requires surplus wealth, currently in a state of decline. What this means is that although China has witnessed a steadily developing economy, a steady growth has fallen recently, and reliance by the Communist Party of China, the Chinese leadership and the people upon unsustainable growth will be a false friend. As with Stevenson's character, Dr. Jekyll, without an infusion of his potion, reverts into Mr. Hyde. This is also true of China. Its global image may become tarnished and it may become dragged into, or may involve itself in conflicts with more muscular rivals, setting back its development at home.



**Figure 4.** The Belt and Road Initiative: Eix Economic Corridors Spanning Asia, Europe and Africa  
Source: “One Belt One Road will be 12 times America's Marshall Plan after adjusting for inflation,” NextBigFuture.com. 16 May 2016. <http://nextbigfuture.com/2016/05/one-belt-one-road-will-be-12-times.html>

With the correct formulae, China accomplishes global miracles, or at least it appears to. Take into account China’s “Road” and “Belt” initiatives that span three continents: Asia, Europe, and Africa, depicted in Figure 4. Without the correct formula, China could regress into a bastion of authoritarian governance, more harmful to its own population than to outsiders, but certainly not a model that is attractive for other nations in the world to follow.

## **Concern for Health and Greenhouse Gasses**

Very recently, China encouraged its population to eat less meat and, quietly included in this proposal, projections to reduce greenhouse gasses substantially (N. Johnson). At least on the surface, this is a step in the right direction with a double dividend: a healthier population derivative of a healthier diet, and a less toxic environment. However, as the U.S. Council on Foreign Relations reported late in 2016, China’s confrontation with environmental pollution dates back many centuries, and simply became worse since 1980 on account of its economic rise (Albert). Pollution of China’s air, soil, and water has been caused by carbon emissions exacerbated by the rapid growth of its economy. “The River Runs Black” in China is more than a mere metaphor, the forecast by the book of the same name, published by Elizabeth Economy in 2010, has come true. So it is apparent why China urges the world to support the Paris Climate Pact and adopt the Kyoto Protocol, but more must be done than simply move the machinery that causes pollution from China southward to the ASEAN bloc. As the question raised by the title to a New York Times article enquires, “China Wants to Be a Climate Change Watchdog, but Can It Lead by Example?” (Wong). In all probability, it cannot lead at all, by example or otherwise, whilst China maintains costly and unnecessarily polluting coal to synthetic natural gas (SNG) plants such as Kingho Energy Group’s in Chuluqay, Xinjiang Province, Northwestern China that are as inefficient to maintain economically as they are environmentally destructive (Li).

## **Foreign Direct Investment: Real Estate, Technology**

Chinese Foreign Direct Investment (FDI) tends to be heavy in real estate and technology, this is particularly true in its investment in the United States (“Chinese Real Estate Investment”). Fears are periodically raised that the real estate “bubble” will burst. Sometimes the provenance of Chinese technologies has been open to question. A lot of Chinese FDI is in commercial real estate, generally paying premium rates for existing buildings in the United States. According to a report from the Asia Society, “In 2014, Chinese outward FDI flows totaled \$116 billion, and approximately \$18.1 billion flowed into the United States.

In 2015, Chinese outward FDI flows totaled \$118 billion, and Chinese foreign direct investment flows into the United States increased to \$22.3 billion. Still, China accounts for less than 10% of all foreign direct investment in the United States” (Rosen, Margon, Sakamoto, Taylor, 7). That report determined also that “[b]etween 2010 and 2015 Chinese buyers bought \$93 billion in residential real estate, nearly \$208 billion in mortgage-backed securities, and roughly \$17 billion in commercial real estate, including office blocks and hotels” (“Chinese Investors,” summarizing Rosen, et al.).

Figure 5 depicts where the USD 17 Billion in commercial real estate (CRE) is held: more than one billion USD in California and New York, between USD 500 million and 999 million in Illinois and Texas, and between 100 million and 499 million in Arizona, New Jersey, and the state of Washington (Rosen et al., 32). Reasons behind this investment binge are unclear, with Rosen et al. projecting the Chinese will become the single largest source of inward flowing FDI into the United States over the next decade (84), with many investors from China’s tier 2 and tier 3 cities, joining current investors from tier one cities (85).



**Figure 5.**  
Source: Rosen et al., 32.

## Steadily Developing Consulting Firms

In 2009, Ling and Gui conducted a study of 23 Chinese consulting firms based in Shenzhen, comparing and contrasting their performance with foreign consulting firms conducting business in China. They found that the Chinese firms lagged behind most of their foreign counterparts in many respects, most notably “in design and technical capability; experience in international projects; general and project management ability; and financial capacity” (628). This deficiency interlaced with China’s overall lack of competitive advantage in most

areas of innovation is reflected in the caliber of its civilian and military infrastructure and the country's personnel which from top to bottom is much lower than their Western counterparts. Several Chinese firms stand out as being exceptions to this rule (Hiner). Didi, the Chinese alternative to Uber, attracted a billion dollar investment from Apple, whose motives probably included desires to study the Chinese automobile market from inside China, conduct a preliminary test marketing of electric automobiles and/or robotic or "driverless" cars on Chinese roads.

## Joint Navy Exercises

Notwithstanding a multitude of controversies involving Chinese naval and air forces in the South China Sea, the People's Liberation Army Navy (PLAN) appears to have been working cooperatively on routine patrols with the United States Navy (USN), according to RADM Marcus A. Hitchcock, U.S.N., the new commander of the *USS John C. Stennis* aircraft carrier strike force group which was deployed to the region in 2016 (Mathieson). This does highlight the fact that cooperation is possible and that, in fact, some examples of the lack of Sino-American naval cooperation may be the fault of other parties in the region, trying perhaps to provoke tensions between China and third party nations in the region to their own advantage, or attempting to draw the United States into the fray. Recently, Captain Gregory C. Huffman, U.S.N., the commander of the *USS Stennis* aircraft carrier remarked "[w]e have Chinese ships around us that we normally didn't see in my past experience" (Swearingen). What is their purpose? Is China's objective in participating with its American counterparts in joint sea exercises two-fold: one purpose being to partner with the Americans, another purpose being to identify American tactics, presumably to employ against USN assets in the event of a mainland invasion of Taiwan?

Some experts have argued that China's willingness to conduct naval exercises alongside their American counterparts betrays their desire to learn naval tactics from the Americans in an effort to reduce the disparity between the American and Chinese naval forces in terms of training and operational competence. Recently, an assessment by the United States Pacific Fleet's director of intelligence, published in the journal of the U.S. Naval Institute, offered an opinion that "unit level execution," when American warship commanders are empowered to make many command decisions 'in the field' is a skill the Chinese are hoping to learn from the Americans (Rielage, 1, 359; Wang & Li, 4). This difference in the case of the United States vs. Japan explains part of the reason behind the victory of America at the pivotal battle of Midway on 4 June 1942, where then RADM Raymond A. Spruance defeated Japanese Admirals Isoroku Yamamoto, Chuichi Nagumo, and Nobutake Kondo largely because Spruance made

his own command decisions whilst Yamamoto had to consult Tokyo (Morison & Parshall). The author of the article disagrees that this is a threat, and views it more as an opportunity. This is because by endorsing the culture of individualism over collectivism, unit commanders may become empowered to make their own tactical decisions in the navy or any other unit of the Chinese military, which in turn should become a long term asset to the United States and its Allies.

## Steadily Improving Military

In early 2015, the U.S.–China Economic and Security Review Commission engaged seven experts on China from the Rand Corporation to study and then analyze recent trends in China’s military. They concluded that the PLA had made “substantial strides” but continues to be relatively weak compared to the United States with “shortcomings [that] could limit its ability to successfully conduct the information-centric, integrated joint operations [that] Chinese military strategists see as [being] required to fight and win future wars” (Gertz). Most importantly, this review concluded that the PLA lacks efficiency in conducting air, ground, and sea joint combat operations particularly outside the Chinese mainland, evidenced especially by its inexperience in the integration of advanced weaponry occasioned by a poor command structure, corruption, low quality personnel, and insufficient training in the use and maintenance of materiel (Ibid.). This is a virtue and not a vice, because it means that, acting internationally, China must remain at least at the moment the good Dr. Jekyll, and not to become the dangerous Mr. Hyde, as it knows well. The Rand experts identified two overall deficiencies in China’s military:

The first is institutional. The PLA faces shortcomings stemming from outdated command structures, quality of personnel, professionalism, and corruption. The second set of weaknesses centers on combat capabilities. These shortcomings include logistical weaknesses, insufficient strategic airlift capabilities, limited numbers of special-mission aircraft, and deficiencies in fleet air defense and antisubmarine warfare. [Also], potential weaknesses in its ability to protect Chinese interests in space and the electromagnetic spectrum (Clark).

If, but only if, trust prevails can these deficiencies be converted into assets with input from the United States, and to a lesser degree from America’s Western Allies. It also means that China requires experience participating with the United States in joint drills designed ultimately to make China an American asset in Asia against more formidable potential adversaries such as jihadists from West Asia, the Middle East and even from the Russian Federation and

Syria. President Xi Jinping is simply wrong: unless trust does exist, why would the United States publish so candidly China’s military deficiencies, other than to encourage it to make corrections? Unless, of course, trust is one-sided. Or, did the Pentagon submit a full report to Congress? It omitted entirely the discussion of China’s *Dong Feng* (“East Wind”) DF-26, the improved successor to its “Carrier Killer” DF-21d, currently thought to possess a 2,500 mile range Anti-Ship Ballistic Missile (ASBM) and a road-mobile Intermediate-Range Ballistic Missile (IRBM) that can deliver a conventional or a nuclear payload out to the “second island” range including Guam, and intended to further China’s anti-access strategy for the Western Pacific Rim theater (Kazianis). In this context, it is China that must choose sides: to become a veritable Mr. Hyde or to optimize the character of the venerable Dr. Jekyll. The United States rules both the waves and the skies as it makes operational its new “Role Based” technology to replace platform based weapons, and which can launch “tactical clouds” to form a “kill web” from a submarine, surface warship, airplane and satellite assets configured as a system to neutralize adversarial communications and weaponry from a safe distance (Lockie). This will be the new *Rule Americana*.

Be that as it may, Erickson has identified more strengths than weaknesses in China’s recent military buildup, especially in the East and South China Seas, based on his analysis of the 2015 Annual Report to Congress by the U.S. Secretary of Defense. Examples include China’s ambiguity concerning the significance and objective of its “Nine Dash Line” that extends across the South China Sea (“Office of the Secretary of Defense”). In addition, he argues that one value potentially provided by artificial islands that China is constructing would be to jam foreign including American communications as far out into the Pacific Ocean as 900 nautical miles from the Chinese mainland, possibly to frustrate the repelling of a mainland invasion of Taiwan (Erickson). Although the United States disputes the viability of any such Chinese strategy or tactic, from a Chinese viewpoint its recent military buildup is an asset, and it should be recognized as such by friend, foe, or “frenemy” alike, including the United States and American Allies along the Western Pacific Rim. Is China, as but one example, endeavoring to construct a “buffer zone” along the South and/or East China Sea region, to delay or even to confound the ability of the United States Navy to come to the rescue of Taiwan in the event of a Chinese invasion? Potentially worse, is China constructing an even wider buffer zone for the same purpose, as preparation for an invasion of one or more neighboring sovereign countries in the region, such as Vietnam or the Philippines, and if so, for what reasons. Possibilities may include the encirclement of an area near to Taiwan in preparation for its reunification by force through an amphibious invasion by the PLA Navy.

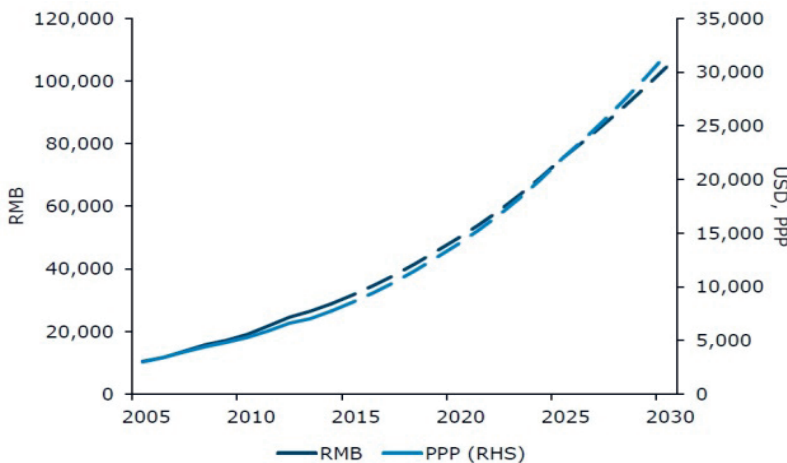


## China's Vices

### Thwarting the Legitimate Expectations of its Rising Middle Class

With a rapidly rising middle class which embraces rapidly rising and legitimate expectations, government reaction must be proportional, but it is lagging behind (Pei). Already, a rising middle class in East China is beginning to consume luxury items. This consumption is visible. What will happen when this expanding middle class commences to consume democracy? This is in all probability happening now, although less visibly as government officials across China attempt to thwart legitimate expectations. A range of literature identifies characteristics and consumer desires of a rising Chinese middle class, their increasing purchase power and their changing tastes as consumers (Song & Cui). More unclear is the answer to the question whether Chinese leaders have foreseen this trend or its possible impact.

Figure 6 reflects projected changes in the expected disposable income per capita, in millions of both Chinese RenMinBi (RMB) and United States Dollars (USD), for urban dwellers in China between 2005 and 2030. It is projected to increase geometrically, reflecting a proportional increase in the Chinese middle class consumer's spending ability (Scutt). On what products will these Chinese spend their disposable incomes on, will they buy products made domestically, or more likely Western goods such as Western health and luxury items that Chinese tourists currently purchase when abroad: expensive brand name accessories and makeup for themselves, vitamins and milk powder for themselves and their children back at home (Tan).



**Figure 6.** Chinese Urban Disposable Income, Per Capita In Millions, RMB, USD, 2005–2030  
Source: Scutt

As Figure 6 reflects, middle class urban Chinese incomes have risen steadily over the past 12 years, reflecting a trend that should be expected to continue over the next 12 years and beyond, crises excepted. Little reason exists to suppose that middle class Chinese would want to disrupt this trend, with every reason to suppose they would seriously fault their government for causing friction with the West. In addition, consumer spending with disposable incomes offers choice, an opportunity that can be enlarged into choice of governance, and possibly democracy.

## Perception of Corruption

Corruption is viewed as being a major obstacle to global development, having risen to the level of two percent of worldwide Gross Domestic Product (GDP), meaning that, all told, countries lose USD two trillion annually to corruption, according to the International Monetary Fund Staff Discussion Note (SDN) released on 16 May 2016, during a London conference (IMF). Each year, Transparency International measures the corruption perception of countries, with 0 being the worst corruption level and 100 being 'squeaky clean'. In 2005, China was designated as having a high corruption level of 37, resulting in a ranking of 83 out of the 168 countries studied

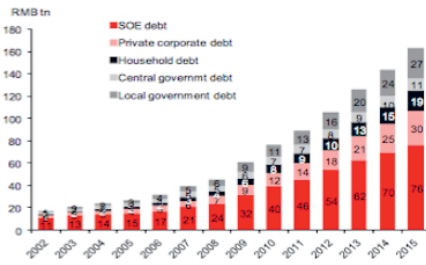
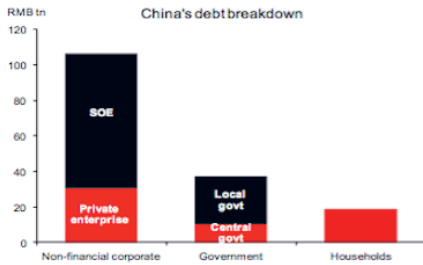
According to Transparency International, China was roughly halfway when compared to the world's other nations. This level is good compared with the "Democratic" People's Republic of Korea [North Korea] that was designated 167 of 168, tied with Somalia, but well behind the other great nations including China's major trading partners. United States, ranked 16<sup>th</sup>, and Canada the United Kingdom ranked 9<sup>th</sup> and 10<sup>th</sup>, respectively. Denmark and Finland came in 1<sup>st</sup> and 2<sup>nd</sup> place respectively (Ibid.). In January, 2016, Bloomberg reported USD one trillion had exited China in 2015, up seven times over the previous year ("\$1 Trillion Exits China"). Much of this was said to be China's sovereign wealth being exported by corrupt officials and their families for their own selfish advantage and to the detriment of ordinary Chinese and the Chinese nation.

## Chemical Pollution

Some 500 Chinese students became ill following what was concluded to have been chemical poisoning near their private school, in Jiangsu Province not far from Shanghai, in a recent but not isolated case of environmental pollution attributed to the production of pesticides (Campbell). Similar episodes have involved adulterated vaccinations, baby food and milk, so much so that a rising Chinese middle class now tends to import baby products including diapers from abroad (Wang) because domestic products have lost their trust. In their eyes, Hyde has replaced Jekyll.

## Corporate Debt Bomb

Businesses in China are laden with excessive debt (Desjardins), clearly the vestige of the rising growth of China’s Gross Domestic Product (GDP) that has slowed and possibly leveled off, potentially ready to decline as reflected in the graphics below. Almost certainly likely to follow will be a credit squeeze, the difficulty businesses will encounter when trying to lock in financing that is both stable and sustainable (Chang). This will inhibit growth. However, China’s communist government may “socialise” corporate debt, saving much of it from an actual default by passing it on to State Owned Enterprises (SOEs) including banking institutions, with an end result of this strategy likely to be the further slowing of China’s economic growth (Perumal). China’s rate of growth has slowed recently to its lowest point in 25 years, although it is rather early to assess definitively an exact cause (Magnier). Slow growth in China’s GDP continued across 2017 and it is forecast to continue at least into 2018 (Qi & Zhu).



**Figure 7a.** High Chinese Corporate Leverage **Figure 7b.** Breakdown of China's Debt  
 Source: CEIC; Macquarie Research, through Perumal (January, 2017).

However China’s debt problem does not end with its state absorption. Evidence gathered suggests the Chinese government is attempting to pass off high fractions of the “bad” corporate debt it holds as “securities,” either forcing or duping banks into purchasing it, structuring in effect a giant bailout of China’s largest banks and the expense of many smaller banking institutions. These actions might amount to as much as 15 percent of China’s GDP (Xie, Tu & Luo).

## Demolition Violence

Because China is changing, very rapidly in some places in some ways, older dwellings must give way to new housing construction. This is despite the fact that China has many “ghost towns” that contain millions of empty flats where no one resides for many reasons that include their unaffordability. Seldom does anyone happily approach the prospect of moving from a family home no matter how humble into

a new residence, and this is complicated by local officials in China who tend to offer low prices when they try to purchase older homes for demolition, then turn around and demand un-affordably high prices for replacement residential units that are beyond the means of displaced homeowners. This problem is emotive enough, but then local Chinese officials tend to tear down residences scheduled for demolition although families sometimes with children continue to live inside, giving them only a few hours to leave with or without their meager possessions. When they delay or refuse outright to vacate premises, the *Cheng Guang* [administrative police] arrive to harass them and, as matters may escalate, to beat or even kill family members, including children. This set of events occurred at Haikou, the capital city of Hainan Island and Province in 2016, where it was clandestinely photographed (Ai) and videotaped (“Qionghua Village”). This video then “went viral” on the global Internet, causing China severe embarrassment. It has occurred and is likely to occur elsewhere across China due to the absence of decisive instructions from the central government to desist from this practice.

In a similar demolition exercise in Zhumadian, Henan Province, the Beitou Church was bulldozed whilst its pastor, Rev’d. Li Jiangong, and the pastor’s spouse, Sister Ding Cuimei, were inside on 14 April 2016, resulting in her suffocation (“Church Pastor’s Wife Is Buried Alive”). Subsequently, a local administrative committee stated that Rev’d. Li may hold the title to the land on which his church stood and use that land for religious purposes (Zaimov). This reflects a Jekyll and Hyde posture by China at different times and locations, veering one way without visibility, then steering a different course when found out. Transparency is the potion China as Mr. Hyde requires to make it return to its incarnation as Dr. Jekyll.

## Foreign Infrastructure

China’s infrastructure construction has been legendary for decades, across the African continent particularly, in the form of airports and seaports, railways and highways, factories and power stations. No infrastructure has been as ambitious or as daunting as the Chinese plan to construct a canal across Nicaragua. Typical of the Jekyll and Hyde personality, however, this Nicaraguan project continuously requires more potion in the form of money, and with a declining GDP plus declining factory orders from abroad coupled with the withdrawal of Foreign Direct Investment (FDI) from the Chinese mainland, China’s cash flow is dwindling. Probably China’s domestic economy will not continue to grow at the same pace, being in single rather than double digits, undoubtedly by a relatively paltry three or four points annually, if that. This means that China may feel compelled soon to delay or withdraw from completion of the Nicaraguan canal (Dickey), which has already been mired in local conflict that have arisen. This disruption has stemmed in part from the way Chinese actors have tried to forcibly eject land users from their

farmland, something which is reminiscent of China's domestic demolition violence. Withdrawal will be a blessing for the Monroe Doctrine and its Roosevelt Corollary, just one more international embarrassment for China that shows that the country embarked upon a project too far and too quickly.

## **Defense Preoccupation or Paranoia**

In an article reminiscent of Kennan's famous "Long Telegram" to the United States Secretary of State in 1946, in which he attempted to psychoanalyze the mindset of the Soviet Union and particularly its leadership, Freedberg has undertaken a similar task in the context of Chinese self-defense in the second decade of the 21<sup>st</sup> century. Both interpretations explain the belligerence of the Soviets in Europe, the Chinese in Asia, as effects of the invasions each suffered but repelled historically. Freedberg concludes: "[u]nfortunately, this sense of relative weakness doesn't make the dragon pull in its horns. To the contrary, feeling vulnerable makes the Chinese skittish in dangerous and provocative ways" (Freedberg). This may be of little consolation to China's neighbors along the Western Pacific Rim, nor can one move Japan or Korea or Vietnam eastward the way the West agreed to move Poland westward to accommodate Stalin.

## **Questionable Practices: Virtues or Vices?**

Some Chinese activities on the open global market are difficult to assess objectively: are they virtues in the nature of Dr. Jekyll, or vices more characteristic of Mr. Hyde? Amongst them is the failed take-over of 80 percent of Australia's S. Kidman & Co. by the Chinese firm Dakang Australia, a division of Shanghai Pengxin for USD 283 Million ("Australia Set To Block China Purchase") amidst rumors of security concerns by the Australian government (Riley). This decision was regard to the land area of the famed Kidman Ranch which covers 77,300 kilometers, or roughly the size of Ireland! Another aborted purchase roughly at the same time was the attempt by Chinese insurance company Anbang to purchase Starwood Hotels for USD 14 Billion, a purchase that would have been China's largest in the United States but that ran into competition from Marriott International (Roumeliotis). Western countries have grown skeptical of large Chinese Foreign Direct Investment (FDI), particularly when the source of the purchase price is at best translucent, possibly blended in with sovereign wealth. An interface of the Kidman and Starwood purchase plans does tend to suggest that China as a Dr. Jekyll that becomes Mr. Hyde rather quickly when vast foreign resources seem to be available for purchase, and is rather oblivious to the fact that large land holdings and vast infrastructure assets within foreign countries are viewed as being national treasures.

## South China Sea Expansion

By creating artificial islands along the coastlines of neighboring nations that span the Western Pacific Rim of the South China Sea south of the Chinese Mainland, China’s ambition appears to be to create its own perpetual presence in the region. Chinese expansion in the Spratley Island area alone involves reclamation of more than 3,200 acres on which 10,000 feet [3 kilometers] long runways have been built. This does not include the Paracels or Woody Island on which China has installed missiles, or the Diaoyu Islands [Senkaku Islands in Japanese] of the East China Sea (“China Has Reclaimed 3,200 Acres in the South China Sea”). Clearly, some of the funding once earmarked for the post-panamax Nicaraguan canal have been transferred to the South China Sea projects, another example of Jekyll turned Hyde. Although running afoul of the Monroe Doctrine, a Nicaraguan canal would have peaceful merchant shipping applications. In most uses of “coercive tactics” in waters that are very close to the coastlines of Brunei, Malaysia, the South China Sea infrastructure is primarily military, and the Pentagon alleges that China threatens the Philippines, and Vietnam, each a member state of the Association of South East Asia Nations (ASEAN) bloc (“China Using ‘Coercive Tactics’”). Although arguably part of China’s buildup in the East and South China Seas is related to peacekeeping efforts to protect its trade routes with the West, much of it appears instead to be evidence of China’s determination to dominate the region by force if required. As Singaporean foreign minister Dr. Vivian Balakrishnan remarked following the 2016 Sunnyslans ASEAN-U.S. Summit Meeting, “All countries (...) whose ships or aircraft use the South China Sea, have a legitimate interest in upholding the right of freedom of navigation and overflight,” urging the world to articulate and agree upon a code of conduct for maritime behavior in the South China Sea. In addition, he proposed on behalf of the ASEAN bloc an “expanded Code for Unplanned Encounters at Sea” to prevent possible naval altercations and accidents (Bluestone). Urgency of creating such a workable framework cannot be overstated. A code of conduct must meet international standards, and not just to protect China, is required.

Challenges such as that of China’s exercise of “sovereignty” in the East and South China Sea area cannot be attributed to chance or irrationality. Exact reasons for it must be determined, but this author surmises that much of it is derived from China’s sense of *anomie* or alienation from the West, particularly the United States, on many fronts. Key to a *rapprochement* may be inclusion instead of exclusion of China from trans-oceanic partnerships such as the disbanded Trans-Pacific Partnership (TPP) and the uncertain Transatlantic Trade and Investment Partnership (TTIP), arguably beneficial to some of China’s neighbors such as Japan, but highly detrimental to the United States of America.

## Bi-polarity in Statehood

Bi-polarity is a term used by the psychiatric profession to diagnose then treat patients who exhibit abnormal manic (happy) or abnormal depressive (sad) mood swings, or sometimes both. Some elements such as insomnia are difficult to apply to inanimate personalities such as those of states, and most elements of depression are difficult to apply, such as fatigue, significant change of appetite or weight. On the other hand, some elements seem to be more applicable to China than to the range of sovereign states. As to manic elements, at least three and sometimes four of the following factors are required for bi-polarity:

- inflated self-esteem or grandiosity;
- increased talkativeness;
- flight of ideas or racing thoughts;
- distractibility;
- increase in goal-directed activity;
- increase in risky behavior (APA, 27).

In the case of China, six of these factors are evident, although not always at the same time. Since 2012, when Xi Jinping became China's president, most of his speeches in front of international assemblies have reflected China's growing self-esteem frequently reaching the level of "grandiosity," arguably most apparent in China's "One Belt, One Road" initiative bent on reincarnating the ancient "Silk Road" and "Maritime Silk Route" between East Asia across South Asia to Africa and Europe. Accompanying this inflated self-esteem has been an increased "talkativeness" by Chinese leaders, boasting of China's increasing sovereign wealth and its wish to increase development amongst the lesser-developed countries. Some aspects of China's race to Foreign Direct Investment (FDI) across Eurasia especially reveal a "flight of ideas" frequently with "racing thoughts" from time to time, such as China's carving of a corridor across Pakistan that has raised tensions with India, China's rising competitor in Asia. Distractibility is the rapid diversion from one topic to another, visibly evident in many of China's global projects, most of which were launched during Xi Jinping's administration.

Probably the two most dangerous characteristics are the last two listed above: increase in goal-directed activity and increase in risky behavior, both transparent in China's fortification of the South China Sea as part of its plan to transform this maritime region into a Chinese sea, even commanding the United States to stay out of discussions with the Association of Southeast Asian (ASEAN) countries over what has been considered for centuries to be international rights to the high seas, notwithstanding mutual security agreements America has with several ASEAN bloc members coupled with its own entitlement to freedom of the seas (Pennington & Colvin). When taken separately, China's behavior and rhetoric exhibit a dysfunctional nature, given that most of its accumulated wealth came from its trade



with the West, coupled with the enormous air, land, and maritime superiority of the United States compared to China. When blended together, however, these factors portray what the author labels bi-polarity in statehood.

## Conclusion

More important than any other single factor is that of trust, or the absence thereof. Chinese government must regain the trust of the Chinese people, particularly the rising middle class of young, relatively well- educated parents, who clearly have concluded that China is hopelessly polluted, by chemicals harming its air, land, and waters but also by gross financial mismanagement. It must also not lose the trust of its Western trading partners, especially of the United States as ‘it takes two to tango’: the West cannot allow trust to erode beyond what has been done already. “Containment” of mutual trust is essential, domestically and internationally. Beyond trust, international agreements must be constructed and ratified by the principal powers along the Western Pacific Rim, China included, with agreement on a code of conduct suitable for all participants in marine travel in the region as well as the warm inclusion of China together with its ASEAN and other neighbors in East Asia in important and emerging transoceanic trade partnerships. Much greater dialogue is required with wider international participation. Both East and West are responsible for the dearth of dialogue and only a combined effort can restore conversation, which prevents any escalation of hostile rhetoric that is likely to provoke greater confrontation if left unchecked. To be sure, Chinese leaders seem to be going out of their way to cool the aggressive rhetoric that has evolved over China’s claims of sovereignty across a large patch of the South China Sea region. Opportunities abound for dialogue that will function as the “potion” required to enable “Mr. Hyde” to return to “Dr. Jekyll” and to carry on normal activities instead of perishing. Such opportunities require international cooperation to mitigate escalation of what can be characterized only as a bipolar disorder in statehood. The cure for China is not warfare, instead there must be a greater display of respect by the West with the way being led by United States officials. More than anything else, China must either shed even the appearance of bipolar disorder in statehood or before that becomes a reality before significant nations of the world arrive at any such conclusion.

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- <<海南省海口市琼华村强拆, 恶警暴打电击妇女儿童, 谁来救救我们1>>  
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