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Towards Bipolarity?

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Contents

Paulina Matera, Dominik Mierzejewski Introduction	5
David A. Jones Bipolar Disorder in Statehood: is China “Dr. Jekyll” or “Mr. Hyde” or Both?	9
Robert Łoś U.S. and China: Hard and Soft Power Potential	39
Małgorzata Pietrasiak Vietnam Game Between USA and China	51
Lucia Husenicova U.S. Foreign Policy Towards North Korea	65
Paulina Matera China as the Strategic Competitor in the Debate on TPP in the United States	85
Michał Zaremba Development Assistance for Africa as Part of the Chinese–American Rivalry	103
Małgorzata Smagorowicz-Chojnowska Yuan Versus United States Dollar: the Defective Bipolar China–United States Relationship	119
Tomasz Bieliński Competition Between Chinese and United States Companies in the Internet Market	137
Jan Misiuna The Impact of the Chinese Diaspora in the U.S. on the American View of China	153

Marta Fisiak	
Assessing the Impact of Communications Strategy and Ethical Positioning on the Resilience of a Political Career Facing Scandal: Critical Analysis of Sexual Scandals within American Politics	169
Michał Zaręba	
<i>The South China Sea: a Crucible of Regional Cooperation or Conflict-making Sovereignty Claims?</i> C.J. Jenner and Tran Truong Thuy (eds.) (Cambridge: Cambridge University Press, 2016)	183
Przemysław Ciborek	
Lodz East Asia Meeting: the Biggest Conference on East Asia in Central Europe	187

Introduction

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The current debate about the roles of the United States and China is one of the most important for researchers and observers of international relations. The projections of the decline of American domination in the world, means that questions regarding which state (or group of states) is able to play the role of principal power are now being asked. In most cases, China is seen as a power which acquires U.S. primacy in many aspects of the world economy (industrial production, export) and which is increasingly active both politically and economically in all regions of the world. The concept of multipolarity is confronted by the prospect of a type of bipolarity. It is based on observations of cooperation and rivalry between the United States and China as well as the significant interdependence of both actors.

The probable rivalry was reflected in the changes in US foreign policy during the presidency of Barack Obama who called himself America's "first Pacific President". He initiated his famous "pivot to Asia" policy which looked to shift the focus to this region in terms of enhanced political, economic, and military engagement. It was an explicit articulation of the US' anxieties of the rise of China

and its probable consequences for American interest not only in Asia but also globally. It was deeply rooted in the history of bilateral relations. However, Obama did not label China as a rival. It is more visible in the policy of Donald Trump who has decided to challenge China, predominantly in the economic sphere.

From the Chinese point of view, America is the most important partner in China's future economic and industrial development. In this regard, all policies made by Washington that touches the issue of China's technological development are seen as the biggest challenge. The Chinese response, however, seems very paradoxical. In Davos, the Chinese president, Xi Jinping, called for more open and inclusive globalization as well as trade without borders. From this perspective, apart from responding to American policy by imposing new tariffs on American goods, China uses other actors like developing states to maintain its economic growth. However, although this strategy will keep China's GDP stable, it will in fact limit China's potential for innovation and its ability to shape the next stage of the industrial revolution.

The complexity of bilateral relations requires a multidisciplinary approach which is observable in particular articles and in the broad range of topics taken on in this special issue of "International Studies".

The first text, by David A. Jones provides a kind of a roadmap toward a better understanding of the changeable character of US-Chinese relations. The author focuses on the areas of mutual interests in which both states tend to work together or compete. The reasons for this rivalry are traced back to the Chinese ambition of (re)gaining its imperial power and influence which alarms the United States. Professor Jones proposes alternative strategies of cooperation for the US and China for the sake of global security and the harmonious development of the global economy.

Another issue that is important for estimating the direction of future relations, is the soft and hard power potential of both actors. It is dealt with in an article by Robert Łoś. He considers the military, economic as well as soft power indicators in the context of the political systems of the US and China. Although Professor Łoś clearly shows this rivalry in many fields, the 'jury is still out' as to who the winner will be.

Professor Małgorzata Pietrasiak debates the growing importance of Vietnam in Sino-American relations. The focal point of the analysis is mainly driven from the fact that both sides try to manage their relations via a bipolar and multipolar approach. Another interesting section discusses the skillful approach adopted by Vietnam that tries to maneuver between both superpowers in order to maintain its importance in the South East Asia region.

Lucia Husenicova discusses the issue of relations between the United States and North Korea. The paper mainly analyzes the National Security Strategy sponsored by the Trump administration. Through a comparative approach, Husenicova argues

that three consecutive administrations have had the same goal: the denuclearization of the Korean Peninsula by adopting different means, tactics and strategies to achieve the aforementioned goal.

The co-editor of this volume, Paulina Matera, analyzes the debate in the United States on the ratification of the Trans-Pacific Partnership in terms of the United States' strategic objectives in the Asia-Pacific region. Although the possible economic consequences have been widely discussed, the Obama administration tried to underline the political advantages of this approach. The proponents of signing TPP claimed that it would strengthen the alliances in Asia-Pacific region, curtail Chinese influence and allow the US to establish global trade rules for the future. However, opponents of TPP were mainly focused on the economic consequences of the treaty. The debate in Congress, as well as the attitude of experts and public opinion is presented. The consequences of Donald Trump's decision to withdraw the United States from the agreement are also evaluated.

Michał Zaremba looks at another area of rivalry between China and the United States as he analyzes their respective development programs in Africa as part of the these two superpowers' global rivalry. Although both sides compete and cooperate, the African continent is more about competition, than cooperation. As argued by the author, these tendencies are based on the fact that the socio-political and economic development of the African countries are still based on raw materials. The focal point for Michał Zaremba is whether cooperation with China might benefit and empower the countries in Africa. However, at the moment, it is too soon to say.

In her article, Małgorzata Smagorowicz-Chojnowska proposes looking into the role of American and Chinese currency regimes. She analyses how their functions influence the international economic order. The article states that without the introduction by the Chinese authorities of a free-floating regime, the Yuan has no chance in superseding the Dollar as the major currency in global transactions. As a consequence, China would have to accept the rules of the Washington Consensus instead of following and disseminating its own rules.

The next paper, written by Tomasz Bieliński, discusses the issue of the growing Sino-US competition in the Internet market. The major point touched in the paper is mainly on the fact that the People's Republic of China block American companies from accessing the local Internet market in order to boost the development of Chinese enterprises. This is very visible when it comes to the limits that were imposed on Facebook, Twitter, eBay and even Google. In this particular case, the Chinese government allowed their domestic companies to replace the above mentioned tech powerhouses. In China, companies have developed their own engines for Internet trade and social media e.g. Baidu, Alibaba and WeChat.

Jan Misiuna explores the issue of the Chinese diaspora in the US. He proves it is a unique group which has had quite an impact on American society. The roots of

the perception of the Sino-American population in the US is explained by historic events – the author traces the reasons for positive opinions as well as prejudices. The Chinese minority is well-defined in terms of socio-economic status and the problems they face. Doctor Misiuna also contemplates the influence of Chinese Americans on Chinese-American relations – mainly by considering social relations in the US.

Reading these articles will help the reader look at the Chinese-American relationship from different perspectives. It creates a broad and consistent picture regarding the current situation and possible future. There are many aspects of mutual interactions that have to be considered to understand the cooperation and rivalry of both actors. Although Chinese-American relations have been rapidly changing, the core factors remain – an awareness of them is indispensable for a thorough analysis of current events.

The last article in this volume Marta Fisiak deals with the influence of scandal in the career of American politics. The changing attitude of the public opinion who draw the information from the media coverage is discussed. The Author compares the politician's previously established public image to the new one which is created after the offence which caused the scandal. She argues that only the clear contradiction of them causes the end of the career of the politician.

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 50th 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?

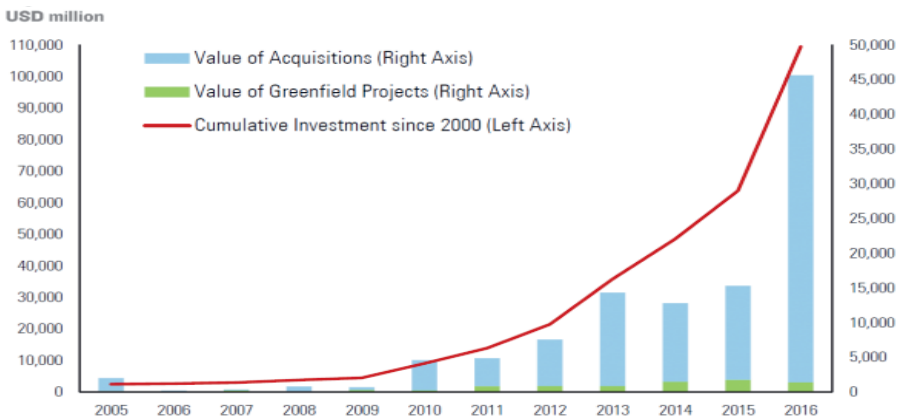


Figure 1. Chinese FDI Transactions in the US, 2005–2016*

* 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.

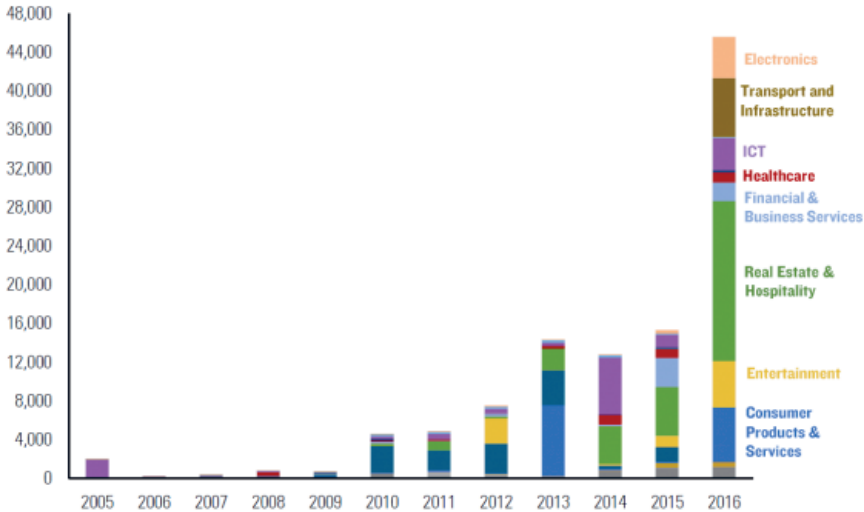


Figure 2. Chinese FDI Transactions in the US by Industry, 2005–2016*
* Data are preliminary and subject to adjustment. A detailed explanation of sources and methodology can be found at <http://rhg.cm/interactive/china-investment-monitor>
Source: Rhodium Group

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 21st 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/f19577a/IT%20S&W.htm>.

By 2015, China’s position advanced to 22nd among 61 economies studied, was attributed to improvements in education and public expenditure (IMD). On the World Economic Forum measure, however, China ranked 28th 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. CO₂ 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

As is reflected in Table 2 above, China’s competitiveness relative to 169 other countries improved from 38th to 31st 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 7th 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.

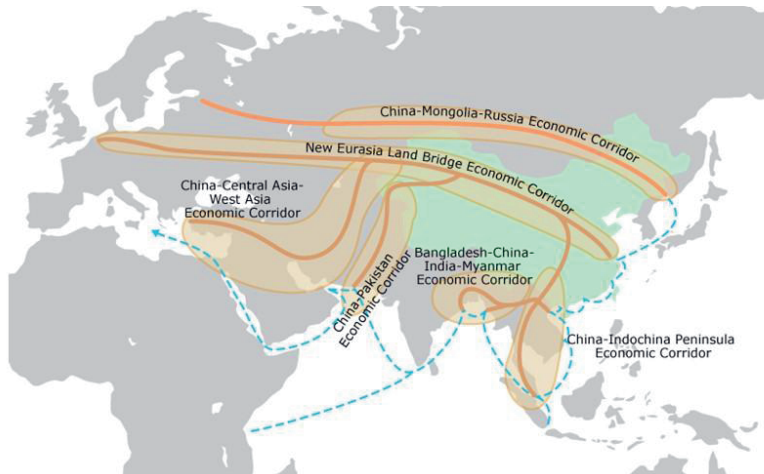


Figure 4. The Belt and Road Initiative: Eix Economic Corridors Spanning Asia, Europe and Africa
Source: “One Belt One Road will be 12 times America's Marshall Plan after adjusting for inflation,” NextBigFuture.com. 16 May 2016. <http://nextbigfuture.com/2016/05/one-belt-one-road-will-be-12-times.html>

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).

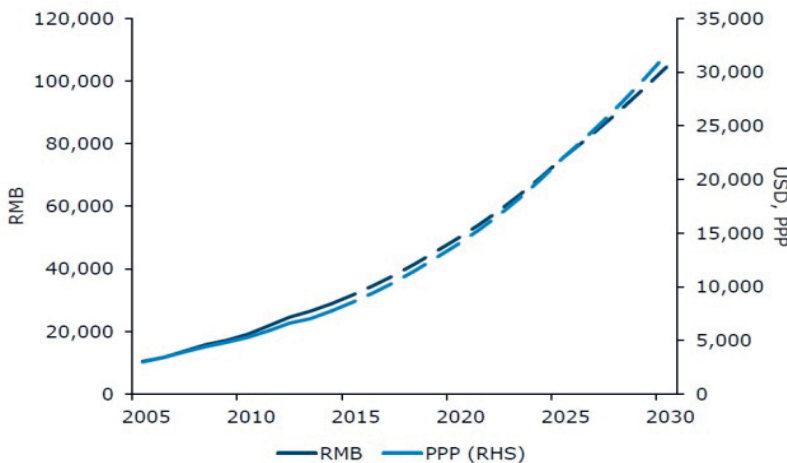


Figure 6. Chinese Urban Disposable Income, Per Capita In Millions, RMB, USD, 2005–2030
Source: Scutt

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 16th, and Canada the United Kingdom ranked 9th and 10th, respectively. Denmark and Finland came in 1st and 2nd 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).

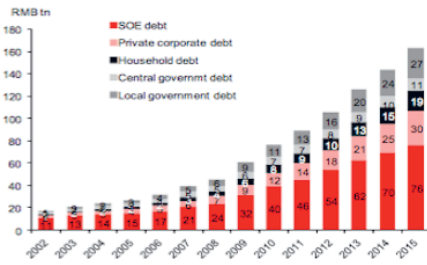
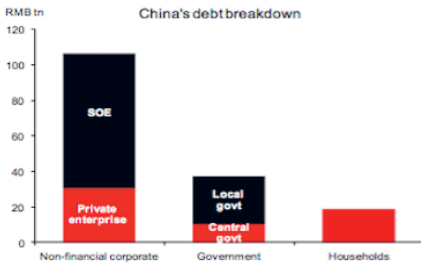


Figure 7a. High Chinese Corporate Leverage **Figure 7b.** Breakdown of China's Debt
 Source: CEIC; Macquarie Research, through Perumal (January, 2017).

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 21st 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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U.S. and China: Hard and Soft Power Potential

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Abstract

The United States, as a leading world power, has to face China – an emerging powerful rival. The potential of both states' power is measured by universal indicators. On a military level, these indicators are: military expenditure, soldiers/reserve/soldiers abroad, offensive weapons, nuclear warheads.

On an economic level: GDP value, reserve currency/public debt to GNP, direct investment home and abroad. With regard soft power, six categories have been taken into consideration: diplomacy, socio-political, socio-economic, education, high and popular culture. All of the three researched levels were correlated with both states' political system specificity and the character of the international arena's relations. It allowed for the assessment of the current levels of both states' power as well as their future prospects.

Keywords: Hard and soft power, America and China's power resources.

In the science of international relations, power is one of the basic categories but like many others it can be ambiguously interpreted (Kuźniar 2005). This diversity means that it is difficult to compare its scale and influence. These difficulties mean that there are a wide range of classifications for factors that create the power of a state (Pietraś 2006, 307; Sułek, 69–94; Fontana, 140). Even if we define what power is, there is a large number of factors that can impede our understanding. There are also many similar words that are used in this field such as force, energy, strength, influence and authority (Wójcik, 49).

To properly define soft and hard power, the most important task to explain is what these categories actually represent. The Polish translation defines this as “power” and this is how the term will be used in this text. Using power by the state means using the mobilized material and non-material resources in order to impose its will regardless of the resistance or cooperation of other states (Kleinowski, 52). So the power is an action or influence and not a hypothetical possibility with its impact depending on its usefulness in a given time and place.

In this sense, power is a research base as devised by Joseph Nye (Nye 1991, 2002, 2005, 2011), where tools are divided into hard and soft power. However, it is still very much blurred with the ongoing discussion about the classification of soft power, which started in the Nineties, being mainly about the scope of the term (Kuźniar 2007, 21). Hard power is quantifiably easier to define because it involves the use of military and economic resources. Initially, soft power was defined by culture, values and the norms that determine the style of foreign policy with other categories being gradually added later (Ogbonnaya, 8). The discussion and rankings began to formulate the ‘soft power’ term and lent its effects and mechanisms more relevance (Rapid-growth, McClory, Soft power, 30).

The discussion about the nature of hegemony (Smith) and factors that determine the power of the State were very important in the characterization of the components of power. There is no question that the bigger the resources of soft and hard power, the greater the power of the state. In the case of the U.S. and China it is crucial to examine which of the two societies’ organizations, democratic or authoritarian, is better suited for using the power of the state. It cannot unequivocally be stated that democracy is the sole determinant of state power (Przeworski, Limongi, 61–64; Przeworski, Alvarez, 40). There are numerous examples in history proving that gaining a significant position by a state was associated with the rule of a strong individual or a group capable of imposing imperial goals on a society and ruthlessly forcing its realization. The key requirement of effectiveness is the relation between the institutions of a state, which enables the executive power to make quick decisions, and the implementation of its plans. When it comes to the United States, the presidential system provides effective use of the entire power of the state. Authoritarianism itself does not determine effectiveness but is rather a quality of authoritarian leaders and the technocrats who advise them (Nye 2008, 98).

It is harder for authoritarian regimes to use soft power because it cannot be fully controlled. However, they can use soft power resources in a more centralized way. In democracy, leaders have to take into account many circumstances of political systems and the relationships between public and private sectors (Fukuyama, 150).

The weakness of authoritarian regimes might be illustrated in the difficulty of implementing soft power decisions from the top level and the dissemination of said decision to lower levels. It is more difficult for authoritarian systems to create and operate soft power. In a well-managed democratic state, transferring the decision down the hierarchy is easier and faster with democracy being able to react faster to changes in international surroundings. A flexible organization is of particular importance in the era of rapid technological changes, especially with regard to communication. Decentralized state institutions can more easily adapt to these changes with the transfer of action at lower levels proving its capabilities. However, it does raise the risk of ceding power which cannot be accepted by non-democratic regimes (Łoś 2012, 166).

Centralized or decentralized action regarding any kind of power has both advantages and disadvantages. Which system is more effective would depend on external circumstances that are not necessarily foreseeable. Those countries that use their soft power resources prudently are those that can flexibly alter the scope of centralization in response to changing external conditions. It is important to recognize that a well-governed state, even those that are authoritarian, can effectively manage soft power resources in favorable circumstances.

The formation of a new international order means that there are new threats and challenges of a non-military and asymmetric character. These new threats and challenges require a different kind of power.

With the change in the nature of threats, strategies are changing as are the priorities of the use of force and other instruments of the state. This requires an intensification in organizational and institutional skills, higher levels of communication and the moderation of interdependencies. As a consequence, in various spheres there are specific relationships between subjects of different levels of power. To obtain a satisfactory cooperation between these levels, instruments other than military or economic should be used. In this way, these subjects can gain international power in the global system through their engagement with other subjects. This may also mean an increase in the belief that raising their ranking can only be achieved by acting against others. Defining power requires specifying how the relations between states function and how foreign policy is shaped (Ociepka, 166):

- Considering relations in terms of cooperation is conducive to the perception of other participants in international relations as partners and even friends. Cooperating partners are flexible and creative in finding new soft power solutions and tools.

- When the international environment is seen in terms of rivalry or competition, the other participant is regarded as a rival. We do not seek to eliminate

the opponent but treat them as a competitor but does not exclude the possibility of cooperation. This perception means that very balanced components of power cannot be clearly classified as belonging to hard or soft power. These two powers can be used dependent upon the situation. Current international relations and China-US relations should be seen through the prism of this model of behavior.

– When the international environment is perceived as hostile, mutual relations are dominated by conflict. It is assumed that the advantage for one side means a loss for the second with any cooperation impossible. More important for relationships are elements associated with economic potential, natural resources, geographical location, human resources, the size of the territory, and of course military potential.

Relationships in the international environment are, of course, a mix of all three basic forms – military, cooperation and competition, all of which constantly undergo dynamic changes. In contemporary international relations the share in the use of hard power elements (military, economic) is slightly higher than those of soft power. This ratio is shown in chart 1.

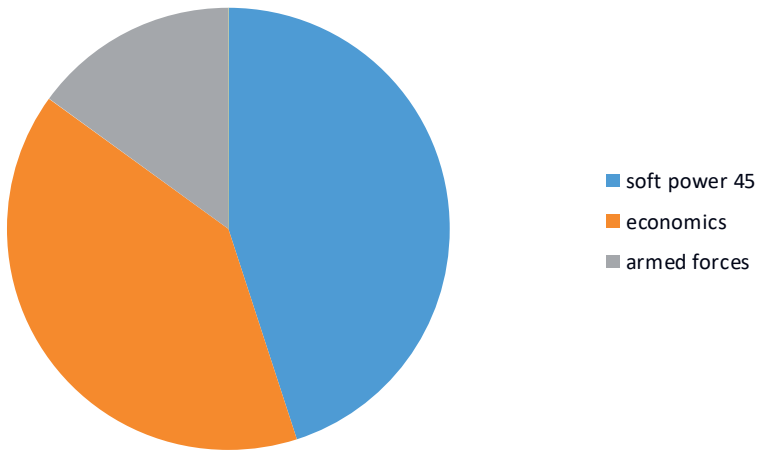


Chart 1. Share of soft and hard power in overall potential of the power of the state.
Source: www.realinstituteelcano.org (accessed: 14.09.2015)

The economic factor is an element of power which has universal significance. There are many categories that can determine the dimension of this power resource like: The Gross National Product (GNP), the ratio of the reserve currency, and the ratio of government debt to reserves expressed as a percentage. The last category is the range of direct investment that was adopted in their own country and exported abroad (Unctad).

Table 1. Summary of factors of economic categories, the value and the maximum number of indicators of the power of China and USA

Category	Number max 40	USA	China
GDP value in USD (bn)	20	17.4	10.5
Reserve currency/Publ. Dept to GNP (bn USD/%)	10	117/ 103	3202/41
Direct investment 2012 home/abroad bn USD	10	228/328	200/100

Source: www.unctad.org (accessed: 13.05.2014)

The U.S. dominates the universal value of GDP, but taking into account the price of the purchase value or per capita we can attain other data. Other values associated with foreign reserves is unfavorable for the U.S. Similarly, the percentage ratio of public debt to foreign exchange reserves is worse for the USA. The debt in the public sphere, businesses and households is growing and the proportion of foreign reserve to debt is negative for the United States. USA gains a little when we consider direct investments. This indicator allows us to specify the scope of the impact of economic mechanisms on other economies. By comparing economic indicators, we can determine the power that results from economic conditions.

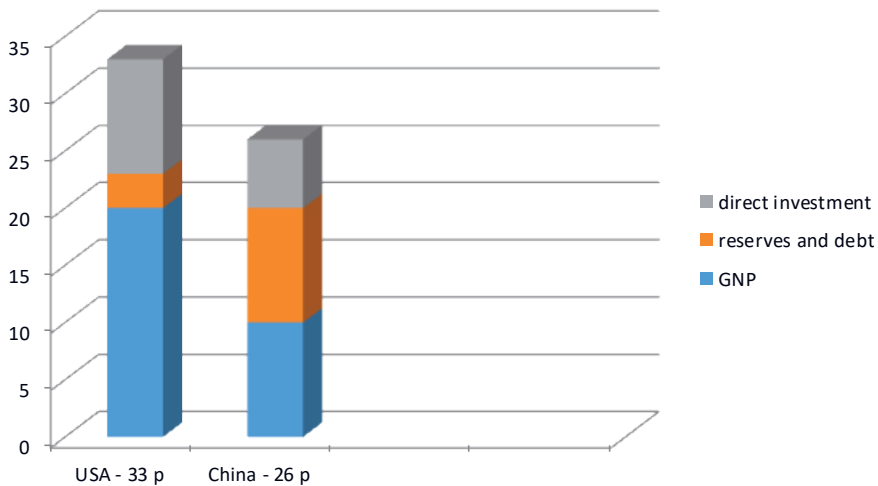


Chart 2. Share of economic factors in U.S. and China's overall potential of power

In this comparison the United States also dominates, although the advantage in this category is not so marked. This is the only category in which China can effectively compete with the United States.

The military factor is very important. Military power also depends on many elements, but we include only those with offensive potential. The most important

elements of military potential are: military budget, the number of troops including reserves, and bases outside the country. Nuclear weapons are included as are arms that can be used outside the country.

Table 2. Summary of factors in the military category, value and maximum number of indicators of U.S. and China’s power.

Category	Number max 15	USA	China
Military expenditure in bn USD	7.5	597	145
Soldiers/reserve/soldiers abroad in millions	3.75	1.4/1.1/0.12	2.4/2.3/?
Offensive weapons: CVN/ fighters/ helicopters	2.25	10/2308/957	1/1230/200
Nuclearwarheads	1.5	7700	250

Source: global fire power, SIPRI, IISS The Military Balance Report (globalfirepower.org; www.sipri.org; The Military balance Report 2015: www.iiss.org)

By calculating the four indicators in this category we can attain a power score as illustrated by chart 3.

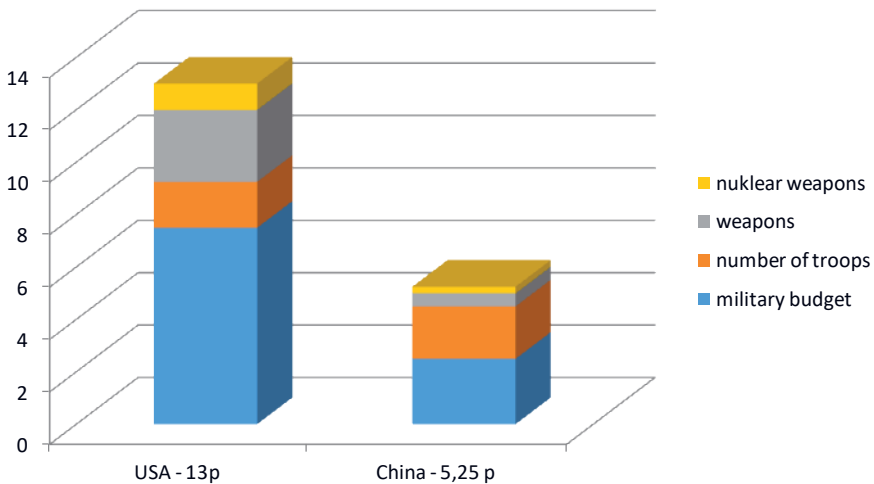


Chart 3. The share of the military factor in the overall potential of the U.S. and China.

We can clearly see a great disparity between the U.S. and China forces. The United States is without doubt the world’s foremost military power. They have the advantage not only in expenditure, but also with steady, year on year efforts associated with improving its armed forces. The U.S. Army is also battle-hardened, well-trained and equipped.

The PRC Army, despite an increase in its military expenditure, possesses a much larger army in order to make up for the technological gap in military equipment.

In order to build a research model for soft power we have to determine the six categories with a number of indicators. In each category, the state can receive a maximum of 7.5 points (Łoś 2016).

1. Diplomacy: state participation in international organizations, the number of diplomatic missions and cultural centers, the number of Internet users – absolute and percentage, the activity of government officials and institutions in social networks, the ranking of influential people predominantly politicians.
2. Sociopolitical: the transparency of rules and fair regulations, political freedom and civil liberties, effectively combating corruption, free access to media- both electronic and traditional.
3. Culture: high and popular: the popularity and spread of the respective country's language, the number of Nobel Prize winners in the field of literature, the number of objects on the prestigious UNESCO list, the number of tourists visiting the country, successes at prestigious sporting events, the number of visitors to the most popular museums of the world, awards at the most prestigious film festivals and top box office movies, the music market, and export of cultural goods.
5. Education: ranking universities, the number of foreigners educated at universities, the number of think tanks, the effectiveness of primary and secondary education, Nobel Prize winners in the categories of science and medicine.
6. Socioeconomic: the degree of institutional connections in business – cooperation, innovation and patents, Gini index, the level of HDI, the scale of development aid.

Table 3. Categories of soft power and the value of the U.S. and China (Łoś 2012)

Category	USA value	China value
Diplomacy	7	3.7
Sociopolitical	7	0.7
Socioeconomic	6.7	3.2
Education	6.75	1.25
Culture high	6.25	3.75
Culture popular	6.75	2.75
	40.5	15.5

Source: R. Łoś, *Soft power we współczesnych stosunkach międzynarodowych*, Łódź 2016, 223.

The U.S. prevails in all of the soft power categories. The above values show that China currently significantly trails the USA in the soft power arena and shows that Beijing will not be able to compete with the U.S. in this category. It is not only the large gap

between the two countries' performances in these six soft power categories, but also the distribution. The symmetry of the development in each category illustrates the advantage of the U.S. as something that is natural for both the state and society.

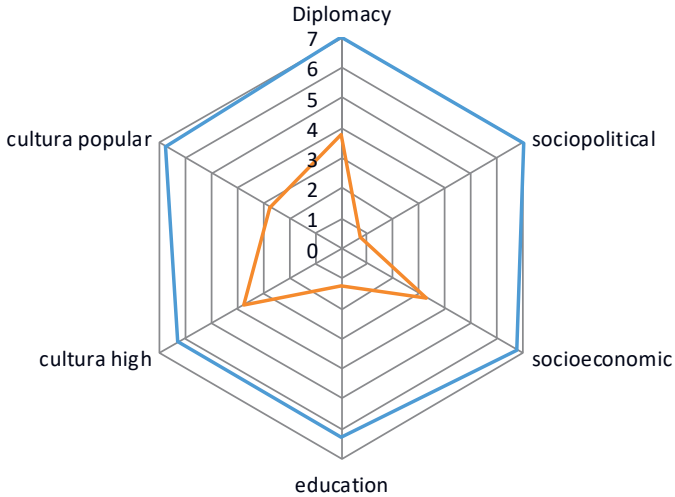


Chart 4. Model approach to soft power for the U.S. and China
 Source: (Łoś 2016) In graphic- 'cultural' x2

A summary of these three elements of power, the scale of possibilities for the U.S. and China is as follows:

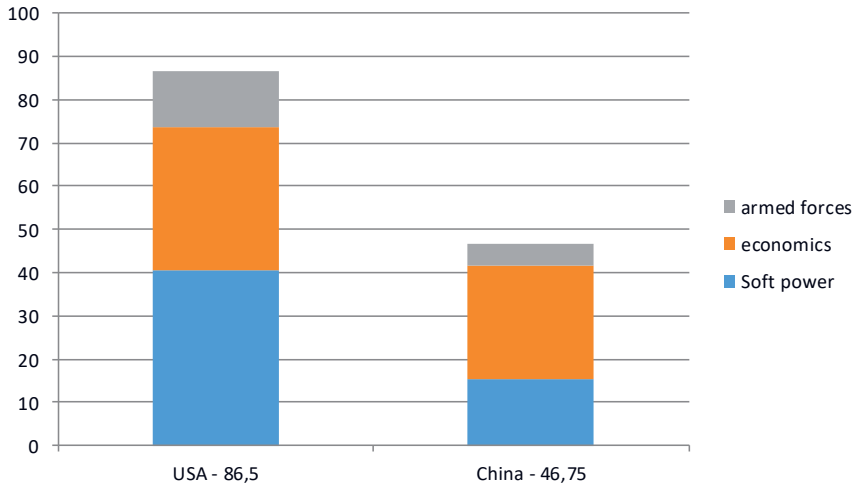


Chart 5. Soft and hard power potential of the U.S. and China (max. 100 points)

The USA's advantage seems obvious. All of the categories of power show the superiority of the United States. The chart includes the extent of power and division of its elements taking into account the dominant model of international relations (rivalry).

As previously defined there are many additional factors that decide if soft and hard power instruments are successful. Economic factors cannot be merely reduced to a form of quantitative calculations based on a complicated formula. The economic power of the United States, which is associated with the term *Washington Consensus*, combines the principles of democracy and the free market. The U.S. advantage also results from a privileged position in the institutional system of Bretton Woods related to the activities of the International Monetary Fund, World Bank and World Trade Organization. Despite the growing criticism of the *Washington Consensus*, as a way of reducing global poverty, the U.S. gains significant benefits (grants, support, etc.)

The Chinese model of development (*Beijing consensus*) is based on state activity in shaping national consensus on modernizing and ensuring the overall political and macroeconomic stability, in which the communist regime secures its political position. China applied most of the basic macroeconomic principles drawn from the *Washington Consensus* but rejected or changed neoliberal aspects that could have significantly reduced the role of the state through rapid privatization and democratization. The astonishing economic success of China is presented as a sign that the *Beijing Consensus* is a better way to achieve economic growth with no apparent social or political disorder that usually emerges as a by-product of democratization. This is a very strong argument for the Chinese model in its competition with the Western model (Liber, 13; Ferguson, 380–398; Nye 2011, 192).

Another very important feature of soft power is that it reduces the sense of danger. This is especially true for China, which is trying to soften concerns resulting from its emergence as a world power. However, we cannot overestimate soft power capabilities and assume that states and nations will uncritically follow another actor in international relations. The problem of soft power is that it works in places where people are already willing to adopt foreign standards. It can also be assumed that the culture and values of one state can be attractive to others only when its success is visible in other areas. This works best for an attractive economic model. The strengthening of economic and military power increases self-confidence, arrogance and intensifies a belief in the superiority of culture, values and the institutions of the state. But the weakening of economic and military power, is followed by doubt in its own strengths, an identity crisis and looking for the key to success in other cultures. It can therefore be assumed that soft power is only effective when it is appropriately supported by hard power.

The power of both states can be assessed by a realistic or liberal approach, but it does not provide us with answers regarding the creation of a new international

order. China will not overtake the United States (with exceptions) until it makes progress with its soft power capabilities. But it is beyond the full control of a centralized state to do this. In the case of hard power resources, which are assigned to the control of the state, we can observe an increase in Chinese power. Beijing must develop its soft power as its increasing hard power capabilities will raise concerns in the international arena.

The United States is currently, as has been illustrated earlier, the dominant power. The country is at the forefront of the international order and assumes responsibility for the existing order. The U.S. leadership is not based on military power alone, but in practice it is largely the military that defines the pre-eminent position of the United States. The USA's advantage is strengthened even further by additional economic factors such as raw material resources, technological skills, the size of territory and population. Successive waves of immigrants have enriched this country, stimulating its growth, innovation and dynamism. This absorption capacity is a unique feature of the United States and even now allows it to stay ahead of the 'global pack'. What is more these resources and capabilities are created and used in a balanced way.

China transformed itself from being a poor country without financial capital into a country of great opportunities. Taking into account the territory and population of China, it is now one of the world's great powers. The Chinese economy is organized as a great society, and its economic success allows it to return to the idea of *the Middle Kingdom*, surrounded by states which are lower in the hierarchy. China has considerable armed forces, which are constantly modernizing, including nuclear capabilities. One of the most noteworthy and significant instruments of Chinese soft power is its culture.

It is difficult to determine the future winner of this competition: The American free markets with democracy or the Chinese model of a partly free market within an authoritarian system. It will depend not only on the nature of the state with its internal structure determining the development of power, but also on the trends and changes in the international system.

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Vietnam Game Between USA and China

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Abstract

Vietnam tries to respond to changing international situations, while attempting to stay in accordance with its own ambitions. China and the USA, the two superpowers, are the most important partners of Vietnamese strategy, which is determined by these two countries. The most important economic partner and ideological ally is China. But both sides have some serious problems to resolve such as maritime disputes. The situation imposes the need to seek counterbalance, a reliable ally who provides protection for its own interests. So Vietnam looks to balance improved relations with China while seeking deeper and multidimensional relations with the USA. The United States offers many advantages that are attractive to Vietnam. Inevitably, economic ties and new projects e.g. TPP, political, cultural and scientific cooperation make up these advantages. However, the United States can only provide support for the Spratly and Paracel Islands' dispute and improving cooperative measures in the South China Sea with the presence of U.S. naval vessels and dialogue that assists Vietnam defense. Vietnam has again become an element in the American strategy of pivoting to Asia.

Keywords: Vietnam foreign policy, U.S., China, diversification strategy, multipolarisation of partners

In the region of Southeast Asia, a bipolar order of international relations is more and more visible. The United States and China are competing for business, and are exploiting states of this region. Probably, Vietnam is the best example of this American-Chinese “game”. The purpose of the article is to describe Vietnamese interests from the point of view of the American-Chinese rivalry.

The article answers the questions why both sides of the bipolar world are interested in Vietnam, what the international circumstances are behind their policies, and what potential hazards can arise from the choice made by Vietnam. Because the East China Sea dispute is the gravest problem at the moment, the article presents in more detail the position of each side of the China–Vietnam–US triangle.

Vietnam and Its Historical Experience with Bipolarity

Vietnam has a great deal of experience with balance of power politics. It’s fair to say that the Cold War played its part in the Indochina Wars. At first, the United States was reluctant, but then finally supported France in its intention of returning to Indochina. At first, Viet Minh and its leader Ho Chi Minh, were treated as a partisan national independence movement. Then the U.S.’ position was neutral but the critical moment was the change of the balance of power in East Asia when the Communist Party of China came to power and the People’s Republic of China was proclaimed. In 1950, both sides of the Cold War conflict declared and acknowledged one of the two Vietnamese governments: The communist administration with Ho Chi Minh as a leader, and the pro-Western one endorsed by the Emperor Bao Dai.

The USSR’s leadership of the communist side in Europe’s Cold War confrontation was not questioned, but in Asia the situation was different. Because China with its Asian specificity had to be the example for those poor and post-colonial states with a predominance of rural populations, and an underdeveloped civil society but with the determination to catch up with a developed Western world.

It was necessary for Vietnam to need the help of European and Asian leaders from the Communist world. Balancing itself between the Chinese and Soviet leaderships throughout the Vietnam War (1965–1975) was a necessity. However, the country benefitted from the two sides, who displayed antagonism toward each other.

If it is possible to speak about victory in the USSR – China confrontation toward Vietnam, the USSR earned a short-lived victory. Vietnam announced it sided with the USSR, and in 1978 gained full membership of the Council for Mutual Economic Assistance (COMECON). Later, Moscow applied the right of veto, after COMECON tried to pass a resolution condemning Vietnam for invading Cambodia. Not only did China withdraw political and economic support from Vietnam,

but it also launched a short war along the Sino-Vietnamese border. This was a lesson for Vietnam.

To sum up: Vietnam after winning the war and the unification of the country made many mistakes. Vietnam could not improve diplomatic relations with China and became dependent on Russia. Furthermore, its neighbor Cambodia, and other ASEAN member countries did not see Vietnam as part of the group. Before long, Vietnam's entire economy had collapsed and it had squandered the international popularity it had enjoyed after victory over the USA.

However, it was not only internal problems that meant that Vietnam had to adapt. Changes in the international balance of power were happening, including the first signs of decline in the socialist system as well as the successful implementation of Chinese economic reforms. Vietnam's dependency on only one superpower, which was already in decline, was an enlightening lesson and formed part of a new strategy of foreign policy.

The *doi moi* reforms, launched at the 6th National Congress of the Communist Party of Vietnam (NCV) in 1986, brought a fundamental change in foreign policy (Edwards V, Anh Phan, 2–3). Reforms included a broad range of internal political projects and, moreover, were adjusted to create a conducive international spirit. The necessity for their implementation was driven further with the final dissolution of the USSR. These reforms primarily concerned the military, economic and demographic potential of Vietnam. The idea of comprehensive security i.e. not only military but also economic, political and diplomatic security began to slowly emerge. The diplomatic strategy, which had to contribute to the realization of this goal, combined both old and new elements. On the one hand, Vietnam expressed solidarity with socialist states and tried to improve its relations with China, but on the other hand, Vietnam tried to improve relations with India as well as various ASEAN member countries and the USA. At the time, China already led with its “Four Modernizations” reform, whose effects proved to be surprisingly good. The Vietnamese, despite still experiencing a tense relationship with China, were interested in the Chinese reforms. Vietnam believed it too could also benefit from these reforms because of its geographical, social and, of course, ideological similarity to China.

The 7th National Congress of the Communist Party of Vietnam, held on 24–27 June 1991, deliberated on the new international situation, with a special focus on the decline of Communism in Central and Eastern Europe countries and the dissolution of the USSR. The fundamental and ideological question was not whether but how to cooperate with the West. The 7th National Congress Document pledged: “Along with the unfavorable international situation, which emerged in June 1991, our party convened the 7th Congress which formulated the tenets of foreign policy: independence, sovereignty, openness, diversification and multilateralist international relations” (*The 7th National Congress Document*, 147). At the time, such tenets were in the motto:

“Vietnam wants to be a friend of all countries in the world and fights for peace, independence and progress”. The strategy, motivated with the idea of moving on from its dogmatic and entirely ideological planned economy, formed a new essence of foreign policy.

The diplomacy of Vietnam engaging in regional and global processes, looking for compromises and resolving disputes with neighbors, as well as looking after its own interests while remaining open to the world’s economy had a really positive view. Not only is this the opinion of the state but is also the opinion of the remaining ASEAN member countries and of the world powers engaged in Vietnam. Vietnam is a member of the largest, and most significant organizations and regional initiatives: ASEAN (from 1995), ARF, APEC (from 1998), EAS (from the moment of establishment in 2005). Many times, Vietnam has had the honor to host the summits of these organizations.

On the question of cooperation with world powers, it has to be emphasized that Vietnam keeps things in equal perspective when it comes to cooperation with the USA, India, Japan and China. However, when it comes to regional projects, Vietnam, although leaning toward ASEAN member countries, makes sure it is not exclusively in the “hands” of one political sphere of influence. However, it is not always successful, especially when it comes to cooperation with China. The Department of East Asia Studies carried out, as part of an NCN grant, its ‘Quandaries of China’s Domestic and Foreign Development’ report that stated that China and the United States are the most powerful nations in East Asia. The region’s countries are most apprehensive about the continued emergence of the Chinese superpower. Although these nations try ‘to play ball’ with China, they ‘hedge their bets’ with the anticipation of further American support. Vietnam, considering its difficult historical experiences, belongs to this group category.

The Advantages and the Threats of China

China has always determined Vietnam’s relations to other superpowers and to the Southeast Asia region. In the early period of the *doi moi* reforms, in addition to improving relations with ASEAN member countries, relations with China remained the most important. The overriding goal that was stated in the philosophy of relations with this superpower was to maintain “good proximity, comprehensive cooperation, long-lasting stabilization and a look to the future”. Even though both countries had, on the surface, an ideological closeness and similar political systems, reconciliation was and remains a complex process. Chinese reforms, directed by the Communist Party, with its one-party political system and economic liberalization, were close to the political solutions initiated in Vietnam. Such demeanor legitimized the economic processes in Vietnam, and relations between both Communist

Parties remain close with meetings on a very frequent basis. The rapid growth of China can be and is an attractive model to imitate for developing countries including Vietnam (The Beijing Consensus).

China is Vietnam's most important trading partner (see the graph below)¹. In 2008, Vietnam and China stated their mutual relations as a “comprehensive strategic cooperative partnership”. By this time, both countries had signed a number of economic understandings that arrange and stabilize mutual economic relations through adequate support.

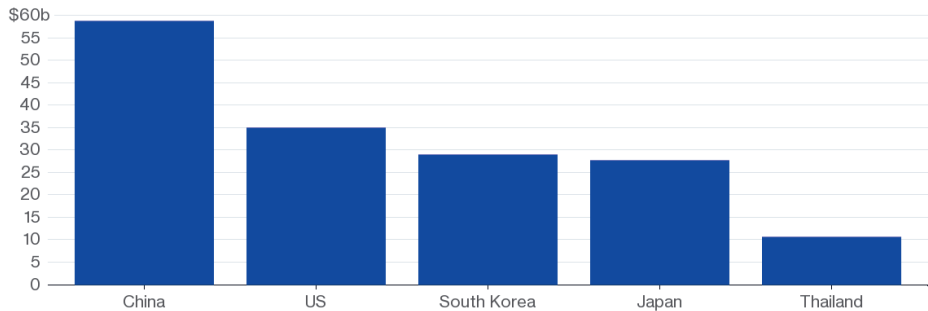


Chart 1. Vietnam's 2014 Top Trade Partners. TPP countries U.S. and Japan are among Vietnam's top trading partners

Source: <http://www.statista.com/statistics/444796/most-important-import-partners-of-vietnam/>

Vietnam has to look to China due to their bilateral and regional relations. After the 1997 Asian financial crisis, China and ASEAN pooled their relations and worked out a number of instruments that counteracted the rapid financial crises (Chiang Mai Initiative). The initial framework agreement was signed between ASEAN and China with the intention to establish a free trade area among the senior ASEAN members by 2010 and new ASEAN members by 2015 (Tarling 2006, 203–204). The free trade area among ASEAN and China was drawn up after China acceded to the World Trade Organization (WTO) (China joined in 10 December 2001, after 15 years of negotiations). During negotiations security in the Southeast Asia region was an important issue. Beijing promoted the Comprehensive Economic Partnership for East Asia and cooperation within the Southeast Asian Nuclear-Weapon-Free-Zone-Treaty (SEANFWZ).

The rigorous mutual economic relations, an ideological closeness, emphasizes the importance of building a multi-polar world in international relations, and pragmatism on both sides regarding closer relations. It should be remembered, though, that these bilateral relations are affected by the difficult mutual history and distrust

¹ This diagram shows single countries not groups of countries and international organizations e.g. EU or ASEAN.

as well as Vietnamese concerns about Chinese domination. The recent and ongoing territorial disputes in the South China Sea, concerning the whole archipelagos of Spratly and the Paracel Islands, seem to be intractable.

On 30 December 1999, China and Vietnam successfully resolved longstanding disputes over their land border and signed a border agreement. However, this agreement did not concern the demarcation of maritime boundaries. The agreement was ratified by Beijing in 6 July 2000. In 2000, the 50th anniversary of establishing diplomatic relations between the two countries was marked hastening diplomatic missions between the leaders of both sides. From 25 to 29 December 2000, the president of Vietnam, Tran Duc Luong, visited China, resulting in the signing of an important statement concerning development of further mutual relations in the 21st Century (*President Tran Duc Luong visit to China*). The visit also resulted in signing a maritime delimitation agreement with the exemption of free trade zones and the continental shelf in the Gulf of Tonkin and the fishery in the same area. The tension regarding the disputed islands returned periodically. On 2 November 2002, during the meeting a declaration providing a method of peacefully resolving disputes was signed between ten foreign ministers of ASEAN countries and the People's Republic of China. As a result, the Declaration on the Conduct of Parties in the South China Sea, consisting of 10 paragraphs, was signed and was perceived to ease the tension in this region and to improve political relations (Valencia 2003, 34–37).

The declaration although considered a success did not result in a push to end this conflict.

On 11 October 2011, Nguyen Phu Trong, the General Secretary of the Communist Party of Vietnam, made an official visit to China, resulting in signing an agreement between the two countries on settling maritime territorial disputes (Thayer). Additionally, in 2013, both sides convened a working group to react to incidents that occurred in this disputed region. However, China refused cooperation, until Vietnam suspended its activities to internationalize this territorial dispute and withdrew from organizing international intervention, and engaging the USA and Japan. Vietnam responded to this by carrying out a global diplomatic offensive. The Chinese strategy in the Southeast Asia region is based on the following principles: prevention from the internationalization of the territorial dispute and from the intervention of foreign countries, particularly of the USA; the weakening of ASEAN countries' cohesion in this matter; using other ongoing territorial disputes in the region so as to weaken the alliances between regional powers and the USA (Lokshyn, 249), was illustrated by China's pursuit of negotiations on different levels, culminating in an unexpected visit of a 13-member delegation led by Vietnam's Minister of Defense, General Phung Quang Thanh in October 2014.

The conflicts, provided above, at the same time have had a negative impact on bilateral relations and has radicalized public opinion. Nevertheless, they form

the perception of Vietnam as a country standing and fighting for its interests, skillfully and persistently looking for support either in the region or on the international stage. In the context of our considerations, however, it should be emphasized that China looks for a more refined manner when attempting to reinforce its regional position using its *soft power* influence of economic, political and cultural instruments. Therefore, many specialists affirm that for a definitive Chinese rebirth, modernization and growth is not necessary to place sovereignty above the archipelagos. “The rebirth of China requires a strategic wisdom and a strategic patience” (Lokshyn 2014, 249).

What the USA Can Offer to Vietnam?

As has been said, the biggest problem of the Sino-Vietnamese relations is the territorial dispute in the South China Sea over the archipelagos of the Spratly and Paracel Islands.

The U.S. politics towards the South China Sea is based on the two principal interests. First, is the openness and access policy to the South China Sea basins that cannot be overestimated, considering their strategic and economic aspects. Chinese jurisdiction over this area would markedly reduce access. As has been previously stated, China treats this area as an Exclusive Economic Zone and uses all means to limit third party countries’ economic and military activities in this region (Fravel, 299–303) (https://www.swpberlin.org/fileadmin/contents/products/projekt_papiere/BCAS2012_Taylor_Fravel_web_final_ks.pdf). Activity ensuring a stable and balanced influence and working against creating one hegemonic power that could threaten American interests has always concerned the USA’s geostrategic interests ever since the decline of the British Empire in this region in the 20th Century. But these days, China has begun a hegemonic policy in this region. The USA’s gradual withdrawal from the region after the Vietnam War and during the Cold War when China began to be more influential, resulted in a change in the balance of power in this part of the world. The USA’s activities have attempted to reverse this trend.

Secondly maintaining regional stability means sustainable economic growth. However, this stability faces several threats e.g. Sino-Vietnamese conflict, separatism and other conflicts.

Therefore, the answer to the question, “What can the USA offer Vietnam?” seems obvious – political support in this territorial dispute. The long-lasting normalization process of bilateral relations succeeded until 1995. These relations were gradually strengthened at the ASEAN Summit held in Hanoi, in 2010. At the summit, Secretary of State Hilary Clinton delivered a public statement affirming the USA’s support for resolving disputes without coercion, and its opposition to the use or

threat of force by any claimant in favor of facilitating initiatives and confidence building measures. In Vietnam, any aid and political support is met with general approval. The USA offered the internationalization of the maritime dispute over the disputed archipelagos. Although ASEAN members distanced themselves from this recent option, Vietnam considered this call as an opportunity to put China's actions under the spotlight. As this problem represented a dispute between ASEAN member countries (Hoang Viet, 280), China has strongly protested against the internationalization of this maritime dispute.

It is very clear that Barack Obama's second administration intensified its Asian Pivot regional strategy, shifting American foreign policy focus from North-East Asia focus to a Southeast Asia one. Professor Lokshyn of the Institute for Far Eastern Studies claims that this means the securing of regional domination to 2020 (Lokshyn, 247). The United States is strengthening old alliance relations with Japan, South Korea and Philippines and establishing relations with other partners such as India, Malaysia, Indonesia, Singapore and, Vietnam.

Agreement of cooperation with other countries in the region, including Vietnam, continues to develop. Vietnam considers the United States – the largest maritime power in the Pacific Ocean, as natural allies in the territorial dispute, however, this does not make American rhetoric confrontational. On the contrary, any violent escalation of the current dispute remains at odds with USA interests. Over \$5 trillion in trade passes through the sea annually, including more than half of the world's trade in liquid natural gas and over 33 percent of trade in crude oil (Kurlantzick). Therefore, the USA encourages its strategy by promoting new initiatives to ASEAN and Vietnam. In November 2012, the USA has launched with ASEAN the Expanded Economic Engagement (E3) initiative – a framework for economic cooperation designed to expand trade and investment ties between the United States and ASEAN, broadening market access, increasing efficiency and building greater awareness of business opportunities (Elek). Both sides launched the U.S. – Asia Pacific Comprehensive Partnership for a Sustainable Energy to facilitate access to sources energy power and overcome energy deficit (Lieksiutina, 53).

Amongst other things, China and Southeast Asian nations have participated in talks about a code of conduct, since September 2013, for vessels operating in the South China Sea. Other cooperative strategies include the promotion of economic and scientific projects in this region, such as programs to codify the marine biodiversity, and encouraging joint China–Vietnam patrols of the two countries' land border. The most effective U.S. methods are public diplomacy, and scientific and educational cooperation programs. (don't understand this???) Another standard method of U.S. foreign politics is increasing its military presence. Both sides initiated the annual Defense Policy Dialogue (DPD) (Parameswaran) in 2010. Therefore, as well as encouraging broader diplomatic cooperation the United States encourages cooperative measures, which prevents China from conducting hostile

activities, and demonstrates its commitment to freedom of navigation. The United States has already used a variant of this strategy by sending B-52 bombers through disputed areas claimed by China as its air defense zone without informing China in advance (Kurlantzick). Congress agreed to strengthen Vietnam's defense capabilities by selling them aircraft and naval vessels.

During the 11th congress of the CPV (2011) significant progress regarding building mutual relations with the US was made, although a close alliance with the U.S. was not envisaged – it seems both impossible and not beneficial for Vietnam when relations with China are considered. This triangle of dependencies between the U.S., Vietnam and China requires a very prudent and balanced approach.

It is clearly visible that in the years 2011–2012 the sides entered a new period of mutual relations, deepened strategic dialogue, and focused on searching new forms of cooperation. This moved the borders of engagement, and took into account new means of facing new challenges and strengthening security.

Until 2013 bilateral meetings were very frequent, but summits between state leaders were rarer. During the first five years of his presidency, despite the fact that the Vietnamese invited President Obama, the American president did not accept the invitation and failed to meet both President Truong Tan Sang and Prime Minister Nguyen Tan Dung. This was because of Vietnam's human rights record.

However, this policy changed in July 2013, when President Obama met President Sang in Washington. On July 2, 2013, Presidents Obama and Sang initiated a new phase of their countries' bilateral relationship by announcing a comprehensive partnership (Manyin, 9). It was the first visit by President Sang to the USA. The comprehensive partnership was to deepen mutual relations in nine areas:

1. Political and diplomatic cooperation;
2. Trade and economic ties;
3. Science and technology;
4. Education;
5. Protection of the environment and health;
6. Problems stemming from the past war;
7. Defense and security;
8. Promotion and protection of human rights;
9. Culture, tourism and sport.

The problems of security, sovereignty, modernization of the army, especially in the context of the military and economic superiority of China, were an important element of the discussion during the 12th CPV congress. Among the most serious threats to Vietnam, apart from an underdeveloped economy, was growing concerns in some regions of the country that might lead to destabilization, with the CPV mentioning defense of sovereignty in the South China Sea. (12th Congress of the CPV, 19–20) International issues were only touched on in the official documents of the congress, but discussions before and after the congress as well

as mentioning China in the context of greatest threats clearly contributed to a rapprochement with the U.S. Just as in the case of other countries that have unresolved territorial conflicts with China, Vietnam perceived the modernization of its army with some of the most advanced American technology as a necessity.

At the same time conservative and consistent U.S. activities may be attractive and prove to be successful for Vietnam in the long term. Of course, this is not the only American virtue. There are the benefits from economic cooperation, which has developed rapidly after signing a bilateral trade agreement between the countries in 2000, and Vietnam's accession to the WTO. The USA is Vietnam's second, most important trading partner and the relationship continues to grow. The United States continued to be Vietnam's largest export partner with USD 33.47 billion (20.66%) in 2015, with China being Vietnam's second most important with USD 16.56 billion (10.23%). However, Vietnam only imported about USD 7.7 billion of goods from the USA, while China's imports were USD 49.4 (29.82%) billion (Vietnam Integrated Trade Solution).

Vietnam is now a member of the new broader integration strategy the Trans-Pacific Partnership (TPP), initiated on 5 October 2015. The TPP, which affects trade agreements among eleven Pacific Rim countries, is seen as comprehensive and of a high standard, with economic and strategic significance for the United States. The negotiation process started in 2005 and involved Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Currently, individual governments will be ratifying the agreement. Through the TPP, the participating countries seek to liberalize trade and investment and establish new rules and discipline in the region beyond those that already exist in the WTO (Fergusson, McMinimy, Williams). The United States has existing FTAs with six of the eleven TPP partners. Vietnam stands out among the TPP countries as it does not have any U.S. FTAs. China is not a signatory of the TPP, and others argue the treaty could serve as a counterweight to the Chinese economic powerhouse and political influence in the region.

The U.S. offer can be seen as advantageous to Vietnam, however, this does not mean it is accepted without any criticism. Vietnam shies away from a unipolar world consensual with Western values with Vietnamese leaders delivering public statements that endorse diplomatic relations based on bipolarity. Furthermore, post-war wounds are still felt in the shape of criticism of American imperialism.

Summary

Vietnam's political equality and balancing the influences of the most important powers is full of contrasts. Vietnam tries to respond to the changing international situation, while trying to pursue its own ambitions. China and the USA, the two

superpowers, are the most important partners of Vietnamese strategy which is determined by both of these countries. The most important economic partner and ideological ally is China. This has, in most part, been the case including Vietnam's post-war struggles for independence. However, this cooperation is in some danger as fear of China's economic domination in the region, and what Vietnam fears the most, the country's overreliance on China. However, another serious problem is a lack of political will for resolving maritime disputes. The situation requires Vietnam to seek a reliable ally who provides protection for its own interests. Vietnam looks to avoid provoking China as it very well remembers the brief conflict between the two countries in 1979. The Sino-Vietnamese relations seem to be the primary efficacy influencing Vietnamese relations and scope with other powers, including the USA. So Vietnam improves relations with China while pursuing deeper and multidimensional relations with the USA. The United States has many qualities that are attractive to Vietnam such as economic ties, new projects, and political as well as cultural and scientific cooperation. However, the United States can only provide support in the Spratly and Paracel Islands dispute by improving cooperative measures in the South China Sea, the presence of U.S. naval vessels and the dialogue mechanisms that pushes Vietnam's ambitions in defense.

The Permanent Court of Arbitration in Haga offers hope for solving the dispute. On 12 July 2016 the court rejected China's claims of sovereignty of islands in the East China Sea. Chinese President Xi Jinping did not accept the decision, but Vietnam strongly supported it. This decision could give the government of Vietnam more leverage in their disputes with Beijing. This isn't a simple task, especially in the South-East Asia region. China is ASEAN's biggest business partner and ASEAN is third for China. ASEAN is one of more important destinations for Chinese investment, and the new Silk Route is seen as important for the region's development.

The American position can be summed up with part of John Kerry's statement on the matter in September 2016 which emphasizes the value of the United States in relations with Vietnam:

The second security issue of concern is prompted by competing territorial and maritime claims in the South China Sea. If countries put their trust in diplomacy and accept the rulings of international courts to settle these claims, the South China Sea problem can be solved peacefully. But if countries choose, instead, to be aggressive in taking unilateral steps outside the norms of international behavior and in creating new military infrastructure in disputed areas, then tensions may continue to rise in a way that benefits no one and increases the possibility of confrontation, conflict.

As I have said many times, the United States does not take a position on the merits of any individual claim, but we have made clear our insistence on freedom of navigation and

aviation; and because we have argued repeatedly that differences ought to be resolved in accordance with the rule of law, we do recognize properly rendered legal judgments by properly recognized institutions that have multilateral definition and support (Secretary Kerry: Remarks on the Trans-Pacific Partnership)

Vietnam has again become an element in American strategy in its pivot to Asia. The USA is an essential trade partner and Hanoi's backup for realizing political goals. At least as can be seen from the above text, the USA sees the resolution of the ongoing East China Sea disputes as a priority. Vietnam must tread carefully in this bipolar game that involves the USA and China.

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U.S. Foreign Policy Towards North Korea

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Abstract

The U.S. relations to Democratic People's Republic of Korea (DPRK) are since the end of the Cold War revolving around achieving a state of nuclear free Korean peninsula. As non-proliferation is a long term of American foreign policy, relations to North Korea could be categorized primarily under this umbrella. However, the issue of North Korean political system also plays role as it belongs to the other important, more normative category of U.S. foreign policy which is the protection of human rights and spreading of democracy and liberal values. In addition, the North Korean issue influences U.S. relations and interests in broader region of Northeast Asia, its bilateral alliances with South Korea (Republic of Korea, ROK) and Japan as well as sensitive and complex relations to People's Republic of China.

As the current administration of president Donald J. Trump published its National security strategy and was fully occupied with the situation on Korean peninsula in its first year, the aim of the paper is to analyse the changes in evolution of U.S. North Korean policy under last three administrations, look at the different strategies adopted in order to achieve the same aim, the denuclearization. The paper does not provide a thorough analysis, neither looks at all documents adopted and presented in the U.S. or within the U.N. It more focuses on the general principles of particular strategies, most significant events in mutual relations as recorded by involved governmental officials and also weaknesses of these strategies as none has achieved desirable result. In conclusion, several options for current administration are drawn, however all of them require significant compromises and could be accompanied with series of setbacks dangerous for regional stability and U.S. position in the region.

Keywords: North Korea, nuclear program, missile program, U.S. foreign policy objectives, non-proliferation regime, sanctions.

Introduction

In 2017 the world has witnessed a fierce rhetoric exchange between North Korean official media or leader Kim Jong-eun on one side and President of the U.S. Donald Trump who has communicated through his twitter account, interviews or remarks in front of journalists on the other. Within last year president Trump called Kim Jong Eun “smart cookie”¹ later he started to call him a “rocket man”². In one interview in August he said the US was ready to unleash “fire, fury and power the world has never seen,” in the U.N. address president vowed to “destroy North Korea.” As a reaction North Korean media has called president Trump to be “stupid,” “old lunatic.” Kim Jong Eun addressing nation in late September called president Trump “mentally deranged U.S. dotard.” In addition, to these rather personal insults, president Trump has said at few occasions that the U.S. will take care about North Korea, while not specifying whether there is any specific U.S. strategy.

Even if this level of rhetorical exchange is not so common in mutual relations, it is not a new phenomenon. Especially, the North Korean propaganda often uses pejorative names for representatives of other countries in particular South Korea or Japan. Previous U.S. presidents often did not react, or if they did, namely G.W. Bush the words used were somehow more neutral, when he called Kim Jong Il “tyrant who starves his own people.” Therefore, the new factor brought into the U.S. – North Korea relations in 2017 is the unpredictability of its current president.

However, these media exchanges cannot be considered an official foreign policy strategy from any of the related sides. Therefore, aim of this paper is to look at the recently announced American National Security Strategy and analyse it in accordance with the strategies that have been in place towards North Korea since the end of Cold War, as different U.S. administration have tried to achieve the same goal applying at the beginning different set of policies, although ending up with similar modes of behaviour that have brought the same results.

Additionally, the paper will provide for a realist explanation of the North Korean nuclear and missile programs and explain a connection between the sensitivity of decisions adopted within this to programs in relation to U.S. foreign policy in general.

Overview of U.S. Foreign Policy Towards North Korea

To begin with the U.S. and DPRK have never established official diplomatic relations. In last almost 30 years the relations oscillated between phases of no contact at all and rather intense bilateral or multilateral talks. In the phase when the talks

¹ It was on CBS: Face the nation interview in April 2017.

² Firstly, it appeared on his twitter feed on September 17, 2017, later he used it during his address to U.N. General Assembly on September 19.

were taking place, three channels were used, the Swedish embassy in Pyongyang which officially represents the U.S. interests, the so called New York or U.N. channel and direct contacts that ranged from meetings of high level officials (secretary Albright – Kim Jong Il, marshal Jo Myong Rok – Clinton), talks between former presidents and North Korean leaders (Carter – Kim Il-song, Clinton – Kim Jong Il), direct talks of governmental officials (Galluci – Kim, Kelly – Kim Kye Gwan, Hill – Kim Kye Gwan), visits of special envoys of president (Bosworth, Davies) visits of different congressmen conveying messages from presidents, or having an independent agenda. The other important channel is the Track 2.0 or Track 1.5 diplomacy, or meeting of North Korean officials with former U.S. governmental employees, scholars and academics.

Regardless of the party affiliation of U.S. administrations since the end of the Cold War, the U.S. policy towards North Korea remains influenced by several factors. Firstly, the experience of Korean war remains present in the way the U.S., mainly its military perceives the whole Korean peninsula. The agenda of the very first talks that took place in late 1970s was the destiny and exchange of POWs as well as return of bodies of deceased soldiers. Secondly, the security alliance with South Korea is an important pillar of American security policy in East Asia and mutual consultations related to North Korea were important part of policy of both allies. Thirdly, the political system of North Korea and its antagonistic features towards the U.S. and its role to spreading liberal values and democracy. Fourthly, nuclear and missile programs that are developed regardless of lasting sanction regime the U.N. SC has adopted, which in addition threatens the non-proliferation ambitions of the U.S. In addition, the existence of North Korea serves as a strong argument for preserving U.S. troops deployed in South Korea and Japan.

When looking at the evolution of relations between the U.S. and North Korea since the end of the Cold War we can conclude that none of the American administration has introduced a strategy or policy initiative that would provide for solutions to the situation in Korean Peninsula. The U.S. North Korean policy was more reactive than pro-active. Many factors have influenced the situation, the partisanship within the U.S., the preoccupation of the U.S. in different regions, relations and interests of its regional allies, position of China, etc.

Nevertheless, every one of the post-Cold war presidents had to deal with North Korea in the first year of his administration, including current president Trump. In this case we can observe certain pattern in North Korean behaviour towards the U.S., as it was the North Korea who has acted in a way so the U.S. will have to respond. Even if the final reactions of different administrations were considered significantly different, they do bear quite few similarities. At the end, every administration had comparable list of options varying from military intervention as the most radical one to diplomacy and negotiations with hardly predictable results.

In following sections, we will look at three administrations and their reactions to North Korean behaviour, in conclusion we will emphasize the similarities in adopted policies and evaluate the latest steps undertaken by current U.S. administration. However, short introduction into situation in early post-Cold war years is necessary as the years of administration of president Bush sr. were crucial in forming later U.S. strategies.

Early 1990s

Concerning the North Korea, the information about nuclear activities, such as construction of nuclear reactor, were obtained in the late 1980s. In the spirit of de-escalation of tensions between members of two blocks and in accordance with South Korean “Nordpolitik”³ the Reagan administrations has instructed its diplomats to “hold substantive discussions” with their North Korean counterparts. (U.S. Review of Relation with DPRK)⁴ Following the official State Department statement the U.S. have started talks with North Korea in December 1988 opening the so called Beijing talks or channel.

The following Bush’s administration has continued in these talks, renewing them in November 1989 and adopting the strategy of “comprehensive engagement” introduced in February 1991 in the National Security Review 28 (Wit, Poneman, Galluci, 7). The main aim was to continuously support North-South dialogue and prevent North Korea from acquiring enrichment and reprocessing technologies that could be used to weaponised its emerging nuclear program.

As part of this strategy, president Bush has announced (September 1991) with drawal of all tactical nuclear weapons from Korean peninsula that has encouraged North Korea to finally agree to sign the IAEA Safeguard Agreements, which happened in 1992 after the announcement of cancellation of annual US – ROK military exercise Team Spirit. Moreover, the North and South Korean representatives have signed the North-South Denuclearization Declaration.

After 3 years of continuing Beijing talks, the first meeting of high level governmental officials from both sides have taken place in New York, in January 1992 between Under Secretary of State for Political Affairs Arnold Kanter and Korean Worker’s Party Secretary for international affairs Kim Yong Sun. However, the meeting did not bring any step forward in mutual relations and did not provide North Koreans with enough guarantees that would lead them to implement

³ “Nordpolitik” or North policy of South Korean president Ro Tae woo was inspired by W. Brandt’s “Ostpolitik” and was focused on establishing relations with the allies of North Korea in the post 1988 Olympics period.

⁴ Department of State Buletin, January 1989, 18. U.S. Review of Relations with the Democratic People’s Republic Korea, Department Statement, October 31, 1988, <https://babel.hathitrust.org/cgi/pt?id=uiug.30112006355736;view=1up;seq=25>

the denuclearization agreement.⁵ What was of a greatest significance was the admitting by North Korea representatives that the U.S. troops could remain in Peninsula even after unification (Wit, Ponnema, Galluci, 13). Additionally, the meeting probably did not bring any tangible results also due to a lack of agreement among different American departments involved in discussion on what incentives should have been offered to North Korea. Today we can conclude, that the belief of majority of American officials that liberalization of economy, trade with the U.S. and different aid packages would be a strong incentive for North Korea was naive. Moreover, the inability of different governmental agencies to coordinate their positions and expectations from North Korea are a present factor influencing the U.S. policy and relations with this state until today.

In the following months the situation concerning North Korea particularly its compliance with the NPT has changed and evolved into a 1st nuclear crisis. In May 1992 North Korea has submitted a declaration to the IAEA required by the Safeguard Agreements regarding state of its nuclear program and facilities. The declaration admitted the existence of reprocessing plant and extraction of 90 grams of plutonium for “scientific experiment” (Wit, Galluci, Ponneman, 14). However, the on the spot inspections in July and September revealed several discrepancies between real state of facilities and the declaration. The IAEA director Hans Blix asked for further sanctions which North Korea declined. In addition, in 1992 the Team Spirit has been renewed and proposal for further bilateral talks with the U.S. in format Kanter-Kim was rejected. In this situation presidential election taken place in the U.S. in which Democratic Party candidate has been elected.

Clinton Administration

In general, the foreign policy strategy of Clinton administration has been influenced by the end of Cold War as well as the end of Millennium. The liberal momentum, in other words a believe that liberal democracy has won over its competitors and it will be spreading all over the world influenced the expectations related to North Korea. After the liberalisation and democratization of former Eastern Bloc countries, North Korea was expected to take the same direction. Although, it did not and the regime proved to be more stable, rigid and change and transformation resistant than any other in the world.

Not even two months to Clinton presidency the North Korean situation has significantly changed when North Korea announced its intention to withdraw from

⁵ The North Korea has witnessed the unification of Germany, collapse of European socialist countries that have introduced liberal principles and values which has been seen as potential threat to the existence of regime. Today we know, that the transformation of former communist countries has prevented with introducing an economic reform in North Korea even before the famine has stricken the country in mid 1990s.

the NPT. Based on the provisions of Article X of the Treaty a three months' period started on March 12. (Non Proliferation Treaty). Several issues have led to this situation, firstly the announcement confirming the Team Spirit will take place as scheduled and first ever request for special inspections in North Korean facilities issued by Hans Blix. After series of discussions on different levels within the administration, with partners in Japan and South Korea as well as in China the U.S. send message to North Korea about their willingness to re-open the Beijing talks. Weeks before the North Korean media have informed about the only possibility to solve the issue which was dialogue. The talks on higher level, between Robert Galluci (Assistant secretary of state for political-military affairs) and Kang Sok Ju (First vice minister of foreign affairs in North Korea) have resumed in June and July 1993 (Han). The first meeting brought statement in which both sides assured each other that they will refrain from threat and use of force, that both support peace and security in a nuclear-free peninsula and both support peaceful unification of Korea. (Lee, 162). In addition, Kang has assured Galluci that North Korea suspends its withdrawal from NPT. The July meeting in Geneva resulted in an acknowledgement that North Korea should replace its existing nuclear reactors with Light water reactors (LWRs) which fuel rods are more difficult to produce weapon grade plutonium.

In the upcoming months the situation deteriorated as IAEA confirmed that the fuel rods have been removed from the Yongbyon facility and North Korea has started with their reprocessing (Galluci). This was the period when military solution of nuclear issue has been discussed for the first time since the end of the Cold War. The crisis has been averted after former U.S. president Jimmy Carter who has travelled to Pyongyang to meet with Kim Il Sung. During the meeting both statesmen reassured the other that none of the sides is interested in military escalation, to the contrary. President Carter has assured Kim Il sung that the U.S. has no strategic nuclear forces deployed in South Korea and has no intention to attack North Korea. Kim has admitted he will not demand total withdrawal of the U.S. troops from peninsula and announced willingness to reduce the amount of troops in the vicinity of DMZ to 50% of existing troops (Carter).

Following this meeting the Geneva talks have been renewed, resulting in the Agreed Framework an agreement that have guided the relations between the U.S. and North Korea as well as other actors until the early 2000s. The Framework had four basic principles. First one concerns multilateral cooperation aimed at substituting North Korean graphite reactors with LWRs. Under supervision of the U.S. an international consortium was designed in order to finance this project and provide North Korea with alternative energy resources in a form of regular, annual supplies of 500 thousand ton of crude oil. Both countries have agreed to sign a declaration on production of nuclear energy for peaceful purposes. North Korea has agreed to freeze all activities in nuclear facilities in Yongbyon and Taechon.

Additionally, it has taken back the announcement on withdrawal from NPT and agreed to complement with the provisions of Nuclear Free Peninsula Declaration. The following part of agreement focuses on the need to normalize economic and political relations between North Korea and the U.S., opening of liaison offices in Pyongyang and Washington. The last provisions concern the need to cooperate for securing peace on peninsula and support of both for the non-proliferation regime (Agreed Framework).

When looking at further events it is clear that not all of the provision included in the agreement have been implemented. From those realised the most significant was the creation of Korean Energy Development Organization (KEDO) in 1995 by the U.S., South Korea and Japan. The aim was to build two LWRs with capacity of 1000MW(e) and provide North Korea with an energy supply during the process of construction. The project was planned to be finalised in 2003. Despite problems in the US – North Korea relations that have regularly emerged and also regardless of the 2nd nuclear crisis that started in late 2002, KEDO does not ceased its operations until May 2006. The organization was a unique project bringing together states from different regions⁶ whose aim was to bring North Korea to cancel its nuclear program and support the global non-proliferation regime.

The part of the Framework focusing on normalisation of the U.S. – North Korea relations as well as plan to conclude peace treaty that would end the Korean war were not implemented. The relations through the rest of Clinton's administration were changing, from talks and progress in action to worsening and disruptions of talks. The relations were influenced by the ongoing discussion in the U.S. among governmental branches on the real impact of the Agreed Framework, which was criticized by Republicans since the beginning. The other influential factor was the death of Kim Il Sung and leadership transition in North Korea accompanied by a change in the main policy principle in 1997 the so called *songun* policy or Military First. The practical presentation of the policy came in 1998 when North Korea tested its first ever intercontinental ballistic missile, the Taepodong-1 that has flown over Japanese islands in August. In addition, in 1999 the intelligence agencies reported an activity in North Korean nuclear facility in Kumchangri⁷ (Nikisch). All these issues have led to a need to re-evaluate the U.S. North Korean policy. In the course of 1999 two reports have been produced, with recommendations for the future administrations.⁸

⁶ Different countries have participated in KEDO: New Zealand, Australia, Kanada, Indonesia, Chile, Argentina, EU, Poland, Czech Republic, Uzbekistan.

⁷ The facility is located in the underground cave, 40 km from Yongbyon.

⁸ In 1999 two reports have been published evaluating the U.S. policy towards North Korea since the end of Cold War. The first was prepared under leadership of Richard Armitage former Deputy secretary of Defence department, the other was coordinated by William Perry former Secretary of Defence and Clinton's coordinator of North Korean policy in the second term.

Towards the end of second Clinton's presidency the administration focused on implementing the Agreed Framework provisions and discussing the moratorium for missile testing. In addition, high ranking visits have been exchanged between both countries. North Korean Vice marshal Jo Myun Rok has visited Washington, which was a signal that army will play a significant role in any decision taken by North Korea (Albright). The visit was repaid by Secretary Albright traveling to Pyongyang for a meeting with Kim Jong Il who has shown willingness to cease the missile program, as he said: "missiles are unimportant" (Albright) as long as South Korea will not acquire missiles with a 500 km range. Reportedly he also agreed to cancel the missile trade with Syria and Iran if the North is adequately compensated. He also mentioned the stabilizing effect of U.S. troops deployed in South Korea. However, he has declined discussion on introducing Chinese style economic reforms in the country (Albright).

Overall the Clinton administration's policy towards North Korea resulted into the freeze of nuclear facilities for a certain period, the North Korean leadership agreed with a moratorium for missile test that has been in force until

Regardless of the fact that the reports have been elaborated by groups with different party affiliations and foreign policy expectations there are certain similarities present. Both reports emphasize the necessity to continue in diplomatic negotiations with North Korea. Armitage's report stresses the need to combine diplomacy with deterrence. Based on his recommendations the government should constantly remind to its counterpart its military power and presence across its border. In one part the report calls for continuing cooperation with regional allies, namely Japan and South Korea and declares U.S. support for inter-Korean reconciliation. Concerning the recommendations for future negotiations with North Korea six areas are pointed out. Firstly, the reaffirmation of North Korea that the U.S. supports the Agreed Framework. Secondly, the missile program needs to be addressed together with recently conducted tests. Thirdly, the reduction of forces on both sides of DMZ needs to be discussed in future. Concerning the economic and food aid, North Korea needs to provide for transparency in distribution of these which the U.S. will repaid by supporting DPRK membership in different institutions. Fifth are concerns the need to cooperate on regional level in order to solve security problems – an effort to create some kind of regular security mechanism/institution. The last point concerns the normalization of relations when the threat is minimalized (Armitage). The final part of report suggest that should the diplomacy failed the U.S. has two options. Either to accept nuclear North Korea or pre-emptive attack.

The Perry reports also emphasizes the need to continue in diplomatic efforts in order to denuclearize North Korea. The report at several places emphasizes the need to preserve balance between diplomacy and deterrence mechanisms deployed in the peninsula (Perry). The report calls for cooperation with Japan and South Korea. The conclusion of the report provides for two-direction strategy for the future. The first direction includes new, complex and unified approach towards negotiations with North Korea and close coordination with allies. The U.S. have to demand complex and irreversible denuclearization as well as cancelation of missile program and tests. They offer the reduction of tensions and normalization of relations after the first condition is met. The second direction would follow the first and will look at reacting to those issues that were not solved diplomatically. The future of relations depends on actions of North Korea.

2003. Regardless of the scepticism and negative perception of Agreed Framework when looking at further evolution of North Korean nuclear and missile program, the period of 1990s was the most successful in terms of creating conditions for denuclearization.

After the election of George W. Bush, candidate of the Republican party, it was expected that the criticised Agreed Framework will be evaluated and the overall policy will undergo a revision. However, most of the scholars did not expected significant diversion from course originally set by the administration of Georg Bush sr. In addition, two reports produced in 1999 arrived to very similar conclusions and recommendations. As one was conducted by the republican representative's certain consistency has been foreseen. The reality of post 9/11 U.S. foreign policy however changed everything.

G.W. Bush North Korea Policy

The first statements of members of new administration suggested, that they had very limited knowledge about the situation in North Korea and complexity of a state of relations with this state. Nevertheless, the speech of Colin Powell in Seoul in July and president's Bush in October 2001 suggested that the administration plans to continue in the process of talks, which was confirmed also in the results of revision report that has been conducted since the first days of administration. The revision report has confirmed the aims set by two previous administrations, next to the denuclearization and non-proliferation were stated the implementation of Agreed Framework, reduction of conventional weapons, cooperation of DPRK with UN in fight against terrorism, allow the access of humanitarian organization on its territory and continuously work on improving the living conditions of citizens and human rights (Quinones 2003). The administration representatives were instructed to discuss with North Korean counterparts three main points. The improvement in the implementation of Agreed Framework was the first one, constrains in the missile program and ban for the further testing⁹ was the second, and reduction of conventional forces and weapons was third. As an incentive president has offered extended help to the people, easing of sanctions and further, not specified "political steps" (Bush 2001).

The administration has adopted a policy of *strict reciprocity* which meant that the U.S. will be addressing North Korean requests only in the case the regime will agree with monitoring of its nuclear activities. The first official meeting took place in New York in June 2001 where North Korean ambassador to the U.N. Ri Hyong

⁹ The administration asked for a renewal of the so called "issile talk" that were under way between 1996 and 2000. The US have demanded not only cancellation of the testing but also minimalization of missile and components trade. In addition, the North Korea should have become party to Missile Technology Control Regime (MTCR).

Chul demanded compensations for loss the North Korea has suffered after abandoning its missile trade. In addition, he asked for withdrawal of American troops from Korean peninsula. This first meeting has set the pattern of mutual relations during Bush administration. Both sides have stated their demands and subjected the further steps by the action of the other side. In addition, the relations have worsened after January 29, 2002 when president Bush included North Korea with Iraq and Iran to the so called axis of evil threatening world peace. North Korea was characterized as a regime “arming with missiles and weapons of mass destruction while starving its own citizens” (Bush 2002).

Regardless of this criticism, the meeting of Colin Powel with North Korean Minister of Foreign affairs Pak Nam-sun during the ASEAN Regional Forum confirmed the aim to resume talks. The following bilateral meeting took place in October 2002 when Deputy Secretary of state for East Asia James Kelly travelled to Pyongyang. Kelly has presented suspicions and pictures suggesting that North Korea continues in development of nuclear program which is against the provision of Agreed Framework. The representative of North Korean Foreign ministry stated that Kelly was accepted, heard but he did not have enough proofs. Two weeks after the meeting the U.S. State department released statement claiming that the representatives of DPRK have admitted clandestine nuclear program which has annulled the Agreed Framework. Additionally, the DPRK was asked to fulfil its obligations under the provisions of NPT. These events are considered as a beginning of Second nuclear crisis.

In the following months the U.S. representatives have dismissed any possibility for resumption of bilateral talks unless North Korea does not stop with all its nuclear activities. The North Korea has argued that it would be only possible if the U.S. provide for a security guarantees in a form of Non-Aggression Treaty. Towards the end of 2002 the North Korea announced to the IAEA that it resumes the operation of nuclear facilities and asked for the withdrawal of all its inspectors. In addition, in January 2003 the North has announced its withdrawal from the NPT.

North Korea's decision to withdraw from NPT mobilized the regional players who all called for diplomatic solution to the issue. Chinese president Jiang Zemin confirmed Chinese interest for preserving the Korean Peninsula free of nuclear weapons. Also president Bush stated American interest to cooperate on the issue multilaterally at several occasions. One example was joint press conference with Polish president Alexander Kwasniewski (Remarks by President). These statements, together with recommendations from the previously mentioned reports and experiences from KEDO have led to creation of multilateral mechanism with the aim to denuclearise North Korea. In this period the Beijing channel proved important again. In addition, the Chinese leadership itself became active when it organized trilateral meeting in Beijing in April 2003 which were later, based on requests from Japan and South Korea and interest of Russia enlarged to meetings of six countries

which have become known as Six Party Talks. From August 2003 until December 2008 the talks have been interrupted for shorter or longer periods. They have brought some progress especially when North Korea allowed inspections in its facilities and submitted the declaration of all facilities and equipment related to nuclear program, however there were few setbacks especially when North Korean in October 2006 conducted its first nuclear test and continued in missile testing. What is important for U.S. North Korea bilateral relations, the Bush's administration¹⁰ have decided to use the Six Party Talks as the only platform for communication with the North Korean representatives, however no bilateral meeting has taken place even on the side-line. Bilateral talks have been resume only after first nuclear test.

The second term of Bush's administration started with a heightened crisis when North Korean ministry of foreign affairs announced in February 2005 ways how ill the country deal with American hostile policy. It cancelled its participation at Six Party Talks indefinitely, or until conditions are created which would bring positive results. This announcement could be put in direct connection to the rhetoric Bush's second administration has used vis-à-vis North Korea, when it was dubbed "base of tyranny" by Condoleeza Rice¹¹ and Kim Jong-il was named as "dangerous man" and "tyrant" by president Bush. The partners from Six Party Talks have condemned this statement.

A slight change has come in second half of 2005 when new nuclear negotiator at Six Party Talks has been named in the U.S., former ambassador to Seoul, Christopher Hill. Short bilateral meeting took place in July on the side of ongoing multilateral talks in Beijing, followed by signing an unprecedented declaration during the September round of talks which was seen as a significant step towards denuclearization. At the same time however, the U.S. have pressured bank in Macau, Banco Delta Asia, to freeze North Korean accounts as there was suspicion that they are used for money laundering. After this the Talks have been interrupted for another year.

After the missile test of July 2006 the U.N. SC adopted resolution 1718 that has started more than a decade lasting sanction regime against North Korean nuclear and missile program and related technology.¹² Nevertheless, the test was followed

¹⁰ Besides of Six Party talks the Bush's administration has adopted several laws which have significantly determined its policy towards DPRK. The Proliferation Security Initiative was launched in May 2003 it represents a global initiative to close international trade with the WMD. The North Korea Human Rights Act of 2004 is aimed to support respect and preservation of human rights, monitor the transparency in the area of aid providing and support for peaceful unification of peninsula (North Korean Human Rights Act, 2004).

¹¹ See Opening Statement by Dr. Condoleeza Rice.

¹² Since 2006 9 resolutions were adopted all strengthening the sanctions regime. The last three adopted since summer 2017 introduced sanctions which will influence citizens of North Korea as they affect non-military industries as fisheries, textile production, etc.

by direct talks between ambassador Hill and North Korean nuclear negotiator Kim Kye Gwan in Berlin. The Six Party Talks renewed in February have ended with another significant declaration, the so called Denuclearization action plan. North Korea has handed over the complete declaration of its nuclear facilities, and allowed partial inspections. As a reward North Korea has been taken off the list of countries supporting terrorism.¹³

When looking at the Bush's administration North Korean policy it can be summarized into these features. Firstly, it was influenced by the military interventions in Afghanistan and Iraq that have mainly occupied the administration and the North Korean issue has been sort of side-lined. Secondly, the policy was strongly influenced by the hawkish approach of some members of the administration as well as by the lack of coordination between different state bodies and agencies. In addition, the Mid-term election in the second term led to the loss of majority by Republican party in both houses of Congress. Thirdly, the administration has lacked any specific strategy, except of the CVID¹⁴ no other option has been accepted. The most criticized was the decision of administration avoid any direct, bilateral talks with North Korean representatives that has been reversed after the first nuclear test. Critics claim, that this has shower North Korea that it can rewarded for a bad behaviour.

Obama's lack of strategy

The Obama administration was originally planning to continue in talks with North Korea, since the beginning they have supported the Six Party Talks which renewal was expected to happen in the first year of administration. However, April/May 2009 was the date of second nuclear test and several missile tests, that has stalled any talks possibilities. The reason why did North Korea conducted these tests will be addressed in the following section.

Regardless of that, president Obama has named a special envoy for North Korea, former ambassador to South Korea, who had been Secretary of KEDO, so with a significant experience in dealing with North Koreans. Ambassador Bosworth has travelled to North Korea at the end of 2009 as the highest ranking representative of new American administration. The aim of the visit was to determine whether DPRK has any plan to return to Six Party Talks, even though it had declared in Spring that it will never return. (Crail) In addition, the issue of implementing the 2005 agreement was on the agenda. The meeting did not bring any significant result or change in mutual relations.

¹³ North Korea was on the list since 1988 when it was confirmed that its agents have been involved in bombing Korean Air flight 757.

¹⁴ CVID stands for Complete, Verifiable, Irreversible Denuclearization.

In late 2010 American scientists have been invited to North Korea where they have been showed a new uranium enrichment facility equipped by new centrifuges. One of the scientists' present was Siegfried Hecker who has written about what he has seen as well as about his expectations claiming that he program is advancing.

In July 2011 S. Bosworth and Kim Kye Gwan met in New York to discuss the re-start of multilateral talks. In October round of talks in Geneva took place, with Glyn Davies taking the position of US Special representative for North Korean Policy.

In 2012 a sign of hope – the Leap Day Declaration of February 29, 2012 was negotiated. Based on the results of negotiations, North Korea agreed to suspend operations in Yongbyon enrichment plant, allow IAEA inspections and impose moratorium on missile tests in exchange for 240 000 metric ton of food aid under strict control. (Fitzpatrick) The agreement has failed after North Korea announced its intention to launch a satellite in March and eventually realized its announcement in April.

After this failure and missile and nuclear test that North Korea has been conducting since the change of leader the U.S. have focused on sanction regime though the U.N. SC. The diplomacy has secured support from partners together with China and Russia and imposed also bilateral sanctions. The only contacts the U.S. has with North Korea in Obama's second term were unofficial meetings between North Korean officials and American scholars or former governmental employees known as Track 2.0 or Track 1.5 diplomacy. Originally, this channel is not a substitution for official talks, it should be complementary to them as it provides more freedom to discuss sensitive issues, or serves as a back channel for exchanging messages.

Obama's policy towards North Korea was called "strategic patience" however it did not bring any tangible result. When compared to its predecessors, they have achieved at least some temporary results, as was the closedown of Yongbyon, moratorium on missile tests, or submission of nuclear declaration. The foreign policy of Obama administration is not evaluated as successful in more areas than just North Korea. Looking at the state of nuclear and missile program we can conclude it was the biggest failure so far. However, Obama's administration is not the only to be blamed as North Korea was undergoing leadership transition. The new leader has been more assertive in its foreign policy as he declared the development of nuclear program as one of the crucial policies of his rule.

Trump's administration confusing approach

The Trump presidency is one year old. Within this year the North Korea with its nuclear and missile program gained a lot of attention from president, vice-president, secretary of state, secretary of defence or ambassador to the U.N.

As in the case of all previous administration, in the first months of Trump's presidency North Korea has conducted series of missile tests, when missiles with different range and of different type has been tested. As was mentioned in the introduction, the reaction from president were often emotional and assertive, lacking deeper premeditation of what options keeps the president for his diplomats open when talking about how the US will take care of North Korea.

The differences among governmental bodies have been shown again, when president's personal statement have contradicted to those made by his vice-president or secretary of state. These were not only related to North Korea itself, but also to other involved players, such as China or South Korea. While Secretary Tillerson has several times offered talks to North Korea, president Trump kept his aggressive rhetoric mainly on his Twitter account.

When looking at certain policy of proposed strategy, except of declaring that the era of strategic patience is over no other option was presented. The diplomats are working fiercely on gaining support within the U.N. for one of the strictest sanction regimes ever adopted, but that is not so different from what Obama's administration was doing in last years. Reading through the recently released National Security Strategy North Korea is mentioned several times as a rouge state or regime, as a country that starves its own people and ruthless dictatorship. No real proposal of what to do and how to treat North Korea is provided.

Summary of policies

For over 26 years the U.S. administrations have designed their policy towards North Korea with the aim to prevent the country to acquire nuclear capability. In early 2018, after six nuclear test, when each next test was more powerful than the preceding one we can conclude that this aim was not reached and the policies have failed.

As mentioned in the introduction and in particular chapters, the policy has been influenced by partisanship in Congress, and by power and influence competition among governmental bodies – National Security Council, Department of Defence and State Department – primarily. In addition, the intelligence services reports have been often underestimated and not taken into account. Furthermore, the US have been often occupied by other issues in global affairs and never focused mainly on North Korea.

Another set of factors is not connected to the U.S., this group could be described through the interests of allied partners and interest of other powers in North Korean issue. Even if the US has played an important role in the unsuccessful process of denuclearization, there were other influences. One of them would be the alliance with South Korea and the approach of different South Korean governments to its

northern neighbour. As is the case in the U.S. the South Korean North Korea policy has been changing since the end of Cold War not only due to the behaviour of North Korea but also under influence of internal political situation. The sunshine policy of the late 1990s and early 2000s has been replaced by more hawkish approach, under which all inter-Korean contacts have been conditioned by the steps towards denuclearization, to be again, since last year replaced by more carrot offering strategy of current administration. What is interesting is, that the changes in South Korean strategy run completely opposite to the American, with few years of complementarity. So the Clintons and Kim Dae Jung's policies complemented each other until early 2001, while the Bush's policy and Ro Moo Hyon's were in contradiction. When Lee Myong Bak became president his policy of conditionality was much more assertive when compared with Obama's strategic patience, so it was with Lee's successor president Park. Currently, Moon Jae-in's policy of engagement faces a lot of challenges from president Trump's North Korea not really formed policy presented through strong words on solving the problem. Even if the aim of both allies is complementary and coordination is underway, the differences remain.

The other important player in the game is China, often mentioned by current American administration as the key to bring North Korea to abandoning its nuclear program. But how real Chinese influence is and how it interacts with American policy towards North Korea? Looking at Chinese actions since the end of Cold War, up until early 2000s China was a silent observer to the North Korean situation. However, the influence China had on North Korea back at that time was much more significant and direct. Through different levels of contacts and interactions China has tried to make North Korea adopt liberal market reforms, supported the creation of special economic zones open for foreign investment. In addition, it provided ground for North Korean businesses of different size that have operated on its territory. Nevertheless, its influence and direct contact has faded with the health of Kim Jong-il and the ongoing development of North Korean nuclear and missile program. Even though China took the role of organizer of the Six Party Talks and the so called Beijing channel played important role the denuclearization effort has failed. Realizing that, China is a supporter of sanction regime, even if the implementation of sanctions is not so profound. However, in the last year China has started to implement and control the implementation more thoroughly. There are two aspects to Chinese policy to North Korea. First, China sees and always seen North Korea as a buffer zone between its borders and U.S. troops deployed in South Korea. Second aspect is the stability of China in case of heightening the tensions and possible military conflict, especially the bordering provinces and migrant are of Chinese concern. However, China is reluctant to acknowledge officially North Korea as a nuclear power and always stresses the denuclearization as a goal, even though it does not seem realist anymore. Chinese interests do not

directly contradict the American in this regard. With the implementation of sanctions China seems to be showing to North Korea that its support has limits, especially when Chinese interests are at stake.

When looking at Japan and Russia, their policies and actions did not directly intervene into the American North Korea policy. Even though Japan as an American ally has had turbulent relations with North Korea and it is still perceived by North Korea as its second worst enemy of the state. As for Russia, it has firstly abandoned North Korea after the Cold War, later it became a potential investor in special economic zones and a supporter of inter-Korean reconciliation in the early 2000s. Recently it seems Russia is trying to reintroduce its role in the issue, however it does not support the denuclearization and renewal of multilateral talks, as repeatedly stressed by its main representatives.

North Korea Rational

The last player to mention is North Korea. The reason why North Korea pursues nuclear and missile programs is very rational and realistic. The end of the Cold War and bipolar confrontation left North Korea without strong allies and without the cloak of legitimacy the ideological confrontation has been providing since the late 1940s. In addition, the first war in Iraq, the Desert Storm, which has proved that the U.S. has no balancer to their power and policy projection left the country fearing its survival. In this situation, when the biggest enemy is the world dominant and incontestable power who in addition tends to use this power against those who are considered enemies, the need to try to acquire the most reliable deterrent is crucial. The nuclear deterrence as a strategy that has worked during the Cold War period is the strong North Korean rationale for its nuclear program. Even though, it appears that since the end of the Cold War there were periods when North Korea was willing to trade this aim for normalization of relations and a peace treaty with the U.S. the change in North Korean leadership in early 2012 and the initial fragility of the new leader ended this chance. Some observers claim, that even during the Clinton administration and when Six Party Talks were underway, and North Korea agreed on freezing its program, its intention was never sincere. Especially, when the U.S. have intervened in Iraq a second time based on evidence of a nuclear program, when Libya was attacked after it has given up its existing program, and also Ukraine, a country which has given up nuclear weapons, had to face Russian intervention. All these events show the unpredictability and insincerity of world powers as proved to the North Koreans that they cannot rely on anyone and have to seek self-help. This final statement seems like carved out of the IR theory book, but looking at the strategy the North Korea has applied in the last three decades it has clearly followed one objective – preserving and guaranteeing its own survival under any circumstances.

Today, North Korea is nuclear power, it has nuclear warheads, it is testing intercontinental ballistic missiles together with submarine-to-air missiles and these are the three pillars of nuclear triad. It will not give up its programs, not only from external reasons but also internal, related to regime stability. In addition, there is a card North Korea is counting on and that is the existence of non-official nuclear powers that are outside of any international supervision.

Conclusion – Options for the U.S.

In a situation when North Korea tests intercontinental ballistic missiles and its program is clearly advancing and at the same time nuclear tests are ongoing with strengthening power of explosions, the U.S. government has several options to consider. Most of them have been discussed for years, some were partially realised with higher or lower level of success. However not of these options is ideal, some require significant adjustment in long stated U.S. policy goals vis-à-vis North Korea but also non-proliferation regime, some risk the potential of destruction of South Korea with an unimaginable impact on global economy in case also China would get involved.

The options could be summarized in five categories:

1. Recognize North Korea as nuclear power. Under this option North Korea would receive what it demands for few years already. It may open a channel for direct talks, possible peace treaty and normalization of relations. From the negative aspects however, it can give North Korea a satisfaction and lead to even more assertive policy especially vis-à-vis South Korea and Japan. In addition, the recognition would undermine the efforts and existing non-proliferation regime, regardless of case of three non-official nuclear powers. Moreover, the case of Iran could be seriously affected.
2. More sanctions and pressure to abandon nuclear program. Currently it is difficult to say where further can the sanction regime go, and what other areas can be sanctioned. However, if North Korea continues in provocations the U.S. will have support among members of Security Council, that was shown in last year several times. Although the sanction regime did not bring the results it was expected and North Korea still develops both of its programs. The other factor is the unwillingness of North Korea even to discuss abandonment of its nuclear program as was several times reiterated by its representatives.
3. Regime change. Coordinated strategy aimed at providing North Korean population with information about the real world, support for all the NGO's that are involved in North Korea, etc. However, regime instability could lead to potential power struggle which could lead to internal conflict on one hand, or on the other to the strengthening the regime's grip on power.

4. Military solution. In this option there are few variants of military action the administration can choose from. First would be the possibility of air strikes directed to missile bases, as has been suggested several times. The other will be military intervention deploying not only air force but also the marines with the aim to overthrow the regime. However, any military campaign would lead not only to destruction of North Korea, as it will retaliate and attack South Korea and possibly also Japan and American bases in the region. In addition, the economic consequences are difficult to predict as we talk about conflict in region that is vital for global economy. Another aspect would be reaction of China and state of its involvement in possible conflict.
5. Diplomacy. Propose to North Korea multilateral as well as bilateral talks not conditioned by the state of nuclear program. In a way current administration has offered talks few times in addresses of Secretary of State R. Tillerson, to which North Korea did not respond. After New Year's speech delivered by Kim Jong Eun when it seems North Korea is willing to talk the offer could be repeated. The risk however is that the talks will fail on the similar issues as in the past – the lack of coordination among U.S. governmental agencies on the acceptable incentives, partisanship in the U.S. but also in South Korea and lack of coordination with other partners mainly China.

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China as the Strategic Competitor in the Debate on TPP in the United States

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Abstract

The Trans-Pacific Partnership (TPP) was negotiated with participation of the U.S. representatives from 2008. It was discussed not only in terms of the economic consequences of it. The proponents of signing TPP claimed that it would strengthen the alliances in Asia-Pacific region, curtail the Chinese influences and let the U.S. establish the global trade rules for the future. The debate on this issue took place in the Congress, also the front runners of the presidential elections of 2016 expressed their standpoints. The attitude of public opinion will be also presented as well as the position of Donald Trump which resulted in the withdrawal of the United States from the agreement once he became the President of the U.S.

Keywords: Trans-Pacific Partnership, ratification of TPP in Congress, public debate on TPP, US–China rivalry for influences in Asia-Pacific region

The aim of the article is an attempt to answer the question, how much the U.S. strategic objectives in the Asia-Pacific region are important in the debate in the United States on the ratification of the Trans-Pacific Partnership – TPP. The terms of the agreement were approved on 5 October 2015, and the representatives of all 12 countries who took part in the negotiations, have signed them on 4 February 2016. TPP had to be ratified by each of the parties, also by the United States Congress, in which the opinions on this subject are divided. Besides the impact of TPP on the American economy and society, the need to deter the spread of influence of China in the world was discussed. It was argued, that TPP is necessary to strengthen U.S. leadership and maintain its standards and policies in the world economy. On the basis of press releases, discussions in Congress, expert's analysis, statements of politicians and the polls, I will try to determine to what extent the arguments about the need to inhibit Chinese influences could have convinced the citizens and their representatives in Congress.

The Strategic Goals of the TTP

TPP is the free trade agreement between the 12 states: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The attendance of Asian countries, as well as important trading partners of China from Latin America, leads to the conclusion that the agreement, in addition to its economic dimension, was also planned to balance the influence of China. TPP was tailored to facilitate the opening of new markets for American exports and improve U.S. economy. Such aims were presented by President Barack Obama in his State of the Union Address in 2013 (Obama). Furthermore, the agreement entailed important strategic objectives of foreign policy. Many times in its history, the United States has taken advantage of the economic agreements for the implementation of its geopolitical interests.

Regarding numerous Chinese initiatives for economic cooperation in the region¹, the American administration had tried to create an alternative project. It is worth

¹ In November 2014, the APEC (Asia-Pacific Economic Cooperation) Summit was held in Beijing. The leader of China – Xi Jinping, announced the readiness of China to support the development of the whole region and implementation of the program that he called “Asia-Pacific Dream”. The major initiative is the creation of a new “Silk Road” – transport infrastructure network linking China with Central and South Asia, the Middle East and Europe. In October 2014 another Chinese proposal was enforced. Asian Infrastructure Investment Bank (AIIB) was founded by 21 countries. It was intended to be an alternative to institutions controlled by the West, such as the World Bank or the Asian Development Bank. During the APEC Summit in November 2014, China announced launching the preparatory work on establishment of the rules of Free Trade Area of the Asia-Pacific. The Chinese also try to come out with an attractive offer for countries in Latin America. At the Ministerial Forum, which was held in Beijing in January 2015, Xi Jinping declared new investments in the region. Within 10 years their value was to be 250 billion USD

noting that the U.S. joined the negotiations in 2008, when there were only eight more participants. The fact that with four of them (Australia, Singapore, Chile and Peru) the US had already had the free trade agreements (FTAs), and the remaining four (Brunei, Malaysia, New Zealand and Vietnam), were not of great importance for U.S. economy, confirms a strong political strand of this agreement (Capling, Ravenhill).

In addition to the aforementioned efforts to balance the influence of China, the American administration perceived TPP as a mean to shape the rules of trade in the region. Washington expected that the agreement would serve the harmonization of existing free trade agreements², attract new participants and, in the future, facilitate the conclusion of a broad agreement on the liberalization of trade at the WTO. TPP was to cover the States which produce almost 40% of global GDP and are responsible for approximately 1/3 of the value of world trade (Ferguson, McMinimy, Williams). By engaging in talks on TPP, the United States clearly indicated interest in rapprochement with Asian countries, as well as the desire to influence the shape of future agreements. Washington hoped that other states would participate in the negotiations. It soon happened – the project became more attractive because Canada, Mexico (in 2012) and Japan (in 2013) joined the group. The Obama administration wanted to retain a decisive impact in the global organizations (the IMF or the WTO). They also aimed at reinforcement of their economy by reviving foreign investment and trade opportunities. Doing so, they wanted to tighten the relations with their regional allies in all fields. To achieve these goals, they had to increase their engagement in the international cooperation.

The United States has the alliances with Japan, South Korea, the Philippines and Thailand. Recently, also Vietnam has been expressing the will to intensify cooperation with Washington. The US has shown the interest in Asia by increasing the military presence in the region and organizing of the exercises with the allies. China builds up its military strength, and it is becoming more assertive in the pursuit of territorial disputes, which are present in its relations with Japan, Vietnam, the Philippines, Taiwan, Malaysia and Brunei (*Chinese Maritime Disputes*). United States wanted to exploit the situation by strengthening ties with Asian countries, which aim at assurance the possibility of American support in case of a possible attack.

The standpoint of the Obama administration was presented by Kurt Tong – Principal Deputy Assistant Secretary for the Bureau of Economic and Business Affairs in U.S. Department of State. In his testimony before the Senate Foreign Relations Committee, he recalled that increased cooperation with allies in the region was evident when President Barack Obama announced “Pivot to Asia”. It was than assumed that the economic development and security of the U.S. will be largely dependent

(Brugier; *Apec Summit Backs Beijing Roadmap to Vast Asia-Pacific Free Trade Area; China's Xi woos Latin America with \$250 billion investments*).

2 Till now, the U.S. has FTAs with six countries from TPP: with Australia, Canada, Chile, Mexico, Peru and Singapore (*Office of the US Trade Representative: Free Trade Agreements*).

on the situation in that region. Tong stated that if trade relations were neglected, the impact of the U.S. on the world economy would diminish. As this happens, the confidence to the U.S. as a leader in solving political problems would also fall, because these spheres are closely related. TPP should provide the foundation for economic growth, but also spread the certain norms, notably the protection of workers' rights and the protection of the environment. The agreement was shaped to impose fair competition between private companies and the government, innovation, better access to medicines and the Internet, and the free flow of information. He assumed that other countries in the region would join the TPP or they will be compelled to adopt such standards. Tong warned that if the United States failed to complete TPP, the leadership would be taken over by the countries, which do not share above mentioned rules and values – of course he meant China. He stated that if low standards were adopted in a whole region, American employees would not be competitive. The United States would lose the Asian market, the companies would be removed from the supply chains and the relations with the major allies would deteriorate. Besides, in the global economy the fair rules, like customs procedures, transparency of the regulatory principles or intellectual property and data protection are crucial to protect the interest of American companies, employers and employees.

Tong strongly criticized the political and economic systems in China, presenting it as contradicting to the American ones. On the one hand, he suggested that it should be realized that the Chinese activities in Asia-Pacific region were the menace for the U.S. interests. On the other hand, he expressed the belief, that the United States was strong enough, in political, ideological and economic terms, to challenge Chinese plans. He even declared that China could be pressured to open its economy for more liberal rules and turn democratic – he referred to the American “special mission”. The precondition to achieve this goal was, according to Tong, ratifying TPP as soon as possible (Tong). But the opponents claimed that when China would perceive the agreement as the tool against their influences, it could adopt the measures which can be harmful for the U.S. Besides, the countries which take advantage of Chinese initiatives could assume TPP as a disincentive for them. It would undermine U.S. image and its leadership.

The Issue of the “fast track” in U.S. Congress

The broader project of TPP was presented for the first time during APEC³ Ministerial Meeting in November 2011. During the negotiations, disputed points were issues such as: the principles of trade of the agricultural and textile products, protection

³ APEC is the organization aiming at the strengthening regional economic *integration*. There are 21 members: Australia, Brunei, Chile, China, the Philippines, Hong Kong, Indonesia, Japan,

of intellectual property rights and the problems connected with the large, state-owned enterprises in Asian countries. The signing of TTP aroused a lot of controversy in the societies of the countries concerned, as well as in the Congress of the United States. Opponents criticized the low level of transparency, as the full text of the agreement was not available. What was more, besides the representatives of the governments, the delegates of large international corporations took part in the negotiations. Therefore, the public opinion was anxious that the future system would defend their interests, “at the expense of workers, consumers, the environment and the foundations of American democracy” as Senator Bernie Sanders put it (qtd. in Srinivas). In the countries that were to accede to the agreement, huge demonstrations of his opponents took place (Sheets).

Barack Obama, for whom the issue of signing TPP was one of the priorities during the last months of his presidency, asked the Congress to grant him Trade Promotion Authority (TPA), that is, the extended powers to negotiate trade agreements. If the President gets such authorization, after the transferring the agreement to the Congress, it has only 90 days to accept or reject entire text, without the ability to amend or filibuster it. Such a mode of ratification of the agreements is called the “fast track”.

This proposal was first put to the vote of the House of Representatives on 12 June 2015, together with Trade Adjustment Assistance Act – TAA, for American workers who could lose their jobs because of the entry into force of the next free trade agreement. Both claims were rejected by the votes of the members of the Democratic Party, which, despite support for the TAA, did not want to allow for the adoption of the “fast track” on TPP. Republicans mostly supported the two proposals, although they were previously against TAA, promoted by Democratic Party. However, eventually the Senate dominated by the Republicans accepted TPA and TAA, with 60–38 vote. In the House of Representatives, 191 members of the Republican Party and 28 of the Democratic Party supported the proposal; 54 Republicans and 157 Democrats were against it. “Fast track” and TAA were therefore adopted with 219–211 vote. It was perceived as the victory of the lobbyists of the big corporations, but also of the Obama administration. Congressmen and Congresswomen from the Democratic Party were afraid that TPP, as NAFTA, would bring the negative consequences for American industry. They were under pressure of trade unions and environmental organizations. Obama argued that TPP would be the most “progressive” deal in the history, as it contained guarantees of fair working conditions and protection of the environment (Lewis).

Although the debate was concentrated largely around the anticipated effects on the American economy, the issue of TPP’s strategic objectives played

Canada, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Singapore, Thailand, Taiwan, United States and Vietnam.

the significant role. Supporters of the agreement: Obama Administration, the majority of Republicans in the Congress, the Chamber of Commerce and the representatives of the technological and agricultural industries, have argued that, in addition to the creation of new jobs in the United States and boost growth, it could also change the balance of power in the Asia-Pacific region. Speaker of the U.S. House of Representatives – John Boehner from the Republican Party convinced: “When America leads, the world is safer, for freedom and for free enterprise, and if we don’t lead, we’re allowing and essentially inviting China to go right on setting the rules of the world economy” (qtd. in Weisman).

The opponents of the TTP: the majority of the Democratic Party in the Congress, trade unions and environmental organizations suggested that those were the secondary problems. They also indicated that the supporters previewed that China would eventually join TPP, so the arguments about the necessity of challenging this country are unjustified. In this case they quoted the book titled “Understanding the Trans-Pacific Partnership”, published by Peterson Institute of International Economics – influential think tank which promoted the free trade agreements (Jasper). Rosemary Jenks, the member of *Numbers USA* – the group which aims at the reduction of inflow to the U.S. of immigrants and guest workers claimed that TPP would open the American market for the service companies. She warned that they would use existing law to employ the foreign professionals in the U.S. It would strengthen the advocates of the changes in the immigration law (*TPP Overrides Immigration Protections For U.S. Professionals, Skilled Workers, Says Critic*).

The Debate after the Publication of TPP

On October 5, 2015 the end of negotiations and the agreement on TPP was announced. The full text of the treaty has been available on-line from November 5, 2015, so both the members of Congress and all the American citizens were able to study it (TPP Full Text). On February 4, 2016 the representatives of 12 countries signed it in Auckland, New Zealand. To implement it, the ratification by all the potential members states was needed. In the United States, the President had to send the text of the agreement to the Congress. The administration of Barack Obama planned to pass ratification during his term of office. The President, in the State of the Union Address in January 2016, tried to convince the Congress to the positive economic outcomes of TPP, but particularly he underlined, that it was necessary to strengthen the American leadership in Asia. “With TPP, China does not set the rules in that region; we do. You want to show our strength in this new century? Approve this agreement. Give us the tools to enforce it” – he pleaded (*Remarks of President Barack Obama – State of the Union Address As Delivered*). But it would be risky, as the opinions in the Congress on this issue are very much divided.

Although it seemed that the voting in favor of “fast track” in June 2015 was promising, the debate on the economic consequences of TPP in the year of the elections could jeopardize the whole initiative.

Senator Sherrod Brown (member of the Democratic Party from Ohio), appealed that Congress did not ratify the agreement in 2016. He expressed his disapproval for free trade agreements by revoking and criticizing the consequences of NAFTA.⁴ He predicted that the companies would transfer the production to the Asian countries, and the goods would be re-exported to the U.S. He gave the example of the production of the components for the automobile industry in Ohio. He claimed the workers in his state would lose their jobs. Besides, he noticed that in some countries – like Vietnam or Malaysia – the American goods and services would not be allowed to the markets immediately, as they would introduce the moratoriums for them. He assumed that TPP would mean the reducing the working places and the competitive disadvantage for the American economy (Congressional Record–Senate 2016). Senator Jeff Sessions (member of Republican Party from Alabama) used similar arguments. He indicated that the ratification of TPP would add to the negative trade balance with China. He negated the claims, presented in the report of Peterson Institute for International Economics (PIIE), about the adverse effect of TPP of Chinese economy (*Economic Implications of the Trans-Pacific and Asian Tracks*). Sessions drew the attention to devaluation of Chinese currency, which in August 2015 caused regional currency war in which the trading partners of the U.S. (Australia, Malaysia and South Korea) were involved. This had harmful consequences for U.S. dollar and the balance of trade. Sessions concluded that the future trade agreement would have to include enforceable protection against the currency manipulation. He quoted Mitt Romney, who said: “If you don’t stand up – in this case, to China – they will run over you”. Senator stated that the United States should oppose China, rejecting the argument that it would cause the trade war with China. He said: “we are in a trade war; we are just not fighting” (Congressional Record–Senate 2016a). From those statements it could be asserted that although the opponents of TPP perceive China’s activities as the threat for the U.S. interests, they do not think that the adopting this agreement would be the proper solution.

The debate took place also among the experts. Despite the publication of the whole text, its length (2700 pages) and complexity caused that it is not understandable for the every citizen and politician. So they derive the argument from the different, often contradictory, reports prepared by the distinguished economists. The experts from Tufts University announced that the ratification of TPP would probably cause the loss of jobs and the growing inequalities of incomes in all the member countries, but particularly in the U.S. (Capaldo, Izurieta, Sundaram).

⁴ North American Free Trade Agreement between the U.S., Canada and Mexico.

However, the PIIE and the World Bank did not agree with those conclusions. The opponents criticized each other for adopting wrong methodology. But while the reports end up with different conclusions, the real outcomes are similar, e.g. according to the economists from Tufts University the incomes in the U.S. would decrease of 0,5 percentage point, and PIIE previews they would increase of 0,5 percentage point. To sum up, both reports show, that the influence on the American economy would not be as decisive as the politicians (both proponents and opponents) claim.⁵ It is another argument for strategic importance of the deal.

The Public Opinion

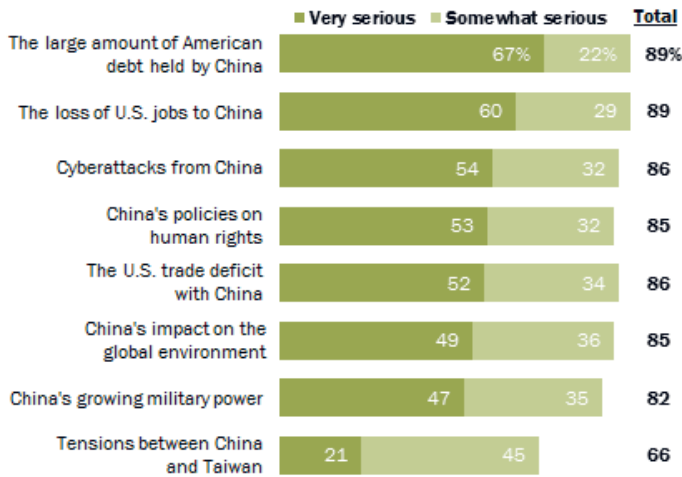
During the Congressional debate in June 2015, 12% of the Americans who were asked by the Pew Research Center about the support for TPP stated, that they had never heard about it, and the 9% had not answer (probably for the same reason). Forty-nine percent expressed the support and 29% was against it. Paradoxically, the supporters of Democratic Party were more eager to accept TPP (51%) than the adherents of the Republican Party (43%). What was interesting, the differences between the more and less educated citizen were not so significant (Poushter). The precise provisions of the pact were not known yet, but it could be stated that the society was divided as far as the perspective of conclusion another free trade agreement was concerned.

In October 2015 Gallup asked the question about the consequences of the failure of TPP ratification by the Congress. According to the polls, 16% respondents thought it would be “very effective” in improving the U.S. economy, 24% – “somewhat effective”, 22% – “not too effective” and 24% – “not effective at all”. About 15% could not express any opinion on the matter (Newport). So it can be deduced that there are about 40% of opponents and 46% of proponents of TPP, so again the proportions are quite equal. In the ranking of the necessary means, which could be adopted, to improve the American economy, ratification of TPP was on the 61st place (Newport). It can be stated, that this issue was not a priority for the public opinion.

On the basis of the polls we can also try to answer the question, to what extend the argument about the rise of Chinese power on the expense of the U.S., can be persuasive. The survey of Pew Research Center issued in September 2015 on the perception of China has shown that the anxieties of the Americans are mainly connected with the economic field (Table 1).

⁵ For example, in the Tufts University report it was indicated that there would be 448 thousand jobs less, mainly in the industry sector. But in the analysis of the PIIE it was stated that it would be offsetted by new posts in the industries producing for export, so the balance of the work places would not essentially change (Capaldo, Izurieta, Sundaram).

Table 1: The major problems in Relationship with China (answers in %)



Source: Wike

Fifty-four percent of the Americans expressed the negative attitude towards China, and the 38% were positive about this country (Wike). In that contexts the surveys on the viewpoints on the position of the U.S. and China in the world are worth referring. Although the majority perceives the U.S. as the forerunner in the world economy (and there were more supporters of this stance in 2015 than in 2014), greater part of the respondents though that China would replace (or had already replaced) the United States as the leading power. Even in the United States, 46% of surveyed share this opinion. In Table 2, the point of view on those issues of the citizens of the potential TPP member countries⁶ and the other Asian countries are presented.

In Table 3, the proportion of the negative and positive opinions about China and the U.S. is presented. These data are collated with the results of the inquiry on the attitude towards TPP (only in its member countries). It can be stated that the predominant support for TPP can be observed in the countries with the prevalent positive opinions on the U.S. and negative on China. It is worth noticing, that the percentage of respondents who support TPP is the lowest in Malaysia, where the percentage of positive opinions of China is the highest, and on the United States – the lowest. The most impressive acceptance for the agreement was recorded in Vietnam, where the rate of affirmative attitude towards the U.S. is supreme, and the adverse opinions on China are on the level of 74%.

⁶ Among TPP countries, the opinions of the citizens of Brunei, New Zealand and Singapore were missing from this survey.

Table 2: Opinion on the U.S. and China (respondent who agreed with the statement in %)

	United States is world's leading economic power	China is world's leading economic power	China will never replace U.S. as superpower	China will or already has replaced U.S. as superpower
Australia	31	57	27	66
Chile	54	25	30	53
Japan	59	23	77	20
Canada	34	46	40	52
Malaysia	53	33	36	45
Mexico	60	17	43	48
Peru	39	27	26	50
United States	46	36	48	46
Vietnam	50	14	67	18
South Korea	51	38	40	59
India	66	10	33	37
Indonesia	47	19	40	32
Philippines	66	14	65	25
Pakistan	51	25	19	53

Source: Wike, Stokes, Poushter

The argument on the necessity of maintaining the American leadership can be reinforced by the results of the Gallup researches from 2015 and 2016. Fifty-six percent of the U.S. citizens were not satisfied with the position of their country in the world. A half of them regard preserving the prevalence in the world economy as a very important issue, and the 68% – the supremacy in the military field. However, if even in 2014 China was perceived as the major rival of the U.S., in 2015, it ranked only in the third place, after Russia and North Korea. Fifty-eight percent of those interviewed have indicated foreign trade as the opportunity for American economy, and 33% – as a threat of excessive import. Economic power of China was recognized as the critical menace for the U.S. by 44% of the Americans, and 40% of them see it is a serious danger. Only 14% think it is not significant (*U.S. Position in the World*). It can be assumed that the arguments of the politicians, who pointed to TPP as a mean to stop Chinese expansion, could get support of the majority of the society.

Table 3: The balance of negative and positive opinions on China, the U.S., and TPP in %

	The balance of negative and positive opinions on China		The balance of negative and positive opinions on the US		The balance of negative and positive opinions on TPP	
	negative	positive	negative	positive	negative	positive
Australia	33	57	28	63	30	52
Chile	25	66	27	68	8	67
Japan	89	9	29	68	24	53
Canada	48	39	26	68	31	52
Malaysia	17	78	41	54	18	38
Mexico	34	47	29	66	23	61
Peru	22	60	18	70	12	70
United States	54	38	15	83	29	49
Vietnam	74	19	13	78	2	89
South Korea	37	61	14	84	n/a	n/a
India	32	41	8	70	n/a	n/a
Indonesia	22	63	26	62	n/a	n/a
Philippines	43	54	7	92	n/a	n/a
Pakistan	4	82	62	22	n/a	n/a

Sources: *Opinion of the United States*; Poushter.

Different conclusions could be drawn from the survey conducted by the *Chicago Council* in 2015. According to it, although 64% of Americans supports an active engagement of their country in the world policy, 63% believe that the leadership should be shared with the other countries, and only 28% think that the US should act as a predominant power. The emerge of China is not among the top threats to the United States. Americans – regardless of party sympathies, expressed the view that conflict with China should be avoided. This is mainly due to the belief that the territorial ambitions of this country are a lesser threat to the U.S. than, for example, terrorism. The development of Chinese military power was on the 11th place on the list of major menaces, and the Chinese economic power – on the 16th. More than 75% respondents declare that the U.S. should rather cooperate with China than jeopardize its influences (*America Divided: Political Partisanship and U.S. Foreign Policy*). Those answers, which seem more adequate to TPP case, show that the Americans are not eager to confront China, so the argument on clash of values would not predominantly influence their acceptance for ratification of TPP. But due to its

complex nature and the length of the text of the agreement, we can predict that the voters would trust their parties and their presidential candidates.

Hillary Clinton, the candidate of Democratic Party, approved TPP when she was the Secretary of State during the first term of office of Barack Obama. Initially, she avoided the expression an unambiguous standpoint. But on October 7, 2015, 2 days after the signing of TTP, she said that she was against it as it did not meet the requirements for the creation of new jobs, raise wages for Americans and would not contribute to improving national security. It was a serious blow to the Obama administration (*Hillary Clinton Says She Does Not Support Trans-Pacific Partnership*). Her opinion on China is not explicit. On the one hand, she is positive about peaceful development of this country, but she claims the increase of its military power and cyber espionage were the serious threats. She acknowledges the challenges for US–Chinese relations and she declared the retaliation in case China would manipulate its currency (*Clinton Takes Aim at Forex Policies of China, Japan*).

Donald Trump was against TPP from the beginning of his presidential campaign. He called TPP “A bad deal”, and he declared: “I will stop Hillary’s Obama-trade in its tracks, bringing millions of new voters into the Republican Party. We will move manufacturing jobs back to the United States and we will Make American Great Again” (qtd. in Smith). However he claimed that the U.S. should negotiate with China from the position of strength. In order to achieve it, the U.S. should impose a 45 percent tariff, or tax, on imported Chinese goods, to announce that China manipulates its currency which is against international agreements, and stop it from stealing intellectual property (Appelbaum).

Both candidates were against TPP. Considering the split in the Congress on this issue, Barack Obama aims at ratification during his term of office which is coming to an end. But the opponents claimed, that so important agreement cannot be adopted thanks to the support of “lame duck” President, during “lame session of the Congress”.

Conclusion

The supporters of the ratification of TPP maintain that it is a very important test for the quality of American engagement in Asia and it is crucial for strengthening the current alliances. According to them, TPP will extend the possibilities of using soft power, encourage countries to adopt a more pro-American policy. If the project collapsed, Asian leaders would conclude that the U.S. is not ready for leadership and will turn to China. In the field of international trade, it is supposed to be the pattern of systemic solutions, which could be profitable to the U.S. But the opponents answered that those rules could be modified, and the debate on that issue should take place in the WTO. It is doubtful that ratification of TPP would

give a new impetus to WTO negotiation. On the contrary, the role of WTO would be diminished. The critics also noticed that it was impossible to establish the rules of economic relations in the limited group, without the participation of China and other Asian countries. The argument that sooner or later all the countries would have to adjust the economic rules to the ones of the predominant block, was not convincing to them. It should be noticed that the regional large economies, besides China also India or Indonesia, are not TPP members. They are able to create their own trade blocks, which could path the way to constraint of free trade. Considering all those arguments, defining TPP as anti-Chinese makes no sense. The opponents thought that cooperation with Beijing would be more logical, as it would produce bilateral gains, as well as the profits for the region. They reject the argument about strategic importance of the deal – they assume that the discussion on this matter distracts attention from the most important issue: the influence of TPP on American economy (Froman, 113).

The advocates of TPP underlined, that the agreement would also promote the diplomatic and security interests of the U.S., regarding increasingly assertive Chinese military policy in the region. Secretary of Defense Ashton Carter said: “In terms of our rebalance in the broadest sense, passing TPP is as important to me as another aircraft carrier” (qtd. in Garamone). But again, it can have a reverse effect, as it can be perceived as a provocative move in China. The American alliances with Japan and South Korea are already strong, but the new ones, notably with Vietnam, can be very precious for the U.S. The entry into force of TPP could strengthen the position of the supporters of free market reforms. American influences in the region could be reinforced, so it would be more difficult for China to build its web of alliances or to exert the pressure on Asian countries.

In 2016 the presidential as well as the congressional election were held. Because of it, the standpoint of the American public opinion was the most important. The surveys showed the U.S. citizens, although they generally support free trade, are becoming more critical towards the negative consequences of globalization. They perceive that it caused the stagnation of incomes of the middle class and growing inequalities. They blame for it the cheap labor costs, which make the companies relocate their activities, notably production, abroad. That is why the arguments of the critics of TPP, which are focused mainly on economic consequences of the treaty, were more convincing for public opinion. Those issues are usually more important during the election campaigns than the strategic aims of foreign policy. Currently, the crucial problems indicated by the voters are terrorism and the condition of U.S. economy. On the other hand, about half of Americans thought that the rise of China poses the threat to their prosperity (62% of Republican Party, and 44% of Democratic Party supporters) (Stokes). But it does not mean they thought that TPP is the best solution to strengthen the US position. Even before the election, considering the standpoint of the frontrunners in the presidential elections and

the fact that President Obama still hadn't decided to pass TPP to the Congress, it could be assumed that the treaty had little chances for ratification.

Donald Trump won the presidential election on November 8, 2016 and after that the discussion on TPP was basically over. He decided, issuing the Presidential Memorandum to the US Special Trade Representative on January 23, 2017 to abandon the agreement (Presidential Memorandum). It was contrary to the traditional policy, supported by every President of the United States – supporting the spread of free trade globally. The strategic aims of TPP discussed in this article: balancing the influences of China in the Pacific region and paving the way to establishing the rules for world trade were abandoned. The outcome of Trump's policy in this matter could be the “pivot to China” of the potential new allies (Vietnam or Malaysia) and the mistrust of the old ones (Japan). It is obvious, that the American model of trade relations has also been weakened. So Chinese model of development called “Beijing Consensus” – can soon dominate the “Washington Consensus”.

China is definitely an important rival of the U.S., but the two countries are also interdependent in economic field. Trump's administration will have to propose a brand new plan how to deal with Beijing. Adopting TPP seemed a good solution: China has not formally opposed it, and it could have been an anchor for the U.S. in Asia. Donald Trump, having destroyed this opportunity, does not seem to have a coherent “Plan B”.

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Development Assistance for Africa as Part of the Chinese–American Rivalry

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Abstract

The system of development assistance for Africa in recent years has become one of the most important tools in the rivalry between world powers on the continent. Due to the increasingly important position in the global system of China which is now competing with traditional donors, the problems with development assistance are gaining in importance as a potential area for competition among global powers. The aim of the article is to analyze the development assistance of China and the United States for Africa as part of the these two superpowers' global rivalry.

Keywords: development assistance, global development, Africa, China–US relations

Introduction

The system of development assistance has become one of the most important tools supporting developing countries in overcoming certain problems and helping them on to a sustainable path of economic growth and social development.

Traditionally, the role of donor countries has been represented by the so-called *Rich North* made up of countries from Western Europe as well as the USA and Canada. These countries played a major role in shaping and implementing certain policies in African countries, indirectly affecting the political and economic relations of Africa with the rest of the world.

However, recent years have been dominated by the growing role and position of China, which has become a world power with the ambition to shape and influence the world. Chinese policy and assistance have gained importance in Africa, especially as the country is able to spend significant amounts of money in order to fulfill political and economic objectives.

The purpose of this article is to analyze the development assistance as part of the Chinese–American rivalry in Africa. The analysis contains a brief presentation of the role of development assistance and the importance of China and the United States on the African continent. The last part of the work focuses on a critical analysis of the role of development assistance as a tool in the rivalry of two superpowers – China and the United States on the African continent.

The International Development Assistance System

One of the most important problems of the modern world is the problem of global imbalances in the level of socio-economic development of individual regions, which potentially represents an significant prerequisite for the emergence of new conflicts. For this reason, development assistance plays an important role in the world and has been a subject of in-depth research in the social sciences.

The reason for development assistance was justified in the development models created after World War II. According to theory, each monetary unit of an exogenous character increases the level of savings and reduces the amount of capital output needed to be spent on investment. The best known model, was proposed by R.F. Harrod and E.D. Domar, who relied on the these assumptions. H.B. Chenery and A.B. Strout adopted the Harrod-Domar model to create a two-gap model, which justifies the role of development assistance as a stimulus for economic development. This model, despite criticism, is still treated as justification for the development assistance and the global assistance system (Easterly, *Can Foreign Aid Buy Growth?*, 32–33).

Development assistance can also be seen as a political instrument in the post-colonial system, allowing or sustaining strategic control on developing countries, which was particularly evident during the Cold War (Véron 7). This problem is still important,

as many studies consistently show that the non-formal determinants, such as former colonial ties, the method of voting in the U.N. or historical and geostrategic considerations, are often the main determinant of assistance (Easterly, *Are Aid Agencies Improving*, 646–651; Noorbakhsh, Paloni, 928; Mawdsley, 502–503; Hansen, Tarp, 375–398).

Researchers distinguish two groups of factors determining aid: non-political and political (Round, Odedokun, 302–303). The first group includes:

- the level of income per capita;
- the business cycle phase;
- the level of budgetary expenditure and budget deficit;
- peer pressure (*the herd effect*) – the amount of development assistance depends on the amount of assistance granted by other donors;
- level of social protection in domestic politics – the lower it is, the less altruism is expected;
- size of the state, geopolitics and geo-economics associated with the country;
- other temporary factors.

Political determinants include the ideological orientation of the donor, the constitutional independence of decision-makers, and the balance of power in the government, which can dictate the situation in the country.

Since 2005, the total assistance per year for Africa was more than \$ 100 billion. What's more the “traditional” donor countries (the so-called *Rich North*) have been followed by Arab donors (Saudi Arabia, Kuwait, United Arab Emirates) and countries referred to as the “new” donors: China, Brazil, India, South Africa and Russia. Each group of donors has its own rules, but the most formal form of assistance has been developed by OECD countries within the Official Development Assistance framework.

Official Development Assistance (ODA) is understood as donations and loans, provided to developing countries by official government institutions of the donor countries or international organizations, which support economic development and prosperity in the recipient countries. Loans are counted as Official Development Assistance on condition that they include a donation of at least 25% of the value of the assistance. A list of assistant recipient countries is periodically revised in accordance with the classification of the Development Assistance Committee (DAC) of the OECD (*DAC Statistical...*, 11; Deszczyński, 79, 84–87; Bagiński, Kowalska, 89–92). In order to classify resources such as ODA, the following conditions must be fulfilled:

- they are provided by the official sector of the state (government or local authorities);
- the aim of transferred funds is socio-economic development;
- they have a preferential character, which is manifested among others in the donation component;
- the transfer recipient (beneficiary country) is listed on the DAC List of ODA Recipients.

Overall development assistance to developing countries increased over time, and became an important component of international politics of the Global North (Table 1).

Table 1. Value of Official Development Assistance of certain countries in millions of USD and as a share of national income in 1998–2014

Country	Value in USD										Value as a share of national income				
	1998-1999 (average)	2003-2004 (average)	2010	2011	2012	2013	2014	1998-1999 (average)	2003-2004 (average)	2010	2011	2012	2013	2014	
Australia	1 707	2 637	14 531	18 522	21 906	23 170	31 975	0.46	0.48	1.23	1.28	1.46	1.58	2.29	
Austria	1 497	1 398	6 372	8 075	4 797	1 044	3 284	0.72	0.52	1.70	1.94	1.22	0.24	0.76	
Belgium	6 626	1 018	7 896	1 185	2 703	10 218	8 726	2.65	0.31	1.68	0.23	0.55	2.01	1.65	
Canada	8 109	5 467	22 642	13 548	18 515	11 109	18 175	1.36	0.60	1.46	0.79	1.04	0.62	1.03	
The Czech Republic	15	99	228	250	220	211	106	0.03	0.11	0.13	0.12	0.12	0.11	0.06	
Denmark	1 899	2 265	4 794	2 818	2 400	4 371	4 194	1.11	1.01	1.52	0.82	0.74	1.27	1.20	
Finland	1 245	647	4 312	1 016	1 527	996	3 027	0.99	0.37	1.78	0.38	0.62	0.37	1.12	
France	8 781	9 767	35 198	34 216	29 578	10 523	19 222	0.59	0.51	1.35	1.21	1.11	0.38	0.67	
Germany	21 221	10 237	41 637	56 202	34 717	53 096	54 375	1.00	0.40	1.24	1.54	1.00	1.42	1.37	
Greece	192	365	761	485	907	869	- 438	0.16	0.19	0.26	0.17	0.36	0.36	-0.19	
Iceland	7	19	29	26	26	35	37	0.00	0.17	0.29	0.21	0.22	0.25	0.22	
Ireland	292	3 093	2 695	2 444	956	1 933	1 203	0.40	2.18	1.57	1.37	0.56	1.06	0.55	
Italy	12 254	3 728	9 608	11 912	11 186	16 703	8 706	1.05	0.24	0.47	0.55	0.56	0.81	0.41	

Development Assistance for Africa as Part of the Chinese–American Rivalry

Japan	17 768	8 851	48 249	62 082	48 977	58 459	40 501	0.42	0.19	0.86	1.02	0.80	1.15	0.84
Korea	837	2 667	11 834	11 509	12 415	15 038	10 542	0.21	0.41	1.17	1.03	1.09	1.14	0.74
Luxembourg	121	221	411	417	399	429	423	0.69	0.84	1.07	0.99	1.00	1.00	1.06
Netherlands	10 368	14 651	13 013	22 046	19 943	19 428	68 874	2.67	2.73	1.67	2.62	2.56	2.39	7.85
New Zealand	158	239	426	536	629	581	667	0.32	0.29	0.32	0.35	0.39	0.33	0.36
Norway	2 021	3 046	5 876	4 755	4 752	5 580	5 040	1.33	1.29	1.41	0.96	0.93	1.07	0.99
Poland	20	72	378	417	421	487	452	0.01	0.03	0.08	0.08	0.09	0.10	0.09
Portugal	2 236	910	162	-1 299	475	2 325	- 331	2.08	0.59	0.07	-0.57	0.23	1.08	-0.15
Slovakia	7	22	74	86	80	86	83	0.04	0.06	0.09	0.09	0.09	0.09	0.09
Slovenia	-	-	59	63	58	62	62	-	-	0.13	0.13	0.13	0.13	0.12
Spain	20 435	9 714	10 340	20 145	1 977	7 987	13 669	3.53	1.05	0.74	1.38	0.15	0.59	0.98
Sweden	2 869	2 105	5 127	6 598	14 156	10 447	9 325	1.27	0.65	1.10	1.20	2.63	1.82	1.64
Switzerland	4 020	2 316	23 444	12 878	14 342	13 293	4 673	1.38	0.61	4.01	1.94	2.20	1.90	0.67
United Kingdom	13 717	25 121	25 632	46 851	63 461	30 738	31 809	0.96	1.25	1.12	1.91	2.57	1.21	1.16
USA	49 279	35 072	216 950	166 777	167 506	151 860	238 648	0.55	0.31	1.48	1.10	1.01	0.88	1.34
Total	187 704	145 750	512 678	504 561	479 031	451 078	577 029	0.78	0.48	1.25	1.15	1.08	1.00	1.24

Source: The author's own work based on *International Development Statistics* (IDS) online databases (21.03.2016), <http://www.oecd.org/dac/stats/data.htm>.

Objectives of the assistance has changed over time in accordance to the doctrine of economic development and the political situation in the world. Depending on the recommendations, the countries spend assistance on poverty reduction, sustainable development and increasing the commerce of the potential recipient. Later, the list of objectives was extended to the promotion of gender equality, the empowerment of women, conflict prevention, and more recently, improving the quality of governance. In addition, the DAC recommends non-repayable assistance as the basis for the functioning of development aid (Nowak, 46o).

The Development Perspectives of Africa

The development perspectives in Africa seem to be an important determinant for the rivalry of world powers on this continent, especially because of the numerous growth factors: natural resources, potential demographic structure, growing domestic markets, and the particular destination for foreign investment. Of course, analyzing the entire continent is problematic due to the huge diversity of certain countries and may raise methodological concerns related to excessive generalizations. Despite this, it is worth looking at the continent as a whole, which in the future may become an important center for growth in the global economy and an important crossroads for world geopolitics.

According to the forecasts and estimation, the gross domestic product (GDP) growth for the whole continent in 2015 was 4.5% (we are in 2018!!). (see my previous comment). Analyzing the economic situation of the continent, strong regional differences are clearly visible. West Africa achieved a relatively high GDP growth hitting 6% in 2014, despite its fight against Ebola. Southern Africa's GDP increase dropped below 3%, and the region's most important economy, South Africa, grew by only 1.5%. Sources of growth were associated primarily with the development of the agricultural sector, mining, construction and services. In recent years an increasing role has begun to be played by the growth in consumption and investment in infrastructure (*African Economic Outlook*).

Table 2. Basic indicators of certain African countries in 2014

Country	Population (in thousands)	GDP (PPP, USD m)	GDP per capita	Average rate of economic growth 2006–2014
Algeria	39 929	551 720	13 818	2.8
Angola	22 137	175 540	7 930	7.0
Benin	10 600	19 847	1 872	4.3
Botswana	2 039	33 622	16 493	4.8

Development Assistance for Africa as Part of the Chinese–American Rivalry

Burkina Faso	17 420	30 081	1 727	6.1
Burundi	10 483	8 396	801	4.4
Cabo Verde	504	3 286	6 525	3.7
Cameroon	22 819	67 225	2 946	3.8
Central African Republic	4 709	2 861	607	-1.3
Chad	13 211	29 851	2 260	4.7
Comoros	752	1 211	1 609	2.2
Congo	4 559	28 090	6 162	4.8
Congo, Dem. Rep.	69 360	55 731	804	6.6
Côte d'Ivoire	20 805	71 952	3 458	3.7
Djibouti	886	2 858	3 225	4.9
Egypt	83 387	945 388	11 337	4.3
Equatorial Guinea	778	25 331	32 557	2.1
Eritrea	6 536	7 855	1 202	1.8
Ethiopia	96 506	139 434	1 445	10.6
Gabon	1 711	34 280	20 032	4.3
Gambia	1 909	3 362	1 761	3.3
Ghana	26 442	109 392	4 137	7.0
Guinea	12 044	15 312	1 271	2.4
Guinea-Bissau	1 746	2 502	1 433	3.0
Kenya	45 546	134 711	2 958	6.5
Lesotho	2 098	5 589	2 665	4.9
Liberia	4 397	3 771	858	7.4
Libya	6 253	103 267	16 514	3.2
Madagascar	23 572	33 642	1 427	2.8
Malawi	16 829	13 755	817	6.3
Mali	15 768	27 101	1 719	3.9
Mauritania	3 984	12 856	3 226	4.7
Mauritius	1 249	23 422	18 751	4.0
Morocco	33 493	254 362	7 595	4.4
Mozambique	26 473	29 757	1 124	7.3
Namibia	2 348	23 592	10 048	4.7
Niger	18 535	17 666	953	5.6
Nigeria	178 517	1 057 831	5 926	6.3
Rwanda	12 100	18 704	1 546	7.6
São Tomé and Príncipe	198	612	3 093	5.6
Senegal	14 548	33 678	2 315	3.4
Seychelles	93	2 304	24 694	5.2
Sierra Leone	6 205	12 893	2 078	8.1
Somalia	10 806
South Africa	53 140	683 147	12 856	2.8

Table 2. (cd.)

South Sudan	11 739	23 306	1 985	...
Sudan	38 764	159 510	4 115	4.1
Swaziland	1 268	8 672	6 841	2.1
Tanzania	50 757	92 532	1 823	6.9
Togo	6 993	10 182	1 456	4.2
Tunisia	11 117	125 149	11 258	3.2
Uganda	38 845	66 650	1 716	6.3
Zambia	15 021	61 786	4 113	7.8
Zimbabwe	14 599	26 877	1 841	2.4

Source: The author's own work based on *African Economic Outlook: Basic Statistics*, <http://www.africaneconomicoutlook.org/en/statistics/>.

Despite the progress achieved, the level of social development in Africa remains low and the aggregate growth rates mask significant variations between and within certain countries. Distribution of income and consumption in Africa is distorted, with greatly diversified as well as considerable socio-economic and geographical differences which exacerbate the problems in the region (see Fig. 1).

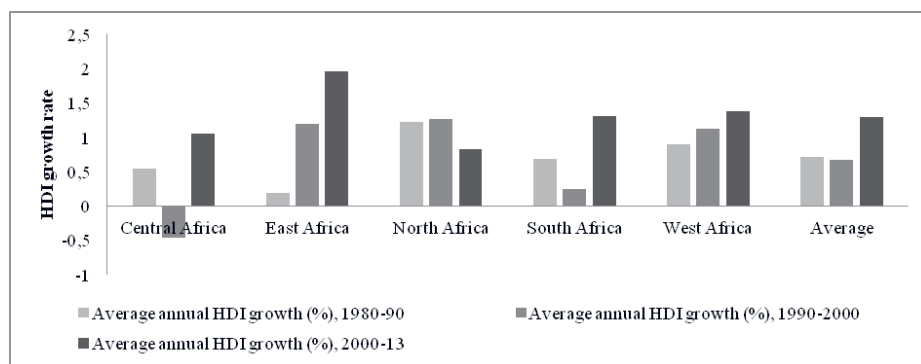


Fig. 1. Average annual HDI growth in African regions

Source: The author's own work based on *African Economic Outlook: Basic Statistics*, <http://www.africaneconomicoutlook.org/en/>.

As it seems, all development programs and plans should focus on integration and social inclusion, leading to the achievement and maintenance of social and political stability, a reduction in excessive social inequalities and an improvement in resource allocations. The dismantling of defective structures and social institutions is necessary to prevent significant inequality that leads to extreme poverty, and has an impact on overall social well-being.

For obvious reasons, socio-political and economical development will still to be based on raw materials. In other countries, it will probably be based on the agricultural

sector. What is worth noting is that even today, exports of raw materials and agricultural products plays a major role in the economies of African countries.

The overall conclusion is as follows: the raw material base and growing domestic markets are a potential destination for the realization of global powers to conduct investment and trade. It should however be noted that the sluggish development in Africa and the huge problems of a socio-political and economic nature are a barrier to further growth and development.

The potential barriers can be grouped in various ways but the best method is to separate them into five major groups (Szukalski, 260–264):

1. Political factors – the recent history of Africa clearly indicates that one of the biggest challenges for this continent is to achieve political stability, which is a prerequisite for further development. Factors that stop this stability include separatist tendencies, armed conflicts that significantly destabilize the continent, and a slowdown in the process of development and modernization. The sources of conflict include primarily ethnic conflicts, which are often the legacy of colonialism, competition for natural resources, religious extremism (both Christian and Muslim), social inequality, the stratification of income, and dictatorial regimes on the continent. All these factors undoubtedly destabilize the region and contribute to the stagnation that has been observed in Africa for years;
2. Historical and cultural factors – the problems faced by Africa are often the aftermath of colonialism and imperialism, caused by the irresponsibility and greed of the colonial powers. Though perhaps these explanations are to a certain extent true, there are voices that say that the real causes of stagnation and underdevelopment on the continent should be sought primarily in the value systems which do not always go hand-in-hand with pluralistic, Western political systems (economic or social);
3. Institutional factors – in many African countries the institutional system is ineffective or does not exist at all. This causes general uncertainty that makes agents reluctant to engage in long-term projects, and can consequently lead to stagnation. The African system of values, attitudes and institutions is characterized by what should be known as progress-resistant features, which include the culture of facing the past and the present but not the future, an excessive concentration on individual leadership, boundless subordination of the individual community, a high degree of fatalism, irrationality, a belief in magic, and a profound disregard and ignorance for economic reality;
4. Poor infrastructure (roads, telecommunications, etc.) hinders investment and development of the continent;
5. Risks associated with globalization and global trends – like climate change, environmental degradation, deforestation, greenhouse effect, gas emissions, disturbance of the balance in the global system of raw materials and energy as a result of the dynamic development of Asian countries, terrorism, global crises leading to a disequilibrium in the world system, migrations, epidemics and famine.

The Economic Interdependence Between the U.S. and China – Selected Issues

China is one of the fastest growing economies in the world, achieving a high level of economic growth and a growing importance in the international division of labor, trade and world politics. The country in recent decades has made a significant step forward, becoming an important Actor in international relations.

The origins of the economic transformation in China are related to the plan of ambitious economic reforms initiated by Deng Xiaoping in 1978. The Chinese authorities adopted the reform and innovative program known as the “four modernizations” – agriculture, industry, national defense and science and technology (Kowalik, 222). Economic reforms have focused primarily on (Gawlikowskis, 118):

- a gradual move to a market-based economy;
- an actual departure from Maoism in economics, politics, society and culture;
- the opening up of the national economy to the global system;
- construction of a new legal order in the country;
- restoration of respect for ancient culture and traditions, preservation of ancient rituals.

Due to the lack of previous experience in the transformation of the socio-economic system, reforms were introduced gradually, initially in selected sectors and institutions that enabled the correction of solutions before their implementation throughout the country (Szymański, 184–185).

Agriculture was the first area that underwent reforms. In the villages there was a process of devolution of property rights and abolition of the agricultural commune system. The overall objective of this reform was to increase agricultural production and provide self-sufficiency for the population. At the same time authorities began to form what were experimental, special economic zones which allowed free movement of capital, including the beneficial transfer of modern technology and management methods which were later used in the entire country. The first special economic zone was Hong Kong.

In 1984, authorities began to modernize industry, focusing on increasing productivity and efficiency, reducing bureaucracy and modernizing management methods. Companies were given a relatively high degree of autonomy and opportunity to decide on the allocation of resources through the market system.

So rapid changes in the global economic system were significant for the United States both in a positive and negative way. On the one hand, China has become an attractive market for ‘get rich quick’ USA citizens as well as a source of cheap imports and a centre of production for US corporations, which allows for continued low inflation, limited wage growth, and an increase in domestic demand. On the other hand, it is impossible not to notice the negative effects for the USA as a world power: China’s role as the biggest buyer of American debt securities,

financing of the American deficit; the growing trade deficit between the two countries; indirectly, increases in the prices of raw materials in the USA and fuelling the rapid growth of production and industrialization in China.

However comparing the two giants is still quite problematic – on the one hand, the huge population of China determines the high level of production and in turn GDP. In addition, the USA as a highly developed country whose economic expansion cannot and is not based on the simple factors of growth, such as cheap labor. So exceeding the size of the American GDP and exceeding its share of global GDP means *de facto* only achieving nominal leadership. The standard of living, innovation, human capital and institutions will be several times higher in the USA than in China. This process illustrates, therefore, an increase in economic power, but the levelling of economies is still a long way off (see Fig. 2).

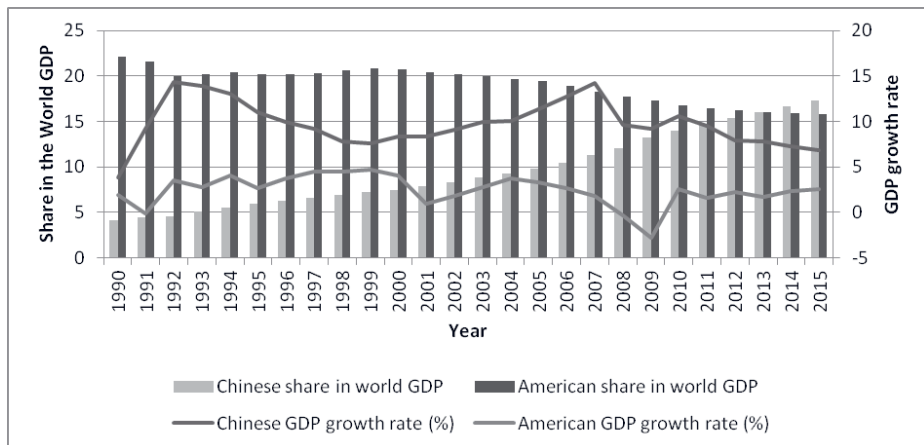


Fig. 2. Comparison of GDP growth in China and the USA and their share in World GDP

Source: The author's own work based on *World Bank Economic Outlook*, <http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx>

It is obvious, however, that the growing interdependence of the USA and the growth of China's position carries more risks than benefits. American foreign debt in Chinese hands may serve as a potential source of pressure and instability, increasing dependence on Chinese goods and the increasing dollar reserves in China can easily trigger a crisis and an economic collapse throughout the Western world. Production of high-tech goods in China, the purchasing of Western brands and increasing cooperation with high-tech manufacturers by Chinese corporations might be considered a threat as well.

What is problematic is the fact of strengthening China's position in Europe, both by increasing and making bold investments on this continent, as well as the acquisition of the debt of European countries, including the PIGS (Spain, Portugal, Italy,

Greece), which may consequently make them politically dependent on the government in Beijing. Another interesting aspect is the construction of the New Silk Road.

To sum up, American–Chinese relations are intense, multi-level and multi-faceted. The growing interdependence, primarily economic, force both countries – despite the distance and certain prejudices – to work together, as it is mostly determined by the degree of dependence of the USA economy on China and the Chinese market. The agreement between Washington and Beijing is therefore one of the conditions for the smooth functioning of the global system. At the same time, however, fundamental differences between the two countries exclude a true partnership – first of all the differences in legal, institutional, social and cultural systems. An important factor is the growing military power of reviving the Chinese empire.

USA and China's Realization of Development Assistance in Africa

Along with the changes in world geopolitics and the global collapse of the colonial system, the growing interest in Africa began to be shown by non-European countries, including in particular the USA and China. Interest in African countries is traditionally based on their resources and potentially increasing domestic markets. Therefore both countries are interested in Africa as a potential source of natural resources as well as markets for their exports.

American policy towards Africa was based on the concept of the 3Ds: development, diplomacy, and defense. In 2014, the first USA–Africa summit was held where – apart from traditional political issues, such as security – members raised the issue of development assistance and trade.

From the point of view of the development of one of the key documents proving the USA's involvement in Africa is the Partnership for Economic Growth and Opportunity in Africa, adopted during Clinton presidency, which because it saw the creation of free trade zones, a widening access to US markets, the establishment of an American-African economic forum allocated 650 million USD for investments in sub-Saharan Africa (Tilton).

The President's Emergency Plan for AIDS Relief (PEPFAR) in 2003 should be considered as a real breakthrough, promoting the fight against AIDS, HIV, malaria and tuberculosis with an initial budget of approximately 15 billion USD (PEPFAR). In 2004, the Millennium Challenge Account (MCA) was launched, offering help for countries ready to accept the principles of good governance and economic freedom. Washington's current commitments in assistance issues tend to focus on continuing existing programs related to the improvement of social infrastructure, institutions,

and security rather than on creating and implementing new programs. The USA is focused on promoting political and economic reforms, which would lead to increased security and prosperity. Unfortunately, as in the case of European countries, Americans are often viewed as colonizers.

In turn, the presence, role and nature of the help of the Chinese in Africa is complex. China is investing gigantic sums in Africa, especially in large infrastructure projects, construction of roads and rail links. Frequent sources of tension are economic in nature, which can weaken the local economy. A source of tension is also the working conditions in Chinese factories and mines. An example would be Zambia, where there has been mass protests after the Chinese opened fire on protesting miners in a coal mine in the south of the country. Foreign assistance itself is difficult to estimate, because the Chinese government does not publish full statistics. In addition, part of the funds is foreign investment rather than development assistance. The largest part of the assistance are concessional loans, other forms of support include sponsored investments, grants and debt relief (*China's foreign aid...*).

Chinese assistance and investments are increasingly gaining recognition in Africa as they are implemented relatively quickly and without political, economic, social or environmental conditions contrary to the requirements of donors from the USA, EU or international financial institutions such as the World Bank. In this way, the West is being gradually displaced and losing influence in its former colonies. It should be noted, however, that Chinese assistance should rather be described as a barter arrangement because in exchange for helping, China attains the right to extract raw materials. In fact Chinese assistance to Africa should be defined as straightforward bartering: in exchange for raw materials, production licenses etc., China develops infrastructure projects. China offers help, but only when Chinese companies somehow participates in future government contracts. It recalls in some ways the “neo-colonial” practices of Western countries (*Building Bridges...*).

Here in full view is China's pragmatism – assistance depends on the participation of Chinese entities in the procurement process and, as such, serves to create the foundations for trade and investment (Saidi, Wolf, 32–33). In contrast to traditional donors, who try different means to influence the situation in these countries, the political and financial support given by China is not directly related to the introduction of certain reforms of a social, political or economic nature.

At the core of the Chinese policy towards Africa is the principle of non-interference in the internal affairs of other countries. Clearly the position of the Chinese in this case was presented by Deputy Foreign Minister Zhou Wenzhong: “business is business. We try to separate politics from business. You [the West] are trying to impose the market economy and multiparty democracy. Countries [in Africa] are not ready to do so”.

Such activities are of enormous concern for Western politicians, who emphasize that Chinese development aid is uncoordinated with the efforts of other actors and projects funded by the Chinese brands not taking into account the environmental and social consequences. The rejection of the principle of conditionality of aid is not conducive for the introduction of effective mechanisms of governance in African countries that would permanently improve their situation. There are even fears that in the longer term, the impact of the assistance of the Chinese economy on the quality of institutions in African countries will be detrimental. Moreover, future USA influence and control over oil in the African region might be either weakened or counterbalanced by the China.

In fact China has a unique opportunity to gain a significant foothold in Africa as a new main actor on the global stage. Through its activities and image as a donor, China can change the situation in Africa and this might be potential cause for conflicts with the USA. Both countries are becoming increasingly dependent on imported resources that are located in Africa. They both have strong reasons to compete and build their own alliances in order to maintain their respective positions in world politics and the global economy.

Conclusion

Development assistance is one of the most important forms of assistance for developing countries. Traditionally, the role of the donor was taken on by the rich countries of the West, including in particular the former colonizers and the USA, as the leading state in the contemporary political and economic relations.

The growing role of China in the global economy has sparked great interest in Africa as a region rich in natural resources and potentially absorbent internal markets. The rise of China in Africa has focused the attention of the entire West, including the USA, which is one of the main donors of development assistance to Africa. Strengthening Chinese–African trade and political relations appear to be permanent, although the final results of such assistance in the long term may not be beneficial for the continent.

Chinese expansion is of great interest to African countries and the reaction of other powers, including, first and foremost, the United States of America. Currently, there is no doubt that any initiative towards Africa must take into account the position of Beijing, as development assistance has become one of the tools of their expansion on the continent. However, despite its increasing importance and attractiveness for African countries, Chinese development assistance is uncoordinated and projects funded by Chinese companies do not take into account environmental and social consequences, the effectiveness and legitimacy of the actions taken, which eventually may have a negative impact on African countries.

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Yuan Versus United States Dollar: the Defective Bipolar China–United States Relationship

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Abstract

The chosen currency regime places a state within the international economic order. Therefore, the exchange rate is a key to creating an internal financial system and opening it up to foreign participants. In this paper we would like to show the differences between China and the USA and examine their impact on potential changes on the distribution of power in the international system. We will also try to prove that this field is a missing link in preventing the final launching of a symmetrical bipolar system which will finally force China to accept the rules of a Washington Consensus instead of following its own patterns. The case study method will be used in order to compare market data and assess the role of currencies for the given model.

Keywords: globalisation, power, financial markets, currency regimes

“It doesn’t matter if the cat is black or white, so long as it catches mice” – this famous Deng Xiaoping quote marked the beginning of economic changes in China. It was a step toward the new economic order: two systems in one country. At this time, in the early 1980s, the Chinese GDP per capita placed China amongst the poorest countries in the world – in 1981 it was only 195.6 USD (according to the World Bank data, countries whose annual GDP per capita was on a par with China were Chad, Guinea-Bissau and Uganda) based on World Bank Data for GDP per capita. But after nearly 40 years of constant development, China has significantly moved up to the level of middle income countries. In 2014, Chinese GDP per capita stood at USD 7,590. The scale of improvement can be seen when compared with the data of the above mentioned countries – Chad: USD 1,024.7, Guinea-Bissau: USD 659.5 and Uganda: USD 714.6. But the real level of success can be seen when comparing total GDP changes over this period of time. In 1981 the Chinese GDP stood at 6.01% of U.S. GDP (at current prices). But in 2014 it improved to 59.44%¹ – making China’s economy the second biggest in the world. Summing up – in 40 years China had become the second global economic power. However, the one ‘fly in the ointment’ was the lack of internationalisation of its currency. As shown in Table 1, the Yuan does not play a major role in global foreign exchange turnover. In 2016, the Yuan’s share in the global FX turnover stood at a mere 4%. The gap is especially visible when comparing it with the share of USD (87.6%), Euro (31.4%) and Yen (21.6%). The data shows an increase in the usage of the Yuan, which is attributed mainly to an increased level of offshore trades (Triennial Central Bank Survey, 10).

Table 1. Foreign exchange market turnover by currency and currency pairs, 2010 and 2013 and 2016 (net-net basis, daily averages in April, in per cent).

Selected currencies				Selected currency comparisons			
Waluta	2010	2013	2016	Pary walut	2010	2013	2016
USD	84,9%	87,0%	87,6%	USD/EUR	27,7%	24,1%	23,1%
EUR	39,1%	33,4%	31,4%	USD/JPY	14,3%	18,3%	17,8%
JPY	23,0%	19,0%	21,6%	USD/GBP	9,1%	8,8%	9,3%
GBP	12,9%	11,8%	12,8%	USD/AUD	6,3%	6,8%	5,2%
AUD	7,6%	8,6%	6,9%	USD/CAD	4,6%	3,7%	4,3%

¹ Own calculation based on World Bank Data of GDP per capita in current \$.

CAD	5,3%	4,6%	5,1%	USD/CNY	0,8%	2,1%	3,8%
CHF	6,3%	5,2%	4,8%	USD/CHF	4,2%	3,4%	3,6%
CNY	0,9%	2,2%	4,0%	USD/MXN	bd	2,4%	1,8%
SEK	2,2%	1,8%	2,2%	USD/SGD	bd	1,2%	1,6%
NZD	1,6%	2,0%	2,1%	USD/KRW	1,5%	1,1%	1,5%
MXN	1,3%	2,5%	1,9%	USD/NZD	bd	1,5%	1,5%
SGD	1,4%	1,4%	1,8%	USD/HKD	2,1%	1,3%	1,5%
HKD	2,4%	1,4%	1,7%	USD/SEK	1,1%	1,0%	1,3%
NOK	1,3%	1,4%	1,7%	EUR/GBP	2,7%	1,9%	2,0%
KRW	1,5%	1,2%	1,7%	EUR/JPY	2,8%	2,8%	1,6%
TRY	0,7%	1,3%	1,4%	EUR/CHF	1,8%	1,3%	0,9%
RUB	0,9%	1,3%	1,1%	EUR/CHY	bd	0,0%	0,0%

Source: *Triennial Central Bank Survey. Foreign exchange turnover in April 2016*, Table 2, s. 10, Table 3, s. 11 *Bank for International Settlements*, September 2016. Web. 29 January 2017, <http://www.bis.org/publ/rpfx16fx.pdf>.

Looking back, we can observe the rising importance of the Yuan in international turnover. In 1998, the Chinese currency was ranked 30th, in 2001 – 35th, in 2004 – 29th, in 2007 – 20th, and in both 2010 and 2013 it was 10th (Triennial Central Bank Survey, 8). Although usage of the Yuan has increased over time, the current level of its use proves a local rather than a global character. The data published by BIS on a triennial basis include FX spot transactions and FX derivatives (Triennial Central Bank Survey, 8). The share of FX spot transactions versus derivatives remains generally unchanged over time (in 2010 FX spot transactions stood at 37%, in 2013 at 38%, and in 2016 at 32.6%) (Triennial Central Bank Survey, 10).

The rising economic power of China has been achieved without exposing internal financial markets to international participants. But it raises the question: what kind of bipolarity are we dealing with? The strengthening of the economy in the local and global arena depended on the financial markets of other countries: mainly the United States and Eurozone countries. But the question: how long will this modus operandi not be detrimental to China's economic development or political ambitions? – has become increasingly relevant in the 21st century, especially as the role of the financial aspect of economic life and its increasing complexity has a more significant role than any time before. It seems to be almost impossible for China to operate this way in the future and to be a superpower in a bipolar system.

Table 2. Reserve currencies statistics (export, import and FX turnover) as of 2013

Reserve currencies	Export in \$ bn.	Import in \$ bn.	Share in FX market turnover based on BIS data as of April 2013 (and April 2016)
USD	2 218.98	2 758.33	87% (87,6%)
EUR	4 330.2	3 993.3	33% (81,4%)
JPY	830.34	955.46	23% (21,6%)
GBP	814.74	868.49	11.8% (12.8%)
CNY	2 355.59	2 120.21	2.2% (4%)

Source: *Export of goods and services (BoP, current \$)*, World Bank Data. Web. 3 May 2016; *Import*. World Bank Data. Web. 3 May 2016, <http://data.worldbank.org/indicator/BM.GSR.GNFS.CD>; *Triennial Central Bank Survey. Foreign exchange turnover in April 2016, Bank for International Settlements*, September 2016. Web. 29 January 2017, <http://www.bis.org/publ/rpfx16fx.pdf>

The huge discrepancy between the usage of the U.S. dollar and Chinese Yuan raises the question about the reasons of such a significant disproportion in currency turnovers – especially when comparing the export and import data of these two countries. The turnover of these currencies on the FX markets shows a significant gap: USD covers almost 90% of global foreign exchange turnover while the Yuan has a paltry 2% coverage (keeping in mind that the total turnover equals 200% as it is calculated in currency pairs (Triennial Central Bank Survey, 10). There are other questions too: Why is China, as an economic power, slowing the process of currency internationalisation? Why does China strive for having the Yuan among the reserve currencies at the same time? What are the goals of Beijing? Is the path of the Beijing Consensus a real alternative to the Washington Consensus or just a path to it?

Jeffrey A. Frieden has described the importance of the foreign exchange rate:

the exchange rate is the most important price in any economy, for it affects all other prices. The exchange rate is itself set or strongly influenced by government policy. Currency policy therefore may be a government's single most significant economic policy [...]. Currency policies have both benefits and costs, and create both winners and losers [...]. Currency politics reflects the importance of the mass-consumer public, role of elections, organisation of economic groups, power of particular interests, time horizons of voters and politicians, and the responsiveness of political institutions to pressures along with virtually all other features of a national political economy (Frieden, pp. 1–3).

For the CPC, the FX policy is the source of power and the main tool allowing rulers to govern the country (when properly used). The efficiency of an exchange rate becomes a political tool rather than a purely economic one in an authoritarian system. And it's also a field in which the game between rulers and voters

takes place. The currency policy in China is rooted in the political development of the late 1980s and early 1990s. The Tiananmen Square protests, the fall of the Soviet Union, the changes in the political order in Eastern Europe were all characterised by the protest against or collapse of one-party states (Halper, 140–43). The collapse of the Soviet Union became the most relevant case study for CCP leaders. The findings were presented to the CCP leaders in the mid-1990s. The dogmatic ideology, the non-active party members and an isolated, non-competitive economy were highlighted as the most important causes of the Soviet Union's collapse (Halper, 142).

Such findings have helped to articulate the priorities of China's political system and strengthened the legitimacy of the Communist Party of China's (CPC) transformation. In 2000, as a result of the transformation of priorities, President Jiang Zemin presented the Three Representation Theory, which was officially accepted by the 16th National Congress of Communist Party of China in 2002 (Zemin).

Jiang Zemin promoted the view that the CPC should learn to represent such interest groups as (Halper, 145):

- the creative forces of society – intellectuals, students, and private sector entrepreneurs,
- a developed contemporary culture,
- the interests of the vast majority of society.

The increasing productivity of the domestic economy and constant growth of exports were vital factors in achieving these new goals. Another factor that was regarded as key to future success was the exchange rate.

Currency policymakers face two interrelated choices: the exchange rate regime and the level of the exchange rate. Although the decision-making process appears to be simple as it only requires making two choices (Frieden, 2):

- choosing between a fixed or floating rate,
 - choosing between currency appreciation or depreciation,
- its consequences affect almost every member of society.

The variety of choices among the currency regimes (Table 3) and the political decisions about the goals which should be supported by a given currency regime does not make the final decision easy. Both fixed and floating regimes have their pros and cons.

The interaction between the voters and the currency regime also goes through a monetary policy channel. The level of inflation will influence the real value of savings on the one hand, but also the cost of credit on the other. These transformation channels (FX rate and monetary) support one group of voters but have an adverse impact on other groups. The complexity of this political choice comes from the existence of a trilemma which says that only two out of the following three are possible: financial integration, a fixed exchange rate, and monetary policy independence (Frieden, 5–7).

Table 3. Brief characteristics of different currency rate regimes based on the classification of Atish R. Ghosh, Anne-Marie Gulde, Holger C. Wolf.

Currency Regime	Main Characteristic
Dollarization	A foreign currency is used as legal tender. Monetary policy is delegated to the anchor country.
Currency Board	The exchange rate is pegged to a foreign currency, with the regime and parity enshrined in law [...].
Monetary Union	A group of countries which uses a common currency issued by a common regional central bank.
Traditional Peg	The exchange rate is pegged to a fixed par value to a single foreign currency or to a basket of currencies [...].
Crawling Peg	The exchange rate (fixed) is determined in a rule-based manner, typically adjusting to a predetermined rate or as a function of inflation differential.
Band	Exchange rate is allowed to fluctuate within a certain range. Endpoints are defended through interventions [...].
Float with discretionary interventions (managed floating)	Exchange rates are free to move according to supply and demand. Authorities may intervene but are not bound by any intervention rule [...].
Pure Float	The FX rate is determined in the FX market based on daily supply and demand, and generally without official interventions.

Source: Ghosh, Atish R., Gulde Anne-Marie, Wolf, Holger C., *Exchange Rate Regime. Choices and Consequences*. Cambridge: The MIT Press, 2003, pp. 40–41.

When the economic prescriptions – known today as the Washington Consensus – were formulated in 1989 (Halizak, 23–25), only a small percentage of countries (less than 10%) have implemented the floating rate regime (Table 4). In addition, the knowledge of and studies on floating regimes in practice were not as broad and deep as they are today.

Table 4. *De jure* classification of exchange rate regimes 1970–1999 (in % of total observation).

Currency regime	1970–1979	1980–1989	1990–1999
Hard Peg	84.8%	68.4%	46.6%
Soft Peg	11.0%	22.5%	26.4%
Floating	4.3%	9.1%	27%

Source: Ghosh, Atish R., Gulde Anne-Marie, Wolf, Holger C.. *Exchange Rate Regime. Choices and Consequences*, New York: The MIT Press, 2003, p. 45.

25 years later, the picture is different. In 2014, the hard peg was adopted by 13.1% of countries, the soft peg was adopted by 43.5% of countries with the floating regime being implemented by 34.0% of the countries and 9.4% of the countries using other

(mix) types of currency regimes (Annual Report on Exchange Arrangements and Exchange Restriction 2014, 8). This evolution illustrates the growing popularity of both floating and soft regimes over hard peg regimes. It should be noted that the floating regime has been adopted in the most developed economies – such as Australia, Great Britain, Canada, Chile, Japan, Mexico, Norway, Poland, Somalia, Sweden, United States of America and the EMU countries (Annual Report on Exchange Arrangements and Exchange Restriction 2014, 7).

The roots of the Washington Consensus reform package are directly linked to the Brady Plan (Williamson, 15). The plan, which takes its name from U.S. Treasury Secretary Nicholas F. Brady, was designed to address the debt crises problem of developing countries, (IMF and Emerging Markets. *Five Fat Years: Recovery from the Debt Crises 1990–1994*, 411). The plan was mainly dedicated to Latin American countries but was finally adopted to solve the government debt of other heavily indebted countries like Bulgaria, Costa Rica, Dominican Republic, The Philippines, Ivory Coast, Jamaica, Jordan, Yugoslavia, Croatia, Hungary, Morocco, Nigeria, Panama, Rumania, Poland and Slovenia (IMF and Emergin Markets. *Five Fat Years: Recovery from the Debt Crises 1990–1994*, 414–415). The policy, adopted by so many countries, has quickly gained international status.

In 1989, as the political conditions in Eastern Europe and the Soviet Union were changing rapidly, the People’s Republic of China was on a cautious path to a better economic future. External fluctuations helped to smooth the changes in China, especially regarding the internal stability of the country. The scale and complexity of new challenges resulted in the country designing its own plan of strategic development, dubbed the Beijing Consensus. This long-term plan was consistent with the Chinese path of changes and the values described in the Book of Changes. For a thousand years, the Chinese have seen changes as a long term and very smooth process which stems from the culmination of changes between ying and yang forces (I-Ching, 23). The theory of the *Three Represents* expresses a Chinese way toward the social and economic change of the entire civilisation. Based on the mono-party system, it takes care to better the lives of the majority of society instead of promoting only selective groups of voters (as happens in democratic societies).

The differences in economic priorities exist in many countries, but the macro-economic and financial processes are based on the same principles. The CPC had adopted its own vision of development, but already in 2010 Yang Yao noted that the Chinese economy was founded on the neoclassical economic theory (Yao). Yao stressed that more than 80% of public companies have been privatised or listed on the stock exchange, public expenditure for redistributive purposes is minimized in order to control inflation with the largest part of budget spending supports infrastructural projects (Yao).

The Chinese economy is one of the world’s top two economies. As such it is crucial for global growth. But contrary to its economic importance, the Chinese

financial infrastructure is local more than global (in BIS statistics, the Yuan has been classified as an emerging market currency (BIS Triennial Survey, 4)). The main reason lies in the chosen currency regime and lack of internationalisation of the Yuan (Annual Report on Exchange Arrangements and Exchange Restriction 2014, 8). Despite the current status of the Yuan-denominated system, strategic development can be observed in the following areas:

- a constant development of internal financial markets and their internationalisation in the long run;
- the development of China’s network of financial connections on a global scale;
- marketing activity stressing the importance of the Chinese in financial fields.

The Chinese domestic financial system consists of a wide range of financial markets such as: the FX market (including CNY FX spot, FX forward and FX swaps transactions), the credit market (based on SHIBOR quotations), bond market and stock exchanges. Such an infrastructure is typical for the capital economy where the prices of financial instruments and assets are prone to volatile and rapid changes caused by economic data or politics, despite the will and expectations of CPC leaders. In the summer of 2015, a 30% drop of equity prices triggered CSRC action to freeze prices for half a year despite the fact that more than 80% of equity belonged to individual investors (China Daily/Reuters).



Chart 1. Shanghai Index Quotation: January 2013–December 2016
Source: SHCOMP Equity [Go], Bloomberg [access 14.02.2017]

Despite the administrative steps taken against market participants, the CSRC injected USD 32.21 billion into newly launched mutual funds with a simple strategy: to buy equities on market dips in order to stabilise the market (China Daily/Reuters). After the first lock-up period equities dropped yet again (Chart 1) bringing about a permanent ban on the sale of equities for all sellers classified as big investors (Hughes, Wildau). Such administrative measures run contrary to the concept and purpose of financial markets. Such solutions may work in the short run, but in the long term they are very costly for the whole economy. If China wants to have a healthy and efficient financial infrastructure, it has no other choice but to follow the Washington Consensus patterns in the future.



Chart 2. USD/CNY (juan on shore): January 2013–December 2016
 Source: CNY Currency [GO], Bloomberg [access 14.02.2017]

Establishing its own international financial institution system has become another and more secure method of increasing China’s influence. This strategy recalls United States activity when creating the Breton Woods system. Recently China has established the New Development Bank (in 2014) and the Asian Infrastructure and Investment Bank (in January 2016) (What is the AIIB?) which has been very positively evaluated by experts from the Centre for Strategic and International Studies due to the scale of financial needs – USD worth 3.7 quintillion on a yearly basis (Runde, Savoy, Rice, 4), and the participation of Germany and Great Britain despite

the lack of involvement of the USA and Japan (Runde, Moser and Nealer 6). The future may see the Chinese financial network acting as a counterbalance to the power of western institutions such as the IMF and the World Bank.

The idea of creating the Chinese Yuan offshore market (CNH) and the pressure to achieve reserve-currency status by the Yuan onshore market (CNY) smack of marketing activities rather than a step towards financial development due to the Chinese currency’s lack of full convertibility.



Chart 3. USD/CNH (Yuan offshore): January 2013–December 2016
 Source: CNH Currency (GO), Bloomberg [access 14.02.2017]

The offshore Yuan market was launched in Hong Kong back in 2004 (Hong Kong Monetary Authority, 5). Singapore, London and New York became the next financial centres with the highest offshore Yuan turnover. The offshore market works 24 hours a day while the onshore market works from 4.30 a.m. to 6.30 p.m. The longer trading hours for the offshore Yuan create an impression of independence and easy access (contrary to the onshore market). Although discrepancies do exist, in practice the correlation is strong and comes via a conversion mechanism (Funke, Shu, Cheng and Eraslan, 9–10). The data of the Triennial Central Bank Survey of foreign exchange (where the turnover of the onshore market and offshore market is treated as one) shows that trading on both markets is rather small (but rising) when compared to the usage of USD (Table 1) or the value of exports.

In 2015, the IMF agreed to incorporate CNY into the basket of international reserve currencies. This was possible because the Yuan would be used as a unit of accounts backed by the economic power of China, and not by its usage in international financial markets. This is illustrated by the new structure of Special Drawing Rights (SDR) composition (Table 5). The share of USD remained almost unchanged (41.73% vs. 41.9% before) with the biggest reduction affecting the Euro, whose share dropped from 37.4% to 30.93%.

Table 5. The structure of the SDR basket

	Before 1.10.2016	Since 1.10.2016
USD	41.9%	41.73%
EUR	37.4%	30.93%
CNY	-	10.92%
JPY	9.4%	8.33%
GBP	11.3%	8.09%

Source: *Special Drawing Rights (SDR)*. IMF Factsheet. Web. 3 May 2016, <http://www.imf.org/external/np/exr/facts/sdr.htm>

The dominance of the USD (in both market turnover and SDR structure) shows the leading role of the dollar as the global reserve currency. A study of the Canadian dollar offers some interesting findings. Formally the CAD does not play a role as an official currency reserves unit but it does so in practice (as shown in Table 6).

Table 6. Structure of the Allocated Foreign Exchange Reserves – world level aggregation

Currency	USD	EUR	GBP	JPY	CAD	AUD	CHF	inne
2000	71.12%	18.29%	2.75%	6.06%	na	na	0.27%	1.49%
2010	73.81%	25.71%	3.93%	3.65%	na	na	0.13%	4.42%
2015	64.16%	19.73%	4.85%	3.63%	1.87%	1.92%	0.28%	3.16%
Q3 2016	63.28%	20.29%	4.5%	4.48%	2.0%	1.94%	0.20%	3.30%

Source: *IMF Data: Currency Composition of Official Foreign Exchange Reserves (COFER)*. <http://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4>

United States government bonds are often called *safe haven assets*. Financial institutions buy them as a hedge against risk in any type of global political uncertainty, dubbed as the *flight to quality* strategy. *Safe haven* status is based on the long term *track record* of a currency and comes from the subjective perception of various market participants (financial institutions or private investors). Such a status may only be attained by testing market liquidity and accessibility to it, and can never be achieved via administrative decisions. To illustrate this the USD is the most liquid

and secure currency in the world. As long as the Yuan is not fully and freely convertible, the financial markets will continue to be unipolar.

The assets of a given country are kept in the accounts of this country. From an operational point of view, dollars and dollar denominated assets are kept in the USA and cleared by the Federal Reserve. Chinese currency reserves are mainly denominated in U.S. dollars, which may be frozen if war broke out. But even without this worst-case scenario – especially that the selected default of U.S. Treasuries is very unlikely from a formal point of view (Eichengreen 2005, 16), the domination of the dollar is indisputable and confirmed by the BIS data (Table 1). What could bring about changes to the current state of affairs?

In order to achieve a status similar to the Dollar, the Yuan needs to gain full convertibility and ultimately become a free-floating currency. But these two decisions are fundamental issues for Chinese economic policy. Are the Chinese leaders ready for such changes? Do they comply with Xi Jinping's targets? Gideon Rachman sees a new and radical direction in Xi Jinping policy – called *the great rejuvenation* of the Chinese nation (Rachman, 7). Before Xi Jinping, China followed Deng Xiaoping's path of encouraging collective leadership as exports and investment headed toward double digit growth and foreign policy utilised the *right momentum strategy* instead of active diplomacy (Rachman, 7). Xi Jinping's vision of his own leadership and his goals for the future are different. It is based on utilising his strong personality and strengthening his own role in governing the country. In terms of the economy, he promotes internal consumption rather than exports. In foreign policy, he sees China as an active player that is able to face down the dominance of the USA in the Asia and Pacific Region (Rachman, 7). Does the new policy require changes in China's currency policy?

Manuk Ghazanchyan, Janet G. Stotsky and Qiangian Zhang's analysis shows that China together with other countries such as Bangladesh, Bhutan, Brunei, Fiji, Laos, Maldives, Burma, Nepal, Singapore and Vietnam didn't implement the floating currency regime in the years 1980–2012 (Ghazanchyan, Stotsky and Zhang, 31). But at the same time, they experienced economic growth led by private and public investments, despite not having a free floating currency. Growth was also supported by low financial risk and high FDI inflow. The study shows that on the one hand the free-floating currency regime helps to speed up growth. However, current account liberalisation may have a negative impact during periods of currency crises (Ghazanchyan, Stotsky and Zhang, 20).

If the currency regime is not the key driver of GDP growth and new Chinese goals support internal consumption and stable economic growth, which currency regime supports such goals? The analysis of Masahiro Kawai and Shinjina Takagi shows that the prevention role of currency policy plays an increasingly important role in discussions about suitable currency regimes for developing countries (Kawai, Takagi, 267). The stabilisation effect of a currency regime attracts the same attention

as other aspects of economic policy such as the development of international trade, a policy to attract FDIs or to support economic growth (Kawai, Takagi, 267). These discussions not only take place in Beijing but in Washington as well.

Operationally and formally China seems to be very close to fulfilling all of the requirements necessary to implement a free-floating currency regime and complete liberalisation of its current and capital accounts (Duttgupta, Fernandez, and Karacadag, 28). In order to prepare the economy for full openness, the currency policies of leading export countries have been carefully analysed by academic society in China. Japan and Germany are two favourite subjects of such analyses. In 2015, based on their macroeconomic and monetary experience, the China Development Research Foundation issued a report on the preferable currency regime for China (Bin, 222–242). The recommendation leaned toward the implementation of a free floating regime (Bin, 242) with any changes being introduced smoothly and fully controlled by the Beijing authorities. Eventually this should result in a gradual strengthening of the Yuan against different currencies (and not only against the USD). These changes would mean acceptance of the Washington Consensus rules in the future.

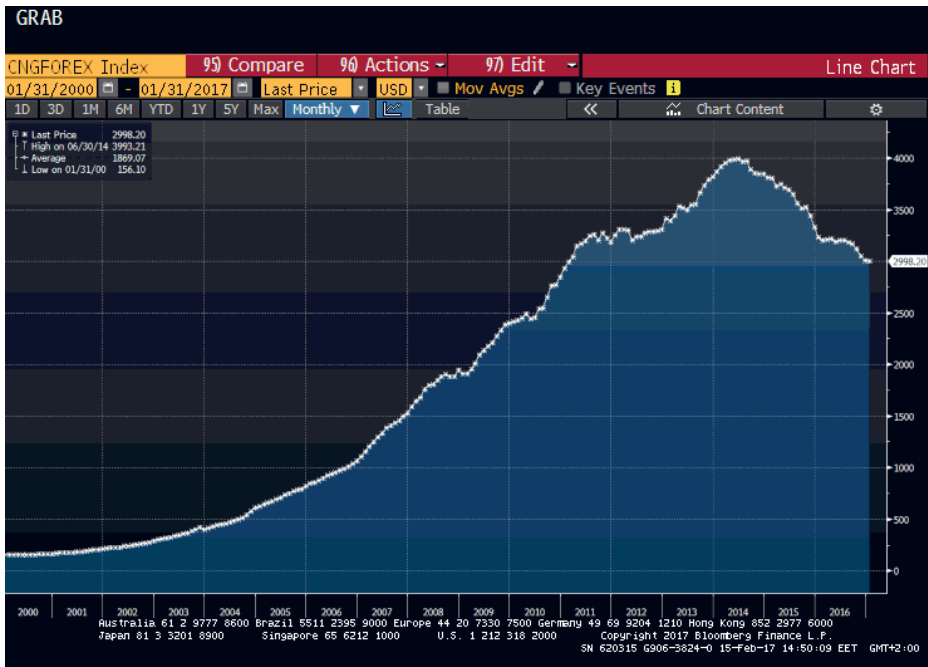


Chart 4. Foreign Currency reserves in China 2000–January 2017
 Source: CNGFOREX Index (GO), Bloomberg [access 14.02.2017]

It seems that the target (a free-floating regime) was set and agreed as a long term strategic target. But this strategy has to confront market realities. In January 2017, the China foreign currency reserves dropped below the three trillion dollar level. This meant that the country's foreign reserves had dropped by 25% in just two years (Chart 4). Reserves had peaked in September 2014 when they stood at almost 4 trillion USD. This sharp drop in foreign reserves triggered a government reaction in the shape of an official restriction against dollar purchases and transfers abroad (the measures also affected FDIs which had always been treated as one of the flagships of the Beijing Consensus path of development (Wildau, Sanderson, Hornby)). This happened a mere two months after the Yuan's entrance into the basket of official reserves currencies. The changes on the FX market, stock exchanges, and the trends in currency reserves illustrate that financial markets follow Washington consensus patterns.

As was mentioned before, the currency policy is one of the most important government policies regarding their electorate.

For China, the challenges lie in the structure and origin of the international financial architecture. The financial system has mainly been designed by the USA after World War Two. China is forced to act within this system while designing its own system in order to comply with the internal policy of the CPC. This dichotomy creates tensions on many levels.

The scale of administrative interventions after the selloff on the stock market in 2015 shows that the party is not satisfied with the turbulence caused by the financial markets which have been directly criticised by official party policy. But market volatility and financial crises are integral parts of the financial market's behaviour. They may lead to the changes of the ruling party in democratic countries if they are not solved successfully. Yet this scenario cannot take place in China. Xi Jinping's goals do not leave space for financial turmoil, which would almost certainly take place after implementation of a free-floating regime. But without such a test the Yuan cannot replace the Dollar as the most liquid and secure currency in the world. It cannot at present reach a similar level of utilisation in different financial functions which the US Dollar now serves. This status can only be attained by convincing the participants of financial markets (politically and economically independent) through the conducting of a long term transparent, predictable and successful economic policy. And finally, by following the Washington Consensus rules. The findings of Barry Eichengreen, Livia Chitu and Arnauld Mehl show that in this post-Breton Woods era the interaction and credibility of conducted policy play a more important role (Eichengreen, Chitu, Mehl, 19–20) as demonstrated by the statistical data regarding the US Dollar's dominance in the global financial system. If such a test does not take place, economic bipolarity will prove elusive in the financial market sector.

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Competition Between Chinese and United States Companies in the Internet Market

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Abstract

World's Internet market is dominated by the companies based in United States, but fast growing Chinese companies try to challenge them, and already took the second position. Their success is based on economies of scale and network effects gained thanks to their operations in the Chinese market. This two strategic advantages enable Chinese companies to successfully compete in the global Internet market. Research presented in this paper positively verifies hypothesis that PRC authorities contribute to the success of its companies through discriminatory practices, that do not allow foreign corporations to expand their operations in the Chinese market.

Keywords: Internet, China, discrimination in trade, internet censorship

Introduction and Methodology

At the end of the twentieth and early twenty-first century corporations originating in the United States, gained dominance in the global Internet market. United States companies proved to be the most competitive in the branches of search engines, social networks, and ecommerce. However, in the recent years this situation begin to change, when Chinese companies joint the competition, gaining substantial shares in all of abovementioned markets. Originally they developed mainly in the rapidly growing local market. During this period PRC authorities protected local Internet companies using many methods and excuses to stop foreign corporations from entering the Chinese market. Thanks to that help local firms gained substantial revenues, financial resources, network effects, and advantages of economies of scale. It enabled them to expand to the foreign markets, and become fierce competition for U.S. companies. PRC government denies their active role in building strategic position of Chinese enterprises. This leads to the following research hypothesis: PRC authorities block American companies access to the local Internet market to support development of network effects, and advantages of economies of scale of Chinese enterprises to enable them to compete in the global market. The scientific aim of the article was to analyse the impact of Chinese government on the development of global Internet market. The method used in research were case studies of all of the major Chinese corporations operating in the Internet market, and of their foreign competitors. The study revealed that all of the Chinese companies that are now operating in the global scale at some point had to face competition from U.S. corporations. In each of these cases it were not only endogenous core competencies of the companies, but also PRC authorities support that protected them in the local market that enabled global expansion. The study covered the whole population of Chinese companies listed in the global ranking of 20 websites with highest number of average daily visitors and pageviews.

Literature Review and Theoretical Aspects of the Competition Between Chinese and United States Companies in the Internet Market

The issue of Chinese support for the local Internet companies didn't appear in many research papers so far. Only a few scientists like Bill Dodson (26) describe Chinese practices as unfair and beneficiary for the development of local enterprises. In the majority of publications about the Chinese Internet market we can read mostly about its fast development and its measurement. Among others it was a subject of the research of the scientists: John Wong, Ling Kim, Seok Nah (18), and Jing Tan with Stephan Ludwig

(408). There are also many papers published in the subject of human rights and political aspects of Internet censorship in China. The aspect of the influence of the development of Internet and democratization of PRC was researched by Johan Lagerkvist (11). Another scientist, Michael A. Santoro (72) proved that there are many western companies that agreed to cooperate with Chinese authorities in the matters of censorship to gain market access. There is also substantial number of publications on ethical dilemmas facing American Internet corporations in China. They were usually connected with sharing sensitive information about users with governmental agencies and self-censorship. In cases like that American firms were unable to find any good solution. On the one hand they could disagree to cooperate with the government, but then their websites were usually blocked by the authorities. In this scenario they could not access Chinese market, which was the fastest growing, and potentially the biggest in the world. On the other hand they could cooperate, and use their data to oppress opposition, and implement self-censorship. In that case scenario corporations had to consider possible repercussions on other markets, like loss of good reputation or boycott of their services by politically aware users (Tan et al., 469). Other authors, like Christopher J. Westland and Sherman So (86) point out that blocking western websites is beneficial for Chinese companies, but they also that scholars concentrate research on the issues connected with freedom of speech rather than economics. Political scientists Fredrika Erixona, and Hosuk Lee-Makiyama (2) claim that Chinese authorities use censorship as a tool of discrimination. According to their study the economic rights of other countries get violated by actions to censor the Internet and online communication. They suggest that censorship in China could be reduced by enforcing its World Trade Organization (WTO) commitments. Also journalist Kevin Holden advises that U.S. should move to extend their victory in the WTO's dispute settlement forum, which ruled in 2012 that Chinese barriers to the import and distribution of American audio-visual products, films, music, books and newspapers all violated WTO rules. U.S. Trade Representative could file a new complaint to obtain a similar injunction against Chinese controls on web-based video, media, and communication platforms (Breaking Through China's Great Firewall). As China joined the WTO in 2001 it is obligated to obey its rules and regulations. One of them is a "National treatment" rule under which foreign and domestic services should be treated equally, without discrimination. The same should apply to foreign and local trademarks, copyrights and patents (Wang, 56). This principle of "national treatment" (giving others the same treatment as one's own nationals) is found in all the three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS). Chinese government claims that they are not breaking those rules, and points out that they have a right to take measures to protect essential national security interests (Article 21 of GATT, Article 15bis of GATS and Article 73 of TRIPS). On the other hand Chinese politicians do not hide that the impact on the global cyberspace has become an important part of PRC governmental strategy. In October 2016 in one of his speeches president Xi Jinping called for "a greater voice

from China in setting the rules of the Internet, as well as greater efforts to build China into an Internet power” (Hua). PRC authorities clearly use exceptions to WTO agreements to circumvent country’s trade commitments and support development of Chinese companies. Under the excuse of the protection of local population the Communist Party of China blocks the access of American companies to the local Internet market. In 2016 United States Trade Representative for the first time listed Chinese Internet censorship as a trade barrier for U.S. firms. The annual National Trade Estimate Report on Foreign Trade Barriers states that “China’s Internet regulatory regime is restrictive and nontransparent, affecting a broad range of commercial services activities conducted via the Internet” (Froman, 91). Cyberspace Administration of China (CAC), which is the central Internet censorship, oversight, and control agency, responded to this accusations with the statement asserting that “the aim of the Internet security inspection system is to guarantee the security and controllability of information technology products and services, safeguard user information security, and strengthen market and user confidence” (Miranda). CAC also claimed that “China scrupulously abides by WTO principles and its accession protocols, protects foreign enterprises’ lawful interests according to law, and creates a fair market environment for them” (Shirk). In the light of case studies analysed in this paper, this statement is far from being true.

United States and Chinese Corporations in the Global Internet Market

Specific criteria had to be established to choose the most important companies to conduct the research. As Internet corporations operate in various specific branches (like search engines, social networks or ecommerce) the only comparable measure of their importance is the number of users of their services.

Table 1. The list of the websites with the highest number of users calculated by the combination of average daily visitors to company’s websites and pageviews over one month

1	Google.com	USA
2	Facebook.com	USA
3	Youtube.com	USA
4	Baidu.com	China
5	Yahoo.com	USA
6	Amazon.com	USA
7	Wikipedia.org	USA
8	Google.co.in	USA
9	Qq.com	China

10	Twitter.com	USA
11	Live.com	USA
12	Taobao.com	China
13	Msn.com	USA
14	Yahoo.co.jp	USA
15	Linkedin.com	USA
16	Sina.com.cn	China
17	Google.co.jp	USA
18	Weibo.com	China
19	Bing.com	USA
20	Yandex.ru	Russia

Source: *The top 500 sites on the web*, "Alexa". Web. 25 October 2016, <http://www.alexa.com/topsites>.

United States companies dominate the list of 20 top sites on the web with 14 entries, second are Chinese firms with 5 entries. As February 2016 there was also one Russian website on the list.

Case studies analysed in this paper proved that all of the Chinese companies that appeared in the Table 1 benefited from the discriminatory practices aimed at American companies on the PRC market. In some cases support of PRC government is the only reason for these companies to exist. The aptness of sample selection criteria can be confirmed by the high market capitalization of chosen companies visualized in the Chart 1.

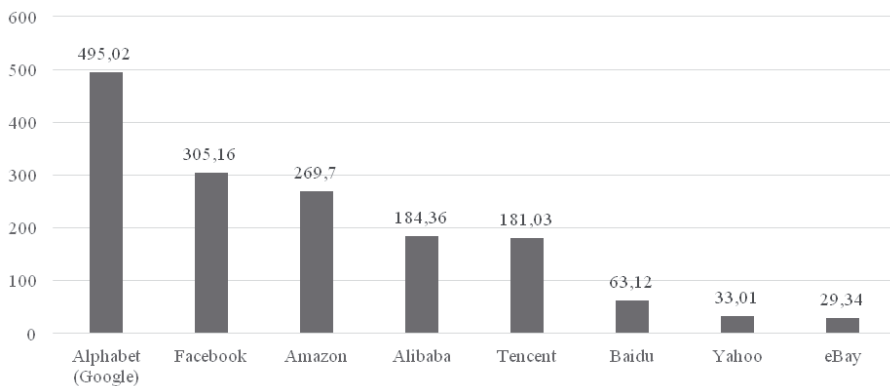


Chart 1. Market value of the 8 Internet companies with the highest capitalization in the world on the March 5, 2016.

Source: Own elaboration based on the data provided by „Google Finance.” Google. Web. 05 March 2016, <https://www.google.com/finance>

As much as 3 out of 8 Internet companies with the highest market capitalization globally (Alibaba, Tencent and Baidu), are Chinese. These relatively new firms are the only significant competition of Alphabet, Facebook and Amazon.

It is important to mention that market capitalization of a company can only confirm adequate choice of firms used in the case study. Value of shares can be very volatile, so this indicator can only confirm the choice. Number of users presented in the Table 1 is not a subject of such large fluctuations.

Case studies chosen for the research include pairs of companies that compete directly in the certain branches of web business. Alphabet (owner of Google) provides mostly the same services as Chinese Baidu. Both companies operate their own search engines, navigation services, mobile application stores, and many other similar businesses. Also both of them put big efforts into creation and implementation of self-driving cars. In the business of video streaming major global competitors are YouTube (owned by Alphabet), and Youku Tudou Inc. In case of Facebook the most important global rival is Chinese Tencent, owner of social networking sites and instant messaging applications, like QQ and WeChat. In the ecommerce market the major challengers are Alibaba Group (the owner of Alibaba.com and Taobao.com), Amazon and eBay. Chinese adversary of Twitter is Sina Weibo.

Case Studies of Chinese Corporations Operating in the Internet Market that Benefitted from PRC Government Discriminatory Practices Aimed at their U.S. Competitors

American corporation that suffered the most from the PRC government discriminatory practices was Alphabet (former Google). China blocked company's operations in many branches of its Internet business. First of all Chinese users of Google search engine were multiply blocked from accessing the website. After google.cn domain was completely banned corporation had to move to Hong Kong, and currently operates in the Chinese market as google.com.hk. As American competition vanished from the market for several months, local company quickly emerged. Search engine called Baidu had all of the features and functionalities previously offered by Google. Moreover Chinese authorities actively supported Baidu by automatically redirecting all of the entries to the Google websites to <http://www.baidu.com> (Rosencrance).

Eventually Alphabet came to an agreement with the government and was allowed to operate in China through its Honk Kong subsidiary, but it was already too late. Google services were not available in the key moments of the most dynamic

development of Chinese market. That is why Google never managed to attract such a large number of users as Baidu, which dominates the market covering over 80% of it (Chart 2).

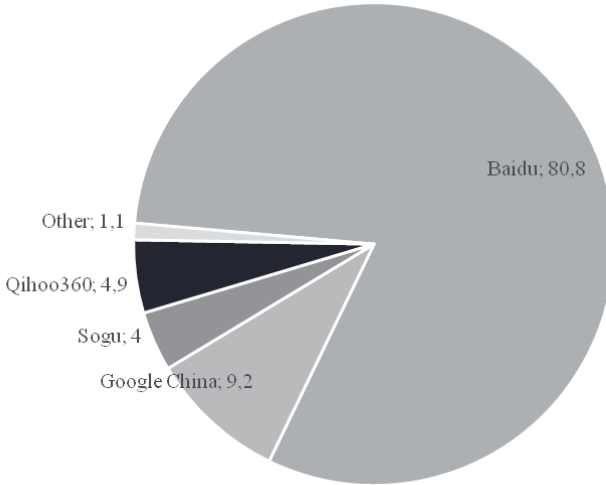


Chart 2. China search engine market share by advertising revenues in (%) in 2015
 Source: *China Search Engine Market Overview 2015*, China Internet Watch. Web. 18 April 2016, <http://www.chinainternetwatch.com/17415/search-engine-2012-2018e/>.

It proves that the decision to block Google had negative impact on the development of American company, and was crucial for the emergence of Baidu. Chinese search engine market during 2012–2015 period grew on the average pace of 42% year to year and reached 12,48 billion of USD in 2015 (China Search Engine Market Overview 2015). Vast majority of Baidu users are Chinese, but revenues from the local market enabled global expansion of the company. In 2015 as much as 5,4% of people using Baidu lived abroad (Distribution of global visitors).

Table 2. Share in the global advertising revenues in search engines sector

	2013	2014	2015
Google	55,2%	54,7%	54,5%
Baidu	6,4%	7,6%	8,8%
Microsoft	3,7%	4,1%	4,2%
Yahoo!	2,9%	2,5%	2,3%
Sohu	0,3%	0,5%	0,6%
Other	31,5%	30,5%	29,5%

Source: *Google Will Take 55% of Search Ad Dollars Globally in 2015*. "Emarketer". Web. 31 March 2015, <http://www.emarketer.com/Article/Google-Will-Take-55-of-Search-Ad-Dollars-Globally-2015/1012294>

In 2015 Baidu revenues reached 7,2 USD billion, which constituted 8,8% of the world market (Table 2). However leadership of Google is not threatened yet, it is worth noticing that Baidu's share in the global search engine market continuously rises. It is undeniable that Chinese government ensured oligopolistic position of Baidu in the local market, played an important role in that success. It is also worth noticing that Google blockage enabled creation of another web portal called Sohu, which revenues in 2015 reached 520 USD million, which accounted for 0,6% of the global market. Sohu similarly do Baidu, dynamically increases number of its clients, and during the years 2013–2015 almost tripled its revenues (Google Will Take 55% of Search Ad Dollars Globally in 2015).

An important aspect of discriminatory actions against Alphabet that supports further development of Baidu is the blockage of Google Maps. It would be extremely hard to explain in what way censorship of navigation services could be related to the essential national security interests. Especially if such services were available for many years, before Chinese company could provide customers with the product comparable (in quality) to American. Google Maps were banned on May 2014, and this move was obviously aimed to support Baidu navigation services. The blockage of Alphabet navigation services coincided with signing up a new deal between Baidu and Nokia that gave Chinese company an opportunity to use mapping services provided by Finish firm. The contract was signed in December 2014 (Tung), just six months after Google Maps were swiped out of the Chinese market. In that specific case Chinese authorities not only ensured monopoly of Baidu in the local market, but also supported its expansion to foreign markets. Revenues and economies of scale that Baidu gained in China made it possible to acquire Finish technologies from Nokia and offer their navigation services also in the foreign markets.

Another branch of Chinese Internet market that is banned for Google is digital distribution. As online sales of software, mobile applications, video games, audio, video or press has become to be profitable business Alphabets' store called "Google Play" was blocked. Similarly to other cases censorship could cover only the content distributed by the store, but instead of that the whole business was banned. What is interesting "Google Play" operated freely to 2014, and only when significant Chinese competition emerged it was blocked. From that moment major distribution stores in China are: Baidu App Store, Tencent App Gem, Xiaomi App Store and others. All three companies that benefited the most from the ban are major global competitors of American enterprises. The losses suffered by Google are high and difficult to assess. Popular digital distribution platform gives almost limitless possibilities of expansion. It can be used not only to sell (for commission) other entities products, but also as a marketing and distribution tool for own software, goods and services.

Another organization which sites were multiply blocked by Chinese censorship is Wikipedia (Barak). It may seem that banning non-profit organizations' website, that is financed by users' donations has no economic impact, but is not true. After

few years Wikipedia was unblocked by the censors, and only the access to several of 5,1 million of English language (Statistics) entries is still unavailable. During the time that Wikipedia was completely blocked Baidu introduced its own Baidu Baike encyclopaedia. Both services are similar, the major difference between American and Chinese Internet encyclopaedia is that Baidu Baike brings substantial revenues from commercial services (to the Baidu corporation). In 2016 Baidu Baike had 13,9 million entries (Baidu Baike) in Chinese, much more than its American competitor in English. Another for profit organization that benefited from blockage of Wikipedia was Chinese encyclopaedia Hudong. It also displays commercials every time someone opens any of its 15,5 million entries edited by 11,3 million volunteers (Hudong). There is no doubt that such ventures could not develop so dynamically if Chinese version of Wikipedia would be available from the very beginnings of Internet in PRC. American organization would be tough competition even if that would be a censored version of encyclopaedia.

Another interesting case study of rivalry between Chinese and American Internet companies is the market of social services and instant messengers.

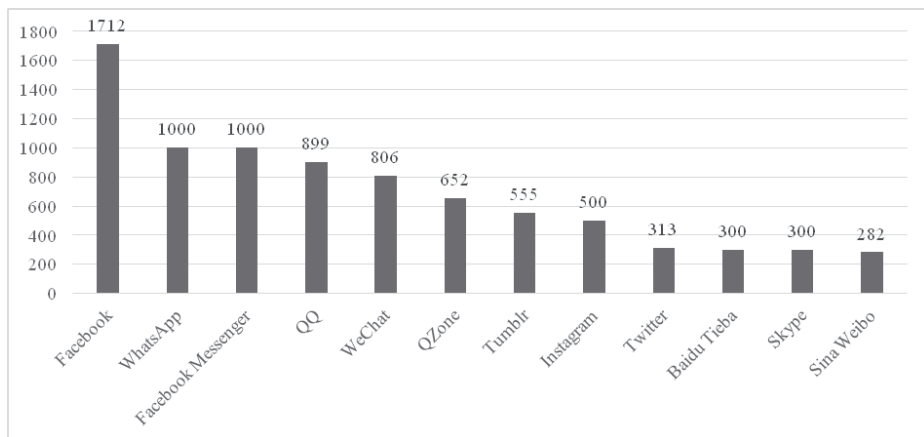


Chart 3. Largest social networks and instant messaging applications, by the number of active users in million in 2016

Source: *Most famous social network sites worldwide as of September 2016, ranked by number of active users (in millions)*, "Statista". Web. 27 October 2016, <http://www.statista.com/statistics/272014/global-social-networks-ranked-by-number-of-users/>

The corporation that dominates both markets is Facebook company, which is an owner of "Facebook" social service and two instant messaging applications: "Messenger" and "WhatsApp". The second largest company in this branch of Internet business is Tencent, owner of "QQ", "WeChat" and "QZone" platforms. Services provided by both companies were also the 6 biggest in the global market in 2016 (Chart 3). In the top 10 social networks and instant messaging applications list of the year 2016 there were 3 additional American services („Tumblr", „Instagram",

„Twitter”), and one Chinese („Baidu Tieba”). Tencent is undisputed leader of Chinese market, where since 2009 all services of Facebook are blocked (Greengard). The official reason for eliminating Facebook from the Chinese market was the lack of consent of the American company for the censorship of the content published on Facebook user accounts. Facebook was also condemned by PRC official media for facilitating organization of riots by Uighur separatists. However the true and direct cause of blockage of American social service were political and censorship factors, economic reasons probably also played a part in that decision. In 2009 rising number of users of Facebook in the Asia-Pacific region became a serious threat for the thriving business of Tencent. How dangerous the Facebook competition can be for local companies could be observed in the Polish market of social networking sites. The best example is the case study of Nasza Klasa, which used to be the biggest company operating in this branch of Polish Internet. When American competitor entered the market Polish users rapidly abandoned using services of Nasza Klasa and moved to Facebook. In few years it lead to pre-eminence of Facebook in Poland and heavy losses suffered by Nasza Klasa. In few years Facebook dominated several markets, and became to be an undisputed global leader in the market of Internet social services. The major strategic advantage of Facebook is the network effect, or in different words demand-side economies of scale. In the Internet social networking market this effect is crucial for all operations. When many acquaintances, colleagues and friends of a person use certain social networking service, this person needs to use it in order not to be excluded from the community. If Facebook would be allowed to operate freely, American company could acquire large part of Chinese market, or even dominate it. In fact many Chinese people had already started using Facebook before it was banned, because their foreign friends, and families living abroad had used it. The blockage of Facebook protected the strongest local company (Tencent), and enabled it to expand abroad. Chinese market was big enough for the development of the large base of users. When it reached critical mass point people from other countries started to subscribe to the Tencent’s services. QQ and WeChat gained popularity in many East Asian countries, creating the only significant global competition for Facebook. The number of Internet users in China is around 649 million (35 Statistical Report on Internet Development in China February 2015), and the number of QQ clients is 250 million bigger than that. If we assume that not every Chinese Internet user is also actively using QQ we can see that Tencent become to be an international service provider. What is more Chinese company uses different, more efficient monetization model than its American competitor and achieves better financial results. In 2014 revenues of Tencent reached 12,7 USD billion, and Facebook generated 12,3 USD billion. In the same year Tencent’s profits amounted to 3,8 USD billion, which was significantly more than Facebook’s 2,9 USD billion. American company generates its revenues mostly from advertising market, whereas Tencent uses totally different, more innovative strategy. Chinese company uses its social services as distribution platforms for its other

products like software, and mobile applications (especially games). Tencent's revenues are more diversified and less dependent on the advertising market (Bieliński 2015). Chinese government protects also the other parts of Tencent's business. All kinds of software and mobile applications that enter Chinese market have to be approved by many institutions and censored. This especially affects the market of games, which is the most profitable (Bieliński 2013).

Another company that benefited from the blockage of American social networking sites in China is Sina, the owner of social media and Sina Weibo portal. Services provided by this corporation are similar to Twitter. As it was blocked in China and competition in the western hemisphere is growing Twitter lost 5 million monthly active users in 2016, and in September had 313 million. In contrast Weibo pulled in 70 million new active users in 2016 and had 282 million of them in September (Chart 3). Growing number of users and revenues attracted investors, and market capitalization of Weibo raised to 11,32 USD billion while Twitter slipped to 11,23 USD billion on October 18, 2016. Thanks to Chinese government help Weibo, which initially was just a copycat version of American service, is worth more than its archetype (Millward).

The third most popular Internet service in the world after Google and Facebook is YouTube (Table 1). The company is part of Alphabet corporation, but it operates in the branch of video-sharing. As the whole website is completely banned in China, it allowed local copycats to be developed and popularised. Initially there were two major services like YouTube called Youku and Tudou, but they successfully merged forming one corporation. As October 27, 2016 Youku Tudou Inc. market value reached 5,4 USD billion (Youkou Tudou). If there would be no blockage of YouTube in China, the company most probably would not exist.

In terms of revenues, profits and market value the largest Chinese company is Alibaba. It is a global corporation, successfully competing with American giants like Amazon or eBay. The achievements of Alibaba were described in many books and publications, but the influence of government on that success has never become a subject of any research. In the short history of the company that was founded in 1999, there were at least two moments in which companies from the United States could gain a significant advantage over Alibaba. In 2004 eBay planned to conquer the Chinese market of online auctions. Back then Alibaba was just an insignificant company that worked as an intermediary in trade between small and medium-sized Chinese companies, and their counterparts in other countries. However Jack Ma, the founder and CEO of Alibaba perceived eBay's investment in China as a serious threat for his business (Wang). The same year eBay entered PRC market Alibaba offered Chinese users totally free online auction portal called Taobao. The only aim of that venture was to eliminate American company from the market. Taobao portal did not generate any revenues, and was financed by the other operations of Alibaba. Its American competitor could not afford such strategy, and implemented fees for the transactions made

on its websites. Despite the open and indisputable dumping pricing policy introduced by Alibaba PRC authorities did not intervene. The strategy, which evidently sought to obtain monopolistic position in the Chinese market received tacit approval authorities of the PRC. Alibaba also held a large advertising campaign of free Taobao auction portal in Chinese television. After two years efforts to gain substantial share of Chinese ecommerce market eBay had to abandon the investment as it was unprofitable.

Another global competitor of Alibaba is Amazon. Also this American company tried to enter thriving Chinese market. In 2004 Amazon bought Joyo.com, which at that time was the largest online bookstore in PRC. American corporation started selling their own products in China (especially ebooks), but they become a victim of massive piracy. Almost every ebook sold by Amazon could be illegally downloaded for free on other Chinese websites (Minter). Chinese authorities did not react to protect intellectual property rights of Amazon. American company soon started losing market share, while Alibaba was gaining it. Revenues of Amazon in China could have been saved by their most profitable products: e-readers and tablets called Kindle, but their debut was postponed by the government. It was not until June 2013 that Kindle devices received all necessary approvals and could be sold in China (Kopp). By that time customers were offered Chinese e-readers and tablets similar to Kindle, but available on the Alibaba's websites in much lower prices. Amazon's share in Chinese ecommerce market steadily dwindled since the acquisition of Joyo.com. In 2015 Amazon had only 1,5% share in of PRC ecommerce market, and Alibaba's share reached 44,13%. The remaining part of the market was divided by a number of smaller Chinese companies (China E-Commerce Q1 2015 Market Stats). Although the revenues and profits of other companies operating in the Chinese ecommerce market continue to grow, in 2015 Amazon suffered annual losses of about 600 USD million from its Chinese operations. For this reason, the American company decided to reduce its operations in China and opened its online store on Tmall portal, owned by Alibaba (Cendrowski). This move was considered by many commentators as a recognition of the superiority of the Chinese competitor.

Table 3. Comparison of the most important financial data of the three largest ecommerce companies in the world

	Gross merchandise volume (USD billion)	Active users (million)	Revenues (USD billion)	Profits (USD billion)
Alibaba	375	350	11,7	5,38
Amazon	180	24	89,0	-0,24
eBay	82	162	8,6	2,57

Source: own elaboration based on: *eBay Inc. 2015 Annual Report*. San Jose: eBay Inc., 2016.; *Amazon.com 2014 Annual Report*. Seattle: Amazon.com Inc., 2015.; *Alibaba 2015 Annual Report*. Shanghai: Alibaba Group Holding Limited, 2016.

Thanks to the governmental support Alibaba gained substantial revenues and profits from the local market that enabled the company to expand abroad. Alibaba.com became the biggest wholesale Internet platform in the world. Its gross merchandise volume is several times bigger than Amazon's or eBay's (Table 3). As the number of active users or profitability is concerned Alibaba is unquestionably a global leader. Chinese corporation continuously expands its operations abroad. The most important international portal of Alibaba is AliExpress, which successfully entered US, Brazilian and Polish market, and gained dominant position in Russia (Report: What's behind the global success). This success would not be possible without the support of Chinese government.

Conclusion

Case studies of all existing large Chinese Internet companies prove that there is no big company from PRC that would not benefit from governmental support. What is more, in all cases Chinese authorities helped their companies by discriminating practices aimed at their U.S. competitors. The most common excuse used by the PRC authorities is the protection of national security, which allows China not to obey the "national treatment" rule of WTO. However in several cases it became evident, that national security has nothing to do with discrimination of U.S. companies, and all of the reasons are economical. In all analysed cases Chinese companies that benefited from governmental protectionism gained substantial revenues, economies of scale and network effects. This competitive advantages allowed most of them to grow, and expand abroad, and that confirms the hypothesis of the paper. Chinese authorities actively block U.S. companies from the access to their internal market. Government supports local companies, enables them to expand, and later to compete in the global market. There are also other important conclusions from the research. Discriminatory practices not only prevents global Internet companies from entering Chinese market, but also drives away smaller foreign firms and startups from doing it. For all of the major Internet service providers that entered Chinese market (because of network effects and profits gained in other countries), the loss of the part of revenues caused by the blockage of their websites in PRC, would not affect their financial stability. For small and medium enterprises entering new market is connected with major investments and costs (e.g. translations of content). In case of such firm, the loss of revenues attributed to the Chinese market may effect in insolvency. American and European companies know about that threat, and although Chinese market seems very promising, they rarely risk any major investments. It seems that the only way of dealing with the problem of discriminatory practices in the Chinese Internet market is through the WTO dispute settlement system. However even if WTO would manage to protect interests of

western companies, the global Internet market has already changed irreversibly. Chinese strategy has proved to be very effective, and led to creation of corporations that successfully compete with global leaders.

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The Impact of the Chinese Diaspora in the U.S. on the American View of China

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Abstract

The first Chinese immigrants arrived in the United States in the 1820s and initially their presence did not result in improving the American perception of China. On the contrary – intense immigration from China led to the development of racist and xenophobic attitudes towards the Chinese (*Yellow Peril*), which culminated in the Chinese Exclusion Act of 1882. During the Second World War, China became an important ally of the United States, which triggered a succession of changes to laws barring Chinese immigration (Magnuson Act). Contemporary Chinese Americans – particularly Taiwanese Americans – can be located in the upper spheres of immigrant population: they are considered to be a well-educated and affluent group. This paper presents the historical and contemporary socio-economic characteristics of the Sino-American population set against a historical and legal background.

Keywords: Chinese Americans, immigration, Model Minority, Yellow Peril, immigration law

Introduction

As President John F. Kennedy aptly phrased it in the title of his 1959 book encouraging a reform of the United States' immigration laws, Americans are "a nation of immigrants". Immigration lies at the heart of many narratives and family histories of American citizens and is a crucial component of their collective consciousness. Yet even though many contemporary Americans take pride in their immigrant heritage and emphasise their dual identity (Polish-American, Lithuanian-American, German-American etc.), the word "immigrant" continues to evoke negative associations for a large portion of American society (Jones). Historically, this prejudiced view of immigration was widespread and prevalent (see e.g. Knoll, Schrag); not until the twentieth century have the Americans begun to appreciate and acknowledge the role immigration played in the development of their traditions, identity and national character. Ironically, these attitudes started to shift following the introduction of radical restrictions – immigration quotas – on the influx of new immigrants (Huntington, 39). American citizens' views on immigration in general have changed and so has their perception and treatment of individual ethnic groups, including the Irish¹ and the Chinese (see e.g. Tong, Lai). Attitudes towards these minorities shifted from hostile, bordering on racist, through to accepting and being inclusive. Changes to the perception of individual ethnic groups also affected the way their country of origin was perceived. The aim of this article is to present the Chinese diaspora in the United States and the changes it has undergone, to examine the causes of these transformations and provide an overview of the socio-economic situation of Sino-American people with a particular focus on the image of China and the Chinese in the eyes of American citizens in an attempt to clarify the background of Chinese-American relations.

The First Wave of Chinese Immigration into the U.S.

Although some sources indicate that the first Chinese arrived in United States as early as the eighteenth century, the beginnings of a significant Chinese presence in the U.S. date back to the mid-nineteenth century. The influx of the Chinese resulted from a growing demand for mining labourers, which followed the discovery of large deposits of gold in California in the late 1840s (the so-called California Gold Rush) (Portes, Rumbaut, 11). Transcontinental transportation routes connecting the East and West coasts of North America did not exist at the time – people and goods travelled by sea, via a circuitous route around South America, which proved

¹ The Irish arriving in the U.S. in large numbers throughout the nineteenth century have faced widespread discrimination which included barring them from employment ("No Irish Need Apply"). These anti-Irish attitudes prevailed for a long time (see e.g. Dolan, Ignatiev).

lengthy, hazardous and very costly. Consequently, labour shortages could not be easily and cheaply filled through internal migration from the East Coast states. As a result, mining companies developed a system for recruiting contract workers from Southern China, predominantly the Pearl River Delta (Portes, Rumbaut, 11). The scale of the resulting influx was substantial: in 1852 – the first year of mass immigration alone – California saw the arrival of 52 000 Chinese (*The Rise...*, 37). The end of the California Gold Rush in the mid-1850s did not reduce the flow of Chinese workers into the United States; on the contrary, their numbers continued to grow. Continuing demand for cheap labour from China was generated by the decision to build the Transcontinental Railroad, which in 1869 finally linked North America's East Coast to the West (Portes, Rumbaut, 11). It is now estimated that as many as 90% of all workers involved in the construction of the Central Pacific Railroad were Chinese (*The Rise...*, 37).

Table 1. Chinese immigrants in the USA, 1870–1930

Year	Number of immigrants
1870	63 199
1880	105 465
1890	107 488
1900	89 863
1910	71 531
1920	61 639
1930	74 954

Source: Bartnik, 43.

American public statistics responded very quickly to the mid-nineteenth century immigration from China: as early as 1860, Californian questionnaires used in the decennial United States Census featured “Chinese” as an answer to the question about nationality (*The Rise...*, 37). Owing to that, as well as to the records maintained on the nationality of people arriving in the U.S. by sea in the first half of the nineteenth century, we are able to evaluate the scale of immigration from China and the size of the Chinese population in the United States at the time. Unfortunately, information concerning the scale of Chinese emigration from the U.S. is not detailed or entirely accurate. According to official records, between 1850 and 1889 the number of Chinese immigrants arriving in the United States stood at nearly 300 000, of which 50% are estimated to have returned to their country of origin (Hooper, Batalova). At no point did the number of people of Chinese descent (born both in China and the U.S.), residing in the United States between 1870 and 1930, drop below 60 000; the number peaked, in absolute terms, between 1880 and 1890,

when it exceeded 100 000 (see Table 1). In 1870, immediately upon the completion of the Transcontinental Railroad, the Chinese made up 9% of California's population and as much as 25% of the total workforce in the state (*The Rise...*, 37). The above disproportion between the share in the general population and the importance for the labour force was caused by a dramatic discrepancy between the number of men and women who emigrated from China. This imbalance persisted well into the 1930s, with the ratio of Chinese men to Chinese women in the United States remaining at 26:1 (Portes, Rumbaut, 12).

For the Chinese workers contracted to build the Transcontinental Railroad, the completion of the investment was equivalent to unemployment. The only sector of Californian economy that could quickly absorb a large number of workers was farming, but the number of available jobs was still lower than that of Chinese job seekers. Relatively few people returned to China – wages paid to workers constructing the railway in extreme mountain conditions were too low to enable them to save enough money to buy a return ticket and purchase land in their home country (Portes, Rumbaut, 12). Some sought employment in cities. The migration of Chinese workers from their secluded camps scattered across a wasteland surrounding the railroad route into the cities revealed the scale of Chinese migration. Californian cities and farming communities, dominated by settlers of European descent, were suddenly faced with an influx of Chinese migrants, who radically differed from their fellow inhabitants in cultural terms. At the same time the country suffered from severe drought, economic recession and resulting high rates of unemployment. This situation provoked widespread anti-Chinese sentiment. Chinese men residing in the United States were believed to be “coolies” – forced labourers – while Chinese women were alleged to earn their living as prostitutes or engage in polyandry (Fuhriman, 400). These claims should be approached with caution: based on what we know today, forced labour and slavery among the Chinese in the United States can be virtually ruled out, even if there may have been a few isolated instances thereof. The issue of widespread prostitution and relationships of Chinese women with multiple men should be viewed in the light of cultural norms governing the relations between women and men in China (first wives, second wives, concubines, prostitutes) that stood in vast contrast to the Anglo-Saxon culture. Another factor to consider is the disproportion between the number of women and men in the Chinese diaspora (see, e.g. Wolf, Huang). From the viewpoint of the diaspora itself the relationships between women and men within the Chinese community did not deviate substantially – if at all – from the rules of conduct expected in Chinese culture; meanwhile for the Americans that conduct violated fundamental moral principles (Fuhriman, 400–401)².

² Intercultural marriage was relatively rare in the United States, due to legal obstacles, even following the American Civil War (Chan, 62–3). For an overview and analysis of Chinese-Western intercultural marriage in China, see (Bo).

These and other differences between the Chinese immigrants and the white population fuelled a rise of xenophobia and racism. “The immigration of Chinese labour was viewed as a threat to both American free labour and the sanctity of white womanhood. Anti-Chinese propagandists proclaimed that Chinese labour would drive down the working wage and force the wives of white working men into prostitution” (Teng, 96). The Chinese – not only those residing in the USA – were denied their humanity and instead presented as “half civilized beings who spread filth, depravity and epidemic” (Portes, Rumbaut, 12). Xenophobia and racism, coupled with the dehumanisation of Chinese immigrants in vicious pamphlets, propaganda materials and at rallies in anti-Chinese clubs quickly led to acts of violence perpetrated by members of both white and Mexican communities (Norton, 509). One of the most notorious attacks, resembling the *pogroms* of Eastern Europe, occurred in Rock Springs in Wyoming, where in the summer of 1885 a group of white men attacked 500 Chinese miners, killing 28 (Zinn, 266). The Chinese found it very difficult to prevent such attacks, especially given the aggressive anti-Chinese propaganda; they usually resorted to moving to another town or mining camp (Norton, 509).

Legislation Governing the Migration of the Chinese into the U.S.

Widespread anti-Chinese sentiment forced the federal government to take action. The legal situation of the Chinese in the United States (and of Americans residing in, or visiting China) was regulated first and foremost by the Burlingame-Seward Treaty of 1868. Apart from trade matters (in this respect the Burlingame-Seward Treaty incorporated and extended the provisions of the Tientsin Treaty of 1858), this agreement regulated issues related to migration. Upon signing the Burlingame-Seward Treaty, the United States granted the Chinese the right to free immigration and travel within the United States and guaranteed the protection of Chinese citizens in the United States in accordance with the “most favoured nation” principle (The Burlingame-Seward Treaty). The terms of the Burlingame-Seward Treaty meant that should the United States government wish to change its immigration policy with regard to the Chinese, it would be obliged to establish a new agreement with China or terminate the existing one. Faced with rising anti-Chinese attitudes at home, President Rutherford B. Hayes chose to renegotiate it. A new agreement between the United States and China, which came to be known as the Angell Treaty (named after the chief American negotiator), was concluded in 1880 in Beijing. Under its provisions, the United States reserved the right to impose temporary restrictions on the influx of low-skilled labourers from China, while at the same time permitting the influx of highly skilled workers (Chinese Immigration and

the Chinese Exclusion Acts). In 1882, seizing new opportunities arising from the revised Treaty, Congress passed the Chinese Exclusion Act, designed to carry out selected terms of the agreement relating to the Chinese (22 Stat. 58) and imposing a ten-year suspension on immigration and settlement of both skilled and unskilled Chinese workers in the United States. The Act also required every Chinese person already residing in the US and travelling out of the country to carry a special certificate enabling them to return. It was the first Act in American history to place such broad restrictions on immigration (Chinese Immigration and the Chinese Exclusion Acts)³.

Introducing tight immigration policies towards people of Chinese descent – exemplified by the Chinese Exclusion Act – was only one of many steps taken against the Chinese. Another measure was the so-called Scott Act, passed by Congress in 1888. It was introduced after both sides failed to ratify the Bayard-Zhang Treaty, under which the Chinese agreed to voluntarily curtail emigration into the United States for a period of 20 years in exchange for better protection of their diaspora (Liu, 38). The Scott Act stated that Chinese workers who travelled abroad and held valid re-entry certificates but who failed to meet new immigration criteria, would be denied entry into the United States despite being entitled to return under the most-favoured-nation principle guaranteed in the Burlingame-Seward Treaty. As an immediate consequence of passing the Scott Act, over 20 000 Chinese were denied re-entry into the United States – people who were, in fact, long-term legal US residents and only temporarily out of the country (Liu, 38).

Around the time when the Chinese Exclusion Act and the Scott Act were passed, the term *Yellow Peril* was coined to describe Chinese immigrants residing in the United States (Bartnik, 43). In the context of such aggressively anti-Chinese rhetoric, it is not surprising that further steps were taken with the view to limit the size of the Chinese diaspora in the United States. The Scott Act was followed by the 1892 Geary Act which prohibited the entrance of Chinese persons into the United States (27 Stat. 25). The Geary Act extended the term of the Chinese Exclusion Act for another 10 years and imposed further onerous requirements and restrictions on Chinese residents, obliging them to carry a certificate of identity and a certificate of residence at all times. Immigrants from China were expected to bear the full burden of proof of their right to stay in the United States. A person who did not hold the required documents could be sentenced to hard labour or face deportation. At the same time, the act required two white witnesses to testify to a Chinese person's immigration status – effectively denying the Chinese their right to bear witness in court. Furthermore, Chinese citizens were not allowed

³ Prior legal restrictions, albeit not on the influx of immigrants into the United States, could still deter potential immigrants. One such restriction was the Naturalization Act of 1790 which limited naturalization to white persons and was not repealed until a few years after the American Civil War (see e.g. Cohn).

to receive bail in *habeas corpus* proceedings. The constitutionality of the Scott Act and Geary Act was challenged in the courts (Liu, 38–39), but both laws were subsequently upheld by the United States Supreme Court in its respective decisions: *Chae Chan Ping v. United States* (130 U.S. 581 (1889)) and *Fong Yue Ting v. United States* (149 U.S. 698 (1893)).

The American anti-Chinese sentiment seems to have reached its peak in the early 20th century with Congress extending the ban on Chinese settlement for another decade and subsequently making the ban permanent (Chinese Immigration and the Chinese Exclusion Acts). This decision epitomised an immigration policy based upon xenophobia and racism, deeply rooted and prevalent in the United States at the time. It was not until the post-World War II period that this nation scarred by the Civil War – a conflict rooted in racial discrimination – would depart from such an outlook⁴.

The American view of China and the Chinese⁵ began to change following the Japanese invasion of China in 1937, which led to the Second Sino-Japanese War. The United States' support for China gradually increased throughout the military conflict; once Japan became the common enemy and China the fourth ally, granting such support was of strategic importance for the United States (Tiezzi). Thus the attitude towards the Chinese began to shift away from the pre-war approach. The Congress decided to depart from the radically anti-Chinese immigration policy – the Chinese were allies in the fight against Japan and could no longer be treated poorly and on a par with the mutual enemy. The Chinese Exclusion Act was formally repealed on December 17th, 1943, when President Franklin

4 American xenophobia and racism were by no means directed solely against the Asian and Black populations, but also against immigrants from Southern, Central and Eastern Europe – chiefly representing Slavic nations – as well as Italians and Jews. These attitudes were further reflected in the immigration quota system aimed at curbing the influx of immigrants from Southern and Eastern Europe. The legal framework for the quota-based immigration policy was provided in the Emergency Quota Law (An act to limit the immigration of aliens into the United States (42 Stat. 5), passed in 1921. That system, naturally, did not apply to the Chinese, who were already barred from settling in the United States. As for Asian (primarily Japanese) and Black people, the racist immigration policy reached its peak with the Immigration Act of 1924 (An act to limit the immigration of aliens into the United States, and for other purposes (43 Stat. 153), also known as the Johnson-Reed Act. The Act included provisions directed specifically against non-whites (including the Chinese), which, as it were, built upon the previous regulations, including the Naturalization Act of 1790 – they denied Asian and Black people the right to naturalization. American racial attitudes of the time are best summed up in the Immigration Act of 1917, also known as the Asiatic Barred Zone Act, where Articles 3 and 4 prohibit the admission to the United States of Asians and “idiots, imbeciles, feeble-minded persons, epileptics, insane persons, persons with chronic alcoholism, paupers, convicted criminals, beggars, persons afflicted with tuberculosis or a loathsome or contagious infectious disease, people certified to be mentally or physically defective... polygamists, anarchists... prostitutes”.

5 For the history of American-Chinese relations see e.g. Sutter, Wang.

D. Roosevelt signed what came to be known as the Magnuson Act (An act to repeal the Chinese Exclusion Act, to establish quotas, and for other purposes (57 Stat. 600). Not only did the Act abolish the ban on immigration from China, but it also permitted people of Chinese descent to be naturalized. From then on, immigration of the Chinese into the United States was to be regulated by the Immigration Act of 1924 and the quota system: this limited the annual number of Chinese immigrants to 2% of the Chinese population living in the United States as of the 1890 census. The change in the rhetoric concerning the Chinese community in the United States around the time of signing the Magnuson Act was striking – not only when compared to the era of the initial restrictions on Chinese immigration, but also to the period immediately preceding World War II. The Chinese were no longer considered the “yellow peril” and “half-civilised creatures”; instead they became “allies”. President Franklin D. Roosevelt went as far as to call the Chinese Exclusion Act “an unfortunate barrier between allies” and added that removing that barrier was a “manifestation on the part of the American people of their affection and regard” for the Chinese (Roosevelt).

Another decision to impact the growth of the Chinese population in the United States (albeit due to the Magnuson Act – but less prominently for the Chinese than for other ethnic groups) was taken by Congress in 1945 with the passing of the War Brides Act (an act to expedite the admission to the United States of alien spouses and alien minor children of citizen members of the United States armed forces (59 stat. 659), and – a year later – the complementary Chinese War Brides Act to place Chinese wives of American citizens on a non-quota basis (60 stat. 975). These two pieces of legislation enabled members of the American armed forces – who had served overseas during World War II and married while in service – to seek immigration visas for their spouses. The Chinese War Brides Act exempted Chinese spouses of American military men from the immigration quotas allocated for the Chinese population under the Magnuson Act.

Over a period of nearly 80 years, American immigration policy had undergone two dramatic transformations. The first one could be observed in public attitudes towards immigration, which spanned from welcoming newcomers with open arms, through almost completely excluding them, to finally embracing selective, but not restrictive, openness. The second transformation concerns the criteria adopted to identify *desirable* immigrants. Here the trajectory of change began with moderate racism (i.e. anyone could enter the United States, but some would never be granted citizenship), through racial criteria being deemed key in the selection of groups permitted to settle within the United States, to finally rejecting racism in favour of a merit-based approach. Both of these transformations were triggered by shifting attitudes towards Chinese immigrants and China itself. The anti-Chinese sentiment reflected in the Chinese Exclusion Act was the first step on a path to racial criteria forming the foundation of American immigration

policy, while the political aim to aid the Chinese resistance movement against the Japanese invasion led to the rejection of these criteria, as indicated by the Magnuson Act. Further support for immigration from China – a recent ally – was reflected in the first act that toned down (but hadn't entirely discarded) the racial nature of American immigration policy. The Immigration and Nationality Act of 1952, also known as the McCarran-Walter Act – an act to revise the laws relating to immigration, naturalization, and nationality; and for other purposes (182 Stat. 66) introduced – apart from other selection criteria – merit-based assessment, focusing on the prospective immigrant's qualifications (Bartnik, 52–53). However, only after a complete overhaul of the immigration policy, including the abolishment of quotas allocated to particular nationalities, adoption of general limits and the introduction of a selection system based on the qualifications demonstrated by a prospective immigrant – which was executed in 1965 in the form of the Immigration and Nationality Act, the so-called Hart-Cellar Act. It was a law to revise the regulations relating to immigration, naturalization, and nationality; and for other purposes (79 Stat. 911) – was a large influx of Chinese people into the U.S. once again made possible.

The Second Wave of Chinese Immigration

New migrants from China began arriving in the United States in the late 1960s. The first group to settle in the US were people born in Hong Kong; today this group represents 10% of the Chinese population residing in the United States. A large influx of immigrants from mainland China occurred as late as 1978 and followed the decision of the People's Republic of China to lift migration restrictions and open its economy to global markets. As a result, the number of immigrants from mainland China nearly doubled between 1980 and 1990, climbing from 299 000 to 536 000 (Hooper, Batalova). Furthermore, according to the data collected in the 2010 United States Census, the Chinese population in the U.S. stood at 3.535 million and that figure was almost 38% higher than it had been a decade earlier. Between 2000 and 2010, the Chinese population grew slower than the overall Asian population by 5.3 percentage points (in the case of the overall Asian population a 44.3% growth was noted – from 10 242 million in 2000 to 14 674 million in 2010) (Hoeffel et al., 15)⁶, but the rate of its growth was still significantly higher than that of the total U.S. population, which amounted to 9.7% (Hoeffel et al., 4).

⁶ This concerns only the people who checked the Asian alone box. If the individuals who marked more than one box in the race/ethnic origin category (i.e. people born in mixed-race marriages) were included, the Asian population would show a growth from 11.9 million in 2000 to 17.3 million in 2010, whereas the figure for people of Chinese origin would be 2.86 million and 4 million, respectively.

Between 2000 and 2010 the share of the Chinese in the Asian population dropped by one percentage point – to 24% (Hoeffel et al., 15).

While discussing the influx of Chinese migrants into the United States, it is worthwhile to remember that – in contrast to other immigrant communities – the mass arrival of the Chinese is a fairly recent phenomenon. According to the United States Census Bureau, as many as 47% of all Chinese immigrants residing in the United States in 2013 had arrived in 2000 or later – and as many as 17% of these arrived in 2010 or later. For the sake of comparison, the figures for the total foreign-born population are as follows: immigrants who arrived in 2000 or later represented 39% of the total, while only 10% of the total number of immigrants arrived in the United States in 2010 or later. Moreover, as many as 61% of immigrants currently residing in the United States entered the country prior to 2000, whereas for the Chinese population this figure stands at 53% (Hooper, Batalova).

The significance of the arrival of the Chinese – or more broadly, people of Asian descent – for the growth of the foreign-born population in the United States becomes clear when one compares the share of Asians and Latin Americans in the general population, the Latin American people representing the largest of the new arrival groups over the past few decades. While as recently as in 2000, Latin Americans made up 60% of all new immigrants arriving into the United States, by 2010 their share had halved to 31% of the total. Meanwhile, the share of Asian-born immigrants in the total number of new arrivals increased from 20% in 2000 to 34% in 2010 (*The Rise...*, 1). Data collected during the 1860 United States Census – the first to include Chinese as a distinct nationality – indicated that the entire Chinese-born population (equalling the entire Asian population within the United States at the time) was concentrated in the west of the United States (Frey, 95). Looking at regional distribution, contemporary Chinese settlement in the United States is concentrated in the West and the North East. States situated in the first of these two regions are home to 49% of the total Chinese population, while the second region is populated by 26.4% of the total. In other words, these two regions are inhabited by over 75% of the total Chinese-born population (Hoeffel et al., 18). The overall population of the United States is more evenly geographically distributed, with the largest percentage inhabiting the South (37%), and only 41% living in the West and the North East (*The Rise...*, 33). “Chinese Americans are the Asian group that is most concentrated in metropolitan areas; in fact, more than one-half of Chinese Americans reside in just five metropolitan areas” (Frey, 96). In 2010 these areas included New York – home to nearly 20% of the total American Chinese population (close to 650 000), followed by Los Angeles, San Francisco, San Jose and Boston, which account for 54% of all Chinese residents born the United States (Frey, 95–96).

The Chinese American population differs from the general population of the United States in many respects. The Chinese are slightly younger than

the general population, with the median age two years lower than the overall figure. Although the percentage of Chinese Americans in a marital relationship is higher than that of the general population, they are much less likely to have children. The same holds true for the Chinese in informal relationships, with fewer children born outside of marriage. In the general population, around 37% of children are born outside of marriage, while for children of Chinese origin this statistic is barely 11.3%. Another clear difference between Chinese Americans and the rest of the population lies in the area of education: as many as 18% of Chinese Americans did not graduate from secondary school, with the percentage for the overall population standing at 14.4%; however, as many as 51% are university graduates, compared to 28% of the general population of the United States. These educational achievements are reflected in the financial well-being of the Chinese communities. The median household income of Chinese American families amounts to USD 65 000 per annum, while the median income for the general population stands at USD 49 800. On the other hand, the home ownership rate is slightly lower for the Chinese American population (by 3.5 percentage points); this may be attributed to its share of fairly recent immigrants. While analysing data concerning the wealth and schooling of Chinese Americans one may notice an interesting fact – people of Chinese descent relatively rarely state proficiency in English. Only 51.9% of the Chinese residing in the United States report a “very good” command of English, whereas for the total Asian population and the general United States population that percentage stands at 63.5% and over 90%, respectively. Despite the comparatively poor command of the dominant language and a relatively high proportion of individuals without secondary education, only 13.7% of the Chinese American population live in poverty – only 0.9 percentage points above the figure for the general population (*The Rise...*, 37).

Economic data may be seen as the most objective, if imperfect, way to assess the well-being of Chinese Americans in the United States and it seems to paint an unequivocally positive picture, further confirmed by the findings of the intergenerational mobility survey conducted in 2012 by the Pew Research Center. As many as 57% of the Sino-Americans who participated in the survey believed that their standard of living was much better than that of their parents. At the same time, a similar study carried out in China yielded vastly different results, with only 39% of the respondents expressing the same opinion (*The Rise...*, 134). When juxtaposed, the findings of these two studies raise important questions. Firstly – how does the economic growth of China over the past 40 years translate into the standard of living of the population of the People’s Republic of China and its subjective perception? Secondly – considering the costs of emigration, such as acculturation or weakened family ties, do the benefits outweigh the costs? Another study by Pew Research Center conducted in 2012 has demonstrated that as many as 76% of the immigrants of Chinese descent surveyed would yet again choose to emigrate

to the United States and only 11% would rather have remained in the People's Republic of China (*The Rise...*, 120). These findings provide an affirmative answer to the second question and reinforce doubts expressed in the first.

The new wave of immigration from China affected not only the social structure of the United States, increasing its diversity, but also the American Chinese community itself, breaking it out of Chinatown ghettos and low-skilled jobs. This development was supported by the establishment of new immigrant organisations, distinct from pre-existing business, family or regional associations (the so-called *tongs*). The overwhelming majority of new organisations bring together people of Chinese origin across all business sectors – including the medical, financial and new technology industries – and maintain close ties with Chinese government agencies, some of which have been created at local and central levels with the sole purpose of reinforcing the ties of the Chinese diaspora with their country of origin. Chinese Americans can also benefit from a number of schemes and initiatives aimed at fostering their contacts with the “old country”, such as Chinese language courses offered by the rapidly expanding Confucius Institute network, or organized trips to China aimed at the younger generation of the Chinese born abroad. Such initiatives are supported by the Chinese authorities, in whose view the Chinese diaspora can contribute to the development of China and influence its international perception. The Chinese diaspora is also seen as a potential source of know-how and prospective investments. This view seems justified: Chinese American organisations have financed or co-financed the development of various kinds of infrastructure in China and contributed to the creation of universities (Portes, Rumbaut, 178–181). However, the impact Chinese immigrant organisations exert on the United States policy seems to fall short of their efficiency in other operations for the benefit of China. Although the “proactive stance of Chinese authorities at all levels (...) enhanced the power and visibility of immigrant organisations” (Portes, Rumbaut, 181), the People's Republic of China lobby in the United States is not among the most powerful in terms of influencing American foreign policy⁷.

Contemporary Chinese immigrants into the United States are entirely different from those who arrived in the 19th century – they are well-educated professionals living in a community free of the demographic problems of the past. The attitude of the American public towards the Chinese, or more broadly – towards people of Asian descent in general – is also very different. The American public no longer sees Chinese communities as a “yellow peril”, instead calling them a “model minority”, one which assimilates easily and causes no trouble; Chinese people are believed to be driven and determined to succeed through hard work and study (Frey, 102–106). This view – seemingly flattering – is not free of stereotypes; for example,

⁷ It should be mentioned, however, that the Taiwanese Americans have formed the most powerful lobby (Hrebenar, Thomas, 312).

the belief that Asians lack originality and creativity, but compensate for it by hard work. As a result, people of Chinese descent are frequently offered jobs that require a lot of responsibility, but are placed on a relatively low level in the corporate hierarchy. Chinese employees are given few opportunities for promotion to top executive positions (the *glass ceiling*) and are hugely under-represented in that sphere, especially considering the large proportion of highly qualified professionals in this ethnic group (Węgleński, 63–64). It is therefore not surprising that in 2012, Chinese Americans voiced their complaints of discrimination more intensely and frequently than other Asian communities, seeing it as an important problem that affects their well-being (*The Rise...*, 40) and limits their access to top universities or governmental and other administrative posts (*The Model...*).

Conclusions

Beliefs of contemporary Americans concerning the growing power of the People's Republic of China are likely to be based not just on messages presented in the media, but also on observing Chinese-American communities within the United States. The emerging picture – that of well-educated, family-oriented, quiet and hard-working people – affects the perception of China as a country inhabited by hundreds of millions of people that share these positive traits. Unfortunately, this positive image is tainted by an array of racist stereotypes which make it difficult for the general American public to develop a reasonably realistic view of China's true potential and the contribution of the Sino-American diaspora to the benefit of both superpowers. How soon these perceptions change depends largely on the efforts of Chinese diplomats promoting a new image of China⁸.

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⁸ Some of the tasks related to promoting a positive image of China in the United States are performed through public policy means, such as think tanks sponsored by the Chinese government, or by Chinese scholars employed by American institutions. However, no reliable or recent data on the subject is available. American think tanks usually do not provide information on the ethnic composition of their workforce, and while some studies on Chinese scholars in the U.S. exist, they are not concerned with ethnicity (Zhong, Shen). As to the importance of Chinese government-sponsored think tanks, the data on their number is imprecise and ranges between 2 and 12. This is, however, enough to conclude that their power to influence the American government policy and public opinion is very limited (Fish).

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Assessing the Impact of Communications Strategy and Ethical Positioning on the Resilience of a Political Career Facing Scandal: Critical Analysis of Sexual Scandals within American Politics

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Abstract

Throughout the evolution of public political discourse we have repeatedly seen the effects of scandals on the careers of many politicians. Although the cultural and societal norms that have traditionally dictated the results of such scandals have changed dramatically within the last two centuries, I believe that the aftermath of these scandals may be better understood by analyzing and comparing the politician's previously established public image to the scandal at hand. I will argue that a negative impact only occurs if and when there is a clear contradiction of character that presents the politician as a deceitful or hypocritical person in the media sphere and therefore the eyes of the public

Keywords: scandal, sex, politics, media, power

Introduction

Throughout the USA's political tradition, scandals have been rather commonplace, although both the circumstances and consequences of scandals in the world of American politics appear to have changed significantly in recent times. As a general trend, morality itself and the cultural norms that delineate them seem to have shifted throughout the last two centuries, and as a result, so have the judgments that are made towards politicians who may find themselves being scrutinized in the midst of a public scandal (Thompson 2000).

In these scenarios it is imperative to consider intricate situations and details surrounding the scandal, but often and more importantly, we see that assessing the results of such an event in relation to the politician's message, cultural-political platform, and intended audience or constituent base can provide a more complete insight into the public reaction and overall consequences of the event. Therefore, the implications of a scandal are more important for the outcome of a politician's career than the egregious act that has been perpetrated. Furthermore, we find that in recent history there have been cases of similar scandals that now appear to be more tolerable to a politician's career, seemingly because of developments or changes in societal norms. Although this socio-cultural dimension has importance and ultimately cannot be denied, I will also argue that another relevant factor that makes scandals more endurable to a political career is when the scandal does not inherently oppose the public ethos of the politician within the relevant pre-established context. I will present examples of such situations and argue that indeed the most important factor pertaining to the subsequent aftermath of a political scandal is whether or not the politician's public image or political platform was expressly betrayed or clearly contradicted as a result of the transgression (Williams 1998).

Brief Overview of Pertinent Factors

Changes in societal norms, political climate, and technological advancement have all played their parts in the evolution of the scandal as a public discourse phenomenon. Societies and cultures are constantly shifting and evolving, redefining and recreating limits and delineations of what could be considered acceptable to a political career. The sphere of politics increasingly demands of a politician to not only be a legislator and statesman, but also a media personality, a character, or a set of ideologies. Today it is clear that the evolution of communications media has allowed for information to spread instantly and has the capacity to tarnish a politician's reputation within a matter of hours, if not minutes. However, whether that, in turn, will eliminate their entire career prospects is a separate

point altogether. Ultimately, if the nature and details of the scandal affect the integrity of the politician's previously established moral character by exposing them as contradictory or hypocritical, this will negatively affect the public's perception and the politician's career (Williams 1998).

It seems sexual political scandals have the power to completely terminate politicians' careers but mostly only do so when there is a severe breach of previously implied expectations. The perceived public persona of the politician will have a definite negative impact if and when this occurs. Political scandals of a sexual nature are as intricate and complex as human sexuality itself – and the real life results of a sexual political scandal may be seen as a reflection of this fact. Society's true judgment and indication of a politician's sound moral character is not whether they have been found guilty of committing adultery or sexual promiscuity, but rather whether such a scandal ultimately displays an underlying contradiction of character, which in turn has a detrimental effect on the trustworthiness of their public persona within its relevant political context and cultural climate.

Early Examples of Sexual Scandals

The history of this type of scandal in the United States dates back to the end of the 18th century, which marks the beginning of the republic (Schudson 1976; Hagood 1998). Alexander Hamilton, the first secretary of the treasury, a member of the Continental Congress and Constitutional Convention, and a co-author of the newspaper "Publius", known as the "Federalist Papers," became entangled in a scandal that broke out as a result of his affair with Maria Reynolds. The news about this affair was spread by the journalist and author James Thomson Callender, who published it in his pamphlet, "The History of the United States for the Year 1796". Hamilton acknowledged that he was obliged to respond to this and other accusations, to which he did in 1797 by publishing his own pamphlet, in which he admitted to a loving relationship with Mrs Reynolds, but rejected the charge of defrauding the state treasury assets (Hamilton 1979). It is unclear whether the charges against Hamilton and his partial admission of guilt significantly harmed his political career. Undoubtedly, however, they did not help in its further development.

Callender also played a key role in fueling scandals that exploded around Thomas Jefferson, who was the president of the United States in the years 1801–1809. The most serious of these was Jefferson's affair with a young slave called Sally Hemings (Brodie 1974). It probably began in 1788 in Paris, where Jefferson spent four years as a deputy to France. Sally, then fourteen, was sent to Paris to accompany Thomas' eight-year-old daughter Polly. When Hemings returned

to Virginia, she was expecting a child, who was born at the end of 1789 or early 1790. Allegedly she had five children with Jefferson, four of whom grew up and were formally liberated. Rumors about this affair circulated around the world for over a decade, however, the official news on it was published just after Jefferson had been elected president of the United States. One of his first moves was to pardon Callender in prison for his subversive activities but despite this polite gesture, Callender soon broke up his friendship with Jefferson, and on September 1, 1802, he published an article in the *Richmond Recorder*, in which he revealed a long-lasting affair between the president and Sally Hemings. "It is well-known that a man whose admirers worship, has and for many years had one of his slaves for a concubine" – this is how this article opened (*Richmond Recorder* 1 IX 1802).

Other newspapers quickly picked up this story. Many of them called on Jefferson to deny the accusations, but he remained silent. Two years later, after having been scandalized, he was re-elected as the president of the United States. As opposed to Hamilton's admission, Jackson's example is perhaps the first clear historical case where the absence of public denial and refutation proved successful in mitigating retribution and maintaining the politician's career prospects stabilized.

Jefferson was not the only American president or candidate for this office who became the subject of gossips and accusations of hidden sexual relationships. During the presidential election of 1884, a Democratic candidate Grover Cleveland became the "hero" of a scandal that had previously threatened to derail his campaign. On July 21, 1884, ten days after being nominated by the Democratic Party, an article appeared on the front page of the *Buffalo Evening Telegraph* accusing him of having illegally taken his son away from his former partner ten years earlier. Due to the fact that Cleveland had partially built his reputation on the criticism of corruption among Republicans, such personal allegations towards him were very inconvenient. He decided to speak openly about his affair. He admitted that as a bachelor he was romantically involved with a young widow called Maria Crofts Halpin, who shortly gave birth to a baby boy in September 1874. Although Cleveland was not certain whether he was the biological father of this child, he decided to pay his maintenance and secure the adoption. The Republicans tried to exploit this scandal as much as they could, but Cleveland's sincere admission weakened the wind beneath their wings and the Democratic candidate eventually won the presidential election. This is a clear-cut case where the politician's previously established moral character was further substantiated by his public disclosure. The fact that he acknowledged the accusations, and provided a reasoned public response that maintained his image on the moral high ground, proved successful in quelling the negative effects from the scandal (Corgilano 2006).

More Recent Examples and the Framing of Character Politics

For nearly two centuries, sexual scandals have been sporadically happening in American political life. Yet, some presidents and other international political figures repeatedly implicated in illicit relationships and sexual misconduct have been lucky enough that their actions did not eventually develop into any serious public scandals. Although many presidents and other political figures maintained extramarital relations with various keepers that never turned out to be scandalous, none of them can ever match the actual number or shamelessness of John Fitzgerald Kennedy's.

It was widely known in political circles that during his political career JFK had numerous sexual affairs. Some of them are said to have lasted for several years, such as his relationship with Joan Lundberg, Pamela Turnure, or Judy Campbell, while others were fleeting and casual. Some of these affairs were so indiscrete that they were considered as reckless in retrospect. They were also the cause for concern for some Kennedy's advisers who were afraid of what might have happened in case they had been made public. JFK's private life could have triggered many scandals. Had all his sexual encounters come to light during the 1960 presidential campaign, they could have brought serious political consequences. Meanwhile, the scandals that might have exploded eventually never did. This, however, could be attributed to the fact that JFK was already known to be this way within the Washington political elite. Therefore, it can be said that although JFK's sex life never became a public spectacle during his career, it may be attributed to the fact that it was expected and in line with what was already known of his character. The rumors surrounding his many sexual escapades never became the matter of public outcry or used as a weapon against him because he never explicitly denied them and because it was known that this was his actual "nature". They were standing in no contradiction to his character.

The 1969 Chappaquiddick tragedy, which ended with the death of Mary Jo Kopechne and undoubtedly destroyed the political career of Edward Kennedy, serves as a key example of how the emergence of character politics could become a permanent topic of discussion in the public sphere. On the night of July 18, 1969, a thirty-seven-year-old Sen. Edward Kennedy left the Chappaquiddick Island on the Massachusetts coast and drove from a narrow bridge into the water. He himself managed to get out of the car, but his passenger, Mary Jo Kopechne, who had worked at the Robert Kennedy election squad before, got trapped inside and died.

Kennedy claimed he dived in and tried to save her, but had unfortunately failed. Then he returned to the party and found someone who drove him to the ferry crossing. When it turned out that the shuttle was not running at night, Kennedy jumped

into the water and swam to the other shore, then returned to his hotel in Edgartown. It was only the following day that he reported the accident to the police, but by that time the car with the body had already been found.

In a number of reports of the events in the media, there were speculations about the reasons why Kennedy had not raised the alarm earlier, that he had been drunk when the accident happened, and that he had been trying to conceal his connection to Kopechne. Kennedy denied the allegations that he had been under the influence of alcohol and that he had had an affair with his passenger. He explained that his behavior was a direct result of embarrassment, grief, exhaustion and shock. This response proved insufficient to deter the negative impact of the incident and the aftermath of attacks that would ensue to his character.

He eventually pleaded guilty to less serious charges of escaping from the accident scene and not having reported on it, for which he was sentenced to two months in suspended custody. Kennedy eventually became a senator and an influential figure in the Democratic Party. However, the Chappaquiddick incident returned again and again during his political career and completely destroyed his presidential prospects because it painted him as an unreliable person within the eyes of the public, given the dubious nature of the details and circumstances surrounding that night, and his inadequate response thereafter. His reaction to the accident would in turn always allow any political aggressor to easily discredit him as a liar or a dishonorable, undependable person at the very least (Dagnes 2011).

Since the late sixties, it has become increasingly popular within the media and politicians to focus on character issues as a strategy and less on the intricacies of international or domestic policy during their campaigns. It is also often assumed that the sixties were a period of sexual liberation and experimentation. However, after this decade, a different kind of socio-cultural trend manifested itself, which happened to be much less tolerant of sexual misconduct. This view may be justified because this point in American society, which was largely driven by the women's movement, had become more sensitive to certain behaviors of men that were previously considered normal or acceptable. In a country where the issue of gender inequality is actively discussed in the public sphere, the double standards of extramarital sex can be generally treated with less acceptance. Unwanted sexual propositions effectively became more of a sensitive issue. Such behavior had been tolerated in the past, and by some people it is still considered a completely normal way of expressing male sexuality, but nowadays such individuals are increasingly in the center of critical attention and open conflict. This is why a single blunder or misstep that shows a politician as conniving, untrustworthy or hypocritical can have permanent and devastating effects. As we will see, however, such open misogyny and sexism can leave a politician unscathed if his response is in line with his pre-established ethos and perceived public persona (Long 2008).

The Fight for Ethical Superiority

Throughout the next decades, there were other examples of negatively impacted politicians like Gary Hart, a Senator from Colorado, whose Democratic presidential nomination in 1988 was plagued by controversy surrounding his alleged romance with a model Donna Rice. Bob Packwood, a Republican Senator from Oregon, who was accused of harassing many of the women working for him, did not have much luck either. Numerous politicians became engulfed in sexual scandals that all but ruined their careers. The story of Bill Clinton, for instance, exemplified this fact and became a great reminder to everyone that sexual scandal had become a career risk factor associated with public life.

Although today it seems to be a great resource for governmental PR agencies, politicians and other public figures who are well aware of the fact that the media are actively exploring their activities, scandal has lost nothing of its ability to disrupt the course of events, oftentimes – to destroy both the reputation as well as the careers of those involved. Public character scrutiny is constantly threatening those who have risked their careers to gain power and strived to succeed in public life. Richard Nixon, Edward Kennedy, Gary Hart and Bill Clinton are just a few American examples from a long list of contemporary public figures whose lives and careers have been marked by character defamation in an immense way.

Emphasizing the importance of sexual promiscuity as a reflection of character strength helped to create the conditions in which political parties and other organizations were tempted to use sexual scandals as a weapon to harm or destroy their opponents. When the spotlight is focused on the character, it is nearly impossible to maintain that the behavior of political leaders in their private lives is irrelevant to their public roles. Hence the disclosure of their improper sexual behavior in the private sphere can have devastating effects on their public careers. With this emphasis on character issues, politics can very easily slip into a dirty game where personal behavior is used as a weapon in the fight for political gain.

Bill Clinton Scandal in Detail

As a result of the Watergate affair there were some legal regulations introduced that were designed to establish different ethical standards in politics and to set up a new and powerful public prosecutor's office. It was also important to enact state and federal laws regarding sexual harassment and improper behavior, as well as to define the rules and procedures for filing formal complaints about such misconduct in government institutions. All of these factors shaped the context in which Bill Clinton's political career was to be affected because of his secret sexual relationships. Taking into account the changes that had taken place since the 1960s,

Clinton's extramarital affair brought a certain political risk with it, but also led to several violations including but not limited to perjury, obstruction of justice and persuasion of a false testimony. Clinton was painfully aware of the fact that when a scandal of this sort ascended onto a political career, denial of charges would have been an unsecured choice (McConahey 2015, 93–110).

His troubles began at the turn of the nineteen seventies and eighties when he was the Attorney General and then Governor of Arkansas. At the end of the seventies he met Gennifer Flowers, a reporter working for a local television station. Soon after, their long-term affair began. Clinton is also believed to have had several other casual relationships when he was governor. There were countless telltales about his supposed lovers, which circulated during the eighties in the shape of rumors, similar to those of JFK. In October 1990 Clinton dissatisfied a former employee, Larry Nichols, who filed a lawsuit, accusing him of unjustified dismissal and misconduct while serving as governor. Nichols claimed that Clinton had used the state funds to facilitate out-of-wedlock relationships with six women. The local press reported on the case, but it did not go far beyond that. However, in October 1991, once Clinton announced he would be running for the presidency of the United States, the issue of his extramarital relationships became a hot topic for some nationwide news coverage.

On January 13, 1992, a tabloid magazine published an article titled *Nichols* on their front page. The editorial staff also contacted Gennifer Flowers, who agreed to confirm the story in exchange for a significant amount of money. Clinton was in the middle of a fierce campaign before the primaries and suddenly realized he was on the brink of failure. He had to deal with the detrimental accusations of running away from military service and also with the prospect of further harmful information regarding his alleged affair with Gennifer Flowers.

Bearing in mind the fact that Gary Hart's campaign for the Democratic Party nomination was wiped out from the undesirable discoveries of the same nature, Clinton went to the offensive. Together with his wife, Hillary Clinton, they agreed to interview Steven Kroft during a 60 Minutes CBS broadcast. The Clintons' strategy was carefully thought out; Bill Clinton did not confess to anything openly, but he did not deny the issue's existence either. He knew very well that had he publicly denied his affair, it would have only fueled the scandal that had been threatening his campaign. His strategy was to refuse to denounce the accusations, while avoiding open admission to them. Bill Clinton responded only to some general-level charges referring to the harm he had caused to his marriage as a result. Hillary stood by her husband and showed that she both loved and respected him despite the difficulties that they had been going through. They both did everything they possibly could in order for everyone to believe they had "been framed" by the media. They reminded the audience and the viewers that not only Bill Clinton's character would have been tested in the forthcoming campaign, but also the character of

the press, thereby shifting some of the blame. In general, Clinton's strategy worked (Cawthorne 1999).

Bill Clinton's opponents could have accused him of flirting and giving evasive answers, but they were deprived of the opportunity to prove that such public denial of allegations had been false. All of this ultimately did not stop Clinton from winning the presidential election in November. The news about his alleged affair with Gennifer Flowers did not enhance his reputation, but with his wife Hillary by his side, he managed to survive the impact. Again, this is an example of a clever communications strategy and the lack of a clear contradiction of character that proved to dilute the punch of the looming scandal. Nevertheless, the worst was yet to come.

Clinton's first-term tenure was stigmatized by further accusations of improper conduct while he was the governor of Arkansas. In January 1994, a conservative magazine *The American Spectator* published an article entitled "His Betraying Heart: Living with Clinton". This article disclosed the story of two Arkansas state police officers that were supposed to have been covering up Clinton's affair and his sexual adventures. Among other things, they described an incident that occurred at the Excelsior Hotel in Little Rock on May 8, 1991. Clinton is said to have noticed an attractive woman working at the front desk and allegedly asked one of the officers to approach her and say that he had liked her, and then ordered the officer to bring her to the hotel room where he was supposed to have been waiting (Markovits, Silverstein 1988).

This became known as the infamous "Trooper Gate" incident and Paula Jones case. In February 1994, Jones appeared at a press conference in Washington to file a lawsuit against then President Clinton, she accused him of having caused her emotional distress, deprivation of civil rights, and the destruction of her reputation as a result of the incident at Excelsior. Jones claimed to have been taken to Clinton's room where he made sexually aggressive proposals and exposed himself to her. Her attorneys announced that they would summon witnesses regarding similar Clinton cases involving at least nine other women with whom Bill had had alleged affairs or sexual encounters. Their aim was to prove that Clinton had entered into similar relationships with subordinate officials several times before. One of the women they chose to call witness was Monica Lewinsky (Newell 2006).

Lewinsky's affair with Clinton is said to have lasted for eighteen months during her time as a trainee at the White House. In April 1996 she was transferred to the Pentagon where she met Linda Tripp. She quickly befriended Tripp and opened up about her intimate relationship with the President. She did not realize that Tripp had her own agenda that disliked Clinton and his administration. At the end of 1997 both Lewinsky and Tripp were called as witnesses during Paula Jones' trial, and on January 7, 1998 Lewinsky signed a sworn statement in which she denied having ever had any sexual relationship with the president. Clinton also

testified that he had seen Miss Lewinsky once or twice during the fall of 1995 but could not remember whether he was alone with her. He categorically denied that he had ever had sexual encounters with her.

Until then, the allegations against Mr. Clinton about Monica's affair had not yet been made public. However, the next day, "The Drudge Report" described the history of Clinton's relationship with an intern and mentioned Lewinsky by name. On Wednesday, January 21, all the newspapers nationwide were also covering the story. In an article entitled "Clinton Accused of Persuading a Trainee to Lie," the *Washington Post* wrote about the investigation to clarify whether the president had exerted pressure on the former trainee to lie about the romance (*Washington Post* 21 I 1998, 1, 6).

Later that same day, Clinton appeared on national television to deny the accusations publicly. That is when Clinton-Lewinsky began. The day after this information appeared, the alleged U.S. Presidential affair, which contained details from tapes secretly recorded by Tripp, dominated the press and television not only in the United States, but also worldwide. High-ranking politicians, advisers and commentators began speculating on Clinton's possible appeal. Facing increasing pressure, the President and his wife Hillary appeared publicly at a press conference on January 26th. Clinton made a televised statement in which he again categorically and publicly denied having an affair with Lewinsky. "I want you to listen to me, I will say it again," Clinton argued, with indignation waving his fingers together. "I did not authorize contacts with this woman, Miss Lewinsky. Never, never once, lied to anyone. These accusations are false. I must go back to work for the benefit of the American people" (*Washington Post* 27 I 1998, 1).

The next morning Hillary gave a television interview in which she defended her husband and claimed that the charges made against him were part of a "huge conspiracy against my husband, which had lasted since the day he was declared president" (*Washington Post* 28 I 1998, 21). However, the scandal did not go away and instead gained more traction. By this time, the same argument of a "conspiracy" by the media to frame her husband seemed tired and far-fetched given that this was now the only one of many stories of Clinton's sexual misconduct going public. Not only so, but it showed Clinton as someone who would be capable of lying repeatedly to lawyers, the media and the general public. On April 1, Paula Jones's case was dismissed, but the investigation into the affair with Monica Lewinsky lasted all summer. It now focused on whether Clinton committed perjury when he testified in the Paula Jones case, whether he obstructed justice and manipulated the potential witnesses. As the amount of proof of his affair grew, Clinton acknowledged that he could no longer hold on to the strategy of open denial. He agreed to testify before the Grand Jury in August. He admitted that he had in fact been one to one with Lewinsky on numerous occasions and that during some of these meetings they had behaved inappropriately. On the same day, he delivered a televised speech in which

he publicly admitted to unsuitable relations with Miss Lewinsky (*Washington Post* 18 VIII 1998, 5).

Despite clear signs that the majority of Americans were tired of this prolonged public spectacle, the overwhelming response was dismay at the deception that Clinton had perpetrated continuously throughout the repeated transgressions. Time and time again, he flatly denied the accusations and lied to everyone about the facts. This exposed his true nature, as trying to protect his public image from political fallout, however the damage had been done and his lies now inevitably labeled him as a duplicitous and deceitful person. This in itself was more damaging than the actual promiscuous acts he committed. Like in the case of most political-sexual scandals, what actually destroyed the President were the implications of the violation to his declared public ethos, not his illicit relations with a former trainee.

It is likely that if the president had not tried to hide his relationship with Lewinsky while giving testimony in the Paula Jones's case, the scandal would not have provided enough evidence to justify further investigations. The disclosure of Lewinsky's relationship would have certainly undermined his career, just like in other cases involving sexual incidents and affairs (Posner 1999, 133–169). However, attempting to conceal this relationship and repeatedly lying about it would have been a sheer catastrophe as it led to violations of standards in connection with the Paula Jones case, and it proved the contradiction necessary to destroy any of the public's trust that was left. As it was first with Flowers, then Jones, and eventually Lewinsky, Clinton's repeated denials positioned him in a more difficult situation to get out of. Every president has his enemies, but Clinton did not help himself, providing his opponents with a powerful weapon to debase his political image by criticizing his truthfulness (Conason, Lyons 1999).

Contemporary Examples

Another, more recent scandal involving sexual inappropriateness can be observed in the downfall of Congressman Anthony Weiner. Once viewed as a fearless and respected Democrat, Weiner found himself in the midst of a sexual scandal after accidentally tweeting a photo of what appeared to be an erect penis. Similarly, Weiner's initial response was that it was a conspiracy against him, that he had been framed or "hacked". However, it was eventually revealed that in fact he had committed the indecent act and was forced to resign from his position as Congressman and to make a public apology. Eventually, Weiner would attempt to redeem himself by enrolling in rehabilitation, persuading the public that he had changed his ways, and that he would be running for Mayor of New York City as a newly formed man. Unfortunately, Weiner found himself in another, more serious, sexting scandal halfway through his campaign. This time accused of exchanging inappropriate

sexual photos with an underage girl. This would not only cost Weiner his political career, but also his marriage, and freedom once we had found guilty. It is safe to say that the public's memory was almost willing to move past his first transgression. It was such a difficult and embarrassing scandal to go through, and his initial denial could have potentially been rationalized to have been caused by overwhelming fear of shame and humiliation – something completely relatable and understandable to the general public. It was his betrayal of his second chance, however, that proved he in fact had not changed, and from this point on his redemption was impossible (Bash).

An almost perfect antithesis of this scenario can be seen more recently in the repeated sexual harassment accusations and sexism of Donald Trump. Before and during his political career, Trump has been accused of widespread sexual misconduct. From rape accusations, general sexual harassment and mistreatment of women, his misogyny has a long and detailed record. However, the key difference here is that, aside from denying such things, Trump has never formally expressed shame or regret for these accusations, which include calling women “pigs”, “disgusting animals”, and remarks about incest with his daughter, among other things.

Trump seems to be almost impervious to these events that would normally cause a full-blown scandal to any other politician's career. I believe this is because he is in fact totally indifferent towards them since they do not contradict his pre-established ethos and are expected. He was never afraid of any repercussion for such comments and instead it probably helped him build the public persona he wished to portray to his base. I believe these events did not spark a massive scandal because his public image was never contradicted. He never framed himself to be a highly ethical, moral or eloquent politician, but instead quite the opposite. This fact can be validated by the fact that Roger Stone, the notorious political strategist known for his dirty tricks and quotes like, “It is better to be infamous than not be famous at all” was actually one of Trump's main campaign advisors. Being aggressive, arrogant and offensive has been his key strategy from the beginning of his political career. So it is without surprise that when a videotape emerged on October 7th, 2016 of Trump saying he could “grab ‘em by the pussy”, there was no significant impact upon his political trajectory. Other than some outcry from the media and civil rights organizations, everything continued as normal. Trump dismissed his comments as “locker room banter” and acted as if none of this mattered to his seeking public office. He was, in fact, correct in that these instances did not betray any previously held image about him, so they did not represent any contradiction or hypocrisy of character and there was no real threat to his political career. Eventually he would go on to win the presidency and some supporters would go as far as praising his comments (Mindock).

These are some examples of how the outcome of a political scandal is actually more dependent on the politician's established public character than the scandalous

act itself. Many times we see that navigating with a careful communications strategy and swift countermeasures diminishes the negative impacts. In other instances, namely those where there is a clear and definite denial, it is almost certain that if a politician is found to have been misleading, conniving or untruthful, the outcome will be a certain political death sentence. However, there are instances where what could normally be perceived as a scandalous activity simply fails to have any meaningful effect, and I would attribute this phenomenon to the fact that the politician's ostensible ethos and public persona were not contradicted as a result of the misdeeds. It is almost as if any wrongdoing could be dismissed because no one really expected any better from them to begin with—there was no expectation for them to be ethical in the first place (Thompson 1995).

Conclusions

In conclusion, what these trends actually show within the larger scope of American politics is that in fact the ethical expectations usually assigned to politicians have been gradually reduced and diminished to the state where they are now. Whereas in the past American politicians were expected to be of statesmanlike conduct, superior intellect and excellent moral standard, now that expectation has all but disappeared, leaving behind a political climate where spectacle dominates over all else – paving the way for distorted character politics that ruthlessly play on the base's emotions and fears, as opposed to reasoned logical arguments, ideologies, or legislative proposals. Indeed the media-political apparatus looks rather grim as the blurring of politics and media entertainment continues, at least until the facade of virtue returns to the main stage of American politics.

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Book Reviews

The South China Sea: a Crucible of Regional Cooperation or Conflict-making Sovereignty Claims?

C.J. Jenner and Tran Truong Thuy (eds.)

(Cambridge: Cambridge University Press, 2016)

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The South China Sea carries strategic importance due to the location of oil and gas reserves. The abundance of natural resources including fish stock and strategic location create potential for conflicts which engage Southeast Asian states like Vietnam, the Philippines, Indonesia, Malaysia, Brunei and China, regional hegemon in the Pacific rim. Dispute over the South China Sea and sovereignty claims are seen as a source of tensions and have impact on stability and security in the region. To find a balance for China's growing power countries like the United States or India want to be active in that region and are indirectly involved in the disputes that make this conflict one of the most complicated in the world. Complex divergence of national interests causes need for multidimensional analysis which should engage wide range of scholars from many different disciplines to specify the nature of conflict, create a room for debate, increase public awareness of this dispute, present solution and reduce tensions among all claimants.

The book *The South China Sea: A Crucible of Regional Cooperation or Conflict-Making Sovereignty Claims?* is divided into four parts. The first chapter refers to the global dimension of South China Sea conflict and its significance for

the international stage; the second part addresses to subnational, national and regional interests of states involved in the dispute. The third chapter gives a framework from the perspective of international law; and finally the last part looks at prospects of the South China Sea dispute and analyzes potential for future conflicts or cooperation.

In the first chapter the paper prepared by Renato Cruz De Castro titled “The Obama Administration’s Strategic Rebalancing in Asia: From a Diplomatic to a Strategic Constraint of an Emergent China?” elaborates on the shift of the US foreign policy and role of the “Pivot to Asia” for regional order. The author gives recommendation for the U.S. policy toward ASEAN’s countries and claims that Washington should cooperate with Southeast Asian states to rebalance power in the region, exert pressure on China and persuade Beijing to implement solution based on international law. This paper provides detailed knowledge of a nature of the South China Sea dispute, presenting possible scenarios and exploring major geopolitical factors.

In the second chapter the attention is drawn to the paper written by Alice Ba and Ian Storey entitled “Continuity and change in the South China Sea”. This paper examines three driven forces of the South China Sea conflict like strengthening maritime boundaries and claims, growing nationalism in the Asian states, the rivalry over energy resources and the impact on China–ASEAN and US–China relations. The authors conclude that all countries have become more possessive which led to the growing number of tensions among claimants. Worth mentioning is that the paper prepared by Bonnie Glaser presents and compares relations between China, the United States and the ASEAN. The author points out three reasons for a growing importance of this strategic triangle between China’s firm stance in presenting its claims, growing concern among ASEAN states regarding maritime strategy of Beijing and the U.S. rebalance in the Asia-Pacific region. Glaser states that complexity of this dispute makes impossible to find solution which could satisfy all parties but prospects concerning armed conflict and fall of the ASEAN are exaggerated.

The edited volume is composed of the articles dedicated to the issues of maritime and regional security. The wide range of academics and multidisciplinary approach are undoubtedly the main advantages of this book. Analyses embrace topics related to the global and regional dimensions of the South China Sea dispute and also issues associated with the legal perspective. The book gives potential scenarios for the future therefore the edition makes an important contribution to the field. The book is a useful overview of the conflict for the readers who want to be familiar with the problems related to the South China Sea and regional security. On the other hand lack of common denominator connected with the level of analysis causes that few articles are devoid of in-depth analysis.

In conclusion, the discussed book definitely enriches the knowledge of the reader and gives comprehensive picture of the situation in the region which is mainly determined by the dispute over archipelagos and natural resources of the South China Sea. The book presents a detailed assessment of drivers which have influence on contemporary power structure and leave the reader with wider perspective on the role of the ASEAN and regional powers involved in the politics of the Indo-Pacific region like China and the United States. The major aim of this book is to provide more information of the South China Sea dispute which is a wide objective to achieve but the edition definitely succeeds in its overall assumptions.

Lodz East Asia Meeting: the Biggest Conference on East Asia in Central Europe

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The annual conference Lodz East Asia Meeting has been organized from 2004 by the Department of East Asia Studies (since 2015 Department of Asian Studies) at the Faculty of International and Political Studies at the University of Lodz. Over the course of 14 years, the Lodz East Asia Meeting conference has become an important international forum for cooperation and exploration of new ideas with regard to the East Asian region in Central and Eastern Europe. Starting from the 8th Lodz East Asia Meeting back in 2012, for the first time in its history, the conference was conducted solely in English. The representatives of various Polish academic institutions were joined by academics representing, among others, China, Taiwan, Japan, USA, Germany, Czech Republic, Norway and Slovakia. Ever since its first edition in 2002, the conference features renowned keynote speakers, such as: Ksawery Burski, former ambassador of the Republic of Poland in China, Indonesia, and Singapore; former ambassador to Thailand, The Philippines and Burma professor Bogdan Góralczyk, followed by professor Glenn Hook from the University of Sheffield, professor Caroline Rose from the University of Leeds or Emil J. Kirchner, Jean Monnet Professor and Coordinator of the Jean Monnet Centre of Excellence

at the University of Essex. From the 2014 edition, LEAM has been awarded with honorary patronage of Minister of Foreign Affairs of the Polish Ministry of Foreign Affairs.

Every year during Lodz East Asia Meeting refers to current challenges and political issues in East Asia. In 2012 the main topic was focused on aftermath of the global financial crisis. It was also devoted to included multilateralism and integration in the region; Japanese political scene, Chinese overseas investments as well as relation between China, European Union and the United States of America. Moreover, special seminar was dedicated to Polish-Japanese relation as well as political implications after the earthquake of March 2011 in Japan. The seminar was enriched by the presence of more than 20 Japanese postgraduate and doctoral students from the University of Kwansei Gakuin – a strong University of Lodz's academic partner. The 9th Lodz East Asia meeting in 2013 was mostly focused on the relations of East Asia and Central Europe. Keynote speech presented by ambassador Bogdan Góralczyk on the Rise of China was a perfect introduction to the conference. Although the China's rise on the global platform is often the main theme of many academic debates, LEAM was divided into specific topic panels about the political, military and cultural interactions and their implications between Central Europe and East Asia with a special focus on the settlement of Free Trade Agreements, security challenges as well as China-US and China-Russia economic, political and trade relations between the two regions. The special attention was also paid to the topic of China's domestic development and its economic ties with ASEAN countries. There was also a special panel highlighting India's rise and role in global politics and economy. In June 2014, the Lodz Asia Meeting took place and it was devoted mainly to the topic of new dynamics of Europe-East Asia Regional Cooperation. Conference was attended by over 70 academics from a wide variety of fields bringing remarks on the issues related with the Silk Road Economic Belt as a framework for China-Central Europe cooperation; Japanese approach towards East Asia; regional issues of East and South Asia as well as U.S. political and economical presence in the Asia. Keynote speech delivered by Marta Jagusztyn on the contradictions of state-NGO relations in China. The other interesting panels were conducted with regard to East-Asian society, culture, international law as well as Korean Peninsula dynamics and Asian sovereign wealth funds activities in Europe. The main theme of the 11th LEAM Conference "East Asia dynamics. Between being regional and global" once again brought many renowned scholars from all over the world. The keynote speech by professor Glenn Hook (University of Sheffield) was to discuss local and regional strategies in Japan's foreign policy. It was a perfect introduction to the later discussion on the dynamics of the decision-making process in Japan. Moreover, the additional discussion panels were focused on the internal and international policies in East Asia; theory and practice of paradiplomacy in Poland and China while the latter was organized jointly with

the Polish Institute of International Affairs (PISM) and the Ministry of Foreign Affairs (MFA). The Lodz East Asia Meeting in 2016 was dedicated to the topic of overcoming controversies in East Asia. From 2nd to 3rd of June, 55 scholars from various countries were discussing about the political, economic and social dilemmas in East Asia. Keynote speech was delivered by President of British Association for Japanese Studies, professor Caroline Rose from University of Leeds, where she examined the educational reform conducted by the Abe Shinzo government and highlighted its possible impact on relations with China. As in previous years, the conference was divided into many panels undertaking various dimensions of East Asian controversies: economic – One Belt One Road Initiative, regionalization in East Asia, economy and business in Asian context, successes and failures of Chinese economy; security – dynamics of the U.S. “Pivot to Asia” strategy, geopolitical competition in Asia; social – Chinese culture and identity as well as political problems of law and democracy in East Asia, China’s international relation theory and foreign policy. Power shift in East Asia and the prospect for developing Asian-European Ties was the main theme of 13th Lodz East Asia Meeting in June 2017. The examination of power shifts in the political, economic and social landscape in the Asia and its significance for Asian-European exchange was the main subject of interest for over 60 scholars from 12 countries. Jean Monnet Professor and a Coordinator of the Jean Monnet Centre of Excellence at the University of Essex – Emil J. Kirchner delivered a keynote speech on interest convergence and security cooperation between the EU and China. This was followed by a special session on Asia-Europe economic and political linkages, chaired by prof. Kirchner. The panelists were also focused on the analyze of EU–Asia relations, South China Sea Territorial Disputes as well as maritime security in Asia. Special attention was paid to the US–China relations under the Donald’s Trump Administration. The conference was attended by HE Vu Dang Dung, ambassador of Vietnam to Poland.

What should be mentioned at the end is that the Department of Asian Studies at the University of Lodz has built an mechanism for the future cooperation between the scholars, annually delivering in-depth research analysis in the field of East Asia politics. Selected papers are being published in the new book series run by the DEAS – Contemporary Asian Studies Series. Having such strong academic background the University of Lodz has gradually become one of the most important venues for academic exchange in the field of Asian studies.

Biographical notes

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