

**GLOBAL POWER TRANSITION: INCREASING ROLE OF CHINA AND
CHALLENGES TO US SUPREMACY IN ASIA-PACIFIC**



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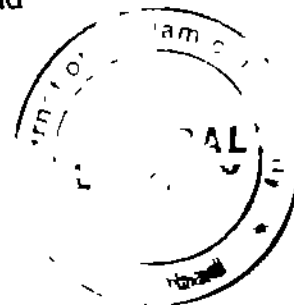
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August, 2016



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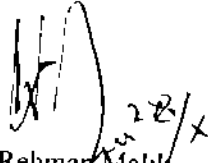


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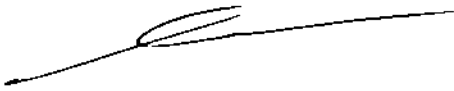
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DEDICATION

To my Parents

ACKNOWLEDGEMENT

Foremost, all praise to Almighty Allah for helping me achieve this milestone. Indeed Allah is merciful and the ultimate guide to mankind.

Thanks to my family, whose love and support made this endeavour possible. Most special thanks to my mother, who has been a source of inspiration for me throughout my life.

Lastly, immense gratitude to Dr Amna Mahmood, my supervisor and a compassionate human being. It was a privilege working under her, whose encouragement made this research possible.

Hudaa Khalid

LIST OF ABBREVIATION

A2/AD	Anti-Access/Area Denial
ADMM	ASEAN Defence Ministers Meeting
AIIB	Asian Infrastructure and Investment Bank
APEC	Asia-Pacific Economic Cooperation forum
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BRICS	Brazil, Russia, India, China and South Africa
CPEC	China-Pakistan Economic Corridor
DPRK	Democratic Republic of Korea or North Korea
E3	Expanded Economic Engagement
EDCA	Enhanced Defense Cooperation Agreement
EU	European Union
FDP	Full Dialogue Partner
FTA	Free Trade Agreements
G7	Group of 7

IAMD	Integrated Air and Missile Defense
IMF	International Monetary Fund
IS	Islamic State
MENA	Middle East and North Africa
NAFTA	North American Free Trade Area
OBOR	One Belt, One Road
PPP	Purchasing Power Parity
PRC	Peoples Republic of China
RCEP	Regional Comprehensive Economic Partnership
SCO	Shanghai Cooperation Organization
SED	Strategic and Economic Dialogue
TPP	Trans Pacific Partnership
USPACOM	US Pacific Command
WTO	World Trade Organization
WWII	World War II

Abstract

The Asia-Pacific, a region of tremendous geo-strategic importance is undergoing a phase of Power Transition. This hostile environment holds challenges for all the regional stakeholders in their endeavor to advance their national interests while checkmating that of their opponents. The status quo supremacy of the US is being challenged by an indigenous power, namely China. Rise of China has posed challenges for US in realms of economy and military, upsetting the long established strategic ties of US with the Asia-Pacific states. In order to curtail China's influence US responded with its Rebalancing Strategy revolving around three areas, Security, Economic and Diplomatic. However, at the same time US and China are in a stage of complex interdependence, not just in terms of economics but also shared international responsibilities. This study analyzes the areas where US' supremacy is being challenged by China, its response and strategies to rebalance itself. Moreover, it explores the prospects and implications of China's rise on US-China relationship and the region with the focus on evolving geo-political situation.

Introduction

The end of Cold War has changed the dynamics of world power politics from Bipolar to Unipolar by ensuring US supremacy in the world. However with the start of globalization, power politics got slightly changed with the emergence of new world powers like China. The end of Cold War and subsequent democratization of the communist countries was declared by US as success of Western values demanding more active role of the US in global governance. US unilaterally led the order with the emphasis on peaceful settlement of disputes through international courts, universal human rights and free trade and investment. The regional order in Asia-Pacific was also maintained by US and the qualities that facilitated this were its strong economic system, its democratic form of government and enormous military power that were translated into political power making it a credible hegemon. In retrospect the world was largely uni-polar with no credible rival in the horizon (20th-century international relations, 2015)

However, today this uni-polar order is breaking down, the US power is declining and so is its ability to enforce its values and interests abroad. The 2008 global financial crisis exposed the loopholes in global economic governance, and the wars in Afghanistan and Iraq showed the dwindling position of US military capabilities (Mearsheimer, 2010). Therefore, when the hegemony depreciates, so does its norms and values which it promoted. Many challengers emerged to disrupt the American hegemony, one such potential challenger today is the rising China (CFR, 2016)

China's rapid rise within a span of three decades is often cited as greatest economic success story. China introduced economic reforms in 1979 which led to rapid economic growth and emergence as a major economic power. This sustained economic success enabled China to become a formidable power of the Asian continent and thus undermining the US position

China is now the world's second largest economy, this position increased the confidence of its leadership who actively began to challenge US hegemony (World Bank, 2016). Furthermore, China seems to hold aspirations to bring forward alternatives in form of its Asian Infrastructure and Investment Bank (AIIB) to the Bretton Woods system. With such a shift in economic power, there comes inevitably a shift in political power, as witnessed in the case of political support provided by the western governments to become founding members of the AIIB in clear defiance of the US. With a strong economy and increase in defense spending, China's stature has grown in the eyes of the global world. Majority of the masses in most countries believe that China has or will surpass US as world's leading super power. Countries of European Union (EU), Middle East, Latin America and Africa are the most convinced that China will replace US, while the Asian countries are divided in their opinion (PEW, 2014).

In Asia Pacific, US and China have military, naval and air presence. Both have their allies and China has become an important trading partner for regional countries instead of US. China comes first as trading partner for its neighboring countries in east as well as south. Moreover, people in Asia-Pacific hold a positive view of China (Pew, 2015). This all threatens the US' strategic Primacy in the region and holds the potential for future bifurcation. This shift in economic power is also evident globally, China has an economic presence in Africa, Latin America and Europe which also challenges the existing economic primacy of the United States. China has also modernized its military capabilities that erode American supremacy. It runs an Anti-Satellite Program that curbs US global surveillance and communication monopoly (CSIS, 2016). These are serious challenges not just to American supremacy but to core US interests.

This incredible rise of China has already posed geopolitical, military and economic challenges to US power. To these steps of China, the Obama administration responded with the

policy towards the Asia-Pacific, called Pivot or Rebalancing (Campbell & Andrew, 2013) China and the US, at present have extensive bilateral commercial ties, China is US' second largest trading partner, its third largest export market and largest source of imports (Morrison, 2015) The relationship of China and US is that of complex interdependence and thus none of them can flip sides all at once Despite this interdependency there are several areas where the interests of both the countries clash Thus the nature of relationship between them would be one of the defining factors of 21st century It would determine world peace and stability along with the course of future world order However the extent to which China aspires to play more active role in international affairs is still ambiguous and needs to be investigated (Sutter, Brown & Adamson, 2013)

Statement of the problem:

As mentioned earlier China's tremendous economic rise has led it to adopt assertive position towards the world politics which disrupts the status quo On the other hand US is in endeavor to check mate the increasing influence of China in the world This research aims to investigate the challenges that rise of China poses to the US supremacy in the Asia-Pacific To explore the nature of relationship between China and regional states, ambitions of China whether it is interested in replacing existing norms with its own version How has US responded to this rise of China and what would be the course of future US strategy, whether it gives up its support to China or will merely introduce changes to its current policy in order to limit the dangers that China's economic and military expansion pose to the US interests Furthermore to investigate the prospects and implications of China's rise on US-China relationship and the region with the focus on evolving geo-political situation Lastly to determine how China would fit into the existing world led by US

Objectives of Study:

- To determine how China is challenging the US supremacy in Asia-Pacific
- To evaluate the US response to increasing role of China and to explore how US would sustain itself
- To find out the prospects and implications of this rise on US-China relationship and the region

Significance of Study:

The regional order in Asia-Pacific seems to be undergoing a transition phase where US supremacy is being challenged by China with its booming economic and subsequent political position. At the same time both US and China are dependent upon each other and the course of relationship they continue would determine the future power politics. This relationship seems to be one of the most significant bilateral relationships of next several decades. Thus this is the right time to study the changes under going the present order, the remedies being undertaken to preserve it and then exploring the possibilities of future world order. Many books are available discussing this relationship in some way but they can't be regarded as an academic research. Thus this research endeavors to fill the gap of a comprehensive scholarly study in this particular realm of international affairs. Nonetheless, there are mostly singular researches either directed at China or the US, whereas this research endeavors to bridge the gap and give a balanced depiction of both. This research doesn't take sides rather describes the approaches of both the states towards each other. Moreover this recommends a theoretical narrative to guide this relationship of the century.

Research Questions:

1. In what ways China is challenging the US supremacy in the Asia-Pacific?
2. What is the US response to increasing role of China and how would it sustain its primacy?
3. What would be the implications for China's rise on US and the region?

Delimitation of the Study:

The US and China face each other in several parts of the world from Africa to Southern America and Asia-Pacific. Thus, this research would investigate the course of their relationship/rivalry in the Asia-Pacific region.

Literature Review:

The *Post-American World*, offers a provocative though sometimes problematic perspective on the changing historical, economic and social landscape of our global world. Zakaria argues that the United States is now contended with the third great power shift in the modern era which is the rise of the rest. The decline in US unilateral power coupled with dramatic economic growth of non-western countries facilitated countries as BRICs to rise. Zakaria's *Post American World* offers some useful suggestions for the future of global world highlighting the necessity for cooperation and collaboration in and across nation-states. However, even with one full chapter on China, the author completely ignored if China has any future plans to lead the world or influence it. Over the years China's power has increased manifold and now there is a need to re-address the Sino-US relationship in present dynamics. Thus this research

intends to cover this gap in the book which ignored the most credible threat to US led order that is China (Zakaria, 2008)

Another book *World Order Reflections on the Character of Nations and the Course of History* is setup in a quest for new global order that incorporates all existing regional orders. The author believes that the demise of USSR didn't end the opposition to western liberal order instead it is still being challenged by new powers and notable amongst them is China. China is destined to object the existing international order as it didn't design it and that's why it objects the international rules. He identifies two potential areas of great power competition within Asia that would involve China, one in South Asia and the other in East Asia. It can even result in ideological clash since Chinese Ideology is different to that of west. Only Balance of Power among rising and existing nations would ensure world stability. However this book merely reflects author's personal views and can only be regarded as a guide to future management of relations. Moreover it is not a scholarly work, thus this would only used as a supporting literature for this research (Kissinger, 2014)

A report named *Revising US Grand Strategy toward China* talks about that how US Grand Strategy should be in the 21st century that maintains its primacy in the global system. This study recommends such a strategy that balances China's influence by limiting its capacity to use power, rather than integrating it into the international system. It mainly discusses how US should respond to China but ignores the fact how China would respond to this strategy. This report would be used as supporting literature (Blackwill, D R & Tellis, J A 2015)

In his book *On China*, Henry Kissinger (2011) offers a framework for future US-China relations by looking back at China's diplomatic history. Kissinger believes that by building

diplomatic institutions, China and the United States could avoid another Cold War from being played in an important region as Pacific. As they both are competing for power as the aspiring and existing superpowers of the 21st century, thus their relationship is central to world peace. The author concludes that relations between China and the USA are likely to remain peaceful and relatively amicable over the long term. However the book is more focused on history of China and how it established relationship with US. In tracing history the book misses to project future course of relationship between US and China. Moreover it's like an author's memoir rather than a scholarly work.

Robert Kagan (2012) in his book *The World America Made* sketches a picture of world order in the wake of reduced role of America as global leader. The picture is quite alarming if US attempts this super power suicide the world would again return to wars and anarchy. He believes this liberal order and its values like democracy and freedom were furthered to all parts of the world because of economic and military power of the US rather than the respect for those liberal values. The author is too occupied with the praise of US order that he tends to ignore the challenges faced by US in the current age such as one that from burgeoning Chinese power. He doesn't realize that the US doesn't hold the same position as it did earlier. The book makes so many generalizations without any substantial proofs thus cannot be regarded as a research material.

Another essay explains that American unilateralism has ended and other potential rivals pose challenges to its supremacy. The era of hegemonic stability is gone and Balance of power now best explains the world structure. The research further draws out from power transition theory, depicting shift from West to the East. However the research ends by mentioning rise of China, ignoring the repercussions caused by its rise (Debin, Naseer & Amin, 2012)

Acharya (2014) in his book argues that the uni-polar world is over and the emerging order would likely be 'multi plex world order' having unprecedented levels of interdependence. Regionalism would grow, facilitating greater cooperation among states. His projection of future world order with increased role of regional bodies remains probable for short run, however in long run what would be course of order remains unanswered. He seems to ignore the thriving economy of China which would facilitate its growing political posture. The book is neutral and has an objective narrative, it is neither anti-American nor US-focused.

Another book *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* talks about how US established the present liberal world order, which has been most successful in providing security and prosperity to more people. But the American-led order has been in trouble for last one decade and the book discusses several debates on why this order is declining. According to author the crisis faced by US is that of authority and roles within the liberal international order and the reason for which is the rise of non-Western states such as China. Furthermore this book advocates that US needs to renegotiate its relationship with the rest of the world and pursue a more enlightened strategy. This book would be used as a supporting literature for the research (Ikenberry, 2014).

The author argues that China is one of the major powers of the world, which continues to expand its influence in Africa, South America, and Asia. On contrary the western powers face several threats, crises and problems. This change in balance of power and rise of China has disturbed these westerners, especially their belief that liberal democratic values are universal seems challenged since China is a non democratic state. The author holds a very positive view of the China and believes that major threat from China is that it holds an alternative to the western ideas and beliefs. He further states that the alliance between China and other countries are

interest driven and not based upon the compatibility of value system. However the author seems too occupied with the idea that China is challenging the international order and trying to rewrite international rules to reduce the influence of western powers. Although the West's decline seems inevitable but the author's preoccupation with this notion has made him ignore the dependence China has on those very liberal rules. Thus this book ignores the importance of western liberal system that facilitated the ascendancy of China to this position which it holds today (Halper 2010)

Another book *When China Rules the World* by Jacques Martin (2009) appreciates the smart rise of China. He argues in his book that China will take over US as world's dominant power and subsequently make rules according to its own terms. The book explores several possibilities that future world will hold dominated by China. The book highlights the point that the West has so far perceived China rising solely in terms of economics with little impact on political sphere. According to author the rise of China will change world in profound ways. China will certainly become a revisionist power, not a status quo state. This book will be used as supporting literature for the research.

Another book gives account of China's recent past and propagates a theory that it will overtake US and will become world number 1. However it needs to address the challenges it faces to keep its rise afloat. It highlights several constraints that will hinder 'China to dominate the 21st century. Its authoritative style of government will prevent by not bringing desired economic reforms. It talks about the inadequacies that the Chinese state has from political to economic sphere. Moreover it tells that there are bleak evidences of China's global ambitions beyond the realm of trade and investment. However the book underscores the China's rising military and diplomatic might. Moreover it underestimates the soft power used by China in

pursuance of its interests abroad and lacks details about China being a concise book (Fenby, 2014)

Another book *Emerging Interdependence between China and the US Trade and Technology Transfers* talks about the multifaceted relationship between China and US with emphasis on commercial relations and technology. It states the point that how these relations have made them both interdependent on each other. Since this book covers just one aspect of their relationship, it would be used as a basis for this research (Mahmood, 2011)

Aaron Friedberg's (2011) book *A Contest For Supremacy* examines the competition between the US and China that is growing in economic and military sphere. The author is of the view that this competition is not economic or military, rather between two political systems: liberal democracy and one-party authoritarianism. He sounds quite pessimistic because if China becomes a regional hegemon with its own political system intact, the chances of peaceful future are bleak. However, the book is more focused on politics and US-China relations and does not predict an outcome for the world and the US. This void would be investigated in this research.

Another book talks about the great power competition between China and the US for supremacy. The author is of the view that after years of economic development, China now looks to turn its economic heft into global power. His main arguments are that now China aspires to be a rule maker, it is assertively challenging geopolitical interests of the US. This contest will be played in every arena from controlling seas to rewriting the rules of the global economy. At the same time, the author identifies the challenges to the Chinese ambitions, the regional states which are not ready to live under its influence. This book is essential reading at the time of great uncertainty about US' future and sustainment as a central player in the world affairs (Dyer, 2014)

Research Methodology:

The study employs both descriptive and analytical research methods. Deductive method is used to reach conclusions from the data. The research employs qualitative method and is based upon both secondary and primary sources of data. Secondary sources include Books, Research Articles, Documentaries, Newspaper and Journals on these topics. Primary sources of data comprise the proceedings and reports of the parliamentary committees. It relies on reports of Congress committees of Foreign Relations and committee on China which are public. It undertakes statistics from official statistic Bureau of China. Moreover documents and testimonies of National Security Council of US are also part of primary sources of data. All these primary sources are readily available on the internet.

Organization of Study:

The research has six chapters and their focus is as under

First there is an introduction to the research comprising of salient features of the research proposal. It discusses the objectives, research questions and methodology of the research. Moreover it has the review of literature that is relevant to the topic.

First chapter is the conceptual and theoretical framework of the research.

Second chapter starts with an overview of Asia-Pacific, its geo-strategic and geo-political position. It explores the significance of region during the world wars and subsequently during Cold War till the present time.

Third chapter investigates how rise of China is challenging the US. It gives an historical account of China's economic rise making it a basis of the position China holds today. It

discusses China's economic development, challenges to the US like its proposed Maritime Silk Road, efforts for Asia Pacific Free Trade Area and formation of AIIB. It explores China's relations with Asia-Pacific states in economics and trade. Furthermore, it talks about China's military rise, its strategies and areas in which it contends US. Moreover, it discusses military cooperation between China and the regional states. Moreover, it discusses the political challenges posed by China, its alliance network, use of public diplomacy and soft power.

Fourth chapter probes the US response to the increasing role of China, how it has rebalanced itself in wake of increasing role of China. It talks about US efforts to rebalance and curtail Chinese influence in the region. The strategies adopted by US in Economic, politico-security sphere are discussed in detail separately. It discusses US trade relations with the Asia-Pacific states. Moreover, it explores military cooperation between US and its regional allies. Lastly, it takes into account US and Japan coherent relations with China.

Fifth chapter begins with US-China relations in historical perspective, exploring them through Cold War to present times. It explores the placement of US and China in global order, their economic relations and military cooperation. It explores the implications of China's rise on its relationship with US and the region. Moreover, the importance this relationship holds for the world stability and the need for cooperation. It investigates the areas of cooperation (global security threats and responsibilities, climate change) and how would they balance these between confrontation and cooperation.

Sixth chapter concludes the whole research.

Chapter 1

Conceptual and Theoretical Framework

This research draws references from two theories, one Organski's Power Transition theory and second the theory of Complex Interdependence developed by Keohane and Nye. Power transition theory is used as basis to show that the current China-US face off in Asia-Pacific is actually between a status quo power and a rising power. However this does not necessarily mean that it will lead towards war. That's where the second theory comes into play suggesting the nature of complex interdependence between US and China that limits their policy options.

Power Transition theory was developed by A F K Organski in his book *World Politics*. It is explained through the Structural Realism which emphasizes on the structure of world power. The Power Transition theory envisions global politics as a hierarchy of nations with varying degree of competition and cooperation. There is one dominant state, a number of great powers which are potential rivals to the dominant state and who have a stake in maintaining the system and control the allocation of power resources. Furthermore this system has middle powers comprising of regional powers with significance in the region but not able to challenge the dominant state or the system structure. Power transition is the narrowing down of the ratio of military capabilities between great powers, an even distribution of political and economic between them. Such a situation can lead to war, however the peace can be preserved when there exists an imbalance between national capabilities of the both (Organski, 1968).

A power that is overtaking the former dominant power is likely to initiate a war only when it is *dissatisfied* with this status quo. The status quo of the international order is thus a

central concept of this theory, because it describes international politics less marked by anarchy and more by a *hierarchy*. Thus when a rising state is dissatisfied with the status quo it would try to overturn it. The satisfaction of rising states is measured by two indicators, the increase in military expenditure and comparison of alliance system of dominant power and contender. Dissatisfied powers strive to overturn the status quo by building upon their military capabilities and search for allies that are dissatisfied as well and share the interest of disrupting the status quo (Kegley, 2010)

Applying power transition to the current order in Asia-Pacific, we witness that the growth of Chinese economy has been so rapid that it would soon replace US, as US itself did in the early 20th century. Moreover China is developing upon its military capabilities, disrupting the US military preponderance in the region. Using this analogy we can predict that China's burgeoning economic and military capabilities would result in its increased political power. China's interests are expanding today in Asia-Pacific which threatens the established rules of the US. This research applies the theoretical effects of power transition on contemporary rise of China. This theory is just used to draw reference in such a way that the power today is in phase of transition. It doesn't take into account whether it will lead to war, it just forms the basis that the global power is in transition and to understand how to maintain amicable and cooperative US-China relations in order to avoid war. Although the theory has been famous for its predictions of war, the idea of peaceful power transition is under-conceptualized and under-theorized so far. There exist many indicators that reflect power transition is underway and China-US relationship can be defined as a relationship between a rising power and the established power through the power transition theory.

US for a very long time remained the dominant power, maintaining peace as theorized by hegemonic stability theory. Thus China's rise affects this stability because of power transition effect as it is challenging the geopolitical equilibrium of the Asia-Pacific. There are several indicators which reflect that the power is in transition, for example in 1960's US was world's leading manufacturing nation, the position now held by China. China's defence spending has been projected to be equal to US by 2025 (Debin, Naseer & Amin, 2012). Although Chinese claim adherence to the doctrine of peaceful rise but there are no guarantees to it.

Simultaneously the Sino-US relationship today is in stage of complex interdependence (Mahmood, 2011). This is where the model of 'Complex Interdependence' comes into play. It was developed by Robert O Keohane and Joseph S Nye in the late 1970s. This rejects the notion that the nations are predominant and coherent actors and are always preparing for war. Moreover it rejects force as an effective instrument of policy and hierarchy of issues in international politics. Challenging these assumptions, Keohane and Nye presented an alternative version of Economic Interdependence. This highlights the role of Transnational Actors, rise of International Regimes and Institutions and Multi National Corporations (MNCs) who work as transmission belts making policies of governments sensitive to each other. This model gives a holistic view of the world, viewing world as interconnected parts. Changes at international level affect all spheres of countries and when interdependence prevails, countries do not use force in pursuance of their interests. This theory argued that in this era, world is becoming more interdependent especially in terms of economics. Thus Complex interdependence is the situation where all the actors are dependent upon each other including state as well as non-state actors.

“Dependence means a state of being determined or significantly affected by external forces and Interdependence, means mutual dependence. Interdependence

in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries” (Keohane & Nye, 2001)

Under this mutual dependence, the relationship between actors becomes one of cooperation and competition, where policies of one have impact on the other. Complex interdependence integrates both the elements of power politics and economic liberalism. It takes into consideration both the costs and benefits of interdependent relationship (Keohane & Nye, 1977)

Talking about the relationship between US and China, we witness the extent of dependence they have on each other, it has become a new manifestation of Realism where the cooperation between the two is in line of securing their national interests. Bilateral economic exchange has created shared interests of both US and China, the more they trade their interest would be to avoid conflict. Ever since China opened up to the world and its subsequent joining of World Trade Organization (WTO), the trade between the two has increased manifold. So despite the presence of issues, economic forces will bring them together and away from conflicts. Moreover the institutions will play an important role in bringing countries together and in mitigating uncertainties. The presence of institutions in the East Asia like Asia-Pacific Economic Cooperation forum (APEC), the ASEAN can keep the conflicts at bay. This growth of institutions and more active role played by China would lead to it having a stake in the stability of the existing global order.

In wake of this complex interdependence this research explores the chances of peaceful power transition. According to the logic of theory, the chances of a peaceful power transition can enhance if the dominant power mitigates the dissatisfaction of rising states. Thus what happens in Sino-American relations depends on the strategy adopted by US toward China. If they both

rely on assertive policies then the conflict is certain. On the contrary, if the US continues its policy of integration of China where they both are interdependent, then there are chances of peaceful power transition (Debin, Naseer & Amin, 2012).

This research recognizes the areas where the US and China have disagreements, depicting that the global power is in phase of transition. Their disagreements are most evident in Asia-Pacific as mentioned in research. At the same time, this research highlights the areas of common concerns to both which demand their cooperation. With the power in phase of transition and continued interdependence between the US and China, can the US afford confronting the latter? Thus, the US strategy will be critical in determining the character of the future US-China relationship. How will they balance cooperation with competition and whichever of these two takes lead will determine the nature of the future world order.

Both the US and China are highly interdependent, at one side their economies are dependent having tremendous trade and technology transfers (Mahmood, 2011). On the other hand, there are global challenges that need a collaborative effort of both the US and China. Climate change is one such area that needs their attention. The Climate Change conference held in Paris in 2015 was only successful because of their efforts. Second most prior area is denuclearizing North Korea and to work towards nation building in Afghanistan. Fight against global terrorism needs their participation, after the burgeoning threat from Islamic State (ISIS) or Daesh. Threats to global economy can also be spurred by world number one and number two economies by working along other countries. Thus, in the wake of confrontation, the above mentioned challenges would become impossible to address. The differences between them have long existed but they have been managed so far. But still there is a lot to be done to build trust and understanding of each other. The interaction between their governments today is more often than ever before. However,

there is need to develop people to people interaction as well. The year 2016 which has been declared by them as Tourism Year, can be used to make exchanges at other levels as well. Cultural exchanges, between think tanks, universities, trade and commerce. This will definitely contribute to trust building (Tung, 2016). Thus complex interdependence theory continues to apply to US-China relation, despite the fact that the power is in transition, with China challenging US supremacy in Asia-Pacific.

Chapter 2

Historical Background

2.1 Introduction

Asia-Pacific is an important part of world politics. It is a region where both US and China face each other directly. The US remained dominant power in the region in post World War II (WWII) period with its role further burgeoning after Cold War. At the same time China has grown steadily after its economic growth. Simultaneously, Japan is yet another key player in the region also an ally of US. US has been the most dominant player in the Asia-Pacific with robust military presence since WWII. It provided security to many states in the region and acted as pacifier for a long time (Department Of Defence, 2009).

However, this order seems to be in transition now with changes evident in economic sphere. The rise of China is having significant impact on the global power, the gap between US and China is shrinking with considerable threats to US supremacy in the region. The East Asian region has adjusted with rising China and moved closer to it economically and politically. Today China holds relations with every country and is member of several multilateral institutions like WTO. It is main trading partner of every country in the region including the allies of US like Japan and South Korea. It has reassured its neighbors not to be threatened by its economic and political developments. Thus these Asia-Pacific countries see potential economic benefits by collaborating with China in limited military threat region (Kang, 2015).

2.2 Asia Pacific: Geopolitical and Geostrategic Position

The concept of Asia-Pacific was introduced by Australia, US and Japan in 1960s, to link East Asia with the Pacific since it excludes important players as US and Australia. It is a diverse region, with 36 states comprising it making 50 percent of the world's population. Thus Asia-Pacific includes US, Australia, Canada, New Zealand, China, Taiwan, South Korea, Japan, North Korea and Russia. Moreover it includes Southeast Asian countries as Brunei, Myanmar, Cambodia, East Timor, Indonesia, Malaysia, Laos, Philippines, Singapore, Vietnam and Thailand. The Southeast Asian countries are members of Association of Southeast Asian Nations (ASEAN) except East Timor. It is hard to find commonalities in Asia-Pacific which give it coherence as a region. There are several political systems in the region from liberal democracy to authoritarian political system. The economic systems differ too although largely being capitalist. Major Powers hold large influence too, like the presence of US and China as an emerging economic power, impacting the smaller states of the region (McDougall, 2007).

Asia-Pacific is home to several largest militaries of the world, out of which five are allies of the US under mutual defense treaties. Most of the countries are Islands nations, including world's busiest international sea lanes. It is home to world's largest ports, 9 out of 10. This region is also highly militarized, seven out of ten largest standing militaries. The population of this region is 2.021 billion as of 2014. The region consists mostly of developing countries with the GDP of \$12.61 trillion (World Bank, n.d.).

Military spending in Asia-Pacific has been on increase contrary to the global trend. The spending in 2014 has risen by 7 percents and by 52 percents during 2009-2014 (SIPRI, 2015). The growth has been largely driven by China, accounting for half of it. Furthermore there has

been an increase in spending by 50 percent of Indonesia, Vietnam, South Korea and Philippines (Ksenja & Prins , 2016)

The strategic significance of Asia-pacific coupled with its economic prowess has led to increase in its importance for the regional and global players Hillary Clinton has rightly called it that in 21st century, world's strategic and economic centre of gravity will be Asia-Pacific Three most important straits of the world lie in the Asia-Pacific, Malacca, Lombok and Sunda The Malacca strait is the world's busiest shipping lane in the region, over 80 percent of oil and gas pass through it the region is flourishing economically (World Bank, n d) (Kang, 2015)

2.3 Asia-Pacific in World War I & II

The region largely remained under the colonial control of European powers Nationalist liberation movements emerged in the region in early twentieth century in number of Southeast Asian countries that were under the colonial rule Moreover, Japan's expansionist ambitions caused a concern for colonial system. It acquired all the possessions of US, British and Dutch in Southeast Asia However, with its defeat in 1945, the previous colonial system couldn't be restored, thus the region took new dimensions Post WWII Asia-Pacific remained centre of US military power, it hosted two major wars of US in Korea and Vietnam Its importance for US cannot be understated as it provided defense to its western part through its allies in East Asia Moreover, the region played a role for Cold War containment of USSR (McDougall, 2007)

2.4 Cold War and Asia-Pacific

During the Cold War, major developments took place in the Asia-Pacific The region remained a battleground for several proxy wars during the decade of 1950-60 Moreover, it underwent a wave of decolonization and subsequent regionalism in the Southeast Asia during the

Cold War. The post WWII laid the basis of present day Asia-Pacific. The US occupied the defeated Japan, with the intent to demilitarize and democratize it. However with the onset of Cold War, US position changed. In the endeavor of Communist containment, Japan became an ally of US. Subsequently a peace treaty and a mutual security treaty were penned down with Japan. At the same time Civil war erupted in China between Communists and Nationalists, latter having US support. Consequently, Communist succeeded, proclaiming a People's Republic of China in 1949 (McDougall, 2007)

During the decade of 1950-60, US and China faced each other directly. The Korean War (1950-1953), in which China felt threatened by the US' support to the South Korea under the UN authorization. US also positioned its seventh fleet to the Taiwan Strait, threatening China's position over Taiwan also developing diplomatic relations with Taiwan. The region also witnessed the Sino-Soviet split in form of Vietnam War, where they strived for dominance. Meanwhile Japan emerged as major economic power in the region, while depending on US for its defense.

Efforts for regionalism were undertaken in form of Association of Southeast Asian Nations (ASEAN) in 1967. Its founding members included Indonesia, Malaysia, Philippines, Thailand and Singapore. There was Sino-US rapprochement, in form of formal diplomatic relations being established in 1979. US gave up its recognition of Taiwan and accepted Peoples Republic of China (PRC) as legitimate government. This however had implications for Japan, which had to expand its international role. It reverted to economic diplomacy, becoming active member of Group of 7 (G7). There was also an emergence of Asian Tigers, South Korea, Hong Kong, Taiwan and Singapore achieving new economic heights in 1970s and 1980s. At the same

time, regionalism strengthened in Southeast Asia with ASEAN gaining importance. These were the major events in Asia-Pacific during the Cold War (McDougall, 2007)

2.5 Asia-Pacific today

The post Cold War shifts in power came from increased economic and military might of the Asia. This owes majorly to the rise of China alongside new actors as Indonesia, Myanmar, Vietnam and Cambodia which emulating China's export-led growth. China's economy and military capabilities have expanded with its economy double the size of Japan. China has developed upon its space development program and advanced cyber security. In response to China's rise, there is increased military spending by regional countries. There is a surge in Asian institutions, most notable being the Asia-Pacific Economic Cooperation (APEC), ASEAN+3, the ASEAN Regional Forum (ARF) and Shanghai Cooperation Organization (SCO). China factor although being significant is not the only one, its expanding economy has impact on its neighboring economies. It is a complex web of economic interdependence. Smaller states are developing bilateral relations with major powers for instance China-South Korea Strategic partnership works parallel to its relations with US (Wicket et al, 2015)

Despite increased regionalism, the region is rife with several outstanding disagreements like long standing territorial dispute between China and Japan over the Senkaku Islands. Moreover the nuclear ambitions of North Korea are also a cause of concern in the region. At the same time conflict prevails in South-China Sea due to its multifaceted nature. South China Sea is a main trade route for China and other states, rich in natural resources notably oil. It has territorial claims by China, Taiwan, Vietnam, Philippines, Brunei and Malaysia over the Spratly and Paracel Islands. China has unilaterally established control over the Islands by undertaking

land reclamation. This has become a bone of contention for all the parties involved with China versus the rest with tangible US backing (Ksenija & Prins , 2016)

Thus the present flux in power in Asia-Pacific owes majorly to the rise of China. It is evident in all terms, economic, military and strategic sphere. The power has diffused between states, creating new dependencies and sensitivities. There is increased interdependence between states and non-state actors. It is followed by greater regionalization and cooperation between states. Yet at the same time it has resulted in surge of non-traditional security threats from Cyber crime to Climate Change.

Chapter 3

China and Asia-Pacific

3.1 Rise of China

Rise of China is the biggest development in the realm of IR since the end of cold war. China being a Communist country remained aloof from global markets for a long time. However the change came with its opening up under the policies of Deng Xiao Ping. Under his leadership China experimented with the market driven policies rather than being totally determined by state. These reforms were aimed to induce efficiency of private sector while avoiding effects of complete liberalization. China's transition from inward economic model to outward orientation led to this tremendous economic growth. Since 1979 China grew at an average of 8 percent and has become a key market for East and South Asian countries instead US (Kang, 2015)

The details of China's per capita growth rate are as under

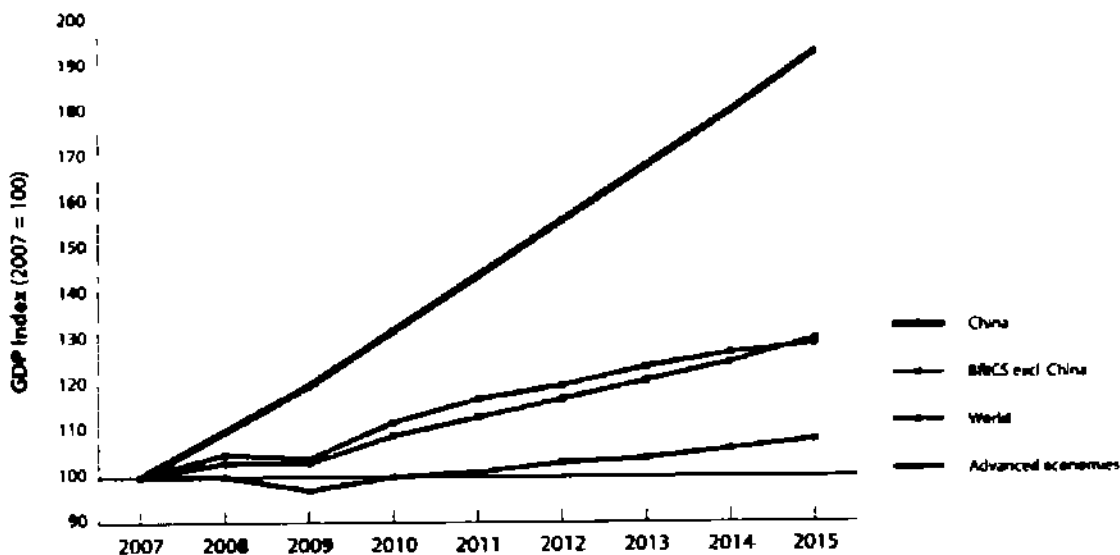
- 1950-1978 Growth Rate 3 percent

- Post-1979 Growth Rate 8 percent (Zhu, 2012)

From 1998-2008, China improved its relations with neighbors in Asia-Pacific by engaging them economically and diplomatically despite its military modernization. The proliferation of US led Free Trade Agreements (FTA), especially the pursuit for TPP led China to pursue its own FTAs. The reforms brought in mid 1990's by China were characterized by privatization and limited role of state. China began to participate in international financial institutions, becoming a member of International Monetary Fund (IMF) and World Bank in 1980. Moreover it increased cooperation with other countries especially the ASEAN members.

became a founding member of Shanghai Cooperation Organization (SCO) in 2001. The final stimulus came from China's accession to WTO in 2001 when it agreed to organizations regulations related to imports and exports among others. It began to undertake other trade related endeavors like working with ASEAN +3 countries. Moreover it began trade with US under first US-China Strategic and Economic Dialogue (SED) in 2005. This was in fact recognition of economic prowess of China by the US (Kang, 2015).

Despite these economic initiatives, 2009 onwards China became more assertive towards a wide range of issues, especially in its claims of maritime sovereignty in the South China Sea (Kang, 2015). China's growth compared to others in BRICS (group of emerging economies) and other advanced economies of the world is shown as under



(Allison, 2015)

China's rapid rise has given confidence to its leadership and it poses several challenges to US. As of today China has replaced US as the world's largest economy in terms of Purchasing Power Parity (PPP). PPP is the amount of goods and services citizens of a country can buy in it. China

today holds reserves that are 28 times larger than that of US. Talking about China becoming number one and overtaking US as largest economy of the world, Allison Graham (2015) gives around 20 indicators. To mention only a few, China has surpassed US in all 20 of them becoming world's number one manufacturer, exporter, trading nation, holder of US debt, FDI destination, holder of foreign reserves.

3.2 Chinese Role in Asia-Pacific

The shift of power to the Asia-Pacific comes from China's economic rise, military and technological advancement. China's importance in the Asia-Pacific has been on increase where previously the US was the main trading partner. It has become an important export partner, with ASEAN becoming dependent on China. Several factors contributed to it including geographical proximity of China with the Asia-Pacific nations. Apart from Trade, China have large scale investments in the region, ranging from infrastructure and commodity sector. Infrastructural investment has provided China with improved transport links and increased influence in the region (Ksenija & Prins, 2016).

3.3 Chinese Trade Relations with Asia Pacific States

China's increased soft power influence in the region is because of its economic power. This holds substantial influence over other nations. China's major investment initiatives include

- Announcement of development bank with its fellow BRICS nations to assist developing economies
- Silk Road Economic Belt and a Maritime Silk Road project collectively referred as One Belt, One Road (OBOR)
- Announcement of Silk Road Fund to improve trade and transport links in Asia worth \$40 billion in November 2014

- \$51.1 billion for infrastructure development in Pakistan was announced in April 2015 now known as China-Pakistan Economic Corridor (CPEC)
- Launching of Asian Infrastructure and Investment Bank (AIIB) in 2014 which aims at funding infrastructure projects in Asia (Wayne, 2015)

The establishing of AIIB is a great foreign policy achievement for China against the opposition of US. Fifty-seven countries became the founding members of this bank including many Western allies of US in Asia and Europe. This soft power move by China would incredibly enhance its image and strength in the region thus undermining US policy. All these are challenges for US policymakers to deal with on priority basis. The notion of rising China has become a reality after it has launched several above mentioned initiatives.

3.3.1 FREE TRADE AGREEMENTS (FTA)

China today has entered into several FTAs with the countries in Asia-Pacific. In 2010 China signed a FTA with ASEAN later developed into ASEAN +6 in 2011 to include Japan, India, Australia and New Zealand. This initiative came to be known as Regional Comprehensive Economic Partnership (RCEP) in 2012, with negotiations starting in 2013. This is seen by some as counter move to US led TPP which excludes China and includes 11 other regional countries (Wayne, 2015).

3.4 Military Challenges in Asia-Pacific

China increased its military spending and began a military modernization program in 2015 to extend its military outreach by establishing overseas bases. China's military is ranked world number 2 out of 126 countries (SIPRI, 2015). US remained the largest military spender till 2014 and accounted for 34 percent of total, while China accounted for 12 percent. In 2013 China spent 2.06 percent of GDP on military, a 9.7 percent increase from 2011. Geographical remoteness

puts US in a disadvantageous position vis a vis China, especially in areas in vicinity of China. China has gained considerable advantage and threatens US air bases, its air superiority and aircraft carriers in the region. If this continues, China will dominate the Asian region in terms of military superiority (Rand Corporation, 2015)

China's anti-access/area denial (A2/AD) military strategy poses challenges to US. It limits US options to interfere militarily, threaten or actual use of force. This encompasses investments in long range cruise and ballistic missiles. Moreover it involves advanced Integrated Air and Missile Defense (IAMD) systems and submarines. These systems aim to deny entry of attacks in the region. Moreover the investments of China in Cyber, electronic warfare, missiles, navy and surveillance are all threats to US, thus restraining its role in the region (CSIS, 2016)

Chinese Naval build up is able to project power as far as Western Pacific along with claims of building 'blue water navy' operating in the Indian Ocean. The China has to protect its sea lanes and its aggressive philosophy is claimed to be in line with US naval strategist Alfred Thayer Mahan. Mahan argued for the control of the sea and a great navy to ensure national prosperity (Kaplan, 2010).

Moreover China's has started seeking confrontations with its neighbors over the South China Sea. The South China Sea dispute is of territory and sovereignty over the Sea and its two Islands Paracels and Spratlys claimed by a number of countries. These Islands are largely uninhabited but possess great natural resources. South China Sea is also a major shipping route (Gill & Huang, 2010). China claims a large portion of territory defined as 'nine-dash' territory and has undertaken construction of artificial islands extending the range of its navy. China's claims are rejected by Vietnam and Philippines on grounds of geographical proximity. Brunei and Malaysia also make claim over the area (Q&A. South China Sea dispute, 2015). This all

activity has alarmed the regional states who happen to be the allies of US threatening its supremacy in form of conflict over freedom of navigation. Although China's claims have been rejected by the International Tribunal in Hague, yet these disputes hold all the potential to become bone of contention between US and China. Although US is in no position to claim sovereignty over the sea but advocates freedom of navigation and maritime security in the region. US has significant security, political and economic interests at stake if one of the above mentioned contingencies occur (Glaser, 2012). However, China needs to clarify its military posture and dispel fears about its rise by clarifying its neighbors and US.

3.6 Emerging Trends of Chinese Relations a threat to US

Politically, Chinese president Xi Jin Ping is considered most powerful leader since Deng Xioping's time, having high belief in himself. He steers the political leadership at that historical time when the country is in transitional phase. To make China powerful he believes in all sorts of economic reforms even regulating markets against the liberal market model advocated by the West. He believes in aligning the domestic needs with that of foreign policy, by pursuing an activist foreign policy maximizing its security and economic interests. This naturally will affect the global order with greater role for China and new relationship with US. He sees potential value in cooperating with the US making a win-win situation for both. Thus it is upon US how its leadership aims to deal with China under Xi Jin Ping (Johnson, 2014).

President Xi Jin Ping announced the Common Security Arrangement for Asia that Asian Affairs should be managed by the Asian people. He furthermore added that the people of Asia have capability and are wise enough to strengthen cooperation. He said

“When it comes to Asian Affairs, they should fundamentally be handled by the people of Asia, when it comes to the problems of Asia, these should be funda-

mentally managed by the people of Asia, when it comes to the security of the Asia, it should be upheld by the people of Asia” (Xi Jin Ping, 2014)

3.7 Conclusion

China today has accumulated enormous power in economic, diplomatic and military sphere. It affects the US influence in the region and weakens its alliance system. Asia-Pacific countries have increased economic dependence on China, thus undermining the role of US. China’s military power and assertiveness increases its deterrent capability against US. Chinese vision to strengthen itself and garnering substantial say at international level threatens US. China has sustained high economic growth in the region and has deepened its economic ties with Asia-Pacific states. Moreover, China has started projects as New Silk Road which will further contribute to burgeoned ties with Asian, European and Middle Eastern countries. This will include infrastructural projects, trade intensification with increased Chinese influence. This holds all the potential to rival US led initiatives as Trans Pacific Partnership (TPP). Moreover the support provided by European countries as founding members of Asian Infrastructure and Investment Bank (AIIB), comes as a major blow to US when it turned it down. AIIB aims to add to infrastructure investment in Asia along with Silk Road Initiative. In nutshell, rise of China threatens US in several ways altering the balance of power in the Asia-Pacific.

CHAPTER 4

US Curtailment Policy in Asia-Pacific towards China

4.1 Introduction

Shifts in global power have reasserted the importance of Asia-Pacific. The countries of the region have become important players in the world economy and politics. Although US has maintained presence in the region since WWII, but burgeoned importance of region requires more active US policy to deal with new trends. Several factors demand US attention from the rise of China to the economics of the region. The rise of China has brought an important player in to the regional landscape. Its growing military threatens its neighboring states which are dependent upon China for their economy. China's attempts to secure itself have created a situation of insecurity for the regional stakeholders. Thus US is confronted with a challenge to reevaluate its policy towards China as its earlier policy of integration in world economics resulted in current rise of China. Another notable factor that needs US attention in the region is a need for multilateral cooperation (Sutter, 2013)

US' Asia-Pacific strategy has been one of the central diplomatic strategies, it acted as a balancer in the region for a long time, with the countries having a market in US. It maintained its presence by making alliances and maintaining military presence. Since beginning US has pursued three interests in the region. First it sought protection of its people and allies, secondly tried to expand trade and economics. Lastly it propagated universal democratic norms. Thus in pursuance of these US has tried to prevent rise of a regional hegemon and continued this policy till the end of Cold War. China's assertive policies once again have led US to divert its attention back to this region. The threat from China is multidimensional at one hand are its initiatives like

AIB, on the other hand are global moves such as that of IMF to add China's currency to its reserves of major global currencies. With the US' economic influence dwindled, it has become hard for US to administer the regional security. There are number of issues that threaten regional security like South China Sea issue and Taiwan crisis in which US arms sale to it have been a concern for China. US' allies are pursuing individual defense guarantees instead of the US led security cooperation. Especially in the wake of rising China, US allies as Japan and South Korea are concentrating on their security needs (Xiaosong, 2011)

US in Asia-Pacific is experiencing what Paul Kennedy rightly called, the costs outweighing the potential benefits of the extension, especially in the period of economic decline. However, this doesn't mean the detachment of allies from US, as they regard high importance to their relationship with it. Asia-Pacific's strategic stability highly depends upon how US and China manage their relationship. Although US' alliance network persists in the region but its leadership is under question. The soft power of China has overtaken that of US which once worked in terms of promotion of democracy, human rights et al (Xiaosong, 2011)

4.2 US Policy

In order to deal with the above mentioned threats, Obama administration launched the Rebalancing strategy, which aimed at expanding bilateral and multilateral cooperation between US and the region. Rebalancing was initially called the 'Pivot to Asia Strategy', the area defined under it is from India to New Zealand and from Pacific Islands to Japan and Korean Peninsula. Rebalancing in the Asia-Pacific began in 2011 with the purpose to intensify the already existing role of US in a geo-strategically important region. Rebalancing reemphasized the need to work closely with its allies to maintain regional security and harmony (Campbell & Andrews, 2013)

President Obama while addressing the Australian Parliament remarked that

“As the world's fastest growing region and home to more than half the global economy- the Asia Pacific is critical to achieving my highest priority. As President, I have, therefore, made a deliberate and strategic decision as a Pacific Nation, the US will play a larger and long term role in shaping this region and its future, by upholding core principles and close partnership with our allies and friends” (Remarks By President Obama to the Australian Parliament, 2011)

Rebalancing revolves around three areas, Security, Economic and Diplomatic. After years of engagement in Middle East, this is a reemphasis on Northeast, South Asia and Southeast. This is a reassurance to rising threats in the region in the form of assertive China. It aims at enhancing US politico-military and economic cooperation with the region. The first priority is given to strengthening the alliance network that are basis of engagement in the region. Moreover, the policy aims at improving relations with emerging powers in the region. Sustaining a robust relationship with China is a big foreign policy challenge for US, which is in greater interest of all regional stakeholders. To this endeavour, US-China have launched several initiatives including the Security and Economic Dialogue (S&ED). In addition it focuses on economic development in the region alongside including diplomatic elements (Campbell & Andrew, 2013)

The most significant change after the Rebalancing strategy is in the form of moving US military back to Asia-Pacific. This includes military deployment to Australia, Philippines and other regional partners ready for integration. Economic aspects include expanding bilateral and multilateral economic cooperation in the region. The focus largely remains on Trans Pacific Partnership (TPP). Diplomatic engagement entails intensification of diplomatic activism strengthening alliances of US, deepening relationships with the existing partners (Sutter, 2013)

US secretary of state Hillary Clinton remarked in November 2011, that 21st century will be ‘America’s Pacific Century’ and the region requires US to handle issues such as ensuring

freedom of navigation in the South China Sea. In this situation US-China competition would be detrimental to global economic growth, thus they need to cooperate. It was further clarified that US wants to forge a network similar to Transatlantic built in 20th century (Reuters, 2011)

4.3 US Trade Relations with Asia-Pacific

Southeast Asia is a region which is deeply integrated economically, Association of Southeast Asian Nations (ASEAN) has progressed well here. ASEAN is a Full Dialogue Partner (FDP) of US, with trade holding around US \$206 billion. Another cooperative setups of US in the region include ASEAN Regional Forum (ARF) and Expanded Economic Engagement (13) with the ASEAN (Campbell & Andrew, 2013)

TPP is however a new addition into this partnership under which US aims to negotiate with Pacific nations and bring them into single trading community. TPP initiative began in 2005 under Asia Pacific Economic Cooperation (APEC) meetings and after a decade of negotiations the TPP agreement was finalized in October 2015. It was signed on February 4, 2016 between US, Japan, Vietnam, Malaysia, Singapore, Australia, Brunei, Mexico, Canada, New Zealand, Chile and Peru. TPP represents 40 percent of the world GDP with the aim to impose strict rules on intellectual property rights, state owned companies, investment and government procurement. This deal seems to have far reaching repercussions on political sphere, maintaining US hegemony in the region (Kelsey, 2013)

The TPP encompasses rules and regulations which are more advanced than the WTO negotiations. Moreover the presence of strong economies like US and Japan has raised the stature of this group. The purpose is to link trade, economy and investment with labor laws and environment protection. This comes as a revived Regionalism in the Asia-Pacific, with not only economic but also politico-strategic significance that could disrupt the regional harmony and

status quo. Although it needs to be ratified and subsequently implemented in order to bear its fruits, yet it is a vital step of US rebalancing in the Asia-Pacific (Pamintuan, 2015)

4.4 US Military Cooperation and Strategies in Asia-Pacific

US maintains its military presence in the Asia-Pacific through its US Pacific Command (USPACOM). It is one of its six geographic combatant commands in charge to integrate US Army, Navy, Air Force and Marine Corps within the area to achieve US national security objectives. US through its PACOM and other agencies safeguards its interests and of its allies. The purpose is to enhance security cooperation, peaceful development and deter aggression collectively (USPACOM, n.d.)

US holds strong military ties with its regional allies, Japan, Australia and South Korea, New Zealand and the ASEAN states. ASEAN Defence Ministers Meeting (ADMM) is a cooperative setup of US with these countries. It has an agreement with Australia, which allows it to use its military base at Darwin. It also has defense agreements with Vietnam over maritime cooperation, US-Indonesia Defense Comprehensive Partnership is yet another milestone. Defense cooperation with India is also a part of Asia-Pacific Strategy, which includes maritime cooperation in the Indian Ocean, Malacca strait and the South China Sea. US has alliance with Japan, Korea and Guam where it holds its military bases which have preserved the security in the region. In 2014 US signed a Bilateral Enhanced Defense Cooperation Agreement (EDCA) with Philippines, providing it a legal framework to undertake military construction. This provides US with additional bases to operate from and an access to South China Sea. Moreover, it has deployed Ballistic missile defense in Japan, boosting its missile defense capabilities in the Northeast Asia. Japan already hosts the largest US forces than any other country. Hawaii is home to USPACOM Head Quarters, Guam's importance is rapidly increasing. US military spending is

as much as the combined spending of whole world, located in Asia-Pacific to be moved anywhere required (SIPRI Yearbook, 2010)

Under the Rebalancing US has taken resolve to increase its military presence, by shifting 60 percent of its naval assets to the region by 2020 (Panetta, 2012) Moreover US endeavours to strengthen military ties with its regional allies, Japan, South Korea, Australia, New Zealand and the ASEAN states US aims to invest in future capabilities relevant to security in the region and developing already developed capabilities Moreover to maintain an operationally resilient and sustainable regional force At the same time it aims to balance cooperation and competition with China (CSIS, 2016)

However, Rebalancing to the Asia-Pacific actually led to the decline in security assistance to the Southeast Asia rather than strengthening it Overall assistance fell by 19 percent since 2010 with only Myanmar, Vietnam and Laos receiving larger than before US allies in the region Philippines and Thailand also experienced a fall in assistance Maritime assistance for Southeast Asian states began only in 2015 helping to maintain freedom of navigation However, Middle East and Europe remain the priority regions for the US Aid to Southeast Asia fell by \$34.5 million while to Middle East and North Africa (MENA) region it rose by \$1.3 billion from 2010 to 2015 US assistance to MENA was fifty times and to Europe three times more than that to Southeast Asia in 2015 (Rebalance, n.d.)

4.5 US and Japan Coherent Relations with China

Rise of an indigenous power as China in the Asia-Pacific has boosted integration in form of China-ASEAN Free Trade Area, largest after North American Free Trade Area (NAFTA) However, it has also worried the ASEAN that China might establish its own rules in the region

declining them a say in them ASEAN at the same time have interdependency with Japan, which has been trying to re-position itself in the region Moreover, the US-Japan Alliance also adds to Japan's role in the region Japan holds a considerable influence over East Asia due to its economic strength It holds the potential to further deepen the economic interdependency in the region Thus administration of the region requires joint efforts of all three, China, Japan and US This is where the Complex interdependency plays in. It is in the interest of all three to cooperate with one another Moreover, the ASEAN can benefit more by all three of them rather than picking sides keeping in mind the nature of dependency they have All three have a common economic interest among them The trade dependence between US and China will compel them to take actions in the interests of all (Xiaosong, 2011)

4.6 Conclusion

Threats from rising China will continue to be a strategic challenge for US in the coming times The Rebalancing is a reassurance to rising threats in the region in the form of assertive China It bolsters the importance of region for the US national interests but still a lot needs to be done The strategy revolves around Security, Economic and Diplomatic rebalancing to the region with moving US military back to Asia-Pacific

China remains skeptical of US ingress in the region in wake of its Rebalancing Strategy While Japan is supportive of it keeping in view its territorial disputes with China over East China Sea ASEAN, which are economically integrated with China, but disturbed by its activities over South China Sea are supportive of US role as a balancer in the region Asia-Pacific today has transformed into an area of cooperation and competition for regional as well as international players

Upcoming US presidential elections would determine the fate of this rebalancing and relationship with China. Harshness in this relationship would be detrimental to regional and global peace. US Rebalancing policy needs continuation and would likely be continued in wake of Democratic candidates victory as it was actually launched by then Secretary of State Hillary Clinton. Trans-Pacific Partnership (TPP), an important component of Rebalancing needs to be sustained, which Republican candidate Donald Trump believes needs renegotiation. US alliances in the region need a continued update so they keep their trust in US. Thus in order to have political will in the regional landscape, US needs to keep up its geo-economic and military position in the region. Guaranteeing the security in the region would demand more than just addressing rather resolving the outstanding issues. Moreover, Rebalancing which is more focused on military side will have it hard to cope with China's strategy which revolves around economics. When China's economic clout globally is challenging long established US presence across the world.

Chapter 5

USA-China Relations

5.1 US-China Relations Post WWII

Economic relations have largely dominated the US-China relationship, however the role played by US in East Asian security landscape has compelled China to respond. US remained a pre-dominant military power of the region since WWII and tensions between US and China date back to the communist victory in 1949. During Chinese Civil war, US supported Nationalists as legitimate leadership of China. The Korean War 1950 brought China and US into direct conflict. However conflict subsided while US continued its support to Nationalists and China was busy with changing domestic environment (Cultural Revolution). The relationship resumed in 1971 after secret visit by National Security Advisor Henry Kissinger to China, followed by a visit by President Richard Nixon. This came as a major policy shift from earlier policies towards China. The conflict diminished after two countries signed agreements on number of issues and led to establishment of Economic and Diplomatic ties. Security alliances established by US were also seen as guarantees to China during Sino-Soviet split and the reservations over Human Rights were overlooked by US. The differences over Taiwan were resolved when US switched diplomatic recognition from Taiwan to People's Republic of China (PRC) in 1979. This eventually led to the increase in trade between two which was less prior historically. The relations underwent a phase of divergence after the Tiananmen Square massacre in 1989 triggering a series of confrontation. Starting from granting of visa to Taiwanese President by US, China's missile tests near Taiwan and bombing of Chinese embassy in Belgrade by Americans in 1999, all contributed to the estrangement of relations. However with the accession of China to WTO in 2001 and its rise as economic power, all the political issues subsided. Now the Sino-US

relation started to be based around economy and China became a responsible stakeholder in world affairs (US Relations with China (1949- Present))

5.2 Economic Relations

Economic is central to US-China relationship, the trade between two states quadrupled since China's accession to WTO in 2001. China's economic relations with US began with US-China Strategic Economic Dialogue (SED) 2005 in recognition of China's economic prowess (Kang, 2015)

China today is fastest growing US export market, however US supports economic reforms within China to ensure sustainability for itself and global economy. It demands moving economy away from exports to one based on consumer spending. Moreover there have been demands to move towards a market driven exchange rate. Both have advocated their own versions of Free Trade Agreements, with US actively pursuing Trans Pacific partnership (TPP). This led China to pursue its own FTAs with regional states like its ASEAN-China Free Trade Area in 2011. Moreover China agreed to Regional Comprehensive Economic Partnership (RCEP) in 2012 with ASEAN, Australia, India and New Zealand (US Relations with China 2015)

There are several instances where China has overtaken US economy, for example US was the leading manufacturing power in 1960's, now replaced by China. Moreover, China's defense spending is predicted to be equal to that of US by 2025. However, China recently faces economic slowdown after exports falling consecutively for seven months and recession depicted in eight business indexes (National Bureau of Statistics of China, 2016)

At the same time, US-China economic relations are more intertwined today than even before. China is US' second largest trading partner and market for exports. This interdependency requires China to realize that it has a stake in this system which facilitated its ascendancy to the current position. With greater economic power comes greater responsibility for preservation of system. US-China relationship needs to be managed under its S&ED program (Mottrison, 2015).

In order to ensure continued cooperation, China should pay heed to US demands of moving towards market driven exchange rate, increasing access to Chinese markets for US businesses, developing transparent regulatory regime and integration of China into rules-based international economic and trading system. The future regional stability is dependent upon the smooth functioning of this relationship (US relations with China, 2015).

5.3 US-China in Global Order

Chinese leadership today challenges the US interests in several areas. China is the largest military and economic power of the East Asia, however this doesn't make it a sole regional hegemon. Tensions between China and its neighbors in Northeast and Southeast test US resolve on security guarantees in the region. Under the leadership of Xi Jinping, China's neighbors have been antagonized on a number of issues. This compels US policy makers to turn their focus towards geopolitical implications triggered by China's rise (US Relations with China, 2015).

While at the same time there are several areas that demand close cooperation of US and China. Apart from economic interdependency, both China and US have mutual interests that require their close cooperation. Both work together in all international arenas UN, G20, APEC and East Asia Summit on varied issues, including Energy, Education, Transparency and combating corruption. These all require high attention of both US and China to be managed (Cossa et al , 2009).

5.4 US-China and security threats

Non-traditional security threats such as climate change and energy security deem US-China cooperation. Although they require multilateral efforts, yet bilateral cooperation between China and US would be central in resolving them. Climate Change requires concerted collaboration of both US and China. Both the countries are largest emitters of greenhouse gases and share a number of common interests, responsibilities and challenges. Cooperation in this area would be an important focus of US-China relations. They already have in place a framework of cooperation including ten-year Framework for Energy and Environment cooperation. Both US-China realize the importance of this issue and lead from the front evident in form of their effort put into Paris agreement. Both have taken several measures to build climate resilient economies and are working alongside other countries to curb climate change effects and to promote clean energy. Bilateral cooperation is expected to broaden through US-China Climate Change Working Group. US took the lead in adopting standards relating to coal fired power plants, while China is strengthening its low carbon policies and checking projects with high emissions. These joint efforts by both US and China will set a precedent of partnership on issues of global concern (US-China Joint Presidential statement on Climate Change Washington D.C. 2016)

Another challenge is that of nuclear proliferation, especially from Democratic Republic of Korea or North Korea (DPRK). Both US and China believe in Nuclear free Asia-Pacific. This resulted in tighter sanctions on North Korea's nuclear proliferation. China can use its leverage over North Korea to make them realize importance of denuclearization. Iran deal was a success only because China was on board with US. Nuclear security also demands attention of both. In

the fourth Nuclear Security Summit both US and China declared their commitment to reduce the threat of nuclear terrorism. They recognize the need for strengthened international cooperation against nuclear smuggling. Thus the Sino-US cooperation is essential to denuclearizing North Korea along with other members of Six-Party Talks including Japan, South Korea and Russia. This clearly is a stage of complex interdependence in the region (US-China Joint Statement on Nuclear Security Cooperation, 2016)

5.5 Future Prospective of US-China Relation

The Asia-Pacific today is more dynamic than ever, with the competition between major powers intensified. China-US relations are also concerned with the number of issues from climate to the issues of proliferation in the region. The Asia-Pacific today holds two parallel systems due to US-China rivalry. One system is based around Economics, dominated by China. While the other is security dominated Asia-Pacific led by US (Feigenbaum, 2012)

Mearsheimer believes that China will act in same way as that of US and will try to dominate Asia-Pacific much as US dominates the Western Hemisphere. However it will not pursue military superiority, but dictate the rules through use of soft power. Making comparisons of current power transition with the Cold War scenario between US and USSR, we witness that China's stakes are limited to the extent of Asia and do not threaten European powers. Thus they wouldn't play any considerable role in containing China alongside US. Moreover US and China have no ideological clash like it was the case during cold war. The differences between the two remain but they are not that great which can lead to clash (Mearsheimer, 2010)

Economy will remain the priority for both US and China as witnessed by presence of parallel economic systems in the region. US led Trans Pacific Partnership (TPP) competes with

the Chinese Regional Comprehensive Economic Partnership (RCEP). The contents of both the agreement are almost similar including trade in services, goods, intellectual property, investment competition and dispute settlement. The absence of China from TPP and US from RCEP raise the speculations of competition between two powers. If the purpose is actually enhancing trade as proposed through these agreements, then they shouldn't be exclusionist. The economic rise of China can only contribute to regions growth if they work in unison as continuing rivalry will curtail its economic boost (Mearsheimer, 2010)

The future of Sino-US relations must be of 'co-evolution' with both safeguarding their interests in mutual cooperation and competition framework. Relations between US-China should be non zero-sum. US should not demand changes from Chinese state, ranging from democracy to economic reforms. The cost of such demands would be high. Although there's no historical precedent of cooperation between a democracy and an autocratic regime, but long term cooperation between US and China will endure (Kissinger, 2011)

Thus nature of future relationship between two should be 'Realist' about those areas which are beyond resolution and 'Constructive' about areas that can be resolved through political negotiations. Increased interdependence would compel them to maintain status quo and avoid conflict. This will entail collaboration on issues of common concerns like climate and cyber security by managing their underlying differences. Thus relationship will range from cooperative to collaborative or competitive at certain times. Cooperative scenario seems most likely to prevail due to high level of economic interdependency among US and China. The chances for armed conflict are highly unlikely in the coming decade despite China's assertiveness. As conflict is not in their interests and would be disastrous. However the chances for accidenta

armed collision between the two or their allies can lead to unmanageable crisis if not controlled (Rudd, 2015)

Action and Reaction between US and China will prevail. Concerns about Chinese behavior led US to rebalance to Asia-Pacific and adopt a role of security provider. Its allies support its military presence, Japan for instance is militarized today compared to its de-militarized constitution. Thus there's a shift in its policy and a convergence of interest between Japan and US against China. These reassurance efforts by US provoked China, which responded with its own policy to link Asia with other parts of the world under its OBOR policy. Maritime silk route as it is called, aims at connecting Middle East, Europe and East Asia. CPEC is also a part of this grand plan linking Gwadar in Pakistan to Kasghar, China's western part. This action and Reaction seems to be the new norm, with both countries checkmating each other but not switching sides (Blackwill & Tellis, 2015)

The issues between US and China require effective communication for their management. For that matter both the countries need to develop people-to-people relationship to enhance mutual understanding. Student exchanges, travel programs are a common phenomenon but need to be developed further. Business councils have to come along to support each other's investment. Third party can also be resorted to for peaceful resolution of disputes (US Relations with China, 2015)

There is a need to build "Pacific Community" in which all the states including US, China and other regional states participate. This will generate a common sense of purpose and need for collaboration. Although presence of multiple trade frameworks contributes to multilateralism in the region but these should not be mutually exclusive (Kissinger, 2012)

Chapter 6

Conclusion

The relationship between US and China is a complex one, with ties between both deepened at all levels and the nature of relationship is both cooperative and antagonistic. The relationship is not bilateral anymore and has become global in nature, requiring cooperation on wide range of global and regional issues.

China today holds a central position in geo economic and strategic architecture of the region. It is a main stakeholder and is in stage of complex interdependence with other regional actors. Contemporary China is a main trading partner of all its neighbors and principal trading partner of US. The impact of its economic might on military, technological and strategic spheres cannot be underestimated. China has adopted assertive position in East Asia challenging the status quo led by US making allusions to power in the phase of transition. This economic power being translated into military power is not an unusual phenomenon. So the US or the world shouldn't be surprised as in how to respond to. What China does today was done by US previously, in fact every country does so in an attempt to dominate. China's geopolitical situation drives its military assertiveness, as it is entangled by several countries with a historical rivalry, Russia, Japan, South Korea and other US allies in its South. Thus it's not wise to consider every military move by China as antagonistic, as it will naturally lead to hostilities. China needs to widen its economic base before modernizing military, since its rise was due to economic revolution and not because of military assertiveness. Moreover, staying unbound by world rules or bringing forward alternatives is not advisable for China. This just adds fuel to the fire of competition kindled in the region. Demilitarized region is in the interest of all regional stakeholders and confrontation between US and China would be unsettling for the world.

economy. This requires multilateral resolution of outstanding territorial issues and preventing bifurcation of the region.

Chinese aspirations for regional hegemony are met with skepticism by the regional states, thus limiting its role merely to a super power status, not a hegemon. China has developed its military power and economy and has established relations with all the regional states and is their main trading partner. China makes claims of peaceful rise but all the regional stakeholders hold reservations on it. Only shared understanding of each other would ensure stability in the region. Moreover, the yardstick of economic size and military spending are not enough to assume China's assertive ambitions. However, we need to look into its intentions and beliefs regarding other states to get a clear picture. There is a need to build 'Pacific Community' which generates a common sense of purpose and need for collaboration. Although regionalism prevails in presence of multiple trade frameworks, but they are mutually exclusive.

The US Rebalancing strengthens its alliances and contributes to stable security of the region. It facilitates cooperation and establishes regional institutions to uphold international rules based system. At the same time it lays down framework for expanding and deepening relationship with China through dialogue. For this purpose the annual US-China Strategic and Economic Dialogue (S&ED) comes handy as it reflects breadth of US-China relations and importance for cooperation. This somehow disproves that US and China are in stage of strategic rivalry. The S&ED has potential to become a benchmark of bilateral relationship and to review international developments. Areas of mutual interest and areas of differences can be constructively managed by through this forum.

There is a convergence of interests between US, China and Regional stakeholders notably Japan. Japan supports US' military presence in the region and has militarized itself. While its economy overlaps with China, creating convergence and interdependence between them. Thus cooperation will endure alongside confrontation and the way regional states sort out the regional leadership, their understanding about each other's goals and intentions and what they do to prevent conflict will determine the stability of the region. China today is engine of world economy, it experienced a growth rate of over 8 percent for thirty years, which slightly fell to 7 percent. So in such an economic aura, last thing that China would want is a conflict. An economically strong China is better than a weak one which has shared interests with the west and is a vital partner in world stability. Multiple players will hold the reins of power in the Asia-Pacific. Although China's role can't be understated but others actors are also present. Role of ASEAN and Japan cannot be ignored which will definitely impede the way of Sino-US rivalry. Collectivism and cooperation is the way forward in the region where there is complex interdependence among all stakeholders.

Both China and US need to be more transparent in their policies especially the military ones. The election to US presidency brings an opportunity to renew its policies. Since 2016 is the election year, the results will largely shape the future Sino-US relationship. In order to deal with China, US needs a pragmatic policy and need to accept China's influence in the Asia-Pacific. This would focus US policy away from military conflicts towards areas that require cooperation. US can only match China's influence through non-military tools of soft power.

Asia-Pacific's stability and security is dependent upon the nature of relationship between US and China. There is a need of actual cooperation between the two, while Chinese political economic and foreign policy influence continues to grow. Action and Reaction between US and

China will continue, with each side checkmating the other. Thus Power transition is only limited to the regional level, as China is focused on its domestic consolidation and is sticking by the international rules. Moreover, there remains a possibility of Chinese power undergoing downward trajectory by its slowing economy and domestic problems. This will be fruitful for the status quo to prevail in the region. The responsibility lies with both China and the US to find a way forward by balancing military power as well as competition in the realm of economy where they are both in stage of interdependence. Since economy is a non-zero-sum arena, thus providing room for cooperation. Both US and China need to opt for power sharing arrangements at regional level and create a security community by involving other regional stakeholders.

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