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DIIS REPORT 2017: 07

STRIKING A NEW BALANCE?

US-China Relations under Trump

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ABBREVIATIONS

ASEAN:	Association of Southeast Asian Nations
BMDS:	Ballistic Missile Defense Systems
G2:	Group of two (most powerful countries)
FON:	Freedom of navigation
ICBM:	Intercontinental ballistic missile
IR:	International Relations (the academic discipline)
MFAPRC:	Ministry of Foreign Affairs of the People's Republic of China
PCA:	Permanent Court of Arbitration (in the Hague)
SCIO:	The State Council Information Office (of the People's Republic of China)
S&ED:	Strategic and Economic Dialogue (between China and the United States)
SCS:	The South China Sea
SLBM:	Submarine-launched ballistic missile
SLOC:	Sea lines of communication
THAAD:	Terminal High Altitude Area Defense (missile defense system)
THW:	The White House
UN:	United Nations
UNCLOS:	United Nations Convention on the Law of the Sea
UNSC:	United Nations Security Council
US:	United States
WMD:	Weapons of mass destruction

EXECUTIVE SUMMARY

This report, commissioned by the Danish Ministry of Defense, examines the current state of US-China relations following Donald Trump's surprise win in the US presidential elections. Given Trump's harsh China-bashing rhetoric during his campaign, a complete meltdown of US-China relations appeared to be a likely scenario once Trump took over the Oval Office. After a rocky start, however, the first summit between Xi and Trump in April in Mar-a-Lago has seemingly been instrumental in putting bilateral relations back on track, with the two leaders agreeing to continue, in a somewhat altered form, the Obama administration's institutionalized US-China dialogue on how to jointly manage a wide range of difficult bilateral issues, including the highly unbalanced trade relationship. Furthermore, apart from its decision to accelerate deployment of the THAAD missile defense system to South Korea in the face of strong Chinese protests, the Trump administration has so far shied away from directly challenging any of China's key interests. Even the South China Sea – one of the central arenas of geopolitical rivalry between Washington and Beijing during the Obama administration – has been remarkably calm, primarily because China has adopted a relatively low profile after several years of maritime assertiveness in these highly contested waters.

Yet, despite recent development trends, this report argues that US-China relations remain highly unstable, with the prospect of great power rivalry constantly looming on the horizon. In fact, evidence of an emerging US-China great power rivalry has been piling up over the past decade, fueled by what we may refer to as a set of underlying structural drivers. These include power and security dynamics, zero-sum economic competition and incompatible identity-generated grand strategies that, taken together, tend to erode mutual trust and cooperation between China and the United States. For instance, although currently calm, the report points out why strategic rivalry is likely soon again to stir up the waters of the South China Sea, as Beijing's assertive claims to "historic rights" in the sea clash with Washington's objective to orchestrate a maritime order in the region. Trump's decision in late May to resume the US Freedom of Navigation Operations program in the South China Sea points in this direction.

Adding further to the vulnerability of bilateral relations is the report's finding that Beijing and Washington are no longer tied together on the international stage by a set of strong, shared interests that motivate them to set aside more deep-seated differences. Specifically, the international struggle against climate change offers the

most prominent example of an ambitious joint US-Chinese agenda that has now been scrapped by the Trump administration. Currently, their joint efforts to curb North Korea's controversial nuclear weapons program – as witnessed most recently in early June with the adoption of UN Security Council Resolution 2356 – seem to be the only example of a strong, shared interest between Beijing and Washington. However, Trump's inclination to press ahead with THAAD and to "exert maximum pressure" in dealing with the North Korean regime could undermine US-Chinese cooperation on the Korean Peninsula. More generally, it could be argued that Beijing and Washington share an overall commitment to maintaining international order and stability, but that may not easily translate into substantive cooperative measures as long as their perspectives and outlooks differ so fundamentally. Against this backdrop, the report concludes that the overall relationship between China and the United States resembles that of rivals far more than partners.

While the emerging great power rivalry will be kept at bay only as long as Donald Trump and Xi Jinping find it expedient to actively pursue a cooperative relationship – or insofar as their foreign policy agendas are eclipsed by domestic concerns – their priorities could easily change. Having officially abandoned Obama's "Rebalance to Asia", the Trump administration has yet to formulate a new coherent (i.e. grand) strategy for its engagement in Asia in general and its relationship with China in particular. In any case, striking a new strategic balance, whereby Beijing is designated as a partner rather than rival, appears unlikely given the underlying conflicts of interest.

INTRODUCTION

> "While competition between the US and China, the world's two largest economies, is bound to occur, conflict is not inevitable"

James Mattis, US Secretary of Defense, June 3, 2017

No bilateral relationship is more critical to international order than that between China and the United States. By far the two largest economies in the world, as well as its two biggest military spenders, China and the United States seem to be in a league of their own on the international stage (see Table 1). Yet, rather than forming an axis of stability in the shape of a G2 that jointly manages international order, Beijing and Washington have in recent years often found themselves at loggerheads over bilateral trade, the South China Sea or human rights issues. Indeed, although official US-China relations occasionally appear warm and friendly, as witnessed recently in Mar-a-Lago during the first summit between Donald Trump and Xi Jinping, the two countries have increasingly come to view each other as rivals rather than partners. Not only do ideological differences run deep between the illiberal, authoritarian Chinese regime and the self-proclaimed standard-bearer of liberal democracy: China is also the only great power capable of challenging US geopolitical dominance in the Asia-Pacific region anytime soon, even if China's leaders are generally careful not to raise the specter of great power rivalry publicly.

Table 1.

	United States	China	World's #3
Size of economy in 2015 (GDP, in USD, billions) [source: the World Bank]	18,037	11,065	4,383 (Japan)
Military budget in 2015 (in USD, billions) [source: SIPRI]	611	216	69 (Russia)
US-China trade balance in 2016 (in USD, billions) [source: US Trade Representative]	Exports: 169 Imports: 479 Deficit: 310	Exports: 479 Imports: 169 Surplus: 310	–

With Donald Trump at the helm in the White House, US-Chinese relations have entered a highly volatile phase, characterized by profound uncertainty about the overall guidelines and direction of US foreign and security policy in Asia. What we do know so far is that two major irritants in US-China relations have been removed since Trump took over. One of them is the now defunct "Trans-Pacific Partnership", a so-called high standards free-trade agreement that was to establish a US-centered economic bloc in Asia and the Pacific, deliberately designed to counter China's massive economic influence in the region. Human rights constitutes another thorny issue that is unlikely to figure prominently on Trump's political agenda given his strongman instincts and his narrow, transactional approach to foreign affairs. In other areas, however, Trump will probably exert far more pressure on the Chinese leadership than President Obama ever contemplated. Hence, the massively unbalanced bilateral trade relationship (see Table 1) will be a major strain on US-China relations under Trump, especially since the Republican-dominated US Congress has also increasingly targeted "unfair" Chinese trade practices in its annual reports on US-Chinese relations (see e.g. USC, 2016). Moreover, having officially denounced Barack Obama's North Korea policy of "strategic patience" (Reuters, 2017b), the Trump administration's far tougher stance towards Pyongyang and rapid deployment of the THAAD missile defense system to South Korea are causing a strain on US-China relations. Still, uncertainty seems to be the defining feature of US China policy, as the Trump administration has scrapped Obama's strategic signature project, the "US Pivot (aka the US Rebalance) to Asia", without replacing it with a new strategic vision for how to engage China.

Meanwhile, China finds itself in a difficult situation ahead of the critical 19th National Congress of the Communist Party in the autumn of 2017, when the next generation of CPC leaders is to be installed in the Politburo's standing committee (halfway through Xi Jinping's presumed two terms in office). With the leadership succession issue far from settled, and with a slowing economy plagued by numerous structural problems, the Chinese regime has plenty of domestic concerns on which to concentrate. Although it could be tempting for Xi to divert public attention from China's own challenges by stirring up quarrels with the United States, such a strategy may easily backfire. For one thing, confronting an unseasoned and highly unpredictable leader like Donald Trump seems like an overly risky strategy for the notoriously risk-averse Chinese leadership. For another, the still heavily export-oriented Chinese economy is more dependent on the American economy than vice versa (cf. Table 1), which means that any serious bilateral crisis could come with a hefty price tag for China.

For these reasons, the Chinese leadership seems intent on maintaining stable US-China relations, but only as long as the Trump administration does not cross any "red lines" by challenging China's so-called core interests, including its territorial integrity/sovereignty and the Communist Party of China's ruling position (cf. SCIO, 2011). What is more, with growing Chinese power, Beijing has come to define its strategic interests far more expansively than merely a decade ago, thereby inevitably creating geopolitical friction with some of China's neighbors and not least Washington.

This report examines the current state of US-China relations under the presidency of Donald Trump. It uses the Obama administration's engagement with China as a comparative frame of reference in order to determine the extent to which bilateral relations have seen any major changes since Trump took over the Oval Office. The report also seeks to identify some of the longer-term drivers of US-China relations that tend to pit the two countries against each other. Given their extensive economic interdependence and the transnational character of many global challenges – like terrorism, climate change and nuclear proliferation – both countries would clearly be better off as partners rather than rivals. Even so, cooperation is far from easy, and it depends on the extent to which leaders in both countries are able and willing to overcome deep-seated geopolitical, ideological and even economic differences. The first half of the report provides an overview of these differences and assesses the potential of any shared interests that may help bridge the differences. In the second half, the report zooms in on two specific geopolitical arenas, the Korean Peninsula and the South China Sea, both of which are likely to be crucial for US-China relations over the next few years, since key strategic interests are at stake for Beijing and Washington in both arenas.

The report argues that, although Trump and Xi seem to have established some sort of cooperative working relationship in the wake of their first summit in April, US-China relations remain highly unstable, being shaped by deep-seated conflicts of interest that prevent the two countries from building a constructive partnership. Such conflicts of interest are generated, the report argues, by the presence of powerful structural drivers such as power and security dynamics, competitive economic zero-sum logics, and clashing conceptions of political identity. Moreover, being unable to identify any strong, shared interests, the report points to the personal chemistry between the two leaders and their primarily domestic-oriented political agendas as a set of key factors in maintaining some measure of stability in US-China relations.

Turning, more specifically, to two geopolitical arenas where China and the United States have recently been at odds with each other, the report singles out some of the specific conflicts of interest that may drive a wedge between Beijing and Washington. On the Korean Peninsula, while they share an interest in reining in North Korea, US deployment of a new missile defense system to South Korea, which indirectly poses a threat to China's own nuclear deterrent, tends to erode US-Chinese cooperation on how to deal with the nuclear threat from North Korea. In the South China Sea, Beijing's determination to realize its alleged historic rights and maritime interests puts it on collision course with Washington's efforts to orchestrate a maritime order centered on the rule of law and freedom of navigation, notably for the US Navy. On the whole, however, the report finds only limited evidence that the Trump administration has so far been asserting itself in these two arenas in a way that runs directly counter to China's strategic interests.

A few methodological observations are in order from the outset. First, all references in the report are based on secondary, open-source, written sources such as newspapers, magazines, white papers, speeches, press briefings, institutional reports, journal articles and academic books, most of which were accessed and downloaded in March and April 2017. Second, some of these sources are of course government-affiliated (e.g. white papers, speeches, press briefings), serving the purpose of identifying the views and interests of Beijing and Washington. Third, the fact that the report draws exclusively on English-language sources poses few obstacles in practice, as most relevant Chinese government papers are available in English. Fourth, the basic analysis and main findings of this report rest on various types of independent sources largely located in the US, thus reflecting the report's overall focus on how the Trump administration handles US-China relations. Finally, the usual disclaimer applies, meaning that all the views, analyses and conclusions in this report are the sole responsibility of the author.

THE EMERGING GREAT POWER RIVALRY AND ITS UNDERLYING DRIVERS

Though history is replete with tragic examples of security competition and power rivalry between rising and falling great powers (cf. Kennedy, 1987; Allison, 2017), there is no iron law dictating that the current rise of China within a US-dominated international order will inevitably lead down the same path. Instead, the two countries could also form a sort of leadership tandem, a G2, based on a set of shared principles and interests in jointly managing international order (see e.g. Brzezinski, 2009; Kissinger, 2011: Epilogue). The notion of a G2 gained currency in the aftermath of the global financial crisis, as China proved far more capable of weathering the crisis than the Western countries, in effect accelerating the pace of China's relative rise. At the same time, the whole idea of a leadership duo played into long-standing calls for China to step up its international commitments by becoming a "responsible stakeholder" in the existing international order (cf. Zoellick, 2005). Yet, while the global financial crisis certainly did have an emboldening effect on the Chinese leadership, causing it to jettison its long-held strategy of keeping a low profile on the international stage, aspirations for a G2 soon evaporated as China in 2010 embarked on a new, more assertive foreign policy course. This prompted the Obama administration, in turn, to launch its own "Pivot to Asia" in late 2011, among other things to shore up Washington's military-strategic presence in Asia (Forsby, 2016).

It is argued here that US-China relations are constrained by a set of underlying (or structural) drivers that tend to pit the two countries against each other in a state of rivalry.

In the present decade, then, the United States and China have coexisted uneasily on the international stage, notably in East Asia, where China's new assertiveness has manifested itself most clearly. One of the key arenas of geopolitical friction between the two countries has been the South China Sea. In these highly contested waters, China has used a greatly expanded and modernized coast guard fleet to pursue its extensive territorial and maritime claims in a more confrontational manner than previously, while enlarging and militarizing its existing territorial features in the Spratly archipelago on a massive scale (Forsby, 2016: Chapter 4). In order to counter this, the United States has ramped up its naval presence in the area and promoted "a network of like-minded partner states that sustains and strengthens a rules-based regional order" (TWH, 2015). A case in point has been the Obama administration's staging of a series of media-hyped "Freedom of Navigation Operations" in the South China Sea to challenge what Washington considers to be

excessive claims by the coastal states in general, and China in particular (Forsby, 2016: 50-53). More broadly, the United States and China have increasingly competed for political influence, economic partners and strategic primacy in the region, thus setting the scene for an emerging great power rivalry.

This raises the question of to what extent the emerging great power rivalry between China and the United States will further materialize under the Trump administration. On the face of it, this depends on the strategic choices, specific policies and leadership style pursued by the Trump administration in its relations with China. However, it is argued here that US-China relations are also constrained by a set of underlying (or structural) drivers that tend to pit the two countries against each other in a state of rivalry.

Three basic drivers of rivalry between Beijing and Washington

In order to identify the main structural drivers of US-China relations, we may turn to the discipline of International Relations (IR). Broadly speaking, there are three contending IR perspectives that may help us shed light on the nature of these drivers: realism, liberalism and constructivism. Although each of these three IR perspectives is found in various versions, it suffices here to concentrate on their respective standard arguments.

Firstly, adopting a realist IR perspective would make us highlight the inescapable power and security dynamics of the international states system that stem from its anarchical nature and the pervasive sense of insecurity it generates. In this view, China and the United States are bound to be on a collision course, because the rise of China will have a disruptive effect on the prevailing US-dominated international order and security architecture (see e.g. Friedberg, 2011; Mearsheimer, 2014). As China's economic, political and military clout grows, Beijing will seek to expand its zone of influence in the region and to pursue its interests more assertively, thereby sparking security concerns in neighboring states as well as in Washington. On its side, the United States will view the rise of China as a threat to its dominant position in the region, using its extensive network of partners and allies in Asia to check and contain China's rising power. According to realists, these power and security dynamics will eventually create a sustained pattern of great power rivalry between China and the United States in Asia. A range of other factors like leadership perceptions and domestic politics may determine whether this state of rivalry will be acute or moderate, but there is no way to prevent power and security dynamics from defining the nature of US-China relations (Christensen, 2015).

Secondly, subscribing to a liberalist IR perspective would make us emphasize how states are primarily motivated by shared interests, how they are bound together in a globalized world by economic interdependence and how the multi-layered institutional framework of the Liberal Order promotes inter-state cooperation (Doyle, 2012). Over the course of the past couple of decades, the People's Republic of China has gradually been incorporated into the prevailing US-centered Liberal Order, joining its multilateral organizations and exploiting its free-trade institutions to bring about China's spectacular rise from an impoverished agrarian society to a modernized great power (Ikenberry, 2008). Along the road, China and the United States have grown increasingly dependent on each other in a political and notably economic sense, thus fostering a shared interest in managing their bilateral relationship as well as the global economy. Yet, while interdependence may create shared interests, it can certainly also produce conflicting interests, as amply demonstrated in the often heated exchanges between Washington and Beijing with respect to the unbalanced trade relationship and mutual market restrictions (see next chapter). As even their economic relationship seems to have become infused with competitive dynamics of a zero-sum nature, in recent years liberal IR voices have fallen increasingly silent on the state of US-China relations.

Thirdly, employing a constructivist IR perspective would make us focus primarily on how state interests are constituted by a set of underlying norms, beliefs, cultures and identities that affect the US-China relationship in two rather different ways (Forsby, 2016: Chapter 9). On the one hand, while the incorporation of China into the Liberal Order is conducive to China's modernization and global economic growth, it may also have a socializing effect on Beijing, as China's leaders embrace the norms and values of international society (Johnston, 2008). In this process, Beijing should gradually identify itself as an insider of international society with an obligation to manage the prevailing Liberal Order in collaboration with Washington. More recently, however, constructivist studies have mostly explored the distinctive character of China, highlighting its unique civilizational heritage, its collectivist Confucian mentality, its authoritarian dynastic culture etc. (see e.g. Callahan, 2012; Feng, 2013). The implications for US-China relations are that not only is China highly unlikely to be socialized into a US-dominated Liberal Order; it is also potentially a revisionist state, aspiring to forge a Sino-centric international order. Hence, given these cultural and identity-related differences, Beijing and Washington are more likely to become rivals rather than partners on the international stage.

On the whole, mainstream IR perspectives seem to offer limited grounds for optimism about US-China relations. Whether shaped by distinct drivers such as power and security dynamics, zero-sum economic competition, incompatible identity-generated grand strategies, or perhaps a combination of these, US-China relations appear to be ripe for rivalry. While these drivers are likely to exert a significant constraining effect, it is certainly not preordained that great power rivalry will be the defining feature of US-China relations. Domestic politics may come to overshadow foreign policy for long periods, and this could easily be the case for both Donald Trump and Xi Jinping in 2017. Trump's notorious "America First" mantra actually implies a primary focus on domestic issues, and his administration is already embroiled in domestic political strife surrounding the FBI investigation into alleged abuse of power. Likewise, the upcoming National Congress of the CPC will probably keep Xi bogged down in domestic matters as he grapples with the leadership transition issue. Apart from the periodic primacy of domestic politics, however, active presidential leadership may also contribute more directly to bridging some of the underlying differences between the two countries. Identifying a set of shared interests is a crucial step in exercising such political leadership.

WHERE IS THE GLUE TO BE FOUND?

Taking stock of shared interests

In the lead-up to the first summit between Donald Trump and Xi Jinping, Chinese state-run media were flooded with editorials on the indispensability of a healthy, cooperative China-US relationship (see e.g. Xinhua, 2017). This public request for cooperation clearly reflected deep anxiety among China's leaders about what to expect from the new Trump administration. During the Obama administration's term in office, in order to prevent US-China relations from becoming too competitive, both sides had deliberately sought common ground on a number of shared interests. Chief among these were the struggle against climate change, the fight against the proliferation dissemination of weapons of mass destruction, and the need to jointly manage the highly intertwined economic relationship between the two countries. Such shared interests have provided much-needed "glue" for the US-China relationship, and this begs the question of to what extent Trump and Xi will be able to maintain a cooperative relationship on these and perhaps other issue areas in the years to come.

Climate change, weapons of mass destruction and macroeconomic coordination

During the second term of the Obama administration, US-Chinese efforts to limit climate change constituted the single greatest source of cooperation between the two countries. In fact, climate change was the only international issue area that saw persistent and effective leadership efforts by China and the United States, as they pushed ahead with the climate agenda, committing each other, as well as the rest of the world, to adopt a range of binding targets (Luft, 2017). Tellingly, by far the majority of joint US-Chinese official statements during the Obama administration were on climate change, and they often served to defuse tensions at the time of their adoption. For instance, in November 2014 a joint statement on post-2020 climate emission targets came amid mounting tensions over China's land reclamation activities in the South China Sea (TWH, 2014). In the most recent statement from 31 March 2016, the two presidents pledged to sign and implement the critical 2015 Paris climate accord, declaring that "climate change has become a pillar of the China-US bilateral relationship. […] The joint efforts by China and the United States on climate change will serve as an enduring legacy of the partnership between our two countries (MFAPRC, 2016b)."

Donald Trump's presidency, however, has already spelled an end to US-China cooperation on climate change. Trump has a long history of climate-change denial and has famously tweeted that "the concept of global warming was created by and for the Chinese in order to make US manufacturing non-competitive" (Trump, 2012). It has therefore come as no surprise that in late March Trump signed an executive order that will loosen US regulation on oil, gas and coal production and roll back much of Obama's federal policy planning aimed at combatting climate change (Merica, 2017). Moreover, at April's US-China summit in Florida, climate change was conspicuous only by its absence on the list of topics that were discussed. Finally, in early June, when announcing that the United States will withdraw from the Paris climate accord, Trump was met by an official statement from China reminding him "that the Paris Agreement is a hard-won result which represents the broadest consensus of the international community and should be cherished and upheld by all parties" (MFAPRC, 2017b). That the United States under Trump is no longer in the forefront of the fight against climate change is not only worrying from an environmentalist viewpoint, but also from the perspective of US-China relations.

Another shared interest with a far longer track record of substantive US-China cooperation concerns the struggle to prevent the proliferation of weapons of mass destruction (WMDs). While, in the 1990s, China was actively involved in exporting missile technology and other critical weapons technologies to states like Iran, North Korea and Pakistan, in the 2000s Beijing changed its course markedly as part of a wider ambition to be viewed as a responsible partner to the West (Forsby, 2016: 394-402). Specifically, in 2004 China supported the critical UNSC Resolution 1540 that created legally binding obligations on member states to have and enforce appropriate and effective measures against the proliferation of nuclear, chemical and biological weapons as well as their delivery systems (Medeiros, 2009). Since then, China has cooperated with the United States, not only in the UNSC, but also in the Nuclear Suppliers Group, the International Atomic Energy Agency and the Zangger Committee to prevent notably Iran and North Korea from developing their nuclear weapons programs, including several rounds of UNSC-orchestrated sanctions against Teheran and Pyongyang. Although critical voices in Washington have sometimes questioned the effectiveness of China's sanctions, both Washington and Beijing have in recent years in official statements repeatedly emphasized their shared interest in and constructive cooperation on curbing the proliferation of WMDs (see e.g. MFAPRC, 2016c).

The Trump administration certainly shares the overall goal to prevent proliferation of WMDs, but whether the United States under Trump will be able to align its approach with that of China – and other UNSC members – is more questionable. For instance, criticizing openly on several occasions the "Iran nuclear deal" from 2015, which was supported by China and the other great powers, the Trump administration has unilaterally imposed new sanctions on Teheran and is currently reviewing whether it should pull the United States out of the deal (DiChristopher,

2017). Conversely, the adoption in early June of UNSC resolution 2356 on North Korea's nuclear weapons program signals that China and the United States can still come together to curb the dissemination of WMDs, but even here Trump's hardline stance and the unfolding THAAD controversy may complicate bilateral cooperation efforts (see below, Chapter 4).

That the United States under Trump is no longer in the forefront of the fight against climate change is not only worrying from an environmentalist viewpoint, but also from the perspective of US-China relations.

Finally, the United States and China also share an overall interest in handling a wide range of macroeconomic challenges that arise from their intertwined economies. Ever since the Obama administration took office, the United States and China have held an annual round of "Strategic and Economic Dialogue" (S&ED), taking turns to host the talks in either Washington or Beijing. The S&ED represents the highest-level bilateral forum, where a broad range of not only macroeconomic, but also security-related issues are discussed by large delegations from both countries. As US-China relations have been marred in recent years by frequent bickering over conflicting economic and strategic interests, the S&ED offers a crucial opportunity to attempt to see eye-to-eye on how to deal with, among other things, currency manipulation, intellectual property rights, anti-dumping policies, market restrictions, cyber-attacks, freedom of navigation on the seas, and the militarization of the South China Sea (Wright, 2016). Many outside observers are skeptical of the effectiveness of the S&ED, arguing that the talks involve ritual pronouncements rather than real dialogue, and that over the years little substantive progress has been achieved on key issues of contention (Blanchard and Horin, 2014; Tiezzi, 2015). While it is true that some issues like systematic market restrictions, unbalanced trade relations and the militarization of the South China Sea have not seen any notable progress, other concerns have actually been properly addressed. For instance, after years of mounting tension over cybersecurity threats, in 2015 the United States and China reached an agreement that has significantly reduced the level of reported Chinese-backed hacking of US targets (Segal, 2016). More broadly, the whole point in having the S&ED is to jointly manage difficult issues in confidential settings, ultimately preventing them from escalating out of control.

Given Donald Trump's harsh campaign rhetoric against China's "unfair economic practices" and his appointment of notoriously protectionist China-bashing figures like Peter Navarro and Robert Lighthizer to key trade-related government positions, macroeconomic coordination between Washington and Beijing is likely to be fraught with difficulties under Trump. Rather than viewing bilateral economic relations in terms of shared interests or – with a Chinese catch phrase – "win-win cooperation", the Trump administration seems poised to adopt a far more competitive zero-sum approach, stressing above all the need to significantly reduce the enormous US trade deficit with China (Economist, 2016). This would subject their bilateral economic relations to the same negative dynamics that already pervade security relations between Beijing and Washington. So far, however, in practice the Trump administration has been far more moderate on these issues than most observers expected. At the April summit in Florida, Trump and Xi actually adopted an updated framework for bilateral cooperation, namely the so-called United States-China Comprehensive Dialogue, which is to replace the S&ED (see below).

First summit between Trump and Xi: Is personal chemistry now key to US-China relations?

On April 6-7, the much-anticipated first meeting between Donald Trump and Xi Jinping took place at Trump's private Mar-a-Lago mansion in Palm Beach, Florida. Instead of all the pomp and pageantry of a Washington capital summit, the Trump administration deliberately opted for the more confidential and relaxing settings of Trump's "Winter White House". As it turned out, the first summit was indeed primarily about forging a personal bond between Xi and Trump, or as put by the White House, "a great opportunity for both presidents and their wives to get to know one another, enjoy meals together and work on important issues" (TWH, 2017). Chinese state media coverage of the summit also struck a very positive note, observing, for instance, how the "Xi-Trump meeting boosts dynamism in China-US ties" and even predicting that the "relationship will remain stable on big issues, despite whatever minor disputes may arise" (People's-Daily, 2017). The amicable atmosphere of the Mar-a-Lago summit came as something of a surprise, given Trump's record of confrontational rhetoric against the Chinese, including in late 2016 his highly controversial questioning of Washington's "One China" policy, the bedrock of official US-Chinese relations (Reuters, 2016). All this raises the question of to what extent the new friendly vibes will help keep US-China relations on an even keel during Trump's presidency.

In the absence of a set of strong common interests, let alone any shared visions for international order, the question of personal chemistry between state leaders will naturally play a larger role in determining whether they can manage their underlying bilateral differences. The fact that the Mar-a-Lago summit was successful in creating some sense of mutual understanding between Trump and Xi, thus paving the way forward for more substantive negotiations on difficult issues, should be helpful in reducing bilateral tensions, at least in the short run. Moreover, while Chinese leaders since Deng Xiaoping have generally adopted a rather pragmatic foreign policy line aimed at facilitating China's modernization process, American presidents have been far more prone to let universalist principles or ideological concerns guide US foreign policy towards China. For example, US criticism of China's human rights violations or US support for the rule of international maritime law in the South China Sea have on numerous occasions poisoned bilateral relations. With Trump in the White House, however, the Oval Office is now run by a man with no strong principled beliefs or any clear moral compass. This should, ceteris paribus, make it easier to find some common ground on difficult issues such as the unbalanced trade relationship or the militarization of the South China Sea.

In the absence of a set of strong common interests, let alone any shared visions for international order, the question of personal chemistry between state leaders will play a larger role in determining whether they can manage their underlying bilateral differences.

Apart from the prospects of a second US-China summit later this year in Beijing, the most significant outcome to emerge from the Florida meeting was an agreement to replace the S&ED with the United States-China Comprehensive Dialogue. The new framework will be organized around four pillars: the Diplomatic and Security Dialogue; the Comprehensive Economic Dialogue; the Law Enforcement and Cybersecurity Dialogue; and the Social and Cultural Issues Dialogue. The idea is still to bring together large delegations of government representatives from both countries to engage in substantive talks on key bilateral issues, but unlike the S&ED, its successor will be directly overseen by the two presidents to ensure that meetings "will show progress and demonstrate meaningful results" (TWH, 2017). It remains to be seen, whether, in practice, the new forum will differ much from the S&ED, but its adoption could help stabilize US-China relations in two respects. Firstly, by setting up a new framework, bilateral cooperation is likely to be re-energized, as both sides will be eager, at least initially, to prove the whole reorganization exercise worthwhile. Secondly, given Trump's history of harsh rhetoric against China and his unpredictability as a leader, the US-China Comprehensive Dialogue framework adds a much-needed institutionalized framework for handling bilateral issues.

While the successful first Xi-Trump summit has at least temporarily reduced the risks of a serious deterioration of US-China relations, it would be highly premature to conclude that a new set of strong, shared interests is in the making or that the two leaders have dispelled the notion of an emerging great power rivalry. Powerful conflicts of interest are still in place, threatening to destabilize bilateral relations. In the next two chapters, the report examines two key arenas for geopolitical interaction between Beijing and Washington in order to draw out some of these conflicting interests.

The Korean Peninsula:

THE ONE THING THAAD POISONS US-CHINA COOPERATION

Amid recurring cycles of rising and receding tension on the Korean Peninsula, one particular issue has grown to become a major stumbling block for US-China relations: the Terminal High Altitude Area Defense system (THAAD). A state-of-the-art US-engineered anti-ballistic missile defense system, THAAD will enable South Korea to intercept south-bound missiles from Pyongyang, providing a much-needed additional layer of protection, not only for the local population, but also for the 28,000 US military personnel stationed in South Korea. At the same time, however, the missile defense system will adversely affect China's security, which is why Beijing has repeatedly warned against the deployment of THAAD. Since the peninsula has long constituted one of the most important arenas for bilateral cooperation between Washington and Beijing, we should take a closer look at THAAD, its implications for Chinese security, Beijing's vehement opposition to the system, and the prospects of continued US-Chinese strategic cooperation on the Korean Peninsula.

What is THAAD and why is China against its deployment?

Developed by Lockheed Martin, THAAD is currently the most advanced version of US Ballistic Missile Defense Systems (BMDS), using kinetic "hit-to-kill" energy to destroy hostile short- and medium-range ballistic missiles. Mounted on road-mobile trucks, each THAAD battery includes at least six launchers carrying up to eight interceptor missiles and a powerful X-band radar that tracks incoming missiles and guides the interceptors. THAAD complements existing US BMDS such as Patriot/PAC-3 and the sea-based Aegis systems to offer a more comprehensive protective shield against potential missile threats, notably enhancing the defensive capability against mass-raid ballistic missile attacks (Sauter, 2014; Lamothe, 2017). With expanding stockpiles of (at least 200) short- and medium-range ballistic missiles and increased sophistication of its missile technology, the North Korean regime poses a growing threat to South Korea and US forces stationed there. As some of these missiles could even be armed with nuclear warheads, Pyongyang seems to have the capacity to unleash a nuclear Armageddon on the Korean Peninsula (Schilling, 2017). In order to counter this threat, back in 2015 the South Korean government initiated negotiations with the Obama administration concerning THAAD, leading the two allies to sign a contract on July 8, 2016 for the deployment of the missile system to South Korea. THAAD will be operated by US forces in South Korea and is already in the process of being deployed, to be fully operational later in 2017 (Pentagon, 2017).

As such, the deployment of THAAD to South Korea may ultimately jeopardize China's nuclear deterrent against the United States.

China has continuously opposed the deployment of THAAD to South Korea, using various tools to ratchet up pressure on Seoul. The reason for Beijing's strong opposition has nothing to do with THAAD's batteries of interceptors, which are no match for China's own ballistic missile inventory, and which are ineffective against China's strategic Intercontinental Ballistic Missiles (ICBMs). Instead, the Chinese leadership is deeply concerned about the powerful X-band radar, which will be integrated into the US military's existing monitoring capacity in the area, including radars in Japan, on Guam as well as sea-based radars on US Arleigh Burke class destroyers (Lyon, 2016). Actually, what draws the ire from Beijing is not so much the prospect of an extended US monitoring capacity as it is the new radar's ability, in combination with two radars in Japan, to provide a triangulating source of data on airborne Chinese ICBMs. The new South Korea-based radar therefore markedly improves the US military's odds of detecting all Chinese ICBMs, including their decoy warheads, giving US BMDS in Alaska a better chance of shooting them down (Panda, 2017a). As such, the deployment of THAAD to South Korea may ultimately jeopardize China's nuclear deterrent against the United States.

THAAD is just one component in what appears to be a concerted, systematic effort by the United States to achieve a state of "nuclear primacy" against China.

The erosion of China's nuclear deterrent, triggered by THAAD, should also be seen in light of the broader strategic balance between China and the United States. Unlike the United States, China officially subscribes to a "no first use" of nuclear weapons, which makes the relative survivability of its second-strike nuclear capability a crucial concern in the context of nuclear deterrence. Yet, China's nuclear triad – i.e. its strategic bombers, ICBMs and submarine-launched ballistic missiles (SLBMs) – is poorly developed, relying primarily on road-mobile ICBMs, of which around forty would be able to reach the continental United States, some of them equipped with

multiple warheads. China's strategic bombers, given their maximum range of 3200 km, are not part of the equation vis-à-vis the United States, while China's SLBMs do not yet constitute a full-fledged and thus credible deterrent (Cunningham and Fravel, 2015; Stratfor, 2015; CSIS, 2016). Even worse, from a Chinese perspective, the United States is continually modernizing not only its BMDS, but also its conventional precision-guided strike forces, which could be used in a pre-emptive strike to prevent China from even launching a retaliatory counterattack (Cunningham and Fravel, 2015: 7-8). Hence, THAAD is just one component in what appears to be a concerted, systematic effort by the United States to achieve a state of "nuclear primacy" against China: that is, to insulate itself from potential nuclear retaliation from China, if a crisis situation threatens to escalate beyond control.

How has Beijing responded to THAAD?

China's official statements on the US-South Korean plans to deploy THAAD have been highly critical all along. On June 1, for instance, a Foreign Ministry spokesperson stressed that THAAD "jeopardizes China's strategic security interests, disrupts regional strategic balance and does no good to denuclearizing the Korean Peninsula and maintaining regional peace and stability. It runs counter to the efforts of resolving the issue through dialogue and consultation. The Chinese side is firmly opposed to that. We have lodged representations with the ROK and expressed our strong concern and solemn position. We strongly urge the US and the ROK to immediately stop and call off their deployment of the THAAD system"(MFAPRC, 2017c). In practice, however, it is South Korea, not the United States, which has borne the brunt of China's frustrations, as Beijing has stepped up its pressure on Seoul by various means, ranging from a selective economic boycott, over cancellation of political meetings, to offensive military signaling (Glaser, Sofio et al., 2017). The progressive deterioration of China-ROK relations comes after years of ever-closer bilateral trade and cooperation, turning China into South Korea's biggest trade partner, accounting for up to 25% (or $300 billion) of its total trade volume (Lee, 2017). In fact, prior to the THAAD conflict, Seoul had in many respects become a much closer partner to Beijing than Pyongyang, whose third-generation Kim-dynasty leader has yet to meet with Xi Jinping, while then-president Park Geun-hye, for instance, assumed a key role in September 2015 at China's official 70th anniversary commemoration of World War II. The current meltdown of China-ROK relations thus speaks volumes about Beijing's opposition to US deployment of THAAD to South Korea.

China's selective, multi-pronged economic pressure against South Korea is taking its toll on Seoul. For several years now, South Korea's entertainment industry has been immensely popular amongst the Chinese, who have developed a great liking for Korean pop bands and TV soaps. Yet, since the outbreak of the THAAD crisis, the Korean entertainment industry has come under fire in China with, for instance, its TV shows being barred from prime-time broadcasting and its celebrities being banned from Chinese marketing campaigns (Gibson, 2016; Lee, 2016). Moreover, ROK companies are increasingly reporting various types of technical trade barriers imposed by Chinese authorities, including anti-dumping rules, stepped-up border control and excessive safety inspections of South Korean firms operating in China. A case in point is the South Korean "Lotte conglomerate", which has been subjected to a regular boycott – directed at its warehouses and supermarkets in China and orchestrated by the state-controlled Chinese media – following Lotte's decision to provide a piece of land for the THAAD installation (Lee, 2016; Kaiman and Stiles, 2017). Chinese tourism, accounting for around 50% of all visits to South Korea last year, has also been targeted by Chinese authorities, who have reportedly instructed domestic travel agencies not to offer package tours to South Korea (Mullen, 2017). Importantly, "China's current campaign against South Korea [marks] the first time that Beijing has attempted to use coercive economic diplomacy to influence South Korea's security policy" (Glaser, Sofio et al., 2017).

The broader strategic picture on the Korean Peninsula

Although the deployment of THAAD has become a major point of contention, cooperation between Washington and Beijing on how to deal with North Korea has not been called off. On April 21, for instance, in response to a new round of missile tests from Pyongyang, China agreed to a UN Security Council statement, expressing the members' "utmost concern over [North Korea's] highly destabilizing behavior and flagrant and provocative defiance of the Security Council" (CNN, 2017a). Even more importantly, on June 2 China and the United States, together with the other members of the UN Security Council, unanimously passed resolution 2356, extending the scope of sanctions against the North Korea after the regime launched its ninth ballistic missile test in 2017 (CNN, 2017b). There are at least three reasons why China has so far not used the THAAD predicament as a pretext for suspending overall cooperation with the United States on North Korea.

First, ever since Kim Jong-un's assumption of power in 2012, the Chinese have grown increasingly exasperated with the North Korean regime's bellicose rhetoric and, even worse, its intensified weapons testing, including 24 ballistic missile tests

and two nuclear weapons tests in 2016 alone. Pyongyang's belligerence is not merely highly detrimental to China's own security interests, as it legitimizes the continued forward deployment of 28,000 US forces in South Korea, not to mention the more recent deployment of THAAD. Moreover, in reality this belligerence is forcing Beijing to side with Washington in the UN Security Council in order to respond to Pyongyang's continuous violations of various China-backed UNSC resolutions. Second, since curbing North Korea's nuclear weapons program has long constituted one of a few shared interests between Beijing and Washington (see above), China's continued goodwill on this point is becoming all the more critical to the overall stability of US-China relations. Third, Donald Trump's hawkish stance towards Pyongyang threatens to provoke an armed conflict that may escalate out of control, unleashing a flood of refugees into China, potentially triggering the use of nuclear weapons in China's backyard and ultimately raising the prospect of a reunified Korea allied with the United States and bordering directly on China. Having officially abandoned the Obama administration's North Korea policy of "strategic patience" and stated that "if China is not going to solve North Korea we will", Donald Trump is exerting mounting pressure on the Chinese leadership to take an active part in dealing with Pyongyang.

It is worth noting that over the past 15 years, China and the United States have been able to find considerable common ground on how to address the threat from North Korea's nuclear weapons program. Specifically, from 2003-2007 their cooperation revolved around six rounds of diplomatic Six-Party Talks in Beijing between China, the United States, Russia, Japan and the two Koreas, while from 2006 onwards they have managed to collaborate on the adoption of 17 UNSC resolutions, including seven rounds of sanctions against North Korea (Reuters, 2010; Reuters, 2017d). Even though both Washington and Beijing have on numerous occasions pointed to their joint efforts to curb North Korea's nuclear weapons program as a main source of bilateral cooperation, US government officials have at the same time frequently criticized Beijing for not consistently implementing the UNSC sanctions or for intentionally watering them down. Moreover, the fact that China remains by far the largest trade partner of North Korea, accounting for around 70-90% of North Korea's external trade, makes Beijing vulnerable to US allegations that the Chinese can do far more to rein in Pyongyang (Albert, 2017). Accordingly, the Trump administration has recently floated the idea that the United States may consider targeting some of the Chinese banks and companies directly involved in external trade with North Korea.

Domestic politics in South Korea will certainly also have a bearing on the level of tensions on the Korean Peninsula and the prospects of resolving the THAAD crisis. Following the impeachment and ouster of the conservatory President Park Geun-hye in March 2017, Moon Jae-in from the liberal Minjoo party was elected as the new president on May 9. Unlike Park, Moon is a long-time proponent of adopting a more conciliatory approach towards Pyongyang based on diplomatic and economic engagement. This approach is fully in line with the so-called Sunshine policy adopted by former South Korean Presidents Kim Dae-jung and Roh Moo-hyun, which contributed significantly to easing tensions on the Korean Peninsula from 1998 to 2008 (Sang-hun, 2017). During his presidential campaign, Moon cast doubt on the deployment of THAAD , but whether he will eventually be able and willing to roll back the new missile defense system remains to be seen. At any rate, Moon's presidency should increase the chances that the two Koreas will once again return to speaking terms, thereby also raising the prospects of reviving the long-moribund Six-Party Talks and bringing both Pyongyang and Washington back to the negotiation table. After all, Trump's new North Korea policy is called "*Maximum pressure and engagement*" (author's own use of italics).

The Chinese leadership has largely shown restraint and acquiesced to US demands to step up pressure on Pyongyang, since cooperation on the Korean Peninsula seems increasingly important for the overall stability of US-China relations.

In summary, the Korean Peninsula has for long been a geopolitical arena of critical importance to both China and the United States. While they share a strong interest in the denuclearization of the Korean Peninsula – Washington to eliminate its biggest security threat, Beijing to remove the specter of nuclear war in its backyard as well as an important pretext for increased US militarization in the area – their cooperation has not been straightforward since Trump took over the White House. The Trump administration's new North Korea policy of "Maximum pressure" (with little "engagement" so far) and its accelerated deployment of the controversial THAAD missile defense system to South Korea have certainly tested Beijing's willingness to cooperate. Yet, the Chinese leadership has largely shown restraint and acquiesced to US demands to step up pressure on Pyongyang, since cooperation on the Korean Peninsula seems increasingly important for the overall stability of US-China relations.

The South China Sea:

STILL AN ARENA FOR US-CHINESE GEOPOLITICAL RIVALRY?

While China and the United States have generally been able to work together on the Korean Peninsula, the South China Sea has for several years been a conflict-ridden arena of geopolitical rivalry between Beijing and Washington. On the surface, recurring tensions in the South China Sea (SCS) are driven by a set of unresolved territorial and maritime disputes between China and several of its Southeast Asian neighbor states who assert mutually overlapping claims to the resource-rich waters as well as its numerous tiny land features. On closer inspection, however, these disputes also serve as the backdrop for great power rivalry between China and the United States. Officially, the United States takes no position on the maritime and territorial disputes in the SCS, but this has not prevented Washington from shoring up its strategic presence in the area in order to stem the tide of what most American observers view as Chinese assertiveness. Beijing, on the other hand, has repeatedly railed against what it sees as US militarization of the South China Sea and a larger scheme to contain the rise of China. Whether this emerging pattern of great power rivalry in the South China Sea further materializes will depend in large measure on the policies adopted by the Trump administration. In accounting for the rivalry between Beijing and Washington in the SCS, we first need to examine its recent history and then to outline the strategic landscape facing the Trump administration, notably the question of whether or not to stage Freedom of Navigation operations in the South China Sea.

The recent historical record: Chinese assertiveness and the US Rebalance

Although the extent and nature of China's new assertive profile on the international stage has been intensely debated, there is widespread agreement that the main thrust of Chinese assertiveness has been directed at the South China Sea. Broadly speaking, this new assertiveness has been manifested in three different ways: an extensive build-up of maritime capabilities, confrontational enforcement of alleged sovereignty rights, and expansive proclamation of China's maritime rights in the SCS.

China's maritime assertiveness in the South China Sea is informed and guided by a new identity-generated conception of China's role, status and rights as a rising great power.

For more than a decade now, in the words of its most recent white paper on "China's military strategy", the Chinese government has striven hard "to develop a modern maritime military force structure commensurate with its national security and development interests, safeguard its national sovereignty and maritime rights and interests, protect the security of strategic SLOCs [i.e. sea lines of communication] and overseas interests, and participate in international maritime cooperation" (SCIO, 2015: Section IV). To these ends, China has churned out record numbers of naval vessels and, given current growth trends, is well on its way to overtaking the US Navy as the world's largest navy in terms of numbers, but not in terms of the quality of its fleet (Dominquez and Tate, 2016). Even more importantly in the context of the SCS, China has embarked on a large-scale modernization and expansion of its white-hulled coast guard fleet, the actual frontline force when it comes to asserting and administering China's maritime claims in contested waters (Martinson, 2015). Adding further to its burgeoning maritime power projection capacity in the SCS, China has built a number of naval and air bases in the Spratly archipelago by turning miniscule reefs into sizable artificial islands, replete with all the infrastructure needed to serve as strategic strongholds for local power projection (AMTI, 2017). Concurrently with this massive build-up of its maritime hardware, China has started to exercise its alleged sovereignty rights in the SCS more assertively than previously, leading to a number of confrontational incidents with other claimant states, notably the Philippines and Vietnam. Flashpoint episodes that have received extensive coverage in the Western media include China's Scarborough Shoal stand-off with the Philippines in 2012 and its oil rig clash with Vietnam in 2014, where Chinese coast guard vessels in both cases resorted to highly assertive measures (Glaser, 2015).

Crucially, China's maritime assertiveness in the South China Sea is informed and guided by a new identity-generated conception of China's role, status and rights as a rising great power. Under Xi Jinping' reign, "the Chinese dream of the great rejuvenation of the Chinese nation" promises to restore China's traditional great power position in Asia by righting the wrongs of China's more recent humiliating semi-colonial past at the hands of imperialist powers (Xi, 2012). In the specific context of the SCS, this new mentality has been most readily reflected in the proclamation of "historic rights" to most of the resources in the South China Sea, as signified by the so-called nine-dash line encompassing around 80% of the SCS. This claim, first stated clearly to the international community in a verbal note in 2009

(PRC, 2009), has subsequently been disputed by the Philippines, which filed an international arbitration case against China in 2013. After carefully probing China's claims to historic rights in the SCS, the Permanent Court of Arbitration in the Hague (PCA) last year announced, among other things, that such claims are without any legal merit according to the UN Convention on the Law of the Sea, which China has both signed and ratified (PCA, 2016). Even so, Beijing immediately denounced the ruling as "null and void" (MFAPRC, 2016). Furthermore, there have been several indications that the Chinese leadership wants to include the SCS on its list of so-called "core interests", thereby placing it on par with Taiwan, Tibet and Xinjiang as inviolable issues of territorial integrity, on which there is very little, if any, room for negotiation (see e.g. Wong, 2010; Reuters, 2015). Taken together, China has unmistakably assumed a more assertive profile in the South China Sea in recent years, sparking concerns in Washington and in neighboring states about the nature of China's underlying strategy and objectives.

The Obama administration's expansion of US military-strategic engagement in Southeast Asia was justified most strongly in terms of an overall commitment to safeguard the freedom of navigation and the rule of international law in the South China Sea.

In its efforts to tap into the economic dynamism of Asia, and to reassure allies and partners about Washington's long-term commitment to the region, the Obama administration launched its "pivot to Asia" in late 2011, undertaking a wide range of diplomatic, economic, political and military measures to deepen US strategic engagement in the region. Later rebranded "the US Rebalance" to accentuate the military dimension, this strategic reorientation towards Asia involved several initiatives specifically designed to counter Chinese assertiveness in the South China Sea. First, Washington has pledged to deploy 60% of its naval and air forces in the Asia-Pacific region by 2020 in what amounts to a historic shift in the overall distribution of US troops stationed abroad (Carter, 2012; Mattis, 2017). As witnessed over the past few years, this shift is gradually making additional US military resources available for naval patrols, port calls, surveillance activities and freedom of navigation operations in the South China Sea. For instance, the rate of surveillance sorties directed at China has more than quadrupled since 2009, from 260 to around 1200 in 2014 (ICAS, 2016). Secondly, the Obama administration did its utmost not only to enhance its existing alliances with Japan, South Korea, Australia and the Philippines, but also to cultivate new strategic partnerships in the region with Malaysia, Indonesia and not least Vietnam. Launching the "Southeast Asia Maritime Security Initiative" in 2015, the Obama administration has directly assisted its allies and partners in building up their maritime capacities in order to balance China's growing military power in the South China Sea (Pentagon, 2015: 19-33).

Finally, the Obama administration's expansion of US military-strategic engagement in Southeast Asia was justified most strongly in terms of an overall commitment to safeguard the freedom of navigation and the rule of international law in the South China Sea (Pentagon, 2015: 1). As such, the Obama administration appealed to universalist principles in order to mobilize the region against rising Chinese power, notably in the South China Sea. In the words of a White House press statement that aptly captures the credo of the Obama administration: "Our priority is to strengthen cooperation among our partners in the region, leveraging their significant and growing capabilities to build a network of like-minded states that supports and strengthens a rules-based [maritime] order" (TWH, 2015).

The Trump administration and the South China Sea: Having some FON or not?

To what extent will the South China Sea be an arena for geopolitical rivalry between China and the United States during the Trump administration? This depends primarily on the Asia strategy adopted by the Trump administration, and whether Obama's activist campaign for freedom of navigation and a rules-based maritime order will be sustained. Having officially scrapped Obama's "Rebalance to Asia" (see Panda, 2017b), the Trump administration has yet to formulate a new overall strategy for how to promote US interests in Asia in general and in the SCS in particular in the face of rising Chinese power. China, on the other hand, has currently very little incentive to stir up troubled waters, as the overall situation has taken an unexpectedly favorable turn for Beijing since last year's ruling from the PCA on China's claims and maritime practices in the SCS. The main reason is a major shift in alignment patterns among the principle claimant states, in effect putting a lid on the simmering maritime and territorial disputes in the SCS.

The most striking example of these changing alignment patterns has been the election in mid-2016 of Rodrigo Duterte as the Philippine president. This is not only because the outspoken hardliner president has blatantly distanced himself from Washington and courted Beijing instead, but also because he has completely disregarded the seminal PCA ruling, thereby letting Beijing off the hook (Panda,

2016). Given the prospects of major Chinese investments in Duterte's signature domestic infrastructure projects, the new Philippine government seems intent on relegating the SCS disputes to the sideline. Apart from the Philippines and China, the third main claimant state in the South China Sea, Vietnam, has also taken a somewhat more accommodating line towards China following a leadership transition in the communist regime in April 2016 (Reuters, 2017a). Furthermore, a fourth claimant state, Malaysia, seems to be moving deeper into China's orbit after a brief partnership flirt with the US during the Obama administration (Hutt, 2017). While primarily triggered by domestic politics, these realignments have been given further impetus by the power transition in Washington, inasmuch as the Trump administration has abandoned the US rebalance to Asia without devising any plan for how to renew US strategic commitments to the region. China itself has also contributed to the change of mentalities among the claimant states by not undertaking any new assertive measures in the SCS since the PCA ruling, and by engaging with ASEAN in another round of negotiations on the long-stalled code of conduct for the claimant states in the South China Sea (Reuters, 2017c).

The Trump administration has yet to formulate a new overall strategy for how to promote US interests in Asia in general and in the South China Sea in particular in the face of rising Chinese power.

Against this backdrop, the geopolitical rivalry in the South China Sea between China and the United States has lost much of its fuel. As tensions have abated, and alignment patterns have been reshuffled, the Southeast Asian states are no longer leaning as heavily on Washington to bolster their maritime and territorial claims in the SCS. Leaving aside the possibility that an emboldened Chinese leadership might exploit the situation to ramp up its assertive practices anew, the Trump administration seems to hold the key to whether the South China Sea will remain calm. The long-awaited resumption on May 24 of US Freedom of Navigation (FON) operations in the South China Sea is interesting to note, as the FON program appears to be a critical indicator of the Trump administration's wider agenda in the SCS (Panda, 2017c). It is therefore worthwhile to delve a little further into the premises of the FON program and the way it stokes up geopolitical rivalry between China and the United States.

Since 1983, under the jurisdiction of the Department of Defense, the United States has been carrying out the Freedom of Navigation program, using military vessels to challenge what Washington considers to be excessive maritime claims by some coastal states, that is, claims which are deemed to be inconsistent with the UN Convention on the Law of the Sea (UNCLOS). Having never itself ratified UNCLOS, the United States nonetheless treats UNCLOS as customary international law, and without attracting much attention from the international media, the Pentagon has for decades been conducting FON operations to counter any unwarranted restrictions on the freedom of navigation of the US Navy. However, since the Pentagon in late 2015 started targeting China's artificial islands in the Spratlys, most of which are not even entitled to a territorial sea under UNCLOS, the FON program has drawn headlines in the international media as well as angry protests from Beijing (Forsby, 2016: 50-53). For instance, following one of these operations, China's ministry of foreign affairs stated that "It is, in essence, the pursuit of maritime hegemony by the U.S. under the cloak of `freedom of navigation´" (MFAPRC, 2016a).

During the Obama administration, the US Navy undertook four FON operations directed primarily at China's – but also other coastal states' – maritime claims in the Spratly and Paracel archipelagos in the South China Sea. Much to the consternation of US Navy leaders, President Obama was actually very reluctant to approve FON operations, not giving the green light until China embarked on its highly controversial island building project (Larter, 2017). Moreover, had the Pentagon been given a free hand in designing the four operations conducted so far, they would no doubt have been more explicit and confrontational than those mandated by Obama, who was careful not to provoke China unnecessarily. Since the Trump administration has been widely expected to adopt a more hardline approach in the South China Sea (Cooper, 2017), it has been somewhat puzzling that we had to wait until late May to see a fifth FON operation. One explanation might have been that the Trump administration did not want to challenge China in the SCS at a time when Beijing's goodwill is needed to rein in North Korea. Moreover, the absence of any overarching strategic framework for the Trump administration's engagement in the South China Sea should make it harder to frame and legitimize a new round of FON operations and to mobilize regional support behind them, not least in light of shifting alignment patterns among the coastal states.

Nevertheless, on May 25 a US Navy Arleigh Burke-class destroyer sailed within 12 nautical miles of one of China's possessions in the Spratlys, the Mischief Reef, which has been built into an artificial island. Being a low-tide elevation in its natural state, according to UNCLOS the Mischief Reef generates no maritime entitlements such as a territorial sea of 12 nautical miles, and last summer's ruling from the PCA made it clear that the Mischief Reef is located firmly within the continental shelf of the Philippines (Panda, 2017c). As such, the FON operation posed a challenge to potential claims to the waters surrounding the artificial island, even if the exact scope of this challenge has not yet been clarified by the Pentagon. That is, did the FON operation merely dispute China's requirements for "prior notification" in its territorial waters or was it conducted as a high-seas operation, in effect rejecting any Chinese claim to a territorial sea around the Mischief Reef? Regardless, immediately responding to the US FON operation, a Foreign Ministry spokesperson stated that China "firmly opposes the undermining of China's sovereignty and security interests by any country in the name of the freedom of navigation […] We strongly urge the US side to correct its wrongdoing and stop any provocative actions detrimental to China's sovereignty and security interests so as to avoid any further damage to China-US cooperation and regional peace and stability" (MFAPRC, 2017d).

On the whole, the South China Sea has been relatively calm since the Trump administration took office.

There are a number of observations to make in light of the first new FON operation in the South China Sea under Trump. To begin with, it is no secret that the US Navy has been strongly in favor of resuming the program, with the US Pacific Command having already made several requests to launch a fifth operation since Trump took office (Cooper, 2017). Furthermore, official plans for expanding the US Navy, in line with Trump's presidential campaign promises, create their own incentives for stepping up the activities of the US Navy (USDN, 2016). Hence, just as the massive expansion of the Chinese Navy and Coast Guard has enabled Beijing to assume a more assertive profile in the SCS, the reverse logic could motivate the US Navy to become more assertive in order to justify its projected expansion. The most recent FON operation in the SCS may be framed along these lines. However, it is also worth noting that Pentagon's reluctance to clarify the precise scope of the fifth FON challenge suggests that the Trump administration is still cautious not to create an overly confrontational atmosphere in the South China Sea.

Yet, the resumption in May of the Freedom of Navigation program could indicate that the South China Sea will soon again become the primary arena of great power rivalry between China and the United States.

On the whole, the South China Sea has been relatively calm since the Trump administration took office. Given not only Donald Trump's indecisiveness on how to strategically engage the United States in the region, but also recent changes in alignment patterns among several coastal states and the flare-up of tensions on the Korean Peninsula, it should come as no great surprise that the Trump administration has been somewhat hesitant to challenge China directly in the South China Sea. Yet, the resumption in May of the FON program could indicate that the SCS will soon again become the primary arena of great power rivalry between China and the United States as both countries are guided by powerful underlying drivers to pursue their strategic interests in the South China Sea.

CONCLUSION AND SOME IMPLICATIONS FROM A DANISH PERSPECTIVE

In his new book on US-China relations Destined for War: Can America and China Escape the Thucydides Trap?, the highly distinguished Harvard Professor, Graham Allison, sounds the alarm, claiming that the two nations are on a collision course for war (Allison, 2017). Beijing and Washington are caught in a so-called Thucydides Trap, Allison argues, where the prospect of a rising China, eventually displacing the United States as the dominant power, has instilled fear in Washington and will raise the risks of war during the coming power transition. These risks are further exacerbated, according to Allison, by the way Donald Trump and Xi Jinping have articulated their respective leadership mandates around what appears to be a clashing set of nationalist visions, with Trump promising to "Make America Great Again" and Xi evoking "the great rejuvenation of the Chinese nation".

This report shares the premise that the overall relationship between China and the United States resembles that of rivals far more than partners. It reaches this conclusion by pointing to several basic drivers of great power rivalry, such as power and security dynamics, zero-sum economic competition and incompatible identity-generated grand strategies, which taken together tend to drive a wedge between the two countries. Moreover, the report argues that it is increasingly difficult to identify a set of strong, shared interests between Beijing and Washington, if we use US-China relations during the Obama administration as a comparative frame of reference. Trump's rejection of global warming as a hoax offers a case in point, sealing the fate of what had become an ambitious US-Chinese leadership tandem that orchestrated the international struggle against climate change. However, the report does not share Allison's pessimistic reading of US-China relations as being fraught with the danger of war, nor does it find any specific evidence that the two countries are currently on a collision course on the Korean Peninsula or in the South China Sea, two key arenas of geopolitical rivalry between Beijing and Washington.

To be sure, tensions on the Korean Peninsula have recently spiked as Donald Trump denounced Obama's North Korea policy of "strategic patience" and proceeded with the deployment of the THAAD missile defense system in South Korea, despite strong protests from Beijing. While THAAD may seriously disrupt US-China relations in the longer run – as it threatens to erode China's nuclear deterrent – Trump and Xi have so far managed to stick to years of bilateral cooperation on how to deal with North Korea's nuclear program. In the South China Sea, where in recent years China and the United States have repeatedly found themselves at loggerheads, geopolitical tensions have actually diminished markedly. This is not only because Beijing has toned down its assertive practices in contested waters, but also because the smaller coastal states no longer want to rely as much on Washington to bolster

their maritime and territorial claims in the South China Sea. Having replaced Obama's comprehensive Rebalance to Asia with strategic indeterminacy, the Trump administration also seems, perhaps inadvertently, to be helping to reduce geopolitical friction in the South China Sea, as illustrated by Trump's indecision on whether or not to stage a new round of Freedom of Navigation operations there.

What is more, at their first summit in April in Florida, Xi and Trump apparently established some sort of mutual understanding on how to keep US-China relations on an even keel. Whether based on personal chemistry or perhaps a realization of the risks entailed in antagonizing each other, the two leaders have now set up the US-China Comprehensive Dialogue, a new institutionalized framework for jointly handling conflicts of interest in their wide-ranging bilateral relationship. Of course it remains to be seen how useful and solid this new cooperative framework will be, but there is yet another reason why US-China relations under Xi and Trump could prove to be manageable. Notwithstanding their respective visions of how to restore national greatness, both Xi and Trump are currently primarily preoccupied with domestic concerns. Xi is grappling with difficult questions of political (i.e. leadership) transition and economic development, while, apart from being bogged down in political strife on Capitol Hill, Trump is drawing most of his support from an isolationist-oriented constituency.

Above all, the report finds US-China relations to be highly unstable. As such, the recent rapprochement between Washington and Beijing could prove short-lived inasmuch as their relationship remains shaped by deep-seated conflicts of interest generated by differences of identity, economic development and overall strategic positioning in the international system. At some point, either Trump or Xi may find it expedient to adopt a more hawkish stance in, say, the South China Sea or with respect to their bilateral trade relations, thereby reenergizing the underlying dynamics of great power rivalry.

Caught in the middle? US-China relations as viewed from Copenhagen

The United States and China are by far Denmark's most important partners outside Europe, as reflected by the fact that the biggest Danish embassies are located in Washington and Beijing (apart from Brussels). For decades, Washington has not only been Denmark's principle alliance partner, but also the standard bearer of an open and rules-based liberal order that remains vital for Denmark's foreign policy interests as a small state. More recently, China has emerged to become a "comprehensive strategic partner" of Denmark, with both countries striving hard to institutionalize a multifaceted set of government-to-government relations that have

paved the way for a burgeoning bilateral trade relationship. As such, Copenhagen profits enormously from enjoying a strong relationship with both Washington and Beijing, which now count as Denmark's two largest non-European trade partners. Against this backdrop, the Danish government should heave a sigh of relief that the new Trump administration so far seems committed to engaging in a constructive relationship with China, despite some harsh China-bashing rhetoric from Trump during his presidential campaign.

The Danish government needs to prepare itself for how to navigate on the international stage between Washington and Beijing, if great power rivalry sets in.

At the same time, however, the looming risks of great power rivalry between China and the United States should be a cause of concern for Denmark. As the current rapprochement could easily be derailed, the Danish government needs to prepare itself for how to navigate on the international stage between Washington and Beijing, if great power rivalry sets in. Indeed, Copenhagen may be forced to choose sides in situations that require deft diplomatic balancing. The Danish government has already had a foretaste of this on several occasions when American and Chinese interests have collided. Notable examples from the past couple of years include Denmark's decision to join the Chinese-led Asian Infrastructure Investment Bank in spite of US opposition; Denmark's backing last year of a US-sponsored China-critical resolution in the UN Human Rights Council; and the Danish government's sudden cancellation of a projected sale of an abandoned naval station in Greenland to a Chinese buyer, no doubt to avoid criticism from Washington (Forsby, 2017, fc.). It may therefore be of some consolation – if Beijing and Washington do end up becoming alienated from one another – that during the Cold War Denmark managed the balancing act between China and the United States more skillfully than most other Western states (Østergaard, 2011: 53-54).

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