



Universidad  
Europea

LAUREATE INTERNATIONAL UNIVERSITIES

## UNDERGRADUATE FINAL PROJECT

***Can the current relationship between the U.S. and China be characterized as the beginning of a Cold War?***

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2020-2021

**DEGREE: Global Bachelor's Degree in International Relations  
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## LIST OF ACRONYMS AND ABBREVIATIONS

The following table describes the significance of various abbreviations and acronyms used throughout the thesis. The page on which each one is defined or first used is also given.

Abbreviation	Meaning	Page
BRICS	Brazil, Russia, India, China and South Africa	38
CNOOC	China National Offshore Oil Corporation	30
CPC	Chinese Communist Party	34
EU	European Union	54
FDI	Foreign Direct Investment	29
GDP	Gross Domestic Product	29
IMF	International Monetary Fund	6
IPR	Intellectual Property Rights	45
IR	International Relations	20
NATO	North Atlantic Treaty Organization	22
OECD	Organization for Economic Co-operation and Development	33
OPIC	Overseas Private Investment Corporation	51
OPEC	Organization of the Petroleum Exporting Countries	28
R&D	Research and Development	8
UK	United Kingdom	20
UN	United Nations	8

U.S.	United States	6
USSR	Union of Soviet Socialist Republics	12
WTO	World Trade Organization	6
WWI	World War I	18
WWII	World War II	19

## **ABSTRACT**

There is much international consternation over the great power competition between China and the United States that is currently unfolding, since there are potential consequences for the rest of the world. Many analysts, media pundits and even politicians are characterizing this competition as a possible new cold war. This analysis uses, Wei Li's list of criteria that defines a cold war to determine whether U.S.-China relations can be characterized as one. This research finds that the U.S. and China may be approaching a quasi-cold war.

**Key words:** Cold War, China, United States, Superpowers, high international commotion, conflict, future.

## RESUMEN

Hay mucha consternación internacional por la competencia de grandes potencias entre China y Estados Unidos que se está desarrollando actualmente, ya que existen consecuencias potenciales para el resto del mundo. Muchos analistas, expertos en medios e incluso políticos están caracterizando esta competencia como una posible nueva guerra fría. Este análisis utiliza la lista de criterios de Wei Li que define una guerra fría para determinar si las relaciones entre Estados Unidos y China se pueden caracterizar como tal. Esta investigación encuentra que Estados Unidos y China pueden estar acercándose a una casi guerra fría.

**Palabras Claves:** Guerra Fría, China, Estados Unidos, Superpotencias, alta conmoción internacional, conflicto, futuro.

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## 1. INTRODUCTION

The role and place of new centers of influence in the international system is increasing, non-traditional problems are deepening and multiplying security, the solution of which requires the consolidation of the efforts of the entire world community, the interdependence between states is increasing, the systemically important global financial institutions are being reformed, created after the end of World War II and until the last time monopoly controlled by Western countries with the determining influence of the United States.

The idea of a U.S.-China Cold War has been popularized in the media. For instance, according to The Guardian, "Former US national security adviser Henry Kissinger has warned that strains between Washington and Beijing pose "the biggest problem" for the world, and a failure to improve them risks a "cold war" between the world's two largest economies." (Ni, 2021). The New York Times wrote an article referring to how the Cold War between China and U.S. is intensifying, "Tensions between China and the United States have reached the most acute levels since the countries normalized diplomatic relations more than four decades ago." (Gladstone, 2020). The fact that this is happening is due to the great growth that China has had, which also goes hand in hand with the great "security dilemma". In fact, the academic Wei Li, proposes that the lack of trust can be one of the elements that can generate a Cold War by generating risky and aggressive behaviors in both participants.

The rise of China has created this environment of "lack of trust" to other parties, especially the U.S., because it is also becoming a fundamental factor shaping the geopolitical and geo-economic landscape of the 21st century. Its integrated national power is rapidly strengthening, the geography of national interests is expanding, and international influence is increasing. China's interests are now focused not only on the domestic economic development and participation in the affairs of East Asia, but they are projected onto almost all regions of the world with varying degrees of intensity. Moreover, the foreign policy of this largest East Asian state is reaching a qualitatively new level. There is a tendency to change the country's foreign policy self-identification towards a transition to positioning itself as a global power. "The Chinese leadership is stepping up its participation in shaping the international agenda, creating new

mechanisms and institutions of global governance.”(*Speech by Foreign Minister Wang Yi at the Opening of the Symposium On International Developments and China’s Diplomacy in 2016*, 2016). Supported by several other emerging centers of influence, Beijing is increasing pressure to revise existing decision-making rules in the controlled by the West and the U.S. global financial and trade institutions: IMF, World Bank and WTO. The rise of China is one of the most notable phenomena in the international arena and has a strong impact on modern international political and economic processes.

In terms of the degree of influence on the international system, according to some academics as professor Mearsheimer, he had stated many times that China’s rise can be compared with the Soviet Union, which at one time marked the end of the existence of the bipolar system.

On a very general level, there is a similarity between the Cold War and what's happening now with the United States and China. In both cases, you have a country that is interested in dominating its region of the world. The United States dominates the Western Hemisphere, and today, there's no question that China is interested in dominating Asia. In that sense, there are similarities. (Ebbighausen, 2020)

Euphoria over the collapse of the Soviet bloc, and then the Soviet Union itself gave rise to ideas about Unipolar World, a monocentric system ruled by the United States, operating on the basis of unconditional hegemony and unlimited unilateralism, a foreign policy that does not take into account the interests of other participants in international life. For some time, this was by no means only a conceptual scheme: “the first administration of President George W. Bush gave multiple reasons to believe that the relationship between the United States and the outside world was then built on just such a pattern.”(Hinnebusch, 2007). Already in the 1990s, the inconsistency of this approach was clearly revealed, the revision of which became a foreign policy priority during the presidency of Barack Obama.

The arrival of Barack Obama to the White House has made the idea of a U.S.-China partnership one of the main trends in world politics. “The concept of the symbiosis of two powers ‘Chimerica’ was even launched into wide circulation.” (Бурмистров, 2010). In November 2009,

Obama made an official visit to Beijing and invited the Celestial Empire to share the informal burden of responsibility for the fate of the world. They spoke about “the interconnectedness of the economies of the two countries, about the need to combine efforts in the fight against the global crisis. (Office of the Press Secretary, 2009). They even put forward the idea of forming a “big two”, an American-Chinese strategic partnership to address a number of global and international problems. However, Beijing made it clear that it prefers to move forward on its own track.

However, the new pathos of the U.S. international political course did not seem convincing to everyone. Including in the United States itself with Donald Trump's victory with his slogan “make America great again” returned the country to the beaten track.

Moreover, the rise of China repeats the precedent that has repeatedly taken place in world history, the Thucydides Trap, “when a rapidly growing power of a potential superpower challenges the already recognized and entrenched world leader state. And most often this precedent ended in a tough clash of interests of these states, and sometimes in a large-scale armed conflict.”(Allison, 2017). In this regard, the relations that are developing between China and the United States acquire a special, different from any other modern interstate relations, and their study is of high theoretical and practical significance.

The deep reasons for the contradictions that exist between these two countries are the fundamental difference between political regimes, ideologies, value systems and models of economic development of the two countries, their disposition as a superpower (state-global leader) and a potential superpower (rising state) and the lack of strategic trust between them.

## **1.1. Justification**

Making a study of modern U.S.-China relations is an urgent scientific task that has undoubted academic and real world significance, since it allow us to draw conclusions about what scenario can be used to build relations between a state, a global leader and a rising power in a fundamentally new environment of the rapid development of globalization and informatization processes that transform the international nature.

In the modern world, the United States and China occupy leading positions in many representative indicators reflecting national power, the international influence of a state and its

role in the global agenda. Therefore, they are the largest developed and developing states, the strongest world economies, the leading states in defense and R&D spending in the world, the largest countries that emit greenhouse emissions into the atmosphere, and permanent members of the UN Security Council. Due to the high role that the United States and China play in world political and world economic processes, the American-Chinese relations can be recognized as the most important interstate relations in the world, setting the direction for the transformation of the international system, and their study is an urgent scientific task. Unlike many bilateral interstate relations existing in the world, which have only limited significance for the states directly involved in them, the nature and direction of the U.S.-China relations have a significant impact on the security and politics of other states, as well as on the entire international system. The vector of relations developing between the United States and China has a direct and significant impact on the development of the international situation and stimulates changes in the international system.

All this together determines the relevance and the reason to make an analysis of this topic because of the high importance of solving these problems posed in this dissertation for the science of international relations.

## **1.2. Objective and research question**

The objective of this research is to answer the following research question:

***Can the current relationship between the U.S. and China be characterized as the beginning of a Cold War?***

This study will examine the topic of the strategy and practice of world leadership in the politics of the United States and China within the framework of Wei Li's list of characteristics that define a cold war.

This paper will also examine the main contradictions between the United States and China, which form the basis of their internecine and global confrontation, as well as the points

of contact that at the same time make the two powers irreplaceable partners in the international arena, creating a possible scenario that happened in the past, but with the advancement that exist in this century, a new type of Cold War between both actors. The specifics of the problems under consideration are also investigated in two areas, economic and military-political.

Further, the issues of partnership-confrontation between the United States and China are analyzed taking into account how it will affect the rest of the world. All the countries, to one degree or another, will be affected and will be objects of policy of the United States and China. This gives rise to the opportunity to see, in a fairly wide spectrum, how the international community reacts to this policy.

### **1.1.1. General Objective**

Analyze if there is a possible scenario for the beginning of a Cold War between U.S. and China.

### **1.2.1.1. Specific Objectives**

Identify if the U.S. and China are be two well-matched power poles in the international system.

Determinate if these two major powers are mainly competitors through an analysis of their diplomatic confrontations alliances, mutual military deterrence and arms races, economic closure and isolation, and ideological attacks.

Detect if there is not a direct military conflict between the two powers.

Interpret how the conflict of these major two powers can profoundly shape global political, economic and ideological patterns around the world.

### **1.3. Hypothesis**

**H1: The relationship between the U.S. and China can be characterized as the beginning of Cold War.**

**H2: The relationship between the U.S. and China can't be characterized as the beginning of Cold War.**

## **1.5. Methodology**

This study consists of a review of the academic literature as well as think tanks, governments and media analysis on the subject.

The resources used to locate the sources have been mainly Google Scholar, Dialnet and the libraries of the London School Economics University, Chatham House, CRAI Dulce Chacon of the Universidad Europea in order to review the literature on the subject.

Additionally, it is necessary to be aware of the limitations that this work presents. In the first place, it must be taken into account that sometimes the official data (such as GDP, trade balance) published by the Chinese government may not accurately reflect reality, as has been denounced on multiple occasions (Libertad Digital, 2009; El Economist, 2018; Rankia, 2018). Secondly, it should be remembered that the studies published so far on the trade war constitute mere estimates, probably similar to future reality, but it is not yet possible to work with the exact data on the impact of the conflict at hand, as it is still in progress. Finally, availability of sources is also affected by some information in the Chinese language and bias constraint.

## **2. THEORETICAL FRAMEWORK**

This chapter will analyze the concepts and characteristics of a Cold War, based in the last Cold War, between the United States and the Soviet Union, placing it in its context and exposing its different consequences, in order to determine common features with the current situation between the United States and China and thus predict to what extent its results can be extrapolated in this hegemonic confrontation.

### **2.1. Cold War: Concept and characteristics**

Historically after the Second World War, the European continent was affected, which led them to depend economically on the United States. It can be remarked that this event was the beginning of a bipolar world, under the power of this new hegemony, U.S., as well as the USSR. These two countries remained the most powerful countries after the Second World War. The USSR represented totally different country from the United States, which imposed and executed a communist and non-capitalist model as the United States wanted. In order to spread the liberal-capitalist ideology and to maintain together its allies, the United States started to develop institutions such as: Bretton Woods (the International Monetary Fund and the World Bank), military alliances as the North Atlantic Treaty Organization, in which their European allies joined as they were benefiting from this economic model and their relations with the United States. The formation of this new order provoked numerous confrontations and pressure between both sides; which led to the formalization of what we presently known as the period of the “Cold War”.

As the Soviet Union developed its own version of one world and, after 1945, propagating it with growing vigor, they replaced Nazi Germany as the United States' main enemy, which had to surrender unconditionally before the one world could be created. For there, official contemporary readings defined Cold War as “A tool of world domination wielded by the United States against the Soviet Union in order to prevent people throughout the world from following its socialist model of development.” (Legvold & Suny, 1998).

“The concept “Cold War” was originated after the end of the Second World War in 1946, and it was used as a public political term since 1947.” (Glaser, 1956, p. 691). This term was

used to describe 40 years of confrontation between two superpowers, on one side the U.S. and on the other side, the USSR. This term did not end with the end of the rivalry of both superpowers, but it has been used in the last years to describe other different international phenomena because of its rich meaning in international relations.

This is a concept totally different from the one that we have been more comfortable to use, the normal war or the “hot war”, but it’s important to highlight that the fact that it’s called “cold” war doesn’t mean “complete peace”.

There are different definitions of what it is a “cold war”. According to John Gaddis (1986, p. 99), a cold war is a “long peace” from the perspective of the international system. He recognized that the stability in the international system went hand in hand with an unprecedented level of military armaments, which represented a paradox that many political scientist and historians had to explain.

In contrast, according to the Cambridge History of the Cold War (2010), the cold war was global drama in scope, and affected all areas of politics, society, economics, technology and culture at least in some degree. But some issues were more relevant to one period than to others. They classified the cold war in three periods: origins, a middle period of crisis and relaxation (detente).

From a global historian perspective, Prasenjit Duara (2006, p. 456), suggests that accepting the hegemonic nature of the cold war concept, as a period in the history of imperialism and nationalism. Therefore, the conflict between the U.S. and the Soviet Union appears as a conflict between two imperial powers. He concluded that the cold war was a hegemonic formation that tended to channel and restrict the imagination of the social, political, and selfhood. “Nationalism, especially the one encouraged by the Communist China in the developing world from 1960s onwards, appears in this interpretation as the key counter hegemonic movement and ideology.” (Duara, 2006, p. 456).

Joe Maiolo (2010, p. 7), has another perspective of the cold war. He defined it as a war, due to the fact that it has the two characteristics that a war has, “the breakdown of diplomacy and the accumulation of the means of violence on two levels: the generation and production of arms by governments, often in coordination with industry, and the appropriation of violence by societies.” (Maiolo, 2010, p. 7). Also, he states that “cold war” means “the collapse of what had been one of the defining features of international politics since the seventeenth century: the



acceptance by the powers, of each other's territories." (Maiolo, 2010, p. 7). "The United States and the Soviet Union came to see each other as a threat to their own mode of societal organization, therefore, they rejected them as legitimate units in the international system, at least until 1963." (Trachtenberg, 1999). In addition, Kimball mentions that none of these developments "(military mobilisation, societal self-mobilisation, and the emergence of a new regime of territoriality) could have occurred without the mobilisation of arms and manpower that the Second World War entailed, a process that was initially independent of the emerging conflicts and ideological differences between the United States and the Soviet Union." (Kimball, 2001, p. 347).

### **3. WEI LI'S COLD WAR CHARACTERISTICS**

The most complete definition that's going to be use for this analysis, will be the one explained by Wei Li. He states that a cold war must contain three important elements:

1. There must be two well-matched power poles in the international system.
2. These two major powers must be mainly competitors, not partners. Specifically, the competitive relationship must be reflected in diplomatic confrontation through alliances, mutual military deterrence and arms races, economic closure and isolation, and ideological attacks.
3. There must not be any direct military conflict between the two powers.
4. The conflict of these major two powers can profoundly shape global political, economic and ideological patterns around the world. (Li, 2020, p. 87)

Regarding the causes of the onset of the Cold War, Wei Li also refers as the first reason, distrust, focusing in the case of the U.S.-USSR, because both countries had a strong military force. After the Second World War this sentiment of distrust emerged, because they didn't have a common enemy anymore. The preservation of the super armament power of both nations brought fear to both of them. Truman, one of the presidents of the U.S. during this period, and Stalin, the leader of the USSR, lost the confidence to continue to communicate with each other. This physical separation between these two presidents contributed to the deterioration of mutual distrust.

Also, one of the leading theorist of International Relations, Neorealism, explained that when there is a lack of trust, it is produced the security dilemma, which can make the environment more willing to make strategic miscalculation on both sides and then, generated aggressive and risky behavior, making both sides really unclear about each other's intentions. Many countries also suffered from these miscalculations, and example can be the Korean War. "The USSR and North Korea launched the war against South Korea because they misinterpreted a speech that was made by the U.S. Secretary of State in the early 1950's, Dean Acheson, in which he excluded South Korea from the United States' Pacific defensive perimeter." (Gaddis, 1989, p. 93). The United States' misjudgment of China, resolve to send troops into North Korea, led it to the commander of U.S. Army forces in the Far East Gen. "Douglas MacArthur's reckless crossing of the 38th Parallel into the North. Also, Chinese

leaders misjudged the strength of the U.S. military, leading Chinese troops to cross the 38th parallel to the South.” (Li, 2020, p. 88). The repeated miscalculations, not only of the two major powers, U.S. and USSR, but also China, were the reason why this war last 3 years and it was so disastrous. This war intensified the confrontation between both countries.

The second reason that Wei Li mentions is the ideological attacks of the two sides, which also increased the distrust of both sides. In fact, the Cold War started with ideological attacks, which made each side treating the other as the enemy. One of the examples of this element, was when “Stalin, in 1946, placed a special emphasis on Lenin’s theory of capitalism and the inevitability of War at the Supreme Soviet conference, which of course, made the Western World afraid. Then, some days later, George Kennan, a diplomat, sent the renowned “X Report” highlighting the ideological threat from the Soviet Union.”(Li, 2020, p. 88). After this accusation, the ideological conflict worsened the confrontation between the two powers. This clash was because of both sides’ different ideologies, in one side, the U.S. capitalism, and in the other, USSR with communism.

Taking the distrust and the ideological attacks between both countries, it made really difficult for these countries to adopt any kind of economic policies that could approach both sides, because they were persecuting more closed and exclusive economic policies. An example of this was in 1944, when:

The Minister of Foreign Affairs of the USSR participated in the U.S. led Bretton Woods Conference, where he expressed his desire to cooperate with U.S. in the reconstruction of the world economic order after the Second World War. But this was only words, because the USSR action towards this reconstruction was totally the opposite.(Li, 2020, p. 88).

They had a negative attitude and refused to join in the Marshall Plan, International Monetary Fund, and the World Bank. In response, “The U.S. took a further economic action by establishing the Coordinating Committee for Multilateral Export Controls, in order to imposed sanctions against communist countries.”(Li, 2020, p. 88). This originated an economic Cold War between the two sides, it which we could see two parallel markets formed in the two sides

affecting the international economic system. The result of this element, reduced the social contact between the two countries, making the relations more difficult for both sides.

Wei Li mentions as the third reason, the willingness to create two powerful groups for strategic confrontation, with alliances related to security, economics and ideology. This caused not only an involvement of the U.S. and USSR, but many other countries. This is the reason why is important to understand that this Cold War was not an individual combat but involved battles among many countries.

The U.S. took the led the creation of the North Atlantic Treaty Organization, while the USSR created the Warsaw Treaty Organization in response. Under such huge structural pressure, the members of the alliances submitted to the needs of the struggle by taking sides in these different areas (economics, ideology, security). Also, any member that sought to change this group structure encountered great risks.

The fourth reason, third parties from the U.S. or the USSR, allies for any of the two groups, also contributed to make even worse the conflict between the two sides. Even if the two powers were the dominant players, third parties were able to break the fragile balance between the two countries. An example, "The unification war launched by Kim Il Sung, which escalated into a fight between the two powers U.S. and USSR on the Korean Peninsula, and involved China too, who played an important role in the realization of the Cold War in the region." (Li, 2020, p. 89)

Lastly, the Cold War was a conflict that was formed gradually. It didn't end with a win-win compromise, but with a zero-sum victory for one side, the U.S., and a complete defeat for the other, USSR.

## **4. ARE CHINA AND THE U.S. TWO WELL-MATCHED POWER POLES?**

### **4.1. 20th century: Global war and the “American Century”:**

#### **4.1.1. American Soft Power**

The Paris Peace Conference was an international meeting convened in January 1919 at Versailles. The purpose of this conference was to establish the terms of the peace after the WWI. The U.S. President Woodrow Wilson was the strongest advocate of the League as he believed it would prevent future wars, but the senate opposed to join, including to the Covenant of the League of Nations. It can be said that this Conference represented the beginning of American soft power in the international arena.

Henry Luce, in the Times Magazine, talked about the situation of the U.S. in the 20th century and how it should overcome isolationism, by stating:

Once, we Americans, cease to distract ourselves with lifeless arguments about isolationism, we shall be amazed to discover that there is already an immense American internationalism. American jazz, Hollywood movies, American slang, American machines and patented products, are in fact the only things that every community in the world, recognizes in common. (1941, p. 63).

America was already considered as the intellectual, scientific and artistic capital of the world. Consequently, this the reason why it was necessary to Americans to develop a vision of America as a world power.

#### **4.1.2. Second World War**

Even after war broke out in Europe following Hitler's invasion of Poland in 1939, Roosevelt, reflecting national sentiment, maintained the U.S. neutrality. Indirectly, however,

Roosevelt supported the British and the Allies in their fight against Nazi Germany. "In 1942, Roosevelt made a speech declaring that the United States would serve as an "arsenal of democracy" for the Allies by supplying them with American-made weapons and equipment through the Lend-Lease program." (Kennedy, 1999, p. 469).

However, the Japanese surprise attack on Pearl Harbor happened on December 7, 1941. In all, 2,403 Americans, including 68 civilians, died in the attack. Consequently, the American people were shocked and angered by the attack. This is the reason why President Roosevelt asked Congress to declare war against Japan, which it did that day. Three days later, Japan's allies Germany and Italy declared war on the United States, and Congress reciprocated the same day. The United States was immersed in a war it would conduct simultaneously in Europe and the Pacific.

In addition, during WWII, the U.S. was the most likely country to have experienced an economic stimulus from increases in spending because little of the war was fought on American soil. For decades, according to some people, as professor Fishback, claimed that "WWII was a fiscal stimulus that pulled America out of the Great Depression." (2019).

Defense spending rose from 1.4% of GDP in 1940 to over 37% in 1945 and the federal deficit rose from 3% of GDP in 1939 to 27.5% in 1943. Meanwhile, civilian unemployment rates fell from 9.5% in 1940 to below 2% from 1943 through 1945. Real GDP per person reached a wartime peak that was 67% higher than the 1940 level. (Fishback, 2019)

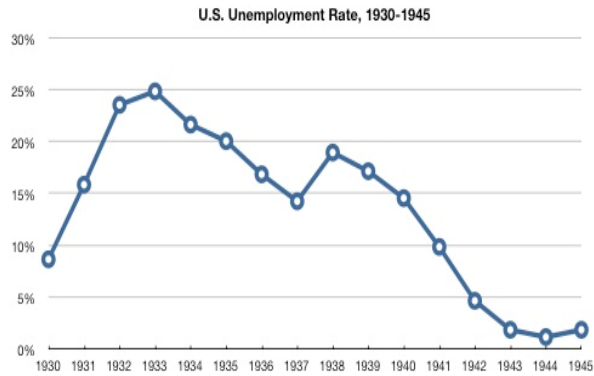


Figure 1 - U.S. Unemployment Rate, 1930-1945

Source: Michael Cox



Figure 2 - Federal Deficit. 1930 – 1950

Source: Michael Cox

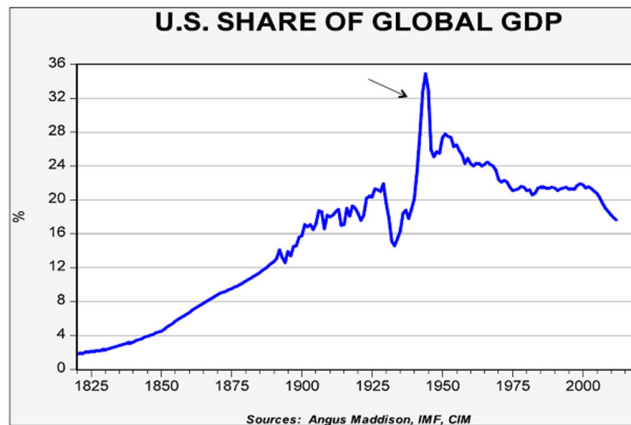


Figure 3 - U.S. Share of Global GDP

Source: IMF

The so-called “Truman Doctrine” merged in 1947. One of the challenges that Truman had was the fact that he didn’t know that he would step in the presidency after the death of Franklin Roosevelt. He was caught in the dark about some of the most critical elements of U.S. foreign policy at the time. One of the examples was when he stepped into the presidency, and he didn’t know that the U.S. had nuclear bombs, but he was informed about this fact, when he was asked to deploy them in Japan.

At the end of World War I, the U.S. became a creditor to Europe and by the end of World War II, its indispensable protector. “The United States had achieved its greatest territorial expansion, taking over administration of a large number of Pacific islands. Militarily, it maintained occupying troops from the Philippines and Japan to Germany, while expanding its economic influence through the Marshall Plan, war loans and grants from liberated countries.” (Sepulveda, 2013).

## **4.2. Cold War: Pax Americana**

As a consequence of the eventual U.S. preponderance of power in military, economic and technological terms, it was created the attractiveness of the American model, or the competition with rival ideologies and systems, from authoritarian and fascist to communist alternatives. One of the characteristics of this Pax Americana was the policy of containing the spread of Soviet influence in every sphere, from the level of superpower relations to the level of politics, economics, and culture, which became the central U.S. mission, to overcome the Soviet system and globalise an “American peace.”

### **4.2.1. Containing enemies: Global Cold War**

In 1947, Truman attempted to implement containment, essentially, by rebuilding the trust on the West in Europe against the East. He stated in Congress:

We shall not realize our objectives, however, unless we are willing to help free peoples to maintain their free institutions and their national integrity against



aggressive movement that seek to impose upon them totalitarian regimes. This is a frank recognition that totalitarian regimes imposed on free peoples undermine the foundations of international peace and hence the security of the United States. (Avalon Project - Truman Doctrine, s.d.)

From this speech, it can be noted the enormous transformation, because there are no more talks about fascism or liberal democracies, but about the enemy as the common type, a totalitarian type, communism.

Truman in his speech was requesting money, specifically, he was asking for what is known as the Marshall Plan, in order to rebuild Europe against the Bolsheviks threat. It was crucial for the Americans to have a strong Germany because they were afraid that people would continue to be starving and Iosif Stalin would show there to help them and keep expanding his empire. Consequently, it can be stated that the Marshall Plan had the objective of building a defense wall against the spread of communism.

After the Soviets attempted to take the West out of Berlin in 1948, the West responded by forming NATO in 1949. The objective of this organization was mutual protection from Soviet expansion. The problem with this type of organization, wasn't convincing the British or the French of the need to be heavily involved in Germany. The problem was to be able to attract the Americans itself. Additionally, it can be mentioned that it was a dual problem. The first problem was to try to keep the East out of West Germany. The second problem was to keep the Americans committed to the global project of fighting communism.

At the time, Lord Ismay, a British diplomat stated, "NATO was created to keep the Russians out, the Americans in, and the Germans down." (Lord Ismay 1952 - 1957, s.d.).

The soviets soon responded to this new threat, by detonating their first atomic bomb "Joe 1" in August 1949. This event took away the U.S. nuclear advantage. Soviets were committed firmly and confidently of being in the same level of U.S. because they thought that if they were capable to destroy the German Evil Nazi Empire, they could be able to destroy any other threat. Therefore, the only way that U.S. could counterforce this situation, it was with its superior nuclear technology.

The same year, in 1949, China also fell to the communists.

#### **4.2.2. Rethinking Containment**

In the face of the losses, especially in China, the Truman Administration convened a task force to flesh out Kennan's ambitious prescription concerning "containment." The National Security Council document 68 (NSC-68) was the product of those efforts. It has been considered as the second U.S. containment policy "Blueprint" in April 1950. This policy described the Soviet Armed Doctrine as "The Soviet Union, unlike previous aspirants to hegemony, is animated by a new fanatic faith, antithetical to our own, and seeks to impose its absolute authority over the rest of the world." (U.S. Department of State, n.d.). They put a lot of emphasis in defining this clash against the USSR as "freedom vs slavery."

European countries as UK were still recovering from the loss of the Second World War and were following austerity measures. In contrast, "The Soviet Union had a dramatic increase in military spending, up to 20% of GDP." (Morrison, 2021). This is one of the reasons why it was considered a major threat because it was a proclamation of arms races by the USSR. Therefore, this proclamation was the U.S. motivation to intervene in the Korean War in 1950.

In the United States, most of the Americans were not aware of the Korea's situation because they didn't have knowledge about Korea, partly because it was a Japanese colony and a small country. Jean Foster Dulles was one of the most concerns about the credibility of this conflict because he was putting emphasis in the fact that Germany, specially Berlin, which was partially invaded by the Soviets, therefore, if they didn't defend Korea, that's going to encouraged the Russians to attack West Berlin." (Office of the Historian, 1950).

The Eisenhower Administration (1953-1961) returned the focus to nuclear weapons, threatening "massive retaliatory power" in response to Soviet expansionism. The fact that he was a soldier during the Second World War motivated him to seek options in order avoid Americans soldier's participation and deaths, by focusing in nuclear weapons. The problem was that the USSR also had nuclear weapons, and China was getting nuclear weapons too.

### **4.3. From the 1970s to Paul Kennedy**

#### **4.3.1. Pax Americana in crisis 1970-1980s**

##### **4.3.1.1. The Vietnam War**

The Vietnam War was just one of the many “proxy” wars fought in the Cold War. From Guatemala to Angola, millions of people were killed in these “small” wars. But it was the most significant one because it was the biggest. “It was a 20-year war, and it started with the “decolonization movement” in Vietnam during the 50s and it continued until the North Vietnamese were trying to unify the country in the mid-1960’s.” (Morrison, 2021).

The U.S. involvement in this conflict started with the Truman Administration and scales up through Nixon presidency.

- 1965: U.S. commits to combat with troops in Vietnam.
- 1968: It happened the heigh of the war “The Massive Set Offensive”. The U.S. thought that they were winning, therefore, they were thinking to withdraw the troops, but at the last minute, with this coordinated series of North Vietnamese attacks on more than 100 cities, it made Americans to be shocked and eroded support for the war effort. Additionally, Nixon got elected “promising to pull U.S. out of Vietnam”, but he did the opposite, extending the war in Vietnam, Cambodia and Laos.
- 1972: Nixon was running for re-election, which made him to decide and to accomplish the “pullout” in Vietnam.
- January 1973: Consequently, it was accomplished the “Paris Peace Accords”, which made U.S. to pull U.S. out of Vietnam.
- December 1974: North Vietnam decided to invade South of Vietnam.

The biggest fear in this conflict was according to Jerome Slater “U.S. involvement in Vietnam was animated largely by the fear of a Domino effect in the Southeast Asia.” (1996, p. 153). It was the fear that if Vietnam fell, then the other countries in East Asia would fall one by one.

#### **4.3.1.2. The rise of OPEC**

During the first part of the 20th century, the oil market was dominated by seven producing companies called the Seven Sisters, which were five American companies. The companies generally made concessions and gave a minimal payment to the governments of the countries in which they produced, compared to the large capital they generated. The new taxes and royalties were achieved to result in an equal division of the generated capital. For example, “the payment to the government of Saudi Arabia per barrel of oil rose from \$ 0.17 in 1946 to \$ 0.80 in 1956.” (Spero, 1990). Even so, the Seven Sisters controlled the vast majority of the oil reserves except in the communist countries.

The idea of creating OPEC has arisen from Venezuela, which developed the idea of an oil pentagon that consists of the following: (1) not to give more concessions to international companies, (2) the Oil prices will be defended at all costs, (3) Venezuela will continue to seek preferential hemispheric treatment, (4) a national company will be created, and (5) Venezuela will promote the creation of an organization of oil exporting countries.

October 19, 1973, the then president of the United States, Richard Nixon asks Congress for an amount of \$ 2.2 billion dollars to help Israel in the conflict known as the Yom Kippur War. Because of this, OPEC decided to create an oil embargo against the United States. “This embargo consisted of generating an increase in the price of oil, raising these from USD \$ 2.9 to USD \$ 11.65 a barrel.” (Merrill, 2007).

“In this way, many industrialized countries, including the United States, were put in a situation in which they had no bargaining power in the market.” (MacLaury, 1978). Therefore, they found themselves in a situation in which they were subject to the decisions made by the exporting countries.

#### **4.3.1.3. The end of Bretton Woods**

When the United Nations monetary and financial conference began at Bretton Woods, the world was faced with the political and economic consequences of two world wars. The currencies of industrialized countries had long since been pegged to the value of gold, and had financed two wars by issuing money and at high rates of inflation.

At the end of the Bretton Woods conference, the International Monetary Fund (IMF) and the World Bank were created. In 1947, the General Agreement on Tariffs and Trade (GATT)

was added to these international organizations. They are all part of the Bretton Woods system, which undoubtedly gave new impetus to international trade.

The U.S. realized that due to the dollar's leadership status in the system, they could print as many bills as they wanted, and they make abundant use of that privilege, falling into a deficit in their economic performance. That means they consume more than they produce. Added to that is the Vietnam War, which is causing them a growing hole in their budget. Since the exchange rate of \$ 35 an ounce, French President Charles de Gaulle refuses to continue paying U.S. war costs and begins to exchange French dollar reserves for gold in 1965, and he even orders the gold to be brought to Paris by submarine.

On August 15, 1971, U.S. President Richard Nixon terminated the union of the dollar with gold. After that, the central banks of the West tried by all means to keep the Bretton Woods system alive. The sum of currency interventions was astronomical, especially in Germany. In March 1973, the Willy Brandt government announced that it would no longer support the dollar. More and more countries follow the German example, and the Bretton Woods system ends up collapsing.

#### **4.3.1.4. The Soviet Threat**

Nixon normalized relations with China, visiting in 1972. Consequently, exploiting the "Sino-Soviet split", dividing the monolith of the "communist bloc". At this stage, communist countries were not considered as bad as they were in the past, with the exception of the enemy, the Soviet Union. Also, Nixon's period was characterized by encouraged economic relations between the communists and the United States. For instance, Nixon agreed to sell grain to the Russians.

Unfortunately, by 1980, détente strategy (softening of the tense relation) suffered two critical blows:

- 1) The Iranian Hostage Crisis (1979-1981).
- 2) The Soviet Invasion of Afghanistan (1980).

Both events angered Americans and inspired a desire to see the U.S. take a tougher stand in the world. In this manner, Americans elected Ronald Reagan.

### 4.3.2. U.S. Decline and the Paul Kennedy Thesis

In conclusion, Paul Kennedy Thesis' stated:

- 1) All "great powers" rise and fall.

Kennedy was putting emphasis on this point because according to him, the more states increase their power, the larger the proportion of their resources they devote to maintaining it.

If too large a proportion of national resources is diverted to military purposes, this in the long run leads to a weakening of power. The capacity to sustain a conflict with a comparable state or coalition of states ultimately depends on economic strength; but states apparently at the zenith of their political power are usually already in a condition of comparative economic decline, and the United States is no exception to this rule. (Howard, 1988, p. 1)

Power can be maintained only by good balance between the creation of wealth and military expenditure, and great powers in decline almost always shift their expenditure from the former to the latter. "Spain, the Netherlands, France and Britain did exactly that. Now it is the turn of the Soviet Union and the United States." (Howard, 1988, p.1).

- 2) All "great powers" overstretch.

The over-extension of American commitments and the gigantism of the American defense budget have been a matter of such general concern over the last few decades. One of the examples that Kennedy mentions is at the beginning of the 16th century:

Spain, the first European great power, inherited vast commitments in Europe and overseas. In spite of the excellence of Spain's armed forces, defending those

commitments involved expenditure on a scale that could not be met from Spain's own mismanaged resources (like the American people today, the Spanish possessing classes refused to tax themselves to pay for their empire) and had to be met by an ultimately lethal mixture of deficit budgeting and inflation. (Howard, 1988, p.1).

### 3) Deficits undermine the U.S. leadership.

Kennedy mentions, that with European, Soviet and Japanese recovery, together with the slower emergence of the People's Republic of China, "it has gradually reduced American ascendancy to that of *primus inter pares* at best" (Howard, 1988, p.1); and, like other great powers in the past, in order to preserve its status as a hegemonic power, the United States felt it necessary to allocate an increasing share of its resources to defense expenditure. According to Kennedy, the problem is:

Now she finds herself in the position of Spain and France before her. Unwilling to defray the costs of empire by an equitable system of domestic taxation, she has tried to pay for it by a combination of deficit financing and external indebtedness which in her case threatens the stability of the whole free-market system. She only preserves her ascendancy only because the condition of her major adversary is even worse. (Howard, 1988, p.1).

The problem is now the U.S is facing a powerful rival, China, and not the Soviet Union.

#### **4.3.3. Was the "Kennedy Thesis" of U.S. decline wrong?**

It is clear that the economic crisis that began in 2008 and the difficulties that the U.S-government has had in its attempt to articulate a rapid and sustainable recovery process

increase the perception of the decline among public opinion and analysts. “Proof of this perception is that between 60% and 70% of Americans believe that their country is indeed in decline.” (Urban, 2013).

Those who debate Kennedy’s thesis, says that “the U.S. recovery after the 2008 economic crisis has been better, faster and more consistent than many expected.” (Gross, 2012). Daniel Gross suggests that the U.S. stock market has doubled since March 2009, that the economy has returned to its highest peak in 2007 and is currently growing at a rate of 3% per year, much faster than in any other developed country. In addition, the U.S. economy remains the largest in the world, with a GDP of nearly \$ 19 trillion and a GDP per capita of \$ 68,000, second only to 10, mostly small countries. America's natural resources also far exceed those of other large countries around the world: the area of arable land is five times that of China and twice that of Brazil; advances in fracking and horizontal excavation have enabled the exploitation of large reserves of oil and natural gas.

For many, one of the spaces where the U.S. dominance is clear is the cultural one, and they insist on the need not to underestimate the importance of the so-called soft-power. In other words, the American cultural hegemony is far from being weakened. Not surprisingly, according to a Gallup poll in 151 countries, “23% of those interviewed indicated the United States as the first option in case of leaving their countries of origin, and rated the United Kingdom as the second option, with 7% of favorability.” (Samuelson, 2013).

An important point Kennedy makes is about the huge military spending. “The United States spends more on defense than the next 20 countries spend together on the list of those with the highest military spending in the world, and this, of course, is a source of its primacy in this area.” (Guerlain, 2013). In fact, there has been no decline in U.S. military capabilities, and current defense spending is roughly \$ 705 billion a year. This spending, however, represents less than 4% of annual GDP. The land and sea forces are equipped with the most advanced weapons and the troops of this country are among the most experienced in combat.” American naval power continues to be predominant in every region of the world.”(Kagan, 2012).

#### **4.4. China and the Global Transformation**

The Chinese Communist Party was founded in Shanghai in 1921. Over the two following decades, the Communists increasingly clashed with the nationalists controlling the Republic of



China. The concern was that in China, the Chiang Kai-shek was principally focussed on the internal threat constituted by the Communist, even as the Empire of Japan steadily advanced. Simultaneously, Mao Zedong co-ordinated a military campaign against the Empire of Japan which proved to be significant because it gained moral support. Mao focused on promoted the narrative of “We are the actual people who is fighting for China liberation from the Empire and Chiang Kai-shek only cared about himself.” They were capable to generated evidences to support that narrative. Consequently, the Chinese Communist Party actively and often successfully resisted the Japanese at a tremendous cost. The People Republic of China was the country with the second largest number of casualties.

This situation set the stage for the showdown between nationalists and the communists, in which Mao ends up winning. Consequently, it comes the Mao’s proclamation of the People Republic of China on 1st October, 1949.

However, Mao and the party embraced modernity through the Soviet Union’s socialism doctrine. Consequently, he was capable to make some games, but also some mistakes as the “The Great Leap Forward” and the “Cultural Revolution”.

“Two years after the death of Mao Zedong, in 1978 Deng Xiaoping became the paramount leader” (Jackman, 2018, p. 23), and he evaluated the wreckages of the economy and realized that a reform was needed, for instance “he abandons many orthodox communist doctrines and attempted to incorporate elements of the free-enterprise system and other reforms into the Chinese economy.” (*Deng Xiaping Biography, Reforms, Transformation of China & Facts*, n.d.). Hence, the economy moved to a more market-oriented model but State-led.

"Deng Xiaoping launched his Four Modernizations: Agriculture, where 80% of the Chinese population got their employment from; industry; defense; and science & technology." (Jackman, 2018, p. 23)

Deng Xiaping started incrementally by linking the Coast of China, which had closest links with Western economies with those Chinese communities that were not part of the People’s Republic of China but had long-standing cultural links,

and indeed territorially claims as Taiwan with Fujian province, Hong Kong with Shenzhen and Macau. (Alden, 2021).

These are territories that have Chinese populations and are claimed by China, but are operating in market-economy, in which the idea is to attract foreign investors into this in order to see “how it affects” and “generates rapid modernization” that Singapore, Hong Kong, Taiwan, etc.; generated.

The result was successful, China had three decades of double digits export-led growth. From the late 1970s onwards, the FDI grew with confidence and fled into China with diverse types of factories that were relocating because of the low labor cost, disregarding environmental and social impact.

#### **4.4.1. China integrates into liberal economic order**

Key events that occurred in this period as the Special Economic Zones, which led the Chinese’s integration into the global production chain and supply in all aspects of industry and agriculture.

“There was a consolidation, especially in the restructuring of tens of thousands of state-owned enterprises to leading champions as SINOPEC and CNOOC in the energy and oil sector.” (U.S.-China Economic and Security Review Commission, 2007, p. 163). Consequently, “there was an increase of rural migration to urban areas as labor force for manufacturing hubs.” (U.S.-China Economic and Security Review Commission, 2007, p. 159)

In addition, another important point is that with this development they focused on the “going out” policy by receiving financial assistance from their government in order to search for more resources in Africa, Latin America and Middle East in the mid-1990s. But the most relevant event was China’s inclusion in the WTO in 2001. This circumstance provided hope to the western powers, specially U.S., because they related liberal economics with liberal politicization, therefore, they thought it was possible a democratization process in China.



Figura 4 - China Economic Growth

This graphic shows how the economic growth was shutting up, even if in the last years it has decreased, it has been higher than many other Western countries.

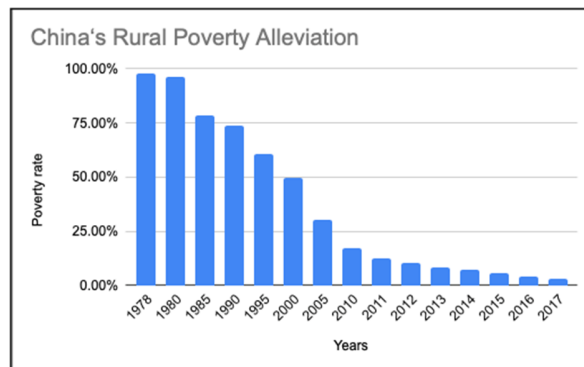


Figura 5 - China Rural Poverty Alleviation

In addition, poverty alleviation has fallen tremendously, “China has made huge strides to lift millions out of the toughest standards of living over the last few decades” (Goodman, 2021), as it is shown in the graphic above. In effect, the Millennium Development Goals which were announced in 2000, a ten-year plan of development, it was largely met because of China’s rapid economic rise.

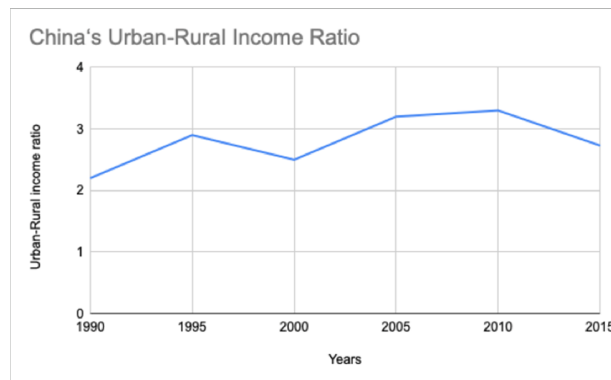


Figura 6 - China Inequality

One of the consequences of the modernization process has been the increase of inequality. Nowadays, rising inequality becomes a significant tension in China and all the emerging powers. This issue is present in developed economies, but it is more acute in these developing countries, specially China because of its rapid economic growth.

The political meaning of all these economical aspects is that the China of the 1949, moved to an achievement of nuclear devices in 1964, enabling China to claim a role as a global power by becoming nuclear power. In fact, it has changed that economy that Mao transformed into being the third military power in the world.

#### 4.4.2. Global Financial Crisis 2008

During the Global Financial Crisis, Western leaders' economies that were always assertive, were exposed to a debt crisis in the United States that spilled over European markets, the market stagnation in Japan; all of these events put the West into a recession, increasing bankruptcy in many banks, increasing unemployment, etc. At the same time, China, and other emerging countries' economies were not damaged. In China's case, it had a growth of 7% in that period, "became the second largest economy and projected to pass U.S. economy in 2030." (Barboza, 2010).

China has the largest collection of foreign reserves, and they use a fiscal stimulus package to maintain the demand for commodities. This continues the links with the Developing World, because that's how these economies are maintained.

Even if China was not affected by the crisis as other countries, it cannot be said that it was completely untouched. This is the reason why Xi Jinping, when it came to power in 2013 talked about the “New Normal”, he stated that they were overexposed because they had an export-oriented economy, therefore, their GDP was dominated and exposed to market. This is the reason why it was important a slowdown, in order to encourage the essence of the "new normal" which is an improvement in “the economic structure which relies more on the tertiary industry and domestic consumption demand, and innovation.” (Xinhua, 2014b). They took the example of the U.S., which was able to recover from different crisis in all these 100 years, because they always could rely in domestic demand.

Additionally, this is the same period, when the new leader Xi Jinping articulated what he called “The China Dream” , the essence of the China Dream, according to him in 2012 “We are going to restore China to it is rightful place as a leading global power as a modern prosperous nation in a couple of decades.” (Beech, 2014). In fact, one of his big ideas of China being a Global Power is to create the “One Belt One Road Initiative”.

#### **4.4.3. From reform and opening to New Normal**

China’s GDP and trade has changed. Among the major OECD economies, the average GDP fell by 20% because their GDP relied on exports. “China by 2005 was almost 80% reliant to exports, but it was reduced to 58% by 2013.” (Woetzel et al., 2019).

Since 2013, there has been key structural issues. China’s role as a neo-mercantilist economy, which means that it is a policy regime that encourages exports, discourage imports, controls capital movement and centralizes currency decisions in hands of the central government. But as a developing country, China has always been stated lead, even in their embrace of capitalism, they wanted to manage that process by using policy tools to distribute resources, to encourage certain social and economic outcomes.

### **4.5. Does China have a Grand Strategy?**

#### **4.5.1. Development as Grand Strategy? Xi Jinping’s “One Belt One Road”**

It was articulated in 2013 by two pieces, one an overland route to markets in Europe and the second supply and production value chain route across Southeast Asia, the coast of Africa and Europe.

The idea is to use China's \$1 trillion financial reserves, its tremendous overcapacity and infrastructure, particularly in technology, to maintain its economic momentum, expand into other regions and rebalance the global economy with China at the hub, in order to break that North-South relationship and have a South-South one. (Alden, 2021).

Trump's election and Brexit were signs of the retreat from global leadership that occurs by 2016. Consequently, the Belt and Road Initiative becomes not just one aim developing the so-called Global South, but ultimately, it becomes global in its vision after 2017.

The vision of this project was a belt of economic cooperation: free flow of investment and trade; interconnecting infrastructure, including road, railroad, sea lanes and air links; for the free flow of people for China and the countries of the region. It can be said that this vision is similar to a European Union model with the free flow of financial capital, labor, ideas; therefore, it will bind China together with this region.

#### **4.5.2. Implementing Agents: Regional Forum Diplomacy**

Since 2000, China has adopted a diplomatic initiative to establish parallel or micro-horizontal arrangements with China and participating countries.

- The Forum on China Africa Cooperation created in 2000. Western governments are not invited because it is a dialogue between fellow developing countries.
- Macau Forum, which only focused on "Lusophone" states, therefore, there is a place for Portugal as a Western government.
- China and CELAC, which focused on Latin America. The United States and Canada are not participant.

- One of the most interest ones is China and Central and Eastern European Cooperative Forum, the so-called 17+1 Regional Forum, which takes pieces of the European Union, specially the undeveloped parts, the Balkan states, and it encourages a dialogue which makes Brussels uncomfortable.

#### **4.5.3. Implementing Agents: Securing the Silk Road/BRI**

“Since 2001, for instance in Africa, over millions of Chinese have migrated to the continent. In Latin America, 500,000 to 700,000 migrants.” (Alden, 2021). The problem is as China has got global, citizens and firms has got global, therefore, it has become exposed to risks and problems that are faced and operating in a variety of environments. The first example was in Sudan, where the reputation risks that China was exposed to, due to its association with the government that was engaged in ethnic cleansing. Consequently, it was quite problematic, therefore, Chinese diplomacy sought to change its behavior on questions of interventions.

Regarding piracy, China joined the Multilateral Anti-Piracy Campaign, its navy was deployed to the Gulf of Aden, in order to protect the Suez Canal from pirates’ attacks.

An important point and event were the collapsed of Libya, which ultimately “force Chinese to evacuated 35,000 citizens, but it was not possible to do it by themselves, therefore, they had to rely on others like the Greeks and Maltese.” (Xinhua, 2014). This event was very embarrassing to China’s security because they recognized they didn’t have the capacity to support their own companies and citizens when securities crisis occurs.

These types of events have been the pushing factors that influence Jintao decision to expand and support “historic missions” of the People Liberation Army to go out of the region. One of the things that China does is to become a major player Multilateral Peace Keeping. Consequently, one of the solutions to global insecurity and its economics interests abroad is to encouraged United Nations in Peace Keeping, by becoming a key investor on that. Even if they put a lot of emphasis in the “non-interference” principle into domestic affairs, which is one of its pillars of foreign policy. As it is become a global power, it has to adapt by making some changes that can respond to its natural necessity and position in the international system.

“In 2015, \$1 billion was announced to support UN Peace Keeping operations, positioning China as the largest UN Security Council member providing troops abroad.” (Fung, 2016).

## 5. ARE CHINA AND THE U.S. COMPETITORS OR PARTNERS?

### 5.1. Economic Closure and Isolation

One of the most important events that has marked the Sino-American relationship has been the trade war, which has risen the question of who's right and who's wrong? If we look into this objectively during the imposition of this policy, former President Trump was clearly wrong because he had this believe that all the trade deficits that U.S. was experimenting in its relationship with China was bad for the country's economy. He was seeing this "trade deficit" in terms of business losses and "trade surpluses" as business profits. Therefore, he decided to launch this war without any good justification but the one explained. Consequently, one of the most impressive things has been that even if this policy towards China has been erroneous for the country, it has received massive support in the United States. It can be said that this was the only issue in which Donald Trump received bipartisan support. Senator Chuck Schumer, a leading Democratic senator, encouraged Trump to "hang tough on China", lamenting that "America has lost trillions of dollars and millions of jobs because China has not played fair." (Fredericks, 2019). Nancy Pelosi, who was in that time Speaker of the House of Representatives, has spoken similarly, insisting, in March 2018, that "The United States must take strong, smart and strategic action against China's brazenly unfair trade policies." (Mahbubani, 2020, p. 43)

The magazine *Foreign Affairs* (November-December 2019), Weijian Shan observed: "The numbers suggest that Washington is not winning this trade war. Although China's economic growth has slowed, the tariffs have hit U.S. consumers harder than their Chinese counterparts. Trump must reckon with the fact that his current approach is imperiling the U.S. economy using a threat to the international trading system and failing to reduce the trade deficit that he loathes." (Mahbubani, 2020, p. 44)

The author wants to clarified that the fact that this policy was not the best decision for the U.S., it doesn't mean that China has not made different mistakes too, because they also



have been alienated significant elements of the American community, especially the business community which used to put the brakes on anti-China sentiment, which now of course, they'd taken their foot off the brake, therefore, now there is a straight war carrying on.

Professor Susan Shirk, one of America's most prominent sinologist, observed that when Trump announced his trade war against China, no one spoke up in defense of China: "With U.S. and China at the precipice, of a truly adversarial relationship, no group has really stepped forward to defend U.S.-China relations, much less defend China. Not business, not China scholars, and certainly no one in Congress." (Mahbubani, 2020, p. 24). This idea is important because American business community has made huge profits in China, that's why they should be the strongest advocates of good U.S.-China relations.

One of the problematic points that is happening is the fact that for instance, that the American Chamber of Commerce in Shanghai and Beijing issued reports in 2018 detailing their grievances. They said: "Survey takers believe Chinese government policies favor local companies (50.5%), 60% reported that China's regulatory environment lacks transparency, no improvement last year, and lack of IPR protection and enforcement (61.6%), obtaining retired licenses (59.5%) and data security and protection of commercial secrets (52%) remain top hindrances." (Mahbubani, 2020, p. 27). Also, they added that "These policies and practices are in turn stoking demand for reciprocity in the U.S.-China trading relationship even if our member generally opposes the use of retaliatory trade tariffs." (Mahbubani, 2020, p. 27). Plus, the Americans are not the only complaining about Chinese favorable practices towards their locals, the European chambers of commerce in China have echoed the same complaints. George Magnus, a research associate at the China Centre, Oxford University, describes in his 2018 book *Red Flags*, how China has made a huge political mistake in ignoring the strong convictions among leading American figures that "China has been fundamentally unfair in many of its economic policies; demanding technology transfer, stealing intellectual property, imposing non-tariff barriers." (Mahbubani, 2020, p. 29). The U.S. has strong case against China in this area.

## **5.2. Diplomatic Confrontation**

This dimension, unlike the economic dimension, where they can at least try to figure out a win-win and understanding agreement within the U.S. and China economics benefits, the political side it's a zero-sum game. The United States believed that by being engaged with

China as it opened its markets to them, it would mean that China would open up its economy, its people will integrate with the rest of the world, and of course, as a result of that, China would also open up its political system and eventually it would become a liberal democracy. For instance, Bill Clinton said in support of China's admission to the WTO "If China joined the WTO, this political system will open up."(*Full Text of Clinton's Speech on China Trade Bill*, 2000). Consequently, we have seen the opposite happening, especially in the last five years. The Chinese Communist Party has become even more strongly established in its power and President Xi Jinping is probably one of the most powerful leaders that China has had.

According to a paper of the Harvard Kennedy Ash Center, it was pointing out how the resilience of the Chinese communist party rests on the fact that the vast majority of Chinese people are satisfied with the Chinese Communist Party. In 2016, the last year the survey that was conducted, demonstrated "95.5 % of respondents were either relatively satisfied or highly satisfied with Beijing. In contrast to these findings, Gallup reported in January of this year that their latest polling on U.S. citizen satisfaction with the American federal government revealed only 38 percent of respondents were satisfied with the federal government." (Harsha, 2020). In contrast, the United States is absolutely convinced that the American political experience is universally applicable and any society that copies the U.S. will rise and succeed. They want China to follow their own example.

The United States was founded in 1776. It is a republic which has less than 250 years old. By contrast, China has had a continuous history of 2000 years of political experience and this history has taught one fundamental lesson to the Chinese leaders, that if the center is not strong, the country will crumble, and the people will suffer. Therefore, in the case of the Chinese, the desire to have a strong center is a result of what is it called "a hundred years of humiliation" because they were never weak and the Western powers came in, took up parts of Chinese territory for China to buy Opium and the Japanese invaded. Therefore, for them, a strong China is what China needs, and the Western countries, especially the U.S. says the opposite. There is no room for compromise in the two points of view, and that will be one source of friction between both countries.

### **5.3. Mutual Military Deterrence and Arms Race**

Some prominent analysts, including Graham Allison, as it was mentioned in the second chapter, having studied all the previous cases of power transition, he came to the conclusion that “war is more likely than not war between U.S. and China” (Allison, 2007). However, it is explicit that there will be not war between these two countries, because in a nuclear war there is not a winner and loser, but two losers. Nuclear weapons paradoxically are going to prevent a direct war between the U.S. and China.

In addition, there will be rising military competition. After Joe Biden had taken the presidency office of the U.S., he started with an aggressive focus on China, by patrolling the sea with its navy fleets on and off, triggering a severe reaction from Beijing. It contests China’s extensive territorial claims, accusing it of intimidating neighbors who have overlapping claims in the resource-rich area.

### **5.4. Ideological Attack**

This is the most sensitive dimension and it has to do with the vision of the “Invisible Elephant”, which people don’t want to talk about. “This invisible elephant is called the Yellow Peril. This metaphor has lain buried in the western imagination for centuries, since the Mongols almost invade Europe.” (Mahbubani, 2020, p. 11). It is a dangerous dimension that should be surfaced because one of the lessons that Freud taught us is the best way to get rid of subconscious impulses is to surface them into your consciousness and deal with them, in order to get rid of them. It was perceived this dimension, especially during the 19th century, when the “U.S. Congress passed the Chinese Racial Exclusion Act, which was prohibiting all immigration of Chinese laborers.” (*Chinese Exclusion Act*, n.d.), specially, because of the yellow peril metaphor. Additionally, it is important to make emphasis in one of the recent events that’s has been happening in US, especially with the COVID 19 pandemic, which has created an atmosphere of hatred against not only Chinese nationals, but Asians in general.

“For more than 100 years, the United States has become accustomed to becoming the world's Superpower. Hence, it has become addicted to it.” (“US Needs to Decide Its

Fundamental Core Interests: Mahbubani," 2019). Therefore, the idea of becoming the number two is virtually unacceptable in American political culture.

The problem is that in many factors China has already surpassed the U.S., for instance, talking in Power Parity Terms, China's a bigger economy by nominal market terms.

Consequently, the loss in power by the U.S. will even harm more the relation with the United States and China, by creating acrimony in the U.S. political sphere.

## **6. HAS THERE BEEN A DIRECT MILITARY CONFLICT BETWEEN CHINA AND THE U.S.?**

### **6.1. Is China expansionist as it was the Soviet Union?**

According to Mahbubani, “China shouldn’t be considered as an expansionist country” (2020, p. 84). The problem is that China is trying to reclaim what they believe to be their rightful place in the world. In 1918, China was very weak, but as a result of that hundred year of humiliation, it started to drive China psychologically, therefore, it created a desire on China to be treated with respect by the rest of the world.

If we look at history, the Chinese traditionally when they become powerful, they do not exercise any kind of colonization. It has to be taken into consideration the fact that is not the first time that China becomes a Global Power, because it was in the past. For instance, it’s considering the case of Australia, which is very close to China, but it was never colonized by China but by the British, who were located very far in the European Continent.

Simultaneously, as China becomes stronger, it also expected a different relationship with its neighbors. Throughout history when China becomes strong, one way the neighbors adjust is to pay a tribute to China. This fact doesn’t mean that the old Tributary System would come back, but some kind of deference to China will naturally come back, as it was explained in the Chapter 2.

“If we compare with how the United States behaved when it emerged as a Superpower, when Teddy Roosevelt was Secretary of the Navy, the U.S. focus on invasion in different countries, removal of governments, etc.” (Mahbubani, 2020, p. 72). This is a kind of behavior that will not be replicated by China because that’s not part of the Chinese tradition.

Chinese strategic culture is that the best way to win a war is to not fight it. This is a very important difference with the U.S., because it can be seen in the military behavior, for instance, during the Obama administration, which was one of the most peaceful presidents the United States had, by the last year of his administration the “U.S. dropped 26,000 bombs on seven countries.” (Medea, 2017). By contrast, China has not fought any war in 40 years since its war

against Vietnam in 1979 and that they have not had fired a naval bullet for 30 years, besides what is happened in the China-India border, but not guns were fired there.

## **6.2. Is a “hot” war between the U.S. and China avoidable?**

Regarding the possibility of witnessing a war between this two countries, it can be confirmed that there will not be a nuclear war between the United States and China, because in a nuclear war it is not possible to have a winner or a loser, it can only have a loser and another loser. Also, with only 300 nuclear weapons, China can still destroy the United States several times over. It doesn't need 6,000 nuclear weapons, as the U.S. has. Simultaneously, it is possible to see a scenario of conflict, specially in the South China Sea, where the U.S. and Chinese naval vessels could be firing at each other, which it possibly will be creating a rally “round the flag effect“ in the United States.

## **7. DOES THE RELATIONSHIP BETWEEN THE U.S. AND CHINA SHAPE GLOBAL POLITICAL, ECONOMIC AND IDEOLOGICAL PARTNERS AROUND THE WORLD?**

### **7.1. Consequences to the rest of the world**

After analyzing the tensions between both countries and the fact that they will increase, there is no doubt that it will affect negatively to many countries because they will be forced to choose to take sides.

At the same time, in order to balance this, wherever there is a crisis, it will be full of challenges but also, opportunities. Hence, as a result of this rivalry between U.S. and China, countries are looking for alternatives and trying to discover ways of balancing the world. One of the opportunities for instance was the Trans-Pacific Partnership, which represented a geopolitical gift to U.S. because it was entraining the U.S. in East Asia, but former President Donald Trump walk away unwisely. When he decided to walk away from it, the Trans-Pacific Partnership should have died but it didn't, because "11 other countries decided to continue with it, in order to have more balance in the region." (*What's next after the US Withdrawal from the TPP? What Are the Options for Trade Relations in the Pacific and What Will Be the Impact on the EU?*, 2017)

A second opportunity is the new initiative, when the Chinese realize that they are going to deal a United States that is going to challenging China, therefore, they decided that the best way to protect themselves is by improving their relations with its neighbors. For instance, relations between China and Japan had been difficult for a long time, but "in 2018 there was a friendly meeting between Xi Jinping and former Prime Minister of Japan Shinzo Abe because of U.S.-China rivalry." (Xinhua, 2018).

The third opportunity is related to the Chinese initiative called the Belt and Road Initiative which is going beyond Central Asia to many countries, consequently, there are many reasons why China launched it as genuine economic reasons and to integrate with the rest of the world, but surely some of them were driven by the narrative that if the United States ever tries to isolate China. It will ensure that most countries in the world will want to maintain their good relations with China, which it was the opposite of what it happened during the Cold War when U.S. was isolating the Soviet Union.

“It is a fact that over 128 countries have China as a number one trading partner and there is over 50 or 60 countries that have the United States as a major trading partner” (Ghosh, 2020), therefore, all this effort to open up and integrate with the rest of the world is being driven not just by economic reasons, but also, geopolitical reasons.

## **6.2. How other countries should avoid “Proxy Wars” during this conflict?**

Due to the rise of U.S.-China rivalry, all countries will be affected. The fundamental element is to understand the most sensitive topics for each one, U.S. and China, therefore, countries can be careful and not attract any type retaliation from one of them. For instance, one of the most sensitive topics for China has been the Tibet, specifically the Dalai Lama, therefore, “China has asserted its strength and fewer leaders are welcoming the Dalai Lama for fear of retaliation. Not even President Donald Trump, whose anti-China rhetoric was one of the most pragmatic courses.” (Luna, 2020).

It is true that there will be not only challenges for the rest of the world, but also opportunities. The U.S. government has an agency called the “OPIC” (Overseas Private Investment Corporation) which mobilizes private capital to help solve critical development problems and thereby promotes U.S. foreign policy. This agency was a target during Trump’s administration because he wanted to destroy it when he became President. The interesting point is that in the two years after he became President, when they realize how successful the Road Belt Initiative was becoming, “U.S. launched its owned infrastructure initiative by giving \$60 billion for OPIC.” (Bases, 2018). This fact is an example of how these two countries, China making huge investment in African countries’ infrastructure but also U.S., which is benefiting, in this case, the African countries.

## **6.3. American Soft Power vs Chinese Soft Power**

There is no question that American soft power today is stronger than Chinese soft power. But there is one important thing, which is that soft power must always rest on a strong bedrock of hard power. For instance, “Singapore and the United Arab Emirates are Asia’s top two cultural melting pots. They thrive on diversity, good governance and the power of attraction.”(Stelling,



2021). They have tremendous soft power, but they don't have impact on the world because they lack to rest on the bedrock of hard power.

At the moment, the American hard power is stronger than Chinese but when the roles reverse, it will be perceived that Chinese soft power will also grow. In fact, there is no doubt according to Mahbubani, there is a correlation between soft power and hard power.

Additionally, there has been an increase of the number of people being more interested in studying Chinese in China's Universities than in the past. "China's success in attracting large numbers of foreign students: the emergence of several well-ranked universities (including the Peking and Tsinghua Universities) and the incentives and the infrastructure that Chinese universities have built to make international students comfortable in their places of study and residence." (Pushkar, 2018). Therefore, there is no doubt that Chinese soft power will grow.

#### **6.4. Consequences of this conflict in the European continent**

It is a fact that this rivalry will create dilemmas in different countries around the world, which is the case for the European continent. If we take into consideration what happened during the Cold War, Europe had to take a stand for the U.S. because this convergence was taking place in Europe. They were directly threatened by Soviet tanks and missiles stationed at its borders. Plus, another element that joined European and American policymakers was the cultural links that they shared, for instance, Mahbubani says "They traced their roots to a common Judeo-Christian heritage and Greco-Roman cultural underpinnings. Cultural affinity matters." (2021).

In the case of U.S. and China, Europe's choice will not be that easy because they will have to choose between head or heart, geography or politics. In this case geography is the key matter.

During 2015 to 2017, there was a wave in migrants from Africa and the Middle East arriving in Europe. Consequently, the impact on European politics was tumultuous. Europeans saw a surge of support for extreme populist parties in governments from Austria, Hungary, Poland, Italy and Estonia.

The problem is evident, and it is the economic and political conditions in the African continent. If they don't improve, in this century Europe could expect to receive millions of Africans knocking its doors.

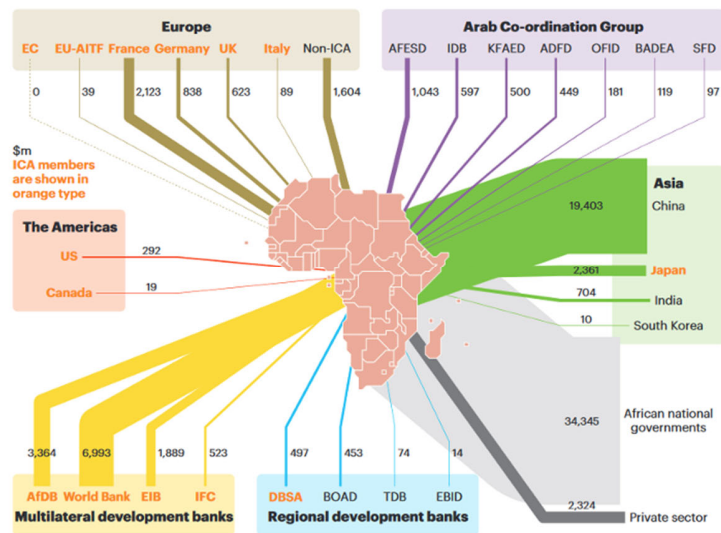


Figure 7 - Investments into Infrastructure in Africa, 2017

Source: The Infrastructure Consortium of Africa (ICAF), "Infrastructure Financing Trends in Africa, 2017"

After analyzing Figure 3, it is clear that Europeans should focus on the economic and social development of Africa. Europe should focus to work with the biggest economic partner of Africa, which is China.

According to Mahbubani, "China is the country that attracts the largest number of African leaders to summit meetings." (Mahbubani, 2021). Therefore, a massive participation of European leaders at such a summit would send a powerful market signal. It could create a massive wave of new investment in Africa. Consequently, with a strong African economy, there will be less incentive for African migration to Europe.

It needs to be mentioned, that there will exist one obstacle for Europe to join to China in Africa, it will be U.S. "American officials' attempts to dissuade other countries from participating in China's BRI (a major source of Chinese investment into the African continent)." (2021). There will be an American pressure on its European allies, however it will be not smart for the U.S. to

ask their allies to ignore their long-term existential challenges in their dealings with China. “The emergence of China does not pose a threat to Europe.”(Mahbubani, 2021).

During the Biden Administration, we saw how they imposed sanctions on some Chinese officials for what is has been happening in Xinjiang. The EU followed suit in March 2021. “Yet these sanctions will not stop China from becoming a much larger trading partner than the U.S. for the EU.” (Mahbubani, 2021).

In addition, there is a possibility in the more optimistic scenario the U.S. could allow EU economic cooperation with China to develop Africa. Indeed, former senior American Administration official, Robert Zoellick said “We now need to encourage China to become a responsible stakeholder in the international system (...) within a larger framework where the parties recognize a shared interest in sustaining political, economic, and security systems that provide common benefits.” (Zoellick, 2005).

These “common benefits” could be the key for this new cooperation. The rapid spread of COVID 19 in all countries, especially European countries that have been impacted in a massive way, cannot do much to help Africa. Alternatively, China’s capability to export large doses of vaccines to African countries has helped to stabilize COVID-19 in Europe’s backyard. Therefore, the pandemic has reminded to everyone that to deal successfully with “common global challenges”, all of humanity, including the rapidly growing population of Africa, must come on board.

## 8. CONCLUSION

Judging from the four criteria for a cold war mentioned by the academic Wei Li, China–U.S. relations may currently be approaching a “quasi-cold war”, which is quite similar to the historical stage of the US and the Soviet Union in 1946–1947. Following these criteria described above, what’s going to happen is that China is going to try to dominate Asia, in the same way U.S. dominated the Western Hemisphere.

First, there are two power poles in the international system seem to be forming. The reason why this is happening is because in the international system, no higher authority protects states. The problem is that in the international system, there are times in which states that are very powerful, have malign intentions towards other states. Consequently, the best way of surviving in this kind of world is to get powerful in the system. Therefore, the best outcome is to be a regional hegemon, because if a country is very powerful, it’s extremely unlikely that any other country will attack them. For instance, there is the case of U.S., in which no country in the Western Hemisphere would ever think in attacking the United States, because is extremely powerful from a security point of view.

China was in the past, an extremely weak country from the late 1840s to the late 1940s, which they call it the “100-year period of humiliation.” The Chinese recognized that when they are weak, other great powers tend to take advantage of them. Therefore, the simple message that the Chinese take away from their history is that they have to be as powerful as possible. This means they needed to become a regional hegemon.

China has been growing economically, “China’s total economy accounts for more than 70% of that of the US and is more than twice the size of that of Japan, the third largest economy in the world. Combined, the economies of the US and China account for 40% of the world’s total, with the US comprising about 25% and China about 15%.” (Li, 2020, p. 91), but at the same time, it has been translating that economic might into a military might, and it is determined to dominate Asia. The problem is most of China’s neighbors find this situation unacceptable, as India, Japan, Vietnam, South Korea, Australia, etc. Even more importantly, it’s unacceptable to the U.S., which doesn’t tolerate peer competitors.

Referring to military capabilities, according to Munro, “the possession of highly superior military capabilities is generally considered to be the most important element in distinguishing a superpower like the United States from a major power such as France or the United Kingdom.” ( n.d.). This means that a superpower is a great power that can project its military might outside of its own region. At the moment, Chinese are concerned mainly on Asia, especially East Asia, but according to some analysts as Annalisa Perteghella (2020), as time goes by, they will be concerned about the periphery too. For instance, “they will be very concerned about the Persian Gulf because they get 43% of their oil from there.” (Perteghella, 2020). This is the reason why China has been putting focus on its alliances with countries like Pakistan, which can be a good ally because it can help China to secure their oil resources from the Persian Gulf.

Second, the two power poles are confronted with increasingly obvious competition and even fierce confrontation in some areas, especially in the economic. It could be seen in the trade war of mutual tariff increases which was officially realized in July 2018 by the Trump Administration. When Trump moved into the White House, he recognized China was a potential threat, therefore, he pursued a “realist policy” toward China. Trump was interested not solely in containing China but rolling back Chinese power. It is very important to understand that he was not employing the simple policy of containment, in fact; he wanted to slow down Chinese economic growth and reversed it, as it was in the case with Huawei.

Trump’s great liability was the fact that he was acting according to the idea of unilateralism, therefore, he was either unwilling or incapable of working with allies. As it was seen during the last Cold War, there is no way that the United States can contain another Superpower, in this case China, without using allies.

Since Joe Biden took the presidency, he has been as tough on the Chinese as Trump was. The only difference that can be seen with this new administration is that Biden will be able to work with U.S. allies and put together a balancing to contain China. Consequently, according to Ganesh from the Financial Times (2020) from a Chinese point of view, the coming of Biden is bad news in large part because he will be more effective at crafting an effective containment policy than Trump.

In the 20th century, the U.S. went to great lengths to prevent four countries from becoming regional hegemony: imperial Germany, imperial Japan, Nazi Germany, and the Soviet Union. Although China is going to try to dominate Asia and be a regional hegemon, from the American perspective this is unacceptable, following the Thucydides Trap's rhetoric by Graham Allison. Plus, the Americans are not going to be only ones limiting China's rising, but it will be China's most powerful neighbors. Consequently, the result of this trap, it is an intense security competition. At the present, we have evidence of this competition, for instance, in places like the East China Sea, the South China Sea, the line of actual control between India and China and over Taiwan. This means that the competition is already heating up and it will become more intense over time.

Third, regarding the possibility of witnessing a direct war between these two countries, it can be confirmed that there will not be a nuclear war between the United States and China, because in a nuclear war it is not possible to have a winner or a loser, it can only have a loser and another loser. Simultaneously, it is possible to see a scenario of conflict, specially in the South China Sea, where the U.S. and Chinese naval vessels could be firing at each other.

Fourth, it can be mentioned that this conflict can profoundly shape global political, economic and ideological patterns around the world. The consequences for smaller countries, it's very hard to generalize that this could be detrimental for some countries because the United States and China could end up fighting proxy wars. If we take into consideration, during the last cold war, the United States fought against the Soviet Union and China in a proxy war in Vietnam. Then we have the cases of countries like Pakistan and India, because the first one will be aligned with China, and the last one will be aligned with the U.S. Also, there will be a competition between North Korea and South Korea, as it was in the past cold war, because bonds between North Korea and China will tighten as the ones between the United States and South Korea.

Regarding the cooperation criteria, if we go back to the last cold war, the U.S.-Soviet competition had a point of collaboration, which was the opposition to nuclear proliferation. Therefore, they created the International Atomic Energy Agency, then the Non Proliferation Treaty, and lastly, they created the Nuclear Suppliers Group. Consequently, this means that even if there is an intense security competition between U.S. and China, there are also different

scenarios for cooperation. The cooperation could be seen in the area of pandemics, climate change and economy.

In addition, It is not a secret that there is a tremendous amount of economic intercourse between the U.S. and China which could change, but at the same time, it will continue. Therefore, the cold war is not an appropriate analogy in the economic relationship between both countries because during this period, there was hardly any economic intercourse between the East and the West. It was all about security cooperation, not economic cooperation. In fact, this scenario is more similar to the one before the WWI, because some European countries were having a security competition between the Triple Entente and the Triple Alliance, but at the same time, they were having significant economic cooperation.

Moreover, professor Mearsheimer (2001) proposed one of the solutions to this tension between U.S. and China. He starts his arguments by mentioning that in the early 1980s, China began to get integrated into the open international economy. This was a system that was created by the American and its allies during the cold war. After the end of the cold war, China got further integrated into this open international economy, one of the examples is that it joined the World Trade Organization in 2001. Therefore, he proposed that China should let the United States to run the world, as it did during the 80s and 90s in order to avoid the rise of this structural conflict. This could be achieved by stopping that translation of economic might into military.

Mearsheimer also mentions that during the period of Deng Xiaoping, China was trying to not make a lot of noise, it was focusing only in growing, and it should keep doing the same. (Minemura, 2020). Plus, he also says that it's in America's interest to draw the lines in the sand or to establish the rules of the road in the U.S.-China relationship now, and not later. In the case of China is the opposite, "it will be better for them, just taking Taiwan example, to settle that conflict in 30-40 years, when China is much more powerful, relative to the United States." (Minemura, 2020).

Lastly the huge problem for the U.S. in order to address this new cold war, is the fact that China has a vision. For instance, It has a vision of what it is going to be, technologically advanced by 2025, and by 2049, 100 years after the revolution, because it wants to be a high-income country. It has a vision for itself in the world. Furthermore, there is a critical thinker, that talks about the lack of U.S. long-term strategy, which is Henry Kissinger, in his own book on China, he keeps emphasizing "The Chinese are playing a long game, they are playing gold, not

chess, therefore, U.S. should play a long game but instead it is playing a very short-term game.” (Mahbubani, 2020, p. 11). Therefore, U.S. need to be competing with China by their own vision of where they want to be in the world. For instance, what they want to see with their technology, what kind of technology, data governance, an economic system and an open society.



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## APPENDIX 1: U.S.- USSR Relationship Timeline

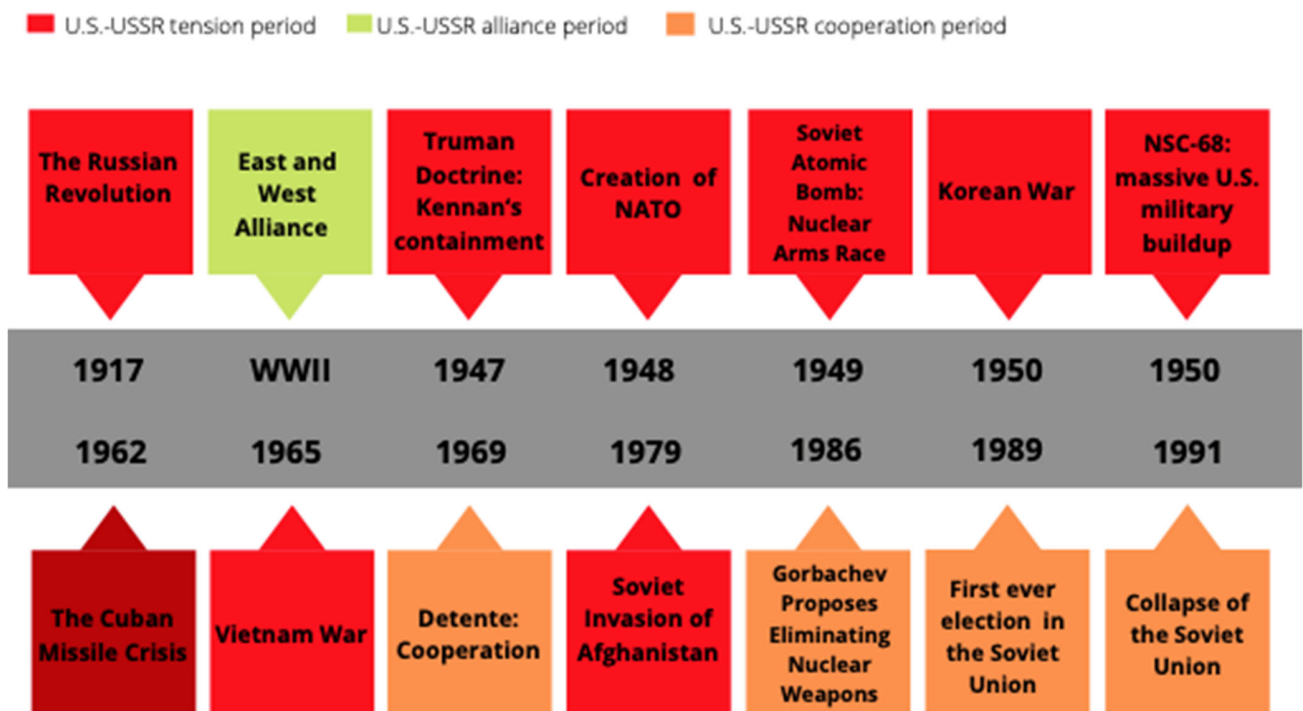
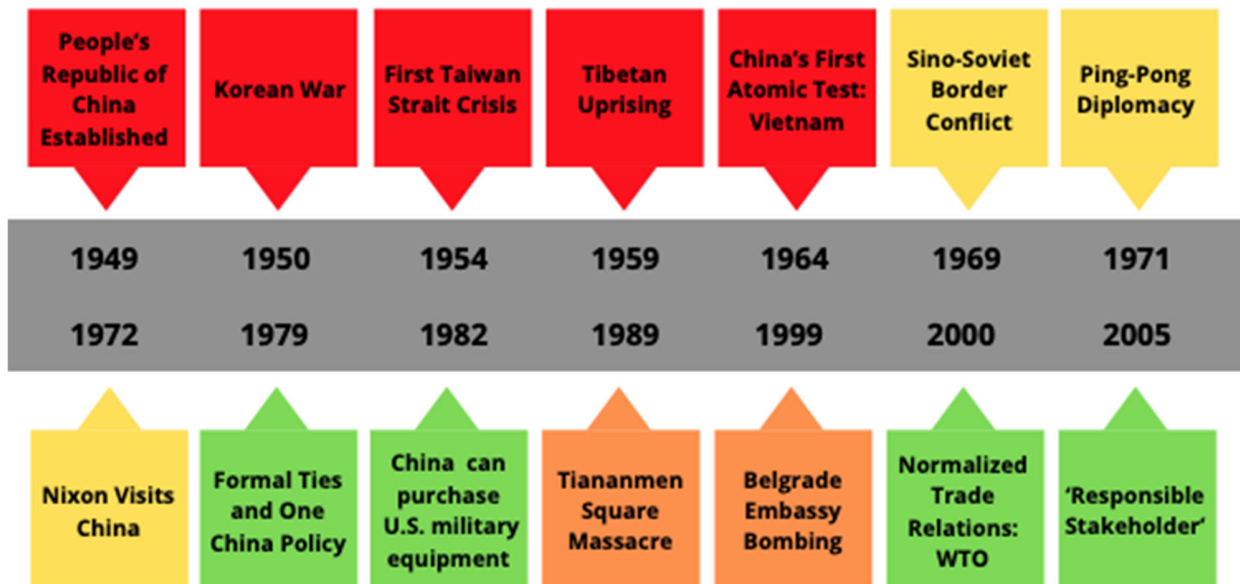


Figura 8 - U.S.-USSR Relationship Timeline

## APPENDIX 2 : U.S.- China Relationship Timeline

■ U.S.-China tension period   
 ■ U.S.-China normalization period   
 ■ U.S.-China good relationship period  
■ U.S.-China frozen relationship period



■ U.S.-China tension period  
 ■ U.S.-China normalization period  
 ■ U.S.-China good relationship period  
 ■ U.S.-China frozen relationship period



Figura 9 - U.S.- China Relationship Timeline