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The *GW Collegiate Journal of Chinese Affairs* is an academic journal that provides a platform for students at GW and other academic institutions to publish interdisciplinary, academically rigorous research. The Journal aims to inspire college students to produce higher-quality scholarship in China studies.

Works published will come from all disciplines — from both the humanities and social sciences — and will be centered on Chinese affairs. The Journal partners with GW and prominent U.S.-China scholars to uphold its standards of scholarly excellence.

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Forward from the Editor and Acknowledgements

Dylan Shepard

The George Washington University ‘25

Welcome to the inaugural volume of the *GW Collegiate Journal of Chinese Affairs*! Just over a year ago to this day, I had a crazy dream to start a brand-new academic journal entirely from scratch. It has not always been smooth sailing — a polite understatement — but after an extraordinary collective effort, we are proud to present to you our first finished product: an autumn volume for 2024.

The impetus behind the desire to create this journal was a powerful and personal one. As a university student studying sinology in Washington D.C., I have observed firsthand how much more difficult it has become to learn about Chinese affairs in our present age. On the national level, enrollment in Mandarin language programs has declined precipitously while the governments of the United States and the PRC have erected further hurdles for students who wish to learn more about the country. Within my three years at The George Washington University, I have seen the forced closure of our Confucius Institute, the Chinese government’s suspension (and later restoration) of our paid access to Chinese statistical yearbooks, the restriction of approved fieldwork opportunities in mainland China, and a growing toxicity on campus around discussing Chinese affairs amidst heightened geopolitical tensions. This is a worrying development for all of those who are interested in the furthering of good scholarship about China.

And yet, for students that are passionate about studying Chinese art, history, philosophy, religion, literature, society, and for a particularly strange bunch, domestic and international

affairs, we must continue to trudge on. The desire behind the launch of this journal was to begin to reverse this trend of declining expertise in Chinese studies. We hope that this journal will for many years inspire college students who are interested in all aspects of Chinese civilization to read more, study harder, and produce higher quality scholarship which will hopefully form the consistent foundation of our biannual volumes.

Starting a new journal from the ground up is an incredibly difficult task and I could not have done it without the immense help and support of a number of individuals. From the Office of the Vice Provost of Research, I would like to thank Dr. Pamela Norris and Shane Seger for their help with printing. At GW Libraries I wish to thank Shira Loev Eller and Barrett Matthews for their help with licensing on GW Scholar Space and troubleshooting help with copyright issues. At the GW Global Resource Center and China Documentation Center, I would like to thank GW's Chinese Studies Librarian Khamo Khamo for her enthusiastic championing of this endeavor. I would also like to thank our two faculty advisors, Dr. Robert Sutter and Dr. Bruce J. Dickson for their support and advice on this project.

Finally, this journal could never have been published without the immense effort made by those on our team. A huge thank you is deserved for Edward Kemelmakher, our managing editor, for countless late nights going back and forth on revisions. I must also thank our team of associate editors Michael Cinque, Aidan Labadie, and Zeqian Wang for their incredible patience and dedication during the review and editorial process. As for the journal's design and layout, sole credit goes to Ava Soong for her exquisite cover artwork. Michelle Wang was also immensely helpful in the coordination and construction of the journal's formatting and organization. In addition, our parent organization, the China Affairs Forum at GW was indispensable in fundraising for the publication of this journal. But without the tireless effort of

the four authors featured in this inaugural volume, all this effort would be for naught. Despite demanding university schedules, they made the time to research, compose, submit, and revise their papers for our journal. On a personal note, I am deeply proud of their accomplishment exemplified in their pieces which merit great praise for their high quality.

In this inaugural volume, our four published pieces reflect the cross-disciplinary nature of our journal's focus. We have a piece on state education's role in shaping historical memory, another that presents a novel theoretical model for understanding war, one on political economy in Hong Kong following the handover to Beijing, and finally a deep dive into the peculiarities of Chinese military doctrine and its significance on PRC defense posture. In subsequent volumes, I hope to expand the diversity of our published papers to better encapsulate the truly interdisciplinary nature of Chinese studies. For now, please enjoy and critically read our four published pieces in this inaugural volume. Thank you to all who lent their support to the fulfillment of this dream.

The Nationalism of Humiliation: Examining the Revisionist Historical Process in the Case of the Yuanmingyuan Incident

Alex Wan

The George Washington University '26

"Your various gardens and the three mountains, as well as [the palace of] Yuanmingyuan, were all seen as sacred places. Since destroyed by British barbarians, its foundations broken and tiles fractured, turned into rubble; if your highness visits, seeing the ruins, [your] sacred heart moves, and bursts into anger, do [you] think of revenge?"

- Kang Youwei, *First Petition to the Qing Emperor*, 1889[1]

Abstract:

This paper examines the changes in the historical narrative regarding the 1860 destruction of the Old Summer Palace, Yuanmingyuan, over time. Specifically, this paper investigates the claim that Yuanmingyuan became an important symbol for nationalist historical revisionism only after the Tiananmen Square demonstrations in 1989, per scholastic consensus. Research materials include examining Chinese history textbooks, other informational texts, and governmental recognition of the site since the founding of the PRC in 1949. The findings indicate that the revisionism regarding Yuanmingyuan was a multi-decade process that remodeled itself to suit the "Century of Humiliation" narrative, a revisionist conception of history that depicts China being trampled by foreign powers until the founding of the People's Republic. Illustrating that revisionist interpretations of this history predated the June 4th demonstrations is significant since it points to an earlier beginning to the state's social reconstruction of the burning of the Old Summer Palace and questions the immediate effects of the Patriotic Education Campaign (PEC).

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[1] Youwei Kang, "First Letter to the Qing Emperor, October 1889," in *Compilation of Kang Youwei's reform letters*, ed. Zaikong Xiangji (Beijing: Beijing Library Press, 2008), quoted in Hung Wu, *A Story of Ruins: Presence and Absence in Chinese Art and Visual Culture,* trans. Xiao Tie (China: Shanghai People's Press, 2017), 194.

INTRODUCTION:

Towards the end of the Second Opium War (1856-1860), an Anglo-French expedition marched into Beijing after negotiations over peace terms failed. The conflict began as a result of the "HMS Arrow Incident," when Chinese sailors boarded an opium smuggling vessel registered in Hong Kong. Wishing to expand trade influence within Qing China, then acting British Consul of Canton, Sir Harry Parkes, accused Qing officials of having "bound and carried off twelve of her Chinese crew, and hauled down the English colours which were then flying,"[2] a claim which has since then been hotly debated by scholars, but compelled Parliament to declare war after a vote of no confidence.[3] During the subsequent war, the expedition eventually captured the Taku forts near Tianjin, a mere 100 kilometers away from the capital in Beijing, and decisively defeated Qing forces at Palikao, which forced the Qing government to accept negotiations.

Upon arrival in Beijing, British High Commissioner Lord Elgin learned of the imprisonment and torture of an Anglo-French diplomatic entourage led by Parkes at the Yuanmingyuan Summer Palace.[4] The diplomatic entourage was attacked by Qing troops and fiercely tortured by the Qing, who were told that British troops had kidnapped the prefect of Tianjin.[5] Regardless, Elgin cited retribution as the justification for occupying Yuanmingyuan, and proceeded to invade, loot, and burn the garden, declaring it a personal slight directed at the emperor and not intended to agitate the Chinese people. Official Chinese histories since have

[2] Parkes to Bowring, 8 October 1856, Foreign Office and Foreign Commonwealth Office Records, the National Archives (UK), F.O. 228.2I3, quoted in John Yue-wo Wong. "Harry Parkes and the 'Arrow' War in China," *Modern Asian Studies* 9, no. 3 (1975): 303–20.

[3] John Yue-wo Wong, *Deadly Dreams: Opium and the Arrow War (1856-1860) in China*, (London: Cambridge University Press, 1998).

[4] Albert H. Yee, *A People Misruled: Hong Kong and the Chinese Stepping Stone Syndrome*, (Hong Kong: API Press 1989), 59.

[5] Yee, *A People Misruled*, 59.

presented the destruction of the site as a sinister attack to cover up the prior looting,[6] although Elgin reportedly rejected French proposals to burn the Forbidden City.[7] On the other hand, alternate accounts state that Lord Elgin himself had to be placated by French and Russian diplomats against burning the capital during negotiations for the treaty of Beijing.[8]

The burning of Yuanmingyuan is to modern China one of the focal points within the "Century of Humiliation." The "Century of Humiliation," is a revisionist historical narrative that originated in the early 20th century according to which "Feudal China" was oppressed by foreign powers and humiliatingly became a "semi-colonial, semi-feudal" nation.[9] While modern-day Chinese nationalism can trace its roots to Han ethno-nationalism centuries earlier, its concept of national trauma is different from the "Century of Humiliation." The contemporary victimization narrative of the latter was popularized by the Patriotic Education Campaign (PEC) during the 1990s which canonized these foreign invasions by imperialist powers.[10] The government of China defines the century as 1839-1949, between the first Opium War and the proclamation of the People's Republic of China (PRC).[11]

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[6] "Introduction to Yuanmingyuan," The People's Government of Beijing Municipality, August 1, 2017, https://www.beijing.gov.cn/renwen/zt/sswy/ymy/201708/t20170801_1877905.html.

[7] David Harris, *Of Battle and Beauty: Felice Beato's Photographs of China* (Santa Barbara: Santa Barbara Museum of Art, 1999).

[8] Immanuel Chung-Yueh Hsü, *The Rise of Modern China*, trans. Ji Qiufeng and Zhu Qingbao (Hong Kong: Chinese University Press, 2001), 223.

[9] "Preamble," in *Constitution of the People's Republic of China*, 1982, accessed October 15th 2023, https://china.usc.edu/constitution-peoples-republic-china-1982.

Alison Kaufman, "The 'Century of Humiliation,' Then and Now: Chinese Perceptions of the International Order," *Pacific Focus* 25, (2010): 1-33.

[10] Zheng Wang, "National Humiliation, History Education, and the Politics of Historical Memory: Patriotic Education Campaign in China," *International Studies Quarterly* 52, no. 4 (2008): 790.

[11] Shan Zhou and Chunbo Zhang 周山 张春波, *Guochi lu: Tushuo Zhonghua bainian* 国耻录: 图说中华百年 [Century of Humiliation: Illustrations of China's Centenary Years] (Lanzhou: Gansu qingnian ban, 1997), quoted in William Callahan, "National Insecurities: Humiliation, Salvation, and Chinese Nationalism," *Alternatives* 29, no. 2 (2004): 199-218.

WHY YUANGMINYUAN?

The prevailing scholarly literature surrounding the "Century of Humiliation" narrative argues that while the destruction of Yuanmingyuan eventually became central to its revisionist conception of history, it was not until the PEC in the aftermath of the 1989 Tiananmen Massacre that Yuanmingyuan was integrated into its historical framework. Scholars often cite the period between the Great Leap Forward and the Cultural Revolution to show the lack of nationalistic attention given to Yuanmingyuan prior to its sudden revival. While evidence found supports the existing consensus that the significance of the burning of Yuanmingyuan was downplayed during this period, broadening the timeframe examined shows that nationalistic sentiment before and after the Cultural Revolution demonstrated significant alterations in historical emphasis, reflecting a gradual development.

Revisionism regarding Yuanmingyuan was a multi-decade political process that evolved along the "Century of Humiliation" narrative. The nationalistic interpretations of Yuanmingyuan's significance were not constant before Tiananmen Square but were dynamically adjusted by publishers in accordance with policy priorities. By tracing the description of the 1860 burning of the Imperial Summer Palace through textbooks and pamphlets since 1949, the evidence found challenges the existing scholastic consensus that Yuanmingyuan's elevated importance is solely the result of revisionism initiated during the 1990s. Although it is true that the Chinese Communist Party (CCP) devoted significant efforts towards framing Yuanmingyuan as a cornerstone of its "Century of Humiliation" narrative after 1989, the existence of prior junctures raises questions on the extent to which the CCP's pivot to nationalism was purely a sudden effort.[12] Using Mark Leonard's comparison of the burning of Yuanmingyuan to "an open

[12] Bruce J. Dickson, "How Nationalistic Is China?" in *The Party and the People: Chinese Politics in the 21st Century* (Princeton: Princeton University Press, 2023), 199.

wound that can be salted whenever citizens need to be reminded or mobilized,"[13] this paper argues that the wound was gradually inflicted over decades, and not suddenly inflicted in 1991 to bolster nationalism.

To trace how the narrative about Yuanmingyuan has changed throughout the years, textbooks, pamphlets, history books, and other primary sources are examined to demonstrate the shifting perspectives over time. While Wang Zheng briefly examined revisionism through history textbooks from 1992, this line of inquiry remains largely unexplored despite the particular importance of textbooks to education in the PRC as government apparati review, assign, and purchase educational materials used in all public schools. As such, factual changes to textbooks used for compulsory education are significant in their influence on the youth of China in shaping their worldview. Official announcements are used in addition to the previous material to confirm the state's narrative. While editorial choices over seven decades are to be expected, the following sections show changes to the event's importance and framing in educational curricula that indicate a conscious effort to retell its history.

Chinese names and terms are standardized for the sake of comprehension. The former summer palace will be referred to as Yuanmingyuan to avoid confusion with the summer palace in Chengde and Yiheyuan, the part of the summer palace that remains today. Chinese cities will be known by their contemporary international names (e.g. Beijing, Tianjin), but historical names will be used in regard to treaties and primary sources (e.g. Treaty of Peking). Chinese names will be accompanied by their *pinyin* romanization in parenthesis for reference.

[13] Mark Leonard, *What Does China Think?* (London: Fourth Estate, 2008), 10, quoted in Robert D. Weatherly and Ariane Rosen, "Fanning the Flames of Popular Nationalism: The Debate in China over the Burning of the Old Summer Palace," *Asian Perspective* 37, no. 1 (2013): 64.

LITERATURE REVIEW:

The destruction of Yuanmingyuan as a subject is intensely explored from multiple disciplines and foci, with most scholars concluding that its elevated importance came from a centrally planned patriotism drive that sought to use the visual iconography of Yuanmingyuan's ruined stone foundations as a symbol for the Century of Humiliation. Wu Hung explores the site as a turning point for ruin culture in China and notes how "the ruins of Yuanmingyuan became a symbol in official publications for the period of dark colonial rule."[14] William Callahan studies the history of "National Humiliation" in China as a common theme within popular culture and its impact on domestic and foreign policy.[15] His research on ceremonial National Humiliation Day practices, for example, notes how current rhetoric serves to preserve a nationality rather than construct one, as had been done in the early 20th century.[16] Lee Haiyan focuses on the site of Yuanmingyuan's juxtaposed identity as both a symbol of national humiliation and as a local park.[17] He notes that peasants "[cut] down trees, flatten[ed] the hills and fill[ed] the lakes and waterways, [made] rice paddies, [built] hog and poultry farms, and set up factories and workshops" during the 1960s.[18] This fact seems to originate in James Hevia's book in which Yuanmingyuan's locale as a people's commune was discussed, corroborating or perhaps serving as the source of Lee's claim.[19] Scholarships such as those by Weatherly and Rosen, Callahan, and Lovell argue that the CCP neglected the site of Yuanmingyuan prior to the 1980s, and point

[14] Wu, *A Story of Ruins: Presence and Absence in Chinese Art and Visual Culture.*

[15] Callahan, "National Insecurities: Humiliation, Salvation, and Chinese Nationalism," 199-218.

[16] William A. Callahan, "History, identity, and security: Producing and consuming nationalism in China," *Critical Asian Studies* 38, no. 2 (2006): 186.

[17] Lee Haiyan, "The ruins of Yuanmingyuan: Or, how to enjoy a national wound," *Modern China* 35, no. 2 (2009): 185.

[18] Lee, "The Ruins of Yuanmingyuan," 161.

[19] James L. Hevia, *English Lessons: The Pedagogy of Imperialism in Nineteenth-Century China* (Durham: Duke University Press, 2003), 340.

to the artificiality of the state's sudden concern for the site. Weatherly and Rosen examine aggressive anti-foreign nationalism through online blog posts related to Yuanmingyuan, focusing on how Yuanmingyuan is one of the few subjects in which Chinese netizens can freely express personal opinions.[20] Weatherly explains that "the economic crisis of the 1980s leading up to the mass demonstrations of 1989, forced the party to diversify the foundations of its legitimacy to include, amongst other things, nationalism."[21] Furthermore, they show how the CCP's pivot to Yuanmingyuan's historical legacy "... was first apparent in the early 1990s with the launching of the Patriotic Education Campaign."[22] Annetta Fotopoulos writes that national humiliation "for the most part, [was] forgotten by the end of the Cultural Revolution in the 1970s" with the passing of elderly generations outside of intellectual circles.[23] Julia Lovell examines historical sources throughout the "Century of Humiliation" to show the Chinese government's problematic relationship with the opium trade and its subsequent efforts to cover up its involvement. Through her research, Lovell argues that the sudden emphasis on Yuanmingyuan and the Opium War was a consequence of the Tiananmen Square incident.[24] In Lovell's view, the government concluded in the aftermath of the crackdown on student protestors that the erosion of hardline Marxist "spiritual pillars" was to blame for the protests, and set out to enhance its political legitimacy by reviving political education.[25] Based on "recriminations of the West" and a "revamped patriotic propaganda drive," the 150 year anniversary of the first Opium War in 1990 supported the CCP's

[20] Weatherly and Rosen, "Fanning the Flames of Popular Nationalism," 53-76.

[21] Robert Weatherly and Zhang Qiang, *History and Nationalist Legitimacy in Contemporary China: A Double-Edged Sword* (London: Palgrave Macmillan UK, 2017), 6.

[22] Weatherly and Rosen, "Fanning the Flames of Popular Nationalism," 56.

[23] Annetta Fotopoulos, "The Yuanmingyuan as Collective Memory: The Re-Presentation and Consumption of History in Late 20th Century China," M.A. diss., (Cornell University, 2011), 49.

[24] Julia Lovell, *The Opium War: Drugs, Dreams, and the Making of Modern China* (New York: Overlook Press, 2014), 342.

[25] Lovell, *The Opium War*, 342.

narrative of the "Century of Humiliation" and emphasized the significance of Yuanmingyuan into its reorganized conception of history.[26]

The state's focus on the "Century of Humiliation" narrative through the PEC manifested itself through various educational reforms and joint curricula designed by government ministries.[27] Examining the 1994 edition of the pamphlet *A Brief Introduction to the History of Yuanmingyuan* reveals the state's broader narrative surrounding the destruction of Yuanmingyuan. The pamphlet describes how the Anglo-French expedition "brazenly ordered the burning of the Old Summer Palace on the pretext that its captured personnel were being mistreated," explaining their reasoning as a way to leave "remarkably harsh" consequences on the nation.[28] The text lists a litany of crimes throughout the passage, which Annetta Fotopoulos argues presents a nationalistic victim narrative that denounces foreign imperialism.[29] Today, Chinese language textbooks widely used in Chinese elementary schools describe the Yuanmingyuan incident as having caused an "incalculable loss of Chinese and global cultural history" at the hands of "more than 3000 invaders" to "destroy the evidence of their crime."[30] The passage was first included in the 2005 edition of textbooks and remained in the 2017 and 2019 editions, and is the earliest modern Chinese history lesson taught to many of the 5th graders

[26] Lovell, *The Opium War,* 342-3.

[27] Suisheng Zhao, "A state-led nationalism: The patriotic education campaign in post-Tiananmen China," *Communist and Post-Communist Studies* 31, no. 3 (1998): 287-302.

[28] "Yuanmingyuan Shi Jieshao 圆明园史介绍 [An Introduction to the History of Yuanmingyuan]," Beijingshi Haidianqu Yuanmingyuan Guanlichu 北京市海淀区圆明园管理处 [Beijing Haidian District Yuanmingyuan Management Office]. October 1994. Web. Apr. 2009. Quoted in Annetta Fotopoulos, "The Yuanmingyuan As Collective Memory: The Re-Presentation And Consumption Of History In Late 20th Century China," 113-26.

[29] Fotopoulos, "The Yuanmingyuan As Collective Memory," 12.

[30] Jiaoyubu Zuzhi 教育部组织 [Ministry of Education Organization], Yiwu jiaoyu jiaokeshu yuwen wu nianji shangce 义务教育教科书语文五年级 上册 [Compulsory Education Textbook for 5th Grade Chinese Language] (Beijing: Bu bian ren jiao ban 部编人教版, 2019), 52-3.

in schools. The event is now completely detached from the Second Opium War, plainly framing Westerners for theft and destruction while only providing context for Yuanmingyuan's former imperial glory.

While no serious study of the "Century of Humiliation" can wholly ignore the issues these scholars have emphasized, a further examination of existing evidence questions whether the characterization of Yuanmingyuan's changing legacy truly began in the 1990s.

FOUNDATIONAL PROMISE (1949-1964):

Despite claims from a myriad of scholars that identify Yuanmingyuan's transformation into a nationalist symbol as a post-Tiananmen government initiative, state-sponsored textbooks from the earlier years of the communist regime prove that the origin of Yuanmingyuan's connection with historical revisionism dates back much earlier. For example, when examining the seventh edition of the first volume of *Modern History*, a public middle school textbook of Chinese history, traces of historical revisionism can be observed as early as 1952. First published in August 1950, the textbook provides valuable insight regarding the officially endorsed history surrounding the founding of the People's Republic of China. In reference to Yuanmingyuan specifically, the authors perpetuate the narrative of the "Century of Humiliation" by illustrating the crimes against Yuanmingyuan not just as an attack against the Manchu dynasty, but as an assault on a national symbol of China — thus claiming collective ownership of the site.[31] This can be seen in the text's framing of Yuanmingyuan as the "largest museum in China at the time," instead of merely an ostentatious property of the imperial family.[32] This particular definition of Yuanmingyuan provides more emotional significance to its destruction than if it was framed as

[31] Xiaoxian Ding 丁晓先, ed., 初級中學本國近代史課本 上册 [*Junior High School Modern History Textbook of the Country Volume One of Two*] (Beijing: Renmin jiaoyu chubanshe 人民教育出版社, 1952), 58-9.

[32] Ding, *Junior High School Modern History Textbook of the Country Volume One of Two,* 58.

just an asset of the ruling family, many of which were vandalized by the communists themselves during this period. Moreover, the national symbolism of the site is further cemented in its description of being "... the property of the Chinese people," showing that the Yuanmingyuan incident was already used for political purposes far before the 1989 Tiananmen protests.[33] This is supported by a 1951 speech made by Premier Zhou Enlai at the time stating that "the ruins of Yuanmingyuan should be preserved…" "Imperialism burned it down, if conditions permit in the future, we can still restore it."[34]

Modern History shows that Yuanmingyuan was not forgotten in China's modern history during the 1950s. While detractors may point to the rejected plan around this time by the Chinese Academy of Sciences to construct a large plantation on top of the ruins of Yuanmingyuan as evidence of its unimportance,[35] a plethora of evidence from other state-backed textbooks clearly indicates otherwise. The first volume of *Chinese Modern History* by renowned Marxist historian, Fan Wenlan, corroborates those attitudes expressed in *Modern History* within his middle school textbook. A 9th edition copy from 1955 lends insight into how Chinese communist historians began to redefine Yuanmingyuan's significance within the broader history of China. The book describes a similar narrative but emphasizes the looting that occurred, writing how "after the expedition entered Beijing, they sent troops to rob Yuanmingyuan," framing the act as a

[33] Ding, *Junior High School Modern History Textbook of the Country Volume One of Two,* 59.

[34] Jingqi Li, 李景奇, "《圆明园遗址公园规划》是圆明园遗址保护与利用的基本依据和基本手段." Yuanmingyuan gongyuan [The 'Old Summer Palace Relics Park Plan' is the basic basis and basic means for the protection and utilization of the Old Summer Palace ruins]," May 4th, 2006, http://www.yuanmingyuanpark.com/zy/yj12.htm. Archived at WaybackMachine, Accessed September 23, 2023 https://web.archive.org/web/20060504041712/http://www.yuanmingyuanpark.com/zy/yj12.htm.

[35] Cixiang Duanmu 端木赐香,这一次 我们又挨打了: 中英第二次鸦片战争始末 [This Time We Were Beaten Again: The Beginning and End of the Sino-British Second Opium War] (Beijing: Beihang Daxue Chubanshe 北航大学出版社, 2009), 240.

premeditated robbery.[36] Fan then cites a British officer taking a golden Buddha statue "worth more than 1,000 pounds" and becoming famous for it, echoing the textbook's tone of disdain and anger towards foreign aggressors.[37] The omnipresent description of Yuanmingyuan's splendor is also present within the paragraph, and its destruction is lamented as "leading to incalculable cultural losses."[38] The use of subjective commentary is unusual but will occur commonly in related material during and after the 1980s.

Works such as *Chinese Modern History* by Fan Wenlan — pioneered by the "Five Elders of Marxist Historiography" — drove the creation of the narrative of a Second Opium War that began because of the British desire to sell opium. Fan's approach of emphasizing sections of history for contemporary political purposes confirms the state's revisionist tendencies with regard to modern history and provides additional evidence that historical revisionism regarding Yuanmingyuan occurred earlier than previously thought.

REVOLUTION AND NEGLECT (1964-1976):

The evidence so far indicates that historical revisionism regarding Yuanmingyuan first occurred much earlier than claimed by Western scholars. With that said, however, representations of Yuanmingyuan during the Cultural Revolution and beyond were hardly consistent in tone and messaging. While Yuanmingyuan continued to be used in conjunction with other perceived national tragedies to elucidate condemnation of foreign imperialism, the centrality of the event itself waned in the scope of state-backed representations of history — with

[36] Wenlan Fan 范文瀾, *Zhongguo jindai shi shang ce* 中國近代史 上册 [*Modern Chinese History Volume One of Two*] (Beijng: Renmin jiaoyu chubanshe 人民教育出版社, 1955), 188.

[37] Fan, *Modern Chinese History Volume One of Two*, 188.

[38] Fan, *Modern Chinese History Volume One of Two*, 188.

representations of the event shifting from a focus on the burning of the property itself to its symbolic injury to the pride of the nation as a whole.

As the government enforced the Chinese Character Simplification Scheme and horizontal direction writing throughout the 1950s, literacy rates drastically increased within China, bolstering the importance of education and historical narratives within the People's Republic of China.[39] Published two years after the Great Leap Forward, *Outline of Chinese History* (1964) presents a short but graphic description of the Yuanmingyuan incident, citing "extremely barbaric looting and destruction in Beijing" and that Yuanmingyuan "was turned into ruins after being burned and looted."[40] However, the event itself was deemphasized in relation to other events in that time period as evidenced by its short length as well as its mentioning alongside the destruction of Beijing within the same sentence. This distinction places greater blame on Emperor Xianfeng's "[flight] to Rehe in a hurry" compared to the texts discussed from the period earlier.[41] This was reflective of a broader effort to minimize the importance of Yuanmingyuan's burning, possibly due to the government's uneasiness of the Old Summer Place's strong symbolic connection to the dynastic system — exactly the kind of cultural legacy the CCP sought to extricate from national identity.

Yuanmingyuan's marginalization in state textbooks continued during the Cultural Revolution when the "Destroy the Four Olds" campaign attempted to purge all "feudal" culture from the land. This is reflected in *History: Draft Textbook for Beijing Middle Schools*, which

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[39] UNESCO Regional Office for Education in Asia and the Pacific, *Literacy Situation in Asia and the Pacific, Country Studies: China* (Bangkok: UNESCO Regional Office for Education in Asia and the Pacific, 1984), 5.

[40] Bozan Jian 翦伯赞, ed., *Zhongguo shi gangyang di si ce* 中国史纲要 第四册 [*Outline of Chinese History Volume Four*] (China: Renmin jiaoyu chubanshe 人民教育出版社, 1964), 33.

[41] Jian, *Outline of Chinese History Volume Four,* 31.

omits descriptions of Yuanmingyuan's former glory, with the book simply mentioning that "all the precious cultural relics and treasures" were looted and that the Anglo-French expedition "set fire to destroy the whole garden."[42] The emphasis of the paragraph shifts towards the army which "burned, killed and looted all the way" and away from the destruction of Yuanmingyuan, demonstrating apathy towards the issue. This corresponds to Lee Haiyan's research on how the physical site of Yuanmingyuan this time experienced neglect. During a time when even the Forbidden City palace was planned to be torn down, it was unrealistic for sidelined moderates like Zhou Enlai to protect the ruins of a lesser imperial palace such as Yuanmingyuan.[43] Mao's retaliatory Socialist Education Movement in 1964 attempted to maintain the communist orthodoxy within the country, which manifested in trials and harassment for teachers and intellectuals, and no doubt influenced this textbook and the perception of Yuanmingyuan.

The apathy towards Yuanmingyuan was thus indeed a conscious choice by the official government, but most likely motivated by other rationale. While the act of converting the ruins of Yuanmingyuan into farms should be taken within the context of the Great Chinese Famine just years prior; the rationale for official neglect of Yuanmingyuan was more likely because "a resacralized Yuanmingyuan might rival Tiananmen Square as the nation's foremost political space" as Lee Haiyan notes.[44] In a time of political paranoia, the ruins of Yuanmingyuan did not

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[42] Beijingshi Jiaoyuju Zhongxiaoxue Jiaocai Bianxiexu 北京市教育局中小学教材编写组 [Beijing Municipal Education Bureau Primary and Secondary School Textbook Writing Group] *"Lishi beijingshi zhongxue shiyong keben"* 历史北京市中学试用课本 [Draft History Textbook August 1972], 17.

[43] Xie, Yinming 谢荫明 and Qu, Wanlin 瞿宛林. "'Wen hua da ge ming' zhong shei bao hu le gu gong 文化大革命中谁保护了故宫 [Who protected the Forbidden City in the Cultural Revolution?]," *PeopleNet*, published November 7th, 2006, Accessed April 30th, 2024 via Internet Archive at https://web.archive.org/web/20110519102953/http://cpc.people.com.cn/GB/68742/69115/69120/5005812.html.

[44] Lee, "The Ruins of Yuanmingyuan," 184.

conform with what Wang describes as Mao's "victor narrative."[45] Taken together with the evidence presented in previous sections, one can infer that official neglect during the '60s and '70s was a respite rather than a normative shift in representing Yuanmingyuan within the scope of revisionist and nationalistic historical narratives.

A LONG REMEMBRANCE (1976-1989):

In the wake of China's reform and opening up, nationalist sentiments became more pronounced in both state-backed and popular literature. Discourse surrounding the burning of Yuanmingyuan largely aligned with this broader trend. While the cause of resurgent nationalism in this period is hard to pinpoint, it generally can be attributed to overall trends in China characterized by the creation of state-legitimizing narratives and the limited openings of public discourse. Initial attempts to create a "Liberal Antitraditionalist Nationalism" — a politically acceptable alternative against totalitarian state control embodied within tradition — presented the possibility for alternative nationalist constructions of history, though these were ultimately suppressed following the 1979 crackdown on the Democracy Wall literature.[46]

As for state-backed conceptions of nationalism, starting at the end of the Cultural Revolution and until the established turning point of 1989, modern Chinese history was already being revised by the CCP to suit its new narrative of cultural nationalism. James Hevia comments that the "strident tones of the anti-imperialists were muted and reshaped" after Mao's death and notes how scholarship regarding Yuanmingyuan felt at once "in and out of step" with historical reconfiguration at the time.[47] Daqing Yang notes how with regards to the Nanjing

[45] Zheng Wang, "National Humiliation, History Education, and the Politics of Historical Memory: Patriotic Education Campaign in China," *International Studies Quarterly* 52, no. 4 (2008): 783-806

[46] Suisheng Zhao, *A Nation-state by Construction: Dynamics of Modern Chinese Nationalism* (United States: Stanford University Press, 2004), 130-1.

[47] Hevia, *English Lessons: The Pedagogy of Imperialism in Nineteenth-Century China*, 341.

Massacre in World War II, "systematic collection of victims' accounts as historical evidence by the PRC did not begin in earnest until the 1980s."[48] Similarly, Emily Matston notes how the 1980s saw the government revise the temporal boundaries of the War of Resistance Against Japan from the previously "uncontested" eight-year timeframe from 1937-1945 to a "... 'fourteen-year war' starting with the Mukden incident of 1931."[49]

With regards to Yuanmingyuan, the end in revolutionary fervor corresponded to the establishment of a management office for Yuanmingyuan at the end of 1976, which made "significant progress" in protecting ruins and greening the surrounding areas, abolishing farmlands and dredging lakes.[50] Yuanmingyuan opened its first exhibition hall in 1979, the same year it was officially designated as a major historical and cultural site protected at the city level.[51] The site was officially labeled a heritage park by the Beijing city government shortly thereafter.[52]

Historical revisionism of Yuanmingyuan was present in the 1981 edition of *Chinese History,* a middle school textbook. The textbooks describe the burning of Yuanmingyuan as the final sequence of the war before negotiations at the Convention of Peking and emphasize Yuanmingyuan's significance by describing the garden as "a large-scale building that integrates Chinese and Western architectural art [with] magnificent palace structure, gorgeous architecture,

[48] Daqing Yang, "The Challenges of the Nanjing Massacre: Reflections on Historical Inquiry" in *The Nanjing Massacre in History and Historiography*. Ed. Joshua A. Fogel. (Berkeley: University of California Press, 2000), 140.

[49] Emily Matson, "From Regional to National: Northeastern Scholars and the National Discourse on the War of Resistance against Japan." Wilson Center, *Essays on U.S. and China Policy*, May 2022.

[50] Enyin Zhang 张恩荫, "Yuanmingyuan yuanshi Jianjie" 圆明园圆史简介 [Introduction to the History of Yuanmingyuan] (Beijing: Yuanmingyuan guanli chu, December 1986), 16.

[51] Yuanmingyuan General Manager, "The Protection and Development of Yuanmingyuan Heritage Park." November 4th, 2020. Accessed October 15th 2023. https://www.mhymy.com/dasl/ksls/3571.html

[52] "Geographic Location." The People's Government of Beijing Municipality, August 1, 2017, accessed October 15th 2023, https://www.beijing.gov.cn/renwen/zt/sswy/ymy/201708/t20170801_1877907.html.

[and] a large number of treasures and cultural relics."[53] The commentary categorizes the Anglo-French expedition as an "invading army" that "wantonly robbed" the palace.[54] While in itself unimpressive, this example signifies the return of Yuanmingyuan back into the "Century of Humiliation" narrative, with a description parallel to its predecessors in the 50s. This is especially significant considering that the draft version of the same textbook omits Yuanmingyuan altogether, beginning the third book with the Self Strengthening Movement.[55] This was not to say that Yuanmingyuan immediately gained the importance it has today, as the 1984 elementary school textbook, *History*, does not discuss Yuanmingyuan and the Second Opium War, instead focusing on the Taiping Rebellion as a triumphant predecessor for agrarian classist revolution.[56] While narratives of a class struggle persist in educational materials during this time, emphasis on national humiliation increasingly begins to assert itself as part of the narrative's historical inevitability.

Examining the 1986 edition of the pamphlet titled *A Brief Introduction to the History of Yuanmingyuan* published by the Yuanmingyuan management office, we find that not only was the history of Yuanmingyuan well known, but also that the destruction of Yuanmingyuan was

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[53] Wenyan Hu 胡文彦, ed., *Chuji zhongxue keben zhongguo lishi di san ce* 初级中学课本: 中国历史第三册 [*Junior High School Textbook: Chinese History Volume Three*] (Beijing, China: Renmin jiaoyu chubanshe 人民教育出版社, 1981), 29.

[54] Hu, *Junior High School Textbook: Chinese History Volume Three*, 29.

[55] Zhong Xiaoxue Tongyong Jiaocai Lishi Bianxiezu 中小学通用教材历史编写组 [Elementary and Middle School History Textbook Group]. Quanri zhi xuexiao Chuzhong Keben (Shiyong ben) Zhongguo lishi di san ce 全日制学校初中课本 (试用本) 中国历史 第三册 [Full-time Junior High School Chinese History Textbook (Trial Version) Volume Three] (Beijing: Renmin jiaoyu chubanshe 人民教育出版社, 1979).

[56] Zang Rong 臧荣 ed., Xing Kebin 刑克斌 ed., and Deng Liqun 邓利群, ed., *Xiaoxue keben lishi xia ce* 小学课本 历史 下册 [*Elementary School History Textbook Volume Two of Two*] (Beijing: Renmin jiaoyu chubanshe 人民教育出版社, 1984).

already incorporated into "a page of painful history in [China's] modern history."[57] The last sentence of the text explicitly builds this connection that "in order to make the tragedy of Yuanmingyuan forever a thing in the past," Chinese people "must strive."[58] Such a statement is the first among many in which there is a direct call to action for the Chinese contemporary audience to act based on events in the past. The connection between the people and the ruins is novel and abundantly clear as the epilogue details the efforts to protect the park, stating that "the rise and fall of Yuanmingyuan [is] closely related to the fate of the Chinese nation."[59] This unprecedented assertion constitutes a significant change in the official narrative, in which the "great rejuvenation of Chinese civilization" correspondingly manifests in Yuanmingyuan park's renovations. The change is visible, both from the attention being devoted and the wording used when describing the events. One of the most significant changes we observe in this rendition of Yuanmingyuan's history is its overt connection to the present, and how the Yuanmingyuan incident goes beyond a historical injustice but an active call to action. Most importantly, the passage does not differ from its 1994 counterpart examined by Fotopoulos, showing that in the case of Yuanmingyuan, the mass revisions occurring after the Tiananmen Square Massacre did not significantly alter the historical narrative of Yuanmingyuan.

CONCLUSION:

The evidence found in this paper challenges the consensus advanced in previous scholarship that it was only after the Tiananmen Massacre that Yuanmingyuan garnered nationalistic symbology in official state rhetoric and publications. Rather, this research suggests that efforts to revise the narrative surrounding the Yuanmingyuan incident into the discourse of

[57] Zhang, "Introduction to the History of Yuanmingyuan," 11.
[58] Zhang, "Introduction to the History of Yuanmingyuan," 15.
[59] Zhang, "Introduction to the History of Yuanmingyuan," 16.

the "Century of Humiliation" originated long before the Patriotic Education Campaign of the early 1990s. Of course, intensified governmental efforts to revise official history after Tiananmen Square no doubt contributed to Yuanmingyuan's increased importance within the "Century of Humiliation," however, it would be misleading to claim that the PEC itself established the link between Yuanmingyuan and nationalistic symbolism. Even as early as the 1950s, state history textbooks began to frame the destruction of the Old Summer Palace within the broader framework of a nationalist reconstruction of Chinese history. While this paper confirms that the site and importance of Yuanmingyuan were neglected during the Cultural Revolution, by examining history textbooks and relevant research we find that the CCP began rehabilitating Yuanmingyuan within the scope of state-backed historical paradigms as early as 1981.

With that said, however, the conclusion of this study still leaves great room for further inquiry. While the state's role in promoting nationalistic reinterpretations of Yuanmingyuan has been made more clear, it remains ambiguous to what effect state efforts in educational curricula succeeded in fostering a sense of nationalism that bolstered CCP legitimacy. As shown in survey research presented in *The Party and the People*, the efficacy of the Patriotic Education Campaign appears uncertain given that young people provided responses that elicited less nationalistic sentiments when compared to older respondents.[60] Moreover, it is unknown how much nationalism in state educational curricula resulted in a productive form of nationalism that burnishes the popularity and image of the regime or a more dangerous popular nationalism that could spill over into protests against the government. Thus, more research is required to measure the impact of nationalism in Chinese education on broader society.

[60] Bruce J. Dickson, "How Nationalistic Is China?" in *The Party and the People: Chinese Politics in the 21st Century* (Princeton: Princeton University Press, 2023), 192–225.

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The Perception Conditions of War and Peace

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Abstract:

The potential for great power war between the U.S. and China demands renewed focus on understanding the causes of war. While system and subsystem level theories have proliferated, they have proven neither predictive nor sufficient to explain conflict. What does explain conflict? At the decision-making level, the perceptions of leaders are a critical factor but have been woefully overlooked. Perception theories are paid scant attention because of serious methodological and conceptual problems. This thesis creates an empirical framework for objective and measurable analysis of perceptions to overcome these hurdles. Furthermore, I propose a new perception matrix model that uses perceptions of capability and value as the two dominant variables in explaining war. The model shows that bargaining interactions between leaders’ perceptions in a dyadic relationship are a necessary and sufficient condition for conflict. Drawing upon five historical case examples of dyadic conflict and situations that could have led to war but deescalated, I use the empirical framework to test the predictive and explanatory power of the perception matrix. Application of the model to the potential for war between the U.S. and China over Taiwan demonstrates its predictive power as a practical tool despite the model’s limitations.

THE PUZZLE OF WAR:

It is the central task of scholars concerned about international conflict to identify the conditions under which war is likely to occur.[1] Attempting to explain the phenomenon of war is not new. Famous historian Thucydides attempted to understand the underlying causes of the Peloponnesian War, remarking that "the truest explanation…I believe to have been the growth of the Athenians to greatness which brought fear to the Lacedaemonians and forced them to war."[2] But despite the central nature of the study of war in the field of international relations, systematic answers remain elusive. Even with modern technology, incredible amounts of data, and complex algorithms, the holy grail of any science – the power of prediction – is still out of reach. Russia's invasion of Ukraine on February 24, 2022, was a striking reminder of our collective failure to accurately predict and prevent the outbreak of war, even between two highly developed countries.

Now, many experts fear the U.S. and China may be stumbling towards conflict. Despite attempts at calm-headed statesmanship by Presidents Joe Biden and Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) Summit in November, events in 2023 have largely heightened the fragility of the U.S.-China relationship. Export controls and overt economic-geostrategic competition have become the new normal, with sanctions on high-tech sales explicitly designed to prevent China from catching up.[3] Meanwhile, Taiwan remains a

[1] I would like to thank Professor Mike Mochizuki for his keen insight, bountiful wisdom, and enduring support throughout the process, from inception of the idea to completion of the thesis. I also appreciate the help of Ishani Chettri. Her advice, editing, and feedback on the first draft were instrumental in developing the core argument. Thank you to my family and especially my sister, Sara, for their love and support.

[2] Thucydides, *History of the Peloponnesian War*, trans. Rex Warner, (London: Penguin Classics), 1974.

[3] Bureau of Industry and Security, "Public Information On Export Controls Imposed On Advanced Computing And Semiconductor Manufacturing Items To The People's Republic Of China (Prc) In 2022 And 2023," November 6, 2023, https://www.bis.doc.gov/index.php/about-bis/newsroom/2082.

https://www.bis.doc.gov/index.php/about-bis/newsroom/2082.

fundamental red-line for the Chinese Communist Party (CCP) and a key national security interest for the U.S. However, the most frightening development for China watchers concerned about the outbreak of another great power war is China's slow, "L" shaped post-COVID economic recovery. Realists tend to be concerned about rising powers, for they may seek to challenge the hegemon and revise the international order. But China's tepid recovery, hampered by high youth unemployment[4] and the implosion of a severe housing bubble,[5] has raised worry that China could soon be a faltering power.[6] Hal Brands, a Professor of Global Affairs at the Johns Hopkins School of Advanced International Studies (SAIS), has long argued that peaking or plateauing powers are more dangerous because they may believe that their window to achieve their national goals is closing – and that they have nothing to lose.[7] China's economy will eventually recover, but its days of 10% yearly GDP growth are over. If China's leaders believe peaceful reunification with Taiwan is no longer possible, and foresee that the capability gap between the U.S. and Chinese military will only widen in the future, the incentives quicky flip from hide-and-bide to strike hard and strike fast.

In a world increasingly characterized by disorder, a better understanding of the causal conditions of war is critical for policymakers to avert disaster. With nuclear-armed powers, stumbling into annihilation is not an option. Such high stakes demand that we have a complete general theory of war, one with strong explanatory and predictive capabilities. However, such an

[4] Benn Steil and Elisabeth Harding, "The Root of China's Growing Youth Unemployment Crisis," *Council on Foreign Relations*, September 18, 2023, https://www.cfr.org/blog/root-chinas-growing-youth-unemployment-crisis.

[5] Daisuke Wakabayashi and Alexandra Stevenson, "China Is on Edge as Fallout From Its Real Estate Crisis Spreads," *New York Times*, August 20, 2023, https://www.nytimes.com/2023/08/20/business/china-property-crisis-country-garden.html.

[6] Michael Beckley, "The Peril of Peaking Powers: Economic Slowdowns and Implications for China's Next Decade," *International Security* 48, no.1 (2023): 7-46, doi:https://doi.org/10.1162/isec_a_00463.

[7] Michael Beckley and Hal Brands, *Danger Zone: The Coming Conflict with China*, (New York: W.W. Norton & Company, 2022).

achievement remains out of reach. In the absence of a general theory of war, scholars have advanced a multitude of explanations for the conditions that precipitate conflict. As this thesis argues, perceptions are a critical factor in explaining war that are sidelined compared to factors seen as more objective and measurable. Further, I contend that not only do perceptions have great explanatory power, but that any model or general theory of war is incomplete and insufficient without taking them into account. Using a perception matrix, I seek to create a formal model describing the impact of perceptions on war and demonstrate the utility of analyzing perceptions to predict the outbreak of war. By identifying the perception conditions under which war is likely to occur, I aspire to contribute to our understanding of why wars start and how we can prevent them.

At this point, an overview of the structure of this article is helpful. Chapter 2 will frame the current literature on perceptions in the context of causes of war. It will examine the role of perceptions in the broad levels of analysis and then move into a discussion of scholars' arguments on the question of whether and how perceptions matter to war. It will note the findings and flaws of the literature that point to the foundations of a formal model. Chapter 3 will introduce a framework for perception analysis that is broadly applicable for empirical testing. Chapter 4 will introduce the perception matrix and explain its assumptions, variables, mechanisms, and implications. Chapter 5 will present a methodology for testing the explanatory and predictive power of perceptions and apply the method to five historical case examples. Chapter 6 will discuss some of the limitations of the perception matrix. Lastly, Chapter 7 will conclude with a summary of this article's findings, use the model to assess the current risk of war between the U.S. and China over Taiwan, and point to areas for future research.

THE STUDY OF PERCEPTIONS:

Current literature on perceptions occupies only a small role in overall explanations for the causes of war. The theoretical contributions on conditions for war are so numerous, diverse, and at times contradictory, that categorizing them is a task in and of itself. Carroll and Fink (1975) provide a useful two-dimensional matrix to classify and organize different theories of war causation.[8] The first dimension is the level of analysis, divided into three levels: system, subsystem, and individual actor. System level explanations involve the structure of international relations, including balance of power[9] and power transition theories.[10] The subsystem level involves the decisions of nation-states and societal-level theories of war, including bargaining theory, democratic peace theory, interdependence theory, and strategic culture.[11] Lastly, the individual actor level includes the decision-making processes of individual leaders, such as prospect theory, misperceptions, threat perception, rational choice theory, and psychoanalytical approaches. The study of perceptions therefore resides at the individual actor level. However, there is also the second dimension of Carrol and Fink's matrix, which looks at the assumptions about determinism and causality behind the theories. System and subsystem explanations do not necessarily rely on hard determinism, but they do downplay the importance of free will. A key assumption of these theories is that any individual in the same balance of power situation or bargaining position would behave the same way. In order for these system or subsystem theories to have explanatory power, they must make a similar assumption. Such assumptions are

[8] Berenice A. Carroll and Clinton F. Fink, "Theories of War Causation: A Matrix for Analysis." in *War, its Causes and Correlates*, (De Gruyter Mouton, 1975), 55-71. Doi:https://doi.org/10.1515/9783110810523.

[9] Michael Sheehan, *The Balance of Power: History and Theory* (London: Routledge, 1996).

[10] Woosang Kim, "Power Transitions and Great Power War from Westphalia to Waterloo," *World Politics* 45, no. 1 (1992): 153-172.

[11] James D Fearon, "Rationalist explanations for war," *International Organization* 49, no.3 (1995): 379-414.

confounded by the obvious fact that individual decision makers can and do take actions that influence or alter the subsystem and system. Rather than reinvent the wheel, I point to Jervis' (1976) eloquent discussion of the importance of the behavior of individual actors in Chapter 1 of his seminal work, *Perception and Misperception in International Politics*.[12]

System and subsystem conditions for war will always be incomplete and insufficient without a theory of individual decision making. A brief analysis of the meaning of causality demonstrates this. The three levels of conditions for war can be further broken down into either necessary or sufficient conditions. The necessary and sufficient conditions paradigm is just one way to interpret the meaning of causality, but it is the one most often used in literature describing explanations of war.[13] Necessary conditions are defined as: X is necessary for Y, which implies the counterfactual that without X, Y would not occur. In other words, "had the factor been absent then the outcome would have been impossible, or at least extremely unlikely."[14] But one critique of necessary conditions is that while they are part of the story of causation, they are not the whole story. Necessary conditions are "indeterminate" because they "narrow the range of options but do not select one (which would be sufficiency)."[15] For example, in explanations for the end of the Cold War, it can be argued that economic decline was a necessary condition for Soviet liberalization reforms. However, Soviet leaders could have chosen a range of options in response to economic decline, including increased aggression in their foreign policy. Therefore, economic decline does not explain why Soviet leaders chose liberalization specifically, so economic

[12] Robert Jervis, *Perception and Misperception in International Politics: New Edition*, REV-Revised, Princeton University Press, 1976. https://doi.org/10.2307/j.ctvc77bx3.

[13] Gary Goertz and Jack S. Levy, "Causal explanation, necessary conditions, and case studies." in *Explaining War and Peace: Case Studies and Necessary Condition Counterfactuals*, (New York: Routledge, 2007), 9-45, https://fas-polisci.rutgers.edu/levy/articles/Goertz%20&%20Levy%20-%20Causal%20Explanation.pdf.

[14] Goertz and Levy, "Causal explanation, necessary conditions, and case studies."

[15] Goertz and Levy, "Causal explanation, necessary conditions, and case studies."

decline is not a sufficient condition.[16] A sufficient condition is: if X, then Y, meaning that whenever condition X appears, Y will occur. This does not imply that without X, Y will not occur. Sufficient conditions select a specific outcome that must occur whenever that condition is present.

When examining the three levels of analysis in Carroll and Fink's (1975) matrix, it becomes clear that system and subsystem causal explanations largely fall into the necessary condition category. The structure of the international system and the characteristics of nation-states make the next link in the causal chain of war possible, but they do not select a specific action, choice, person, or outcome. Instead, individual actor causal explanations dominate the realm of the sufficient condition category because they do have the power to explain specific selection. Despite their importance, individual actor theories of war are underdeveloped compared to the other two levels of analysis. For an anecdotal example, Jack S. Levy's 2021 syllabus for his graduate seminar on Theories of War and Peace contains 87 pages of citations on theories of war.[17] Of these, only seven pages are dedicated to individual level decision making theories, whereas the characteristics and behavior of nation states occupies 40 pages and system-level theories occupy 27 pages. As Goertz and Levy (2007) contend, "necessary condition causal chains are incomplete, while sufficient ones are not. The existence of a necessary condition makes the next link possible, but usually other factors must be included to explain why it in fact did happen."[18] Limited focus on individual actor level theories renders our explanations for war insufficient.

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[16] Goertz and Levy, "Causal explanation, necessary conditions, and case studies."

[17] Jack S. Levy, "Theories of War and Peace," Syllabus, Colombia University, New York, 2021, https://fas-polisci.rutgers.edu/levy/syllabi/2021f%20Levy,%20Theories%20of%20War%20&%20Peace%20syllabus.pdf.

[18] Goertz and Levy, "Causal explanation, necessary conditions, and case studies," 9-45.

The literature on perceptions seeks to bridge this gap. If individual decision making is important, and leaders base their decisions in part on beliefs, then there is room for perceptions to matter. The basic logic for why perceptions cause war is quite straightforward: when leaders perceive other nations to be hostile and their own military capabilities to be great, war is more likely. Despite the argument's simplicity, it's worth taking a brief look at the underlying foundation for this argument. First, at the psychological level, beliefs drive decisions, and decisions drive actions. This model of decision making has its roots in the theory of planned behavior, which portrays a relatively linear decision-making process between beliefs, attitudes, intentions, and behavior.[19] Therefore, in the international realm, leaders' beliefs about hostility, capability, and intentions should drive decisions of war and peace. The operational code approach applies these ideas to the study of leaders. It was developed by the RAND Corporation to assist U.S. researchers and policymakers in studying the political calculations and strategy of Soviet leaders during the Cold War. The "operational code" represents the "general beliefs" that "serve…as a prism that influences the actor's perception of the flow of political events and his definition or estimate of particular situations. The beliefs also provide norms and standards that influence the actor's choice of strategy and tactics, and his structuring and weighting of alternative courses of action."[20] Looking at the context of Soviet Union, some scholars have found a strong correlation between the beliefs and actions of senior leaders.[21]

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[19] Icek, Ajzen, "The Theory of Planned Behavior," *Organizational Behavior and Human Decision Processes* (1991): 179-211, Academic Press.

[20] Alexander L. George, "The 'Operational Code': A Neglected Approach to the Study of Political Leaders and Decision-Making," Santa Monica, CA: RAND Corporation, 1967. https://www.rand.org/pubs/research_memoranda/RM5427.html.

[21] Andrew Bennett, *Condemned to Repetition? The Rise, Fall, and Reprise of Soviet-Russian Military Interventionism, 1973-1996,* ed. by Belfer Center Studies in International Security (MIT Press, 1999) https://mitpress.mit.edu/9780262522571/condemned-to-repetition/.

Second, leaders, like all real-world humans, are anything but rational. The decisions of national leaders are heavily influenced by ideology, intuition, emotion, values, and incorrect beliefs.[22] Iraqi dictator Saddam Hussein is an oft-cited example of this, but no leader makes decisions in a machine-like fashion, strictly following the homo-economicus principles that rational choice theories describe.[23] Much mincemeat has been made of the irrational decisions of world leaders throughout history.[24] Moreover, the theory of bounded rationality argues that the decision-making abilities of humans are limited by cognitive and emotional architectures which prevent them from pursuing goals rationally.[25] While leaders in international relations can be said to be intendedly rational, they still sometimes fail to make rational decisions.[26] Third, perceptions may be a crucial factor even in a world of perfectly rational leaders. Rational leaders must still rely on outdated, inaccurate, incomplete, or unreliable information to make decisions. The bluffing and deception that can accompany dynamic and fast-changing negotiations, crises, and wars further complicates the picture. Leaders can never fully trust information or the intentions and capabilities of other states. In the absence of certainty or complete information, leaders rely on strongly held beliefs and preconceived notions to make decisions. Given what we know about decision-making and rationality (or lack thereof) among leaders, the basic case for why perceptions matter in decisions of war has considerable strength. In answering the basic question of whether perceptions matter, in comparison to other causal explanations at the system

[22] J. M. Goldgeier and P. E. Tetlock, "Psychology and International Relations Theory," *Annual Review of Political Science* 4 (2001): 67-92, doi:https://doi.org/10.1146/annurev.polisci.4.1.67.

[23] Kevin M. Woods and Mark E. Stout, "Saddam's Perceptions and Misperceptions: The Case of 'Desert Storm'," *Journal of Strategic Studies* 33, no. 1 (2010), doi:https://doi.org/10.1080/01402391003603433.

[24] Miles Kahler, "Rationality in International Relations," *International Organization* 52, no. 4 (1998): 919–41, http://www.jstor.org/stable/2601362.

[25] Bryan D Jones, "Bounded Rationality," *Annual Review of Political Science* 2, no.1(1999): 297-321, https://www.annualreviews.org/doi/abs/10.1146/annurev.polisci.2.1.297.

[26] Kahler, "Rationality in International Relations," 919-41.

or subsystem level, Jervis (1976) argued that "it is often impossible to explain crucial decisions and policies without reference to the decision-makers' beliefs about the world and their images of others. That is to say, these cognitions are part of the proximate cause of the relevant behavior and other levels of analysis cannot immediately tell us what they will be."[27]

Thus, researching and modelling perceptions is one way to make the confusing and sometimes contradictory behavior of decision makers intelligible and predictable. There will always be some element of uncertainty given free will, but if common patterns in perceptions exist, then they can be used to systematically explain conflict because leaders with the same perceptions will behave the same way. The literature on perceptions can be divided into three general parts: threat perception, signaling perception, and misperception. Analyses of threat perception examine how leaders assess the intentions of adversaries and the psychological processes by which leaders form beliefs and images from those assessments.[28] Signaling perception focuses on the perception factor in deterrence, meaning how threats and assurances are perceived by adversaries and how that modifies behavior.[29] While threat perception and signaling perception are important, it is the literature on misperception that is predominantly focused on causal explanations for war and therefore is most directly relevant.

Yet even articles on misperception can be said to have an ambivalent view of the importance of perceptions to the causes of war. According to Jervis (1988), misperceptions can be broadly defined as "inaccurate inferences, miscalculations of consequences, and

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[27] Jervis, *Perception and Misperception in International Politics*.

[28] Keren Yarhi-Milo, "In the Eye of the Beholder: How Leaders and Intelligence Communities Assess the Intentions of Adversaries," *International Security* 38, no. 1(2013): 7-51.

[29] Robert Jervis, "5. Signaling and Perception: Projecting Images and Drawing Inferences" in *How Statesmen Think: The Psychology of International Politics*, (Princeton: Princeton University Press, 2017), 107-24, https://doi.org/10.1515/9781400885336-007.

misjudgments about how others will react to one's policies."[30] Proponents of examining misperceptions argue the necessary condition counterfactual: that absent a leader misperceiving one or more critical aspects of intentions and capabilities, a war would not have occurred. The mirror belief is that war would be less likely if leaders had access to better, more accurate information. This is not to say that wars cannot happen rationally, but that misperceptions are common and wars without them are few. Compared to system and subsystem explanations of war which argue that perceptions have no role to play, misperceptions at least lend greater weight to the perceptions of decision makers. Yet, implicit in the notion of misperceptions is that perceptions do not matter except for one circumstance: when perceptions differ from reality. The idea that war would not happen if perceptions matched reality is an inextricable part of the counterfactual. The study of misperceptions is therefore not so much a defense of the idea that perceptions matter, but an argument for the one case when other system or subsystem explanations do not.

Of course, none of this is to say that the study of misperceptions has no merit. On the contrary, research by scholars such as Robert Jervis has ascertained some key correlational findings relating misperceptions to war. Jervis argues that, despite methodological problems preventing scholars from drawing definitive conclusions, there are a few generalizations that can be made. First, wars are possible without misperceptions, but misperceptions almost always accompany war. Second, states are more likely to overestimate the hostility of others than underestimate it. Third, war is especially likely to occur when a state "simultaneously underestimates an adversary's strength and exaggerates its hostility."[31] These ideas are developed

[30] Robert Jervis, "War and Misperception," *The Journal of Interdisciplinary History* 18, no. 4 (1988): 675–700, https://doi.org/10.2307/204820.

[31] Jervis, "War and Misperception," 675–700.

from Jervis' seminal work on the subject mentioned earlier, where he leverages findings from psychology to examine how the perceptions of decision-makers can diverge from reality.[32] However, Jervis does not attempt a general theory of perceptions, in part because the available psychological research on political decision making did not allow for it. Instead, his work can be read as a collection of arguments that explain how decision makers form perceptions and relate misperceptions to war. While Jervis eschewed a formal model that describes the impact of misperceptions on war, Van Evera (1999) is one scholar who did, integrating misperceptions into offense-defense theory.[33] He argues that perception of a shift in the offense-defense balance has greater explanatory power than actual shifts in the offense-defense balance. According to Van Evera, "Offense-dominance is rather rare in history; hence it explains only middling amounts of war. However, perceptions of offense dominance are common, and they explain much warfare. The abatement of offense-dominance would prevent nontrivial amounts of war; the abatement of perceptions of offense-dominance would prevent a great deal of war."[34] These misperceptions include false optimism, belief that conquest is easy, assumption of resource advantages, belief in the cult of the offensive or offense dominance (first mover advantage), and belief in windows of opportunity or vulnerability.[35] These misperceptions greatly increase the risk of war.

However, another part of the literature on misperceptions focuses on single case studies over theoretical contributions. This is partly because ex-post thick analysis of historical cases

[32] Jervis, *Perception and Misperception in International Politics*.

[33] Stephen Van Evera, *Causes of War: Power and the Roots of Conflict*, (Ithaca: Cornell University Press, 1999).

[34] Van Evera, *Causes of War: Power and the Roots of Conflict*.

[35] Resource cumulativity is a phrase coined by Stephen Van Evera to describe the belief that the possession of resources helps one protect or acquire more resources. For example, conquest of a city with factories you can use to churn out more war materials to conquer yet more cities. Applied to a modern context, it is plausible for Xi Jinping to believe that territorial control over Taiwan will enable China to better project power and gain territorial control over disputed islands in the South China Sea.

facilitates the necessary condition counterfactual vital to demonstrating that misperceptions matter. Arguments that misperceptions caused war have to overcome Stein's (1982) critique that "misperception need not cause conflict even when it does affect the actors' choices and behavior."[36] Depending on the dominant strategy of actors, misperception can actually result in cooperation. In fact, Stein argues from a game-theoretic perspective that there are few situations in which misperceptions can cause conflict. While the case studies discussed in this paper do not directly respond to that perspective, it is worth keeping in mind.

According to Duelfer and Dyson (2011), "A misperception can be said to have had a causal effect on a policy choice when the policy would not have been selected in circumstances of more accurate or complete understanding, or the choice was made according to procedures and pressures that decisionmakers would not accept as appropriate were they conscious of them."[37] Krepon (2005) examines the misperceptions of Indian and Pakistani leaders in terms of lessons learned after crises occur.[38] While nuclear weapons have prevented conflict from escalating, the stability-instability paradox allows for misperceptions to cause conflict at a low level. Krepon argues that the Indian and Pakistani national security establishments continually misjudged each other's resolve, and without the necessary nuclear risk-reduction measures, it could escalate to the nuclear level.

[36] Arthur A. Stein, "When Misperception Matters," *World Politics* 34, no. 4 (1982): 505-26, doi:https://doi.org/10.2307/2010332.

[37] Charles A. Duelfer, and Stephen Benedict Dyson, "Chronic Misperception and International Conflict: The U.S.-Iraq Experience," *International Security* 36, no. 1 (2011): 73-100.

[38] Michael Krepon, "The Stability-Instability Paradox in South Asia," *SITREP* 65, no. 1 (Jan/Feb 2005): https://www.stimson.org/2005/stability-instability-paradox-south-asia/.

Ben-Zvi (1995) examines misperceptions of capabilities and intentions in the context of the 1973 Yom Kippur War.[39] Ben-Zvi notes that Israeli leaders' misperceptions that a war was imminent with Syria but could be contained in the northern front was not dissipated until shortly before the war broke out, when aerial photographs showed a massive buildup of Egyptian military forces. Thus, Israeli leaders originally misperceived Egyptian leaders' immediate intentions. Ben-Zvi does not argue that misperceptions caused the war. But while Israeli decision makers accurately perceived Syrian and Egyptian intentions in the lead up to war, the Israeli response was hobbled by inaccurate assessments of Syrian and Egyptian military capabilities. Duelfer and Dyson (2011) argue that misperceptions were a critical factor in causing the U.S.-Iraq war.[40] They find a series of chronic misperceptions by both Iraqi President Saddam Hussein and U.S. decision makers caused the Gulf War and the Iraq War, and that absent these misperceptions, war would not have occurred. On the Iraqi side, had Hussein understood that the U.S. would react strongly with military force in response to his invasion of Kuwait, he would not have invaded. Usually, these counterfactuals are difficult to establish with robust evidence, but post-Iraq War CIA debriefings with the Iraqi leader reveal this information clearly. Conversely, U.S. decision makers completely misunderstood Hussein's intentions, beliefs, and worldview. The Gulf War and the Iraq War and therefore good examples of misperceptions being the primary cause of war. Woods and Stout (2010) makes a similar claim about misperceptions leading to the Gulf and Iraq Wars, arguing that Hussien's delusions about Iraq's true capabilities played a key role in his downfall.[41]

[39] Abraham Ben-Zvi, "Perception, Misperception and Surprise in the Yom Kippur War: A Look at the New Evidence," *Journal of Conflict Studies* 15, no. 2 (1995): https://journals.lib.unb.ca/index.php/JCS/article/view/4543.

[40] Duelfer and Dyson, "Chronic Misperception and International Conflict," 73-100.

[41] Woods and Mark E. Stout, "Saddam's Perceptions and Misperceptions."

These cases are useful, but it is not clear that theories and analysis of misperceptions can be applied outside of ex-post thick analysis of past events. This is because misperception studies suffer from serious methodological problems. Jervis (1988)[42] and Levy (2011)[43] provide a robust accounting of many of these problems. First, it is difficult to know what a leader's perceptions are. Public statements and actions are very different from privately held beliefs. Leaders rarely make their beliefs about their own intentions and capabilities, or their adversary's, clear except when attempting to signal to adversaries. However, those public statements and actions cannot necessarily be relied upon precisely because they could be engaging in subterfuge. Second, it is extremely difficult to judge whether perceptions are accurate. Demonstrating misperceptions requires analysts to show a gap between perceptions and reality. Yet, even when examining historical cases, information about reality after the fact doesn't always provide answers. Rational and accurate perceptions based on available information at the time can later turn out to be wrong, and poorly reasoned perceptions can later turn out to be right. The result is that there are actually two methods to evaluate misperceptions. One can compare perceptions to information available at the time or what was later revealed to be reality.

With that said, however, Jervis argues that state intentions "may be impossible determine, even after the fact and with the relevant records open for inspection."[44] Comparing perceptions to what actually happened fails because the outcome of war can be determined by chance factors "beyond the control of statesmen," rendering defeat the result of bad luck.[45] Consequently, Levy argues that the main criteria must be "whether the probability estimates were reasonable given

[42] Jervis, "War and Misperception," 675–700.

[43] Jack S Levy, "Misperception and the Causes of War: Theoretical Linkages and Analytical Problems,"*World Politics* 36, no. 1 (1983): 76-99, Princeton Institute for International and Regional Affairs.

[44] Jervis, "War and Misperception," 675–700.

[45] Jervis, "War and Misperception," 675–700.

the information available, or potentially available at a reasonable cost."[46] Thus, incorrect estimates do not necessarily imply misperceptions. Both methods run into the problem of identifying what the "correct" perception is when there is no objective reality to compare it to. Yet, as Levy (1983) notes, "the concept of misperception is meaningful only if there exists in principle a correct perception."[47] Additionally, the perceptions of leaders are probabilistic. If a leader judges that there is an 80% chance Country A has offensive intentions on issue X, just because Country A was in fact not aggressive does not mean that it was a misperception. The leader could still very well have been right, but the single sample makes it impossible to know whether a probabilistic judgement was incorrect. Next, selection bias prevents any large-scale empirical study of misperceptions. There are many case studies for misperceptions causing war, but none that discuss misperceptions and peace. For all we know, misperceptions could just as commonly cause war as they do peace. If misperceptions are a necessary condition for war, then the same type of misperceptions should not also cause peace. So far, no study has addressed this problem. Lastly, even if a misperception can be identified, one must still prove that the misperception caused the conflict. As Levy remarks, "What is sought is evidence from the decision makers themselves to the effect that "had I known then what I know now, I would not have done what I did."[48] Such a conclusion is difficult to reach other than by hypothetical, and the only case study in which this has been quite conclusively demonstrated is the case of the Iraq War because of the CIA debriefings done with Hussein after the fact. Misperceptions may be common, but it may be that misperceptions affect the timing of war or other variables, rather than war itself. Given his review of the various methodological problems confronting the study

[46] Levy, "Misperception and the Causes of War," 76-99.
[47] Levy, "Misperception and the Causes of War," 76-99.
[48] Levy, "Misperception and the Causes of War," 76-99

of misperceptions, Levy concludes that it is possible, but not conclusive, that misperceptions of military overconfidence and overestimations of hostility cause war.

In summary, a review of the existing literature yields several limited findings from studies on the impact of misperceptions on war. Case studies show these hypotheses have merit, but major methodological and conceptual problems prevent us from drawing definitive conclusions. In fact, they make establishing a claim of misperceptions incredibly challenging. To recap, making a claim of misperceptions requires one to first identify the perceptions of a decision maker – already a challenging task. Secondly, one must identify the correct perception by either comparing the perception to what a reasonable perception would be given the information available or comparing it to the events that actually unfolded. Third, to solve the probability judgement problem, one must identify the difference between the probability of outcomes a reasonable perception would have assigned and the probability of outcomes that the decision maker did assign. Suffice to say, a rigorous test of misperceptions is extremely difficult, and few if any case studies to date meet those high standards.

Given these methodological problems, it may be beneficial to shift the analytical focus away from misperceptions and towards perceptions. Rather than attempting to compare perceptions to an unknowable hypothetical reality, it may be better to recognize that there is no reality to compare perceptions to at all. For starters, this narrows down the steps from three to one, removing two methodological challenges from the analysis. These methodological problems make a coherent theory about misperceptions impossible to construct or test, but the same is not true for perceptions. That misperceptions eschew a true defense of perceptions is perhaps why few formal models have been proposed for how misperceptions cause war. Because misperceptions are an exception instead of a theory, they are not theorize-able. Moreover, even

proponents of misperception arguments acknowledge that while misperceptions are common, not all wars are the result of misperceptions. However, those wars can still be the result of perceptions. Perceptions analysis therefore has at least the potential for additional explanatory power over misperceptions. Additionally, if we are trying to understand the probability of war in real-time, then perceptions analysis will be far more effective than misperceptions. We may not be able to make a clear distinction between perceptions and misperceptions even after the fact, let alone during a crisis with the potential for conflict. Luckily, it is not the degree of separation from reality that matters. For all intents and purposes, when it comes to the decision of whether to go to war, perceptions constitute reality. Leaders will act upon their perceptions whether they are right or wrong. For all these reasons, an analytical shift from misperceptions to perceptions could shed methodological baggage, gain additional explanatory power, and strengthen empirical testing capabilities.

At the same time, we do not have to throw out the baby out with the bath water. We can adapt the useful insights and hypotheses from the literature on misperceptions to perceptions analysis. A small number of scholars have taken this position, including Kim and de Mesquita (1995), who created and tested a game-theoretic model that takes perceptions as the starting point.[49] Based on their research, they generated three key hypotheses and found support for all three. These include that the probability of war increases as a country and its adversary's expected utility from war increases, that the probability of war increases as the belief that an adversary is hostile increases, and that the probability of war decreases as one country's belief that another would fight back increases. The model is a step towards demonstrating that perceptions matter, and not just in the limited way that misperceptions imply. Misperceptions

[49] Kim, "Power Transitions and Great Power War from Westphalia to Waterloo," 153-72.

may still matter, but the study of misperceptions has jumped the shark by trying to demonstrate the importance of a gap between perceptions and reality without ever establishing a theory for how perceptions in general cause war. The study of perceptions themselves is therefore a critical prerequisite. Still, any formal model should be consistent with and explain the hypotheses generated by the study of misperceptions. Some of the following hypotheses have been slightly altered to account for the shift of focus away from misperceptions to perceptions themselves.

The risk of war increases as…

Hypothesis 1: perception of hostility increases.

Hypothesis 2: perception of military advantage relative to an adversary increases.

Hypothesis 3: perception of easy conquest and large rewards to victory increases.

Hypothesis 4: perception of the advantages of offense and the weaknesses of defense increases.

Hypothesis 5: perception of the likelihood of other states intervening on an adversary's side decreases.

Hypothesis 6: perception of the likelihood of other states intervening on your side increases.

Hypothesis 7: perception of the stakes of the issue at interest increases .

This list is not exhaustive but reflects the majority consensus among experts who have written on the subject. Using these hypotheses, we may construct a simple framework for thinking and theorizing about the relationship between perceptions and war. In the next section, I

will present a framework for perception analysis. It is necessary to describe this framework in depth, as the perception matrix will build off its foundation.

A FRAMEWORK FOR PERCEPTION ANALYSIS:

The primary type of perceptions are first-order perceptions. These are a state's perceptions of the relative military capabilities of the adversaries and the perceptions of the value of what is at stake to the country. First-order perceptions answer the two basic questions when it comes to war: Can I win? Is it worth fighting over? Hypotheses 2-7 fall under the category of first order perceptions. The first question – can a state win – reflects beliefs about the overall military capability of each state, the economic power of each, their military intelligence capabilities and penetration, morale, troop readiness, military strategy, doctrine, geography, logistics, and the chance of nuclear retaliation (which would all but guarantee losing). This perception variable can be identified as (W) for win or (L) for lose, depending on whether the decision maker believes they will win or not. If a leader believes that they are unlikely to win or that an expectation of victory is not a necessary condition for their decision, that perception will be expressed as L. This framework assumes that there is a singular or dominant decision maker and that perceptions are determinant rather than probabilistic. While a state's likelihood of success and the utility of war lie on a spectrum, both positions are ultimately a binary. Leaders must decide whether to fight, and thus decide one way or another whether they can win and whether fighting is worth it. The second question – is it worth fighting over – reflects beliefs about the value of the issue at stake, the economic cost of fighting, expected sanctions costs, human costs, political costs and benefits, rewards from conquest, reputational costs and benefits, and international costs and benefits. This perception variable can be identified as either (+) plus or (-) minus, with a plus indicating that the leader believes the issue is worth fighting over and a

minus indicating that the leader believes the issue is not worth fighting over. Therefore, there are four possible conditions a leader's perceptions can be expressed as: W+, W-, L+, and L-.

Perception	Leader Belief	Identification
W+	Will win and is worth fighting	Hawk
W-	Will win but is not worth fighting	Resolute
L+	May not win but is worth fighting	Defiant
L-	May not win and is not worth fighting	Dove

Table 1. Categories of Perception

Importantly, these perceptions should be seen as aggregates, but not necessarily rationally aggregated. That they are aggregates reflects the fact that leaders take into account many of the variables related to military capability when answering the question of whether they believe they will win or not. The same is true for whether an issue is worth fighting over. However, decision makers do not mathematically calculate each variable and add up a sum to determine their perceptions. These aggregates therefore should not be broken down and individually calculated by their component parts, but instead determined as a whole as either W or L, and + or -. The identifications are helpful descriptions attached to a certain perception situation. Critically, these are tied to a specific perception condition and not to the characteristics of any particular leader. As a leader's perception situation changes over time, or changes as the nature of the issue changes, so will the identification. Similarly, a decision maker can have a hawk perception on one issue, but have a dove perception on another issue with the same adversary.

Decision makers also have second-order perceptions. They are defined as a decision maker's perception of another state's perception situation. For example, one leader may perceive that another state's perception situation on a particular issue is W+. In other words, the leader "sees" a hawk. A leader's belief that another state is hostile may contribute to the second-order perception that another state is W+. Thus, second-order perceptions cover hypothesis 1. Likewise, if a state believes another state is deterred, then they perceive a (-) value. It is of the utmost importance to establish a clear line between a "hawk perception" and "perceiving a hawk", since the former is a first-order perception of a leader's own beliefs and the latter is a second-order perception of another leader's beliefs. While first-order perceptions cover the realm of capabilities and issue value, second-order perceptions reflect beliefs about adversaries' intentions.

There are a few advantages to this categorization scheme. The first-order and second-order perception classifications match what scholars have long recognized as the distinction between perceptions of capabilities and perceptions of intentions, which are really perceptions of perceptions. Levy (1983) as well as Kim and de Mesquita (1995) both present somewhat similar categorization schema, but Levy (1983) presents perceptions of intentions and capabilities as two side-by-side categories, and Kim and de Mesquita's (1995) analysis focuses entirely on second-order perceptions, ignoring discussion of the primary first-order perceptions. The two orders illustrate that these perceptions are actually operating at two distinct levels and should be kept hierarchically separate. Additionally, I contribute to the discussion the perception of value at the first-order level, which is related to capabilities but reflects a different set of concerns. The W/L and +/- aggregates are also broad enough to include every conceivable perception that could impact war decision making. The perception aggregates reflect the fact that a decision maker's

perceptions of troop readiness or the cost of sanctions only matter insofar as they impact a leader's beliefs about whether they can win and whether it is worth fighting. The aggregation of many minor perception variables keeps the framework coherent and tied to the decisions of war and peace. Evidence of the minor perception variables in a case could be used to indicate a leader's aggregate perceptions. This simple framework allows for empirical tests of perceptions by examining patterns of perception, including how the aggregate perceptions are formed, change over time, and affect behavior. Notably, at no point must we judge the accuracy of these perceptions. However, this framework could still be useful to scholars intent on analyzing misperceptions. Scholars could look at the gap between what they define as the "correct" perception, for example: L- for Saddam Hussein in the Gulf War, and W+, his actual perception. Researchers could then identify patterns of misperception examining the size and type of the misperception. The framework's utility in misperceptions analysis demonstrates its broad applicability to test the hypotheses discussed in the last section.

However, the framework itself does not tell us enough to determine whether perceptions cause war. It categorizes perceptions about war, but does not say anything about what perceptions cause war or under what conditions. A leader with a W+ perception, believing that the state can win the war and it is worth fighting, is still not sufficient to demonstrate that a W+ perception leads to war. Additionally, the framework categorizes the hypotheses from the last section, but does not explain them. To do so, we must look at how perceptions interact with each other during the bargaining process. A formal model of perceptions should be empirically testable and rely on ex ante analysis to describe the relationship between perceptions and war. The model should demonstrate the sufficiency of perceptions as opposed to a necessary condition counterfactual. That is, under certain perception conditions, war will happen, and

under other specific perception conditions, war will not happen. It should be a uniting theory that can integrate and explain past findings as well as make predictions about perception patterns we have not identified yet and predictions about the risk of future wars. It should generate testable hypotheses and useful insights for the prevention of war, so it should be policy prescriptive. Lastly, it should not ignore rationalist explanations for war, but instead connect to them and expand our understanding of them. In the next section, I will attempt to expound upon this framework by describing a formal model that achieves those objectives.

THE PERCEPTION MATRIX:

Perceptions do not exist in a vacuum, but instead interact with each other during the bargaining process. The perception matrix uses the two variables from the framework, which can each express themselves in two ways: W/L and +/-, and shows how these perceptions interact. These perceptions are first-order perceptions – this basic model does not account for second-order perceptions and assumes that states do not perceive the perceptions of other states. With two states interacting, each with four possibilities, there are 16 total possible perception conditions that can describe a dyad. Out of the 16 possible perception conditions, three cause conflict, outlined in red in Figure 1.

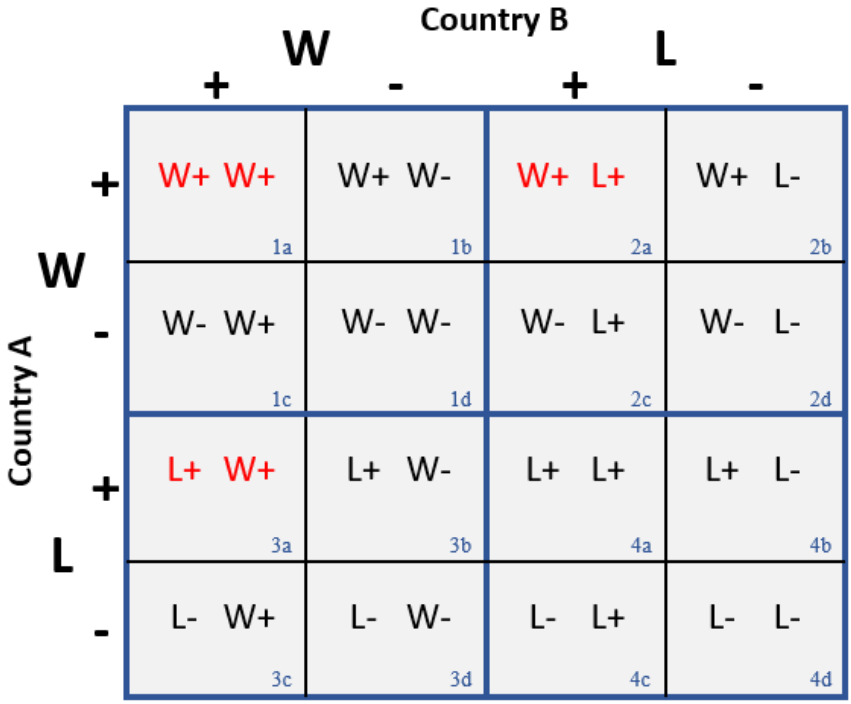

Figure 1. The Perception Matrix

There are three key assumptions of the model that should be discussed. The first is that perceptions determine negotiating behavior. Inevitable uncertainties mean war is always a gamble – no state can be 100 percent certain they will win and at what cost. The implication is that states will always attempt to bargain, negotiate, or make demands before attempting war. A leader who believes they can win and that it is worth fighting (W+) will make demands on another state, attempting to achieve their goal (territorial or monetary concessions, for example) through negotiations. W+ and L+ states will reject the W+ country's demands because they believe war is preferable to accepting the demands. W- and L- states will accept some or all of the demands because they believe war is not worth fighting. When a W+ country's negotiations fail, they resort to conflict to achieve their goals. Bargaining theories are not new, with the most well-known presentation being Fearon's (1995) Rationalist Explanations for War. The perception matrix relies on some key insights of Fearon's analysis of bargaining and should

therefore be seen as compatible with bargaining theory rather than in opposition. Fearon points out that because "anarchy and private information plus incentives to misrepresent are constant features of international politics," one might conclude from that logic that negotiations to avoid war *always* invariably fail.[50] Yet, we know that is not true. Thus, rationalist explanations for war are incomplete. They fail to explain why war is sometimes averted. For some situations to result in war and others to result in peace, certain factors must "lead the mechanisms to produce one outcome rather than another in particular settings."[51] The perception matrix simply identifies the perception conditions that interact during the bargaining process to produce some outcomes over others. The model also builds off the insights of Levy (1983), who identified the link between perceptions and bargaining: "In a dispute between two states, one state will generally attempt to coerce the other into conceding on the issue in question rather than immediately resorting to force in order to achieve its objectives. The outcome of the ensuing bargaining game will be determined by the perceptions and actions of both states, not simply the one initiating the coercive move."[52]

Second, the model is determinative rather than probabilistic. A W+ state will always go to war if their demands are rejected. W+ and L+ states will always reject demands. L- and W- states will always accept demands. Of course, this is an unrealistic assumption because perceptions can be updated during bargaining. States can take actions to signal their military capability and resolve in order to deter adversaries, and that has some chance of success not taken into account by the basic model. This assumption can be relaxed as the model is further developed and second-order perceptions are brought into the equation. Third, the model assumes

[50] Fearon, "Rationalist explanations for war," 379-414.
[51] Fearon, "Rationalist explanations for war," 379-414.
[52] Levy, "Misperception and the Causes of War," 76-99.

that "winning" and "losing" are subjective and will change depending on the situation being considered. During the Russo-Japanese war of 1904, Japan did not entertain the idea of invading and conquering Russia; it was never considered a possibility. For Japan, victory was not conquering Russia, but instead crippling its military such that it had no will to fight in Northeast Asia.[53] Japan succeeded in that goal to devastating effect. President Lyndon B. Johnson never believed he could defeat North Vietnam during the Vietnam War, but he did believe fighting could bring Ho Chi Minh to the negotiating table, and ultimately protect the survival of an independent South Vietnam.[54] He failed to achieve that goal, but it was his perceived win condition. Using the model to analyze or predict perceptions requires identifying what a leader's notion of winning or losing means. With these three assumptions in mind, we can further analyze the implications of the model.

The major implication of the model is that stability depends on the current perception condition, and the difference between the current perception condition and the nearest war condition. That difference can be measured by the number of sign changes or letter changes that would be necessary to move the perception situation from peace conditions to war conditions. The war conditions are W+W+, W+L+, and L+W+. All other perception conditions can be related to those three war conditions. As a crisis develops or tensions rise, the perception situation will shift closer to war conditions. Perceptions are therefore a measure and a cause of instability. Six perception conditions are one sign change away from conflict and are at great risk of entering a war conditions: W+W-, W-W+, W+L-, L-W+, W-L+, and L+W-. Three situations

[53] Philip Streich and Jack S. Levy, "Information, Commitment, and the Russo-Japanese War of 1904–1905," *Foreign Policy Analysis* 12, no. 4 (2016): 489-511, doi:10.1111/fpa.12058.

[54] Jack Valenti, "LBJ's Unwinnable War," *The Washington Post*, November 28, 2001, https://www.washingtonpost.com/archive/opinions/2001/11/28/lbjs-unwinnable-war/5f1a55d2-1f39-45b3-960d-5f6391f0442b/.

are two sign changes away from conflict: W-L-, L-W-, and W-W-. Four situations require a letter change to result in war and are therefore the most stable conditions: L+L+, L+L-, L-L+, and L-L-. These are all in quadrant 4. In Figure 2 below, war outcomes are red, unstable situations that require only one sign change are light blue, semi-stable situations that require two sign changes are in light green.

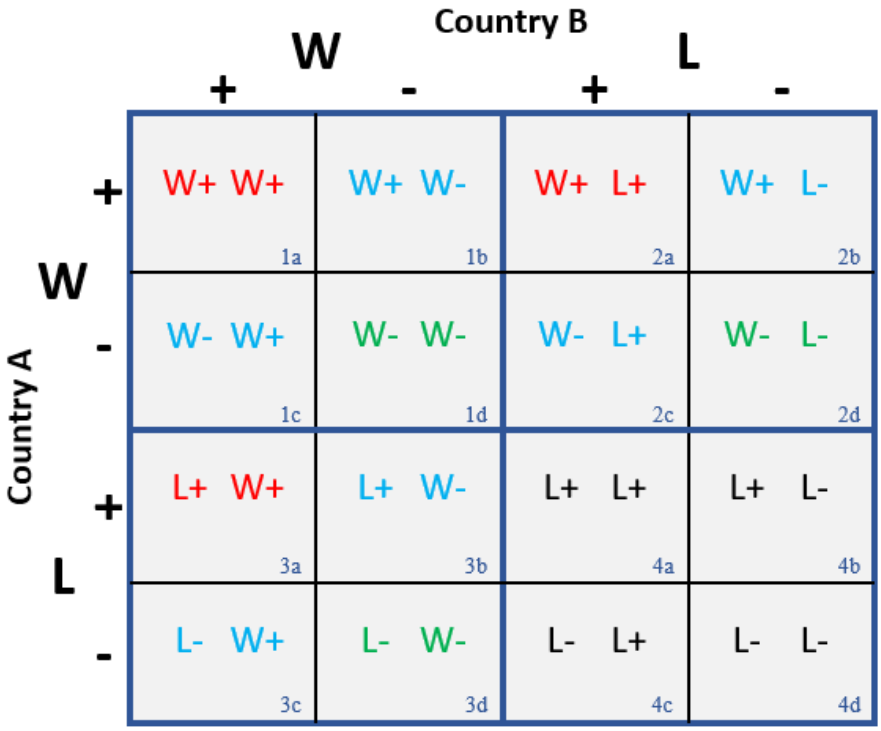

Figure 2. Perception Matrix by Level of Stability

Sign changes are much more likely to happen than letter changes. Sign changes involve moving within a quadrant, whereas letter changes involve moving between quadrants. Sign changes are about resolve and whether a war is worth fighting. However, for a country to move from W to L or L to W, something dramatic must change to cause a decision maker to believe they could no longer win, like the acquisition of a nuclear deterrent. The different number of sign

changes and letter changes necessary to arrive at war perception conditions create a generalized perception stability spectrum from L-L- being the most stable to W+W+ being the most unstable.

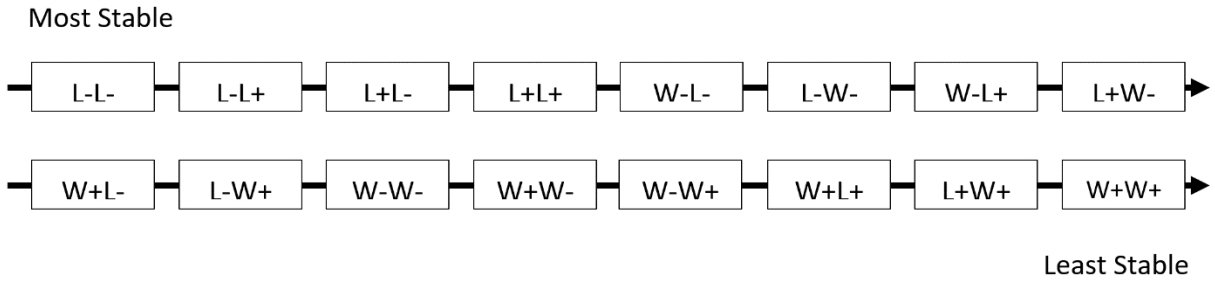

Figure 3. Perception Stability Spectrum

Stability also differs within each quadrant, with a three-step ladder of instability where LL is the most stable, WL and LW are less stable, and WW is the least stable. The spectrum is further subdivided by the number of sign changes needed to get to war. The predictive and policy prescriptive powers of the model are a crucial advantage over other models of perception. Identifying the perception condition in a dyadic situation produces a key measurement of stability. For example, if the perception condition is identified as W+W-, that provides a snapshot of information that the current situation is extremely unstable. It also identifies the primary trigger for war, which would be Country B shifting from a perception that the issue is not worth fighting over to a belief that it is. Such a shift would move the perception condition from W+W- to W+W+, which the models predicts would cause war.

Moreover, the model is also policy prescriptive. Given that the perception condition is W+W-, there are a number of ways to make the situation more stable. Country A could move from a W+ perception to W-, creating a W-W- condition. This would occur if Country A was successfully deterred, meaning the leader now believes that the costs are too high. Country A could also shift from W+ to L+, creating a peaceful L+W- condition. This would be extremely

difficult for Country B to achieve absent convincing Country A that they are willing and able to use nuclear weapons to defend their position on the hypothetical issue. Lastly, the perception condition could be more stable if Country B's W- perception was shifted to L-, creating a W+L- condition. However, this letter change is similarly difficult to Country A moving from W+ to L+, since Country B would have to become convinced that there was little chance of winning a conflict. Absent a dramatic shift in leaders' understanding of the balance of military capabilities, the model identifies that Country A becoming convinced that the costs are too high is the best way to improve stability. Of course, deterrence policy could backfire. The model shows that actions taken by Country B to try to convince Country A that the costs are too high, like military mobilization and threatening statements, could cause Country A's leader to attack rather than reconsider their perceptions of the costs. Additionally, reflecting upon second-order perceptions and perceptions of the future, Country A may perceive that the window to attack is closing. The perception matrix does not claim to solve the entire puzzle of war, but to simply help foreign policy practitioners better understand the causes of war and the pitfalls of policy that attempt to prevent war. The model illustrates not just how successful policy can prevent war, but also how bad policy can backfire and even cause war. It has long been known that perceptions are the dominant variable in determining the success or failure of deterrence policy. [55] The model leverages those findings to demonstrate how an actor may prevent or avert conflict by altering the adversary's, or their own state's, perceptions.[56]

[55] Michael J. Mazarr, *Understanding Deterrence*, Santa Monica, CA: RAND Corporation, 2018, https://www.rand.org/pubs/perspectives/PE295.html.

[56] Robert Jervis, "Deterrence and Perception," *International Security* 7, no. 3 (1982): 3–30, https://doi.org/10.2307/2538549.

The model also fits the perception hypotheses well. Each hypothesis corresponds to a letter or sign change explained by the model. Recall that:

Hypothesis	Risk of War Increases As:	Perception
1	Perception of hostility increases	+
2	Perception of greater military capability increases	+
3	Perception of easy conquest and large rewards increases	+
4	Perception of greater offensive advantages increases	W
5	Perception of other states intervening on adversary's side decreases	W
6	Perception of other states intervening on your side increases	W
7	Perception of the stakes of the issue increases	+

Table 2. Seven Hypotheses

Each hypothesis can also be reversed. As the perception of relative military capability decreases, the leader's belief in victory decreases and perception can shift from W to L. However, a key insight of the model is that these hypotheses by themselves do not explain war, they only represent correlational findings. The risk of war increases as perception of greater relative military capabilities increases, but that is not a sufficient condition for war. The perception condition of the other state could be L-, in which case the perception condition could be W+L-, which the model indicates would lead to a peaceful negotiated outcome. Alternatively, the leader could have a W- perception, such that even though the adversary has a L+ perception, the W-L+ perception condition still leads to peace. The correlational hypotheses obscure the real underlying cause of war: the interactions of first-order perceptions in the bargaining process. These interactions modeled by the perception matrix explain why we observe these correlational findings and why we find exceptions to the hypotheses. To further illustrate how the model works, how it explains the cause of conflict, and how it can be practically used, I will present five case examples in the next section. While it is not a strict test of the model, I will first lay out

a clear methodology for how to analyze and interpret evidence of perceptions to avoid the methodological problems that have gripped misperception studies.

PERCEPTION EXPLANATIONS FOR WAR: CASE EXAMPLES

In the interest of avoiding the many methodological problems with misperception studies, the method I detail here takes perceptions at face value. The goal is to ascertain the perception condition of the leaders of Country A and Country B, use the matrix to understand how those two perception conditions interact, and determine whether the result of that interaction is war or some level of instability.

The first step is the most difficult because it requires collecting and assessing evidence of perceptions. We need to know what leaders think about their likelihood of winning a conflict with another country, and how important they view the stakes of a given issue that could spark a conflict. We cannot know the mind of a leader, but thankfully we do not have to. Leaders often attempt to signal their perceptions about whether they can win or whether it is worth fighting for purposes of deterrence. The literature on deterrence signaling lends great value to this approach. Fearon (1997) describes two types of effective signaling: tying hands and sinking costs.[57] Deterrence signals must be credible to affect the perceptions, and therefore the behavior, of other leaders. Tying hands creates a credible signal by imposing domestic audience costs on themselves if they do not act according to their commitment. For example, a leader publicly declares a "red line" that another country must not cross. The public announcement, as opposed to a private diplomatic communication, makes it more difficult to back out. Secondly, as Fearon describes, sinking costs involves "taking actions that are financially costly."[58] While this

[57] Fearon, "Signaling Foreign Policy Interests," 68-90.
[58] Fearon, "Signaling Foreign Policy Interests," 68-90.

includes costly military deployments and buildups, this study posits that it can also include investments in strategies or policy options in response to a potential crisis. When a leader reacts to a crisis, they are typically presented a defined set of options by their military command. The more investment a leader makes in a particular strategy, the more viable it seems, and the more likely it seems to succeed. If the leader personally has been involved in developing this strategy, then there are two additional cognitive costs to choosing another option: psychological investment in the decision (they *want* it to succeed, so they believe it will) and familiarity with the option (the unknown is much scarier than the familiar). Military deployments may still be a more powerful and more credible signal, but investments in strategies and capabilities still count as important pieces of evidence when constructing an estimate of a leader's likely perceptions.

While analysis of deterrence literature helps create a narrowly defined set of evidence we are looking for – evidence of tying hands or sinking costs – there are still pitfalls to be aware of. Leaders may bluff or lie. For example, a leader may signal one way but intend to act another way. They may deploy military forces and exaggerate their own willingness to use force in order to extract concessions despite not actually seeking conflict, as Germany attempted in 1905 during the First Moroccan Crisis.[59] However, it is easier to bluff in some ways but not others. Exaggerating willingness to use force is less costly than declaring a red line because willingness to use force is nebulous and dependent on circumstance. It makes sense that the less ambiguous and the more inflexible a deterrence signal is, the harder it is to reverse later. This demonstrates

[59] Rafael Loss, "Germany's Options in the First Moroccan Crisis," *Small Wars Journal*, September 19, 2019, https://smallwarsjournal.com/jrnl/art/germanys-options-first-moroccan-crisis.

the importance of carefully weighting evidence by the cost it imposes on the leader. Higher cost signals are more likely to reflect a leader's actual perceptions.[60]

Once all relevant evidence has been assessed and collected, the next step is to use a deductive methodology to determine the leader's perception condition. Each of the four perception possibilities for decision makers have defining characteristics not shared by other perceptions. For example, the defining feature of the L- "dove" perception condition is that a leader believes they have no choice but to capitulate and make all necessary concessions. Such a perception is incompatible with threatening statements (even bluffs, as an L- decision maker would not risk such a gamble) or aggressive actions like military mobilization. When examining evidence of perceptions, the goal is therefore to first rule out perception conditions that the evidence is incompatible with, and then use induction to match the evidence to the most defining feature of one of the perception conditions.

The defining features of a W+ or "hawk" perception are offensive threats of conquest, military aggression, and extreme negotiation demands. A leader with a W+ perception believes that the balance of military capabilities is strongly in their favor and the costs are very low. If a leader holds a W+ perception because they believe they have dominant military might, that translates into a belief in a dominant bargaining position, which they are willing to leverage harshly to gain a favorable negotiated outcome. In contrast, a leader with a W- or "resolute" perception believes they could win a conflict over the issue but only at a very high prohibitive cost. Defining features include statements of assurance, avoidance of aggression or military

[60] Strategic investments in nuclear capabilities, for example, may be incredibly costly, but such investments do not force leaders to use nuclear weapons in response to a crisis, nor do they necessarily impose costs on leaders if they choose alternative strategic options. Yet, investment in capabilities suggests willingness by a leader to try to make a particular option viable. Such investments are therefore a relatively minor, but not insignificant, indicator of perceptions.

mobilization, and willingness to make narrow concessions. A leader with an L+ or "defiant" perception believes that regardless of a low chance of victory, the issue at stake is too important to give up. Defining features include passionate and defiant statements on the issue at stake, warning statements that seek to deter, unwillingness to compromise, and limited defensive military mobilization. Finally, as described previously a leader with an L- or "dove" perception believes that they have no choice but to capitulate and make all necessary concessions to avoid war. It is important when inferring the perception condition from the evidence that the evidence picked reflects a recent set of events or statements. Perceptions can change, and including outdated information can muddy the picture.

Once the perception conditions of both leaders have been identified, the next step is to attach a probability estimate to the analysis. This is especially important because not all evidence may match a particular perception condition. Therefore, the probability estimate should be based on an assessment of how likely it is, based on the quantity and quality of evidence, the weight of the evidence in terms of cost imposed on the leader, and the quantity of outlier evidence, that this perception condition matches the leaders' actual perceptions. To assess probability, I use the Intelligence Community Directive 203 (ICD 203), the intelligence community standard for probability.[61] According to ICD 203, "for expressions of likelihood or probability, an analytic product must use one of the following sets of terms:"[62]

[61] The Office of the Director of National Intelligence, *Intelligence Community Directive 203*, December 21, 2022, https://odni.gov/files/documents/ICD/ICD-203_TA_Analytic_Standards_21_Dec_2022.pdf.

[62] The Office of the Director of National Intelligence, *Intelligence Community Directive 203*.

almost no chance	very unlikely	unlikely	roughly even chance	likely	very likely	almost certain(ly)
remote	highly improbable	improbable (improbably)	roughly even odds	probable (probably)	highly probable	nearly certain
01-05%	05-20%	20-45%	45-55%	55-80%	80-95%	95-99%

Table 3. ICD 203 Probability Assessment

Source: (The Office of the Director of National Intelligence, *Intelligence Community Directive 203*, December 21, 2022, https://odni.gov/files/documents/ICD/ICD-203_TA_Analytic_Standards_21_Dec_2022.pdf.)

After assigning a probability estimate to each leader's perception condition, the last step of the method is to use the perception matrix to identify whether the model predicts war in the near future and the current level of stability. The purpose of the examples detailed below is to illustrate the model and demonstrate its potential explanatory power, showing the utility of perceptions as the explanatory variable. Perception conditions that are substantively the same have been grouped, since there is no difference between W+L+ and L+W+ except for which state is defined as Country A and Country B.

However, using historical data to reconstruct the perceptions of leaders as they were before the beginning of conflict has its own pitfalls. For the purpose of evidence collection and analysis, the test will focus on using statements, actions, and publicly available information before war broke out or before the crisis was averted or deescalated. Focusing on ex ante information is critical to avoid devolving into a troubling tautology, where the decision to go to war or stay at peace is used as evidence for the decision maker's perceptions. Another pitfall of historical perception analysis is that statements and actions by leaders that would have been interpreted as ambiguous at the time in terms of intention may be read as hostile based on knowledge about what happened after the fact. Scholars must be extremely careful to avoid imbuing statements and actions with the undue certainty of hindsight. Lastly, there is a tendency

to project our own perceptions onto others, and to view the decisions of others from the prism of our own perspective and beliefs. This also must be carefully avoided. With that forewarning, I present five case examples below.

Perception	War/Crisis Exmple	Country A	Country B	War (Y/N)
W+W+	1964 Vietnam War	Vietnam (W+)	United States (W+)	Y
W+L+/L+W+	1898 Spanish-American War	United States (W+)	Spanish Empire (L+)	Y
W+W-/W-W+	1939 Battles of Khalkhin Gol	Soviet Union (W+)	Japanese Empire (W-)	N
W-W-	1911 Agadir Crisis	Germany (W-)	France (W-)	N
W+L-/L-W+	1915 Twenty-One Demands	Japanese Empire (W+)	China (L-)	N
W-L+/L+W-	1905 First Moroccan Crisis	Germany (W-)	France (L+)	N
W-L-/L-W-	1975 Algiers Agreement	Iran (W-)	Iraq (L-)	N
L+L+	1948 Cold War in Europe	United States (L+)	Soviet Union (L+)	N
L+L-/L-L+	No known cases			N
L-L-	No known cases			N

Table 3. Case Examples

1964 Vietnam War: W+W+

Both the U.S. President Lyndon B. Johnson and Vietnamese leader Ho Chi Minh believed they could win and that it was worth fighting (W+W+). Ho Chi Minh, supported by the USSR and China, believed that he could beat America's superior technology and firepower by having a stronger will to fight. Essentially, Ho Chi Minh engaged in a strategy of attrition: he believed that he could defeat the U.S. by inflicting more casualties than Americans were willing to afford, even though the Viet Cong would take far more casualties. He once said, "In the end, the Americans will have killed ten of us for every American soldier who died, but it is they who will tire first." [63] It is highly probable that Ho's perception condition was W+. Yet, leaders in the Johnson administration, except Under Secretary of State for Economic and Agricultural Affairs George Ball, believed the war to be winnable. Despite some commentary arguing that President

[63] Jeffrey Record, "Japan's Decision For War In 1941: Some Enduring Lessons," Strategic Studies Institute, U.S. Army War College, 2009, https://press.armywarcollege.edu/monographs/633

Lyndon B. Johnson believed the war to be unwinnable, it is highly probable that his actual perception was W+. According to the Special Assistant to LBJ, Jack Valenti, Johnson never had a traditional notion of victory. According to Valenti, Johnson believed that the U.S. could inflict substantial enough casualties on North Vietnam to force Ho Chi Minh to the negotiating table.[64] In a piece in the *Washington Post*, Valenti recounts that Johnson told him "I can't just quit and run. And I don't want to keep going on. So I have to get Ho to the table. I've got to keep trying."[65] Valenti argues that Johnson's goal was negotiation, and "winning" meant a negotiated settlement between the U.S., North Vietnam, and South Vietnam. Dean Rusk, Secretary of State under LBJ, confirmed this perspective, remarking in a 1971 interview that "I thought that when we had established a position in Vietnam which would be clearly impossible for them to overrun militarily that then the chances were very high that they would pull back – maybe only for a time – but pull back or take part in some serious negotiation."[66] However, the LBJ administration failed to anticipate a much higher breaking point than expected, leading to a failed strategy and an eventual communist victory.

1898 Spanish-American War: W+L+

In 1898, Spanish-American tensions over Cuba reached a boiling point. Reports of brutality by Spanish soldiers inflicted on the Cuban populace horrified Americans. As sympathy for the Cuban insurgents rose, so did calls for American intervention and the end of Spanish rule in Cuba. Though disinterested in conflict, U.S. President McKinley sent the USS Maine to Havana harbor in Cuba as a show of force and to protect U.S. citizens. The unexplained sinking

[64] Valenti, "LBJ's Unwinnable War."

[65] Valenti, "LBJ's Unwinnable War."

[66] John E. Mueller, "The Search for the 'Breaking Point' in Vietnam: The Statistics of a Deadly Quarrel," *International Studies Quarterly* 24, no. 4 (1980): 497–519, https://doi.org/10.2307/2600287.

of the USS Maine, quickly pinned on Spain by the U.S. media, brought the two nations to the precipice of war. McKinley first attempted to negotiate with Spain for political and economic reforms, and then after the sinking of the USS Maine, for the withdrawal of Spanish troops from Cuba. Negotiations failed and ended in conflict because President McKinley had a hawk perception (W+) and the Spanish government had a defiant perception (L+), resulting in a W+L+ perception condition.

Evidence indicates that McKinley's perception shifted over time. Unlike many of the jingoistic politicians of the time, McKinley did not clamor for war. His attitude at the start of the crisis reflected a belief that the U.S. could win a war with Spain, but that the human costs would be terrible and so sought a peaceful resolution first (W-). McKinley was compelled by the reports of terrible Cuban suffering to demand reforms from Spain, but did not yet take military action. McKinley publicly objected to war because "he did not want the U.S. Army to come under Cuban sovereignty when it invaded the island; he thought that recognition might hurt U.S. claims against Cuba for property the insurgents had destroyed; and most significantly, he lacked confidence in Cuban leaders' ability to restore and maintain peace on the island".[67] After the sinking of the USS Maine, domestic pressure for intervention skyrocketed. McKinley still sought a diplomatic solution but exhausted all options for peaceful settlement. Attempts to buy Cuba, a proposal for a cease-fire, armistice, U.S. arbitration of the Spanish-Cuban conflict, and other diplomatic proposals failed. It was widely thought at the time that "a war would be a quick and easy U.S. victory," so it was not a question for McKinley whether the U.S. would win.[68] Instead, it was his perception of value that shifted because of the domestic political consequences. After

[67] John Offner, "Why Did the United States Fight Spain in 1898?," *OAH Magazine of History* 12, no. 3 (1998): 19–23, http://www.jstor.org/stable/25163215.

[68] Offner, "Why Did the United States Fight Spain in 1898?," 19–23.

the sinking of the USS Maine and the exhaustion of diplomatic solutions, McKinley faced a revolt in his own party. According to scholars, "With large numbers of Americans angry and vengeful, many Republican legislators worried that if the McKinley administration did not act quickly and decisively, Democrats would seize the Cuban issue and win the November election."[69] More than 100 Republicans in Congress then "threatened to join with Democrats in voting for war" and form a House majority with the Democrats.[70] Seeing no other option and with political costs too high, it is likely that McKinley's perception shifted to W+. On April 20, 1898, McKinley demanded Spain withdraw from Cuba and Congress authorized McKinley to use military force.

The Spanish government led by Praxedes Sagasta held an L+ perception on the issue of sovereignty over Cuba. Sagasta was willing to compromise on other aspects, including political reform, autonomy for Cuba, and alleviating the brutality of the military presence. The Spanish government recalled General Weyler, also known as "the Butcher" by American press, provided relief for starving Cubans, and allowed some reconcentrados to return home.[71] But on the issue of sovereignty, Sagasta's government was defiant and uncompromising. By 1898, the Spanish empire was a shadow of its former self and knew they would lose.[72] Their ships were far inferior and could not hope to reinforce their colonial holdings in Puerto Rico, Philippines, and Cuba. Moreover, there was little appetite to reinforce Cuba with more soldiers. However, Sagasta still believed Spanish sovereignty over Cuba was worth fighting for. They believed their domestic political situation would be in danger if they gave away Cuba at the negotiating table.[73] Cuba

[69] Offner, "Why Did the United States Fight Spain in 1898?," 19–23.
[70] Offner, "Why Did the United States Fight Spain in 1898?," 19–23.
[71] Offner, "Why Did the United States Fight Spain in 1898?," 19–23.
[72] Jaime de Ojada, "The Spanish-American War of 1898: a Spanish View." Library of Congress. https://www.loc.gov/rr/hispanic/1898/ojeda.html.
[73] Offner, "Why Did the United States Fight Spain in 1898?,"19-23.

was so symbolically important that they would only give it up over the dead bodies of Spanish soldiers, even if they knew they would lose, making it highly probable that Sagasta's perception was L+.[74] In response to McKinley's ultimatum, on April 21, Spain severed diplomatic relations with the U.S. and the U.S. initiated military action in Cuba.

1915 Twenty-One Demands: W+L-

On January 18, 1915, the Japanese government issued its Twenty-One Demands, which if accepted, would give Japan special privileges over China. The demands include governance over Manchuria, control over key infrastructure like harbors and railways, and influence over China's financial and political affairs. The demands brought with them the threat of war. However, war did not occur because the Japanese government held a hawk perception (W+) and the Chinese government had a dove perception (L-), resulting in the acceptance of Japan's ultimatum and the aversion of conflict.

The Chinese government under President Yuan Shikai had no hope of resisting Japan militarily. Yuan believed that China was extremely weak and politically unstable, and therefore could not afford a conflict they would surely lose against the might of the Japanese Empire.[75] This belief that Yuan had no choice matches the key features of an L- perception. However, negotiations were not entirely without resistance. The Japanese government tried to keep its Group V demands a secret from other great powers and did not notify them of its existence, requesting that the Chinese government keep the information private. The Group V demands would have effectively upended Chinese sovereignty and placed Japan in control of the government, including taking control of China's finances and police. However, the Chinese

[74] Ojada, "The Spanish-American War of 1898: a Spanish View."

[75] Yanzhong Huang, "China, Japan, and the Twenty-One Demands," *Council of Foreign Relations*, January 21, 2015, https://www.cfr.org/blog/china-japan-and-twenty-one-demands.

government leaked this information in order to force Japan to withdraw its Group V demands. He pursued a strategy of "publicity" to generate positive foreign press, emotional sentiment, moral support, and foreign intervention in Sino-Japanese negotiations on the side of China.[76] Early on in negotiations, Yuan refused certain demands and imposed conditions of his own.[77] Japanese diplomats responded with forceful threats backed up by action, including the deployment of 20,000 to 30,000 Japanese troops moved into North China and South Manchuria.[78] Yuan's perception situation was very likely L-, so he conceded to much of the demands in the face of a threat of invasion. According to one scholar, Yuan believed that "by March 24…, that Kato had indeed given up on the negotiating process and intended to rely on force to gain his objectives."[79] Ultimately, Yuan was forced to capitulate. On May 7, he conceded to Japan's ultimatum and accepted all demands but Group V, which had been set aside by Japan.

The Japanese government was similarly aware of its dominant military position, framing the bargaining situation. Foreign Minister Kato attempted to achieve Japan's aims through negotiations by presenting the Demands at the direction of the Japanese government. Of the many demands, Kato's key priorities were a discussion of governance over Shandong province, which Japan had won control of from Germany, and extending the lease in Manchuria, which Japan had won from Russia after the Russo-Japanese War.[80] With a far stronger military and

[76] Zhitian Luo, "National Humiliation and National Assertion: The Chinese Response to the Twenty-One Demands," *Modern Asian Studies* 27, no. 2 (1993): 297–319, http://www.jstor.org/stable/312771.

[77] Oris Dewayne Friesen, "Republic To Monarchy: The Impact Of The Twenty-One Demands Crisis On The Yuan Shih-K'ai Presidency, 1914-1915," Order no. 8216431, Arizona State University, 1982, http://proxygw.wrlc.org/login?url=https://www.proquest.com/dissertations-theses/republic-monarchy-impact-twenty-one-demands/docview/303176414/se-2.

[78] Friesen, "Republic To Monarchy."

[79] Friesen, "Republic To Monarchy."

[80] Tosh Minohara, Tze-ki Hon, and Evan Dawley. "A New Look at Japan's Twenty-One Demands: Reconsidering Kato Takaaki's Motives in 1915," In *The Decade of the Great War : Japan and the Wider World in*

weak Chinese resistance, the Japanese government knew it could threaten war to achieve those objectives. The inclusion of the Group V demands indicates a belief in the dominance of Japan's bargaining position and reflects the distinctive features of a W+ perception and was therefore likely W+.

1975 Algiers Agreement: W-L-

In 1975, tensions between Iraq and Iran rose to a peak. Iraq's government led by Saddam Hussein faced a two-front struggle: a Kurdish insurgency and a boundary dispute with Iran over the Shatt al-Arab river. However, hostilities with Iran had spilled over after Iran started to overtly aid the Kurdish rebellion. Iranian incursions across the Iraqi border included shelling by Iranian artillery, firing on Iraqi positions, and shooting down Iraqi jets.[81] However, "the possibility of a large-scale Iraqi-Iranian war was forestalled when Algerian mediation efforts succeeded in achieving a significant diplomatic breakthrough on 6 March 1975, which resolved the Iraqi-Iranian boundary dispute."[82] The dispute ended with a peaceful settlement because the Shah of Iran had a resolute perception (W-) and Saddam had a dove perception (L-).

Evidence for Saddam's dove perception is clear. First, he believed that, had war broken out with Iran, that Iraq would lose badly. Iranian support for the Kurdish rebels was draining Iraq's economic and military resources. According to estimates, Iraq had mobilized "80,000 men supported by 800 tanks and eight squadrons of MiG-2Is and MiG-17s against the Kurdish rebellion."[83] With a substantial part of his military tied up fighting Kurdish rebels and a huge

the 1910s, (Boston: Brill Academic Pub), 2014, https://search.ebscohost.com/login.aspx?direct=true&db=nlebk&AN=791990&site=ehost-live.

[81] New York Times, "Iraq and Iran Sign Accord To Settle Border Conflicts," *The New York Times*, March 7, 1975, https://www.nytimes.com/1975/03/07/archives/iraq-and-iran-sign-accord-to-settle-border-conflicts-iraq-and-iran.html.

[82] Jasim M. Abdulghani, *Iraq and Iran.* (London: Routledge, 2011).

[83] Abdulghani, *Iraq and Iran*.

military buildup on the Iranian side of the border, and knowing that Iranian troops were better trained and better equipped, he knew that Iraq could not stand a chance. Evidence at the time substantiated that he believed he would lose (L). Similarly, he believed the border dispute was not worth fighting Iran on because of Iran's incredible leverage with support for the Kurdish rebels. Another factor that led to his (-) perception was that he feared that war would result in the destruction of Iraq's oil installations around Abadan and Basrah, along the disputed Shatt al-Arab waterway. Saddam mentioned this possibility in February 1975, commenting that oil "is a very inflammable material."[84] It is therefore highly probable that Saddam had an L- perception. If war happened along the disputed border, Saddam believed that Iraq's economy and the source of his riches would go up in smoke. Saddam was therefore willing to make concessions on delimiting Iraq's border boundaries, suspend propaganda attacks, and stop support for exiled opponents of the Shah.[85] Later evidence would similarly confirm Saddam's dove perception. After signing the Algiers Agreement, Saddam "told the *Washington Post* that the possibility of a war 'was a fact all too clear to us and to Iran. Neither party wanted war; both decided for peace.'"[86]

Ex-ante evidence for the Shah of Iran's perceptions is less available. There is some indication that the Shah believed that Iraq was gaining ground in its fight against the rebels and that he viewed support for them as increasingly wasteful.[87] Additionally, political unrest among the educated middle class from Iran's support of the Kurdish rebellion was straining the Shah's domestic political situation. Both factors would suggest a (-) perception. The Shah was also

[84] Abdulghani, *Iraq and Iran*.
[85] New York Times, "Iraq and Iran Sign Accord To Settle Border Conflicts."
[86] Abdulghani, *Iraq and Iran*.
[87] Abdulghani, *Iraq and Iran*.

aware of Iran's relative superiority in military capabilities as well as Iraq's difficulty fighting on two fronts were war to break out, making a W- perception likely. Later evidence confirms this reconstruction of his perceptions. After signing the Algiers Agreement, the Shah commented that he "did not want to have a war at a time when the Near East was a powder keg," and ended military aid to the Kurds because "they were making no progress in the war."[88] Lastly, later evidence reveals that the Shah was also concerned about the U.S. and the USSR getting involved in the Gulf region were war to break out, saying that "'we both [Saddam Hussain and the Shah] want to keep third parties out."[89] Despite believing Iran had a superior position, the Shah was willing to concede on ending infiltration across the border and support to the Kurdish rebels in exchange for concessions on the territorial boundary because of his beliefs about the cost and risk of war. The combined W-L- perception condition facilitated a negotiated resolution and the signing of the Algiers Agreement despite extremely deep and historic ideological differences that would normally otherwise push conflict.

1948 Cold War in Europe: L+L+

Both President Eisenhower and Joseph Stalin believed that attacking each other would result in the use of nuclear weapons, so neither believed they could win a war in that theater of conflict.[90] However, since both were willing to retaliate if attacked, the resolve variable for both is positive (+). Historically, there has been some controversy on this subject. Some U.S. analysts believed during the Cold War that Soviet leadership saw a nuclear war as winnable based on

[88] Abdulghani, *Iraq and Iran*.

[89] Abdulghani, *Iraq and Iran*.

[90] Richard Ned Lebow and Janice Gross Stein, "Deterrence and the Cold War," *Political Science Quarterly* 110, no. 2 (1995): 157-181< https://www.jstor.org/stable/2152358.

aspects of Soviet nuclear doctrine.[91] However, this perspective has been refuted by interviews with key Soviet military officers and defense officials shortly after the Soviet Union fell. According to chapter 3 of the *Soviet Intentions 1965-1985* report, "Evolution of Soviet Strategy," the Soviet General Staff in command of military strategy and policy understood that the Soviet Union was unlikely to survive a nuclear war and that it was not a risk worth taking. (Hines, Mishulovich and Shull 1995)[92] According to the Chief of the General Staff Sergei Akhromeev, the report states that "the employment of nuclear weapons had to be avoided if at all possible."[93] Additionally, Soviet nuclear experts and intelligence analysts believed that both the Soviet political and military leadership "would probably have entered negotiations in order to avert an outbreak of nuclear war."[94] Lastly, Soviet plans for a nuclear first strike were theoretical at best and the Soviet political leadership "never discussed the possibility of launching a first strike," putting to rest any notion of an aggressive Soviet nuclear doctrine.[95] The report concludes that "the majority of U.S. officials and experts were correct in noting both the Soviet intention to avoid nuclear war and Soviet plans to fight if deterrence failed."[96]

Soviet nuclear doctrine before 1980 did include the possibility of preemption, but preemption does not equate with first strike. Preemption depicted a scenario where the USSR

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[91] Richard Pipes, "Why the Soviet Union Thinks It Could Fight & Win a Nuclear War," *Commentary*, July, 1977, https://www.commentary.org/articles/richard-pipes-2/why-the-soviet-union-thinks-it-could-fight-win-a-nuclear-war/.

[92] John G. Hines, Ellis M. Mishulovich, and John F. Shull, *Soviet Intentions 1965-1985 Volume I An Analytical Comparison of U.S.-Soviet Assessments During the Cold War*, BDM Federal, Inc., Office of the Secretary of Defense, 1995, https://russianforces.org/files/Soviet%20Intentions%201965-1985%20Vol.%201.pdf.

[93] Hines, Mishulovich, and Shull, *Soviet Intentions 1965-1985 Volume I An Analytical Comparison of U.S.-Soviet Assessments During the Cold War*.

[94] Hines, Mishulovich, and Shull, *Soviet Intentions 1965-1985 Volume I An Analytical Comparison of U.S.-Soviet Assessments During the Cold War*.

[95] Hines, Mishulovich, and Shull, *Soviet Intentions 1965-1985 Volume I An Analytical Comparison of U.S.-Soviet Assessments During the Cold War*.

[96] Hines, Mishulovich, and Shull, *Soviet Intentions 1965-1985 Volume I An Analytical Comparison of U.S.-Soviet Assessments During the Cold War*.

would launch because they believe NATO was about to order a nuclear strike. Preemption was considered because Soviet leadership was uncertain about the reliability of a second strike. Missile silos and command and control networks could be damaged if the Soviet Union was struck first before it could retaliate. In total, the report confirms what U.S. intelligence analysts had already believed about Soviet intentions: that the main objective of Soviet nuclear policy was "to protect the security of the homeland, to deter nuclear war but to wage it successfully should deterrence fail, to project an image of military strength commensurate with the position of a great world power, and to support foreign policy aims if only by checking strategic forces of potential opponents."[97] The Soviet belief that they would lose a nuclear war, but that retaliation was necessary, is strong evidence that USSR was very likely an L+ state during the Cold War.

L+L-, L-L+, and L-L-:

No known historical cases fit the model for any of these three possible perception conditions. This is most likely because such situations never arise to the level of a crisis, and thus never receive attention by scholars for historical analysis. One theoretical candidate for L-L- could be Nicaragua and Costa Rica. The two countries are relatively similar in population and economy, but despite close geographic proximity, they have never fought a war against each other. Costa Rica has not had a military since the country abolished it in 1949. Meanwhile, Nicaragua's armed forces ranked 122 out of 142 in a 2022 global power index.[98] Were a conflict of interests ever to arise between the two, it is unlikely to create a crisis because leaders of both countries would perceive a war over the issue as unlikely to be won and not worth fighting.

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[97] Central Intelligence Agency, *Soviet Nuclear Doctrine: Concepts of Intercontinental and Theater War*, June, 1973, https://www.cia.gov/readingroom/docs/DOC_0000268107.pdf.

[98] Global Firepower, *2022 Nicaragua Military Strength*, accessed 2022, https://www.globalfirepower.com/country-military-strength-detail.php?country_id=nicaragua.

MODEL LIMITATIONS:

The perception matrix is not without its limitations. The first problem is constraints on the dominant decision maker. The model assumes that the decision maker will be able to act on their perceptions, but this is not always true for domestic political or bureaucratic reasons. Even if the decision maker is able to act, they might experience delays in doing so. According to Ben-Zvi (1995), "the fact that political actors do not function in a social, political, cultural and psychological vacuum, but are continuously confronted with a plethora of constraints which may well restrict their freedom of action and margin of maneuverability."[99] In 1939, when Nazi Germany launched its invasion of Poland and initiated World War II, President Franklin D. Roosevelt believed that Hitler was a threat to the United States and pushed for war. However, the isolationist factions in the U.S. Congress prevented him from entering the war. It would not be until December 1941, after the events of Pearl Harbor, that the U.S. would enter the war on the side of the allied powers. Despite being the dominant decision maker and holding a W+ perception, it took around two years to declare war. There may also be cognitive constraints on decision makers. The model assumes that perceptions are always meticulously consonant with actions, but it may be possible for policymakers to adopt policies that contradict their beliefs. If perceptions do not match policy or action, the theory may be confounded. The less powerful the dominant decision maker is, the less explanatory power the theory has. It may be possible to weight perception predictions by the influence of the decision maker to resolve this problem.

A second limitation is the unrealistic assumption that perceptions are determinative rather than probabilistic. The model assumes that perceptions of whether a leader can win (W/L) and whether it is worth fighting (+/-) are binary either/or choices. However, there is good reason to

[99] Ben-Zvi, "Perception, Misperception and Surprise in the Yom Kippur War: A Look at the New Evidence."

believe that these are in fact probabilistic judgements. During the Cuban Missile Crisis, President John F. Kennedy privately estimated that he believed there was a 50% chance of war.[100] When Japan was deciding whether or not to attack Russia in 1904, leaders believed there was a 50% chance of victory.[101] Yet, the model would code a belief in greater than 50% chance of victory as W, and 50% or less as L. The model therefore treats a belief in 51% chance of victory as the same as 100% and 49% chance of victory as 0%. It may be possible to refine the model to account for probabilistic judgements, but doing some may create new problems. For example, revising the model with probabilistic judgements would then have to take into account that every individual has a different risk tolerance.

A third issue is methodological. While many of the challenges that misperception studies suffer from have been avoided, the main issue that perceptions are difficult to ascertain remains. Leaders tend not to be forthcoming about their true perceptions especially during a crisis. Moreover, evidence of perceptions can be scant or ambiguous. Other challenges include that perceptions may not be fully formed at the time of analysis. What was President H. W. Bush's perception situation on the issue of an Iraqi invasion of Kuwait by Saddam before the invasion? The answer may in fact be "no perception." In other cases, perceptions may exist but be in extreme flux. The model only ever analyzes a snapshot of perceptions at a given time or over a range of time. But if perceptions are changing very rapidly in a crisis, the model may not give very accurate estimates of current perceptions, and interpreting past or even recent evidence to construct the perception matrix may be unhelpful. I suspect that perceptions are usually highly stable and change slowly because leaders find it costly, both politically and cognitively, to revise

[100] Jervis, "War and Misperception," 675–700.
[101] Jervis, "War and Misperception," 675–700.

their beliefs. The bargaining process is when perceptions are at the greatest likelihood of changing rapidly, but further analysis using the model may reveal patterns by which perceptions change during bargaining. In any case, the model may be best used to show snapshots of perceptions over time, showing perception stability trend lines.

Finally, the model is limited to dyadic situations. Third parties are only ever variables for two adversaries to consider in relation to how they impact relative military capabilities and the costs of conflict. Yet, third parties are far more important than the model lets on.[102] The Iraq War could very well be read as a situation where Iraq and Iran are the main parties, and the United States was the third party. Saddam perceived Iran to be the greatest threat, with a long history of conflict and animosity. Given this threat, Saddam wished to maintain ambiguity regarding whether Iraq had nuclear weapons for the purpose of maintaining a deterrent. However, Saddam's ambiguous statements about nuclear weapons signaled to Iran were picked up by the United States and believed them to be a threat in the post 9/11 world. Thus, many wars that are seen as being strictly dyadic usually have some type of third-party dynamic to them. The question of whether war can be primarily understood in terms of dyadic relationships is a difficult one. Unfortunately, three-party models are notoriously difficult and edge on indeterminacy. Incorporating a third party's perceptions into the model may not yet be possible given our limited understanding. Recognizing the limits of the dyadic perception matrix is important.

A PRACTICAL TOOL FOR FOREIGN POLICY PREDICTIONS:

The growing risk of a great power war between the U.S. and China demands attention to the possible causes of conflict. Any explanation of the causes of war is incomplete without

[102] Jervis, "War and Misperception," 675–700.

identifying the perception conditions that enable conflict. The structure of the system and subsystem may constrain individual decision maker's choices, but it does not dictate them. Waging war is a choice made by individual leaders. To understand why leaders choose war over alternatives, one must look at the underlying beliefs that lead them to choose one action over another. Whether these perceptions are correct or are misperceptions is difficult, if not impossible, to see in the fog of the present. However, analysis of perceptions need not be relegated to the work of historians sorting through the evidence to judge their accuracy after the fact. This article demonstrates that it is possible to construct good estimates of perceptions in real-time based on a framework for perceptions analysis with broad applicability. Using the framework, the thesis describes a model that is parsimonious, predictive, and policy prescriptive. The perception matrix identifies the 16 possible perception conditions that arise during the bargaining process, of which three will cause conflict while the other 13 describe perception conditions along the full spectrum of instability. Additionally, the model demonstrates that the perception conditions of opposing leaders is the primary cause of war. Unlike system or subsystem explanations, perception conditions are a sufficient condition for conflict because war only occurs under specific perception conditions that can be known before states take up arms.

Despite the model's limitations, it demonstrates the utility and feasibility of perception analysis. Perceptions are not a black box, nor are analyses of perceptions untenably subjective. Some methodological challenges remain, but the method articulated in Chapter 5 charts a clear path towards improved methods and more definitive conclusions. So far, this study has showcased how scholars can use the perception matrix to explain historical conflicts and cases of de-escalation. However, the power of the model is not just in explaining data but also in making predictions. To demonstrate its effectiveness as a predictive tool, I will apply the model to make

a brief assessment of the current perception situation between the U.S. and China over the most plausible trigger for conflict: Taiwan. Using the method explained in Chapter 5, I will examine evidence of U.S. President Joe Biden's perceptions, evidence of Chinese President Xi Jinping's perceptions, and identify the perception condition that best matches the evidence.

Since taking office, President Biden has made numerous high-profile public statements signaling a commitment to defend Taiwan. News reporters count four of them,[103] including a joint news conference with Japanese Prime Minister Fumio Kishida[104] and a CBS 60 Minutes interview.[105] In the September 18, 2022 CBS interview, Biden was the most explicit yet. "Asked…whether U.S. forces would defend the democratically governed island claimed by China, he replied: "Yes, if in fact, there was an unprecedented attack."[106] He similarly confirmed in the same interview he meant the deployment of U.S. forces to aid Taiwan, unlike Ukraine where the U.S. has only provided aid without troop involvement. Yet, in each case, the president's aides walked his statements back, repeating that there is no change in policy.[107] In reality, this is a calculated, purposeful attempt to harden posture towards China without provoking war. Regardless of his aides' responses, Biden's statements clearly tie his hands in any future crisis and impose serious audience costs for backing down. It is therefore highly probable that Biden believes Taiwan is worth fighting (+) to protect. Evidence of Biden's beliefs

[103] Stephen Collinson, "Maybe Biden means it on Taiwan," *CNN*, September 20, 2022 https://www.cnn.com/2022/09/19/world/joe-biden-taiwan-answer-analysis/index.html.

[104] Trevor Hunnicutt and Sakura Murakami, "Biden says he would be willing to use force to defend Taiwan against China," *Reuters*, May 23, 2022, https://www.reuters.com/world/biden-meets-japanese-emperor-start-visit-launch-regional-economic-plan-2022-05-23/.

[105] David Brunnstrom and Trevor Hunnicutt, "Biden says U.S. forces would defend Taiwan in the event of a Chinese invasion," *Reuters*, September 19, 2022, https://www.reuters.com/world/biden-says-us-forces-would-defend-taiwan-event-chinese-invasion-2022-09-18/#:~:text=Asked%20last%20October%20if%20the,a%20commitment%20to%20do%20that.%22.

[106] Brunnstrom and Hunnicutt, "Biden says U.S. forces would defend Taiwan in the event of a Chinese invasion."

[107] Collinson, "Maybe Biden means it on Taiwan."

about whether the U.S. would win is more difficult to find. In the absence of public statements, costly investments into strategies and policy options provide a guide. Most wargame scenarios, which the Joint Chiefs of Staff are likely to use to help advise Biden on what the likely outcome of conflict will be, suggest that the U.S. will win at great cost with Taiwan remaining beyond the governance of Beijing.[108] Additionally, the Biden administration has invested a great deal in preparation to fight and potentially win against China. Allies and coalitions are an important part of that strategy, with a nuclear-powered submarine deal announced in early 2023 highlighting the AUKUS trilateral partnership.[109] The U.S. military has also been undergoing a restructuring to shift from counterinsurgency warfare to preparing for a great power competition, evidenced by U.S. Marine Corps Force Design 2030,[110] which specifically identifies the PRC as the "pacing threat for Force Design."[111] Despite challenges to preparedness, this suggests it is probable that Biden believes the U.S. will win a war with China over Taiwan (W). Therefore, Biden's perception is W+ with the win condition being the maintenance of an autonomous, self-governing Taiwan.

President Xi Jinping has staked out a clear position on the Taiwan issue. Taiwanese independence, or overt U.S. support for Taiwanese independence, is a red line for President Xi. He has repeatedly declared that "the Taiwan question is at the very core of China's core interests, the bedrock of the political foundation of China-U.S. relations, and the first red line that must not

[108] Ong, Peter, "CSIS Wargame: China's Invasion Of Taiwan In 2026," *Naval News*, January 30, 2023, https://www.navalnews.com/naval-news/2023/01/csis-wargame-chinas-invasion-of-taiwan-in-2026/#:~:text=Mark%20Cancian%2C%20Senior%20Adviser%2C%20International,was%20high%20with%20estimates%20of.

[109] Jeremy Diamond and Kevin Liptak, "China looms large as Biden makes submarine moves with UK, Australia." *CNN*, March 14, 2023, https://www.cnn.com/2023/03/13/politics/joe-biden-aukus-china/index.html.

[110] David H. Berger, "Force Design 2030 Annual Update," *United States Marine Corps*, (June 2023): https://www.marines.mil/Portals/1/Docs/Force_Design_2030_Annual_Update_June_2023.pdf.

[111] David H. Berger, "Force Design 2030 Annual Update," *United States Marine Corps.*

be crossed in China-U.S. relations."[112] It is clear that, were Taiwan to declare independence, Xi would likely be forced to war. It is less clear whether Xi believes initiating war now or in the near future would be worth the cost. Despite China's recent economic problems, the capability gap between the two countries has shrunk dramatically in the past two decades.[113] Whereas the U.S. maintained an advantage or major advantage in seven operational areas in 2003, that dropped to only three in 2017, with four operational areas at approximate parity and in two China gained the advantage.[114] This suggests that playing the waiting game and growing strength is the best strategy, letting China's strength grow until a scenario where the U.S. sends forces to defend Taiwan becomes untenable. Such a strategy implies that fighting now is not worth the cost. It also suggests that Xi does not believe China can win yet. However, Xi has expressed impatience with the status quo. According to a senior U.S. official, Xi told Biden at their meeting in San Francisco in November, 2023 that "peace is all well and good, but at some point we need to move toward resolution more generally."[115] Moreover, China's recent economic slowdown and future demographic problems cut strongly against past predictions that China's military capabilities would keep growing until they pass that of the United States'. Economic circumstances may prevent China from allocating sufficient budget resources to compete militarily. The country faces a declining and aging population. In particular, its working age population is projected to fall by 23% by 2050, which could seriously hamper its productivity

[112] Reuters, "China's Xi tells Biden: Taiwan issue is 'first red line' that must not be crossed," *Reuters*, November 14, 2022, https://www.reuters.com/world/asia-pacific/chinas-xi-tells-biden-taiwan-issue-is-first-red-line-that-must-not-be-crossed-2022-11-14/.

[113] U.S. Department of Defense, *2023 Report on Military and Security Developments Involving the People's Republic of China*, October 19, 2023, https://media.defense.gov/2023/Oct/19/2003323409/-1/-1/1/2023-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA.PDF.

[114] Eric Heginbotham et al., *The U.S.-China Military Scorecard: Forces, Geography, and the Evolving Balance of Power, 1996–2017*. Santa Monica, CA: RAND Corporation, 2015.

[115] Josh Rogin, "Xi Jinping is sending ominous signals on Taiwan," *The Washington Post*, November 21, 2023, https://www.washingtonpost.com/opinions/2023/11/21/xi-biden-china-taiwan-tension-growing/.

and industrial output.[116] While China has many years before it will start to see more severe effects of its demographic crisis, it could still affect Chinese policymakers' perceptions about whether fighting now is worth the risk. And Xi's statements at China's annual parliamentary meeting in March 2023 may suggest preparations for future war, including making national military mobilization easier.[117] If peaceful reunification is not forthcoming, then Xi may opt for reunification by force. For now, evidence suggests that he is willing to continue to wait for China's military to modernize. John Culver, a nonresident senior fellow at the Atlantic Council, suggests that "judging by China's own assessments, they believe they've made progress, but they're not where they want to be."[118] While it is probable that Xi's perception is that a war over Taiwan is not worth fighting now (-), and cannot win yet, (L), and therefore holds a L- perception, this has the potential to change rapidly in the coming years.

Looking at the combined perception situation, with U.S. being Country A and the PRC being Country B, the current condition is W+L-, or box 2b in the matrix. This is a perception condition that does not result in war in the near future but is still deeply unstable. The model suggests the quickest path to war would be for Xi's perceptions to shift from L- to L+, which would be most likely triggered by a Taiwanese declaration of independence or a change in U.S. policy to overt support for Taiwanese independence. Secondarily, war could result if China modernizes quickly and Xi, impatient, comes to believe that he has a window of opportunity for victory (W+). Lastly, war could result if Xi believes China to be a declining power. He may

[116] Joe Myers, "China's working-age population will fall 23% by 2050," *World Economic Forum*, July 25, 2016, https://www.weforum.org/agenda/2016/07/china-working-ageing-population/#:~:text=The%20number%20of%20working%20age,be%20830%20million%20in%202030.

[117] John Pomfret and Matt Pottinger, "Xi Jinping Says He Is Preparing China for War," *Foreign Affairs*, March 29, 2023, https://www.foreignaffairs.com/united-states/xi-jinping-says-he-preparing-china-war.

[118] Peter Martin, "Can China Fight? The Russia-Ukraine War Offers Warnings," *Bloomberg,* November 16, 2023, https://www.bloomberg.com/features/2023-war-china-taiwan/.

come to believe that the prospects for achieving his core national goals have almost completely evaporated. If this is combined with military hyper-optimism (what Van Evera calls the "cult of the offensive") and a cadre of yes-men who give only the facts and options that Xi wants to hear, then the perception model indicates war is incredibly likely (W+).

While there is not sufficient space for an exploration of the policy implications of this perception situation, further research could examine this aspect. For example, how would threats to use nuclear weapons by either China or the U.S. in the event of an invasion of Taiwan affect the current perception condition? Xi has significantly ramped up investment in China's nuclear arsenal.[119] How might this change Biden's perception of capability and value? Could a credible nuclear deterrent over Taiwan by both Biden and Xi actually lead to a relatively stable L+L+ scenario, like the Cold War case example? Additionally, further developing the model to include second-order perceptions and demonstrating the model's explanatory power will require a rigorous test not included in this thesis. However, such a test would be necessary to provide support for the argument that perceptions are a sufficient cause of conflict. The test may also need to resolve some key contrary cases, including the 1982 Falklands War between Argentina and the United Kingdom (W+W-), the 1904-05 Russo-Japanese War between Russia and Japan (W-L+), and the 1942-45 War in the Pacific between Japan and the United States (L+W-). In these three cases, war happened when the perception conditions should have produced peace according to the matrix. Inclusion of second-order perceptions may help explain why these cases differed from the model's expectations. The puzzle of war is a difficult one with no definitive answer in sight. As the perception conditions for war are revealed, progress may yet be made on understanding, predicting, and preventing crises from turning into disastrous conflict.

[119] Jeff Seldin, "US Warns China's Nuclear Arsenal Exceeding Predictions," *Voa News*, October 19, 2023, https://www.voanews.com/a/us-warns-china-s-nuclear-arsenal-exceeding-predictions/7317690.html.

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One Country, One and a Half Systems: The Resistance of Hong Kong's Economic Framework

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Abstract:

Beijing's push for Hong Kong's integration into the Chinese system has sparked concern over a potential end to the city's economic prosperity. There is a lack of literature dedicated to measuring and describing the economic change that has coincided with the changes in the mainland-Hong Kong relationship. This paper attempts to formulate a comprehensive investigation of how political decisions have influenced the economic structure. Identification of the key factors of Hong Kong's economic success, historical context of political changes, and a data-driven approach to breaking down the China-Hong Kong relationship were all critical to this evaluation. This paper's analysis of the city's economic system in relation to the political changes of the "one country, two systems" found that Hong Kong's economic structures have remained largely intact.

INTRODUCTION:

Hong Kong – a city of just 7.5 million – punches well above its economic weight, exporting more than the entirety of India. Despite being a mere 1,064 square kilometers in size, Hong Kong boasts the 8th largest container port and fourth largest financial center in the world. While many economists, such as Milton Friedman, have spent decades exhaustively studying Hong Kong's rise, an equal amount of attention has been given to predicting its demise.[1] Hong Kong's rise was marked by over 50 years of political stability, yet two decades of Beijing-driven political reform have thrown the city into turmoil, bringing Hong Kong into the international spotlight. Unfortunately, the attention of Western academia has been primarily limited to Hong Kong's political crisis, and analyses of the city's economic system post-handover are harder to find. The analyses that are available narrow in on only one part of the Hong Kong story (e.g. the political dimensions of the handover, CEPA, the National Security Law, etc.).[2]

Hong Kong has operated under the "one country, two systems" framework since its handover to the People's Republic of China (PRC) in 1997, which places the city under the sovereignty and ultimate authority of Beijing while allowing for large amounts of autonomy, especially in economic policy. "One country, two systems" has changed remarkably since its inception through Beijing-led reforms, which have garnered particular attention from researchers interested in the future of the Special Administrative Region's (SAR) economy. This paper intends to analyze the economic trends of Hong Kong and assess to what extent Hong Kong's

[1] Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (New Tork: Harcourt, 1980).

[2] Martin C. M. Lee, "The Rule of Law in Hong Kong: Implications for 1997," *The Annals of the American Academy of Political and Social Science* 547, (1996): http://www.jstor.org/stable/1048372;

Leo Goodstadt, *A City Mismanaged Hong Kong's Struggle for Survival* (Hong Kong: Hong Kong University Press, 2020);

Logan Wright, "Assessing Risks to Hong Kong's Business Conditions," in *Fractured Foundations: Assessing Risks to Hong Kong's Business Environment* (Washington: Atlantic Council, 2023), http://www.jstor.org/stable/resrep47433.6.

political changes (including the 1997 handover, the CEPA, the 2014 electoral reform, and the National Security Law) have affected its economy. Economic data from the World Bank and the Hong Kong Census and Statistics Department, speeches from Hong Kong and PRC officials, and the scholarly opinions of numerous academics were used to construct the background and arguments that formulate this paper.

This paper ultimately finds that political reforms to the "one country, two systems" framework did little to shape the structure of Hong Kong's economy. Indeed, the economy has been largely resilient to shifts in business confidence caused by political reforms. What economic impact has taken place can instead be attributed to growth resulting from the development of Southern Chinese manufacturing and stagnation from the COVID-19 pandemic.

HISTORICAL CONTEXT (1841-1983):

Hong Kong emerged from Japanese occupation in 1945 reduced to a population of just 600,000 from its pre-war 1,600,000.[3] Taken from the Qing in 1841, the colony served as an outpost for British strategic interests in East Asia. Its importance to Britain's East Asian position landed it in the sights of the Japanese Empire, resulting in its invasion and subsequent depopulation.

By 1950, however, the city's population swelled to 2.2 million as refugees from the Chinese Civil War flooded in. Ravaged by war and overpopulation, the city was hardly a candidate for rapid economic growth. Despite these obstacles, the 1950s' economic environment of cheap raw materials, high demand for consumer goods, and expensive labor costs in already

[3] "Chapter 21: History: The Post-War Years," September 7, 2003, accessed July 2, 2023, https://www.yearbook.gov.hk/2002/ehtml/e21-06.htm.

developed economies positioned Hong Kong to grab market share from the British textile industry and begin industrializing.[4]

In the 1960s, Hong Kong's industrialization faced increased protectionism, export competition from Korea and Taiwan, and labor shortages following the CCP's tighter control of its would-be emigrants to Hong Kong.[5] However, the ever-adaptable capitalists of Hong Kong responded with product diversification. They rebranded Hong Kong from cheap low-quality goods to ones of higher quality. Furthermore, they changed their production methods to match this branding. Implementing this strategy allowed Hong Kong to transition into higher-end markets. In addition, they invested in the growing shipping industry and expanded Hong Kong's role as an entrepot hub.

Between 1960 and 1980, domestically produced exports grew 17.2% year over year.[6] A combination of flexible industrial capacity, effective international coordination, experienced management skills, and a culture of government non-interventionism were all ingredients of the recipe that spurred Hong Kong's production growth.[7] The global environment was also conducive to Hong Kong's export-led expansion, as many businesses from the advanced economies sought manufacturing opportunities in East Asia well through the 1980s.[8]

The late 1970s brought even more diversification to Hong Kong's economy as foreign investors found the city's financial center an attractive investment.[9] With South America too debt-ridden and the Middle East too volatile, investors flocked to East Asia with its greater

[4] Alvin Y. So, "The Economic Success of Hong Kong: Insights from a World-System Perspective," *Sociological Perspectives* 29, no. 2 (1986): 244, https://doi.org/10.2307/1388960.

[5] So, "The Economic Success of Hong Kong," 247-8.

[6] Kui Wai Li, *Capitalist Development and Economism in East Asia: The Rise of Hong Kong, Singapore, Taiwan and South Korea*, (London: Taylor & Francis Group, 2002), 35-6.

[7] Li, *Capitalist Development and Economism in East Asia*, 37.

[8] Li, *Capitalist Development and Economism in East Asia*, 114.

[9] So, "The Economic Success of Hong Kong," 249-250.

political and financial stability. Hong Kong's location in the center of East Asia and near the economically liberalizing China made it the cream of the crop of East Asian investment opportunities. Hong Kong also proved especially popular compared to financial centers in other East Asian countries like Taiwan and Japan due to its pro-business policies and legal system. The city's lack of control over international capital flows, lack of discrimination against foreign operators, and minimal taxes especially enticed foreign investors.

A favorable global market for Hong Kong exports and financial assets often played a large role in Hong Kong's development. However, its business-friendly climate and location allowed it to capitalize on changes in global economic conditions where other areas did not. Its location made it easily accessible as a port on one of the globe's major waterways, which in turn made it a favorable place for foreign capital, and a prime location for manufacturing, trading, and the financial services industry.

EARLY TRANSITION ANXIETIES (1983-1997):

In 1983, the PRC announced that it would decide on Hong Kong's status unilaterally unless an agreement could be made for the handover of the city by September 1984.[10] That year, Sino-British negotiations for the handover of Hong Kong set a deadline for the city's return to China on July 1st, 1997. The period between this announcement and the handover of Hong Kong induced anxiety among businesses and foreign residents as the city was transitioning away from predictable rule under Britain's market economy to administration by a self-proclaimed communist state. However, despite prevailing anxieties Hong Kong's handover to Beijing failed to manifest into long-term economic decline. The announcement of the "one country, two

[10] Nkog Ma, "The Sino-British Dispute Over Hong Kong: A Game Theory Interpretation," *Asian Survey* 37, no. 8 (August 1, 1997): 738–51, https://doi.org/10.2307/2645447.

systems" framework would prove to offer enough protection for the city to transition smoothly into the new political arrangement.

From Common to Basic Law:

Investors were concerned how the new legal environment would affect the ease of conducting business. The People's Republic of China had a drastically different understanding of law than the British, in which the wishes of the party often superseded the written law. The Basic Law of Hong Kong, laid out by Beijing in 1990, would quell some of these worries, yet it was not entirely smooth sailing. In the lead-up to the handover, Premier Li Peng announced that Beijing would make decisions about some unsettled controversies in the SAR's courts, once again stirring unease about Hong Kong's rule of law.[11] This threat to the rule of law worried local business leaders enough for them to send a delegation to meet with Li. The delegation warned him of a potential economic crash in Hong Kong should the stability of the legal predictability be damaged. Furthermore, a year before the handover, Scholar Martin Lee warned of the rule of law's uncertain status due to the party's approach to law, underscoring the ambiguous impact of the new Court of Final Appeal and the changes to the provisions of the Hong Kong Bill of Rights.[12]

In the lead-up to the handover, two giant companies, Hong Kong Shanghai Banking Corporation (HSBC) and Jardine Matheson Holdings Limited, moved their corporate domicile out of Hong Kong – sparking concerns of an exodus.

[11] William Overholt, "Hong Kong: The Rise and Fall of 'One Country, Two Systems,'" Harvard Kennedy School, December 2019, 5.

[12] Lee, "The Rule of Law in Hong Kong," 167-8.

Pessimistic media outlets magnified handover anxiety. A 1995 Fortune magazine claimed Hong Kong was dying and was "destined to become a global backwater."[13] Experts piled on, warning of Hong Kong's decline. Business expert Mark Roberti was so bold as to predict that within 20 years Hong Kong will lose its international business community and exclusively handle Chinese business.[14]

Beijing's Business Engagement:

Despite these concerns, Beijing's special attention to preserving Hong Kong business resulted in a smooth handover for the city's economy. Contrary to gloomy forecasts, the number of company regional headquarters based in Hong Kong from major economies grew in 1997 and only decreased by 1% (see Figure 1) in the following year — a development that could have been influenced by handover fears, though could alternatively be explained by the coinciding Asian Financial Crisis. In addition, foreign direct investment (FDI) inflows increased from 1991 to 1998 by 1294% (nearly $13 billion USD) and continued to rise until a brief decline in 2001. HSBC and Jardines only moved their corporate domicile — not their investments — and continued to do business in the city. Their move was instead motivated by the fact that they were British companies set to lose the privileges and unfair advantages they had received under British administration.[15]

[13] Fortune Magazine, "The Death Of Hong Kong," *Fortune Magazine*, June 26, 1995, https://money.cnn.com/magazines/fortune/fortune_archive/1995/06/26/203948/.

[14] Godfrey Yeung and Tai-Lok Lui, "The Sinicisation of the Hong Kong Economy or the Hongkongnisation of the Greater Bay Area: Are We 'Barking up the Wrong Tree'?," *Asia Pacific Business Review* 28, no. 5 (July 19, 2022): 723, https://doi.org/10.1080/13602381.2022.2096201.

[15] Ming K. Chan, "The Legacy of the British Administration of Hong Kong: A View from Hong Kong," *China Quarterly*, no. 151 (1997): 576, http://www.jstor.org/stable/655254.

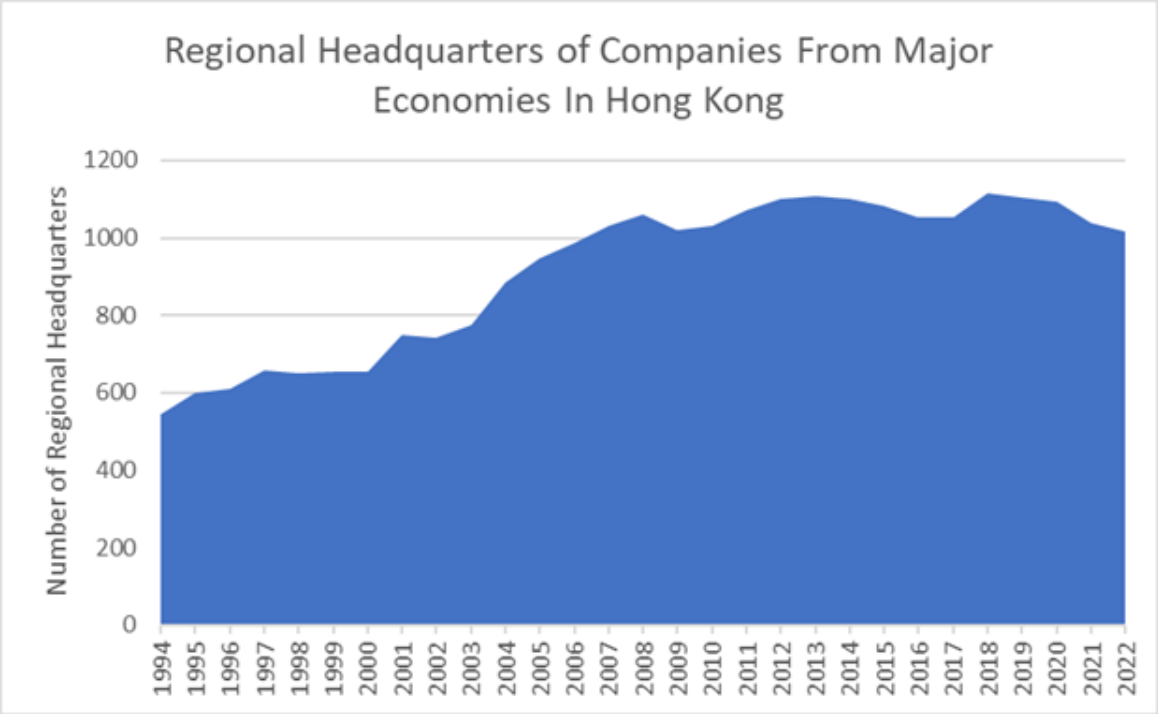

Figure 1. Regional Headquarters of Companies From Major Economies in Hong Kong
(Source: Census and Statistics Department - Hong Kong SAR, "Number of Regional Headquarters by Selected Country/Territory Where the Parent Company Was Located," Data set, November 22, 2022, accessed July 03, 2023, https://www.censtatd.gov.hk/en/web_table.html?id=325-43011A.)

Another major concern that arose prior to the handover was the potential mass emigration of the city's professionals. Many of these professionals worked in industries that serviced international markets, meaning they had access to employment opportunities overseas. The British government sought to capitalize on this, and nearly gave 50,000 Hong Kong businessmen, professionals, and administrators and their families British passports — though constraints of the Sino-British handover negotiations ultimately stopped them. The media again played up a narrative of businessmen leaving en masse to Singapore.[16] However, World Bank data shows that net migration to Hong Kong increased from 1995-1997 and peaked at 78,000.[17]

[16] Overholt, "Hong Kong," 7.
[17] "Net migration - Hong Kong SAR, China," World Bank Open Data, n.d., accessed July 5, 2023, https://data.worldbank.org/indicator/SM.POP.NETM?locations=HK.

While these fears were rooted in a distrust of Beijing, the mainland government displayed clear intent to maintain the status quo. In 1995 they formed a 150-member preparatory committee with strong pro-business representation that signaled an effort to preserve Hong Kong's business friendly environment.[18] Moreover, the Basic Law, the legal foundation of the "one country, two systems" framework, was passed in 1990 so that businesses and individuals could know what to expect from the pending handover. The Basic Law had entire sections dedicated to the judiciary — maintaining the existence of most courts, while adding a Court of Final Appeal.[19] This court is authorized to make judicial decisions independent of the SAR government and the central Beijing government.[20] The Basic Law also explicitly promulgates that the SAR government will protect the legal right of individuals and enterprises to own property and investments.[21] The continued practice of Western legal customs addressed concerns of international firms worried about the possible loss of Hong Kong's rule of law. Furthermore, the first chief executive Tung Chee-Hwa in his 1997 policy address repeatedly reiterated the SAR government's commitment to maintain the rule of law by assuring fundamental changes would not take place within the judiciary system.[22]

Crucially, the SAR government was guaranteed the ability to independently formulate its own economic policies.[23] This too assured firms that Hong Kong's open market was not going to be integrated into China's state-dominated market. Article 109 of the Basic Law also ensured

[18] Hsin-chi Kuan, "Hong Kong in 1996: Structuring the Future," *Asian Survey* 37, no. 1 (1997): 53, https://doi.org/10.2307/2645773.

[19] The National People's Congress, "Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China," April 4, 1990, accessed July 10, 2023, Chapter IV / Section 4 / Article 81, https://www.basiclaw.gov.hk/en/basiclaw/index.html..

[20] Hong Kong, Basic Law, Chapter IV / Section 4 / Article 85.

[21] Hong Kong, Basic Law, Chapter V / Section 1 / Article 105.

[22] Chee-hwa Tung, "1997 Policy Address," Transcript of speech delivered at Hong Kong, 1997, https://www.policyaddress.gov.hk/pa97/english/patext.htm.

[23] Hong Kong, Basic Law, Chapter V / Section 1 / Article 108, 110, 114, 119.

that the SAR government would maintain the necessary legal and economic conditions to safeguard the position of Hong Kong as a global financial center.[24] This article took specific care to assure Hong Kong's financial sector and highlights just how important Hong Kong's current financial system was for Beijing.

Handover Winners and Losers:

The only lasting economic consequence of the 1997 turnover panic was the further decline of Hong Kong's manufacturing sector. The approaching 1997 handover date and the growing dominance of the property and financial sectors led to the share of manufacturing as part of GDP dropping from 22.8% in 1980 to just 7.0% in 1997.[25] Throughout the handover period, investors favored property investments over manufacturing because property purchases required a limited amount of capital, and returns could be realized in the short term. Manufacturing, on the other hand, required large amounts of capital, and gains were only realized over the long term.[26] This shift in investment is evidence of failing business confidence in the transition period. However, investment in manufacturing had been on the decline long before then. Figure 2 demonstrates manufacturing as a share of Hong Kong's GDP has been on the decline since 1970. Manufacturing was already struggling under foreign tariffs and took another large hit when China's special economic zones were created in the late 1980s across the border. The average annual cost of Hong Kong labor was nine times the cost of Shenzhen labor and so Hong Kong's manufacturing sector began to lose out to cheaper labor from the mainland. Other manufacturing-heavy economies like South Korea, Taiwan, and Singapore took a similar

[24] Hong Kong, Basic Law, Chapter V / Section 1 / Article 109.

[25] Shu-ki Tsang, "The Hong Kong Economy under Asymmetric Integration: Structural Transformation or Dissolution?," *China Review* 7, no. 2 (2007): 39, http://www.jstor.org/stable/23462300.

[26] Kui-Wai Li, "The Political Economy of Pre- and Post-1997 Hong Kong," *Asian Affairs* 28, no. 2 (2001): 69 http://www.jstor.org/stable/30173041.

hit to their light industry manufacturing at the same time as Hong Kong.[27] The approaching 1997 date may have accelerated the demise of the manufacturing sector, but the underlying cause was international competition.

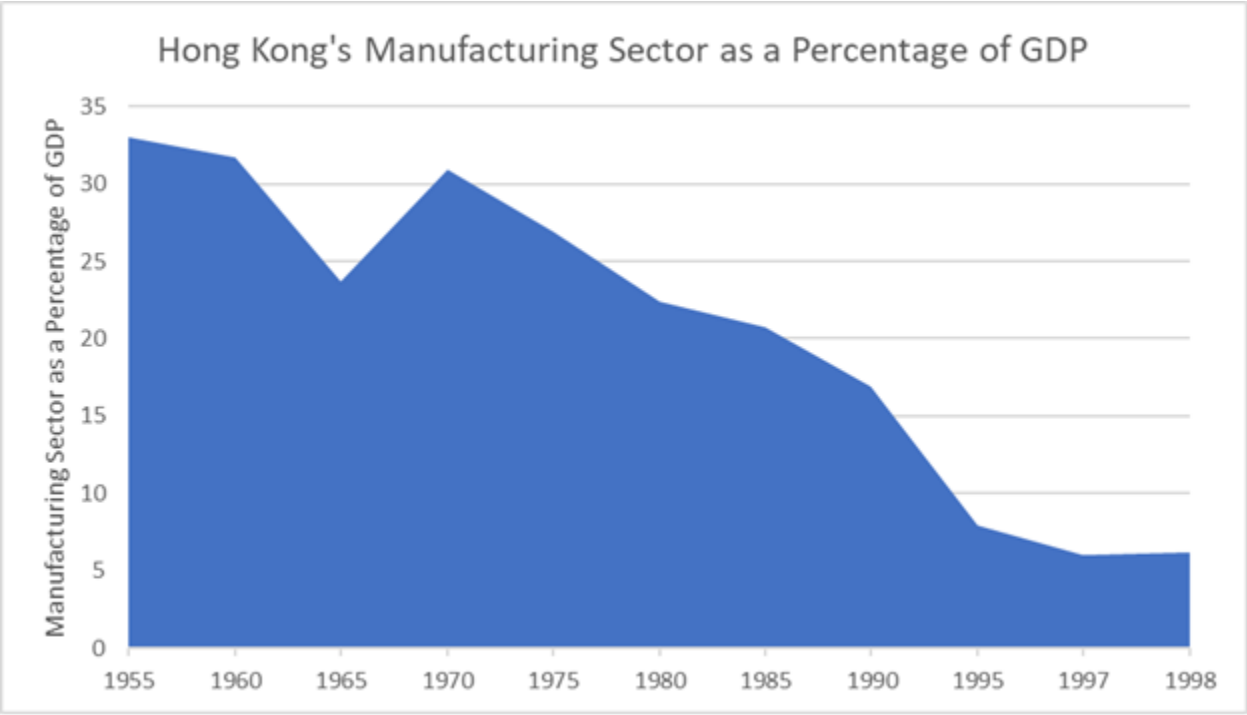

Figure 2. Hong Kong's Manufacturing Sector as a Percentage of GDP
(Source: Li, Capitalist Development and Economism in East Asia, 34.)

The fall of Hong Kong's manufacturing sector did not send the economy into decline. Rather, Hong Kong's investors shifted their capital to adapt to changing times. Instead of competing with factories in China, Hong Kong firms relocated their own factories to these special economic zones.[28] These firms adopted an office-factory relationship with Southern China in which they provided management and business expertise while China hosted the factories and provided the labor.[29] Furthermore, the city became the entrepot hub for this new manufacturing wave out of China. China became Hong Kong's largest source of imports and

[27] Li, *Capitalist Development and Economism in East Asia*, 122.
[28] Li, *Capitalist Development and Economism in East Asia*, 43.
[29] Li, *Capitalist Development and Economism in East Asia*, 90.

destination of re-exports. In addition, re-exports, or the process by which Hong Kong acts as the export and distribution hub for Chinese goods, have dominated Hong Kong's total exports and have kept total exports high in the face of deindustrialization (see Figure 3).[30] [31] Hong Kong specialized in sorting, packaging, and service activities, such as marketing or transportation, of Chinese goods. The mid-1980s saw Hong Kong take up a role as the gateway for China to trade with the world and for the world to trade with China.

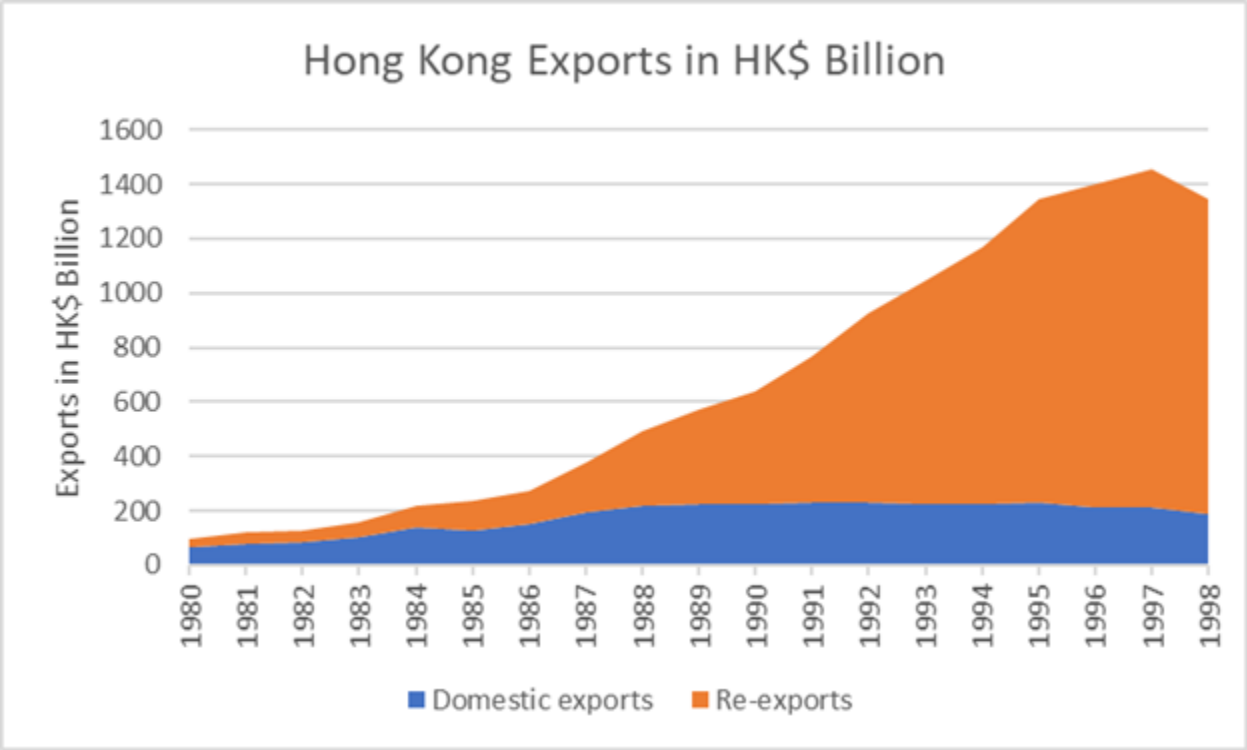

Figure 3. Hong Kong Exports in HK$ Billion
(Source: Li, Capitalist Development and Economism in East Asia, 125.)

The 1997 handover was the largest political change that Hong Kong would undergo in the second half of the 20th century. It was giving up administration by a government that had nurtured Hong Kong's economic rise in favor of a government that could hardly manage its own

[30] Li, *Capitalist Development and Economism in East Asia*, 116.
[31] Gordon Hanson and Robert Feenstra, "Intermediaries in Entrepot Trade: Hong Kong Re-Exports of Chinese Goods," *National Bureau of Economic Research*, January 2001.

economy — having caused the Great Famine a mere 40 years ago. Despite this, only minor economic change took shape due to the care of Sino-British negotiators to maintain much of what had made Hong Kong prosperous. Concerns of businesses over the rule of law proved themselves hypochondriacal. Firms rarely relocated, and those that did often did so because they had lost out on British favoritism. On the contrary, the number of regional headquarters based in Hong Kong increased in 1997 and FDI had more than tripled from 1985 to 1997.[32] Media panic regarding the mass emigration of foreign professionals likewise passed without being realized. The city's manufacturing did shrink due to concerns about the handover; however, its decline was already set in motion by economic developments. Overall, Hong Kong transitioned from a relatively independent colony to a sovereign territory of China with its business confidence and economic structure largely unaffected.

POST-TRANSITION ANXIETIES (1997-2014):

In the years following the handover, the "one country, two systems" framework would not remain static. The framework evolved as the decision-makers in Hong Kong and Beijing began to favor government-initiated integration of the two economies. While reformers did not aim to totally end divisions between the two systems, their efforts would at least change how the Basic Law was interpreted. To some, this utterly betrayed the principles of the Basic Law. Scholar Tsang Shu-ki argues that Hong Kong cannot seek integration into the mainland economy to fix unemployment and export demand issues because of the Basic Law's commitment to Hong Kong's independent management of fiscal, monetary, and manpower issues.[33] Scholar Leo Goodstadt similarly argues that the Basic Law specifically states that the economy should remain

[32] Li, *Capitalist Development and Economism in East Asia*, 128.
[33] Tsang, "The Hong Kong Economy under Asymmetric Integration," 39.

free from any economic planning.[34] Furthermore, Premier Wen questioned Hong Kong's integration with the mainland by citing the principles of "one country, two systems" and the Basic Law.[35] In practice, however, Hong Kong's economy generally continued to fare well under the revised framework.

Bringing The Systems Together:

Government-led economic integration efforts began not long after the handover but made limited progress. Chief Executive Tung initially pledged to uphold Hong Kong's economic coherence and independence in his 1997 address. However, following the 1997-1998 Asian Financial crisis and the SARS epidemic, he gave way to pressure to improve the SAR's economic fortunes through taking advantage of closer economic ties with mainland China.[36] In his 2003 address, Tung suggested the city "should also capitalize on the rapid development of our Motherland to hasten our economic restructuring."[37] He later mentioned his specific desire to work with cities in the Pearl River Delta (PRD) to act as the "regional business operations center" that would service multinationals attempting to do business in the PRD. Furthermore, he declared Hong Kong's four major economic pillars as "finance, logistics, tourism, and producer services"; three of these sectors being those that primarily serviced Chinese firms. This economic dependence on China's growing industries appeared as a natural progression to Tung. Hong Kong would continue to take an increasing role in servicing Southern Chinese manufacturing as it did in the 1980s and 1990s. However, Tung could not just let this progression take place naturally, as he believed the SAR's window of opportunity was narrowing fast. He warned of

[34] Goodstadt, *A City Mismanaged*, 238.
[35] Goodstadt, *A City Mismanaged*, 234.
[36] Tsang, "The Hong Kong Economy under Asymmetric Integration," 40.
[37] Tung Chee-hwa, "2003 Policy Address," Transcript of speech delivered at Hong Kong, 2003, 7-10, https://www.policyaddress.gov.hk/pa03/eng/policy.htm.

how a fully globally connected Chinese economy would spell doom for Hong Kong's traditional advantages.[38] He would later add that Hong Kong's status as the sole bridge between the world and China was already lost to cities like Shanghai, Beijing, Tianjin, Shenzhen, and Guangzhou. China's entry into the World Trade Organization only made Tung's fears appear more immediate. Pressured to act in the face of poor economic performance and worried that Hong Kong's exceptionality was waning, Tung set out to renegotiate the "one country, two systems" framework with a "Closer Economic Partnership Arrangement" (CEPA).

Mainland officials, however, sought to maintain the status quo, believing that "one country, two systems" best served Chinese interests. At a time when optimism for a peaceful reunification with Taiwan was high, Beijing thought it important to show respect toward regional autonomy. Because of this and other reasons described later, the metaphor "river water shall not intrude into well water" (*heshui bu fan jingshui*) came to describe Beijing's view on integration.[39] Only after extensive mediation did officials cautiously sign the main text of the CEPA in 2003. Negotiations would continue after Tung left office in 2005 with his predecessor, Donald Tsang, upholding this faith in integration with the PRD and signing off on four stages of free trade and market access agreements in 2007.[40] The CEPA's ambitions were "to phase out tariffs and non-tariff barriers on trade and in goods, phase in the liberalization of trade in services, and promote trade and investment facilitation" between Hong Kong and the mainland. However, even before its implementation, there were doubts about the effectiveness of the deal. The IMF believed the deal would only marginally benefit Hong Kong but also expose Hong

[38] Goodstadt, A City Mismanaged, 222-3.
[39] Tsang, "The Hong Kong Economy under Asymmetric Integration," 42.
[40] Tsang, "The Hong Kong Economy under Asymmetric Integration," 42.

Kong to the dramatic volatility of the Chinese business cycle.[41] Even Premier Wen Jiabao warned Hong Kong's Chief Executives that the agreement was not "a free lunch."[42]

Much of the caution and hesitation towards the plan was vindicated, as the unique market access that Tung sought would prove elusive. Local governments defied the agreements that their national government had signed and struck back against Hong Kong with administrative monopolies, forced deals, and market blockades.[43] This was far from a new feature to the Chinese economy — throughout the 1990s local protectionism had been a major feature of China's economy despite central government attempts to form a unified national market.[44] For example, local authorities gave local firms less onerous regulation, greater access to the local banking system, and more favorable legal treatment in the courts when compared to firms of other provinces. In an effort to combat these practices, Beijing responded with legislation like the 1993 Law of the People's Republic of China Against Unfair Competition which explicitly aimed to curtail the powers of local officials to favor local firms.[45] However, a statistical study of inter-provincial trade found that provinces had only become more protectionist from 1987 to 1997. This suggests that government attempts to break these local monopolies made little ground.

With the signing of the CEPA, Beijing's efforts to break this local protectionism continued to be slow. A report published by the pro-CEPA Commission on Strategic Development could only offer vague details of the deal's success.[46] This included the fact that "some" Hong Kong service providers were permitted to operate under CEPA, "a number" of

[41] Goodstadt, *A City Mismanaged*, 224.
[42] Goodstadt, *A City Mismanaged*, 224.
[43] Goodstadt, *A City Mismanaged*, 38.
[44] Sandra Poncet, "The Fragmentation of the Chinese Domestic Market," China Perspectives 2004, no. 55 (October 1, 2004): 8-9, https://doi.org/10.4000/chinaperspectives.410.
[45] People's Republic of China, Standing Committee of the Eighth National People's Congress, Law of the People's Republic of China Against Unfair Competition, September 2, 1993, Chapter IV / Article 7.
[46] Goodstadt, *A City Mismanaged*, 230.

Hong Kong law firms formed associations with mainland partners, and 1,000 Hong Kong construction and engineering professionals had obtained mainland qualifications without any comment on whether or not they were actually allowed to operate by local governments. A 2016 paper utilizing 1998-2013 data found that the agreement had limited effect on Hong Kong's domestic exports, service trade, and FDI.[47] Not until 2015 was real progress made with the establishment of nine pilot cities to showcase the benefits of market reform to local protectionist governments.[48] However, 2015 was meant to be the year of CEPA's full implementation not its first trial run.[49] The following year much of the negotiation on market access ceased when little real progress was made in that area. The limits of the deal were finally made painfully clear to the Hong Kong business community.

Fears of Approaching Redundancy:

The failures of the CEPA appear to leave the SAR Chief Executives' worries of wanning growth and exceptionalism unaddressed. However, data demonstrates that the city's economy remained resilient and these concerns did not materialize. The Chief Executives were not alone in their fears. There have been worries since China-World Trade Organization (WTO) negotiations stated in 1986 that Hong Kong's re-export industry would suffer upon China's accession to the WTO.[50] Chinese export growth exploded from 200 billion USD in 1999 to over 2 trillion USD in 2011 to almost 4 trillion USD in 2023.[51] In his 2007 research article, Scholar

[47] Juan Yang, "Mainland China and Hong Kong Closer Economic Partnership Arrangement Effect Analysis," *Chinese Studies* 05, no. 03 (January 1, 2016): 67–72, https://doi.org/10.4236/chnstd.2016.53008.

[48] Goodstadt, *A City Mismanaged*, 227.

[49] Goodstadt, *A City Mismanaged*, 231-2.

[50] Tsang, "The Hong Kong Economy under Asymmetric Integration," 126.

[51] "Exports of Goods and Service (Current US$) - China," World Bank Open Data, n.d., accessed July 14, 2023, https://data.worldbank.org/indicator/NE.EXP.GNFS.CD?end=2022&locations=CN&start=1999.

Tsang Shu-ki believed that Hong Kong was losing its locational advantage as China further opened to the world.[52]

The "office-factory" arrangement between Hong Kong and the mainland seemed to be under threat from China's liberalization of trade policy, eroding Hong Kong's position as the exclusive channel for Chinese manufacturing exports. Just over the border from Hong Kong, Shenzhen had been growing in importance as a shipping hub for Southern China. Figure 4 shows how Shenzhen overtook Hong Kong in terms of shipping throughput in 2012. Hong Kong has struggled to compete with Shenzhen's comparatively cheaper shipping costs and government-subsidized infrastructure.[53] Hong Kong with its expensive labor and government non-intervention could do little but cede market share of shipping throughput.

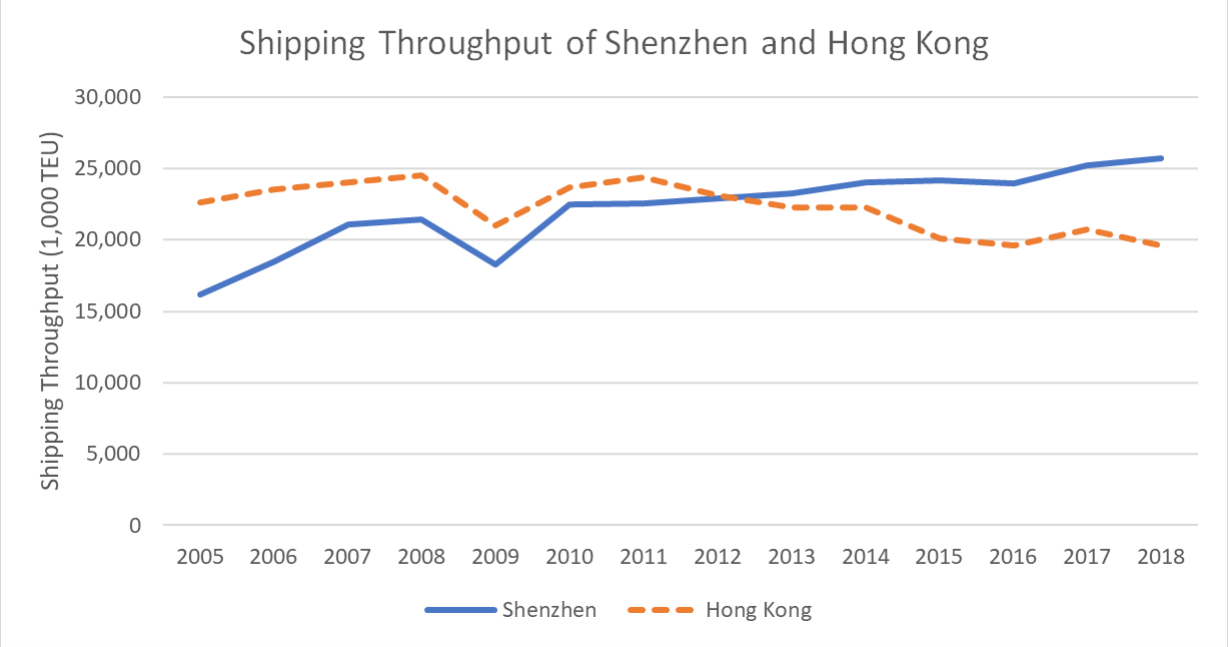

Figure 4. Shipping Throughput of Shenzhen and Hong Kong
(Source: "Container Port Traffic (TEU: 20 Foot Equivalent Units) - Hong Kong SAR, China," World Bank Open Data, n.d., accessed July 7, 2023, https://data.worldbank.org/indicator/IS.SHP.GOOD.TU?locations=HK; Xuanfei Wang, Shan Liang, and Zhenjie Liao, "Integration, Game, and Sustainable Development of Shenzhen Port Based on Governmental Regulations," *Journal of Mathematics* 2022 (September 15, 2022): 3, https://doi.org/10.1155/2022/2583027.)

[52] Tsang, "The Hong Kong Economy under Asymmetric Integration," 44.
[53] Tsang, "The Hong Kong Economy under Asymmetric Integration," 53.

However, shipping throughput only tells part of the story. A more comprehensive look reveals China's growth has not displaced Hong Kong's service economy. More business may be handled in China, but this has not stopped the growth of Hong Kong's service industry for Chinese business. Between 2013 and 2021, the value of Hong Kong re-exports grew by an average of 4.5% year over year. Re-export value has gone up while shipping throughput has gone down because the service industry deals with denser value goods like electronics. In addition, Figure 5 demonstrates the ever-increasing position of Hong Kong's investment in China. Chinese globalization has not cut out the Hong Kong middleman because of Hong Kong's reputation as a business-friendly environment. Figure 6 demonstrates the massive gap between the Ease of Doing Business index rankings for Hong Kong and China. Importantly, the gap is only very slowly closing. Hong Kong has often hovered within the top five in the index, while China, despite improving, still remains around 70th place. Hong Kong scores particularly high in ease of paying taxes, starting a business, and getting electricity.[54] Meanwhile, China struggled with construction permits, resolving insolvency, and paying taxes categories.[55] Hong Kong offers an easier and more predictable environment for firms. Some businesses are willing to take on the difficulties of business in China, but many opt for the middleman with a tradition of easy business.

[54] World Bank, "Doing Business 2017 - Hong Kong SAR, China," 2017, https://doi.org/10.1596/978-1-4648-0948-4.

[55] World Bank, "Doing Business 2017 - China," 2017, https://doi.org/10.1596/978-1-4648-0948-4.

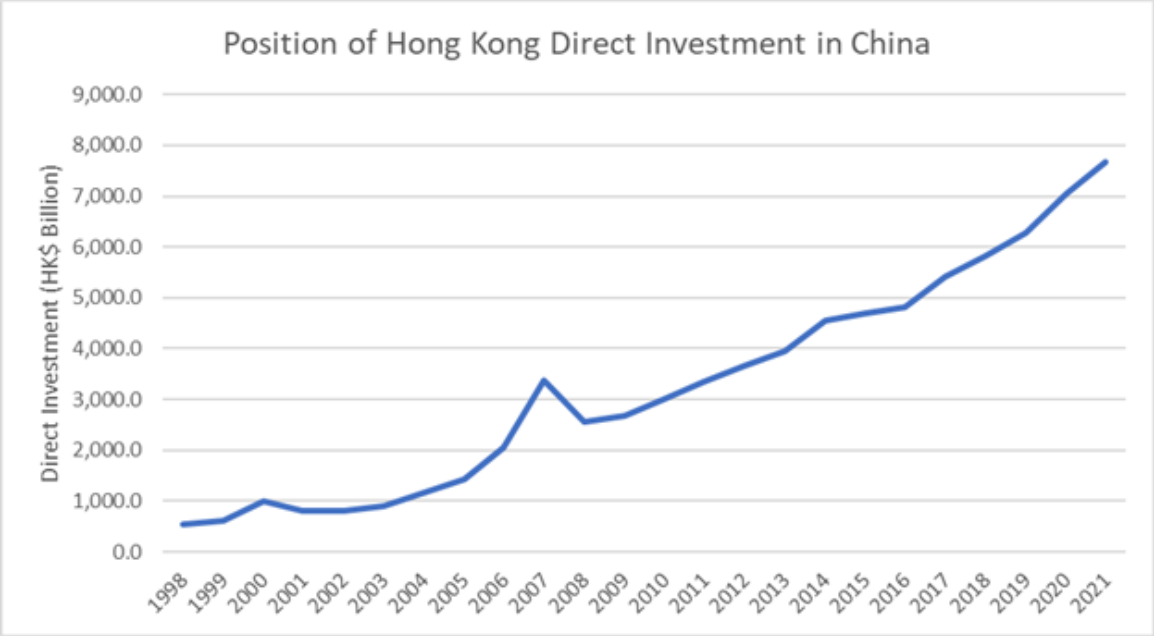

Figure 5. Position of Hong Kong Direct Investment in China

(Source: Census and Statistics Department - Hong Kong SAR, "Position, Flow and Income of Outward Direct Investment (DI) of Hong Kong by Selected Major Recipient Country/Territory," December 9, 2022, accessed July 03, 2023, https://www.censtatd.gov.hk/en/web_table.html?id=315-38021.)

Figure 6. The Rankings of China and Hong Kong on The Ease of Doing Business Index

(Source: World Bank, *Doing Business* 2006-2017 – Annual Report, https://openknowledge.worldbank.org/collections/b508b80e-72eb-5965-936f-bb308adcbb08?spc.sf=dc.date.issued&spc.sd=DESC)

The health of the SAR's financial sector likewise demonstrates the city's economic resilience. One of the key business services that Hong Kong provides to China is its financial services. Hong Kong's financial sector has been one of the most successful industries in the post-1997 Hong Kong economy. Figure 7 illustrates the meteoric rise of direct investment in Hong Kong's financial sector. The total market capitalization of the Hong Kong Stock Exchange (HKSE) has more than doubled from 2010 to 2020.[56] Most of this success is owed to the growth of Chinese firms. In 2020, China-related shares accounted for 79% of market capitalization on Hong Kong stock exchanges.[57]

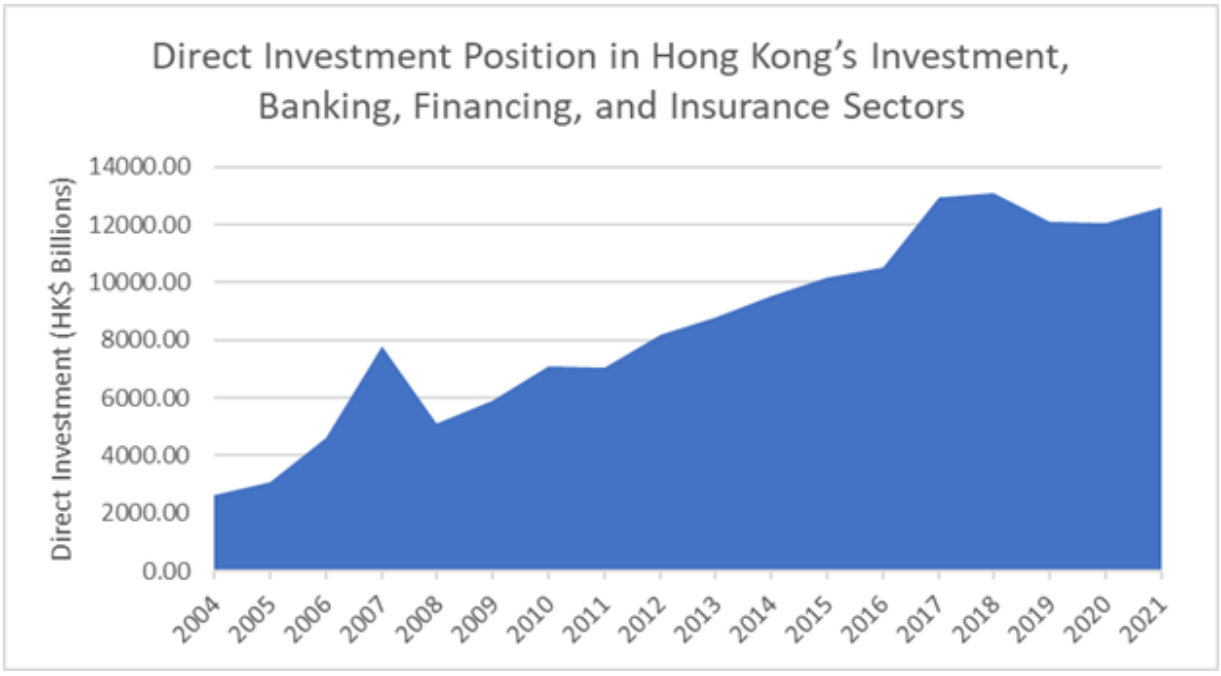

Figure 7. Direct Investment Position in Hong Kong's Investment, Banking, Financing, and Insurance Sectors

(Source: Census and Statistics Department - Hong Kong SAR, "Position and Flow of Outward Direct Investment (DI) of Hong Kong by Major Economic Activity of Hong Kong Enterprise Groups," December 9, 2022, accessed July 03, 2023, https://www.censtatd.gov.hk/en/web_table.html?id=315-38022.)

[56] Census and Statistics Department - Hong Kong SAR "Number of Listed Companies, Market Capitalisation Listed on Hong Kong Exchanges and Clearing Limited, Average Daily Turnover of All Listed Securities and Fund Raised from New Issues of Securities," accessed June 26, 2023, https://www.censtatd.gov.hk/en/web_table.html?id=340-95003#..

[57] Yeung and Lui, "The Sinicisation of the Hong Kong economy or the Hongkongnisation of the Greater Bay Area," 720.

The CEPA and China's economic globalization were both political initiatives of Beijing and expected to fundamentally alter Hong Kong's economy. However, both failed to do so. The CEPA would get bogged down in negotiations as local government officials in China refused to implement its reforms. China's globalization did see Chinese firms begin to provide services to their own domestic manufacturing sector, however, this did not impede the growth of Hong Kong's service industry.

PROTESTS AND MARKETS (2014-2020):

In 2014, the National People's Congress made changes to the election process for Hong Kong's chief executives. Over the ensuing three months over 100,000 Hong Kong citizens flocked to the streets in protest in what came to be known as the Umbrella Revolution, prompting mainland officials to warn that the protests would bring economic ruin.[58] However, the stock markets and tourism and housing sectors remained resilient. The Hong Kong government itself warned protests would bring economic disruptions, however, quickly toned down its warnings as the economic data came out. A few years later protests would erupt against another decision of the National People's Congress.

Officials in Beijing and pro-China politicians in Hong Kong had been kicking around the idea of a law for tighter national security, targeting the SAR's pro-independence movement in the 2010s. *Law of the People's Republic of China on Safeguarding National Security in the HKSAR*, commonly called The National Security Law, captured massive international headlines. The media and academics began to question if "one country, two systems" was on its way out. The law mainly concerned itself with modifying Hong Kong's legal system to deal with cases of national security, including secession, subversion, terrorism, and collusion with foreign

[58] Andrew Scobell and Min Gong, Whither Hong Kong?, 8-9.

organizations.[59] This modification included giving mainland courts jurisdiction over Hong Kong cases relating to national security. The law has undermined Hong Kong's reputation for a stable and clear rule of law that has been a cornerstone of its economy for decades. Accordingly, it has shaken the confidence of foreign professionals and firms. A 2020 survey of European companies found that 25% were considering leaving within the next 12 months.[60]

International financial institutions were most concerned with the law's vague language regarding foreign collusion.[61] Their situation was only made more precarious as the U.S.-China rivalry has flared up in recent years. American sanctions increasingly targeted Chinese officials and organizations. Abiding these foreign sanctions may be enough for these institutions to be prosecuted under the law, but failing to do so could see their access to American markets cut. They are forced to carefully walk a line between the dictates of Washington and Beijing. An article from the *Financial Times* found that foreign bankers have grown frustrated with the law and pandemic restrictions.[62] Subsequently, employment in the Financing and Insurance Sectors has fallen from nearly 300 thousand at the beginning of 2020 to about 260 thousand by 2022.[63]

A Bump in The Road?

An examination of the evidence supports only that this anxiety surrounding the law had momentarily sunk business confidence, but much of that confidence has rebounded. The rule of law remains largely intact for the legal needs of businesses. It has yet to be revealed if and how the law will be applied to civil cases.[64] Furthermore, Figure 8 demonstrates that the public

[59] Wright, "Assessing Risks to Hong Kong's Business Conditions," 9.
[60] European Chamber of Commerce in Hong Kong, "Eurocham Survey: Impact of COVID-19 on the Business Community," 2021, 1.
[61] Wright, "Assessing Risks to Hong Kong's Business Conditions," 14-5.
[62] Pak Yiu, "So Long, Hong Kong: Asia's Business Hub Loses Its Lustre," *Financial Times*, November 25, 2021, https://www.ft.com/content/56e5781f-f9f0-4ab7-bfe1-3856fe144726.
[63] Wright, "Assessing Risks to Hong Kong's Business Conditions," 16.
[64] Wright, "Assessing Risks to Hong Kong's Business Conditions," 18.

perceptions of the rule of law, fairness of the judicial system, and impartiality of courts have rebounded from their lowest point, triggered by the passage of the law. They have reached pre-May 2019 levels and do not appear to be slowing down.

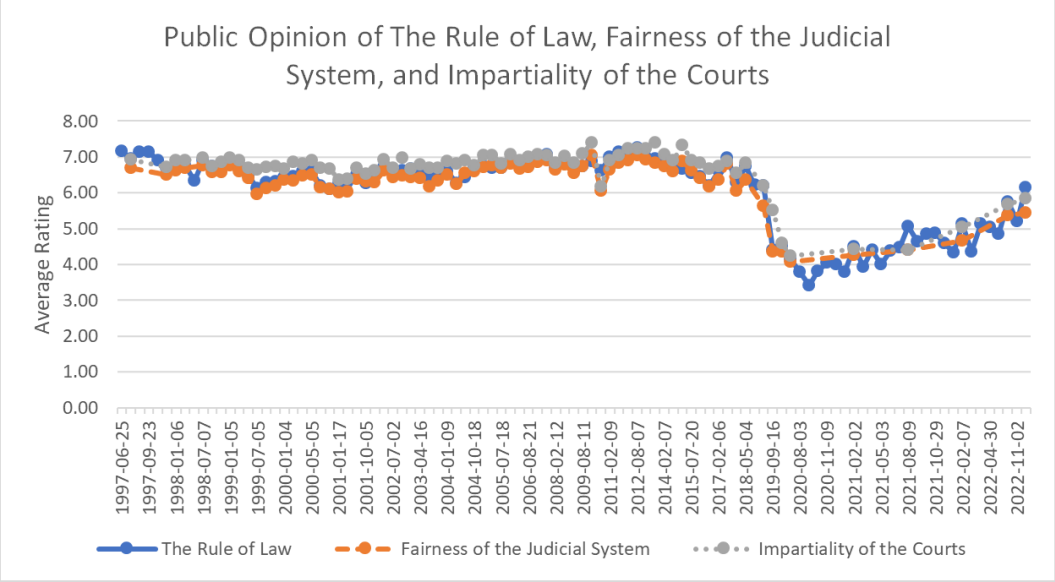

Figure 8. Public Opinion of The Rule of Law, Fairness of the Judicial System, Impartiality of the Courts

(Source: "The Rule of Law, Fairness of the Judicial System, Impartiality of the Courts – Combined Charts - HKPORI - 香港民意研究所," *The Hong Kong Public Opinion Research Institute Limited* (HKPORI), July 6, 2022, accessed July 24, 2023, https://www.pori.hk/pop-poll/rule-law-indicators-en/g-combined.html?lang=en.)

Figure 9. Net International Investment Position to GDP Ratio of Hong Kong

(Source: "GDP (Current US$) - Hong Kong SAR, China," World Bank Open Data, n.d., accessed June 21, 2023, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=HK; International Monetary Fund, "China, P.R.: Hong Kong: International Investment Position," n.d., accessed August 14, 2023, https://data.imf.org/regular.aspx?key=62805744.)

The number of individuals engaged in business in Hong Kong has recovered, with employment also on the rise – albeit with a steep drop during the second quarter of 2020. The number of regional headquarters in Hong Kong has only decreased by 7% from 2020 to 2022 but net inflows of FDI have doubled since slumping to a ten-year low in 2019.[65] Indeed, a number of global investors have flocked to Hong Kong despite the enactment of the National Security Law. Cambridge Associates, an American company managing $38 billion in assets, and several wealth management companies have opened offices in Hong Kong after June of 2020.[66]

The overlap of the COVID-19 pandemic only makes the economic effects of the National Security Law more uncertain. It is impossible to isolate the effects of the pandemic on Hong Kong's economy, making it difficult to understand the true effects of the National Security Law. 65% of the above-mentioned European companies were considering leaving primarily because of COVID restrictions.[67] Data about employment in the financing and insurance sectors is confounded with the impacts of the pandemic and so it is hard to know the extent of how much that National Security Law affected these numbers. Despite this, examining the recovery of the Hong Kong economy can parse out what truly caused economic decline, as pandemic restrictions were temporary, while the National Security Law is not. Figure 10 demonstrates that, despite minor losses in employment in the financing and insurance sectors, other professional and business industries have not suffered losses in employment since the Law's passage.

[65] "Foreign Direct Investment, Net Inflows (BoP Current US$) - Hong Kong SAR, China," World Bank Open Data, n.d., accessed June 28, 2023, https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=HK.

[66] Yeung and Lui, "The Sinicisation of the Hong Kong economy or the Hongkongnisation of the Greater Bay Area," 734.

[67] European Chamber of Commerce in Hong Kong, "Eurocham Survey," 8.

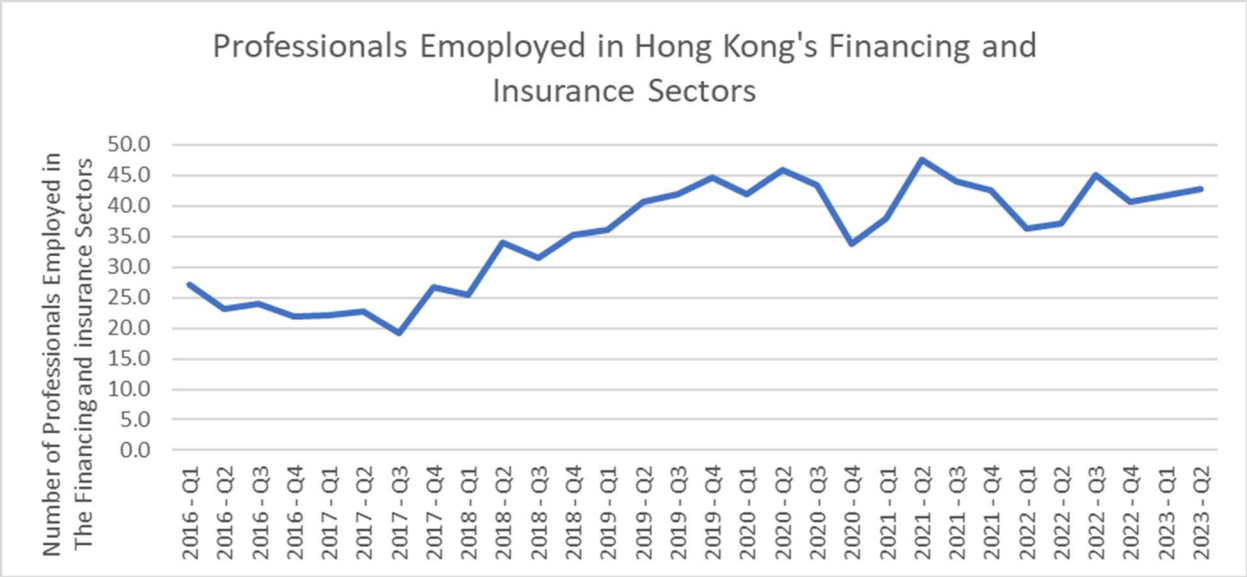

Figure 10. Employment in thousands in Financing and Insurance and Professional and Business Services

(Source: Census and Statistics Department - Hong Kong SAR, "Statistics on Labour Force, Employment, Unemployment and Underemployment," n.d., accessed July 03, 2023, https://www.censtatd.gov.hk/en/web_table.html?id=210-06305#.)

Business as Usual:

A concrete answer to whether this political change to the "one country, two systems" framework has harmed prosperity cannot be found in the data. The overlap of the Law's enactment and the COVID pandemic creates confounding variables that prove difficult to separate from one another. However, even if one faults 100% of Hong Kong's economic decline to the passage of the National Security Law, the SAR has thus far yet to lose its position as a major international business hub. Figure 9 demonstrates that the direct investment position in Hong Kong's investment, banking, financing, and insurance sectors has increased since 2020. There has been no massive exodus of business and foreign professionals on the scale predicted by the media. Furthermore, there are even some signs of recovery in FDI data, rebounding confidence in the rule of law, and examples of companies moving to Hong Kong. A more conclusive determination can only come with time, but the current evidence gives little

indication that Beijing's alterations to the "one country, two systems" structure have drastically harmed Hong Kong's economy.

Legally Protected Prosperity:

As shown previously, Chinese political reform in the SAR has always stoked fears that Hong Kong will lose its unique economic advantages. They were most pronounced during the 1997 handover and the 2020 National Security Law. These worries often assumed that China was either ignorant of its economic harm or consciously valued projecting its political authority over maintaining the economic prosperity of Hong Kong. Some even suspected that Chinese government attempted to deliberately undermine the success of the SAR economy. In the lead-up to the 1997 handover, there were rumors that China would sabotage Hong Kong's financial sector in favor of Shanghai.[68]

Yet, those assumptions are far from the truth. Beijing has taken special care not to intervene in Hong Kong's economy in the aftermath of the 1997 handover. The Basic Law passed in 1990 by The National People's Congress laid out China's plans before the turnover date. Much of the Basic Law is concerned with maintaining Hong Kong's independent system and its autonomy, especially in Chapter V, which deals with the economy. There is one exception to this theme of autonomy in the law: the Congress inscribed an article that directly commands the SAR government to take certain precautions in guiding its economy. Article 109 commands the government to maintain the conditions that have made Hong Kong a global financial hub, highlighting Beijing's regard for Hong Kong's financial sector.

Article 109 appears to have been executed well — Hong Kong punches well above its weight in its abundance of capital compared to the size of its economy. Hong Kong's

[68] Overholt, "Hong Kong", 8.

International Investment Position (IIP), which is the net FDI currently invested in Hong Kong, demonstrates the city's international financial strength.[69] Its GDP to net IIP found in Figure 9 is significantly higher than Japan's, a major capital exporter, and Singapore's, a city-sized economy like Hong Kong. The data also shows an upward trend in GDP to net IIP signifying confidence in Hong Kong markets despite changes to the "one country, two systems" framework.

Hong Kong as a Financial Portal:

Even before 1997, Hong Kong held a vital role as the only major global hub for offshore Renminbi (RMB) trading. Between 1979 and 1995, almost 60 percent of FDI pouring into China either originated in or was passed through Hong Kong.[70] The RMB is not a fully convertible currency like most major economies because the CCP maintains a fixed rate of exchange and strict capital controls. This makes it difficult for foreigners to invest in China, but RMB offshoring offers a channel for these foreigners. China opened four of its Special Economic Zones right next to Hong Kong to take advantage of this investment channel. Beyond 1997 and during China's period of opening up, there was no other city that could provide the financial and capital mobilization needed to bring China into the global system.[71] Hong Kong's strategic location in the PRD, travel infrastructure, and highly liquid stock market made them unmatched in capturing investment.[72] Today, Hong Kong is the world's fourth-largest currency trading center and the largest offshore RMB trading hub by a wide margin. Hong Kong's role has yet to change. In a 2018 speech, Xi Jinping praised Hong Kong for taking a leading role in China's

[69] Tsang, "The Hong Kong Economy under Asymmetric Integration," 55.
[70] Andrew Scobell and Min Gong. "Whither Hong Kong?" RAND Corporation, 2016, 3, http://www.jstor.org/stable/resrep02414.
[71] Goodstadt, *A City Mismanaged*, 217.
[72] Yeung and Lui, "The Sinicisation of the Hong Kong economy or the Hongkongnisation of the Greater Bay Area," 727, 729-30.

opening up and heading investment efforts before and after the 1997 handover.[73] He, later in that speech, cites RMB trade as a crucial service that Hong Kong provides to China's development. Furthermore, Xi thanked the "one country, two systems" framework maintained by the Basic Law for providing China with all these advantages.

Hong Kong's RMB trade is crucial because it offers China both financial power and domestic financial security. If China opened more directly to global financial markets, Beijing fears the Chinese banking model would lose to international competition and that the economy would be vulnerable to financial crises.[74] The financial crisis of 2008 killed whatever momentum there was to follow the Western financial model.[75] Additionally, the Chinese government and public are largely suspicious of foreign investors and international debt markets.[76] Hong Kong provides a buffer between global financial markets and China's, allowing it to reap the benefits of FDI without being totally exposed to the volatility of the system.[77] As late as 2021, the deputy governor of the People's Bank of China acknowledged that China's financial services are still in the process of opening and that only in collaboration with Hong Kong can businesses have access to "high-quality services."[78]

Business Partners with Beijing:

Furthermore, Beijing's political influence compares weakly to the influence of Hong Kong's business class. Chief executives are not entirely elected by private citizen voters or chosen committees in Beijing but also by special interest groups and businesses. These groups

[73] Jinping Xi, "Promote Development in Hong Kong and Macao as Part of China's Overall Development." vol. 3 of *The Governance of China* (Beijing: Foreign Languages Press, 2020), 459.
[74] Walter and Howie, *Red Capitalism*, 89.
[75] Walter and Howie, *Red Capitalism*, 241.
[76] Walter and Howie, *Red Capitalism*, 121.
[77] Carl E. Walter and Fraser J. T. Howie, *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise*, 2011, 220, https://ci.nii.ac.jp/ncid/BB04996874.
[78] Yeung and Lui, "The Sinicisation of the Hong Kong economy or the Hongkongnisation of the Greater Bay Area," 726-7.

have shown their ability to wield political influence since 1997. Chief Executive Tung Chee-haw would walk back his commitments towards investment in public housing in 2002 to court the favor of real estate magnets in his upcoming re-election.[79] SAR officials influenced by business interests would even go against the suggestions of mainland officials. Premier Wen Jiabao remarked that Hong Kong's funding for social services was inadequate despite having ample funds available, underscoring the power of private interests to shape policy.[80] He later felt it necessary to repeat these same grievances a year later. However, Hong Kong's chief executives routinely fought against publicly funded education, housing, and elder care. This is largely because the business community campaigned against the creation of these social services. Some may offer the National Security Law as proof of the business community finally being overpowered by Beijing, however, it is not clear that the law was a blow to their interests. Surveys by the Hong Kong General Chamber of Commerce do not fully corroborate this. 54% of respondents said that the law would have a negative impact on business in the short term, however 61% believed it would either have a positive impact or no impact in the long term.[81] It may be that some in the business community wanted this law. David Dodwell of the Hong Kong-APEC Trade Policy Group think tank believes that a "significant majority, particularly in the business community supports the security law."[82] The SAR's business community is a powerful force, and it may be that Beijing adjusts its policies to suit the sensibilities of the community rather than vice versa.

[79] Goodstadt, *A City Mismanaged*, 133.
[80] Goodstadt, *A City Mismanaged*, 50–1.
[81] Hong Kong General Chamber of Commerce, "Businesses Largely Positive About the National Security Law Over the Long-Term," June 2020, accessed July 15, 2023, https://www.chamber.org.hk/en/information/survey_details.aspx?ID=37.
[82] Huileng Tan, "Hong Kong's Business Community Sees the Need for National Security Laws, Says Think Tank," *CNBC*, June 9, 2020, https://www.cnbc.com/2020/06/09/hong-kongs-business-community-sees-the-need-for-national-security-laws-says-think-tank.html.

Contrary to prevailing characterizations in the Western media, President Xi's statements surrounding the "one country, two systems" appear to conform with the city's business interests. Xi has routinely affirmed his support for "one country, two systems" and the Basic Law. Before his election to president, he declared that the central government would continue to implement the policy of "one country, two systems" with strict adherence to the Basic Law.[83] On the 20th anniversary of Hong Kong-mainland reunification, he credited the "one country, two systems policy as serving "the fundamental interests of the nation."[84] After the protests and passage of the National Security Law, he declared in a meeting with HKSAR Chief Executive Carrie Lam that the Law was actually supportive of the maintenance of Hong Kong's independent system. He affirmed that it was in the mutual interest of the mainland and Hong Kong for it to remain independent.[85] Publicly, Xi presents the "one country, two systems" framework as an advantage and even as an innovation that the rest of the international community could learn from.[86]

CONCLUSION:

It is not hard to understand why fears surrounded every political change to the SAR. China's interventionist economic policies and party-above-law legal structure are the antitheses of the British-built non-interventionist, rule-of-law society of Hong Kong. Consequently, the Western media, academia, and even the business community tend to be apprehensive of further political encroachment of Beijing in the city. Even to this day, there is no shortage of predictions of mass exoduses from China or further "de-risking," however investments and the actions of

[83] Jinping Xi, "Hong Kong, Macao and the Chinese Mainland Are Closely Linked by Destiny," vol. 1 of *The Governance of China* (Beijing: Languages Press, 2014), 247.

[84] Jinping Xi, "'One Country, Two Systems': Long-Term Prosperity and Stability for Hong Kong," vol. 2 of *The Governance of China* (Beijing: Foreign Languages Press, 2018), 471.

[85] Jinping Xi, "Uphold the Principle of Patriots Governing Hong Kong to Secure the Success of the One Country, Two Systems Policy," vol. 4 of *The Governance of China* (Beijing: Foreign Languages Press, 2022), 471.

[86] Xi, "Promote Development in Hong Kong and Macao as Part of China's Overall Development," 459.

businessmen tell a different story. The choices, not the words of businesses, steer the course of economies and Hong Kong's currently remains a steady course.

Beijing's support for Hong Kong's independent system potentially reveals why integration has not harmed the city's economy. However, part of this is also owed to Hong Kong's comparatively international business-friendly climate. All this does not deny that China's economy itself has affected Hong Kong. The development of manufacturing in Southern China has been the focus of Hong Kong's service industries and the reason why international business is so popular in Hong Kong. However, the common veins in both the story of Hong Kong's resilience to political change and its dependence on Chinese manufacturing are its location and its pro-business policies. The same two features that fertilized its economic rise continue to define its current economy.

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Strategic Deterrence with Chinese Characteristics: Assessing the Use of Strategic Deterrence in the 20th CCP National Party Congress

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Abstract:

During the 20th National Party Congress of the Chinese Communist Party, General Secretary Xi Jinping made unprecedented remarks in his political report. For the first time in the history of these speeches to the National Party Congress, the necessity to develop "strategic deterrence" capability was recognized. Specifically, Xi mentioned that China "will establish a strong system of strategic deterrence." Since the term strategic deterrence is often used in the context of nuclear deterrence, and China has currently reinforced its nuclear capability, most China watchers assessed the implication of Xi's reference to strategic deterrence exclusively in relation to Chinese nuclear policy. Through textual analysis of primary sources about Chinese security policy and discussion of Chinese military operations, this paper presents a slightly different assessment of the use of strategic deterrence in Xi's speech. Specifically, this paper concludes that the use of strategic deterrence merely signals China's willingness to reinforce general military capability and preparedness out of a deepened sense of insecurity against external threats. Although the nuclear policy is a significant component of any deterrence policy, Chinese notions of strategic deterrence indicate that conventional arms modernization and development are also integral to the initiative. Xi's mention of the strong system of strategic deterrence, thus, should not be understood exclusively as an indication of nuclear policy direction.

INTRODUCTION:

Recently, the U.S. has become increasingly concerned about China's ambitions on the world stage. Many sources of divergence, from disputes over Taiwan, human rights, and unfair business regulations, have gradually but tangibly exacerbated the U.S.' fear of China. Such a negative perception of China, for example, manifested itself in the 2017 National Security Strategy, which treated China as a fundamental challenger to core American strategic interests.[1] This attitude toward China is echoed in the U.S. National Security Strategy published in October 2022, which recognizes that "the PRC presents America's most consequential geopolitical challenge."[2] Concerns over China's assertiveness were reaffirmed after the 20th CCP National Party Congress in October 2022. Many analysts pointed out that Xi's appointment of close allies to the Politburo Standing Committee has given him more leeway to pursue an increasingly assertive foreign policy.[3] The contents of the political report in the 20th Party Congress either rehash or reinforce China's intention to implement an assertive and proactive foreign policy.

Crucially, many China watchers have noted that for the first time in the history of the People's Republic of China, the phrase "strategic deterrence" was used in the Party Congress political report as a necessary capability the PRC must establish.[4] Specifically, the report says that China "will establish a strong system of strategic deterrence." An important and emerging question China watchers must ask themselves is why the establishment of strong strategic

[1] The White House, "National Security Strategy of the United States of America 2017," White House, December 2017, http://nssarchive.us/wp-content/uploads/2020/04/2017.pdf.
[2] "National Security Strategy 2022" (The White House, October 2022), accessed December 28, 2022, https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf.
[3] Guoguang Wu, "New Faces of Leaders, New Factional Dynamics: CCP Leadership Politics Following the 20th Party Congress," *China Leadership Monitor* Winter 2022, no. 74 (December 1, 2022), https://www.prcleader.org/wu-december-2022.
[4] "Full Text of the Report to the 20th National Congress of the Communist Party of China," Ministry of the Foreign Affairs of the People's Republic of China, October 25, 2022, accessed December 28, 2022, https://www.fmprc.gov.cn/eng/zxxx_662805/202210/t20221025_10791908.html

deterrence was mentioned at the 20th National Party Congress. Relatedly, what are the implications of establishing strategic deterrence for China's military strategy? This paper aims to explore those research questions.

Based on this objective, the paper below is divided into four sections. The first section examines how strategic deterrence is used in China's military discourse. This section lays down the foundation for analyzing the research question by clarifying how China uses the term. The second section approaches the first half of the research question and tries to understand the impetus for the unprecedented use of strategic deterrence in the 20th Party Congress. The analysis is conducted by parsing together multiple official PRC documents, including the political report to the 20th Party Congress, the Science of Military Strategy (SMS), and Defense White Papers. The third section, based on the analysis in the second section, explores what the use of strategic deterrence in the 20th Party Congress political report implies. In particular, this part critically assesses the dominant view of many China watchers, who analyze the report's reference to strategic deterrence exclusively in relation to nuclear policy. The last section assesses how Chinese military operations around Taiwan and disputed territories, in practice, have changed in recent years when China conceptualized strategic deterrence in detail. By comparing the Chinese doctrine of strategic deterrence and its practice, this section attempts to evaluate the validity of arguments in the second and third sections, which are solely dependent on textual analysis. This assessment of the consistency between doctrine and practice matters since primary sources published by official Chinese institutions are often used as propaganda. This paper concludes that the use of strategic deterrence signals China's willingness to reinforce its general military capabilities and preparedness out of a heightened sense of insecurity against external threats. Although nuclear policy is a significant component of deterrence, conventional

arms modernization and development are also integral to China's strategic deterrence initiative. Xi's mention of the strong system of strategic deterrence, thus, should not be understood exclusively as an indication of nuclear policy direction.

STRATEGIC DETERRENCE WITH CHINESE CHARACTERISTICS:

While both the United States and China utilize the term "strategic deterrence," each country has a distinct understanding and application of the term. Despite the absence of a detailed discussion of strategic deterrence in many government documents in China, the PRC's Science of Military Strategy (SMS) provides a comprehensive outline of the Chinese interpretation of the term. The 2001 SMS defines strategic deterrence as the "Strategic behavior performed for deterrence on the overall strategic situations."[5] The 2020 version of the SMS is even more specific, defining strategic deterrence as a "kind of military struggle in which the country and the army are forced to concede, compromise or yield to the unbearable consequences by skillfully displaying strength and determination of using force through comprehensive use of powerful military reality to achieve a definite political goal."[6] Importantly, China's emphasis on the "Comprehensive use of powerful military reality" differs from the U.S., which interprets strategic deterrence primarily in the realm of nuclear strategy. China's perception of strategic deterrence is the product of both conventional and nuclear forces and non-military measures.[7] The SMS 2001 lists five components of strategic deterrence: nuclear,

[5] Academy of Military Sciences, "Strategic Deterrence," in The Science of Military Strategy 2001, trans. Beng She.Yi Ming (Military Science Publishing House, 2005).
[6] National Defense University, "Strategic Deterrence," in *The Science of Military Strategy* 2020, trans. Center for Strategic and International Studies (National Defense University Press, 2020), https://interpret.csis.org/translations/science-of-military-strategy-2020-ed-chapter-8-strategic-deterrence/.
[7] U.S. Department of Defense, "2022 National Defense Strategy of The United State of America," U.S. Department of Defense, October 27, 2022, accessed October 16, 2023, https://media.defense.gov/2022/Oct/27/2003103845/-1/-1/1/2022-NATIONAL-DEFENSE-STRATEGY-NPR-MDR.PDF.

conventional, space, information, and people's war deterrence.[8] Despite some marginal changes in vocabulary usage, the SMS 2020 provided the same understanding of strategic deterrence.[9] Both editions of the SMS also require the use of political and economic measures by China to remind opponents of the risk of attacking China. Flexible employment of these military and non-military measures is the main characteristic of China's strategic deterrence.

Another aspect of the unique Chinese understanding of strategic deterrence is its emphasis on the defensive purpose of having nuclear weapons. Historically, China has focused on the defensive purpose of having nuclear weapons. Mao Zedong originally undervalued the strategic importance of nuclear weapons. In his perspective, nuclear weapons are excessively destructive; thus, their applicability to war is limited compared with conventional military forces.[10] Additionally, he thought using nuclear weapons was so inhumane that a state utilizing its weapons would incur intense stigmatization.[11] He thought China should refrain from conducting a first strike of nuclear weapons to keep the moral high ground in international society. Mao believed that acquiring nuclear capability was indispensable for China to deter nuclear attacks and blackmail; however, he thought it should be used only for defensive purposes because of its limited strategic value and immorality.

The other important historical factor in understanding the crux of Chinese use of strategic deterrence is the concept of "active defense." Being integrated into the Chinese military strategic guideline in 1980, "active defense" is one of the foundations of Chinese nuclear strategy.[12]

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[8] Academy of Military Sciences, "Strategic Deterrence."
[9] National Defense University, "Strategic Deterrence."
[10] "China's No First Use of Nuclear Weapons," in *Understanding Chinese Nuclear Thinking* (Carnegie Endowment for International Peace, 2016), 51-78, https://carnegieendowment.org/2016/10/28/understanding-chinese-nuclear-thinking-pub-64975.
[11] "China's No First Use of Nuclear Weapons," 51-78.
[12] Taylor Fravel, "China's Nuclear Strategy since 1964," in *Active Defense: China's Military Strategy Since 1949* (Princeton: Princeton University Press, 2016), 236, https://doi.org/10.2307/j.ctv941tzj.15.

Simply put, the idea of active defense is to ensure security through three stages: surviving the opponents' attack both with defensive and offensive operations, conducting counterattacks after the stalemate of an opponent's offensive military operation, and then launching a strategic offensive to win the war after an opponent is weakened sufficiently.[13] The important thing is that following the principles of active defense means that offensive military measures are employed only after receiving an attack by an opponent state. This spirit of using military force for defensive purposes only after facing a foreign attack echoes the Chinese idea of strategic deterrence. As noted in the SMS 2020, China says that strategic deterrence should be consistent with the principle of active defense.[14] Overall, this description of Chinese military doctrine appears to suggest that the government is interested in constructing strategic deterrence capability only to supplement its defensive capacity, not for first-use offensive military operations.

MEANING OF "STRATEGIC DETERRENCE" AT THE 20TH NATIONAL PARTY CONGRESS:

This paper analyzes three official Chinese government documents to explore the research question: the political report to the 20th National Party Congress, the Science of Military Strategy of 2001 and 2020, and the Defense White Papers of 2015 and 2019. The Political Report to the Party Congress, delivered by the CCP General Secretary, includes a summary of the CCP's main achievements over the past five years as well as a general indication of the

[13] Taylor Fravel, "The 1980 Strategy: 'Active Defense,'" in *Active Defense: China's Military Strategy since 1949* (Princeton: Princeton University Press, 2015), 166, https://doi.org/10.2307/j.ctv941tzj.12.
[14] National Defense University, "Strategic Deterrence."

party's political direction in the new term.[15] The SMS is "the discipline of studying the overall situation and rules of war, national defense, and army building."[16] As pointed out by Fravel, the well-known researcher of Chinese security policies, the SMS is a reliable tool for understanding Chinese conceptions of military and grand strategy, given that it is authored by those in charge of forming Chinese defense policy.[17] The Defense White Paper is the biannual paper discussing the security situation facing China and its military development.[18] Being published by the State Council of the PRC, white papers help China watchers understand Chinese security policy.

In order to approach the research question, this paper first analyzes the evolution of Chinese military strategy in the SMS and Defense White Paper published before and after the 19th National Party Congress. If there is some notable change in these documents after the 19th Party Congress, this would suggest a change in party officials' perceptions about military and security policy. Based on the timing of change, such a perceptual shift may explain the unprecedented use of strategic deterrence in the political report to the 20th Party Congress. Specifically, this study assesses whether the changing trends in official military documents correspond to the language used in Xi's political report delivered at the 20th National Party Congress.

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[15] Minxin Pei, "Policy Continuity with Rhetorical Escalation: Parsing Xi Jinping's Political Report to the 20th Party Congress," *China Leadership Monitor* Winter 2022, no. 74 (December 1, 2022), https://www.prcleader.org/pei-december-2022.

[16] Taylor Fravel, "China's Changing Approach to Military Strategy: The Science of Military Strategy from 2001 to 2013," in *China's Evolving Military Strategy*, ed. Joe McReynolds, Jamestown Foundation, 2016, 40–73, https://proxygw.wrlc.org/login?url=https://www.jstor.org/stable/10.7864/j.ctt21kk0ng.5.

[17] Joel Wuthnow and M. Taylor Fravel, "China's Military Strategy for a 'New Era': Some Change, More Continuity, and Tantalizing Hints," *Journal of Strategic Studies*, March 1, 2022, 1–36, https://doi.org/10.1080/01402390.2022.2043850.

[18] Caitlin Campbell, "China's Military: The People's Liberation Army," Congressional Research Services, January 4, 2021, accessed December 29, 2022, https://crsreports.congress.gov/product/details?prodcode=R46808.

WHAT CHANGED AFTER THE 19TH CCP NATIONAL PARTY CONGRESS?

The parsing of official documents related to military and national defense after the 19th CCP National Party Congress in 2017 reveals two major shifts in party officials' thoughts. Cadres appear to be increasingly worried by external threats and feel the need to invest in military development, including strategic deterrence capabilities. These trends are observed in the shifting contents of the Defense White Papers. "China's Military Strategy," the Chinese Defense White Paper published in 2015, presents a relatively optimistic characterization of the international security situation for China and emphasizes the role of cooperation in its preface. For example, "to realize the Chinese Dream of Great national rejuvenation," the document says, "the Chinese people aspire to join hands with the rest of the world to maintain peace, pursue development and share prosperity.''[19] While recognizing the changing nature of the international order by calling it a "new situation," which requires further development of military capability, there is no direct concern over external threats. This is distinctive from "China's National Defense in the New Era," the Chinese Defense White Paper published in 2019, whose preface expresses ''anxiety over destabilizing factors and uncertainties in international security.''[20]

An exacerbated sense of insecurity against external threats is not limited to the preface but persists in the 2019 Defense White Paper. Specifically focusing on the U.S., the document criticizes the U.S., which "provoked and intensified competition among major counties" through increasing militarization and expansion of defense expenditure.[21] In particular, it identified the growing U.S. military presence in the Asia Pacific in tandem with its Asian allies as a

[19] Panyue Huang, "China's Military Strategy - Ministry of National Defense," May 2015, accessed December 29, 2022, http://eng.mod.gov.cn/publications/2021-06/23/content_4887928.htm.
[20] Jiayao Li, "China's National Defense in the New Era - Ministry of National Defense," July 24, 2019, accessed December 29, 2022, http://eng.mod.gov.cn/publications/2019-07/24/content_4846452.htm.
[21] Li, "China's National Defense in the New Era - Ministry of National Defense."

destabilizing factor in international security.[22] Likewise, the deployment of the THAAD system in the Republic of Korea is characterized as an action undermining China's national security.[23] In comparison, the 2015 edition of the Defense White Paper presents a far more moderate perception of American activities. In discussing the situation in the Asia Pacific, it does not go beyond simply recognizing the U.S. Asian rebalance strategy.[24] This differs from the 2019 edition's much harsher criticism of the U.S.' impact on Chinese national security and broader regional stability.

Moreover, the evolution in China's characterization of Taiwan's political status highlights its growing anxieties over external security threats. The tone of the section evaluating cross-strait issues in 2015 is optimistic. This is clear from the characterization of cross-strait relations as preserving the trend of peaceful development.[25] In 2019, however, the Defense White Paper denounced Taiwan separatists for "intensifying hostility and confrontation, and borrowing the strength of foreign influence."[26] A pessimistic evaluation of cross-strait relations based on the concern over Taiwan separatism and foreign intervention was newly added in 2019.

In addition to the worsened sense of security against external threats, elaboration on the practicability of strategic deterrence is one of the other changes in the SMS and Defense White Papers. Although the term is not explicitly mentioned, much of the language of the 2019 Defense White Paper bears striking similarities with the descriptions of strategic deterrence used in the 2020 SMS. The 2019 Defense White Paper has a section discussing the required mission of the People's Liberation Army (PLA) — this section differed from its 2015 edition with the addition

[22] Li, "China's National Defense in the New Era - Ministry of National Defense."
[23] Li, "China's National Defense in the New Era - Ministry of National Defense."
[24] Huang, "China's Military Strategy - Ministry of National Defense."
[25] Huang, "China's Military Strategy - Ministry of National Defense."
[26] Li, "China's National Defense in the New Era - Ministry of National Defense."

of two new elements: the necessity of "Maintaining Combat Readiness" and "Carrying Out Military Training in Real Combat Conditions."[27] While these elements were not introduced as strategic deterrence in the 2019 Defense White Paper, that is how they are categorized in the 2020 SMS. The idea of "maintaining Combat readiness" in the Defense White Paper is identical to two of the methods to practice strategic deterrence introduced in the 2020 SMS: "adjustment of military deployment" and "improve the combat readiness."[28] The idea of conducting realistic military training, which is written about in the 2019 Defense White Paper, aligns well with the explanation of strategic deterrence in the SMS 2020. The resemblance of content seems to imply that the evolving ideas about strategic deterrence manifested themselves in both documents: implicitly in the 2019 Defense White Paper and explicitly in the SMS 2020. Specifically, they share the importance of conducting military exercises and military parades to enhance combat effectiveness and demonstrate Chinese military capability. Of note is that sophisticated elaboration on these practices of strategic deterrence was unprecedented until the 2019 Defense White Paper and the 2020 SMS, respectively. In summary, recognition of aggravated external threats and detailed articulation of the Chinese interpretation of strategic deterrence were notable changes in recent official military documents.

DIRECT INSIGHT INTO THE 20TH NATIONAL PARTY CONGRESS' POLITICAL REPORT:

The hypothesis that emerges from the above observations is that an increasing concern over external threats calls for the sophistication of military strategy, epitomized by the detailed conceptualization of strategic deterrence. This hypothesis, which connects the heightened sense

[27] Li, "China's National Defense in the New Era - Ministry of National Defense."
[28] National Defense University, "Strategic Deterrence."

of external insecurity to China's newfound focus on strategic deterrence, is corroborated by information publicized by China's official military institutions and media. In explaining the importance of operational preparedness against the backdrop of increased risk of conflicts, China's Central Military Commission highlighted the necessity of strategic deterrence capabilities.[29] The report by the People's Daily, the official newspaper of the Chinese Communist Party, indicates that it is necessary to show off advanced military technology in order to demonstrate strategic deterrent capability toward the U.S.[30] The focus on the U.S. is rationalized by the perceived provocative action taken by the U.S. in adjacent areas. Both official statements and state-run broadcasts reveal that in China, strategic deterrence is understood to be a way to show off Chinese preparedness against foreign threats, specifically the U.S. in particular. In other words, a sense of insecurity against external threats calls for the reinforcement of strategic deterrence capability by China. This conclusion verifies the hypothesis introduced above.

This logic, recognizing the fear of external threats as the impetus for strategic deterrence, seems to apply to the political report to the 20th National Party Congress. One of the distinctive features of the political report was the explanation of how Chinese national security has come under threat. General concern over external threats is expressed in the report, saying that "external attempts to suppress and contain China may escalate at any time."[31] The political report is quite pessimistic towards U.S.-China relations, especially when compared to the 2017 political

[29] Chen Zhuo, "PLA Combat Forces Hone Skills in Realistic Exercises - 中国军网," *PLA Combat Forces Hone Skills in Realistic Exercises*, July 31, 2021, accessed December 28, 2022, http://www.81.cn/jwywpd/2021-07/31/content_10069188.htm.
[30] Chen Zhuo, "China Showcases Cluster of 'aircraft Carrier Killer' Missiles," *China Military*, June 5, 2019, accessed December 28, 2022, http://eng.chinamil.com.cn/view/2019-06/05/content_9524277.htm.
[31] "Full Text of the Report to the 20th National Congress of the Communist Party of China."

report.[32] In the 2022 address, Xi characterizes the new security landscape as an unprecedented "black swan" and an emerging "gray rhino" threat, underscoring the Party's worsened outlook of China's national security since 2017.[33] All in all, the report to the 20th National Party Congress highlights critical threats to Chinese security, a major difference from past reports. In response to these perceived widening threats, the report underscores the importance of developing a strategic deterrence capability.[34] This supports the revelation discussed earlier which established a temporal relationship between the rise of perceived security threats and the new understanding of strategic deterrence outlined in recent military papers.

THEORETICAL IMPLICATIONS OF STRATEGIC DETERRENCE IN THE POLITICAL REPORT:

What specific action does China plan to take in constructing a robust system of strategic deterrence? The answer provided by many analysts is that the unprecedented use of strategic deterrence in the political report represents the Chinese aspiration to reorient its nuclear strategy. Song Zhongping, a former People's Liberation Army instructor, points out that the use of strategic deterrence in the political report gives the nod to the further strengthening of Chinese nuclear forces.[35] Zhao Tong, a senior fellow at the Carnegie-Tsinghua Centre for Global Policy in Beijing, stated that the declaration to build a strong system of strategic deterrence in the

[32] Bonny Lin et al., "China's 20th Party Congress Report: Doubling Down in the Face Of," Center for Strategic & International Studies, October 19, 2022, accessed December 24, 2022, https://www.csis.org/analysis/chinas-20th-party-congress-report-doubling-down-face-external-threats.

[33] "Full Text of the Report to the 20th National Congress of the Communist Party of China."

[34] "Full Text of the Report to the 20th National Congress of the Communist Party of China."

[35] Amber Wang, "Xi's Mention of 'Strategic Deterrence' Points to China's Nuclear Build-Up," *South China Morning Post*, October 18, 2022, accessed December 24, 2022, https://www.scmp.com/news/china/military/article/3196408/analysts-seize-xis-mention-strong-strategic-deterrence-sign-chinas-nuclear-build.

political report represents the shifting Chinese nuclear strategy.[36] Analysis of the 20th National Party Congress published by the Center for Strategic and International Studies also evaluates the significance of Xi's strategic deterrence reference purely through the lens of Chinese nuclear policy.[37] In sum, the prevailing conversation surrounding Xi's remarks reveals a narrow preoccupation with its ramifications on China's nuclear defense posture.

Given recent developments in its nuclear force, such an observation is understandable. Nevertheless, the implication of the unprecedented use of strategic deterrence in the political report is not limited to issues related to nuclear policy; instead, it has more diverse implications for the current Chinese military. The PLA mentions strategic deterrence as a capability its navy has to acquire.[38] This is despite the fact that the PLAN does not exercise significant influence over nuclear forces that can target the mainland U.S. Although the PLAN possesses the JL-2, a submarine-launched ballistic missile (SLBM) with a nuclear warhead, these forces do not have sufficient strike range to inflict counterstrikes on the U.S.[39] While the PLAN is in the works of producing the JL-3 SLBM, which would be able to reach the United States, the extent to which the missile is operational is still unclear.[40] Indeed, China has focused heavily on its land-based ballistic missiles, reinforcing its nuclear forces by constructing over 300 new silos and developing a new type of ICBM, DF-41.[41] Also of note is the development of intermediate

[36] Wang and Wang, "Analysts Seize on Xi's Mention of Strong 'Strategic Deterrence' as Sign of China's Nuclear Build-Up."
[37] Bonny Lin et al., "China's 20th Party Congress Report: Doubling Down in the Face Of," Center for Strategic & International Studies, October 19, 2022, accessed December 24, 2022, https://www.csis.org/analysis/chinas-20th-party-congress-report-doubling-down-face-external-threats.
[38] Lei Zhao, "PLA Navy Makes Great Strides as It Turns 72," *China Daily*, April 23, 2021, accessed December 29, 2022, https://www.chinadaily.com.cn/a/202104/23/WS6082042fa31024ad0bab9ba3.html.
[39] Campbell, "China's Military: The People's Liberation Army."
[40] Campbell, "China's Military: The People's Liberation Army."
[41] Hans M. Kristensen and Matt Korda, "Chinese Nuclear Weapons, 2021," *Bulletin of the Atomic Scientists* 77, no. 6 (November 2, 2021): 318–36, https://doi.org/10.1080/00963402.2021.1989208.

ballistic missiles, like DF-21 and DF-26.[42] However, these major developments in nuclear capability, which are often cited to explain why the use of strategic deterrence in the political report is likely to be related to Chinese nuclear policy, are under the control of the PLA rocket force.[43] Directing the PLAN to acquire strategic deterrence capabilities while not developing greater navy nuclear strike forces is a clear indicator of the non-nuclear implications of strategic deterrence. This also aligns with the distinct definition of strategic deterrence in Chinese military papers discussed earlier which includes a focus on both conventional and nuclear military modernization, combat readiness, and power projection.

Instead of purely focusing on nuclear capability, the PLAN is investing in the modernization of conventional capabilities. While the growing number of PLAN combat vessels is not a perfect indicator of naval capability, it is worth noting that PLAN surpassed the U.S. in the number of combat vessels between 2015 and 2020.[44] Qualitatively, focusing on the production of multi-mission destroyers, frigates, and corvettes, China's enhancement in naval design has allowed radical modernization of its forces.[45] Furthermore, one can observe the most notable example of the modernization of conventional naval forces in Chinese aircraft carrier production. In 2012, China's first aircraft carrier, the *Liaoning*, went into service, followed by the *Shandong,* which was commissioned seven years later in 2019.[46] The third aircraft carrier,

[42] Kristensen and Korda, "Chinese Nuclear Weapons, 2021."
[43] Campbell, "China's Military: The People's Liberation Army."
[44] Ronald O'Rourke, "China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress," Congressional Research Service, December 1, 2022, accessed February 19, 2023, https://sgp.fas.org/crs/row/RL33153.pdf.
[45] Defense Intelligence Agency, "China Military Power: Modernizing a Force to Fight and Win," Defense Intelligence Agency, 2019, accessed February 19, 2023, https://www.dia.mil/Portals/110/Images/News/Military_Powers_Publications/China_Military_Power_FINAL_5MB_20190103.pdf.
[46] O'Rourke, "China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress."

Fujan, completed construction in 2022 and is reportedly commissioning in 2024. Of note is that these Chinese aircraft carriers fail to surpass their U.S. counterparts in quality; however, they have increasingly narrowed the technological gap. For example, *Fujian* is equipped with catapult launchers, giving carrier-based aircraft a much wider operating range than ski-ramped launchers, which are used by the *Liaoning* and *Shandong*.[47] Crucially, each successive aircraft carrier has been heavier, with a larger load displacement, than its predecessor. Overall, it is clear that the PLAN has paid great attention to the modernization of its conventional naval forces, with nuclear reinforcement not the only item on its agenda.

It is important to recognize that China gives attention to conventional capabilities and proportionality of deterrence when discussing strategic deterrence. As pointed out by Powell, the leading researcher on the application of game theory to international conflicts and nuclear deterrence, the use of non-nuclear forces would play an integral role in enhancing the credibility of deterrence.[48] Since the destructiveness of conventional forces is limited compared with nuclear weapons, options to impose damage through the former may improve the credibility of deterrence. The point is that having conventional capabilities enables states to implement a proportionate use of force which is thought to make deterrence more effective. China has not only focused on developing the conventional capabilities that enable a limited military operation but has also articulated its will to rely on conventional forces to create strategic deterrence. For example, the SMS 2020 evaluates deterrence through conventional means as "more credible" than nuclear deterrence because of the limited risk of using nuclear weapons.[49] Referring to the

[47] O'Rourke, "China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress."
[48] Robert Powell, "The Nuclear Revolution and the Problem of Credibility," in *Nuclear Deterrence Theory: The Search for Credibility*, 1st ed. (Cambridge: Cambridge University Press, 2008), 25.
[49] Academy of Military Sciences, "Strategic Deterrence," 4.

technological advancement enabling conventional forces to fill the gap between nuclear forces in combat effectiveness, the SMS 2020 highlighted the usability of conventional deterrence. Importantly, in laying out the guidance on how to practice strategic deterrence, the SMS 2020 requires the combination of conventional forces with other measures, including the use of nuclear weapons.[50] The Chinese reinforcement of its conventional forces and the reality that the SMS 2020 frames these non-nuclear forces as essential components of strategic deterrence explain why the Chinese use of strategic deterrence should have implications beyond nuclear doctrine.

Additionally, the SMS 2020 explains that the practice of strategic deterrence focuses more on building up operational preparedness rather than developing strong nuclear forces. In the newly added section titled "Method of strategic deterrence," the document demonstrates how China plans to practice strategic deterrence.[51] Eight methods are presented in the document, which include: 1) "Create an atmosphere of war" by showing the determination to fight in an official statement, 2) "Display of advanced weapons," 3) "Conduct military exercises," 4) "Adjustment of military deployment," 5) "Improve the combat readiness level," 6) "Implement information attacks," 7) "Restrictive military operations," and 8) "Cautionary military strike" in response to provocative action taken by foreign states.[52] Among the eight ways to enhance strategic deterrent capabilities, only displaying advanced weapons requires boosting nuclear capability; however, the rest of the methods to practice strategic deterrence involve a much broader consideration of Chinese defense policy.

[50] Academy of Military Sciences, "Strategic Deterrence," 12.
[51] National Defense University, "Strategic Deterrence."
[52] National Defense University, "Strategic Deterrence."

Operational preparedness and the ability to respond proportionally to foreign aggression are critical to China's strategic deterrence. Chinese officials believe that by developing operational preparedness, China communicates its willingness to inflict damage on its opponents, thereby creating more robust deterrence. As mentioned above, specific measures to do so include military exercises, adjustment of military configuration, information warfare, limited military operation, and improvement of combat readiness.[53] Notably, these measures are what China has been actively pursuing recently. For example, throughout 2021, the PRC has attempted to bolster its preparedness for a confrontation over Taiwan with a series of military exercises on its coast.[54] These military exercises focus more on realistic conflict scenarios and try to enhance multi-domain joint operational capability. In practice, the SMS 2020 explains that conducting military exercises to improve and demonstrate combat readiness is integral to achieving strategic deterrence.[55] Additionally, the emphasis on information warfare to practice strategic deterrence is consistent with the current Chinese intention to augment informatized military capabilities, including cyber-warfighting capacity and smart warfare capability using artificial intelligence.[56] These actions are consistent with the goals presented in the Chinese definition of strategic deterrence. The nuclear force is part of what China considers the essential elements of strategic deterrence. Based on textual analysis, however, it can be concluded that discussing the implications of Xi's mention of strategic deterrence in the 20th Party Congress purely in relation to Chinese nuclear policy is inappropriate. The unprecedented reference to strategic deterrence in

[53] National Defense University, "Strategic Deterrence."
[54] "2022 Report on Military and Security Developments Involving the People's Republic of China," U.S. Department of Defense, November 29, 2022, accessed December 9, 2022, https://media.defense.gov/2022/Nov/29/2003122279/-1/-1/1/2022-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA.PDF.
[55] National Defense University, "Strategic Deterrence."
[56] U.S. Department of Defense, 2022 Report on Military and Security Developments Involving the People's Republic of China.

the political report to the 20th National Party Congress shows the Chinese aspiration to continue military modernization and the development of comprehensive military preparedness out of a sense of jeopardy.

PRACTICAL IMPLICATIONS TO POLICY SHIFT:

Although the above textual analysis of primary Chinese sources concludes that strategic deterrence in the 20th National Party Congress resulted from an emerging conceptualization of the term around 2019 and that China uses the term uniquely, the analysis is open to potential criticism. Possible critics may allege that government political statements alone are insufficient to prove a shift toward strategic deterrence. It is true that analyzing primary sources alone is not objective enough to assess current state policy as the government's actions often diverge from its official statements. In order to conclude that China is focusing on strategic deterrence in its unique manner after the 20th National Party Congress based on the emerging conceptualization of the term in 2019-2020, there should be corresponding changes in Chinese military operations around that time. In particular, China should have exercised strategic deterrence by relying not only on nuclear forces but also on non-nuclear instruments. If there are no tangible actions that align with Xi's remarks and military papers discussed above, then the significance of their meaning would be rendered shallow.

Yet, China's recent actions regarding territorial disputes are excellent displays of their distinct definition of strategic deterrence. For example, Chinese action around the Taiwan Strait and the Senkaku Islands (Diaoyu Islands) illustrate this behavior. Regarding the Taiwan problem, China has recently implemented various measures to prevent the complete independence of the island. Air incursions into Taiwan's Air Defense Identification Zone (ADIZ) are one example of Chinese harassment toward Taiwan. However, this method of

intimidation is relatively new. While there is no official data about Chinese aircraft incursion into the ADIZ before 2020, China likely started this type of military harassment only after 2019.[57] After 2020, according to the Taiwan Ministry of Defense, the number of aircraft invading Taiwan's ADIZ increased exponentially.[58] China has indeed conducted other moderate aggressive behavior, as epitomized by circumnavigation flights, even before 2019.[59] However, intrusion into the ADIZ, which presents a more direct threat to Taiwanese forces, indicates a more forthright posture. Furthermore, around 2019, violations of Taiwan's ADIZ became more frequent compared with circumnavigation flights.[60] Therefore, the practice of circumnavigation flights from 2016 does not contradict the observation that China's aggressive military behavior around Taiwan intensified around 2019.

There are two crucial implications of this situation. First, China's increased violation of the Taiwanese ADIZ and intensification of aggressive flight activities happened around the same time as strategic deterrence emerged in official Chinese documents. Secondly, the violation of Taiwan's ADIZ is consistent with China's conceptualization of strategic deterrence. Specifically, the idea of how to practice strategic deterrence, which is written in SMS 2020, has a commonality with Chinese military actions in the Taiwan Strait. For example, "conducting military exercises," "improved combat readiness," and "Restrictive military operations," all of which are written in SMS 2020, can be observed in China's recent actions around Taiwan.[61]

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[57] Ralph Jennings, "China's Jets That Crossed into Taiwan Airspace: Not a First; Maybe Not the Last," *VOA*, April 3, 2019, https://www.voanews.com/a/china-taiwan-airspace/4859810.html.
[58] Reuters, "Taiwan Reports Second Day of Large Chinese Incursion into Its Air Defense Zone," *CNBC*, March 2, 2023, https://www.cnbc.com/2023/03/02/taiwan-reports-large-chinese-incursion-into-its-air-defense-zone.html.
[59] Mercedes Trent, "Number of Chinese Unauthorized ADIZ Intrusion by Yaer & Country," in *Over the Line: The Implications of China's ADIZ Intrusions in Northeast Asia* (Washington: Federation of American Scientists, 2020), accessed December 7, 2023, https://www.jstor.org/stable/resrep26130.
[60] Trent, "Number of Chinese Unauthorized ADIZ Intrusion by Yaer & Country."
[61] Academy of Military Sciences, "Strategic Deterrence," 12.

Similar Chinese military actions that fit the mold of strategic deterrence have been observed around the Senkaku (Diaoyu) Islands. As territory disputed by Japan, Taiwan, and China, the island is a major flashpoint in East Asia. China claims that the Senkaku (Diaoyu) Islands are their legitimate territory by saying that the islands are an "inalienable part" of Chinese territory.[62] In proclaiming its territorial rights over the islands, China is violating Japanese contiguous water and territorial water around the islands.[63] The point is that such actions by China have exponentially increased after 2019, as Figure 1 below indicates. Similar to the observation about Chinese behavior in the Taiwan Strait, it is noteworthy that China has increasingly conducted such actions after articulating the need for strategic deterrence, and their actions are consistent with their understanding of how to practice strategic deterrence.

Importantly, this discovery indicates that China's understanding of strategic deterrence has significant non-nuclear aspects. These findings support the argument that strategic deterrence, mentioned at the 20th National Party Congress, is used in a broad military context, not exclusively in relation to Chinese nuclear strategy. To sum up, both numerical data and textual analysis of multiple Chinese primary sources conclude that China conceptualizes and practices strategic deterrence in a diverse manner, which is not restricted to its nuclear doctrine.

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[62] Li, "China's National Defense in the New Era - Ministry of National Defense."

[63]日本海上保安庁 [Japanese Coast Guard]. "尖閣諸島周辺海域における中国海警局に所属する船舶等の動向と我が国の対処|海上保安庁 [Movements of Vessels belonging to the Chinese Maritime Police Bureau in the Waters Surrounding the Senkaku Islands and Japan's Response]." Accessed April 1, 2023. https://www.kaiho.mlit.go.jp/mission/senkaku/senkaku.html.

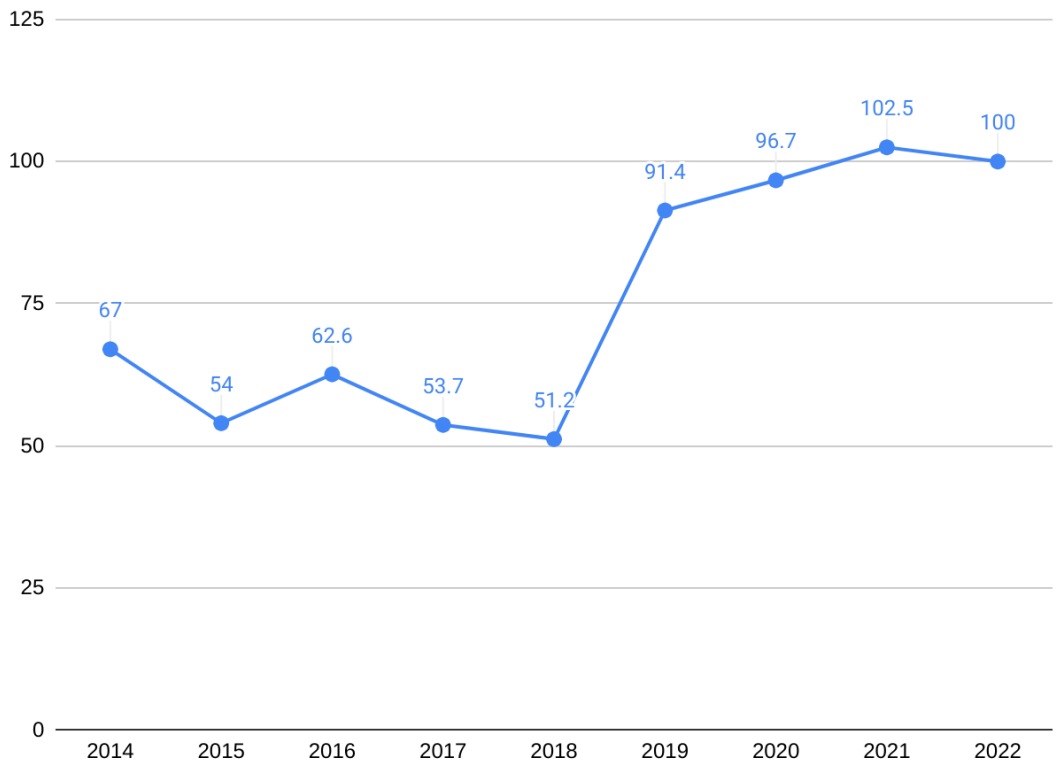

Figure 1. The Average Number of Chinese Fleets Entering Japanese Contiguous Water Around Senkaku-Diaoyu Island per Month of Each Year

(Source: 日本海上保安庁 [Japanese Coast Guard] "尖閣諸島周辺海域における中国海警局に所属する船舶等の動向と我が国の対処|海上保安庁 [Movements of Vessels belonging to the Chinese Maritime Police Bureau in the Waters Surrounding the Senkaku Islands and Japan's Response]," 日本海上保安庁 [Japanese Coast Guard], accessed April 1, 2023, https://www.kaiho.mlit.go.jp/mission/senkaku/senkaku.html.)

CONCLUSION:

Strategic deterrence, a term commonly used in discussions of nuclear policy, was mentioned for the first time by China at the 20th CCP National Party Congress. Many Western analysts have understood this unprecedented reference as a signal by China of its intention to reinforce its nuclear arsenal — in part because of recent developments in China's nuclear force. An analysis of the SMS, Defense White Papers, and political reports to the 20th National Party Congress suggests otherwise. Strategic deterrence mentioned in the political report to the Party

Congress has resulted from a heightened sense of fear towards external threats. While the reference to strategic deterrence does have influence on Chinese nuclear policy, it is only one dimension of a much larger picture. Rather, mentions of strategic deterrence in the political report indicate China's intention to enhance both its conventional and nuclear capabilities. Only by embracing a more comprehensive understanding of the Chinese conception of strategic deterrence can Western scholars truly appreciate its significance to Chinese defense policy.

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