

# US–China relations and the liberal world order: contending elites, colliding visions?

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The future of liberal internationalism—the dominant elite world-view that has underpinned an America-centred liberal world order—will increasingly be influenced by the re-emergence of China as a major power on the world stage, and by the way in which the United States reacts to China’s growing influence. Since the Second World War the United States has led a world order based on principles of economic and political liberalism and a commitment to global open markets and the promotion of ‘free market democracies’.<sup>1</sup> The order is rules-based inasmuch as it is solidified in liberal global institutions established by and centred on US power,<sup>2</sup> but also crucially underpinned by a preponderant military with global reach.<sup>3</sup> The end of the Cold War left this order, and the American hegemony acting as its guarantor, temporarily unchallenged. However, China’s ‘opening up’ since 1978, and its subsequent unprecedented path of capitalist growth and expansion to its current position as the second largest economy in the world with the second largest military, have sparked much academic and public debate on whether a rising China will seek to change the rules of the liberal world order and challenge the United States as the hegemon within it.

Even if America’s market power is still unparalleled and underpinned by the dollar’s status as the unrivalled global reserve currency,<sup>4</sup> even if China’s military budget is still only about one-third of America’s, and even if the Chinese political economy is plagued by its own contradictions such as overcapacity and a spiralling debt, China does represent—in terms of the size of its population and its growth *potential*—a world power with the ability to challenge America’s status as a leading global power in the coming era.<sup>5</sup> This is why some authors find it conceivable

\* We thank three anonymous reviewers for their valuable input; any remaining errors are ours.

<sup>1</sup> Bastiaan van Apeldoorn and Naná de Graaff, *American grand strategy and corporate elite networks: the open door since the end of the Cold War* (London and New York: Routledge, 2016), pp. 116–17.

<sup>2</sup> G. John Ikenberry, *Liberal Leviathan: the origins, crisis and transformation of the American world order* (Princeton: Princeton University Press, 2011).

<sup>3</sup> Christopher Layne, *The peace of illusions: American grand strategy from the 1940s to the present* (Ithaca, NY, and London: Cornell University Press, 2006); van Apeldoorn and de Graaff, *American grand strategy and corporate elite networks*.

<sup>4</sup> Ho-fung Hung, *The China boom: why China will not rule the world* (New York: Columbia University Press, 2015); Doug Stokes, ‘Achilles’ deal: dollar decline and US grand strategy after the crisis’, *Review of International Political Economy* 21: 5, 2014, pp. 1071–94; Daniel Drezner, ‘Bad debts: assessing China’s financial influence in Great Power politics’, *International Security* 34: 2, 2009, pp. 7–45.

<sup>5</sup> Cf. Stephen Brooks and William Wohlforth, ‘The rise and fall of the Great Powers in the twenty-first century: China’s rise and the fate of America’s global position’, *International Security* 40: 3, 2016, pp. 7–53.

that China will come to act as what Schweller and Pu have called a ‘spoiler’ of the system, seeking to overthrow the rules-based liberal world order.<sup>6</sup> Others, however, have highlighted the fact that to date China has actually been largely adapting to the liberal rules of the game as formulated within US-dominated global institutions rather than challenging them, acting as a supporter of the current system.<sup>7</sup> China’s compliance with WTO rules is a case in point.<sup>8</sup> The question thus remains to what extent and how China is adapting to or confronting the liberal order—and US power and position within that order—which in turn is both influenced by and shaping the way in which the United States itself is responding to China’s rise.

We identify three scenarios regarding the evolution of the US–China relationship and its implications for world order. The first scenario is one of (inevitable) *conflict*. The realist version presents this in balance-of-power terms, with China’s emergence as a global Great Power threatening America’s position as hegemon. While some realists view American decline as inevitable and advocate accommodation to China’s rising power,<sup>9</sup> most argue that the United States should and will resist this challenge by pursuing a ‘containment’ strategy, leading to a new Cold War or even open military conflict.<sup>10</sup> Others look more at the illiberal nature of China’s domestic regime, and the threat its authoritarian and statist version of capitalism might pose to the West and the liberal order.<sup>11</sup> To the extent that China does not want to be part of this liberal sphere under US leadership, US–China confrontation becomes more likely.

In the second scenario, that of *co-optation*, China will let itself be incorporated into the liberal order. In this scenario, what we describe below as America’s strategy of ‘liberal engagement’ will pay off: China, taking into account its own self-interest and the deepening interdependence between the world’s two largest economies, will choose to adapt to what the Obama administration called the ‘rules of the road’. This would also imply a gradual abandoning of its ‘statist’ model of economic and political governance. This scenario, associated above all with liberal theorists, might unfold even in the case of America’s relative hegemonic decline, simply because, it is argued, the liberal order is so attractive: it has low costs of entry, while participating in it brings great benefits in terms of prosperity and legitimacy.<sup>12</sup>

<sup>6</sup> Randall Schweller and Xiaoyu Pu, ‘After unipolarity: China’s visions of international order in an era of US decline’, *International Security* 36: 1, 2011, pp. 41–72.

<sup>7</sup> Schweller and Pu, ‘After unipolarity’.

<sup>8</sup> Christopher McNally, ‘Sino-capitalism: China’s re-emergence and the international political economy’, *World Politics* 64: 4, 2012, pp. 741–66.

<sup>9</sup> Christopher Layne, ‘The US foreign policy establishment and grand strategy: how American elites obstruct strategic adjustment’, *International Politics* 54: 3, 2017, pp. 260–75; Wu Xinbo, ‘Cooperation, competition and shaping the outlook: the United States and China’s neighbourhood diplomacy’, *International Affairs* 92: 4, July 2016, pp. 849–68.

<sup>10</sup> John Mearsheimer, ‘The gathering storm: China’s challenge to US power in Asia’, *Chinese Journal of International Politics* 3: 4, 2010, pp. 381–96; Graham Allison, *Destined for war: can America and China escape Thucydides’s trap?* (Boston and New York: Houghton Mifflin Harcourt, 2017).

<sup>11</sup> Ian Bremmer, ‘State capitalism comes of age: the end of the free market?’, *Foreign Affairs* 88: 3, 2009, pp. 40–56.

<sup>12</sup> G. John Ikenberry, ‘The rise of China and the future of the West: can the liberal system survive?’, *Foreign Affairs* 87: 1, Jan.–Feb. 2008, pp. 23–37; *Liberal Leviathan*; and ‘Illusion of geopolitics: the enduring power of the liberal order’, *Foreign Affairs* 93: 3, May–June 2014, pp. 93, 80.

These two scenarios are the most commonly found in the literature; but we identify the possibility of a third, one of *coexistence*. Here the United States and China would each maintain their own distinct political and economic system, both systems being—in different ways—part of and compatible with a capitalist and globally interlinked world economy. In this hybrid scenario China retains a relatively autonomous trajectory, partially adapting to the rules of the game of the liberal order, but at the same time holding on to distinctive aspects of its state–society model and foreign policy orientation. Such a scenario—which might come close to what Zeng and Breslin identify as a ‘G2 with Chinese characteristics’<sup>13</sup>—seems to align with the ‘new type of Great Power relations’ that President Xi Jinping has in mind, and fits with an emerging consensus within China that the country needs to take a more proactive leading role in global politics.<sup>14</sup> Such a scenario would, however, also require partial adaptation—and accommodation—on the part of the United States,<sup>15</sup> and the key question therefore naturally arises whether the US is prepared to undertake such adaptation.

We will return to these scenarios of conflict, co-optation and coexistence in the final part of this article, where we will reflect upon their respective likelihood and the future of the liberal world order in the light of the radical shift that the Trump presidency seems to represent. We will do so on the basis of an analysis that examines China’s changing foreign policy in the course of its rise as a ‘statist’ power within the liberal order, and America’s grand strategic response to this rise throughout three post-Cold War administrations. Our key proposition is that a comprehensive understanding of these developments and their implications for the liberal world order requires a perspective that takes into account the *domestic* and *social* sources of foreign policy, rooted in a domestic political economy that is interlinked with an evolving global political economy, crucially mediated by elite networks and elite strategies.<sup>16</sup> We begin in the next section by outlining our perspective.

## A critical political economy perspective on US–China relations

Whereas realists fully abstract the state from society and merely conceive of China and the United States as clashing Great Powers, liberals tend to assume (or hope) that a non-liberal China will converge on a liberal America. We argue that making sense of US–China relations and their development with respect to world order requires a deeper understanding and analysis of the respective domestic political economies, each of which is increasingly linked to a global capitalist economy.

<sup>13</sup> Jinghan Zeng and Shaun Breslin, ‘China’s “new type of Great Power relations”: a G2 with Chinese characteristics?’, *International Affairs* 92: 4, July 2016, pp. 773–94.

<sup>14</sup> Zeng and Breslin, ‘China’s “new type of Great Power relations”’, pp. 776–7.

<sup>15</sup> Jinghan Zeng, Yuefan Xiao and Shaun Breslin, ‘Securing China’s core interests: the state of the debate in China’, *International Affairs* 91: 2, March 2015, p. 250.

<sup>16</sup> This approach aligns well with what Skidmore has called a ‘social order approach’, positing the need to take into account the internal contradictions and political contestation within societies over the proper social order. See David Skidmore, ed., *Contested social orders and international politics* (Nashville and London: Vanderbilt University Press, 1997).

We therefore move beyond the state-centrism that is still ingrained in much International Relations (IR) theory to take as our point of departure what Robert Cox called ‘state–society complexes’.<sup>17</sup> From such a critical political economy perspective we see states as structurally related to society and to the predominant social and economic structures within that society.<sup>18</sup> States, furthermore, are not so much actors in their own right as entities that always act through people—policy-making, governing elites; and these elites in turn are embedded in wider social networks, relating them to broader social structures that shape their ideas and world-views, and hence their policy-making.

In the case of the United States, its liberal capitalist political economy is characterized by a structure at the apex of which we find the oligarchic top segment of an autonomous capitalist class.<sup>19</sup> The US political system is consequently structurally biased towards the interests of the corporate community, secured through a persistently revolving door and through the so-called policy planning process.<sup>20</sup> That process takes place primarily within think-tanks and foundations which are in turn closely interlocked with the corporate elite, generating a particular (pro-business) elite consensus and world-view that then feed into public policy-making.<sup>21</sup> It is our argument that the close nexus of this corporate elite, and its predominantly globalist outlook, with the foreign policy-making establishment<sup>22</sup> helps to account for America’s overall foreign policy of the past decades, and will remain an important variable in determining future US strategy *vis-à-vis* China.

In the Chinese state–society complex, primacy rests not with an autonomous capitalist class but ultimately with the state and a *state class* organized around the Communist Party, which is still the dominant source of power in society.<sup>23</sup> Although the Chinese economy is rapidly internationalizing, and the leadership is strongly orientated towards capitalist development and increasingly pursues policies of liberalization and privatization<sup>24</sup>—if only up to a certain point—the regime remains wedded to what we have elsewhere called a ‘state-directed’ form of capitalism,<sup>25</sup> fundamentally distinct from that of the United States.

In contrast to realist analyses, then, our perspective implies that China’s rise to global power may be substantively different, in at least some respects, from the

<sup>17</sup> Robert Cox, ‘Social forces, states and world orders: beyond International Relations theory’, *Millennium* 12: 2, 1981, pp. 162–75.

<sup>18</sup> Van Apeldoorn and de Graaff, *American grand strategy and corporate elite networks*, ch. 1.

<sup>19</sup> Jeffrey A. Winters and Benjamin I. Page, ‘Oligarchy in the United States?’, *Perspectives on Politics* 7: 4, 2009, pp. 731–51.

<sup>20</sup> William G. Domhoff, *Who rules America? Challenges to corporate and class dominance* (New York: McGraw-Hill, 2009).

<sup>21</sup> Inderjeet Parmar, *Foundations of the American century: the Ford, Carnegie and Rockefeller Foundations in the rise of American power* (New York: Columbia University Press, 2012); van Apeldoorn and de Graaff, *American grand strategy and corporate elite networks*, ch. 3.

<sup>22</sup> Layne, ‘The US foreign policy establishment’.

<sup>23</sup> Martin Jacques, *When China rules the world: the end of the western world and the birth of a new global order* (New York: Penguin, 2012; first publ. 2009); Tobias Ten Brink, ‘Paradoxes of prosperity in China’s new capitalism’, *Journal of Current Chinese Affairs* 42: 3, 2013, pp. 17–44; Naná de Graaff and Bastiaan van Apeldoorn, ‘US elite power and the rise of “statist” Chinese elites in global markets’, *International Politics* 54: 3, 2017, pp. 338–55.

<sup>24</sup> McNally, ‘Sino-capitalism’.

<sup>25</sup> Bastiaan van Apeldoorn, Naná de Graaff and Henk Overbeek, ‘Reconfiguration of the global state–capital nexus’, *Globalizations* 9: 4, 2012, p. 475.

rise of the United States to the position of world hegemon, precisely because of its distinctive state–society model and the way in which this relates to a changing global political and economic context. These particularities and changing dynamics need to be taken into account, rather than just assuming that China, America and other states behave in a structurally equivalent manner. Moving beyond the unitary state perspective, we may thus find *particular sets of interests*, which may be in *conflict or alignment*, as well as *colliding and/or converging visions*, related to the distinctive respective characteristics of the Chinese and American state–society models. It is from this perspective that in the following section we first describe China’s shifting foreign policy within the post–Cold War US-led liberal world order.

### China’s shifting foreign policy: from ‘keeping a low profile’ to a ‘new type of Great Power relation’

China’s foreign policy vision during the 1990s, under the leadership of Deng Xiaoping—who introduced the ‘opening up’ economic reforms of the late 1970s that led to China’s exponential economic growth and gradual integration into the world economy—was based on ‘keeping a low profile’ (*taoguangyanghui*). This meant that China should avoid taking on international responsibilities and develop quietly.<sup>26</sup> With its international reputation damaged by the Tiananmen Square incident of 1989, and with the daunting task of sustaining a population of more than 1.1 billion with an annual GDP per capita of about US\$300, the focus was on domestic economic development and reform aimed at establishing a socialist market economy.<sup>27</sup> Regarding the United States, China opted for ‘raising no banner’: that is, it was keen to make it clear that it had no ambition to ‘undertake leadership’ and would not seek expansion or hegemony.<sup>28</sup> This strategy was largely followed by Deng’s successors, Jiang Zemin and Hu Jintao, the latter frequently stressing the need to be ‘moderate and cautious’ in order to avoid arousing fear of China’s rapid growth.<sup>29</sup> Under Jiang’s and Hu’s leadership China made further major leaps in domestic development and towards further integration into the world economy, the biggest milestone arguably being China’s accession to the WTO in 2001. But as China’s economy grew and its integration into the world economy deepened, the debate within and outside China on its proper role and influence also intensified, in particular given the apparent mismatch between its economic position and its influence (as expressed, for example, in voting power) within the architecture of liberal institutions in charge of global economic governance, such as the IMF and World Bank.

Under President Xi, then, China’s foreign policy strategy has seen a significant shift from ‘keeping a low profile’ towards ‘striving for achievement’ (*fenfayouwei*),<sup>30</sup>

<sup>26</sup> Yan Xuetong, ‘From keeping a low profile to striving for achievement’, *Chinese Journal of International Politics* 7: 2, 2014, p. 154.

<sup>27</sup> Zhu Rongji, trans. June Y. Mei, *On the record: the road to reform 1991–1997* (Beijing: Foreign Languages Press, 2013).

<sup>28</sup> Yan, ‘From keeping a low profile’, p. 155; see also Deng Xiaoping, *Selected works of Deng Xiaoping volume III (1982–1992)* (Beijing: Foreign Language Press, 1994).

<sup>29</sup> Yan, ‘From keeping a low profile’, p. 156.

<sup>30</sup> Yan, ‘From keeping a low profile’, p. 154.

and the establishment of ‘a favourable international environment for China’s national rejuvenation’.<sup>31</sup> This shift implied that China should be taking a more proactive role in global politics and defending its core interests more assertively.<sup>32</sup> A lively and extensively researched debate is now going on in China—among its foreign policy-making elite and the academic community that advises them—on this change in the country’s strategy.<sup>33</sup> And although some disagreement remains,<sup>34</sup> there seems to be an emerging consensus that China is now in a position to assert its interests more strongly, to ‘redress perceived inequities and governance gaps and [to increase its] “institutional voice”’.<sup>35</sup> There is also a consensus, however, that China is by no means ready to take a leading role to the extent of *overtaking* the United States, at least not in the coming decade(s).<sup>36</sup> Overall, having formerly been a rule-taker, China is increasingly becoming a rule-maker, or at least a rule-shaper.<sup>37</sup>

The change in strategy is evidenced by China’s much more proactive role on the world stage including a whole range of institutional and economic initiatives, as well as a more assertive military posture, in particular in the South and East China Seas.<sup>38</sup> Two key institutional and economic initiatives are the establishment of the Asian Infrastructure and Investment Bank (AIIB) and the ‘belt and road initiative’, previously known as ‘one belt, one road’ (OBOR).<sup>39</sup> The AIIB, headquartered in Beijing, was set up in 2015—against great opposition from the United States—with the aim of complementing the World Bank and partly out of frustration with the unbalanced and outdated distribution of voting power within the latter institution.<sup>40</sup> Its clearly stated purpose is to foster regional growth and influence under Chinese leadership; and China, with around 28 per cent of the votes in the new institution, and about half of the World’s Bank’s capital at its disposal, has quite some leverage. The massive infrastructural ‘belt and road initiative’—hailed by President Xi as ‘the project of the century’—while to a large

<sup>31</sup> Zeng and Breslin, ‘China’s “new type of Great Power relations”’, p. 774.

<sup>32</sup> For more in-depth studies, see Zeng et al., ‘Securing China’s core interests’, pp. 245–66; Jinghan Zeng, ‘Constructing a new type of Great Power relations: the state of the debate in China (2008–2014)’, *British Journal of Politics and International Relations* 18: 2, 2016, pp. 422–4; Zeng and Breslin, ‘China’s “new type of Great Power relations”’.

<sup>33</sup> Zeng and Breslin, ‘China’s “new type of Great Power relations”’; Zeng et al., ‘Securing China’s core interests’; Mark Beeson and Fujian Li, ‘What consensus? Geopolitics and policy paradigms in China and the United States’, *International Affairs* 91: 1, Jan. 2015, pp. 93–109; Zeng, ‘Constructing a new type’; Michael Swaine, ‘Xi Jinping on Chinese foreign relations: the governance of China and Chinese commentary’, *China Leadership Monitor*, no. 48, Fall 2015, <http://www.hoover.org/publications/china-leadership-monitor/fall-2015-issue-48>. (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 11 Oct. 2017.)

<sup>34</sup> Yan, ‘From keeping a low profile’.

<sup>35</sup> Zeng and Breslin, ‘China’s “new type of Great Power relations”’, p. 777.

<sup>36</sup> Zeng et al., ‘Securing China’s core interests’, p. 250.

<sup>37</sup> We are thankful to Ivan Rasmussen for highlighting this nuance. See also Zeng et al., ‘Securing China’s core interests’, p. 250.

<sup>38</sup> Suisheng Zhao, ‘American reflections on the engagement with China and responses to President Xi’s new model of major power relations’, *Journal of Contemporary China* 26: 106, 2017, pp. 489–503.

<sup>39</sup> Hong Yu, ‘Motivation behind China’s “one belt, one road” initiatives and establishment of the Asian Infrastructure Investment Bank’, *Journal of Contemporary China* 26: 105, 2017, pp. 353–68; Peter Ferdinand, ‘Westward ho—the China dream and “one belt, one road”: Chinese foreign policy under Xi Jinping’, *International Affairs* 92: 4, July 2016, pp. 941–57.

<sup>40</sup> Alice de Jonge, ‘Perspectives on the emerging role of the Asian Infrastructure Investment Bank’, *International Affairs* 93: 5, Sept. 2017, pp. 1061–84.

extent driven by (domestic) economic concerns such as industrial overproduction and unemployment, and with the aim of boosting growth in the still underdeveloped western regions of China, seems to have even grander geopolitical and geo-economic underpinnings and ramifications. It has already been likened to a new Marshall Plan—made in China—and if successful will establish a vast network of infrastructure (roads, rails, ports and maritime routes) incorporating more than 60 countries across Asia, Africa, the Middle East and Europe—with China at its heart.

In the realm of (free) trade China has meanwhile been working persistently on the establishment of regional free trade agreements, such as the Regional Comprehensive Economic Partnership (RCEP), which would form a free trade area encompassing almost half the world's population and a quarter of the world's exports. With Trump's withdrawal of America from the Trans-Pacific Partnership agreement (TPP), the RCEP potentially provides China with a major position and platform in regional free trade, one from which the United States is excluded.

In terms of military buildup, China has seen an estimated increase in defence spending from about US\$10 billion in 1991 to US\$215 billion in 2016,<sup>41</sup> and now ranks second in the world. The growing tensions in the South China Sea—where territorial disputes between China and other regional claimants (such as the Philippines, Taiwan and Vietnam) have flared up, and where China is reclaiming land by building or expanding (artificial) islands as well as installing airstrips and military bases, provoking the US to deploy so-called 'freedom of navigation' operations—serve for many observers as a reminder of China's growing military assertiveness and its possible consequences in terms of major power rivalry.<sup>42</sup>

## **An elite perspective on China's foreign policy**

While the developments described above clearly indicate China's assumption of a more assertive global role, states rising to Great Power status do not necessarily behave in structurally similar ways. In order to arrive at a proper understanding of the nature of China's rise and its implications for US–China relations and the future of the liberal order, we need to analyse the country's historically configured distinctive state–society model, as well as its elite leadership and the elite world-views that generate its distinctive grand strategic visions. Indeed, the recent shift in China's foreign policy is linked to a number of characteristics that have been essential elements of its foreign policy for decades,<sup>43</sup> and that are quite distinctive from American grand strategic views.

One key characteristic is the emphasis on long-term 'peaceful development', emphasizing the 'maintenance of a positive and beneficial relation with the outside world' and the 'solemn pledge to "never seek hegemony or commit any act of

<sup>41</sup> Stockholm International Peace Research Institute, 'Military Expenditure Database', 2017, <https://www.sipri.org/databases/milex>.

<sup>42</sup> Doug Stokes and Kit Waterman, 'Security leverage, structural power and US strategy in east Asia', *International Affairs* 93: 5, Sept. 2017, pp. 1039–60.

<sup>43</sup> Swaine, 'Xi Jinping on Chinese foreign relations'.

expansion”<sup>44</sup>. This vision, as formulated by President Xi in his 2014 overview entitled *Governance of China*,<sup>45</sup> implies a promotion of cooperative patterns of interstate relations, aimed at ‘win–win’ solutions and mutual benefits, rather than zero-sum power politics. A second key characteristic is the emphasis on respect for differences in terms of political and socio-economic systems and values, and the principle of non-interference in the internal affairs of other nations. The Chinese perspective here distinguishes itself from western liberal interventionism and the imposition of the Washington Consensus, as well as regime change justified by reference to human rights, that have characterized the liberal international order under US leadership.<sup>46</sup>

While words and deeds must of course be disentangled, from our perspective the elite world-views and ideas that feed into foreign policy must also be related to what we call their social sources. In the case of China this involves a political economy characterized by a distinctive form of capitalism, which has spawned a rich and diverse literature and a great number of conceptualizations, ranging from ‘state-permeated market-economy’ to ‘Sino-capitalism’.<sup>47</sup>

Adding to this literature, our perspective emphasizes the role of agency—and, more specifically, elite agency—as a crucial factor. Although there are several excellent studies on the factions within Chinese domestic elites,<sup>48</sup> there is as yet very little available in terms of systematic empirical analysis of the Chinese foreign policy elites, their social ties and their (corporate) elite backgrounds and networks. In particular, there has been little investigation of the extent to which Chinese foreign policy-making elites and transnationalizing corporate elites are integrated—or not—into the transnational elite networks that form the dominant power structures in US-centred global capitalism.<sup>49</sup> While much more research can and should be undertaken in this domain, we will here—as a starting point—offer a few findings from our earlier studies on the transnationalization of China’s oil and gas industry, a sector at the heart of global production and major power politics.<sup>50</sup> This research was based on case-studies of Chinese state-owned oil companies, and involved mapping and analysing their international

<sup>44</sup> Swaine, ‘Xi Jinping on Chinese foreign relations’, p. 4.

<sup>45</sup> Xi Jinping, *The governance of China* (Beijing: Foreign Languages Press, 2014).

<sup>46</sup> Amitai Etzioni, ‘Point of order: is China more Westphalian than others?’, *Foreign Policy* 9: 6, 2011, pp. 1–10.

<sup>47</sup> McNally, ‘Sino-capitalism’; Christopher McNally, ‘Strange bedfellows: Communist Party institutions and new governance mechanisms in Chinese state holding corporations’, *Business and Politics* 4: 1, 2002, pp. 91–115; Andreas Nölke, Tobias ten Brink, Simone Claar and Christian May, ‘Domestic structures, foreign economic policies and global economic order: implications from the rise of large emerging economies’, *European Journal of International Relations* 21: 3, 2015, pp. 538–67; Shaun Breslin, ‘The “China model” and the global crisis: from Friedrich List to a Chinese mode of governance?’, *International Affairs* 87: 6, Nov. 2011, pp. 1323–43; Ten Brink, ‘Paradoxes of prosperity’.

<sup>48</sup> See e.g. McNally, ‘Strange bedfellows’, ‘Sino-capitalism’; Ten Brink, ‘Paradoxes of prosperity’; Victor Shih, *Factions and finance in China: elite conflict and inflation* (Cambridge: Cambridge University Press, 2008); Cheng Li, *One party, two coalitions in Chinese politics* (Washington DC: Brookings Institution, 16 Aug. 2009), <http://www.eastasiaforum.org/2009/08/16/one-party-two-coalitions-in-chinas-politics/>.

<sup>49</sup> William K. Carroll, *The making of a transnational capitalist class: corporate power in the 21st century* (London and New York: Zed, 2010). We use transnational here to denote relations and (social) spaces that extend across national borders and involve both state actors and private actors.

<sup>50</sup> Naná de Graaff, ‘Global networks and the two faces of Chinese oil companies’, *Perspectives on Global Development and Technology* 3: 4, 2014, pp. 539–63; de Graaff and van Apeldoorn, ‘US elite power and the rise of Chinese “statist” elites’.

corporate networks, as well as the corporate and political networks of their directors. The network analyses<sup>51</sup> were combined with qualitative analyses on the basis of in-depth interviews conducted in Beijing with individuals including representatives of the China National Petroleum Corporation, consultants, experts, corporate directors, diplomats and lawyers.<sup>52</sup>

### **Transnationalizing corporate elite networks with Chinese characteristics**

First of all, the research showed that Chinese state-owned oil companies, as part of their investment spree, are increasingly forming corporate alliances with both state-owned and private firms, including many of the world's largest transnational corporations (TNCs), such as ExxonMobil, BP and Shell and thus becoming 'partners' in the global corporate networks that to date have been dominated by American and European firms. It is also clear that their investment decisions and operations abroad, while originally part of a primarily state-driven strategy, are increasingly also commercially driven. Nonetheless, these state-owned enterprises (SOEs) remain distinctive in the sense that they have to perform a dual role, adhering to commercial principles abroad (e.g. prioritizing profit-making) but retaining the responsibilities of a state-owned company at home (e.g. prioritizing energy security and social stability). Thus, even if their investment decisions are increasingly driven by corporate motives—rather than the (geo)political motives often attributed to them—and even if they increasingly form hybrid alliances with private oil firms, they do remain firmly tied to the state's interests and priorities. This example illustrates the essentially contradictory nature of Chinese transnationalizing state-directed capital.

With regard to the directors of the Chinese oil SOEs, we found their social networks to be quite distinct from the extensive and diversified corporate networks typical of top western executives and directors. Nor did we find any affiliations to the kind of policy planning networks (think-tanks, business associations and so on) in which, for instance, American corporate directors are typically embedded.<sup>53</sup> The Chinese directors were intimately connected to the state, a large majority holding top-level state positions before and during their SOE directorships. Since the cases investigated here are SOEs, this is of course not particularly surprising. The finding of particular relevance here is how these top directors have to balance what we have called their 'two faces':<sup>54</sup> on the one hand, they have to direct an expansionist, transnationalizing corporate strategy with concomitant commercial values and interests; on the other hand, they remain firmly tied to state and party interests, a bond which entails a commitment to a very different set of values and priorities. This example again illustrates the contradictory and hybrid character of China's transnationalizing

<sup>51</sup> Employing social network analysis techniques: see e.g. John Scott and Peter J. Carrington, eds, *The Sage handbook of social network analysis* (London: Sage, 2011).

<sup>52</sup> These interviews were conducted primarily during field trips in November 2013 and March 2015.

<sup>53</sup> De Graaff and van Apeldoorn, 'US elite power and the rise of Chinese "statist" elites'.

<sup>54</sup> De Graaff, 'Global networks and the two faces'.

state-directed capital, in this case pertaining to the roles and perceptions of top SOE directors and executives.

The specific ‘statist’ characteristics of China’s transnationalizing capital and of the elites that direct this capital have implications for the liberal world order and its dominant elite power structures. China has in the past decade become a major outward investor, first primarily in developing economies, but increasingly also within Europe and the United States.<sup>55</sup> While the stock of US foreign direct investment (FDI) in China is still four times that of Chinese FDI in the United States, Chinese FDI into the US in terms of annual flows currently surpasses that of US FDI into China.<sup>56</sup> And state-owned capital still accounts for a dominant share of Chinese outward foreign direct investments (OFDI). To be sure, the share of non-state-owned Chinese investments is growing rapidly. The share of private OFDI (i.e. without any state *ownership* involved) in large investments (above US\$1 million) grew from zero to 22 per cent between 2005 and 2015, calculated on the basis of the value of the investments.<sup>57</sup> This is a significant trend, which signals a partial adaptation of China’s investment strategy to the liberal international order in which private enterprise and capital are predominant. However, over three-quarters of those outward investments (in terms of their value) are still state-owned. Moreover, it should be noted that in the case of China the lack of state *ownership* does not imply lack of state *control* or state *direction*. Large outward investments still need state approval (rather than mere registration), and Chinese private enterprises above a certain size always have a party secretary and a party commission included in the organizational structure of the company. All these factors illustrate the state-directed nature of Chinese transnationalizing capital.

The contradictions within China’s state-directed capitalism will arguably only deepen with the country’s further integration into the world economy. Managing these contradictions will therefore be a key challenge for the Chinese leadership and (foreign) policy-making elites—not only domestically, in overcoming formidable obstacles to reform of the state-owned industries to counter corruption and inefficiency—but also in foreign policy strategy. Yet, importantly, the outcome in terms of conflict and/or adaptation on the part of China and the United States—the assessment of which is largely a matter of speculation (a question to which we will return at the end of this article)—depends not only on how China’s foreign policy and state-society complex develops, but crucially also on the United States, to which we now turn.

<sup>55</sup> Thilo Hanneman, Daniel Rosen and Cassie Gao, *Two-way street: 25 years of US–China direct investment* (New York: Rhodium Group, Nov. 2016); Jan Drahokouphil, ed., *Chinese investment in Europe: corporate strategies and labour relations* (Brussels: European Trade Union Institute, 2017).

<sup>56</sup> Hanneman et al., *Two-way street*.

<sup>57</sup> Naná de Graaff, ‘China goes West! The transnationalizing networks of Chinese investments, firms and business elites’, conference paper, 58th Annual Convention of the International Studies Association, Baltimore, February 2017.

## Corporate elite networks and the social sources of America’s liberal internationalist foreign policy

China’s phenomenal rise has inevitably had an impact on the position of global power from which the United States has since 1945 been leading the liberal world order, and thus necessitates a strategic response from what much of the literature still identifies as the global hegemon.<sup>58</sup> From our perspective, in order to make sense of America’s strategic response to China we have to shift our focus towards America’s particular state–society model and analyse the elite networks of which its foreign policy-makers are part, and which help us to account for the world-view, ideas and interests with which they are bound up.

Our earlier research into the social networks of the top foreign policy-makers of the past three administrations (before Trump) has shown that around two-thirds had top-level corporate affiliations before serving in the administration, and about half returned to the corporate world after leaving government, establishing an extensive revolving-door pattern (see table 1).<sup>59</sup>

**Table 1: Corporate affiliations among grand strategy makers of recent US administrations**

	<i>Clinton</i>	<i>Bush</i>	<i>Obama</i>
Total	25 (197)	27 (157)	23 (126)
Before	18 (48)	21 (87)	23 (111)
After	22 (149)	21 (70)	7 (16)
Revolving door (before and after)	15	15	7

*Notes:* Grand strategy makers here are the selected top officials (30 from each administration) involved in the formulation of foreign policy (strategy) broadly defined, including foreign economic policy. These include the president and the vice-president; the secretaries and deputy secretaries of state, defense and the treasury; as well as the secretary of commerce and the US trade representative; the CIA director and the president’s chief of staff and other top White House officials and advisers. The numbers refer to how many grand strategy makers in each administration held senior corporate positions either before or after serving in that administration, or both (the ‘revolving door’). The numbers in parentheses indicate how many affiliations were held by these grand strategy makers.

*Source:* Van Apeldoorn and De Graaff, *American grand strategy*, p. 73.

Our research also showed that while the overall composition of the corporate background of this selection of post-Cold War US grand strategy makers embraces a wide diversity of sectors, the corporate ties are overwhelmingly dominated by US transnationally orientated capital. That is to say, a majority of

<sup>58</sup> Layne, *The peace of illusions*; Ikenberry, *Liberal Leviathan*.

<sup>59</sup> Van Apeldoorn and de Graaff, *American grand strategy and corporate elite networks*, ch. 3.

ties are either with very large American TNCs or financial institutions (with more than one-third of ties involving prior top-level positions at Fortune 500 companies) or with international corporate law firms and consultancies that have such large multinationals or Wall Street banks as their clients. Moreover, the strongly globally orientated financial sector predominates.

As well as identifying these direct corporate elite ties, we also found that America's post-Cold War foreign policy-making elite is strongly embedded in the world of think-tanks and policy-planning bodies, which are in turn to a large extent funded by big business and directed by members of the country's corporate elite.<sup>60</sup> We traced a large network of extensive ties, shared across the Clinton, Bush and Obama administrations, with key policy-planning bodies such as the Council on Foreign Relations, the Aspen Institute, the Trilateral Commission and the Bilderberg Conference. These have been crucial platforms for the coordination of transnational corporate elite interests and the creation of international consent to the continuation of a US-dominated liberal world order based upon open markets and free flows of capital.<sup>61</sup>

The fact that such a large majority of top US grand strategy makers had prior ties to America's largest transnational corporations and banks and to think-tanks funded by that same corporate community, with its clearly globalist or liberal internationalist outlook, helps to explain the world-view of this foreign policy elite and why it has, by and large, as we shall specify below, pursued a foreign policy strategy aimed at preserving a world order based upon open markets, free trade and liberal institutions, which has above all favoured the interests of US transnational capital and the corporate elite associated with it.<sup>62</sup>

It is this world-view, then, that has shaped America's strategic response to China's rise over the past decades, underpinning a strategy aimed at maintaining access to (and control over) the markets and commercial (sea) lanes of the Asian region. Here the possibility of closure—that is, a loss of economic openness in Asia and the ability to maintain and control that openness on US terms—is what constitutes the greatest threat to US interests.<sup>63</sup>

## **The US strategic response to China's rise: the global open door and 'liberal engagement'**

Since the end of the Cold War, China's rise has come to be seen by America's foreign policy elite as both an opportunity and a threat. The opportunity is not just one for investment by US transnational capital into the biggest 'emerging market',<sup>64</sup>

<sup>60</sup> Van Apeldoorn and de Graaff, *American grand strategy and corporate elite networks*, pp. 89–95.

<sup>61</sup> Stephen Gill, *American hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990); Ian N. Richardson, Andrew P. Kakabadse and Nada K. Kakabadse, *Bilderberg people: elite power and consensus in world affairs* (London and New York: Routledge, 2011).

<sup>62</sup> Jeff Colgan and Robert O. Keohane, 'The liberal order is rigged. Fix it now or watch it wither', *Foreign Affairs* 96: 3, May–June 2017, pp. 2–9, 36–44; Layne, 'The US foreign policy establishment'.

<sup>63</sup> See also Layne, 'The US foreign policy establishment'.

<sup>64</sup> Sean Starrs, 'American economic power hasn't declined—it globalized! Summoning the data and taking globalization seriously', *International Studies Quarterly* 57: 4, 2013, pp. 817–30.

but also a more strategic opportunity to integrate China and its enormous market fully into the liberal world order, yet ultimately keep it subordinate to the United States as global hegemon and guarantor of global liberal capitalism.

The perceived threat is that China, with its new-found power, might yet turn against the liberal order from which it has been profiting greatly—not so much as to abandon its profitable globalizing strategy and close itself off from the world economy again, but enough to transform the order and change the rules of the game, making it less liberal and, above all, less US-led. This question of how to keep the door to the Chinese market open, while preventing China from using that open door to become so powerful as to challenge US hegemony and the liberal internationalism that has flourished since the end of the Cold War, sits at the heart of the dilemma facing American policy-makers in their search for a strategic response to the rise of China.

This dilemma has produced a strategy that showed a remarkable continuity from Clinton via Bush to Obama. In fact, the roots of this strategy go back much further, being based on an American grand strategy of ‘the global open door’ premised on open and free markets (open first and foremost to US capital) and concomitant liberal institutions that originated at the end of the nineteenth century—a strategy that was itself developed in part with an eye to the then also vast Chinese market. After 1945 this strategy was turned into a successful global hegemonic project—while China, of course, was from 1949 closed off from the new US-led global capitalist system.<sup>65</sup>

Deng’s opening in 1978 created the opportunity to reopen the door to China and resume the quest to integrate it into the American liberal order—a quest that, with the end of the Cold War, generated in turn the US strategy of liberal ‘engagement’.<sup>66</sup> First formulated in the mid-1990s by the Clinton administration, this has been a strategy of ‘further integrating China into the market-based world economic system’,<sup>67</sup> but with an ‘insurance policy’ or ‘hedge’ against the potential risk that China would ultimately refuse to be integrated into the liberal world order on US terms, choosing instead to challenge US hegemony in east Asia. Under Clinton, engagement meant encouraging China’s integration into the global economic system and fostering ‘multilateral regional institutions’, but also strengthening America’s alliances and maintaining a large ‘forward-based troop presence’,<sup>68</sup> in order to ‘discourage the emergence of a regional hegemon [read: China]’<sup>69</sup> and to ensure ‘that trade flows freely in and out of the region’.<sup>70</sup>

<sup>65</sup> Van Apeldoorn and de Graaff, *American grand strategy and corporate elite networks*; see also Layne, *Peace of illusions*; William Appleman Williams, *The tragedy of American diplomacy*, 50th anniversary edn (New York: Norton, 2009; first publ. 1959); Thomas McCormick, *China market: America’s quest for informal empire, 1893–1901*, (Chicago: Dee, 1990; first publ. 1967).

<sup>66</sup> White House, *A National Security Strategy of engagement and enlargement* (Washington DC, Feb. 1995); Joseph S. Nye, Jr, ‘The case for deep engagement’, *Foreign Affairs* 74: 4, July–Aug. 1995, pp. 90–102.

<sup>67</sup> White House, *A National Security Strategy for a new century* (Washington DC, Dec. 1999), p. 38.

<sup>68</sup> Nye, ‘The case for deep engagement’, pp. 90, 91.

<sup>69</sup> Department of Defense, *United States Security Strategy for the east Asia–Pacific region* (Washington DC, Feb. 1995), p. 6, <http://oai.dtic.mil/oai/oai?verb=getRecord&metadataPrefix=html&identifier=ADA298441>.

<sup>70</sup> Nye, ‘The case for deep engagement’, p. 95.

Bush largely continued this strategy, completing the process initiated under the Clinton administration by fully backing China's entry into the WTO in June 2001, seeing the policy as one of promoting economic and, ultimately, political freedom, and also, not unimportantly, opening the doors to US capital.<sup>71</sup> The goal then was still to incorporate China into the US-led liberal world order by deepening trade relations and encouraging it to become, in the words of then US Deputy Secretary of State, Robert Zoellick, a 'responsible stakeholder'<sup>72</sup>—a phrase that nicely captures both the strategy and the underlying world-view of America's China policy throughout the post-Cold War period. Nonetheless, tensions in US–China relations remained and, especially under Bush and his neo-conservative advisers, emphasis was put on a rising China not just as an opportunity but also, in the words of Robert Kagan, as 'the most serious long term challenge to the unipolar global order'.<sup>73</sup>

While Obama's signature foreign policy of the 'pivot' to Asia was presented as something new, its main elements were in fact a continuation of the policy already set in place by the Clinton administration. The only really new aspect, with respect to Bush, was the relative shift of geographical focus from the Middle East to east Asia—a 'strategic turn to the [Asian] region' that, according to Obama's Secretary of State Hillary Clinton, 'fitted logically in our overall global patterns to secure and sustain America's global leadership'.<sup>74</sup> In line with a strategy that, as noted above, stretches back to the end of the nineteenth century, and has been driven by the expansionist logic of American capital, Clinton also emphasized the 'unprecedented opportunities for investment, [and] trade' that would come with 'open markets in Asia'.<sup>75</sup>

At the same time, the Obama administration increasingly came to perceive China as a (potential) geopolitical contender, and to formulate the mission of the Asia pivot as 'upholding the rules' (of liberal order) against a country that might refuse to follow these rules.<sup>76</sup> Thus managing China's rise and maintaining the open door in Asia with 'every element of American power'<sup>77</sup>—from trade to defence policy—became a focal point of Obama's foreign policy. The main economic pillar of this approach was the Trans-Pacific Partnership—an arrangement intended less to engage than to exclude China, seeking to make other countries in the region follow America's 'rules of the road' and thus prevent the rise of a more Sinocentric economic area. Beefing up its naval presence in the Pacific and strengthening military ties with both old and new allies, the Obama administration also continued the line of backing up economic openness with

<sup>71</sup> George W. Bush, speech at Boeing Plant, Washington State, 17 May 2000: excerpts published in *New York Times*, 18 May 2000, <http://partners.nytimes.com/library/world/asia/051800bush-text.html>.

<sup>72</sup> Robert B. Zoellick, 'Whither China: from membership to responsibility?', remarks to National Committee on US–China Relations, 21 Sept. 2005, New York City.

<sup>73</sup> Cited in Maria Ryan, *Neoliberalism and the new American empire* (New York and Basingstoke: Palgrave Macmillan, 2010), p. 157.

<sup>74</sup> Hillary Clinton, 'America's Pacific century', *Foreign Policy*, no. 189, Nov. 2011, pp. 56–63.

<sup>75</sup> Clinton, 'America's Pacific century'.

<sup>76</sup> Tom Donilon, 'America is back in the Pacific and will uphold the rules', *Financial Times*, 28 Nov. 2011, p. 11.

<sup>77</sup> Barack Obama, remarks to the Australian Parliament, Canberra, 17 Nov. 2011, publ. online by Gerhard Peters and John T. Woolley, *The American Presidency project*.

military hard power. In this way it sought to ensure a ‘hedge’ against a potential Chinese revisionism<sup>78</sup>—increasingly so against the background of what came to be perceived as a new, dangerous assertiveness on the part of China, especially in acting upon its territorial ambitions with regard to the South China Sea.<sup>79</sup>

Indeed, the strategy of ‘engagement with an insurance policy’ that has been in place with some variations for over two decades has been not the resolution but rather the manifestation of the fundamental dilemma facing American grand strategy makers. For their part, the Chinese have often had trouble distinguishing America’s hedging from containment, and have tended to perceive Obama’s Asia pivot as a form of expansionism, encroaching on their sphere of influence and seeking to expand and deepen US hegemony, which has indeed been the intention. Arguably, the United States has in this way provoked precisely the kind of behaviour on the part of the Chinese that it had hoped to prevent,<sup>80</sup> and of which Joseph Nye recently warned.<sup>81</sup> On the other hand, there are those in the US foreign policy establishment who worry that the engagement part of the American strategy has already backfired, allowing China to develop so successfully as to become a serious geopolitical competitor.<sup>82</sup> The strategic dilemma confronting American grand strategy makers has arguably deepened, possibly leading to splits within the foreign policy establishment.

Enter Trump, who is seen as representing a radical break with American grand strategy as premised upon liberal internationalism and presumably thus also signalling an end to the previous administrations’ attempts to maintain and if possible widen the open door in east Asia. After two decades of continuity in America’s China strategy, the stage appears to be set for fundamental change.<sup>83</sup>

In the light of this exposition we will, by way of conclusion, analyse the most recent dynamics of US–China relations and reflect upon the scenarios of conflict, co-optation and coexistence outlined in the introduction to this article, and upon the future of the liberal international order.

## US–China relations and the future of the liberal order—in for a radical shift?

While it is hard to discern a clear foreign policy strategy, let alone a ‘grand’ strategy, of the new US administration *vis-à-vis* China so far, Trump’s withdrawal of the United States from the TPP—the economic crown jewel in Obama’s Asia pivot—

<sup>78</sup> Suisheng Zhao, ‘Shaping the regional context of China’s rise: how the Obama administration brought back hedge in its engagement with China’, *Journal of Contemporary China* 21: 75, 2012, pp. 369–89.

<sup>79</sup> John Åberg, ‘A struggle for leadership recognition: the AIIB, reactive Chinese assertiveness, and regional order’, *Contemporary Chinese Political Economy and Strategic Relations* 2: 3, 2016, pp. 1125–71.

<sup>80</sup> Åberg, ‘A struggle for leadership recognition’; Jennifer Lind, ‘Asia’s other revisionist power: why US grand strategy unnerves China’, *Foreign Affairs* 92: 2, March–April 2017, pp. 78, 79.

<sup>81</sup> Joseph Nye, Jr, ‘Work with China, don’t contain it’, *New York Times*, 26 Jan. 2013, p. 19.

<sup>82</sup> Robert Blackwill and Ashley Tellis, *Revising US grand strategy toward China* (New York: Council on Foreign Relations, 2015), p. 4.

<sup>83</sup> G. John Ikenberry, ‘The plot against American foreign policy’, *Foreign Affairs* 96: 3, May–June, 2017, pp. 2–9; Peter Dombrowski and Simon Reich, ‘Does Donald Trump have a grand strategy?’, *International Affairs* 93: 5, Sept. 2017, pp. 1013–38.

and his subsequent withdrawal from the Paris Agreement on climate change, seem to pave the way for China to take a leadership role in regional free trade as well as in the global efforts to combat climate change. Xi seems to be embracing this role, which fits well with his more assertive foreign policy as described above. Xi's high-level presence at the 2017 meeting of the World Economic Forum in Davos—the gathering of the world's leading business and political elites—and his advocacy there of free markets and globalization,<sup>84</sup> while Trump stayed at home tweeting about 'America First', symbolically underscored what seemed to be a historic reversal of roles.

We have argued that in order to understand the development of US–China relations and the contradictions and dilemmas in the two countries' respective foreign policy strategies, we need to move beyond a state-centric perspective and take into account their distinctive state–society models and the ways in which leading elites are rooted in these social power structures, which influence their interests, ideas and world-view, and hence the foreign policy they formulate.

Thus while Xi embraces globalization and is now himself advocating an open door to trade and investment—in line with the deepening integration of China's economy within global capitalism—we have also shown in this article how 'capitalism with Chinese characteristics' is still very much 'state-directed', and will remain so for the foreseeable future. This entails a hybrid and contradictory set of interests and values on the part of Chinese political and corporate elites—with an underpinning world-view that is quite distinctive from the American, and can be expected to lead to contention on the latter's part. While China is partially adapting to the liberal institutions and rules of the game, there are also limits to its liberalization: in particular, regulatory reforms at the domestic level, such as setting anti-discriminatory rules for government procurement, are likely to be resisted. We therefore think a scenario of full co-optation rather unlikely.

Nor do we see evidence of a scenario of major conflict in the making, although there remains fundamental divergence both in the realm of economic interests (trade, investment and development) and in the security realm (crystallized most markedly in tensions over the South China Sea and North Korea). While during the presidential election campaign Trump clearly painted China as the enemy with respect to American jobs, since taking office he has so far refrained from denouncing China as a currency manipulator or starting the trade war he had announced. Indeed, after Xi's state visit to Washington in April 2017, Trump appeared to stay to the script of engagement and even partnership by extending lavish praise to his guest.

Do these developments, then, point towards a scenario of coexistence? Is a 'G2 with Chinese characteristics' in the making? To a large extent we think there is; particularly if we take a slightly longer-term perspective, that is, beyond the current US administration. Arguably, the interdependencies in terms of trade and

<sup>84</sup> Xi Jinping, 'Jointly shoulder responsibility of our times, promote global growth', keynote speech at World Economic Forum Annual Meeting, Davos, 17 Jan. 2017, CGTN, <https://america.cgtn.com/2017/01/17/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>.

finance, with China too deeply invested in US Treasury bonds to risk an escalation on either side, serve to contain their conflicting interests, leaving the United States and China ‘locked in a delicate dance’.<sup>85</sup> This scenario, however, also involves many instabilities and internal contradictions. It would first of all require that China stick to its script of refraining from any ambition to take over the leadership from the United States, or to challenge its military superpower status. At the same time, it would also require adaptation from the American side—not least in terms of China’s preference for autocratic leadership, which might perhaps not be too problematic while Trump is in office. Beyond that, whether such a scenario of coexistence can be successfully maintained arguably hinges crucially on the way the US strategy evolves. In turn, this scenario is also conditional upon the outcome of the domestic political contestation and balance of social forces within the state–societies of both the United States and China.<sup>86</sup>

This is well understood by the current Chinese leadership, which has combined its long-term strategic vision—with Xi holding very firm control of the (geo-)economic and (geo)political direction of China—with a centralization of elite power aimed at unity and cohesion, repressing internal dissent both within the party and beyond.<sup>87</sup> China’s state–society model, however, also contains significant internal contradictions, as noted above, as evident in conflicts around economic reform within different sectors and between state-dominated and private capital, and in the predicaments around the rule of law.

Within the liberal world (primarily the United States and Europe), domestic social and political contestations have meanwhile produced formidable ‘challenges from within’, with the rise of broad anti-liberal and anti-elite populist movements such as led to the vote for Brexit and the election of Trump.<sup>88</sup> With the new US administration a partly—though certainly not wholly—new foreign policy elite has come to power with a different set of ideas, with respect both to China and to the liberal world order in general. How radical a break with the liberal internationalist foreign policy establishment this implies is unknown at the time of writing. The picture of what goes on inside the Trump administration is currently still very messy, with what seem to be different factions—a more ‘globalist’ faction (represented by individuals such as the director of the National Economic Council, Gary Cohn, and Trump’s special adviser Jared Kushner) and an outspoken ‘America first’ faction (represented by figures such as former chief strategist Steve Bannon)—moving in opposite directions, and a chaotic and highly unpredictable head of state aggravating existing tensions and contradictions.

Nevertheless, it seems by now that Trump’s foreign policy does not mean isolationism or an American retreat from key strategic areas such as east Asia. Indeed there are, notwithstanding all the bluster and confrontational tweets, some signs of rather strong continuity. Although there have been mixed signals, the United

<sup>85</sup> Wang Yong and Louis Pauly, ‘Chinese IPE debates on (American) hegemony’, *Review of International Political Economy* 20: 6, 2013, pp. 1165–88.

<sup>86</sup> See Skidmore, *Contested social orders*.

<sup>87</sup> Yu, ‘Motivations behind China’s “one belt, one road” initiatives’.

<sup>88</sup> We thank one of the reviewers for reminding us to point out this important dimension.

States appears to remain committed to its traditional allies such as Japan and South Korea.<sup>89</sup> Indeed, far from threatening to ‘bring the troops back home’, according to the traditional isolationist trope against which liberal internationalists such as Hillary Clinton have always warned,<sup>90</sup> the new administration has announced further reinforcement of its military presence in the region, not only *vis-à-vis* North Korea but more broadly. Furthermore, with respect to the South China Sea the new Republican administration by and large seems to be following the line set by Hillary Clinton, who as Obama’s Secretary of State declared that maintaining the freedom of the seas was a core US interest.

In sum, while the US-led liberal world order has certainly been put under severe strain by the Trump presidency, and while this tension is leaving its mark on America’s role in Asia and its relations with China, we do not yet observe a wholesale replacement of America’s post-Cold War globalist and ‘liberal engagement’ as pursued by Obama. Although the engagement may turn out to be less deep in the future, as well as less liberal, there is no strategic retreat from the area and the policy signals are mixed.

## **Conclusion: a research agenda**

This conclusion remains, of course, speculative, pending the unfolding of real-world affairs and future research. With regard to the latter, we have in this article discussed our findings related to the three post-Cold War administrations preceding Trump, and have pointed out the close nexus between the foreign policy elite and the corporate elite that has been a crucial source for the liberal foreign policy that characterized these administrations. Although Trump was elected on a promise to ‘drain the swamp’, he did, of course—besides being a billionaire businessman himself—fill his cabinet with many of the Wall Street elite with whom he had promised to break, even if his top foreign policy-makers seem much less embedded than their predecessors in the foreign policy planning network of corporate-funded, ‘globalist’ think-tanks that have traditionally made up the US foreign policy establishment. This may herald a more fundamental change in US foreign policy, but awaits more systematic empirical research into the networks behind the Trump administration and an analysis of how this translates into foreign policy-making under Trump and into the US–China relationship: an exciting new research agenda.

Similarly, the Chinese foreign policy elite networks and the distinctive way in which they are linked to the domestic political economy and China’s transnationalizing capital—illustrated in this article through insights based on one state-dominated sector—need to be much more extensively mapped and investigated. Different networks and configurations of actors and interests can be expected to be linked to different issue areas and institutions, one key dimension of course being that of state-owned and private enterprise. But various constellations

<sup>89</sup> Bilahari Kausikan, ‘Asia in the Trump era: from pivot to peril?’, *Foreign Affairs* 96: 3, May–June 2017, pp. 146–53.

<sup>90</sup> Clinton, ‘America’s Pacific century’.

can also be expected within single institutions, leading to variation in China's behaviour. Within the WTO, for instance, while generally acting as a pragmatic rule-taker, China has engaged in rule-bending and even rule-breaking in sectors such as metals and agriculture.<sup>91</sup> Future research along these lines, investigating the changing elite networks and elite strategies on both sides of the US–China relationship, will be key to an understanding of how this relationship will evolve within a scenario of coexistence in the future, and whether this will lead to a fundamentally different world order.

<sup>91</sup> We thank an anonymous reviewer for this remark.