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**NO. 284**

**PROSPECT THEORY AND CHINA'S CRISIS BEHAVIOUR  
UNDER HU JINTAO**

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**S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES  
SINGAPORE**

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## Abstract

Borrowing insights from prospect theory, this paper introduces a “political survival-prospect” model to explain the dynamics of China’s foreign policy behaviour during crises. I argue that when Chinese leaders are framed in a domain of losses with respect to political survival, a risk-acceptant behaviour, e.g. coercive diplomacy, is more likely to be adopted. When Chinese leaders are framed in a domain of gains, a risk-averse behaviour, e.g. an accommodative policy, is more likely to be chosen. Two crises, the 2009 *Impeccable* incident between China and the United States and the 2010 boat collision crisis between China and Japan, are studied to test Chinese President Hu Jintao’s decision-making during crises.

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## Introduction

Along with China's rise in military and economic capabilities, foreign policy crises involving China seem more likely as seen from the diplomatic standoffs in the South China Sea and over the *Diaoyu/Senkaku* islands. With the United States "rebalancing towards Asia," diplomatic and military crises between China and its neighbours will inevitably involve U.S. interests in the Asia Pacific.<sup>1</sup> Therefore, it is imperative for policymakers in the United States and other nations to understand China's dynamic behaviour in foreign policy crises, i.e. when China will take risks to escalate a crisis and when China will avoid risks to seek accommodation during crises.

Borrowing insights from prospect theory—a behavioural economic/psychological theory that is gaining increasing attention among social scientists<sup>2</sup>—I introduce a "political survival-prospect" model to shed some light on China's dynamic behaviour during crises. I suggest that Chinese foreign policy crisis behaviour is shaped by Chinese decision-makers' prospects regarding their political survival status: (i) when Chinese leaders are framed in a domain of losses or their political survival is at stake, then a risk-acceptant behaviour, i.e. coercive diplomacy, is more likely to be adopted; and (ii) when Chinese leaders are framed in a domain of gains, then risk-averse behaviour, i.e. an accommodative policy, is more likely to be chosen.

This paper begins with a brief review of the "state of the art" in the study of China's crisis behaviour and introduces the "political survival-prospect" model as an alternative approach to understanding the variations in China's crisis behaviour. Then two foreign policy crises that China experienced during Hu Jintao's leadership will be examined: the 2009 *Impeccable* incident between China and the United States and the 2010 "boat collision" crisis between China and Japan. In conclusion, I suggest that the new Chinese leadership under Xi Jinping might be risk-acceptant in future crises if Xi is cornered into a vulnerable situation. The United States and other nations should be careful how they shape the domain of action for Chinese leaders during crises.

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<sup>1</sup> For an official statement of the US "pivot to Asia," see Hillary Clinton, "America's Pacific Century," *Foreign Policy* (November 2011).

<sup>2</sup> Daniel Kahneman and Amos Tversky are the founders of prospect theory. Tversky died in 1996 and Kahneman was awarded the 2002 Nobel Prize in economics for his work in prospect theory.

## China's Foreign Policy Crisis Behaviour—Rational, Idiosyncratic or Situational?

In international relations literature a “foreign policy crisis” is defined by three factors: “(i) a threat to one or more basic values; (ii) an awareness of finite time for response to the value threat; and (iii) a heightened probability of involvement in military hostilities.”<sup>3</sup> Some scholars introduce the concept of “near crisis” by relaxing the requirement for “possibility of involvement in military hostilities.”<sup>4</sup> A “near crisis” refers to a diplomatic conflict or tension between two nations that approaches the intensity of a military crisis, but the possibility of military hostility is relatively low.

### The study of China's foreign policy crises after the Cold War

I focus on the “near crisis” cases between China and other nations for three reasons. First, China has not engaged in any violent military conflicts with other states since the end of the Cold War. Instead, China has been involved in some military-oriented “near crises” such as the 1999 embassy bombing in Yugoslavia and the 2001 EP-3 incident. Second, although the possibility of military conflict from these “near crises” is low by definition, they can easily escalate to real military conflicts, especially if policymakers do not manage them well. The possible unintended consequences of these near crises would actually loom larger than the actual crises. Third, these “near crises” are usually accompanied by a spiral of distrust and tension due to a lack of information and communication among parties involved. On the current South China Sea disputes between China and its neighbours, which may not lead to immediate military conflicts, the International Crisis Group reports, “all of the trends (sovereignty disputes) are in the wrong direction, and prospects of resolution are diminishing.”<sup>5</sup> This worsened crisis management pattern has not only strained relations between China and other Asian countries, but also put regional security and stability at stake.

The existing scholarly work on China's “near crises” is mainly descriptive in nature, focusing on unique characteristics of China's crisis behaviour, emphasising responsibilities instead of interests, seeking guidance from China's political tradition instead of legal solution, and lacking crisis management mechanism.<sup>6</sup> One collaborative research project on China-U.S. crisis behaviour is worth noting. The Carnegie Endowment for International Peace and the China Foundation for International and Strategic Studies conducted a collaborative research project on U.S.-China crisis management in 2004.<sup>7</sup> However, the problem in this research lies in the “comprehensiveness” of the project. On the

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<sup>3</sup> Michael Brecher and Jonathan Wilkenfeld, *A Study of Crisis* (Ann Arbor: University of Michigan Press, 2000), 3.

<sup>4</sup> Patrick James, cited by Jonathan Wilkenfeld, “Concepts and Methods in the Study of International Crisis Management,” in Michael Swaine and Zhang Tuosheng, eds., *Managing Sino-American Crises: Case Studies and Analysis* (Washington D.C: Carnegie Endowment for International Peace, 2006), p.111.

<sup>5</sup> International Crisis Group, “Stirring up the South China Sea (II): Regional Responses,” *Asia Report*, N°229 – 24 July 2012.

<sup>6</sup> Wu, *Managing Crisis and Sustaining Peace between China and the United States* (Washington D.C.: United States Institute of Peace, 2008); Wang Jisi and Xu Hui, “Pattern of Sino-American Crises: A Chinese Perspective,” in Swaine and Zhang, eds. *Managing Sino-American Crises*.

<sup>7</sup> Leading scholars from both the United States and China worked together to examine the onset, escalation, and management of political and military crises between the United States and China from 1949 to 2004. This study is the most comprehensive analysis of China's foreign policy crises so far. More importantly, this project explores differences as well as similarities between the Chinese and American scholars in their

one hand, it identifies six sets of variables that influence U.S. and Chinese crisis behaviour, including elite perceptions and beliefs; domestic politics and public opinion; decision-making structure and process; information and intelligence receipt and processing; international environment; and idiosyncratic or special features.<sup>8</sup> On the other hand, the project fails to specify which variable or variables play the most important role in shaping U.S. and Chinese foreign policy crisis behaviour. It is politically necessary to present the sets of variables to achieve the purpose of providing recommendations to both governments on how to cope with future foreign policy crises. However, this list of variables fails to capture the dynamics of China's crisis behaviour, i.e. under what conditions and why China (or America, which is not covered given this paper's scope) adopted more coercive policies in some crises but more accommodative diplomacy in others.

### **The rationalist approach—are all decisions rational?**

Rationalism is a prevailing approach in the study of China's foreign policy crisis behaviour. It assumes that policymakers during crises are rational when deciding whether to escalate or de-escalate. For example, Thomas Christensen suggests that both Mao Zedong and Harry Truman used the Korean War to advance their domestic political agendas.<sup>9</sup> This school of thought sometimes attributes the escalation of conflicts to either an "information" problem or asymmetric power relations. First, because of incomplete information during crises, China and its adversaries sometimes are entrapped in unnecessary conflicts. For example, Allen Whiting in his classic work on the Korean War suggests that the United States misread or underestimated China's signalling of its resolve during the Korean War due to the absence of credible, private and consistent lines of communication which indirectly triggered the escalation of conflict between the two nations.<sup>10</sup>

Second, the power discrepancy between a triggering state and a target state also determines whether a crisis turns violent or not. For example, Michael Brecher and Jonathan Wilkenfeld point out that a crisis triggered by a weaker power is less likely to lead to a military conflict because "the target state need not necessarily employ violence in order to achieve its crisis objectives."<sup>11</sup> In other words, it is not rational for a stronger state to deal militarily with a crisis triggered by a weaker state because the stronger state has other means, such as economic sanctions, to retaliate the weaker adversary. Based on this rationalist approach, Wang Jisi and Xu Hui argue that the power discrepancy between

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understanding of foreign policy crises. The book was published in 2006. See Swaine and Zhang eds. *Managing Sino-American Crises: Case Studies and Analysis*.

<sup>8</sup> Swaine, "Understanding the Historical Record," 10.

<sup>9</sup> Thomas Christensen, *Useful Adversaries: Grand Strategies, Domestic Mobilization, and Sino-American Conflict, 1947-1958* (Princeton: Princeton University Press, 1996). For other examples, see M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes* (Princeton: Princeton University Press, 2008).

<sup>10</sup> Allen Whiting, *China Crosses the Yalu: The Decision to Enter the Korean War* (Stanford: Stanford University Press, 1968).

<sup>11</sup> Michael Brecher and Jonathan Wilkenfeld, *A Study of Crisis* (Ann Arbor: University of Michigan Press, 2000), 841.

China and the United States can explain why the three Taiwan crises (1955, 1958, and 1996) did not cause military conflicts between the two nations.<sup>12</sup>

Another example is the “audience cost” argument suggested by Jessica Weiss in explaining China’s varying policies toward anti-American protests during crises.<sup>13</sup> Weiss argues that the Chinese government can use domestic anti-American protests as an “audience cost” mechanism to either signal its resolve or convey its commitment for cooperation to the United States. Weiss suggests that the reason for China to allow protests in the 1999 embassy bombing incident was to demonstrate its resolve that “China could not be bullied.” In the 2001 EP-3 incident, the Chinese government stifled nationalist protests due to the “desire to reassure the New Bush administration.”<sup>14</sup>

This rational choice based approach faces two problems in analysing China’s foreign policy crisis behaviour. First, assuming rationality is analytically convenient, but flawed in practice. Due to constraints of incomplete information, cognitive bias and urgency for making decisions, policymakers may not be able to make so-called rational decisions, i.e. make decisions based on a sophisticated calculation of costs, benefits and their probabilities regarding a certain policy during a crisis. Instead, policymakers sometimes have to make decisions in a domain of bounded rationality which is beyond the explanatory power of the classic rational choice approach.<sup>15</sup>

Analysing the three Taiwan crises, Wang and Xu are correct to argue that the huge power discrepancy helped both nations avoid large-scale military conflicts. However, why a weaker China intended to trigger the crises across the Taiwan Strait against a stronger U.S. is still an unanswered question for the rational choice approach. Weiss’ autocratic signalling through domestic protests is indeed interesting. However, why Chinese leaders wanted to signal their tough resolve only in the embassy bombing crisis but not in the EP-3 incident is still not clear. Since both crises involved Chinese casualties and violations of Chinese sovereignty and since by rational choice theory Chinese leaders are rational and their definitions of interests are fixed as rational choice scholars assume, they should behave similarly in these two crises. However, it is not the case. The major problem of this rationalist approach is the presumed state interest which is actually not fixed but constituted by situation, emotion and other ideational factors in practice. Unfortunately, rational choice theory does not have a theory of interests.

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<sup>12</sup> Wang and Xu, “Pattern of Sino-American Crises,” 138.

<sup>13</sup> For a general audience cost argument, see James Fearon “Domestic Political Audiences and the Escalation of International Disputes,” *American Political Science Review* 88: 577-92; James Fearon, “Signaling Foreign Policy Interests: Tying Hands Versus Sinking Cost.” *The Journal of Conflict Resolution* 41, no. 1 (1997): 68-90; Jessica Weeks, “Autocratic Audience Costs: Regime Type and Signaling Resolve,” *International Organization* 62: 35-64; Jessica Chen Weiss, “Autocratic Signaling, Mass Audiences, and Nationalist Protest in China,” *International Organization* (forthcoming 2013). For critiques of audience cost theory, see Jack Snyder and Erica Borghard, “The Cost of Empty Threats: A Penny, not a Pound,” *American Political Science Review* 105, no.3 (2011): 437-56; Marc Trachtenberg “Audience Costs: An Historical Analysis,” *Security Studies* 21, no.3 (2012): 3-42.

<sup>14</sup> Weiss, “Autocratic Signaling.”

<sup>15</sup> For bounded rationality see Herbert Simon, *Models of Man: Social and Rational* (New York: John Wiley, 1957).

Second, the policy recommendation to improve communication channels and clarify signalling during crises is politically appealing but practically problematic. Undoubtedly, through good signalling and smooth communication, China and the United States can avoid unnecessary conflicts and possible escalation of a crisis. However, due to the conflictual nature of crises, both parties have incentives to hide their bottom lines and exaggerate their resolve and capabilities in order to maximise their bargaining positions during crises.<sup>16</sup> Therefore, improving the understanding of signalling and communication alone cannot fundamentally reduce the possibility of escalation during crisis.

For example, in the 2001 EP-3 incident, some U.S. scholars argue that early escalation of the incident was mainly a result of slow responses of the Chinese government to U.S. requests.<sup>17</sup> However, a prevailing explanation in China is that a rushed decision by the U.S. Pacific Command to publicise the incident “made a solution through quiet diplomacy impossible.”<sup>18</sup> Both China’s slow response and the U.S. rushed decision are seemingly rational because China wanted more time to conduct initial investigations of the incident while the U.S. Pacific Command needed to insure the safety of the crew and the EP-3 plane as soon as possible. If this is the case, then the early escalation of the EP-3 incident seems inevitable even though the communication channel had no problem.

### **Cultural approach—too indeterminate**

Contrary to the rationalist approach, another school of scholars study China’s crisis behaviour from a cultural perspective, emphasising a unique or idiosyncratic understanding of China’s behaviour during crises. For example, Wang and Xu suggest that China’s foreign policy crisis behaviour is shaped by a “more sophisticated political tradition, a longer history, and a prouder civilization.” In particular, Wang and Xu point out that the major guideline of China’s crisis strategy originated from Mao Zedong’s war experience against Japan and the KMT. The three principles of the guideline—“on just grounds, to our advantage, and with restraint” (*youli, youli, youjie*)—are rooted in Chinese culture and tradition, which emphasize morality over interest, self-defence over offense and restraint over provocation.<sup>19</sup> In contrast, Alastair Iain Johnston suggests that Chinese leaders prefer offensive military approaches during crises because of the influence of China’s realpolitik strategic culture. Therefore, China sometimes adopts coercive diplomacy or even a pre-emptive attack to show its resolve and seize opportunities during crises.<sup>20</sup>

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<sup>16</sup> For the information problem see Thomas Schelling, *The Strategy of Conflict* (Cambridge: Harvard University Press, 1960); James Fearon, “Rationalist Explanations for War,” *International Organization* 49, no. 3 (1995), 379-414.

<sup>17</sup> See Dennis Blair and David Bonfili, “The April 2001 EP-3 Incident: The U.S. Point of View,” in Swaine and Zhang, eds. *Managing Sino-American Crises*, 377-389.

<sup>18</sup> See Wu, “Understanding Chinese and U.S. Crisis Behavior” and “*Managing Crisis and Sustaining Peace between China and the United States.*”

<sup>19</sup> Wang and Xu, “Pattern of Sino-American Crises,” 141-142. For a similar cultural perspective, see Chih-Yu Shih, *China’s Just World: The Morality of Chinese Foreign Policy* (Boulder: Lynne Rienner, 1993).

<sup>20</sup> See Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995); and Johnston, “Cultural Realism and Strategy in Maoist China,” in Peter Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996) pp. 216-270. For a different view of China’s strategic culture, see Huiyun Feng, *Chinese Strategic Culture and Foreign Policy Decision-Making: Confucianism, Leadership and War* (London and New York: Routledge, 2007).



The cultural approach faces two major problems. First, it is indeterminate in nature. It is still unsettled among scholars and policymakers whether Chinese culture is offensive or defensive, especially during crises. In some cases, especially during the Cold War, China's crisis behaviour was offensive as seen from the two Taiwan Strait crises in the 1950s. However, in other cases, especially after the Cold War, China's policy during crises is mostly defensive in orientation, such as in the 1999 embassy bombing incident and the 2001 EP-3 incident. It is difficult to attribute the variations of China's crisis behaviour across time simply to Chinese culture.

Another problem of the cultural approach lies in China's emerging pluralistic decision-making mechanism. The cultural approach may be able to explain China's crisis behaviour under strong leaders, such as Mao Zedong and Deng Xiaoping, who not only played decisive roles during crises but also possessed distinctive and dominant cultural beliefs and characteristics. However, it is obvious that China's decision-making process is approaching pluralism due to the lack of strong leaders with revolutionary background and charisma after the Cold War.<sup>21</sup> The idiosyncratic predictions of China's crisis behaviour by cultural theorists, therefore, are no longer compatible given the sea of changes in Chinese leadership style and decision-making structure.

### **A prospect theory approach—situational choices**

To better understand Chinese crisis behaviour and address the weaknesses of the rationalist and cultural approaches, I introduce a situational approach—based on prospect theory in behavioural psychology—to shed some light on the study of China's foreign policy crisis behaviour. From laboratory experiments, Daniel Kahneman and Amos Tversky—the founders of prospect theory—found that how people interpret their situation for making choices in a domain of gains or losses influences how they behave in terms of their risk orientation.<sup>22</sup> People tend to evaluate choices with respect to a reference point and they choose risk-averse behaviour in a domain of gains but risk-acceptant behaviour in a domain of losses, i.e. if people are in an advantageous situation (a domain of gains), they are more likely to behave cautiously (be risk-averse) to protect their gains and avoid losses. However, when people are in a disadvantageous situation (a domain of losses), they are more likely to choose risky behaviour (be risk-acceptant) that may either reverse or worsen their losses.<sup>23</sup> In other words, they choose irrationally by going “against the odds” of expected utility calculations, as in the case of the debt-ridden lottery player in the domain of losses whose odds (probability) of winning the lottery (achieving gains) are much worse than losing the purchase price (incurring losses) of the lottery ticket.<sup>24</sup>

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<sup>21</sup> See Swaine and Zhang, eds. *Managing Sino-American Crises: Case Studies and Analysis*, 13-14.

<sup>22</sup> Daniel Kahneman and Amos Tversky, “Prospect Theory: An Analysis of Decision under Risk,” *Econometrica* 47 (1979), 263-91.

<sup>23</sup> Rose McDermott, “Prospect Theory in Political Science: Gains and Losses from the First Decade,” *Political Psychology* 25, no.2 (2004), 294.

<sup>24</sup> Prospect Theory has other interesting findings, such as the endowment effect and loss aversion. In this paper, I focus on the framing effect, i.e., how the domains of action with respect to the reference point influence risk propensity and behaviour. For discussions about other findings of prospect theory, see Jack Levy, “Prospect Theory and International Relations: Theoretical Applications and Analytical Problems,” in Barbara Farnham, ed. *Avoiding Losses/Taking Risks* (Ann Arbor: The University of Michigan Press, 1995), 119-146; Robert

Prospect theory can provide an alternative account of political decisions taken under risk by replacing the indeterminacy of a cultural approach with a more deterministic situational approach and replacing the invariant expected utility assumption of a rational choice approach in the study of crisis behaviour. Rational choice approaches often make an “as if” assumption about people’s optimal rationality to account for policymakers’ decisions and a state’s policy choices.<sup>25</sup> However, contrary to what rational choice theorists assume, numerous empirical anomalies in both everyday life and high politics indicate that people do not always behave “as if” they are rational.<sup>26</sup>

Foreign policy crises normally take place under conditions of relatively high uncertainty and complexity, thereby involving high levels of risk in the form of probable losses. The high level of uncertainty and risk sometimes influences and even distorts policymakers’ preferences. Challenging the “as if” assumption of rational choice approach, prospect theory provides a systematic way to explain and predict decisions under risk without prior knowledge about individual preferences. Through examining the different situations (domains of action) in which people make decisions, prospect theory explains and predicts risk propensities as well as preferences and choices. It also transcends the local idiosyncrasies of beliefs and norms associated with the cultural approach. Although prospect theory was based initially on classroom experiments, its findings have been tested and confirmed by many scholars in the field of economics, business, management, finance and political science. In the study of foreign policy, recent scholarship on prospect theory has been promising.<sup>27</sup>

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Jervis “Political Implications of Loss Aversion,” *Political Psychology* 13 (1992), 187-201; Robert Jervis, “The Implications of Prospect Theory for Human Nature and Values,” *Political Psychology* 25, no. 2 (2004), 163-76; Barry O’Neill, “Risk Aversion in International Relations Theory,” *International Studies Quarterly* 45, no. 4(2001), 617-40.

<sup>25</sup> See Milton Friedman, “The Methodology of Positive Rationality,” In *Essays in Positive Economics*, edited by Milton Friedman (Chicago: University of Chicago Press, 1957), 3-43.; Barbara Farnham, *Avoiding Losses/Taking Risks*. For a comprehensive critique of rational choice approaches, see Donald Green and Ian Shapiro, *Pathologies of Rational Choice Theory: A Critique of Applications in Political Science* (New Haven: Yale University Press, 1994).

<sup>26</sup> Insurance and gambling are two prominent examples of anomalies of expected utility theory in everyday life. For a discussion, see Jack Levy “An Introduction to Prospect Theory,” in *Avoiding Losses/Taking Risks*, edited by Barbara Farnham, 10-11.

<sup>27</sup> For example, see Farnham, *Avoiding Losses/Taking Risks*; Rose McDermott, *Risk-Taking in International Relations: Prospect Theory in Post-War American Foreign Policy* (Ann Arbor: University of Michigan Press, 1998); Jeffrey Taliafero, *Balancing Risks: Great Power Intervention in the Periphery* (Ithaca: Cornell University Press, 2004); Jonathan Mercer, “Prospect Theory and Political Science,” *Annual Review Political Science* 8(2005), 1-21; Steve Chan, *China, the US and the Power Transition Theory: A Critique* (New York and London: Routledge, 2007); Thomas J. Christensen, “The Meaning of the Nuclear Evolution: China’s Strategic Modernization and US-China Security Relations,” *Journal of Strategic Studies* 35, no. 4 (2012): 447-487.

## A Political Survival-Prospect Model of Crisis Behaviour

Before we apply prospect theory to the study of crisis behaviour, we need to define the risk propensities of different crisis behaviours. The crisis management literature introduces two types of behaviour in crises—coercion and accommodation.<sup>28</sup> The purpose of coercion is to escalate the crisis for the desired political and military goals which a state may not be able to get otherwise. Accommodative behaviour, on the contrary, aims at de-escalating conflicts for reconciliation with opponents during crises. In terms of risk propensity, coercion involves more risks than accommodation since the former is more likely to trigger military conflicts than the latter. Therefore, I suggest that coercion can escalate a crisis and is a risk-acceptant policy with respect to the danger of military conflicts. On the other hand, accommodation can de-escalate a crisis and is risk-averse behaviour. It is worth noting that since a foreign policy crisis is defined by “finite time” and urgency for making decisions, I do not consider the “time dimension” variable in the model. It means that decision-makers do not have enough time to evaluate the long-time impact of their decisions during crises and all of their decisions are short-term in nature. For example, retrospectively, an escalation of a crisis might be good for decision-makers in the long run. However, in this research, it is still treated as a risk-acceptant policy choice just because it will increase the danger of military conflict in the short run.

In order to explain when a state is more likely to choose coercive or accommodative policy options, we need to set the reference point for defining the domain of actions of policy-makers during crises. One major challenge for applying prospect theory to real-life political events is how to set the reference point. Since there is no theory of framing or setting the reference point, scholars have introduced different techniques pragmatically to set a reference point for determining an actor's domain of gains or losses.<sup>29</sup> As Mercer suggests, there are five major prevailing methods or reference points: the status quo, aspiration level, heuristics, analogies, or emotions.<sup>30</sup> I choose the status quo as the reference point to determine the domain of action for decision-makers. How to determine the status quo situation for political leaders is beyond the theoretical scope of prospect theory. As an experiment-based theory of decision under risk, prospect theory cannot directly apply to politics without a political theory to help identify what the status quo is as the reference point in the framework.

Borrowing insights from comparative politics, I use the status quo of leaders' political survival to define the reference point since political survival is the most important concern for all political leaders.<sup>31</sup> Since decision-makers face tremendous pressure from both international and domestic arenas during a foreign policy crisis, I suggest two general factors that can influence leaders' perceptions regarding

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<sup>28</sup> Alexander George, “Strategies for Crisis Management,” in Alexander George, ed. *Avoiding War: Problems of Crisis Management* (Boulder: Westview Press, 1991), 378.

<sup>29</sup> For a criticism on the lack of a theory of framing, see Jack Levy, “Prospect Theory, Rational Choice, and International Relations,” *International Studies Quarterly* 41(1997), 87-112.

<sup>30</sup> Jonathan Mercer, “Prospect Theory and Political Science,” *Annual Review Political Science* 8 (2005), 4.

<sup>31</sup> Bueno De Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow, *The Logic of Political Survival* (Cambridge: MIT Press, 2003).

their political survival status during crises. One is the leadership authority and the other is international pressure. Leadership authority refers to a leader's capability to secure political support from domestic actors. In a democratic system, the domestic power strength can be measured by the relationship between the executive branch and the legislature (either parliament or congress) as well as public approval rate for the leaders. For example, if the executive branch can get full support from the legislature, the top decision-makers will be able to execute policy decisions more forcefully and effectively. If the executive branch is constrained by the legislature or public opinion, the top decision-makers will be in a "lame duck" situation. In an authoritarian regime, although the decision-making system is more concentrated, the top leaders still need to consider the domestic "selectorate" or "winning coalition," such as the military and the bureaucracy, in making decisions.<sup>32</sup> The leadership authority in an authoritarian regime is largely shaped by the relationship between the top leaders and the domestic interest groups, such as the military and the party.

International challenges and pressure can also impact top leaders' political survival status. International challenges can be measured by the relationship between a state and the major powers in the system. Although political leaders' political legitimacy is mainly based on domestic constituency in a democracy or domestic supports from key interest groups in authoritarian regimes, how well they handle an international challenge is also crucial for their political survival at home. For a democratic leader, a successful foreign policy may not be the determining factor for winning a general election, as seen from George H.W. Bush's electoral defeat in 1992. However, a failed foreign policy will definitely hurt their political credibility and accountability at home, as the Iran hostage crisis did to Carter.

In an authoritarian regime, foreign policy becomes an even more important factor affecting the top leaders' political survival. On the one hand, some authoritarian leaders need international support to sustain their power domestically. As Steven David suggests, many political leaders in the Third World countries during the Cold War relied on their international military allies to balance against their domestic opponents and strengthen their political legitimacy at home.<sup>33</sup> On the other hand, a successful handling of international challenges can boost an authoritarian leader's political credit at home. Fidel Castro, Hugo Chávez and Vladimir Putin are all famous for their tough stands against Western pressure at home and their political legitimacy partly stems from their anti-Western ideologies and policies. However, it is not to suggest that all authoritarian leaders would be hostile toward the outside world. No authoritarian leader wants to face political challenges from the outside because one failure in handling international pressure may terminate their regimes, as we can see from the fall of Suharto in Indonesia, Mubarak in Egypt and Gaddafi in Libya.

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<sup>32</sup> See Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993); Bruce Bueno De Mesquita, James Morrow, Randolph Siverson, and Alastair Smith, "An Institutional Explanation of the Democratic Peace," *American Political Science Review* 93, no. 4 (1999), 791-807.

<sup>33</sup> Steven David, "Explaining Third World Alignment," *World Politics* 43, no. 2 (1991), 233-256.

Through focusing on leaders' political survival status, prospect theory can link the domain of actions with risk-laden policy choices and generate the following two hypotheses:

**H1.** When political leaders' political survival is framed in a domain of gains, they are more likely to behave in an accommodative way, i.e. to choose risk-averse policies during crises.

**H2.** When political leaders' political survival is framed in a domain of losses, they are more likely to behave in a coercive way, i.e. to choose risk-acceptant policies during crises.

In the following, I perform a congruence test of these hypotheses by analysing China's two foreign policy crises under Hu Jintao: the 2009 *Impeccable* incident between China and the United States and the 2010 boat collision crisis between China and Japan. For the congruence test, I will first briefly introduce the outbreak of the crises and identify at least two policy options, risk-averse vs. risk acceptant, for Chinese President Hu Jintao. Then I examine Hu's domain of action during the crises. Based on the "political survival-prospect" model, I predict what Hu should do during crises. In the last step, I compare the model's predictions and China's real policy choices to see whether they are congruent.

It should be noted that the political survival-prospect model mainly focuses on leaders' political fortunes rather than regime security because prospect theory is an individual-based theory. In examining China's cooperative or compromising behaviour in territorial disputes after the Cold War, M. Taylor Fravel introduces an innovative "diversionary peace" theory which suggests that a weak communist regime or domestic strife is the major reason for China to compromise in its territorial disputes after the Cold War.<sup>34</sup> My model differs from Fravel's regime insecurity theory in two ways. First, I focus on Hu's status of political survival rather than the communist regime's security although these two are intertwined. I suggest that as the top leader in the CCP, Hu made the final decision during crises. Depending on how much the stakes can be for Hu's political survival during crises, i.e. whether he was framed in a domain of gains or losses, Hu chose either risk-acceptant or risk-averse decisions. Second, my model can account for both the conflictual and cooperative policies of China during foreign policy crises while Fravel's model mainly discusses China's cooperation in territorial disputes.

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<sup>34</sup> M. Taylor Fravel, "Regime Insecurity and International Cooperation: Explaining China's Compromise in Territorial Disputes," *International Security* 30, no.2 (1995): 46-83.

## China's Crisis Behaviours—When to Coerce and When to Accommodate?

### CASE I: The 2009 *Impeccable* incident

On 9 March 2009, the U.S. Pentagon issued a statement complaining that five Chinese ships “shadowed and aggressively manoeuvred in dangerously close proximity” to the USNS *Impeccable*, an unarmed ocean surveillance vessel during routine operations in the South China Sea, about 75 miles south of China's Hainan Island on 8 March.<sup>35</sup> According to the Pentagon report, the Chinese ships belonged to the Chinese Naval Intelligence, the Bureau of Maritime Fisheries and the State Oceanographic Administration, plus two small trawlers. Two of the Chinese vessels even approached the *Impeccable* within 50 feet, waved Chinese flags and asked the U.S. ship to leave the area. The *Impeccable* responded by spraying one of the vessels with fire hoses. Later, when the *Impeccable* started to leave the area, the Chinese vessels dropped pieces of wood in the water which forced the *Impeccable* to make emergency turns in order to avoid collision. The Pentagon spokesman called the incident “one of the most aggressive actions we've seen in some time.”<sup>36</sup>

The U.S. Embassy in Beijing lodged a formal protest to the Chinese government. In addition, U.S. defence officials reiterated the protest to China's defence attaché in Washington D. C. On 10 March, Chinese Foreign Ministry spokesman stated that U.S. complaint about the *Impeccable* incident is “totally unacceptable to China” since the *Impeccable* “violated international and Chinese law” by conducting intelligence data gathering in China's 200-nautical-mile Exclusive Economic Zone (EEZ).<sup>37</sup> As a U.S. naval surveillance vessel, the *Impeccable* is designed to map the ocean floor with passive and active low-frequency sonar arrays. The information gathered by the sonar system can be used by the U.S. navy to detect and track other nations' submarines. It is reported that China has a secret submarine base on Hainan Island, which is why surveillance activities of the *Impeccable* are regarded as highly sensitive.

As one Chinese scholar points out, the *Impeccable* incident has “constituted the most serious friction between China and the United States” since the EP-3 mid-air collision incident in 2001.<sup>38</sup> It is still not clear whether China's top decision-makers were directly involved in the interception activities by Chinese ships during the *Impeccable* incident. It might be a normal activity by the Chinese military to counter U.S. spying and intelligence gathering in China's EEZ. The Pentagon reports stressed the *Impeccable* incident was not an isolated event. “The *Impeccable* and another ocean surveillance ships have been targeted five times in the past week (before the *Impeccable* incident on 8 March).”<sup>39</sup>

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<sup>35</sup> David Morgan, “U.S. Says Chinese Vessels Harassed Navy Ship,” *Reuters*, March 9, 2009. Also Tony Capaccio, “Chinese Vessels Harass U.S. Navy ship, Pentagon Says,” [www.Bloomberg.com](http://www.Bloomberg.com)

<sup>36</sup> CNN, “Pentagon Says Chinese Vessels Harassed U.S. Ship,” [www.cnn.com/2009/politics/0309/us.navy.china/index.html](http://www.cnn.com/2009/politics/0309/us.navy.china/index.html)

<sup>37</sup> Xinhua, “China Says U.S. Naval Ship Breaks International, Chinese Law,” <http://news.xinhuanet.com/english>; also BBC news, “China Hits out at U.S. on Navy Row,” <http://news.bbc.co.uk>

<sup>38</sup> Ji Guoxing, “The Legality of the ‘Impeccable Incident,’” *China Security* 5, no. 2 (2009): 19-24.

<sup>39</sup> Ann Scott Tyson, “China Draws U.S. Protest over Shadowing of Ships,” *The Washington Post*, March 10, 2009.

For the Chinese side, it was also a “big surprise” when the United States publicised the incident because it seemed a routine “spying and counter-spying” activity between the United States and China in the South China Sea in recent years.<sup>40</sup>

However, after the Pentagon lodged an official protest to the Chinese Foreign Ministry, the incident became a foreign policy crisis that had the potential to disrupt bilateral relations. It was time for China’s top decision-makers to be involved in dealing with the crisis. As China’s top decision-maker, Hu had basically two options. First, Hu could ignore U.S. complaints and continue the interception to counter U.S. surveillance activities in China’s EEZ. Second, Hu could stop or constrain the actions of interception against U.S. spying activities in order to avoid further escalation of the crisis. The first option is coercive in nature since it signals China’s resolve in countering U.S. surveillance in the EEZ.<sup>41</sup> The second option is an accommodation policy which can alleviate the military tension between China and the United States caused by the incident. Comparing these two options, the first coercive action is a risk-taking or risk-acceptant decision, since it may escalate future military conflict between the two nations. The accommodation policy is a risk-avoidance policy since it signals China’s willingness to back down from its previous position against U.S. surveillance in its EEZ.

### ***Hu’s domain of action: everything is getting right***

The political survival-prospect model suggests that a political leader’s domain of action is shaped by both international and domestic factors. First, we need to evaluate the nature of the crisis. Although the United States filed serious complaints about the precarious “harassments” of the five Chinese vessels towards the *Impeccable*, there were no casualties in the crisis. Compared to other foreign policy crises that China experienced after the Cold War, such as the 1999 embassy bombing incident and the EP-3 incident, the *Impeccable* incident is one crisis where China is not a victim but an initiator. Although the interceptions by ships and fighters cannot stop U.S. spying activities, the major purpose of China’s “harassments” is to signal China’s resolve to counter U.S. “aggressive” conduct. Unlike the military encounters between the Chinese submarine and a U.S. warship in 1994 and 2006 in the Yellow Sea, there is no military confrontation in the *Impeccable* incident.<sup>42</sup> Therefore, the severity of the *Impeccable* incident is relatively low and it was a well-prepared, semi-military action by China against U.S. increased surveillance activities in the EEZ.

Domestically, Hu started to take over power as the General Secretary of the CCP in 2002. However, Hu’s power consolidation inside the CCP was not smooth given the reluctant retirement of Jiang Zemin. Hu did not take over the post of Chairman of the Central Military Committee (CMC) until 2004. However, Hu gradually consolidated power in 2007 during his second term as the General Secretary

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<sup>40</sup> Lei Zhihua, “Mei guofangbu cheng zhongguo chuanzhi zai nanzhongguo hai genzong meijun celiangchuan” [Pentagon reports Chinese Ships Chasing U.S. Surveillance Vessel], *Huaqiu Shibao* [Global Times], March 10, 2009.

<sup>41</sup> Oriana Skylar Mastro, “Signaling and Military Provocation in Chinese National Security Strategy: A Closer Look at the Impeccable Incident,” *The Journal of Strategic Studies* 34, no. 2 (2011): 219-244.

<sup>42</sup> For these “incidental encounters,” see Bernard Cole, “Beijing Strategy of Sea Denial,” *China Brief* 6, no. 23 (2007); Jonathan Kent, “U.S. Warns on China Sub Encounter,” *BBC News*, Nov. 14, 2006.

of the CCP at the 17<sup>th</sup> Party Congress. In 2006, Hu had strengthened his power base in the military by promoting ten full generals.<sup>43</sup> In fall 2006, Hu had also successfully removed Chen Liangyu, the Party Secretary of Shanghai and a politburo member closely associated with Jiang's "Shanghai Gang."<sup>44</sup> Chen Liangyu was the highest ranking party official to be arrested since Jiang removed Chen Xitong, Jiang's political rival and then Party Secretary of Beijing in 1996. Ironically, both Chen Liangyu and Chen Xitong were charged with corruption. Just like Chen Xitong's removal signified a political victory for Jiang ten years ago, Chen Liangyu's arrest indicated Hu's success in fighting back the "Shanghai Gang" led by Jiang. It is reported that Jiang personally endorsed Chen Liangyu's removal. However, it is also suggested that Jiang was under tremendous pressure from Hu since Jiang's son who used to do business in Shanghai was allegedly involved in Chen's scandal.

In the 2007 Party Congress, Zeng Qinghong, Jiang's close associate and a member of the "Shanghai Gang" was forced to retire due to the 68 years old age limit set for party leaders. It was another political blow to Jiang. Although there were still at least four members in the 2007 PBSC associated with Jiang, Hu faced less constraints and challenges from the "Shanghai Gang" in his second term than the first one. Another indicator of Hu's consolidation of authority was to incorporate his "scientific development concept" into the revised party constitution. Differing from Jiang's "GDP-centred" policy, Hu launched his new "people-centred" developmental model in 2003. It was later named the "scientific development concept" which emphasises the importance of social justice in building a "harmonious society."

Just like Jiang's "Three Represents" idea that was included in the party constitution in 2002, Hu's "scientific development concept" became his ideological contribution to the Party. Compared to Jiang who used more than ten years to put a stamp on China's political system, Hu spent five years to achieve the same goal. It symbolised a great political success for Hu. When the *Impeccable* incident occurred in early 2009, Hu's political authority inside the Party was getting stronger, especially after his political victory against the "Shanghai Gang". The international pressure Hu faced was also relatively low when the *Impeccable* incident occurred because of China's rising image after the Olympic Games, strong economic power in the world, economic recession and improved U.S.-China relations. In 2008, Beijing successfully held the Olympic Games which was seen as a sign of China's renaissance on the world stage.

In late 2008, the global recession uplifted China's status as an economic power house in the world. Although China's economy slowed down to a 9 per cent growth rate in 2008, it was still the most dynamic economy in the world. In addition, the Chinese government announced a two-year, 4 trillion Chinese Yuan (US\$586 billion) stimulus plan to beef up its economy. It was the largest economic stimulus plan ever undertaken by the central government. As the managing director of the International Monetary Fund Dominique Strauss-Kahn pointed out, "it's a huge package...It will have an influence not only on the world economy in supporting demand but also a lot of influence on the

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<sup>43</sup> Fewsmith, *China Since Tiananmen: From Deng Xiaoping to Hu Jintao*, 270.

<sup>44</sup> Chen was arrested because of his involvement in a pension fund scandal. He was later sentenced to 18 years in prison on charges of financial fraud, abuse of power, and accepting bribery.



Chinese economy itself, and I think it is good news for correcting imbalances.”<sup>45</sup> It is fair to say that by the end of 2008 and early 2009, China was regarded as the hope of economic recovery in the world.

In 2009, President Barack Obama entered the White House. Unlike other new presidents who normally took on China at the beginning of the term, which is called the “new president syndrome”, Obama showed a smiling face toward China.<sup>46</sup> In February, U.S. Secretary of State Hillary Clinton visited Beijing and gave a speech about “tackling the difficulties in the same boat” with China. The United States and China also established an institutionalised dialogue mechanism, “the U.S.-China Strategic Dialogue,” which covered issues ranging from economy to security. In addition, the two countries started to discuss resuming military contacts suspended after U.S. arms sales to Taiwan in 2007. To the disappointment of human rights groups, Secretary Clinton downplayed China's human rights issue during her visit, treating it as “not significant.”<sup>47</sup> Apparently, overall economic interests won out over liberal ideology in America's strategic calculations towards China.

In sum, Hu was placed in a domain of gains when the *Impeccable* incident took place. For China in general and Hu in particular, the year 2008 featured great success and glory. It does not mean that Hu did not face domestic and international challenges. However, relatively speaking, it seems that everything was under control and everything was getting better for Hu.

#### ***Hu's policy choice: external accommodation and internal anti-hegemon campaign***

It is not clear whether Hu was informed of the Chinese vessels' interception actions before the *Impeccable* incident. From the frequent interceptions by Chinese vessels against U.S. surveillance ships, it is possible to infer that these actions may be just routine manoeuvres directed by the local military authority. However, when the Pentagon publicised the incident, Hu started to get involved in making decisions on how to settle the crisis. Since Hu was framed in a domain of gains, the political survival-prospect model suggests an accommodation policy for Hu to avoid further risks. The risk here refers to a possibility of military conflict with the United States in case of further escalation of the crisis. Hu's actual policy was externally accommodating United States' surveillance but with an internal twist of an anti-hegemon campaign in order to appease the domestic audience.

After the *Impeccable* incident, Chinese foreign minister Yang Jiechi visited Washington, preparing the first meeting between Hu and Obama on the margins of the G20 summit in London on 1 April. It seems that the timing of the incident did not fit the cooperative and favourable atmosphere between the United States and China. Clinton had just conducted her first “smiling” diplomacy in Beijing less than one month before. Yang's scheduled visit on 11 March was intended to create a positive setting between Hu and Obama's first meeting in London. Therefore, the top leaders of both countries did not want the incident to change the cooperative course between the two nations. When Secretary Clinton

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<sup>45</sup> David Barboza, “China plans \$586 billion economic stimulus,” *The New York Times*, November 9, 2008.

<sup>46</sup> Yuan Peng, “Aobaoma Zhenfu Duihua Zhengce yu Zhongmei Guanxi Weilia,” [Obama's China Policy and the future of U.S.-China Relations], *Guoji Zhanwang* [International Outlook], no. 3 (2009), p.4-7.

<sup>47</sup> See Bonnie Glaser, “A Good Beginning is Half Way to Success,” *Comparative Connections*, April 2009.

raised U.S. concerns about the *Impeccable* incident, Yang agreed to “work to ensure that such incidents do not happen again in the future.” In addition, Yang also met President Obama and National Security Advisor James Jones during his visit. Later, the White House press release noted that Obama stressed the importance of military-to-military dialogue in order to avoid future incidents.<sup>48</sup>

In Beijing, China’s attitude towards the United States differed significantly from its attitude towards the domestic audience. Externally, China downgraded the impact of the incident on U.S.-China relations. For example, Zhang Deshun, a Rear Admiral in the PLA navy, stated that “the incident...is not going to stop anything.” He reiterated an invitation to the U.S. to watch a Chinese naval parade off the eastern port of Qingdao in April.<sup>49</sup> Internally, China initiated an anti-hegemon propaganda campaign against U.S. surveillance in China’s EEZ. Chinese media portrayed the *Impeccable* incident as an example of U.S. hegemonic bully against China and charged U.S. actions of violating international law.<sup>50</sup>

China’s anti-hegemonic campaign after the *Impeccable* incident served two purposes. On the one hand, it justified the Chinese government’s legal position during the crisis to the domestic public. Although it by no means directly challenged the United States, it shows China’s “uncompromising” policy toward the United States. On the other hand, the media campaign promoted patriotic sentiments in society which strengthened the political legitimacy of the communist regime. It should be noted that China’s domestic anti-hegemonic campaign after the incident was isolated from its external policy of dealing with U.S. surveillance.

On 12 March, four days after the incident, the United States announced the dispatch of a guided-missile destroyer, the USS *Chung-Hoon*, to the South China Sea in order to protect the *Impeccable* on a surveillance operation.<sup>51</sup> Apparently, the U.S. wanted to signal to China its resolve in continuing the spying activities in China’s EEZ. It is a rational decision for the United States given its much stronger naval power compared to China’s. In response, Hu could take a risky decision to send Chinese naval ships to the same area to counter U.S. provocative actions or he could avoid risks and ignore U.S. surveillance activities in China’s EEZ. In reality, Hu chose a middle-ground policy after the *Impeccable* incident.

On 15 March, China announced that it would send its largest fishery administrative ship, not a warship, to the same region and emphasised that the administrative ship was to safeguard the country’s maritime rights and enhance fishery protection in the EEZ in the South China Sea. As the *China Daily* reported, China could have sent monitoring vessels or even warships, but instead

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<sup>48</sup> See Peter Baker, “Obama Calls for Military Dialogue With China” *The New York Times*, March 12, 2009, and Glaser, “A Good Beginning is Half Way to Success.”

<sup>49</sup> Cited by Glaser, “A Good Beginning is Half Way to Success.”

<sup>50</sup> For an analysis on China’s media campaign, see Oriana Skylar Mastro, “Signaling and Military Provocation in Chinese National Security Strategy: A Closer Look at the *Impeccable* Incident,” *The Journal of Strategic Studies* 34, no. 2 (2011): 219-244.

<sup>51</sup> Ann Scott Tyson, “Navy Sends Destroyer to Protect Surveillance Ship After Incident in South China Sea,” *Washington Post*, March 13, 2009.

exercised moderation by sending a fishery ship to the region after the *Impeccable* incident.<sup>52</sup> By sending the fishery ship *China* signalled its uncompromising position against U.S. surveillance in the EEZ zone but at the same time avoided direct military conflicts with U.S. naval ships.

Because Hu was framed in a domain of gains, an accommodative policy was chosen even after the U.S. provocative action of sending *Chung-Hoon* to the EEZ following the *Impeccable* incident, which ended with the status quo under which the United States continued surveillance and spying activities in China's EEZ. China occasionally intercepts U.S. missions with its vessels and jet fighters. It is reported that the unfriendly encounters between U.S. surveillance ships and Chinese vessels continued after the *Impeccable* incident although the intensity of the confrontation were much lower.<sup>53</sup> If the United States and China cannot reach an agreement to regulate their naval conducts in the sea, the danger of direct confrontation remains on the horizon. If future Chinese leaders are framed in a domain of losses, another *Impeccable* incident may end differently, maybe with violence.

## **CASE II: The 2010 China-Japan “Boat Collision” crisis**

The 2010 Boat Collision crisis between China and Japan happened on 7 September when a Chinese fishing trawler collided with two Japanese Coast Guard (JCG) ships near the *Diaoyu/Senkaku* islands. The JCG detained 15 Chinese fishermen and the trawler. The Chinese Foreign Ministry lodged a diplomatic protest against Japanese action and demanded the immediate release of the crew members and assurance of the ship's safety. Japan also called the Chinese Embassy in Tokyo to protest the actions of the Chinese ship. Japanese authorities stated that the Chinese ship was conducting illegal fishing activities within Japanese waters and Japan's actions were based on Japanese law. In addition, Japan accused the Chinese ship of directly causing the collision. On 10 September, the JCG handed the Chinese Captain of the ship, Zhan Qixiong, over to prosecutors for further investigation. The crisis further escalated.

The disputes over the *Diaoyu/Senkaku* islands between China and Japan originated in the early 1970s. Both China and Japan claimed sovereignty over the islands. After World War II, the *Diaoyu/Senkaku* islands were administered by the United States under UN trusteeship. In June 1971, the United States and Japan signed the “Okinawa Reversion Agreement” which returned Okinawa and the *Diaoyu/Senkaku* islands to Japan in 1972. On 30 December 1971, before the United States officially returned Okinawa and the *Diaoyu/Senkaku* islands to Japan, the Chinese Foreign Ministry announced that the *Diaoyu/Senkaku* islands were “an integral part of Chinese territory” and that the U.S. action was illegal.<sup>54</sup>

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<sup>52</sup>Lan Tian “Fishery patrol ship sent to protect interests,” *China Daily*, March 16, 2009.

<sup>53</sup> For other encounters after the *Impeccable* Incident, see Shirley A. Kan, “U.S.-China Military Contacts, Issues for Congress,” *Congressional Research Service*, Nov. 2012, 68-9.

<sup>54</sup> For the Chinese position, see State Council Information Office, “Diaoyu Dao, an Inherent Territory of China,” China's State Council Information Office, (September 2012); For the Japanese official position, see Ministry of Foreign Affairs of Japan, “Japan-China Relations: Current Situation of Senkaku Islands,” <http://www.mofa.go.jp/region/asia-paci/senkaku/index.html>

For the sake of establishing diplomatic relations with Japan, Deng Xiaoping decided to “shelve” the dispute with Japan in 1972. Since then, the *Diaoyu/Senkaku* islands have been administered and controlled by Japan although China never gave up its sovereignty claims. The *Diaoyu/Senkaku* islands are a traditional fishing area for fishermen from Mainland China, Taiwan and Hong Kong. In 1996, Japan drew an Economic Exclusive Zone (EEZ) around the *Diaoyu/Senkaku* islands to protect Japanese fishermen’s fishing rights. However, the Chinese government never recognized Japan’s sovereignty over the islands or the legitimacy of the EEZ. Consequently, fishing disputes occasionally occurred between Chinese fishermen and the JCG. Despite the 1997 fishery agreement that China and Japan signed, different interpretations of the agreement caused even more problems. Normally, the JCG would block or chase away Chinese fishing boats that Japan thought was fishing illegally in Japanese waters. In 2008, a JCG vessel crashed and sunk a Taiwanese sport-fishing boat near the *Diaoyu/Senkaku* islands.

When a fishing dispute occurs, the Chinese government normally lodges diplomatic protests and reiterates its indisputable sovereignty over the islands. The JCG normally blocks “illegal” activities, including landing on the islands and fishing. If they have to arrest some activists or fishermen, they would release or deport them soon afterward. In the 2008 Taiwan boat collision, Japan apologized to the fisherman with financial compensation for the loss of his boat.<sup>55</sup> However, the 2010 boat collision crisis did not follow this common practice in two respects.

First, it is not clear why the JCG tried to block and chase away the Chinese ship. As the *Wall Street Journal* editorial points out, since “a 1997 fishery agreement allows both sides’ fishermen to operate free of regulation around the islands...it’s not clear why the Japanese coast guard needed to stop the Chinese boat.”<sup>56</sup> Second, Japan not only arrested the crew but also transferred the Chinese Captain to the prosecutor for investigations. Moreover, Japan threatened to use its domestic law to place charges against the Chinese Captain for the collision. For China, the collision incident became a diplomatic crisis when Japan threatened to use its domestic laws to prosecute the Chinese Captain. If China allowed it to happen, it would indicate that China officially admits that the disputed *Diaoyu/Senkaku* islands belong to Japan.

Chinese top decision-makers, including Hu, had two options. First, Hu could continue with what China used to do—lodging diplomatic protests and emphasizing sovereignty over the *Diaoyu/Senkaku* islands without substantial actions. This is an accommodation policy which leaves the hope of releasing the Chinese Captain to the Japanese government. The Chinese Captain may not be released and may even be charged under Japanese laws. However, since the Chinese government insisted on sovereignty through diplomacy, it would not change the status quo of the situation at least from the Chinese perspective. In other words, China does not give up its claim and Japan controls the islands. This accommodation policy would avoid further escalation of the crisis and preserve overall China-Japan relations.

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<sup>55</sup> “Japan Apologizes over Taiwan Boat Incident,” June 20, 2008. [www.afp.com](http://www.afp.com)

<sup>56</sup> The Wall Street Journal, “The Other China Sea Flashpoint: Japan Risks unleashing the Genie of Chinese Nationalism,” *The Wall Street Journal*, September 12, 2010.

The other option is to choose coercive actions, diplomatically and even militarily, to force Japan to release the Captain. It may lead to a quick release of the Captain but it may also escalate the crisis and even damage other aspects of China-Japan relations. If Japan does not compromise, Chinese leaders, especially Hu, may face even greater domestic costs and international pressure. Since the risk of the action is measured by the possibility of conflicts, coercive action is much more risky than the accommodation option.

### ***Hu's domain of action—constrained publics and uneasy foreigners***

Compared to the *Impeccable* incident, the severity of the “boat collision” crisis is relatively high because 15 Chinese crew members were detained by the Japanese authority. Although there were no casualties involved, the hostage situation intensified the severity of the crisis. Moreover, the Japanese government's threat to charge the Captain with Japan's domestic laws further complicated the political sensitivity of the crisis. Japan's insistence on domestic laws was seen as a political plot to legitimatise its sovereignty over the disputed *Diaoyu/Senkaku* islands in the eyes of Chinese decision-makers.

Domestically, Hu's leadership authority in the CCP remained strong during the “boat collision incident.” Although Jiang's influence was still a political challenge for Hu, Hu successfully managed to promote his close associates to key positions from late 2009 to 2010. In addition, Hu engaged in a “skirmish” with Jiang through the anti-corruption campaign against the “Guangdong Gang” in 2009, during which three ministerial-level and several semi-ministerial level officials were detained. As Guoguang Wu pointed out, few believed that the anti-corruption campaign was based “purely on anti-corruption motives uncontaminated by power struggle.” Instead, it was Hu's strategy to “weaken some Jiang protégés and support a forthcoming national leadership with a majority of Hu's men” in the 2012 18<sup>th</sup> Party Congress.<sup>57</sup>

However, Jiang was not to accept his political defeat in the CCP. Despite his retirement in 2004, he appeared high-profile on national television during the national parade of the 60<sup>th</sup> anniversary of the PRC in 2009 and the 2010 Chinese New Year. It was definitely a reminder to Hu and others of Jiang's continuous influence in the CCP. With Jiang's support, Xi Jinping instead of Li Keqing—Hu's long-time associate, was appointed to succeed Hu in the 2012 Party Congress. Obviously the power struggle between Hu and Jiang over personal arrangements of the next generation of Chinese leadership loomed large until the Party Congress in November 2012.

Economically, China started to show strong recovery from the 2008 global recession. In the first half of 2010, China's economic growth reached 11.1 per cent. In addition, China passed Japan to become the second largest economy in the world.<sup>58</sup> Despite numerous challenges from different factions

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<sup>57</sup> Guoguang Wu, “China in 2009: Muddling through Crises,” *Asian Survey* 50, no. 1 (2010): 35.

<sup>58</sup> David Barboza, “China Passes Japan as Second-Largest Economy,” *The New York Times*, August 12, 2010. [http://www.nytimes.com/2010/08/16/business/global/16yuan.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2010/08/16/business/global/16yuan.html?pagewanted=all&_r=0)

inside the CCP and angry publics in the society, Hu was able to take control of the situation and consolidate his authority when the “boat collision incident” took place.

In the international arena, Hu had a hard time dealing with foreign relations after the 2008 Olympic Games. China-U.S. relations deteriorated after Obama’s “honeymoon” visit to China in late 2009. China’s relations with its neighbouring states were strained due to either long-standing territorial disputes or human rights related issues. North Korea’s provocations cornered China in a diplomatic dilemma in the international society. Obama paid his first state visit to Beijing in November 2009. Both parties kept “smiling faces” during the visit and issued a joint statement to respect “each other’s core interests.” However, soon after returning to Washington, Obama approved arms sales to Taiwan and met with the Dalai Lama in January 2010.

In the eyes of Chinese leaders it was a political betrayal because Taiwan and Tibet were seen as China’s “core interests” that the United States had just agreed to respect. But for the United States, Obama did what his predecessors normally do during their presidencies, i.e. selling weapons to Taiwan and meeting with the Dalai Lama. China not only protested U.S. decisions but also threatened to punish U.S. companies involved in the arms sales to Taiwan.<sup>59</sup> Although China did not act on its threats, China’s strong reaction was criticized as “assertive diplomacy” in international politics.<sup>60</sup> In January 2010, the Google controversy further shadowed U.S.-China relations. The U.S. internet giant Google threatened to pull out of China due to the Chinese government’s regulation on self-censorship and a Chinese-originated hacking attack.<sup>61</sup>

In July 2010, two months before the “boat collision incident,” Secretary of State Clinton publicly challenged China’s policy in the South China Sea at the annual ASEAN Regional Forum (ARF) meeting.<sup>62</sup> For the first time, Secretary Clinton listed the freedom of navigation in the South China Sea as a vital national interest of the United States and proposed a multilateral approach in solving the territorial disputes between China and some Southeast Asian countries. Given the context of increasing tensions in the South China Sea and China’s longstanding “bilateralism” in dealing with the South China Sea disputes, Clinton’s remarks at the ARF was seen as a “direct attack” on China. Chinese Foreign Minister Yang Jiechi reacted angrily and stormed out of the meeting at the ARF.

As a long-time supporter of North Korea, China was cornered in an embarrassing situation in late 2009 and early 2010 by North Korea’s provocations. During the power succession period of North

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<sup>59</sup> Helene Cooper, “U.S. Approval of Taiwan Arms Sales Angers China,” *The New York Times*, January 30, 2010; also Keith Bradsher, “U.S. Deal with Taiwan has China Retaliating,” *The New York Times*, January 31, 2010.

<sup>60</sup> For an excellent review about the perceptions of China’s assertiveness, see Michael Swaine, “Perceptions of an Assertive China,” *China Leadership Monitor*, no. 32 (2010); Michael Swaine, “China’s Assertive Behavior-Part One: One ‘Core Interests’,” *China Leadership Monitor*, no. 34 (2011); Michael Swaine and M. Taylor Fravel, “China’s Assertive Behavior-Part Two: The Maritime Periphery,” *China Leadership Monitor*, no. 35 (2011). For China’s assertiveness in the South China Sea, see Jane Perlez, “Beijing’s Exhibiting New Assertiveness in South China Sea,” *The New York Times*, May 31 (2012).

<sup>61</sup> Ben Worthen, “Researchers Says up to 100 Victims in Google Attack,” *The Wall Street Journal*, February 26, 2010, [www.wsj.com](http://www.wsj.com)

<sup>62</sup> Gordon Chang, “Hillary Clinton Changes American’s China Policy,” *Forbes*, July 28, 2010. [www.forbes.com](http://www.forbes.com)

Korea, Chinese leaders had frequent meetings with the North Korean leader Kim Jong-il. After North Korea's second nuclear test in May and several missile tests in July 2009, Beijing tried hard to convince Pyongyang to stay in the Six Party Talks. Dai Bingguo visited North Korea in September and Premier Wen Jiabao met Kim Jong-il in Pyongyang in October 2009. After Wen provided a huge amount of financial aid, Kim conditionally agreed to return to the Six Party Talks.<sup>63</sup> However, soon after Wen returned to Beijing, North Korea tested five short-range missiles. Wen's visit thus proved fruitless.

In March 2010, the *Cheonan*, a South Korean patrol vessel, was sunk by an unknown torpedo. South Korea and the United States accused North Korea of orchestrating the incident. Beijing did not join the United States to condemn North Korea for the *Cheonan* incident. Instead, China stated that it was "willing to continue communicating with relevant parties in pursuit of a proper settlement of the issue so as to avoid escalation of tension and maintain peace and stability on the Korean Peninsula."<sup>64</sup> In order to deter North Korea's provocations, the United States conducted joint military exercises with South Korea, during which the United States intended to deploy the aircraft carrier *USS George Washington* near the area of the *Cheonan* incident in the Yellow Sea. China furiously opposed the U.S. deployment of an aircraft carrier near China's coast in the Yellow Sea because it would "imperil China's national security and provoke North Korea."<sup>65</sup>

For the United States and South Korea, China's action was nothing but an endorsement of North Korea's provocations. It further deteriorated the strained relationship between China and the United States. Later in November 2010, North Korea escalated the tension by shelling Yeonpyeong, a South Korean island near the disputed maritime border between the North and the South. China was embarrassed again since it failed to control its ally. North Korea, therefore, had become a diplomatic liability rather than a leverage for China to improve its relations with the United States and its neighbouring states.

In addition to the diplomatic tensions with the United States, China's relations with other regional powers were also suffering from late 2009 to the time of the "boat collision incident" in September 2010. For example, in July 2009, China lodged diplomatic protests to Australia and Japan for hosting Rebiya Kaeer, an exiled separatist from Xinjiang and an alleged terrorist by the Chinese government.<sup>66</sup> In early 2010, Vietnam protested against China's arrest of Vietnamese fishermen near the disputed Paracel islands.<sup>67</sup> Clinton's statement at the ARF, as mentioned above, further inflamed the South China Sea disputes between China and its Southeast Asian neighbours, especially with

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<sup>63</sup> Peter Ford, "North Korea ready for six-party talks – with caveat," *The Christian Science Monitor*, Oct. 6, 2009 <http://www.csmonitor.com/World/Asia-Pacific/2009/1006/p06s01-woap.html>

<sup>64</sup> Foreign Ministry Spokesperson Qin Gang's Regular Press Conference on June 29, 2010, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t712798.htm>

<sup>65</sup> Andrew Browne and Evan Ramstad, "U.S.-South Korea Exercises Rile China," *The Wall Street Journal*, August 20, 2010. [www.wsj.com](http://www.wsj.com)

<sup>66</sup> Ying Wenshi, "Who Provide Stage for Rebiya Kadeer?" *Xinhua News Agency*, August 13, 2009. [www.xinhuanet.com](http://www.xinhuanet.com)

<sup>67</sup> BBC News, "Vietnam Accuses China in Seas Disputes," *BBC News*, May 30, 2011.



Vietnam and the Philippines because it was the first time for the United States to be involved in the South China Sea disputes.

### **Hu's Risk-Acceptant policy—coercive diplomacy towards Japan**

In sum, the severity of the crisis and the harsh international environment framed Hu in a domain of losses when the “boat collision incident” took place in September 2010. The hostage situation plus the related “sovereignty” scheme of the Japanese government in prosecuting the Chinese Captain intensified the severity of the crisis. Although Hu’s domestic authority was further consolidated during his second term, the high international pressure from deteriorating foreign relations with the United States and its neighbouring states framed Hu in a domain of losses. According to the political survival-prospect model, Hu should take a risk-acceptant policy in dealing with the “boat collision incident” in order to reverse his disadvantageous situation framed by high crisis severity and high international pressure. In reality, China adopted a series of diplomatic coercive actions toward Japan during the 17 days of the crisis. There were three types of coercive measures in China’s strategy.

First, China gradually elevated the level of diplomatic protests. On 8 September, one day after the crisis, China’s Assistant Foreign Minister called the Japanese Ambassador to protest against Japan’s action and demanded the release of the crew members and assurance of the ship’s safety. In addition, on 9 September, China’s Foreign Ministry spokesperson Jiang Yu told reporters that China had dispatched a fishery administrative ship to safeguard fishery activities of Chinese fishermen in the *Diaoyu/Senkaku* area. It was China’s strategy to reiterate its historic sovereignty claim over the disputed islands. On 11 September, State Councillor Dai Bingguo, in charge of China’s foreign policy decision making in the State Council, called the Japanese Ambassador again for a midnight meeting and urged Japan “not to make a wrong judgment on the situation.”<sup>68</sup>

Seemingly, Dai’s pressure worked only halfway. On 13 September, Japan released the 14 crewmembers and returned the Chinese fishing ship, but kept the Chinese Captain in custody. On 14 September, one Chinese Assistant Foreign Minister again called in the Japanese Ambassador to demand the immediate release of the Captain. After the normal “ten-day” bottom line of detention passed, China’s vice Foreign Minister called in the Japanese Ambassador for another protest. China’s diplomatic coercion reached the peak when Premier Wen publically criticised Japan’s action and demanded an immediate and unconditional release of the Chinese Captain during the UN General Assembly meeting in New York. Wen warned that if the Japanese side insisted on acting arbitrarily, the Chinese side would take new actions. Japan would have to take all the responsibility for any serious consequences.<sup>69</sup> It was rare for the Chinese Premier to get directly involved in diplomatic

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<sup>68</sup> For China’s detailed actions after the “boat collision” incident, see James Przystup, “Troubled Waters,” *Comparative Connections*, Oct. 2010; the “boat collision incident” news collection by the Hong Kong Phoenix TV, [www.ifeng.com/opinion/special/zhongridiaoyudao](http://www.ifeng.com/opinion/special/zhongridiaoyudao); Zhang Yong, “Diaoyudao Shijian yu Minzhu Dang zhengfu de duihua waijiao” [Diaoyudao Incident and Japanese Democratic Party’s China Diplomacy], in *Riben Fazhan Baogao* [Japan Development Report 2011], edited by Li Wei (Beijing, Social Sciences Academic Press, 2011).

<sup>69</sup> Wu Jiao, “Premier Wen urges Japan to release captain,” September 22, 2010, [chinadaily.com.cn](http://chinadaily.com.cn)



issues, not to mention issuing a warning to Japan; therefore, it was a clear sign that the Chinese government took the detention of the Chinese Captain seriously.

Second, China cancelled high-level bilateral meetings to protest against Japan's action. On 11 September, China announced postponing the scheduled mid-September round of negotiations on the joint development of natural resources in the East China Sea due to Japan's "illegal actions" in the "boat collision" incident. On 13 September, China cancelled a scheduled visit of Li Jianggu, vice Chairman of the Standing Committee of the National People's Congress to Japan. When Japan declared that it would extend the detention of the Chinese Captain on 20 September, China announced the suspension of ministerial and high-level exchanges with Japan. On 21 September, Beijing also ruled out a summit meeting between Chinese Premier Wen and Japanese Prime Minister Kan at the UN General Assembly in New York, which was originally seen as a good opportunity to settle the crisis by Japan.

Lastly, China applied various economic and social pressures on Japan. Economically, the Chinese government reportedly requested that state-owned travel agencies to exercise restraint in organising and publicising tours to Japan. As China is the largest tourist origin for Japan, this "restraint" policy would hurt Japan's tourism industry. In addition, the Chinese government cut the export of rare earth metals to Japan, the essential material for different electronic products and hybrid cars, in an effort to increase pressure on the Japanese government. Although the Chinese Ministry of Commerce denied any linkage between the export restraint on rare earth metals and the "boat collision," Japanese industry and government felt real economic pressure from China.<sup>70</sup>

On the societal front, the "boat collision" incident took place during a very sensitive time period because it spanned the anniversary of the Manchurian incident on 18 September 1931. The Manchurian incident or the September 18<sup>th</sup> incident is seen as the beginning of Japanese invasion of China before World War II. The bitter historical memory plus a fresh diplomatic crisis ignited a strong anti-Japanese nationalist sentiment in China. Large-scale demonstrations and protests took place at the Japanese Embassy in Beijing as well as at the Consulates in Shanghai and Shenyang. Because the Chinese government tried hard to control the situation, no injuries or property damages were reported.

On 20 September, 13 days after the crisis, China arrested four Japanese nationals who worked for the Fujita Construction in Shijiazhuang, Hebei Province, because they tried to "enter a restricted military area without permission." This event was seen as a breaking point for the final settlement of the crisis. On 24 September, Japan's local prosecutor's office, which was in charge of investigating the "boat collision incident," announced an immediate release of the Chinese Captain because it was "inappropriate to detain any longer and continue investigations." In addition, the local prosecutor's office explained that the decision was based on "considerations about the Japan-China

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<sup>70</sup> Mari Yamaguchi, "China Rare Earth Exports to Japan still Halted," *Business Week*, Oct. 21, 2010, [www.businessweek.com](http://www.businessweek.com)

relationship.”<sup>71</sup> The Japanese government denied any role in releasing the Chinese Captain and the decision was made independently by the local prosecutors.

It is still not clear why Japan released the Chinese Captain after 17 days. Although the Japanese government denied any “horse trading” deal with China, the four Japanese nationals from Fujita were released by the Chinese government after the Chinese Captain returned to China. For the Chinese, it is also not clear why Japan decided to detain the Captain and escalate the crisis in the first place.<sup>72</sup> However, there is no doubt that China’s coercive diplomacy towards Japan succeeded in settling the crisis. From the beginning to the end of the crisis, China’s uncompromising position never changed. This coercive policy is a risk-acceptant choice for two reasons.

First, China’s coercive diplomacy seriously damaged bilateral relations between China and Japan. Although the possibility of military conflict was remote, it is apparent that the deterioration of bilateral relations may breed future conflicts over the *Diaoyu/Senkaku* disputes. Its consequences can be seen from the later “purchase of the Diaoyu/Senkakus” crisis in 2012. Second, the Chinese leaders, especially President Hu and Premier Wen, also faced huge domestic audience costs that they would have had to pay if they backed down in the crisis. The stakes of continuous escalation of the crisis were really high for the Chinese leadership because of surging nationalism during the sensitive time of the anniversary of the Manchurian incident in China. If Hu did not settle the crisis swiftly and successfully, he and other Chinese leaders would face political punishment from their political adversaries and social groups.

During a personal interview conducted by this author in July 2012 in Beijing, a Chinese leading international relations expert with close connections to the Chinese government described Hu’s policy dilemma during the crisis as “riding a tiger.” On the one hand, Hu had no choice but to keep the coercive policies towards Japan during the crisis because he would face higher political costs otherwise. To a certain extent, the Chinese leaders had been hijacked by the situation. On the other hand, Hu was also frustrated with the ineffective coercive measures towards Japan. Even after Wen’s rare but serious threat, the situation did not improve. It was like a vicious circle. The seemingly ineffective action drove the Chinese leaders into an even more embarrassing situation. The larger diplomatic embarrassment, in turn, led to more coercive actions.

As mentioned above, the key breaking point was China’s arrest of four Japanese nationals on September 20<sup>th</sup> on a possible espionage charge. It was reported that it was a coincidence during which the four Japanese nationals had an unpleasant encounter with the local military officials. When this event was reported to the higher authority in Beijing, the central government seized the opportunity to convert the event into a diplomatic leverage against Japan in coping with the “boat

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<sup>71</sup> Martin Fackler and Ian Johnson, “Japan Retreats With Release of Chinese Boat Captain,” *The New York Times*, September 24, 2010.

<sup>72</sup> Some Chinese analysts contributed the “boat collision incident” to the dynamics of Japan’s domestic politics, especially the party election of the Japanese Democratic Party on September 14 during the crisis. See Liu Jianguo, “Bolan qifu de 2010 nian zhongri guanxi” [The dynamics of China-Japan Relations in 2010], in *Riben Fanzhan Baobao* (2011), edited by Li Wei (Beijing: Social Sciences Academic Press, 2011).

collision crisis.” It is reported that the local military officers got promoted after the “boat collision incident” was settled because of their high “political sensitivity.”<sup>73</sup>

As to why Japan compromised in the crisis, it is still not clear and is beyond the scope of this research. However, the political survival-prospect model may shed some light on explaining Japanese leaders’ decisions during the crisis. Counterfactually, if Japan did not compromise, Hu and the Chinese leadership would have borne all the costs associated with China’s risk-acceptant diplomatic coercions. Diplomatically, China-Japan relations would have deteriorated for the worse. Domestically, the anti-Japanese nationalist sentiments would have turned the anger towards the Chinese government and may even challenge the political legitimacy of the communist regime. To a certain extent, Hu and the Chinese leadership were lucky in resolving the “boat collision crisis” with Japan eventually backing down. However, it does not mean that China’s risk-acceptant decisions will always pay in the future. Policymakers will need to seriously consider how to avoid a stalemate situation and shape leaders’ domain of action during foreign policy crises in the future.

## Conclusion

This paper examines why Chinese President Hu Jintao chose to compromise towards the United States in the 2009 *Impeccable* incident but conduct coercive policies towards Japan during the 2010 boat collision crisis. One simple explanation may be that China had to compromise due to the power disparity under the U.S. unipolar system while it did not need to do the same for Japan, which was relatively weaker than a rising China. This realist explanation is problematic for two reasons. First, China had fought with the United States when it was much weaker in Korea. Even after the Cold War, the escalation of the 1995-1996 Taiwan crisis also indicated that China would not easily compromise to U.S. pressure. Second, although Japan’s economy was relatively declining in comparison to China, its military capabilities remained the most modern in East Asia. As some commentators point out, Japan has been supplied with advanced military equipment from the U.S. for decades while the majority of Chinese weapons systems are in various stages of decay. More importantly, the U.S.-Japanese military alliance will significantly alter the military balance between China and Japan.<sup>74</sup> Therefore, it is difficult to conclude that Japan is weak militarily in comparison to China over the territorial disputes.

Borrowing insights from prospect theory, this paper has introduced a political survival-prospect model of crisis behaviour in explaining Hu’s policy decisions during these two crises. It suggests that Hu adopted a risk-averse policy to accommodate and defuse the diplomatic tension with the United States because “everything is getting right” for Hu in both domestic and international arenas. In the boat collision crisis with Japan, Hu was placed in a domain of losses because of the high crisis severity and high international pressure. Therefore, Hu chose a risk-acceptant policy—a series of diplomatic coercions against Japan in the crisis.

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<sup>73</sup> The author’s personal interview in Beijing in July 2012.

<sup>74</sup> See Jeremy Bender and Gus Lubin, “Why Japan’s Smaller Military Could Hold Its Own Against China,” <http://www.businessinsider.com/japans-smaller-military-could-match-china-2014-5>

This research can contribute to the study of foreign policy crisis behaviour in three aspects. First, this paper applies the “political survival-prospect” model to explain China’s crisis behaviour under Hu. It will be interesting to see how this model accounts for policy variations of other leaders, such as Jiang Zemin and Xi Jinping. More important, the “political survival-prospect” model can be applied to foreign policy crisis behaviour of other countries. For example, why Japan chose a risk-acceptant policy at the beginning of the boat collision crisis but later changed to a risk-averse policy by releasing the Chinese Captain will be an interesting research puzzle to test the validity of the model.

Second, China experienced a once-a-decade leadership transition in 2012. The new Chinese President Xi Jinping will need some time to consolidate his leadership authority in the CCP. During the power consolidation period, Xi will be more vulnerable to the influence and pressure from the military and the outside world if foreign policy crises occur. Consequently, Xi may adopt risk-acceptant policies as a political tool to establish his authority in the CCP. It is widely believed that Xi was one of the key decision-makers handling the two foreign policy crises China experienced in 2012: the Scarborough Shoal dispute with the Philippines and the Senkaku/Diaoyu purchase crisis with Japan.<sup>75</sup> If it is the case, then the “political survival-prospect” model can well explain why China adopted strong coercive diplomacies in both cases.

Lastly, other states, especially the United States, should pay more attention to Chinese leaders’ domain of actions during foreign policy crises. In order to avoid China’s risk-acceptant behaviour during crises, other states need to consider carefully shaping and altering Chinese leaders’ domain of actions. On the one hand, active people-to-people diplomacy is important for other countries to construct positive images and perceptions among the Chinese public. Public opinion has played an increasing role in influencing Chinese decision-makers’ domain of actions. On the other hand, a constructive bilateral relationship with China is a key brake to keep Chinese leaders out of the domain of losses during crises. Diplomatic successes have become an important instrument for Chinese leaders to consolidate their authority at home. As Joseph Nye once said, if you treat China as an enemy, it will become an enemy.<sup>76</sup> This also applies to Chinese leaders during foreign policy crises. If you treat Chinese leaders as an enemy, they will fight back as an enemy, coercively and daringly, during crises. However, if you treat Chinese leaders as a friend, they may behave prudently and cautiously for the sake of their political fate during crises.

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<sup>75</sup> Linda Jakobson, "How Involved Is Xi Jinping in the Diaoyu Crisis." *The Diplomat*, no. Feb. 8, (2013); Also See ICG, "Dangerous Waters: China-Japan Relations on the Rocks." No. 245. International Crisis Group, 2013.

<sup>76</sup> Joseph Nye Jr., "The Case for Deep Engagement," *Foreign Affairs*, 74 no. 4 (Jul/Aug 1995): 90-102.

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