

**Decision Making During Crises:  
Prospect Theory and China's Foreign Policy  
Crisis Behavior after the Cold War**

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May 2012

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## Decision Making During Crises: Prospect Theory and China's Foreign Policy Crisis Behavior after the Cold War\*

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### Abstract

Through examining four notable foreign policy crises with the United States since the end of the Cold War: the 1993 Yinhe ship inspection incident, the 1995-6 Taiwan Strait crisis, the 1999 embassy bombing incident, and the 2001 EP-3 midair collision, I introduce a prospect theory-based model to systematically explain China's foreign policy crisis behavior after the cold war. I suggest that Chinese crisis behavior is shaped by three factors that frame the domain of actions of Chinese decision makers during crises: the severity of crisis, leaders' domestic authority, and international pressure. When Chinese leaders are framed in a domain of losses, e.g., under a condition of high severity of crisis, low leadership authority, and high international pressure, a risk-acceptant behavior, either military coercion or diplomatic coercion, is more likely to be adopted. When Chinese leaders are framed in a domain of gains, e.g., under a condition of low severity of the crisis, high leadership authority, and low international pressure, a risk-averse behavior, either conditional accommodation or full accommodation, is more likely to be chosen. China's leadership transition might increase the possibility for China to choose risk-acceptant policies during future foreign policy crises. Other countries, especially the United States, should pay more attention to shape Chinese leaders' domain of actions to a constructive direction through both people-to-people and state-to-state channels.

*\*Paper prepared for the EAI Fellowship (2011-2012) seminars at the East Asia Institute (Seoul), Beijing University (Beijing), and Fudan University (Shanghai) in May-June 2012.*



The rise of China is one of the most dynamic political phenomena in world politics in the 21st century. Although U.S.-China relations have been relatively stable since the end of the cold war, the two countries are far from establishing a high level of strategic trust and mutual confidence. The United States and China have experienced several major foreign policy crises in the past 20 years, such as the 1999 bombing of the Chinese embassy in Belgrade and the 2001 EP-3 aircraft collision off the coast of China. Some scholars even suggest that the United States faces an inevitable conflict with a rising China.<sup>1</sup> Due to the mutual deterrence effects of nuclear weapons, large-scale military conflicts should be avoided between China and the United States. However, because of diverse strategic interests and different ideologies, diplomatic and military crises still seem unavoidable in future US-China relations. If the two countries cannot manage foreign policy crises effectively and peacefully, escalating conflicts—even war—may occur unexpectedly between the two nations. Therefore, it is imperative for policy makers to understand China's dynamic behavior in foreign policy crises, i.e., when China will take risks to escalate conflict and when China will avoid risks to seek accommodation during crises.

China has experienced four notable foreign policy crises with the United States since the end of the Cold War: the 1993 Yinhe ship inspection incident, the 1995-6 Taiwan Strait crisis, the 1999 embassy bombing incident, and the 2001 EP-3 midair collision. China adopted four different policies in these four crises. In the Yinhe ship inspection incident, China fully accommodated to U.S. demand of entirely inspecting Yinhe, a Chinese container ship that was accused to carry materials for chemical weapons to Iran, even though China believed that the United States did not have any legal right to conduct such an inspection.<sup>2</sup> In the 1995-6 Taiwan crisis, China's policy was militarily coercive in nature through a series of military and missile tests across the Taiwan Strait as retaliation for U.S. permission of then Taiwanese President Lee Ting-hui to visit the United States in 1995. In the 1999 embassy bombing incident, China's policy was also coercive, but only diplomatically through cutting off diplomatic and military contacts with the United States. In the 2001 EP-3 incident, China adopted a conditional accommodation policy to defuse the crises in which China released the 24 EP-3 crews after receiving a vague "apology letter" from U.S. government. Why did the Chinese leaders behave differently across these four crises?

Most of the existing literature focuses on tracing through these crisis events, identifying the crisis management deficiencies between the United States and China, and presenting the implications of these crises to regional security.<sup>3</sup> In-depth, systematic studies on China's post-cold

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<sup>1</sup> For example, Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (N.Y.: A.A. Knopf: Distributed by Random House, 1997); and John Mearsheimer, "China's Unpeaceful Rise," *Current History* April (2006), 160-62.

<sup>2</sup> See Sha Zukang, China's chief negotiator during the Yinhe incident, Interview at the Hong Kong Phoenix TV, September 27, 2009. <http://vip.v.ifeng.com/fangtan/fengyunduihua/200909/2435a925-97ce-4dd2-96c4-b7585a053213detail.shtml>

<sup>3</sup> For examples, see Xinbo Wu, "Understanding Chinese and U.S. Crisis Behavior," *The Washington Quarterly* 31, no. 1 (2008), 61-76; Peter Gries, "Tears of Rage: Chinese Nationalist Reactions to the Belgrade Embassy Bombing," *China*



war crisis behavior, however, are limited partly because these crises are not full-fledged, military-involved events and partly because data access to more current events is relatively difficult.

In this research, I borrow insights from prospect theory, a Nobel-prize-winning behavioral psychology theory, to systematically examine China's foreign policy crisis behavior after the cold war. I introduce a legitimacy-prospect model to explain the variation of China's behavior across different crises. I suggest that there are four types of foreign policy behavior during crises: military coercion (the 1995/6 Taiwan crisis), diplomatic coercion (the 1999 embassy bombing incident), conditional accommodation (the 2001 EP-3 incident), and full accommodation (the 1993 Yinhe incident). While the two coercive policies are risk-acceptant behaviors, the two accommodation policies are risk-averse in nature.

I argue that Chinese crisis behavior is shaped by three factors that frame the domain of actions of Chinese decision makers during crises: the severity of crisis, leaders' domestic authority, and international pressure. When Chinese leaders are framed in a domain of losses, e.g., under a condition of high severity of crisis, low leadership authority, and high international pressure, a risk-acceptant behavior, either military coercion or diplomatic coercion, is more likely to be adopted. When Chinese leaders are framed in a domain of gains, e.g., under a condition of low severity of the crisis, high leadership authority, and low international pressure, a risk-averse behavior, either conditional accommodation or full accommodation, is more likely to be chosen.

The remainder of this paper proceeds as follows. First, I discuss the theoretical and empirical deficiencies of current research on China's foreign policy crisis behavior. Second, I introduce the prospect theory-based legitimacy-prospect model and proposed major hypotheses of China's foreign policy crisis behavior. Third, I examine the four foreign policy crises China experienced after the cold war to test the validity of the legitimacy-prospect model. In conclusion, I suggest that China's leadership transition might increase the possibility of China to choose risk-acceptant policies during future foreign policy crises. Other countries, especially the United States, should pay more attention to shape Chinese leaders' domain of actions to a constructive direction through both people-to-people and state-to-state channels.

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*Journal* Issue 46 (2001), 25-44; Edward Slingerland, Eric Blanchard, and Lyn Boyd-Judson, "Collision with China: Conceptual Metaphor Analysis, Somatic Marking, and the EP-3 Incident," *International Studies Quarterly* 51 (2007), 53-77; and several chapters in Michael Swaine and Zhang Tuosheng, eds. *Managing Sino-American Crises: Case Studies and Analysis* (Washington D.C.: Carnegie Endowment for International Peace, 2006).



## China's Foreign Policy Crisis Behavior: Rational, Idiosyncratic, or Situational?

### The Study of China's Foreign Policy Crises

In the international relations literature a “foreign policy crisis” is normally defined by three factors: (1) a threat to one or more basic values; (2) an awareness of finite time for response to the value threat, and (3) a heightened probability of involvement in military hostilities.<sup>4</sup> Some scholars introduce the concept of “near crisis” by relaxing the requirement for “possibility of involvement in military hostilities.”<sup>5</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.

In this research, I define foreign policy crisis by including both full-fledged, military-involved cases and “near crisis” cases. Because of the transformation of the international system and the deepening economic interdependence between China and the outside world, China has not engaged in any violent military conflicts with other states since the end of the cold war. Even the 1995-6 Taiwan Strait crisis is debatable as to whether it should be treated as a real foreign policy crisis that has a high possibility of military conflict.<sup>6</sup>

The existent studies of China's crisis behavior mainly focus on military-involved conflicts, especially during the cold war era. The major problem is a lack of attention on non-military-oriented crisis behavior after the cold war involving China. Since the Korean War, China's behavior during military conflicts has drawn great attention in both academic and policy arenas. Scholars and policy makers are interested in examining the patterns of China's use of force during crises.<sup>7</sup> The Korean War, the 1954 and 1958 Taiwan crises, the China-Indian border dispute in 1962, the China-Soviet border conflict in 1969, and the China-Vietnam clashes in the late 1970s and the early 1980s are the major historical events for scholarly investigations. It is understandable, because China was indeed involved in numerous military conflicts with other

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<sup>4</sup> Michael Brecher and Jonathan Wilkenfeld, *A Study of Crisis* (Ann Arbor: University of Michigan Press, 2000), 3.

<sup>5</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*, 111.

<sup>6</sup> See Michael Swaine, “Understanding the Historical Record,” in Swaine and Zhang, eds. *Managing Sino-American Crises*, 2-3.

<sup>7</sup> For excellent examples, see Allen Whiting, *China Crosses the Yalu: The Decision to Enter the Korean War* (New York: MacMillan, 1960); Shuguang Zhang, *Deterrence and Strategic Culture: Chinese-American Confrontations: 1949-1958* (Ithaca: Cornell University Press, 1993); Mark Burles and Abram Shulsky, *Patterns in China's Use of Force: Evidence from History and Doctrinal Writing* (Santa Monica: RAND, 2000); Allen Whiting, *The Chinese Calculus of Deterrence: India and Indochina* (Ann Arbor: University of Michigan Press, 2001); and Andrew Scobell, *China's Use of Military Force: Beyond the Great Wall and the Long March* (Cambridge: Cambridge University Press, 2003).



nations during the cold war period. In addition, scholars have easy access to historical records from this era for their research projects.

After the cold war, however, China has not experienced any overt military conflicts with other states. Instead, China was involved in some military-oriented, “near crises,” such as the 1999 embassy bombing, and the 2001 EP-3 incident. Scholarly work on these “near crisis” cases is mainly descriptive in nature focusing on the unique characteristics of China’s crisis behavior, such as emphasizing responsibilities instead of interests, seeking guidance from China’s political tradition instead of legal solution, as well as lacking crisis management mechanism.<sup>8</sup> It is definitely interesting to know what happened and how Chinese leaders made decisions during these crises. However, it is at least equally, if not more, important to understand why Chinese leaders choose different policies during different crises, i.e., to escalate some crises, but deescalate others.

One collaborative research project on China-U.S. crisis behavior is worth noting. The Carnegie Endowment for International Peace and the China Foundation for International and Strategic Studies conducted a collaborative research on U.S.-China crisis management in 2004.<sup>9</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 understanding of foreign policy crises.

However the problem in this research lies in the “comprehensiveness” of the project. On the one hand, it identifies six sets of variables that influence US and Chinese crisis behavior, 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>10</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 behavior. It is politically reasonable for this collaborative research to list these six sets of variables because the major purpose of this project is to provide 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 behavior, i.e., under what conditions and why China adopted a more coercive policies in some crises, but more accommodative diplomacy in others.

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<sup>8</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>9</sup> The book was published in 2006. See Swaine and Zhang eds. *Managing Sino-American Crises: Case Studies and Analysis*.

<sup>10</sup> Swaine, “Understanding the Historical Record,” 10.



## Rationalist Approach: Are All Decisions Rational?

The analytical approaches in the study of China's foreign policy crisis are polarized into rationalist vs. cultural schools of thought. The rationalist approach assumes that policy makers during crises are basically rational in making decisions either 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>11</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 signaling of its resolve during the Korean War and the absence of credible, private, and consistent lines of communication which indirectly triggered the escalation of conflicts between the two nations.<sup>12</sup>

Second, the power discrepancy between a triggering state and a target state also determine whether a crisis turns violent or not. For example, Michael Brecher and Jonathan Wilkenfeld point out, 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>13</sup> In other words, it is not rational for a stronger state to militarily deal with a crisis triggered by a weaker state because the stronger state has other means, such as economic sanction, to retaliate the weaker adversary. For a weak state, it is also not rational to militarily escalate the crisis because it will be a suicide action. Based on this rationalist approach, Wang and Xu argue that the power discrepancy between China and the United States can explain why the three Taiwan crisis (twice in the 1950s and once in 1995) did not cause military conflicts between the two nations.<sup>14</sup>

However, this rational choice based approach faces two problems in analyzing China's foreign policy crisis behavior. First, assuming rationality is analytically convenient, but flawed in practice. Due to constraints of incomplete information, cognitive bias, and urgency for making decisions, policy makers 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, policy makers 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> Analyzing the three Taiwan crises, Wang and Xu are correct to argue that the huge

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<sup>11</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>12</sup> Whiting, *China Crosses the Yalu: The Decision to Enter the Korean War* (Stanford: Stanford University Press, 1968).

<sup>13</sup> Michael Brecher and Jonathan Wilkenfeld, *A Study of Crisis* (Ann Arbor: University of Michigan Press, 2000), 841.

<sup>14</sup> Wang and Xu, "Pattern of Sino-American Crises," 138.

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





power discrepancy helped both nations avoid large-scale military conflicts. However, why a weaker China (vs. US) intended to trigger the crises across the Taiwan Strait is still an unanswered question for the rational choice approach. Comparing the 2001 EP-3 incident and the 1999 embassy bombing crisis, we can see that both crises involved Chinese casualties and violation of Chinese sovereignty. If Chinese leaders are rational and their definitions of interests are fixed, they should behave similarly in these two crises. However, it is not the case as discussed later. 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.

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

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

Another version of the rationalist school is the bureaucratic politics model, which assumes bureaucratic actors are rational in maximizing their bureaucratic interests during crises. In China’s case, the relationship among the Party, the People’s Liberation Army, and the Foreign Ministry is the focus of research.<sup>19</sup> The major difficulty of this bureaucratic approach in the study

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<sup>16</sup> For the information problem, see Thomas Schelling, *The Strategy of Conflict* (Cambridge: Harvard University Press, 1960); and 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> For a general bureaucratic politics model, see Graham T Allison, *Essence of Decision; Explaining the Cuban Missile Crisis* (Boston: Little Brown, 1971). In China’s case, see Linda Jakobson and Dean Knox, “New Foreign policy actors in China,” Stockholm International Peace Research Institute Policy Paper, No. 26 (September 2010).



of China's crisis behavior lies in the less transparent but highly hierarchical nature of China's decision-making mechanism. Although China's Foreign Ministry plays the major negotiating role during crises, it mainly implements, rather than, makes decisions during crises. The Chinese top leaders in the standing committee of the Politburo is the highest decision making body, but how they channel different bureaucratic interests and operate the decision making mechanism is hardly known by outsiders.

## Cultural Approach: Too Deterministic

Contrary to the rationalist approach, another school of thought in the study of China's crisis behavior is rooted in a cultural tradition, which suggests a unique or idiosyncratic understanding of China's behavior during crises. For example, Wang and Xu point out that China's foreign policy crisis behavior is shaped by a "more sophisticated political tradition, a longer history, and a prouder civilization." In particular, Wang and Xu suggest that the major guideline of China's crisis strategy is 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-defense over offense, and restraint over provocation.<sup>20</sup> In contrast, Alastair Iain Johnston suggests that Chinese leaders hold offensive military approaches during crises because of the influence of China's realpolitik strategic culture. Therefore, China sometimes adopts coercive diplomacy or even a preemptive attack to show its resolve and seize opportunities during crises.<sup>21</sup>

There are two major problems for this cultural approach. First, the cultural approach is indeterminate in nature. As discussed above, whether Chinese culture is offensive or defensive, especially during crises, is still a highly debatable question in both academia and the policy circle. In some cases, especially during the cold war, China's crisis behavior was indeed offensive, such as 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. The cultural approach faces a difficulty to account for the variations of China's crisis behavior across time.

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<sup>20</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>21</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).



Another problem of the cultural approach lies in the pluralist nature of China's decision making mechanism. The cultural approach may be able to explain China's crisis behavior under strong leaders, such as Mao Zedong and even Deng Xiaoping, who not only played a decisive role during crises, but also possessed distinctive and dominant cultural beliefs and characteristics. However, there is almost a consensus that China's decision making process is approaching pluralism due to the lack of strong leaders after the cold war.<sup>22</sup> The idiosyncratic predictions of China's crisis behavior by cultural theorists, therefore, become incompatible with China's dramatic changes of leadership style and current pluralist decision making structure.

### A Prospect Theory Approach: Situational Choices

Because of the weaknesses of the rationalist and cultural approaches, I introduce a situational approach—based on prospect theory in behavioral psychology—to shed some light on the study of China's foreign policy crisis behavior. Prospect theory is a competing theoretical approach to rational choice in international relations, which can address the analytical deficiencies of both rationalist and cultural approaches in studying China's crisis behavior.

Prospect theory was introduced by Daniel Kahneman and Amos Tversky through laboratory experiments.<sup>23</sup> They found that how people interpret their situation for making choices, as either in a domain of gains or losses, influences how they behave in terms of their risk orientation.

Taking a risky decision refers to the probability of likely losses rather than likely gains associated with a decision; the higher the probability of losses, the riskier the decision. Prospect theory argues that people tend to evaluate choices with respect to a reference point. People choose risk-averse behavior in a domain of gains but risk-acceptant behavior in a domain of losses. If people are in an advantageous situation (a domain of gains), they are more likely to behave cautiously (risk-aversely) in order 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 behavior that may either reverse or worsen their losses. They accept the risk of further losses in order to reverse them, even though in the extreme case the probability of such losses may be greater than the probability of gains.<sup>24</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

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<sup>22</sup> See Swaine and Zhang, eds. *Managing Sino-American Crises: Case Studies and Analysis*, 13-14.

<sup>23</sup> Daniel Kahneman and Amos Tversky, “Prospect Theory: An Analysis of Decision under Risk,” *Econometrica* 47 (1979), 263-91. Tversky died in 1996 and Kahneman was awarded the 2002 Nobel Prize in economics for his work in prospect theory.

<sup>24</sup> Rose McDermott, “Prospect Theory in Political Science: Gains and Losses from the First Decade,” *Political Psychology* 25, no.2 (2004), 294.



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>25</sup>

There are two reasons for applying prospect theory to the study of China's foreign policy crisis behavior. First, prospect theory can provide an alternative account of political decisions taken under risk and complement the intellectual deficiency of a rational choice approach in the study of crisis behavior. Derived from the subjective expected utility paradigm, rational choice approaches have been influential in the study of politics and international relations for a long time. Rational choice theorists dismiss the findings of cognitive and social psychology that people sometimes fail to make utility-maximizing, rational decisions. Moreover, 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>26</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>27</sup>

Challenging the "as if" assumption of rational choice approaches, prospect theory provides a systematic way to explain and predict decisions under conditions of 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. 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>28</sup>

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<sup>25</sup> Prospect Theory has other interesting findings, such as the endowment effect and loss aversion. In this book we focus on the framing effect, i.e., how the domains of action with respect to the reference point influence risk propensity and behavior. 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 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>26</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>27</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>28</sup> For example, see Farnham, *Avoiding Losses/Taking Risks*; Jeffrey Taliafero, *Balancing Risks: Great Power Intervention in the Periphery* (Ithaca: Cornell University Press, 2004); Jonathan Mercer, "Prospect Theory and Political Science," *Annual*



Second, foreign policy crises normally take place under conditions of relatively high uncertainty and complexity, thereby also 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. In other words, the utilities of policymakers may no longer be static as the expected utility theorists assume. Since the assumption of the static type of subjective utility has been an unsolved problem for rational choice approaches, the dynamic feature of utility under a high level of uncertainty and risk poses even more challenges to rational choice approaches. Therefore, risk-taking behavior is normally treated as irrational and as a deviant case by rational choice theory.

For example, China's series of military and missile exercises during the 1995-96 Taiwan crisis can be seen as irrational behavior to a certain extent. On the one hand, China's military coercion toward Taiwan was counterproductive in that it did not block, but facilitated, Lee Teng-hui's winning of the presidential election in 1996. On the other hand, China's military provocations have driven a military standoff between the United States and China since the Nixon's visit. Why did Chinese leaders make such an "irrational" decision? The best that rational choice theorists can do is to redefine Chinese decision makers' preferences and interests and then provide an ad hoc explanation to justify the rationality behind China's decision during the Taiwan crises. However, how Chinese leaders define their preferences and interests in the Taiwan crisis and whether their interests and preferences will change in the future crises are two unanswered questions for rational choice theories.

Prospect theory does not assume policy makers' rationality and fixed interests and preferences. Instead, it focuses on examining different situations (domains of action) that policy makers are facing and predicting the related risk propensities of different policy choices. In the Taiwan crisis case, prospect theory will treat China's behavior as a risk-taking decision because the potential risks associated with China's military exercises are relatively high. According to prospect theory, policy makers are more likely to make such a risk-taking decision when they are framed in the domain of losses, i.e., in a disadvantageous situation. Therefore, in order to explain China's behavior, we need to further explore the domestic and international difficulties and challenges that Chinese leaders encountered before and during the 1995-96 Taiwan crisis. Since prospect theory does not need to specify interests and preferences for individual cases, its findings can also apply to explain China's future crises as well.

## Legitimacy-Prospect Model of Crisis Behavior

In this research, I introduce a legitimacy-prospect model to explain China's crisis behavior after the cold war. In order to apply prospect theory in the study of crisis behavior, we need to define

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*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).



the risk propensities of different crisis behaviors. Borrowing insights from crisis management literature, there are two types of behavior in crises, coercion and accommodation.<sup>29</sup> It should be noted that crisis behavior is different from crisis management strategy. While crisis behavior is a strategic orientation of a series of policy options, i.e., coercion and accommodation, crisis management strategy here refers to concrete policies, such as blackmail, controlled pressure, etc. This research focuses on the former rather than the latter.

**Figure 1. A Typology of States' Crisis Behavior and Risk-Propensities**

<b>1.</b> Full Accommodation	<b>2.</b> Conditional Accommodation
<b>3.</b> Diplomatic Coercion	<b>4.</b> Military Coercion

*Note: The number in cells indicates the risk-propensity of the each behavior. 1 and 2 reflect a risk-averse behavior and 3 and 4 refer to risk-acceptant behavior.*

If a state chooses to behave coercively, it has two options: diplomatic coercion vs. military coercion. While diplomatic coercion includes strategies such as cutting diplomatic ties and calling back ambassador, military coercion involves military deployment, exercises, and threats. The purpose of coercion is to escalate the crisis in order to reach the desired political and military goals in crises, which a state may not be able to get otherwise. Accommodation behavior, on the contrary, aims at de-escalating conflicts and reaching reconciliation with opponents during crises. There are two types of accommodating behavior, complete accommodation and conditional accommodation. While complete accommodation is to fully concede to the demands from the opponent, the conditional accommodation is to partially or conditionally concede to the demands from the opponent.

It is worth noting that states normally face a policy dilemma during a foreign policy crisis. On the one hand, both states want to advance or protect their interests that have been threatened by the other party during crises. It makes coercive policies more attractive for both sides. On the

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<sup>29</sup> Alexander George, "Strategies for Crisis Management," in Alexander George, ed. *Avoiding War: Problems of Crisis Management* (Boulder: Westview Press, 1991), 378.





other hand, both sides wish to manage the crisis effectively and avoid further military-involved conflicts. Accommodation policies seem more suitable for this purpose. Therefore, a state's ultimate policy goal during crisis is to find a balance between coercion and accommodation. As Glenn Snyder suggests, "crisis behavior tends to be a mixture of *coercion* and *accommodation*."<sup>30</sup> It is also why we normally see several rounds of negotiation and bargaining during crises.

In terms of risk propensity, both military and diplomatic coercions are more risky than accommodation strategies. In addition, military coercion is more risky than the diplomatic one. In prospect theory, we can treat both military and diplomatic coercions as risk-acceptant behavior because both can escalate the crisis and even trigger large-scale military conflicts. The two accommodation behaviors are risk-averse policy choices because they can de-escalate and defuse crises. In order to explain when a state is more likely to choose coercive or accommodative policy options, we need to set the reference point to define the domain of actions of policy makers during crises.

One major problem for political scientists in 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>31</sup> As Mercer suggests, there are five major prevailing methods: using the status quo, using an aspiration level, employing heuristics, analogies, or emotions.<sup>32</sup>

In this research, I choose the status quo as the reference point to determine a domain of actions for decision makers. How to determine the status quo situation for policy makers during crises is beyond the theoretical scope of prospect theory. As an experiment-based theory of decision under risk, prospect theory cannot directly apply to international politics without an international relations theory to help prospect theory identify the status quo as the reference point in the framework.

Borrowing insights from comparative politics, I use political legitimacy to define the status quo of the reference point. Political legitimacy directly determines the political survival of political leaders.<sup>33</sup> In democracy, political legitimacy can be reflected through presidential approval rate and general election. In authoritarian regimes, leaders' political legitimacy can be measured by leaders' ability in controlling domestic politics and dealing with international pressures. For example, Suharto, Indonesia's longtime dictator, lost his political legitimacy and

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<sup>30</sup> Glenn Snyder, "Crisis Bargaining," in Charles Hermann, ed. *International Crises: Insights from Behavioral Research* (New York: The Free Press, 1972), 218.

<sup>31</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>32</sup> Jonathan Mercer, "Prospect Theory and Political Science," *Annual Review Political Science* 8 (2005), 4.

<sup>33</sup> Bueno De Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow, *The Logic of Political Survival* (Cambridge: MIT Press, 2003).



eventually stepped down during the 1998 Jakarta riots because he was not able to restore domestic stability and cope with the financial crisis that hit Indonesia heavily in 1997-1998.

During foreign policy crises, three variables can influence top leaders' political legitimacy: the severity of crisis, domestic authority, and international pressure. When a foreign policy crisis heavily damaged a state's value and interests, it will also put top leaders' political legitimacy at stake. For example, Jimmy Carter's credibility and approval rate were seriously damaged by his unsuccessful handling of the 1979 Iran hostage crisis. It becomes one of the major reasons for his defeat in the 1980 presidential election. On the contrary, John Kennedy's credibility and approval rate increased from 66% to 77% immediately after he successfully defused the Cuba missile crisis in 1962.<sup>34</sup>

The severity of crisis can be measured as low and high. Here, I use the level of violence or potential violence to define the severity of crisis. It means that if a crisis involves direct violence or threats of violence, it can be coded as a high severity of crisis. *Ceteris paribus*, the more violent the crisis, the more threats to the leaders' political legitimacy. Both the 1962 Cuba missile crisis and the 1979 Iran hostage crisis can be seen as high severity crises. On the contrary, a series of territorial conflict between China and Japan in the 1990s over the Diaoyu/Senkaku island can be coded as low-severity crises since both sides did not use or threaten to use violence during the crises. However, the perception regarding the severity of crisis may not be symmetric during crises. In other words, one party of the crisis may perceive a high severity while the other party may perceive a low severity during a crisis. The discrepancy of the perceptions may escalate the crisis.

Besides the severity of crisis, the status of political legitimacy is also based on top decision makers' power status in both domestic politics and international affairs. Domestic 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 more forcefully and effectively execute policy decisions. If the executive branch is constrained by the legislature or public opinion, the top decision makers will face 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>35</sup> The political legitimacy in an authoritarian regime is largely shaped by the relationship between the top leaders and these domestic interest groups. *Ceteris paribus* the stronger the domestic authority, the higher the political legitimacy.

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<sup>34</sup> See Richard Reeves, *President Kennedy: Profile of Power* (New York: Simon & Schuster, 1993), 425.

<sup>35</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.





International challenges can also influence top leaders' political legitimacy. International challenges can be measured by the foreign 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 the key interest groups in authoritarian regimes, how they handle an international challenge is also crucial for the political legitimacy at home. For a democratic leader a successful foreign policy may not be able to help him or her during a general election, as we saw 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 Carter's electoral failure in the Iran hostage case shows.

In an authoritarian regime foreign policy becomes an even more important factor in influencing top leaders' political legitimacy. 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>36</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 should 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. *Ceteris paribus* the stronger the international pressure, the weaker the political legitimacy at home.

The crisis severity, domestic authority, and international pressure are three variables in measuring the status of political leaders' political legitimacy during crises. All three variables are coded as high and low. The crisis severity and international pressure have negative relations with political legitimacy, i.e., a high value of crisis severity and international pressure is associated with a low value of political legitimacy. Domestic authority has a positive relation with political legitimacy, i.e., high domestic authority leads to high political legitimacy. In this research, I weigh the impacts of these three variables on leaders' political legitimacy as identical. Therefore, there are eight scenarios (cells) in the three-variable typology of political legitimacy.

We can use negative and positive signs to represent the relationships between the three variables and the political legitimacy. For example, in the cell 1 of Figure 2 (A), we have high severity of crisis, high domestic authority and high international pressure. Because both high severity of crisis and high international pressure lead to low political legitimacy, we can use a negative sign to represent their impacts to political legitimacy. By the same token, since high domestic authority leads to high political legitimacy, we can assign a positive sign to high

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<sup>36</sup> Steven David, "Explaining Third World Alignment," *World Politics* 43, no. 2 (1991), 233-256.



domestic authority. In this scenario, we have two negative signs and one positive sign. Since we assume the same weight of the impacts of three variables, the aggregated effects of these three variables on political legitimacy remain negative, i.e., it represents a low political legitimacy situation. It means that the scenario of high severity of crisis, high domestic authority, and high international pressure leads to low political legitimacy situation.

**Figure 2. The Three-Factor Typology of Political Legitimacy (Crisis Severity, Leader’s Authority, and International Pressure)**

**Figure 2(A) A High Severity (—) Crisis Situation**

		International Pressure	
		High (—)	Low (+)
Leaders’ Authority	High (+)	<b>1.</b> Low Political Legitimacy (Domain of Losses)	<b>2.</b> High Political Legitimacy (Domain of Gains)
	Low (—)	<b>3.</b> Lowest Political Legitimacy (Domain of Losses)	<b>4.</b> Low Political Legitimacy (Domain of Losses)

**Figure 2 (B) A Low Severity (+) Crisis Situation**

		International Pressure	
		High (—)	Low (+)
Leaders’ Authority	High (+)	<b>5.</b> High Political Legitimacy (Domain of Gains)	<b>6.</b> Highest Political Legitimacy (Domain of Gains)
	Low (—)	<b>7.</b> Low Political Legitimacy (Domain of Losses)	<b>8.</b> High Political Legitimacy (Domain of Gains)

*Note: The negative and positive signs indicate the relationship between the variable and the domain of actions.*



By using the same measure, we can identify different political legitimacy situations associated with the eight scenarios. Figure 2 (A) shows the four scenarios when the severity of crisis is high. Cell 1, 3, 4 all lead to low political legitimacy. It is understandable because a highly severe foreign policy crisis normally puts leaders' political fates at stake. If they cannot handle the crisis appropriately, their political legitimacy will be eroded or even terminated. In terms of the extent of lowness, cell 3 has the lowest political legitimacy because it has three negative signs from all three variables, i.e., high severity of crisis (-), low domestic authority (-), and high international pressure (-). Cell 1 and cell 4 have two negative signs and one positive sign. Thereby, they represent the same level of low political legitimacy. Cell 2 is the only high political legitimacy situation which has one negative sign (high severity of crisis) and two positive signs (high domestic authority and low international pressure). It shows that even though facing highly severe foreign policy crisis, political leaders can still remain a relatively high political legitimacy if their domestic authority is high and international pressure is low.

Figure 2 (B) shows the four scenarios under the condition of low severity of crisis. Cell 5, cell 6, and cell 8 all lead to high political legitimacy. It means that a non-severe foreign policy crisis is not likely to influence a political leader's political legitimacy. In terms of the height of political legitimacy, political leaders enjoy the highest political legitimacy in Cell 6, i.e., under the condition of low severe crisis, high domestic authority, and low international pressure. The degrees of political legitimacy in Cell 5 and Cell 8 are identical. Cell 7 is the only situation that leads to low political legitimacy. It means that a political leader is more likely to face a legitimacy challenge when he or she has a low domestic authority and faces high international pressure during a low-level-severity crisis.

In sum, the three-variable political legitimacy typology lays out eight scenarios regarding the status of political legitimacy during crises. The status of political legitimacy in turn shapes the domain of actions of decision makers during crises. Based on prospect theory, we can link the domain of actions with risk-latent policy choices and generate the following four hypotheses:

- H1.** When political leaders' political legitimacy 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 legitimacy 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.
- H3.** The higher the political legitimacy in a domain of gains, the less risky policy political leaders will choose.
- H4.** The lower the political legitimacy in a domain of losses, the more risky policy political leaders will choose.



In order to test the above hypotheses, I perform a congruence test by analyzing China's policy choices during four China-U.S. foreign policy crises after the cold war, the 1993 Yinhe inspection incident, the 1995/6 Taiwan Strait crisis, the 1999 Embassy Bombing incident, and the 2001 EP-3 incident. There are three steps in the congruence test. First, I briefly introduce the outbreak of each crisis and identify at least two policy options, risk-averse vs. risk acceptant, for Chinese decision makers. Then, I examine the status of the three-factor political legitimacy of Chinese decision makers during crises. Since President Jiang Zemin was the top decision maker during all four crises, I focus on Jiang's political legitimacy in each crisis. Through examining Jiang's political legitimacy status, I can identify which domain of actions, either domain of gains or domain of losses, Jiang was positioned during crises. Based on the legitimacy-prospect model, therefore, I can predict what Jiang should do during crises. Last, I compare my predicted results with China's real policy choices to see whether they are congruent.

It is worth noting that the major weakness of the congruence test is the possible omission of key variables, which can cause an equifinality problem. Normally, we can conduct a process-tracing analysis to reduce the problem. However, the process-tracing method cannot apply to test prospect theory propositions because prospect theory does not have a causal mechanism to link the domain of actions and risk-propensity of behavior. As mentioned earlier, prospect theory is an experiment-based psychological finding, which is empirically verified by many studies. Theoretically, we can use bounded rationality to explain the linkage between domain of actions and risk-oriented behavior. However, empirically, it is impossible to examine the psychological reasoning behind political leaders' behavior in their heads. Therefore, the congruence test is the only, but also the most straightforward, way to test the validity of the political legitimacy-prospect model of crisis behavior.

## **U.S.-China Foreign Policy Crises: When to Coerce and When to Accommodate?**

### **Case 1. The Yinhe Inspection Incident**

#### *The Yinhe Crisis and China's Options*

*The Yinhe* (Milky Way) was a Chinese container ship registered to the China Ocean Shipping Company. On July 15, 1993, the *Yinhe* left Tianjin and headed to the Middle East. Its original schedule was to arrive in Kuwait on August 3 via Shanghai, Hong Kong, Singapore, Jakarta, Dubai, and Damman. It had 628 containers on the ship, and it had maintained a perfect on time schedule before the incident. Based on an intelligence report, the United States accused that *Yinhe* carried a large quantity of two chemicals—thiodiglycol and thionyl chloride—which can be used to produce two poison gases, mustard gas and nerve gas—to Bandar Abbas, Iran.

The Chinese government denied U.S. accusations and insisted that the *Yinhe* did not have these materials. The United States dismissed China's assurance and sent U.S. Navy vessels and surveillance planes to shadow the *Yinhe* on August 1 in the Indian Ocean. Since August 3, 1993,



the *Yinhe* had been forced to anchor in the international sea near the Persian Gulf for three weeks. Under U.S. diplomatic pressure no country in the Persian Gulf granted docking permission to the *Yinhe* for oil and water supplies. The United States made it clear that the *Yinhe* was not allowed to unload its cargo until and unless it was searched because the United States did not allow these chemical materials to “deliver into the wrong hands.” China, however, accused the U.S. intelligence as “fabricated,” U.S. action as “arbitrary,” and U.S. behavior as “unjustifiable bullying.”<sup>37</sup> In these three weeks the diplomatic tension between the United States and China escalated.

As China’s top decision maker, Jiang had three options during the crisis. The first choice is to allow U.S. inspection. It is an accommodative policy which would definitively defuse the crisis but might hurt China’s national dignity and pride. The second choice is to order the *Yinhe* to return to China and refuse U.S. inspection. This choice might protect China’s national pride because China treated the *Yinhe* as symbol of China’s sovereignty.<sup>38</sup> However, it would deepen U.S. suspicions about China’s proliferation activities and might escalate the crises if the United States Navy boarded the *Yinhe* forcefully. The third option is to send the Chinese navy to protect the *Yinhe*. This option was theoretically valid but impossible in practice due to the weak power projection capabilities of the Chinese navy. In an interview with Hong Kong’s Phoenix TV station, Sha Zukang, then the Chinese chief negotiator during the crisis, admitted that “just because we do not have a strong navy, we are in a disadvantageous negotiation position compared with the United States.”<sup>39</sup>

Therefore, practically, China only had two policy options during the *Yinhe* crisis: allowing U.S. inspection or calling back the *Yinhe* and refusing such a humiliating inspection. The first one is a risk-averse decision because it means concession to the U.S. demand and alleviating the diplomatic tension between the two nations. The second one is a risk-taking behavior because it might not only put China’s non-proliferation reputation at stake, but also trigger escalating actions from the United States.

### ***Jiang’s Domain of Actions: Political Gains in Perspective***

In order to explain and predict which policy Jiang would choose during the *Yinhe* crisis, the legitimacy-prospect model suggests that we need to examine the three aspects of Jiang’s political

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<sup>37</sup> Robert Suettinger, *Beyond Tiananmen: The Politics of U.S.-China Relations 1989-2000* (Washington: Brookings Institution Press 2003), 176-177. Also see James Mann, *About Face: A History of America’s Curious Relationship with China, From Nixon to Clinton* (New York: Alfred Knopf, 1999); David Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations 1989-2000* (Berkeley: University of California Press, 2001). For Chinese perspectives on the *Yinhe* crisis, see *Tao Wenzhao, Zhongmei Guanxi Shi 1972-2000 [A History of U.S.-China Relations]* (Shanghai: Shanghai People’s Publisher, 2004); Lu Haoqing, *Tufa Shijian Mujiji [Witnessing the Breaking Incidents]* (Beijing: Xin Hua Publishing, 2005).

<sup>38</sup> Sha Zukang Phoenix TV interview, September 27, 2009

<sup>39</sup> Sha Zukan, Phoenix TV interview.



legitimacy status during the crisis: the severity of the crisis, domestic authority, and international pressure. First, the severity of the crisis is not high if we use the violent level involved in the crisis to measure the severity. Although the *Yinhe* belonged to a state-owned enterprise, it was only a regular container ship. It is true that the sailors on the ship were intimidated and harassed by U.S. surveillance planes and navy vessels. They also suffered shortages of food and water during the three-week stalemate time in the international sea near the Persian Gulf; however, there were no casualties or violence between the *Yinhe* and the U.S. navy.

The *Yinhe* incident occurred about three years after the Tiananmen incident. Jiang Zemin came to power after Deng Xiaping gradually started his power succession in 1990. Although Jiang became the Party's General Secretary and Chairman of the Central Military Commission in 1989, his political authority was still mainly based on Deng's support. As Jiang's political biography, written by Robert Kuhn and endorsed by Beijing, points out, "after over a year in office, the general secretary had little real power independent of his colleagues."<sup>40</sup> Politically, Jiang faced serious challenges from the conservatives, led by Premier Li Peng, who enjoyed more political capital than Jiang in Beijing. Moreover, Jiang did not have real military experience before he was elevated to be the chairman to lead the military. The lack of military background became the weakest point for Jiang to establish his own authority inside the Party.

Fortunately, Deng, the still paramount political leader in China, strongly supported Jiang to become the core of the next generation leadership after the Tiananmen incident. In 1991, Deng managed to promote Zhu Rongji, then Party secretary of Shanghai, to become vice premier. As Jiang's old colleague in Shanghai and reformist, Zhu successfully balanced Li Peng's power in the State Council. In 1992, Deng started his famous "southern tour" to Shenzhen, during which he clearly warned the conservatives in the CCP, implicitly toward Li Peng, that anyone who opposed the economic reform would be removed from office.<sup>41</sup> With Deng's support, Jiang won his first battle against Premier Li and other conservatives inside the party's politics.

In 1989, although Jiang was the Chairman of the Central Military Commission in name, his real power was seriously constrained by a strong force in the military—the so-called "Yang family clan," led by Yang Shangkun and his half-brother Yang Baibing. Yang Shangkun was a revolutionary veteran and served as the first vice-chairman on the Central Military Commission and the President of the PRC. Yang Baibing was the director of the army's General Political Department and also served as the secretary-general of the Central Military Commission in charge of day-to-day affairs. In order to balance "the Yang family clan" and support Jiang's authority in the military, Deng arranged Liu Huaqing, a 73-year-old, former navy commander, to

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<sup>40</sup> Kuhn, *The Man Who Changed China*, 204.

<sup>41</sup> Elizabeth Perry, "China in 1992: An Experiment in Neo-Authoritarianism," *Asian Survey* 33, no. 1 (1993), 12-21. Suisheng Zhao, "Deng Xiaoping's Southern Tour: Elite Politics in Post-Tiananmen China," *Asian Survey* 33, no.8 (1993), 739-756.



serve as the second-vice-chairman on the Central Military Commission after Deng declared his retirement in 1990.<sup>42</sup>

In October 1992, with Deng's support, Jiang successfully purged Yang Baibing and Yang Shangkun from key positions in the military. Moreover, Jiang reshuffled more than 300 senior officers and 1000 regional commanders throughout the country in order to establish his authority.<sup>43</sup> Zhang Zhen, another old general with a close relationship with Deng, was promoted to a vice-chairman of the Central Military Commission and became another strong supporter of Jiang's authority in the military.

In early 1993, Jiang replaced Yang Shangkun, who reached his retirement age, to become President of the PRC. Although the president was only a ceremonial position as the head of state in China, Jiang's takeover of the presidential position had two points of significance for his power status in China. First, it meant that the threat from the "Yang family clan" to Jiang's authority was eventually removed. Second, Jiang had become the real top leader who eventually controlled the three branches of the country, the party, the military, and finally the state. However, it should be noted that Jiang's successful consolidation of power in 1993 could not have succeeded without Deng's backup. In other words, there was still a long way for Jiang to go to establish his own authority, especially in the party and the military. However, when the *Yinhe* incident occurred, Jiang's domestic authority was rising although it was largely based on Deng's support.

Internationally, Beijing gradually broke the international isolation after the Tiananmen incident in 1993. Because of China's crackdown of students' demonstrations in 1989, the leading industrialized countries—the United States, Western Europe, and Japan, imposed economic sanctions against China. Consequently, China experienced a short-time economic downturn and international isolation. In the early 1990s, China's major diplomatic goal was to re-engage the international community. China's first diplomatic breakthrough started from Southeast Asia. In summer 1990, China resumed its diplomatic relation with Indonesia which had suspended its diplomatic relation with China after an alleged communist coup in 1967. In addition, China established diplomatic relations with Singapore, which became a new source for China's foreign direct investment. In 1992, China established diplomatic relations with South Korea despite the fury of North Korea—China's traditional ally.

Due to China's continued economic reform and openness after Deng's "southern tour," its economy had grown dramatically since 1992. In 1990, China's economic growth rate was only about 4%. In 1992, China's economic growth rate increased to 12% and later maintained the double-digit growth in most of the 1990s. Between 1991 and 1993, China's foreign trade rose more than 44% and the FDI inflow to China jumped nearly 450%.<sup>44</sup> Due to China's huge market

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<sup>42</sup> See Bruce Gilley, *Tiger on the Brink: Jiang Zemin and China's New Elite* (Berkeley: University of California Press, 1998);

Joseph Fewsmith, *China Since Tiananmen: The Politics of Transition* (Cambridge: Cambridge University Press, 2001).

<sup>43</sup> Bruce Gilley, *Tiger on the Brink*: 196.

<sup>44</sup> See Suettinger, *Beyond Tiananmen*, 145.





and economic opportunities, businessmen from all over the world flooded into China for investment and trade. In May 1993, one IMF report claimed that China had become the third-largest economy if measured by “purchasing-power parity.”<sup>45</sup>

Because of China’s increasing economic weight and potential, western countries, including the United States, could not afford to isolate China anymore. Starting in 1991, Japan became the first industrialized country that lifted its economic sanction on China. Western European countries soon followed Japan’s step. Although the United States was still hostile toward China on human rights and proliferation issues, China’s political leverage against the United States gradually increased due to its increasing economic power and improving diplomatic relations with other western countries. In 1993, the United States started to realize that its “closest allies were not going to join in its effort to link trade with China to improvements in human rights.” Some countries were even “openly seeking advantage from the friction between Washington and Beijing.”<sup>46</sup> As James Mann points out, in 1993, the timing for Clinton’s tough approach toward China “was all wrong” and “no longer matched the economic conditions in China” simply because the Chinese economy had become too big to be ignored.<sup>47</sup>

In sum, Jiang was situated in a domain of gains during the *Yinhe* crisis. The *Yinhe* incident did not involve violent actions although the U.S. navy threatened and harassed the *Yinhe* for more than three weeks in the Indian Ocean. Although Jiang’s authority was still shadowed by Deng, he had gradually built up his domestic authority especially by purging the “Yang family clan” and reshuffling the military in 1993. More importantly, China had broken the international isolation after the Tiananmen incident and restored its diplomatic and economic influence in the international community. In other words, both the international environment and domestic situation were promising for Jiang when the *Yinhe* incident occurred.

### ***Jiang’s Policy Choice: Full Accommodation for Protecting Gains***

According to the political legitimacy-prospect model, Jiang should choose a risk-averse policy if he was framed in a domain of gains. In reality, Jiang indeed chose an accommodation policy to allow the United States to inspect the *Yinhe* in order to protect what Jiang had gained in both domestic power struggle and international affairs. On August 27, the *Yinhe* finally docked at Dammam, Saudi Arabia. A joint Saudi Arabia-U.S. team inspected the *Yinhe* for the two illegal chemicals for two weeks. The United States searched the entire ship, opened all the containers, but found no trace of the two chemicals that U.S. intelligence had alleged. On September 4, Chinese, Saudi, and American representatives signed a certification which stated that no chemical weapons materials were aboard the *Yinhe*. China soon demanded a formal apology from the United States and \$13 million in damages because of U.S. “forced” inspection based on false

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<sup>45</sup> Mann, *About Face*, 285.

<sup>46</sup> Mann, *About Face*, 293.

<sup>47</sup> Mann, *About Face*, 285.





intelligence information. The United States refused to apologize to China and only admitted that the Yinhe incident was “unfortunate.”<sup>48</sup>

China’s full accommodative behavior during the Yinhe incident later helped Jiang improve China’s relation with the United States. In November 1993, Jiang visited Seattle and met Clinton for the APEC meeting. It was the first time for a Chinese leader to visit the United States after the Tiananmen incident. However, Jiang was facing military and hardline criticism over China’s “weak reaction” to the Yinhe incident. Sha Zukang, China’s chief negotiator during the Yinhe incident, later used the word “*wonang*”—referring to a feeling of frustration and powerlessness—17 times to describe China’s policy decision in the crisis during his 2007 interview with the CCTV.<sup>49</sup>

There might have been many rational reasons for China’s accommodative policy choice, such as China’s weak naval projection power, no illegal chemicals on the ship, a tactic to humiliate U.S. intelligence, etc. However, this research suggests that Jiang’s accommodation policy decision during the *Yinhe* crisis is driven by Jiang’s advantageous status in political legitimacy in both domestic and international domains. Domestically, Deng’s political support helped Jiang further consolidate his authority. It was reported that Jiang even sought Deng’s endorsement after the *Yinhe* crisis in order to deal with the hardline criticisms inside the CCP.<sup>50</sup> Internationally, China’s successful diplomatic breakthroughs after Tiananmen elevated Jiang’s hope and confidence in cultivating good relations with the United States. The *Yinhe* incident in Jiang’s view should not hinder the momentum of U.S.-China relations. After the *Yinhe* incident, some Hong Kong shippers demanded that Beijing pursue a “more strident response” to the U.S. actions because they worried about U.S. harassment of their container ships in the future. However, Beijing was less inclined to do so because “Jiang does not want this [the *Yinhe* incident] to ruin the improvement in bilateral ties [with the United States].”<sup>51</sup> Unfortunately, Jiang’s goodwill in U.S.-China relations was destroyed by the 1995-1996 Taiwan crisis.

## Case 2. The 1995-1996 Taiwan Crisis

For China, the Taiwan crisis occurred at a moment when Clinton, pressured by Congress, made a decision to issue a visa to the then Taiwan President Lee Teng-hui to attend his college reunion at Cornell University in May 1995. Although the United States insisted that Lee’s visit was “private” in nature, Lee’s high-profile visit and pro-independence speech at Cornell deeply worried Chinese leaders. Lee was the first Taiwanese leader who visited the United States. For

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<sup>48</sup> Rone Tempest, “China Asks U.S. Apology, Damages for Search Ship,” *Los Angeles Times*, September 6, 1993.

<sup>49</sup> Sha Zukang, CCTV interview with Wang Zi, Feb. 12, 2007. [http://news.cctv.com/china/20070212/102860\\_1.shtml](http://news.cctv.com/china/20070212/102860_1.shtml)

<sup>50</sup> Gilley, *Tiger on the Brink*, 211.

<sup>51</sup> Gilley, *Tiger on the Brink*, 211.



Chinese leaders, especially Jiang, it not only vindicated Lee's pro-independence political ideology but also indicated a sea change of U.S. policy toward Taiwan.

Jiang had two policy options. First, Jiang can do what China normally does in handling the Taiwan issue with other countries—lodging political and diplomatic protests. For example, before Lee visited the United States, Lee “spent holidays”, the so-called “vacation diplomacy,” in some Southeast Asian countries, such as Indonesia and Thailand, in 1993-4. China felt offended and issued diplomatic protests toward these countries, urging them to stick to the “one China policy.” In late 1992, France decided to sell sixty Mirage 2000-V fighter planes to Taiwan. China was furious, but only cancelled some of the proposed cooperation projects as a protest against France.<sup>52</sup> Second, Jiang can intensify the diplomatic measure to a military coercion level. During the 1950s, China initiated two small-scale conflicts with Taiwan as retaliation against U.S. support for the Chiang Kai-shek nationalist party in Taiwan. During the 1954-1955 Taiwan crisis it was reported that the United States even considered using nuclear weapons against the mainland.<sup>53</sup>

Between these two policy options, the political/diplomatic protest one is a risk-averse policy and the military coercion one is risk-acceptant because the latter is more likely to escalate the crisis and even trigger military conflicts across the Taiwan Strait. However, which policy would Jiang choose during the 1995 Taiwan crisis? We need to examine Jiang's political legitimacy status and his domain of actions during the crisis.

### *Jiang's Domain of Actions: A Test Jiang May Lose*

The severity of the Taiwan crisis was initially low because it was originally Chinese diplomatic failure against the United States on Lee's visit. Although the crisis was escalated after China conducted a series of military exercises and missile tests across the Taiwan Strait, there was no indication that China intended to invade Taiwan. In addition, no casualties occurred during the crisis.

However, if we consider Jiang's domestic authority, the 1995-1996 Taiwan crisis was a big challenge and test for Jiang's reputation and power control. As mentioned before, Jiang's domestic authority in the CCP was mainly based on Deng's support in the early 1990s. Although Jiang started to build up his own authority and power base through reshuffling the party bureaucracy and the military, he still faced serious challenges from party conservatives and military hardliners. After the national day of 1994, Deng's health did not allow him to be involved in political issues and decision making any more. Deng informed senior party members that they should be united around the next generation leadership with Jiang at its core.<sup>54</sup> However, it also means that Jiang had to face both domestic and international challenges alone.

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<sup>52</sup> Qian, *Ten Episodes in China's Diplomacy* (New York: HarperCollins, 2005), 240-241.

<sup>53</sup> Shuguang Zhang, *Deterrence and Strategic Culture: Chinese-American Confrontation 1948-1958* (Cornell University Press, 1993); Scobell, *China's Use of Military Force*.

<sup>54</sup> Gilley, *Tiger on the Brink*.



Jiang's political reputation was built on his adherence of Deng's "reform and openness" policy. After Deng, he also needed to further the economic reform and openness in order to establish his own authority in the CCP. China's economic development, however, cannot succeed without a good relationship with the United States. China's economic growth largely relied on its close engagement with the global economy and the United States as the most important actor in world economy. Therefore, cultivating a good bilateral relationship with the United States became Jiang's major task as we can see from Jiang's accommodative policy during the Yinhe crisis.<sup>55</sup>

The United States did not just respond to Jiang's overtures easily. In 1992, President Bush sold 150 F-16 fighters to Taiwan due to his electoral needs in Texas where the fighters were manufactured. The Chinese government strongly protested the U.S. decision, but it did not do anything further. China apparently needed the United States more than the converse in the early 1990s. In 1994, the United States allowed Lee's plane to transit in Hawaii on route to Central America. It was the first time for a Taiwan president to land on American soil. China registered a strong protest by warning "serious consequences" for the United States, but it did nothing further.

In 1995, the United States once again provoked China on the Taiwan issue by allowing Lee to visit the United States. Lee's visit was a big blow to Jiang's soft approach toward the United States and put Jiang's reputation and authority at stake. As mentioned before, Jiang's accommodative policy toward the United States during the *Yinhe* incident had been criticized by the hardliners in the CCP. At that time, Jiang could rely on Deng's support to overcome the difficulty. At this time, however, faced with a hard response from the United States Jiang was alone due to Deng's waning presence in politics. Therefore, Lee's visit to the United States in 1995 became the "last straw" destroying Jiang's original plan of using diplomatic success with the United States to consolidate his power and political legitimacy in the CCP.

It is worth noting that the Taiwan issue is a hypersensitive one in Chinese politics and no politician dares to touch the red line of Taiwan's possible independence. After Lee's visit, Jiang and other civilian leaders (especially those from the Foreign Affairs Ministry) faced tremendous pressures from military leaders who were frustrated by their failed diplomacy toward the United States.<sup>56</sup> Jiang and Foreign Minister Qian Qichen tried to persuade the United States to issue a public commitment against Taiwan's independence after Lee's visit. Although the Clinton administration privately assured China that it would not change the one-China policy,

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<sup>55</sup> See Michael Swaine, *China: Domestic Change and Foreign Policy* (Santa Monica: Rand, 1995); David Shambaugh, "The Dynamics of Elite Politics During the Jiang Era," *The China Journal*, no. 45 (2001), 101-11; Allen Whiting, "Chinese Nationalism and Foreign Policy after Deng," *The China Quarterly* no. 142 (1995), 295-316.

<sup>56</sup> M. Forney, "Man in the Middle," *The Far Eastern Economic Review* 159, no. 13 (1996), 14-17; Andrew Scobell, "Show of Force: Chinese Solders, Statesmen, and the 1995-1996 Taiwan Strait Crisis," *Political Science Quarterly* 115, no. 2 (2000), 227-46.



Washington refused to make a public commitment to oppose Taiwan's independence in 1995.<sup>57</sup> To a certain extent, the United States tried to maintain its strategic ambiguity toward the Taiwan issue.

Jiang's political power was seriously challenged and his political legitimacy was shaken by military leaders and other politicians inside the CCP. As Robert Kuhn points out, Jiang was under huge pressure from the PLA—"for a time receiving eight hundred irate letters a day from officers protesting Lee Teng-hui's visit to the United States."<sup>58</sup> During this period Jiang sometimes couldn't sleep well. In mid-June of 1995, Jiang even engaged in self-criticism at an enlarged Politburo meeting for his "soft" policy toward Taiwan.<sup>59</sup> Jiang realized, "[T]aking an uncompromising stand was the only answer...that would both restrain foreign foes from future aggression and convince domestic critics he could protect the country's interests."<sup>60</sup>

Because the deep involvement of the United States in the Taiwan issue, Jiang also faced tremendous international pressure during the crisis. First, for Chinese leaders, especially Jiang, Lee's visit meant the start of U.S. policy change toward Taiwan. During the cold war, Taiwan was sacrificed by the United States on behalf of forging its strategic relations with China. After the cold war, however, China lost its strategic leverage on the Taiwan issue with the United States. Moreover, China's national image was damaged by the Tiananmen incident and the human rights issue became a serious problem between China and the Clinton administration in the 1990s. In contrast, Taiwan successfully transformed from an authoritarian regime to a thriving democracy in the early 1990s.

Therefore, for both strategic and ideological reasons, U.S. policy makers started to change their attitude toward Taiwan after the Tiananmen incident. Although the United States officially insisted that Lee's visit would not change its "one China policy," Washington's words had lost its credibility in Beijing. The Chinese leaders, especially Jiang, realized the danger caused by U.S. policy change toward Taiwan, but they did not know how far the United States would go. For Jiang, Lee's US visit was "a test of his leadership, a challenge on the part of America and Taiwan to probe his capacity to manage a crisis."<sup>61</sup> Jiang needed to pass the test in order to show the world that he was capable of handling the Taiwan issue.

Besides the United States, Lee's visit also alarmed China's foreign relations with other nations on the Taiwan issue. In the early 1990s, Lee actively adopted a "pragmatic diplomacy" or "money diplomacy" to expand Taiwan's international space, seek international resignation, and elevate Taiwan's status. In 1993, Lee even called for Taiwan to bid for the United Nations membership and

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<sup>57</sup> Qichen Qian, *Ten Episodes in China's Diplomacy* (New York: HarperCollins, 2006); Robert Ross, "The 1995-1996 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force," *International Security* 25, no. 2 (2000), 87-123.

<sup>58</sup> Robert Kuhn, *The Man Who Changed China: The Life and Legacy of Jiang Zemin* (New York: Crown Publishers, 2004), 268.

<sup>59</sup> Willy Lam, *The Era of Jiang Zemin* (Singapore: Prentice Hall, 1999), 173-174.

<sup>60</sup> Kuhn, *The Man Who Changed China*, 268.

<sup>61</sup> Kuhn, *The Man Who Changed China*, 268.



to join other international organizations despite China's opposition.<sup>62</sup> Before the 1995 "college reunion" visit to the United States, Lee had paid some "vacation visits" to several Southeast Asian countries which had diplomatic relations with China. Although all the countries insisted that Lee's trips were "private" in nature and they would not change their "one China" policy, the Chinese leaders understood that Lee's visits signified nothing but China's diplomatic failures. Taiwan's pragmatic diplomacy had to be curbed; otherwise, China might have to accept an independent Taiwan with wide international support in the future. In other words, other countries may well be watching China's response to the United States during the crisis. Any weakness shown by China toward the United States might cause a chain reaction in other countries' policies toward Taiwan.

In sum, Jiang was facing both domestic and international pressures during the 1995-6 Taiwan crisis although the trigger of the crisis—Lee's visit—was not violent in nature. Domestically, the Taiwan crisis tested the weakest link of Jiang's political power and legitimacy—his relations with the military—within the CCP. If he could handle the crisis in a way to satisfy the military, Jiang's reputation and leadership status in the CCP would be in danger. Internationally, the Taiwan crisis posed unprecedented challenge to China's foreign relations with the United States and other states in the region. Therefore, according to the legitimacy-prospect model, Jiang was framed in the domain of losses after Lee's Cornell visit and a risk-acceptant policy became a more-likely policy choice for Jiang to deal with the crisis.

### *Jiang's Policy Choice—Taking Risk to Avoid Further Losses*

Jiang's initial response to the United States was mainly political and diplomatic in nature. For example, after Lee's visit China recalled its ambassador to the U.S. for two months and cancelled its defense minister's planned visit to the United States. In addition, China also called off a planned historic second meeting between Wang Daohan, the head of China's cross-strait contact group, and his Taiwan counterpart, Koo Chen-fu in mid-June. Starting in July 1995, however, China's reaction became more military-oriented and coercive. From July 21-28, 1995, China started its first large-scale military exercises and missile tests across the Taiwan Straits. China launched six M-9 surface-to-surface ballistic missiles in a ten-square-mile area roughly eighty-five miles north of Taiwan. In August, China conducted another military exercises and missile tests across the Taiwan Straits.

Jiang intended to deliver two messages through the two war games. One is to the United States and Taiwan which shows the willingness of Chinese military to use force to oppose Taiwan's independence. The other is to Jiang's domestic opponents in the CCP that Jiang had the capability and resolve to handle the Taiwan issue. The major purpose of Jiang's military coercion is not to gain an upper-hand position over either Taiwan or the United States, because both Taiwan and the United States are not easily intimidated. Instead, Jiang only intended to reverse his losses in dealing

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<sup>62</sup> Suettinger, *Beyond Tiananmen*, 202.



with the Taiwan issue, i.e., recovering his threatened credentials in the CCP, preventing Lee's future visit to the United States, and averting U.S. possible policy change toward Taiwan.

The U.S. toned down its reaction to China's July and August military exercises and missile tests. Washington only pointed out that the tests were "not conducive to peace and stability."<sup>63</sup> Clinton wanted to restore relationship with China to the pre-visit levels. Warren Christopher met Qian Qichen during the APEC ministerial meeting in Bruner at the end of July and delivered a personal letter from Clinton to Jiang, which re-assured him that the United States had not changed the "one China policy" and specified the later so-called "three no's" policy, i.e., the United States does not support efforts to create "two Chinas or one China, one Taiwan," does not support Taiwan independence, and does not support Taiwan's admission to the United Nations.<sup>64</sup>

For the United States a personal reassurance from Clinton was the best the United States wanted to offer. U.S. Spokesman Nicholas Burns commented after the Christopher-Qian meeting that the United States had done enough to assuage China's concerns about Taiwan and it was time to go beyond the Taiwan issue to discuss others.<sup>65</sup> However, Clinton's private commitment was only desirable, but not enough, for Jiang. What Jiang needed was a public affirmation from the United States so he could use it to reverse his disadvantageous situation in both domestic and international arena over the Taiwan issue.

To a certain extent, the July and August military coercion toward Taiwan did help Jiang recover his threatened political credentials inside the CCP. At the fifth Plenum of the Fourteenth Central Committee in September, Jiang reached two victories in both party bureaucracy and the military. On the one hand, Jiang expelled Chen Xitong, the Beijing mayor—his political rival, from the Politburo and the Central Committee for corruption. On the other hand, Jiang promoted four generals to the Central Military Commission to strengthen his power in the military. Because of the alleviation of domestic pressures after the plenum, Jiang's domain of actions also slightly moved out of its previous location in the domain of losses.

In October, Jiang decided to meet Clinton during the celebration of the fiftieth anniversary of the establishment of UN. Jiang was very upset about the fact that the United States declined China's request of granting him a full state visit. However, the recovered confidence at home encouraged Jiang to see the summit meeting constructively because it was "the opportunity to outshine Lee Teng-hui, a chance to take the U.S.-China relationship out of a negative cycle, and simply the lure of Washington."<sup>66</sup> Although the summit meeting went well between Jiang and Clinton and China sent back its ambassador, the Taiwan crisis was not been over yet.

Jiang had not obtained what he wanted: a public reassurance from Clinton on U.S. policy toward Taiwan. To make things worse, Lee Teng-hui during his presidential campaign publically

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<sup>63</sup> Suettinger, *Beyond Tiananmen*, 227

<sup>64</sup> Qian, *Ten Episodes in China's Diplomacy*, 248-249.

<sup>65</sup> Suettinger, *Beyond Tiananmen*, 238.

<sup>66</sup> Suettinger, *Beyond Tiananmen*, 238.





provoked China by saying that China “did not dare” to attack Taiwan and Taiwan had a right to expand its international influence. The less successful summit in Washington and Taiwan’s continuous provocation pushed Jiang back to the domain of losses over the Taiwan issue. In November, two small-scale military exercises were conducted right before Taiwan’s legislative elections to pressure Taiwan and demonstrate Jiang’s resolve.

In Spring 1996, tension across the Taiwan Straits further escalated. In March, both Taiwan and the mainland scheduled important political events. Taiwan would have the first democratic election while the annual session of the National People’s Congress (NPC) on the mainland was around the same time. It was a good time for Jiang to show both the Taiwan people and his own people in the mainland about his resolve and capability in handling the Taiwan issue. On March 5, China announced that the PLA would conduct one missile test and two military exercises across the Taiwan Strait.

The United States could not keep a low-key attitude again this time. The State Department commented that the missile test and military exercises were “irresponsible and provocative” and warned the possible “consequences” if China’s missile went off target.<sup>67</sup> In order to show its commitment to the security and stability of the region, the United States decided to deploy two aircraft carrier groups, *Independence* and *Nimitz*, to the Taiwan Strait. It has been the largest deployment of U.S. naval forces in the Pacific since the Vietnam War. China’s reaction was quick and furious. Qian called the U.S. decision “reckless” and “erroneous.”<sup>68</sup>

Jiang ordered to continue the missile test despite of U.S. carrier deployment. Jiang later justified his decision by saying China’s military drill was “necessary to demonstrate our position on Taiwan’s independence and foreign interference.”<sup>69</sup> Jiang’s risk-acceptant decision on the Taiwan issue finally paid him in domestic politics. As Kuhn mentioned in Jiang’s political biography, “the power of domestic politics to influence foreign policy become epitomized during this period [early 1996] when Jiang Zemin’s two rivals in the Politburo Standing Committee, Qiaoshi and Li Ruihuan, voiced tougher, harder-line positions on Taiwan, implicitly criticized Jiang’s weaker, softer approach.”<sup>70</sup> After Jiang showed his uncompromised position facing U.S. military intimidation, Jiang’s opponents had to mute their criticisms.

The Taiwan crisis was finally over after China conducted its scheduled missile tests and military exercises even though the United States deployed two carriers near Taiwan. It should be noted that neither Jiang nor Clinton were prepared to go to real military conflict during the crisis. However, in terms of deterrence strategy, both leaders have reached the maximum risk propensity for their policies during the crisis. But risky policies do not equal to “reckless” decisions. After reaching their desired goals, both Jiang and Clinton somehow managed to defuse the crisis quickly.

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<sup>67</sup> Suettinger, *Beyond Tiananmen*, 252.

<sup>68</sup> Suettinger, *Beyond Tiananmen*, 256.

<sup>69</sup> Kuhn, *The Man Who Changed China*, 280.

<sup>70</sup> Kuhn, *The Man Who Changed China*, 280.



While China phased out its military exercises soon after the Taiwan election, the United States ordered the two carriers not to go through, but near, the Taiwan Strait.<sup>71</sup> In 1997 and 1998, Jiang and Clinton successfully paid each other official state visits. However, more troubles were ahead between the two states.

### Case 3. The 1999 Embassy Bombing Crisis

The 1999 embassy bombing incident took place during NATO's Kosovo War. Two U.S. Air Force B-2 bombers, departing from Whitman Air Force Base in Missouri, launched five 2,000-pound joint direct attack munitions (JDAMs) at the Chinese embassy in Belgrade on May 8 (Beijing Time), 1999. The attack killed three Chinese journalists and wounded about twenty other Chinese citizens in the embassy. The embassy building was seriously damaged. The Chinese leaders were shocked by the incident. As Tang Jiaxuan, then Chinese foreign minister stated in his memoir, "I cannot believe that the Chinese embassy in Belgrade was even attacked and damaged so badly!"<sup>72</sup>

When the incident was reported in the Chinese media, it soon triggered wide-spread anti-American demonstrations around China. The U.S. embassy in Beijing and the consulate building in Chengdu were attacked and damaged by the angry demonstrators. As two American scholars suggest, the embassy bombing crisis was seen as "one of the most serious crises in modern Sino-American relations. It led to street demonstrations and violence against U.S. interests in Beijing and elsewhere in China on a scale unseen since the Cultural Revolution of the late 1960s."<sup>73</sup>

On the morning of May 8, the U.S. Ambassador James Sasser contacted the Chinese foreign minister and explained that the incident was "a terrible mistake" and offered condolences. However, no word came from Washington since it was the middle of the night in the United States.<sup>74</sup> The Chinese foreign ministry lodged the "strongest protest against the U.S. led NATO attack" by denouncing the bombing as a "barbarian act" and asking NATO to bear "full responsibility."<sup>75</sup> Although the Chinese government increased security guards around the U.S. embassy area, China's angry demonstrators, mostly students, threw rocks and paint bombs at the embassy buildings. Some students even intended to break into the embassy, but were stopped by the police.

The first statement from Washington was jointly issued by the CIA director George Tenet and Secretary of Defense William Cohen on May 9. It stated that the bombing was an error because

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<sup>71</sup> Suettinger, *Beyond Tiananmen*, 257.

<sup>72</sup> Tang Jiaxuan, *Jin Yu Xu Feng* [Hard Rain, Warm Wind] (Beijing: Shijie Zhshi Publisher, 2009), 166.

<sup>73</sup> Kurt Campbell and Richard Weitz, "The Chinese Embassy Bombing: Evidence of Crisis Management?" in Swaine and Zhang, eds. *Managing Sino-American Crises*, 327.

<sup>74</sup> Suettinger, *Beyond Tiananmen*, 370.

<sup>75</sup> Tang, *Jin Yu Xu Feng*, 174.





the Chinese embassy was mistakenly believed to be Serbia's Federal Directorate of Supply and Procurement. Later that day, Clinton also claimed the bombing as a "tragic mistake" and expressed his "regrets and condolences" to China. In the evening, U.S. Secretary of State Albright went to the Chinese embassy in Washington to personally deliver a letter of apology to the Chinese Foreign Minister Tang on the bombing incident. Although U.S. officials expressed their condolences and apologies several times after the incident, they also reiterated that the bombing campaign against Serbia was justified and would continue. As Suettinger points out, "this only intensified Chinese anger."<sup>76</sup>

The Chinese leaders faced a policy dilemma in the crisis. No matter if Chinese leaders believe the U.S. "mistakenly bombing" excuse or not, a relatively weak military capability did not allow China to respond to the incident militarily. Diplomacy, therefore, was the only way for Chinese leaders to show their grievance and resolve after the crisis. However, how tough China's diplomacy should be toward the United States was a dilemma for the Chinese decision makers. A "too tough" policy might further damage the already-strained U.S.-China relations. A "too soft" approach might trigger backfire at home since Jiang had already been criticized for its softness toward the United States.

Basically, Jiang has two policy options during the crisis. One is to choose diplomatic coercion toward the United States and refuse the U.S. explanation, basically making the United States pay for its "mistake." The other is to choose accommodative diplomacy by accepting a U.S. apology and restore relations quickly. The diplomatic coercion is a more risky decision than the accommodation one because it might trigger further escalation of the crisis. In addition, domestic reactions made Jiang's decision more difficult. If Jiang's priority is domestic, not U.S.-China relations, then a tough policy toward the United States becomes less risky because it would prevent the spillover effect of public anger on the United States to the Chinese government. An accommodative approach will put the government and Jiang under more pressures and criticisms from the public. As Kuhn points out, "for weeks [after the crisis] President Jiang walked a thin line, trying to defuse the tension," because he wanted to "appease a furious public without alienating an apologetic America"<sup>77</sup>

### *Jiang's Domain of Action – Difficulty with the Public*

In term of severity of the crisis, the embassy bombing incident is at a high severity level since it killed three Chinese reporters and injured many in the Chinese embassy. In addition, attacking a country's embassy is also an aggressive behavior according to international laws and norms. From the furious reactions of the Chinese public, we can also see how severe the embassy bombing incident was for U.S.-China relations. Compared to the time of the *Yinhe* incident and the Taiwan crisis, however, Jiang's domestic authority was relatively strong before the embassy bombing

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<sup>76</sup> Suettinger, *Beyond Tiananmen*, 372.

<sup>77</sup> Kuhn, *The Man Who Changed China*, 380.



incident. After Deng's death in 1997, Jiang power and prestige had reached a new height in the CCP.

Personal witness of the return of Hong Kong provided Jiang a chance to further his reputation as China's "reunification president" although the Taiwan issue was still an unsolved problem.<sup>78</sup> In the 1997 party congress, Qiao Shi, Jiang's putative rival and the Chairman of the National People's Congress (NPC), retired from the Politburo. In 1998, Li Peng, Jiang's other political competitor, resigned from the post of premier and became the Chairman of NPC. Li's eroding political power no longer posed any significant threat to Jiang. Through the 1997 party congress, Jiang promoted his supporters to key posts in all three organs of China's political system: the party, the government, and the military.

In the standing committee of the Politburo, the two new members, Wei Jianxing and Li Lanqing, were Jiang's loyalists. Zhu Rongji was planning to replace Li Peng as the new Premier in the 1998 NPC. Jiang's control of the military was shown in two aspects. On the one hand, Jiang doubled the military representatives in the party's Central Committee. The newly promoted military officers were all professional in training and more importantly loyal to Jiang. On the other hand, Jiang removed the military representation in the Politburo's standing committee after Liu Huaqing, Deng's loyalist and the only representation from the military, retired in 1997. This arrangement signaled Jiang's confidence in controlling the military and justified the CCP's old tradition of "the party leads the gun."

Although Jiang's political authority reached a new level after the 1997 party congress, it does not mean that Jiang faced no political challenge in the CCP. Jiang's political prestige and credibility was largely built on his adherence to Deng's reform and openness. Economic growth and successful diplomacy can strengthen Jiang's leadership. However, economic downturn and diplomatic failure can also seriously threaten his authority. Unlike Mao and Deng, who could afford to be as authoritarian as Mao, Jiang's leadership was described as "consensual" in nature.<sup>79</sup> It means that Jiang was a "consensus builder" who can coordinate interests from all factions inside the CCP.

China's experienced relatively high international pressure before the embassy bombing incident. China felt threatened and surprised by the U.S.-led, NATO humanitarian intervention in the former Yugoslavia. China was sympathetic to Serbia for three reasons. First, China shared a common anti-fascist history with the former Yugoslavia during World War II. Many Yugoslavian anti-German films used to be very popular in China. Second, China faced a similar ethnic problem as Serbia. Like Kosovo and Albanian autonomy in the former Yugoslavia, the provinces of Tibet, Xinjiang, and even Taiwan shared a similar status in China. Lastly, the military actions by the U.S.-led NATO forces against Serbia made Chinese leaders seriously concerned that China might face a similar humanitarian intervention from the West on the Tibetan, Xinjiang, and

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<sup>78</sup> Gilley, *Tiger on the Brink*, 299.

<sup>79</sup> Gilley, *Tiger On the Brink*, 231.



Taiwan issues. That is why China, together with Russia, strongly opposed U.S.-led NATO military actions against Serbia in the UN. After the NATO forces bypassed the UN and conducted air strikes against Serbia, China was surprised by the weakness of Russia, which could only protest diplomatically without military counter-actions.

In addition, U.S.-China relations were strained by the Cox Report and WTO impasse. In March 1999, the Report of the Select Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China, commonly known as the Cox Report after Representative Christopher Cox, was leaked to the public by the *New York Times*. The Cox report accused China of stealing “design information on the United States most advanced thermonuclear weapons...including the W-88, a miniaturized, tapered warhead, the most sophisticated nuclear weapons the United States has ever built.”<sup>80</sup> In addition, the report also asserted that China provided the nuclear information to anti-American regimes, including Iran and North Korea. When *The New York Times* broke the major allegations of the Cox Report, a Taiwan-born scientist named Wen Ho Lee in Los Alamos National Laboratories was arrested on the charge of espionage for China.<sup>81</sup>

The Cox report damaged U.S.-China relations in two aspects. First, it embarrassed both Beijing and Washington in the course of improving bilateral relations. After exchanging state visits in 1997 and 1998, Jiang and Clinton pledged to build a “strategic partnership” between the two nations. The Cox report hit both Jiang and Clinton hard. For Clinton, as soon as *the New York Times* reported the leaked story based on the Cox report in March, his administration faced tremendous pressures on its policy toward China, especially on the U.S.-China WTO negotiation. Critics in Washington started to target Clinton over the Chinese campaign donation scandal and Clinton’s China policy. For Jiang, the Cox report exerted two rounds of negative impacts. First, the *New York Times* story in early March overshadowed and complicated ongoing negotiations between China and the United States over China’s WTO accession. Second, the Cox report was released on May 25, just after the embassy bombing incident. The timing could not be worse for the already damaged U.S.-China relations. Ironically, like Clinton in Washington, Jiang also faced criticisms and pressures at home on his soft policy toward the United States. As Kuhn points out “the Cox report defined a new low point in Sino-American relations, which had held such promise just the year before.”<sup>82</sup>

Besides the Cox report, the impasse of the WTO negotiations between China and the United States also imposed great pressures on Jiang and his premier Zhu. China’s bid for WTO membership stemmed from Jiang’s and Zhu’s shared belief that the WTO accession would help

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<sup>80</sup> James Risen and Jeff Berth, “Breach at Los Alamos: A special report, China Stole Nuclear Secrets For Bombs, U.S. Aides Say” *New York Times*, March 6, 1999. <http://www.nytimes.com/1999/03/06/world/breach-los-alamos-special-report-china-stole-nuclear-secrets-for-bombs-us-aides.html?pagewanted=all>

<sup>81</sup> Later, Lee’s espionage case was dropped because the FBI did not have enough hard evidence against Lee.

<sup>82</sup> Kuhn, *The Man Who Changed China*, 381.



China further integrate into the global economy and revive its economy, stagnant since the Asian economic crisis in 1997. Michael Armacost observes that Chinese leaders “expect to leverage the increased foreign competition inherent in its WTO commitments to transform the country’s inefficient, money-losing companies and hasten the development of a commercial credit culture in its banking system.”<sup>83</sup> Maintaining economic growth through entering the WTO becomes in this account the only path for Chinese leaders, including Jiang and Zhu, to preserve political legitimacy and ensure regime security of the communist government in China.<sup>84</sup>

However, the WTO negotiation with the United States was disastrous for both Jiang and Zhu. In April, Jiang decided to send Zhu to Washington with an intention to seal a deal with the United States on the WTO negotiations. Both Jiang and Zhu faced strong domestic opposition on Zhu’s visit, due to NATO’s military actions in Kosovo and the allegations of Chinese nuclear espionage. Despite China’s huge compromises on market access, telecommunications, agriculture, tariff levels, and other issues, Zhu failed to sign off on a WTO accession agreement with the United States during his visit.

Making things worse, the United States unilaterally published the unauthorized seventeen-page “Sino-U.S. Joint Statement,” which detailed China’s concessions to the United States for its WTO membership. Zhu publicly denied the authenticity of the document and stated that these terms in the joint statement were still under negotiation. However, it was too late. Zhu’s alleged concessions to the United States had caused dramatic reactions in China. Internet articles labeled Zhu as a “traitor” and criticized Zhu’s concessions in the negotiation as the “giveaway of the century.” It was reported that Zhu was harshly criticized by Li Peng in a Politburo meeting after Zhu returned to Beijing with an empty hand on the WTO issue.<sup>85</sup> As Joseph Fewsmith points out, Jiang was the real target of Zhu’s critics inside the CCP. “It was after all Jiang who encouraged a closer relationship with the United States, who pushed for China’s entry into the WTO and who was slow to react to the U.S.-NATO action in Kosovo.”<sup>86</sup>

In sum, Jiang was placed in a domain of losses after the embassy bombing incident. The attack of the embassy was a serious violation of China’s sovereignty and national pride. The death of three Chinese journalists raised the severity level of the crisis, as seen from the widespread anti-American protests in China. Although Jiang had consolidated his political power after Deng’s death in 1997, the increasing international pressures from both NATO’s Kosovo war and deteriorated U.S.-China relations threatened his political reputation and prestige inside the CCP. As Kuhn points out, soon after the embassy bombing incident, “the combined opposition of broad

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<sup>83</sup> Michael Armacost, “Forward,” in *Integrating China into the Global Economy*, ed. Nicholas Hardy (Washington: Brookings Institution Press, 2002), vii.

<sup>84</sup> Kuhn, *The Man Who Changed China*, 386.

<sup>85</sup> Suettinger, *Beyond Tiananmen*, 369.

<sup>86</sup> Fewsmith, *China Since Tiananmen*, 213.



nationalism (popular, intellectual, military), self-protecting bureaucracies, Leftist ideologues, and political rivals became potent forces that almost blocked Jiang's strategic vision for China."<sup>87</sup>

### *Jiang's Policy Choice—Taking Risks for Reversing Losses*

According to the legitimacy-prospect model, Jiang should choose a risk-acceptant policy because he was framed in a domain of losses after the embassy bombing crisis. Diplomatically, Jiang needed to make a decision on how and when China should accept U.S. apologies and explanations on the embassy bombing incident? Domestically, Jiang needed to consider how to cope with the surging nationalist sentiment in the society and the widespread anti-American protests and demonstrations around China.

Diplomatically, a tough gesture is a risk-acceptant choice because it might worsen the crisis and further damage bilateral relations. Domestically, allowing anti-American demonstrations is more risky than discouraging or even banning such demonstrations, because the former might further strain and even damage U.S.-China relations if angry demonstrators break through the embassy and harm U.S. citizens. Further, the spillover effect of demonstrations might threaten the CCP's regime security. However, because Jiang was framed in a domain of losses, he needed to take these risks in order to reverse his difficult political situation.

On the one hand, China increased diplomatic pressures on the United States. After Vice Foreign Minister Wang Yingfan lodged the "strongest protest" against the bombing on May 8, Foreign Minister Tang Jiaxuan summoned U.S. ambassador James Sasser on May 10. Tang specified four demands to the United States: (1) officially apologize to the Chinese government and people, including the families of these killed and injured; (2) undertake a comprehensive investigation of the incident; (3) promptly publicize the findings of the investigation; (4) severely punish those responsible.

In the meantime, Tang also emphasized that the U.S.-led, NATO force had caused humanitarian disasters in Yugoslavia and must stop its military action for a political resolution on the Kosovo issue.<sup>88</sup> In addition, China announced it would suspend almost all its bilateral exchanges with the United States, including formal discussions on human rights, nonproliferation, arms control, and international security. Militarily, China suspended all Sino-American military exchanges and stopped authorizing U.S. naval warships to call at Chinese ports, including the Special Administrative Region of Hong Kong, which had been accessible to the U.S. Seventh Fleet since World War II.<sup>89</sup> Moreover, China declined Clinton's request for a direct call with Jiang through the U.S.-China hotline on May 10.

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<sup>87</sup> Kuhn, *The Man Who Changed China*, 388.

<sup>88</sup> Tang, *Jin Yu Xu Feng*, 177.

<sup>89</sup> Campbell and Weitz, "The Chinese Embassy Bombing," 332-3; Also see Paul Godwin, "Decisionmaking Under Stress: The Unintentional Bombing of China's Belgrade Embassy and the EP-3 Collision," in Andrew Scobell and Larry Wortzel, eds. *Chinese National Security Decisionmaking Under Stress* (Carlisle: U.S. Army War College, 2005), 161-190.



On the other hand, China adopted a “tolerance and constraint” policy toward anti-American protests and demonstrations soon after the incident. With mounting requests for street demonstrations, especially from students, the Chinese government decided to issue formal approvals and even provided bus service to transport students to the site. It was the first time for the Chinese government to allow mass protests in Beijing after the Tiananmen incident in 1989. As one Chinese scholar suggests, Chinese government’s policy toward student demonstrations during the crisis is to “calm them down but not to confront their emotions.”<sup>90</sup> The major reason for providing bus services to the students was to prevent the spillover effects of the demonstrations to social stability.

However, after angry crowds started to throw stones, eggs, and bottles at the U.S. embassy buildings and several failed attempts by demonstrators to break through the fences of the embassy, the Chinese government decided to cool down the situation. On May 9, Vice President Hu Jintao broadcasted a television speech, which emphasized the Chinese government’s position on the crisis. While strongly endorsing the demonstrators’ “keen patriotism,” Hu also urged that the protests should be “conducted orderly and in accordance with the law.” Finally, Hu emphasized that “we must prevent overreaction, and ensure social stability by guarding against some people making use of the opportunities to disrupt the normal public order.”<sup>91</sup>

After Hu’s speech, the demonstrations started to be constrained. On May 10, only groups with written permission from the Public Security Bureau were allowed to protest at the U.S. embassy. Through the Department of Education and university authorities, students were persuaded to resume their classes at school. After Clinton publically presented official apologies in the White House and ordered the U.S. missions in China to fly their flags at half-mast in memory of the dead, the crisis started to calm down. Chinese media publicly reported the written and personal apologies by Secretary Albright and President Clinton. Demonstrators and students started to return to school. By the evening of May 11, the protests around the U.S. embassy were over. On May 14, Jiang accepted a direct call from Clinton, in which Clinton apologized again for the mistaken bombing incident and Jiang urged a “comprehensive investigation” of the incident.

It should be noted that China did not recall its ambassador to the United States as it did during the 1995-1996 Taiwan crisis. Moreover, China did not suspend economic activities, especially the WTO negotiation after the crisis. As one Chinese scholar points out, China only restricted diplomatic activities of full minister level officials with the United States and other NATO countries.<sup>92</sup> This limited diplomatic coercion policy signaled China’s intention to avoid

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<sup>90</sup> Wu Baiyi, “Chinese Crisis Management: During the 1999 Embassy Bombing Incident,” in Swaine and Zhang, eds.

*Managing Sino-American Crises*, 362.

<sup>91</sup> For Hu Jintao’s TV Speech after the embassy bombing incident, see

<http://www.cctv.com/specials/kosovo/990509/wjn1.htm>.

<sup>92</sup> Wu Baiyi, “Chinese Crisis Management: During the 1999 Embassy Bombing Incident,” in Swaine and Zhang, eds.

*Managing Sino-American Crises*, 372, note 14.





full-scale damage of their bilateral relations. However, the policy combination of diplomatic coercion and tolerance toward the student demonstrations is a risk-taking policy choice. In Washington, Secretary of Defense Cohen criticized the Chinese media for its biased coverage of the crisis. Some members of Congress and other commentators also accused the Chinese government of manipulating nationalist demonstrations to force U.S. concessions on other issues, such as the WTO negotiation.<sup>93</sup> The United States government also warned that the unconstrained demonstrations might damage the bilateral relations.

However, as mentioned above, Jiang was framed in the domain of losses during the crisis. He had to risk further damage to the bilateral relations with the United States and endure the possible backfire from the demonstrations to avoid further erosion of his own legitimacy and reputation in the CCP. In other words, if Jiang did not stand firm toward the United States and tolerate the students, he might face even more pressures and challenges from political elites inside the CCP. However, after the United States showed some signs of compromises, including Clinton's repeated apologies, Jiang quickly softened the diplomatic stand and restrained the domestic demonstrations in order to defuse the crisis and seek reconciliation with United States.

Later in mid-June, the United States sent its special envoy—Under Secretary of State for political affairs Thomas Pickering—to Beijing and briefed Chinese leaders on the U.S. investigation of the incident. Since the United States insisted that the bombing was a mistake by an old map, the Chinese government refused to accept such an explanation. However, China did not intend to escalate the crisis. Jiang reopened the “technical level” WTO talks with the U.S. one week before the APEC summit in September, 1999 in New Zealand. At the APEC summit Jiang and Clinton held a two-hour discussion, and most importantly, China and the U.S. finalized the agreement on China's WTO accession.<sup>94</sup> By late 1999, the United States and China reached agreements for mutual compensation in which the United States would pay \$4.5 million to the twenty-seven people injured and three citizens killed in the bombing and \$28 million to the Chinese government for the damage to the embassy building; the Chinese government would pay 2.8 million to the United States for the damage to U.S. diplomatic facilities during the anti-American protests in China. The embassy bombing incident was officially over.

#### Case 4. The 2001 EP-3 Incident

The EP-3 incident was a colliding accident between a Chinese jet fighter and a U.S. EP-3 reconnaissance plane over the South China Sea on April 1, 2001. The midair collision resulted in the loss of the Chinese pilot and the crash of China's jet fighter. The U.S. EP-3 plane was seriously damaged and made an emergency landing at China's Lingshui Military airport in Hainan. About

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<sup>93</sup> Campbell and Weitz, “The Chinese Embassy Bombing,” 340.

<sup>94</sup> Kuhn, *The Man Who Changed China*, 389.



six hours after the accident the U.S. Pacific Command, which received an emergency signal from the EP-3 plane, issued a brief statement on its website. The statement requested that “the PRC government will respect the integrity of the aircraft and the well-being and safety of the crew in accordance with international practices, expedite any necessary repairs to the aircraft, and facilitate the immediate return of the aircraft and crew.”<sup>95</sup>

In the evening of April 1, China’s assistant Foreign Minister Zhou Wenzhong met the U.S. ambassador to Beijing Joseph Prueher. At the meeting, Zhou stated that the U.S. EP-3 plane made an aggressive turn toward the Chinese fighter and caused the collision. In addition, the EP-3 plane entered and landed at a Chinese military airport without permission and China reserved the right to further investigation. U.S. ambassador Prueher disagreed with the Chinese version of the story and insisted that the collision was caused by the Chinese fighter and the United States should not bear the responsibility for the collision. On April 2, Zhou called another emergency meeting with Ambassador Prueher and demanded that the United States shoulder responsibility for the accident and apologize to China.

The midair accident gradually evolved into a diplomatic crisis when the disagreement on the responsibility of the accident elevated to the top leader level. On April 2 and April 3 President Bush issued two public statements requesting that China return the crew and aircraft as soon as possible. In his April 3 statement, Bush even warned, “the United States has given China time to do the right thing, it is time to send the crew home and return the aircraft, and the accident might erode the hope for the two countries to establish fruitful relations.”<sup>96</sup> On April 3, Jiang also publicly stated that the United States should be responsible for the collision and apologize to the Chinese people. In addition, the United States should stop all U.S. surveillance activities in areas close to the Chinese coast.<sup>97</sup>

Although the collision may truly be an accident, it stemmed from longtime, dangerous military practices between the United States and China. For years before the collision the United States had sent reconnaissance flights off the coast of China. While the United States considered these flights routine missions in international airspace, China felt the U.S. spy activities were an infringement of the sovereignty of Chinese airspace. Although China routinely complained about U.S. reconnaissance activities, the United States largely ignored such protests. At the time, China noted that the United States was sending about 200 reconnaissance flight a year near China’s coast. Normally, when detecting U.S. surveillance flights, China might send its fighters to intercept U.S. planes and the Chinese fighters typically “come up, take a look, and report what they see and fly

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<sup>95</sup> See John Keefe, *Anatomy of the EP-3 Incident, April 2001* (Alexandria: CAN, 2001) Appendix A, p. 20.

<sup>96</sup> Associate Press, April 3. Cited by Zhang Tuosheng, “The Sino-American Aircraft Collision: Lessons for Crisis Management,” in Swaine and Zhang, eds. *Managing Sino-American Crises*, 397.

<sup>97</sup> Tang, “The Sino-American Aircraft Collision,” 397.





back.”<sup>98</sup> However, as U.S. officials complained, the Chinese intercepts became aggressive and dangerous. The missing pilot Wang Wei during the collision was famous with his “reckless” intercept technique according to the U.S. officials. However, for China Wang was seen as “fearless” in facing U.S. aggression to China’s sovereignty.

Although the cause of the collision is still debatable, the consequence is clear: China lost a pilot and fighter and the U.S. EP-3 plane was damaged and landed in China’s military airport without permission. China was the victim during the crisis because of the losses of one pilot and a fighter. However, the 24 U.S. crew members and the EP-3 plane were in Chinese hands. Although both sides intentionally avoided using “hostage” to portray the crisis situation, the nature of the event was clear: the 24 U.S. crews became China’s only leverage to force U.S. concessions. The key issue was what China wanted and how long China would intend to prolong the crisis.

According to Wu Jianmin, a senior Chinese diplomat who witnessed the Chinese decision making during the crisis, China had three policy options: (1) release neither crew nor the plane; (2) release both the crew and the plane; (3) release crew first and then the plane.<sup>99</sup> In these three options, the first one is a risk-acceptant policy choice because it will transfer the collision accident to the level of a full-fledged hostage crisis. Although it might be able to force more concessions from the United States, it can also further damage the bilateral relations between China and the United States. The second policy option is risk-averse in nature because it accommodates what the United States demanded after the crisis. The third option—releasing the crew before the plane—is also a risk-averse policy, but the extent of China’s accommodation is conditional because it only partially concedes to U.S. requests and China also seeks some compromises from the United States.

### *Jiang’s Domain of Actions—Gaining to the Top*

Differing from the embassy bombing incident, Jiang and other Chinese leaders believed that the midair collision between a Chinese fighter and a US EP-3 plane was a true accident. However, as mentioned before, this accident reflected and intensified potential military confrontations regarding U.S. spy plane activities near China. In addition, one Chinese pilot was missing (later presumably dead) and one Chinese fighter was destroyed during the incident. Because of the causality and losses China suffered, the EP-3 incident can be coded at a relatively high level of severity, even though the severity level of the EP-3 is much lower than the 1999 embassy bombing crisis. After the incident was covered by the Chinese media, it was reported that some netizens proposed to protest at the U.S. embassy and even prosecute the crewmembers of the EP3 on internet.<sup>100</sup> However, the public anger did not materialize to the level of street demonstrations this time.

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<sup>98</sup> Kenneth Allen and Jana Allen, “Assessing China’s Response to U.S. Reconnaissance Flights,” *China Brief* XI, no.16 (2011), 9.

<sup>99</sup> Wu Jianmin, *Wai Jiao An Li* [Case Studies in Diplomacy] (Beijing: China People’s University Press, 2007), 326.

<sup>100</sup> See Tang, *Jin Yu Xu Feng*, 271.



Jiang's domestic authority remained strong before and during the EP-3 crisis. After more than ten years in power, Jiang had established the unchallenged authority and legitimacy inside the CCP. Two events can prove Jiang's solid political confidence and authority. First, during Jiang's visit to the United States in 2000 for the UN Millennium summit, Jiang invited "the notoriously hard-hitting Mike Wallace" to interview him for CBS's 60 minutes.<sup>101</sup> During the interview, Jiang confidently answered some questions about controversial issues, including the Tiananmen incident, the human rights, and the embassy bombing. Jiang's interview was highly praised in the United States because Jiang "reached millions of people, more than any Chinese leader ever had...caused some viewers to question their doctrinaire image of China." The *Washington Post* called Jiang's interview the "Pick of the Week" of all American television programs.<sup>102</sup> The mere reason for Jiang to invite such an interview reflected his unquestionable authority in the CCP. In other words, if Jiang still worried about his power status inside the CCP, he would not take this initiative for the interview. Although there were some reports that Jiang's interview, especially on the Tiananmen incident, caused some controversies among political elites, Jiang's authority was unaffected.

Another major issue that can reveal Jiang's political authority is Jiang's two initiatives to reform the communist party doctrine. First, Jiang called for "ethics and morality" besides emphasizing the rule of law in governing China in early 2001. For decades, China's ancient philosophy had been condemned by the orthodox Communists as "feudal." However, Jiang proposed to create "a new hybrid system of Confucian moral philosophy and Marxist political theory."<sup>103</sup> Second, Jiang also proposed to lift a ban on admitting private business owners as the Communist Party members because Jiang said "we do not hesitate to change our theories in accordance with current conditions."<sup>104</sup> Later in 2002, the CCP changed its party constitution and permitted private business owners, capitalists—the previous revolutionary target, to join the CCP. In addition, Jiang's theory—three representatives—was added to the CCP constitution in 2002.<sup>105</sup> So Jiang enjoys the same status as Mao and Deng in their theoretical contributions to the CCP doctrine.

China's experienced relatively low international pressure before the crisis. Due to the common threat perceptions regarding the United States after the Kosovo War, China and Russia upgraded

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<sup>101</sup> Kuhn, *The Man Who Changed China*, 421.

<sup>102</sup> Kuhn, *The Man Who Changed China*, 425.

<sup>103</sup> Kuhn, *The Man Who Changed China*, 439.

<sup>104</sup> Kuhn, *The Man Who Changed China*, 440.

<sup>105</sup> The "three representatives" theory refers to Jiang's statement on the role of the communist party in the society and later becomes a new guiding ideology for the CCP. Jiang states that the Party must always represent the requirements of the development of China's advanced productive forces, the orientation of the development of China's advanced culture, and the fundamental interests of the overwhelming majority of the people in China. See "Three Representatives" <http://english.cpc.people.com.cn/66739/4521344.html> (access in April 20, 2012).



their political, military and strategic cooperation. Although China did not forge a formal military alliance with Russia, Russia's advanced military weapons systems and technology significantly improved China's military capabilities in coping with U.S. military pressures and threats. After the 1999 embassy bombing incident, the United States and China strived to restore their damaged relationship. As mentioned above, one significant achievement between Jiang and Clinton was the signing of the WTO agreement in late 1999. During the U.S. presidential election, George W. Bush attacked Clinton's China policy and called China a "strategic competitor" instead of "strategic partner." After Bush came to power in Dec. 2000, China-U.S. relations seemed full of uncertainties. However, Jiang had been accustomed to the "China bashing" phenomenon during the U.S. election. He told Mike Wallace during his interview in 2000 that he did "not pay attention to the unfriendly remarks candidates might make about China during the campaigns, because once elected they will be friendly."<sup>106</sup>

In March 2001, Jiang sent the then vice Premier Qian Qichen to Washington. During the visit, Qian met President Bush and other senior officials. It was reported that Bush had changed his "strategic competitor" statement and treated China as a "non-strategic partner, but not an inevitable enemy either."<sup>107</sup> In addition, Bush emphasized the importance of forging a good relationship with China and agreed to further develop U.S.-China relations from a strategic perspective. Bush was also planning to visit Shanghai for the APEC meeting in late 2001. Although there were still many disagreements and issues, especially on the U.S. arms sales to Taiwan, between the two nations, the bilateral relations moved in a promising direction before the EP-3 incident. Moreover, 2001 was a critical year for China because it was planning to join the WTO and waiting for the bidding result of the 2008 Olympic Games.

In sum, Jiang was positioned in a domain of gains before and during the EP-3 incident. The midair collision was truly an accident which was significantly different from the embassy bombing incident that was seen as an intentional aggression by the United States. Jiang's political authority had reached its height in the CCP in that he had equaled himself to Mao and Deng in revising the CCP doctrine. The international pressure was relatively low as bilateral relations with Russia and the United States improved. China's international status was also approaching a new height due to China's expected WTO membership and success in the 2008 Olympic Games bid.

### *Jiang's Policy Choice—Risk-Averse for Protecting Gains*

Given Jiang's position in a domain of gains during the crisis, the political legitimacy-prospect model suggests that Jiang is more likely to choose a risk-averse policy to deal with the EP-3 crisis. Unlike the embassy bombing incident and the 1995-1996 Taiwan crisis, Jiang did not cut any diplomatic and military contacts with the United States. Foreign Minister Tang's memoir recorded that Jiang made a directive to the Foreign Ministry on how to resolve the crisis before he left

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<sup>106</sup> Kun, *The Man Who Changed China*, 423.

<sup>107</sup> Wu Jianmin, *Waijiao Anli*, 324.



Beijing for Latin America three days after the crisis.<sup>108</sup> Wu Jianmin further specified that Jiang's directive was an "apology-release" model in which China demanded an official apology from the United States as the condition to release the EP-3 crewmembers.<sup>109</sup> Because the embassy bombing incident was still fresh in the minds of the Chinese public, Jiang's "apology" condition was indeed minimum in nature. As Kuhn points out, after the EP-3 incident, "public sentiment in China was growing more hostile, limiting Jiang's options."<sup>110</sup>

Noticeably, Jiang's first talk on April 3 included another demand urging the United States to stop spy plane activities near China's coast. But Jiang later muted this demand and focused on the "apology" one. As American diplomats remember, "the demand for an apology seemed to be the only Chinese position."<sup>111</sup> However, the stalemate between the United States and China is rooted in their different understandings about the responsibility for the accident. The United States refused to bear any responsibility because as Ari Fleischer, White House spokesman, said "The United States did nothing wrong."<sup>112</sup>

Since Jiang was framed in the domain of gains, he did not want to take the risk to escalate the crisis. On April 4, Foreign Minister Tang met Ambassador Preuher again. Tang told Preuher that China attached importance to its relations with the United States and China would like to see an early and proper settlement of the crisis. More importantly, Tang informed Preuher that if the United States acknowledged its mistake and apologized to the Chinese people, China would release the crew. Tang's statement actually revealed China's bottom line during the crisis. China did not want to escalate and prolong the crisis. And apology was the only condition for releasing the crew.

After receiving China's accommodative signal, the United States started to soften its position on apology. On April 4, Secretary of State Colin Powell for the first time stated his "regret" about the missing pilot when talking with U.S. media. In addition, Powell wrote a letter in his personal capacity to Vice Premier Qian to express his regret and pray for the missing pilot. On April 5, President Bush also expressed regret over the missing Chinese pilot and the loss of the Chinese fighter.<sup>113</sup> From April 5 to April 11, China and the United States held eleven rounds of negotiations over what kind of "apology" from the United States could be accepted by China. As John Keefe a special assistant to Ambassador Prueher during the crisis stated, the Chinese

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<sup>108</sup> Tang, *Jin Feng Xu Yu*, 271.

<sup>109</sup> Wu, *Waijiao Anli*, 327.

<sup>110</sup> Kuhn, *The Man Who Changed China*, 449.

<sup>111</sup> 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*, 382.

<sup>112</sup> Brian Knowlton, "Beijing Has 'Got to Act,' He Says; State Dept. Sees Tensions Easing: Bush Offers Regret For China's Losses," *The New York Times*, April 6, 2001.

<sup>113</sup> Zhang, "The Sino-American Aircraft Collision," 399.



diplomats were not concerned about the facts surrounding the collision, but mainly focused on the wording of “apology.”<sup>114</sup>

Tang mentioned in his memoir that China and the United States exchanged the draft letter of apology for six times.<sup>115</sup> Finally, the word of apology changed from “regret” to “very sorry.” The United States still refused to use a formal “apology” or “apologize” in the letter. The U.S. letter signed by Ambassador Prueher was finally delivered to Foreign Minister Tang on April 11. The letter stated that “please convey to the Chinese people and to the family of pilot Wang Wei that we are *very sorry* for their loss...we are *very sorry* the entering of China’s airspace and the landing did not have verbal clearance.”<sup>116</sup> The two “very sorry” letters led to the final release of the 24 crewmembers on the same day.

It is worth noting that the United States dramatically changed its attitude toward China after China released the crew. President Bush, Secretary of State Powell, Secretary of Defense Rumsfeld strongly criticized China’s behavior during the crisis and refused to recognize that the “two sorry” words in the letter meant an apology to China.<sup>117</sup> Despite the finger pointing between China and the United States, the two countries started to negotiate the return of the EP-3 plane and later reached an agreement to return the plane. However, China refused to accept the compensation check from the United States because it was far less than what China asked for. The EP-3 incident finally ended in August 2001.

If we evaluate what the two states gained from the crisis, China’s accommodative policy is by no means rational. Using the 24 crewmembers as the leverage, China might have been able to stop U.S. surveillance activities near China through the negotiation. However, it may also have escalated the crisis. China did not choose this risk-taking policy. Instead, China just demanded an apology as the only condition for releasing the crewmembers. By the end, China got the “very sorry” letter since the United States refused to use the word “apology” in the letter. As one U.S. commentator points out, in the EP-3 incident, “China lost...China was forced to accept a virtually worthless letter from the United States...when a sparrow falls in Shanghai, the United States and its people are also sorry.”<sup>118</sup> On the contrary, the United States successfully got their crew members back without compromising its spy activities near China. On May 7, the United States resumed their surveillance activities near China. Even China’s think tank scholars suggest that the United States did an excellent job in managing the EP-3 crisis with China.<sup>119</sup>

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<sup>114</sup> Keefe, *Anatomy of the EP-3 Incident*.

<sup>115</sup> Tang, *Jin Yu Xu Feng*, 278.

<sup>116</sup> See Keefe, *Anatomy of the EP-3 Incident*, Appendix A, p.21.

<sup>117</sup> See, Zhang, “The Sino-American Aircraft Collision,” 402-03.

<sup>118</sup> Charles Krauthammer, “Two Very Sorries Were Meaningless,” *Washington Post*, April 12, 2001.

<sup>119</sup> China Institute of Contemporary International Relations, *Guiji Weiji Guanli Gailun* [An Introduction to International Crisis Management] (Beijing: Shishi Publisher, 2003), 266.



However, why did Jiang choose the accommodative policy, which left the United States with all the advantages in the crisis? The legitimacy-prospect model suggests that Jiang was placed in a domain of gains before and even during the crisis because of his peak in domestic authority and the promising international situation, especially the improving U.S.-China relations after Qian's visit in March. In a domain of gains, Jiang is more likely to choose a risk-averse policy—the accommodative approach—to protect what he had gained and to avoid what he might lose. As *The Economist* correctly points out, China “was not prepared to sacrifice the overall relationship [with the United States] by further raising the stakes over the return of the crew.”<sup>120</sup> In order to reach an agreement on the “apology” letter and defuse the crisis, China agreed to negotiate entirely in English with the United States and solely focused on the English text of the letter. As Kuhn points out, it is “unusual procedure” in diplomacy.<sup>121</sup> China's accommodation policy in the crisis eventually protected its opportunities to bid for the Olympic Games and join the WTO in late 2001.

It is true that Jiang and other Chinese leaders faced a hard time convincing the public that the two “very sorry” letter signaled a victory of China's diplomacy. However, Jiang's paramount domestic authority helped cool down the domestic nationalist outcry after the crisis. As Nicholas Kristof, a well-known journalist based in Beijing, later pointed out, America was lucky because “Jiang Zemin used his influence to tamp down Chinese populist anti-Americanism” because other types of leaders might “arouse public anger...might have put the American spy plane crew on trial and executed the captain.”<sup>122</sup> It may be an exaggeration to give all the credit or all the blame to Jiang. Even for other political leaders, the legitimacy-prospect model suggests that they would choose a similar risk-averse approach to deal with the crisis if they are framed in a domain of gains as Jiang was.

## Conclusion

Borrowing insights from prospect theory, this project has introduced a legitimacy-prospect model of crisis behavior in explaining China's behavior during foreign policy crises after the cold war. It suggests that the domain of actions of Chinese decision makers is shaped by three factors: the severity of the crisis, leaders' domestic authority, and international pressures. When Chinese policy makers are framed in a domain of gains, they are more likely to choose an accommodative policy to protect what they have gained in both domestic and international arenas. When Chinese leaders are framed in a domain of losses, they are more likely to choose a coercive policy to reverse

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<sup>120</sup> *The Economist*, “Chinese Poker,” April 17, 2001.

<sup>121</sup> Kuhn, *The Man Who Changed China*, 450.

<sup>122</sup> Cited by Kuhn, *The Man Who Changed China*, 451.



their disadvantageous situations in either domestic or international politics. Although this analysis focuses on China's foreign policy crisis behavior, the legitimacy-prospect model is deductive in nature and is applicable to explain other states' behavior during foreign policy crises.

**Figure 3. A Congruence Test of Jiang's Domain of Actions and Behavior in the Four Cases**

	<b>Jiang's Domain of Actions</b>	<b>The Typological Cell Number in Figure 2</b>	<b>China's Behavior during the crisis</b>
<b>The 1993 Yinhe Incident</b>	<ul style="list-style-type: none"> <li>--Low Severity (Alleged illegal chemicals on the Yinhe ship)</li> <li>--High Domestic Authority (due to Deng's Support)</li> <li>--Low International Pressure (Diplomatic Breakthrough after Tiananmen)</li> </ul>	Cell 6 Highest Political Legitimacy (Domain of Gains)	Risk-Averse Policy—full accommodation (allow the U.S. to inspect the Yinhe Ship)
<b>The 1995-6 Taiwan Crisis</b>	<ul style="list-style-type: none"> <li>--Low severity (Lee's Cornell Visit)</li> <li>--Low domestic authority (Jiang had to face the military challenge alone)</li> <li>--High International Pressure (U.S. Policy Change on Taiwan and possible chain reactions)</li> </ul>	Cell 7 Low Political Legitimacy (Domain of Losses)	Risk-Acceptant Policy—Military Coercion (a series of military exercises and missile tests across the Taiwan Strait)
<b>The 1999 Embassy Bombing Incident</b>	<ul style="list-style-type: none"> <li>--high severity (Attacks on the Chinese Embassy by the U.S.; three killed and twenty more injured)</li> <li>--High Domestic Authority (after Deng, Jiang consolidated his own power base)</li> <li>--High International Pressure (the Cox Report and the WTO impasse)</li> </ul>	Cell 1 Low Political Legitimacy (Domain of Losses)	Risk-Acceptant Policy—Diplomatic Coercion (cutting off diplomatic and military contacts; tolerant to anti-American demonstrations)
<b>The 2001 EP-3 Incident</b>	<ul style="list-style-type: none"> <li>--High severity (One Chinese pilot was dead and one Chinese fighter was destroyed; violation of China's sovereignty)</li> <li>--High Domestic authority (Jiang equaled him to Mao and Deng in the CCP)</li> <li>--Low international Pressure (Qian's successful visit to Washington; the forthcoming WTO accession and the Olympic bid)</li> </ul>	Cell 2 High Political Legitimacy (Domain of Gains)	Risk-Averse Policy—Conditional Accommodation (demand an apology ; accept a vague apology letter as the condition to release the crew)





Figure 3 summarizes the congruence test results of the four case studies. The four case studies represent four out of eight scenarios specified in the three-factor domain of actions typology in figure 2. The 1993 Yinhe crisis occurred after Jiang just came to power with strong support from Deng after the Tiananmen incident. Building on Deng's prestige, Jiang started to consolidate his own authority inside the CCP. In addition, China's recovery of international image and diplomatic breakthroughs after the Tiananmen incident increased Jiang's confidence and caution in handling the crisis. Framed in a domain of gains in both domestic and international arenas, Jiang adopted an accommodative policy to allow the United States to search for two illegal chemicals on board the Yinhe. Although the Yinhe incident was seen as the perfect example of U.S. bullying against the Chinese, it was a risk-averse policy decision for Jiang to protect what China had gained—domestic stability and a positive international image—after the Tiananmen incident.

The 1995-1996 Taiwan crisis posed great challenges to both China's resolve against Taiwan's independence movement and Jiang's authority over the military. Lee's pragmatic diplomacy in Southeast Asia and 1995 Cornell trip made Chinese leaders, especially Jiang, believe that a sea change in U.S. policy toward Taiwan was underway if Taiwan's surging independent movement was not controlled. The gradual fading of Deng in CCP politics left Jiang alone to deal with the nationalist military. Although the Taiwan crisis is rooted in China's diplomatic failure with the United States over Taiwan, Jiang was framed in a domain of losses because of the mounting pressure from the military as well as the provocation of Lee toward China on the world stage. Jiang had to take risks to conduct a series of military exercises and missile tests in order to vindicate his determinations against Taiwan's independence to both domestic military forces and international adversaries—the United States and Taiwan.

The 1999 embassy bombing crisis was a big blow to the improved China-U.S. relations after the exchange of state visits between Jiang and Clinton in 1997 and 1998. After Deng's death in 1997, Jiang had confidently become the dominant leader in the CCP. However, Jiang was framed in a domain of losses during the embassy bombing incident partly because the severity of the bombing, no matter intentional or not, had irritated the Chinese public and partly because U.S.-China relations were damaged by the Cox report and Zhu's failed WTO negotiation before the crisis. Jiang, therefore, had to take risks to show his toughness to the United States mainly through diplomatic channels. However, after the United States repeatedly apologized for its "mistaken" bombing, Jiang quickly cooled down the anti-American nationalist demonstrations in order to prevent the backfire from the angry public on the CCP regime.

The 2001 EP-3 crisis was a true accident between a Chinese fighter and a U.S. surveillance plane. However, the incident was rooted in the confrontational military practices between the United States and China. The accident was costly and violent for China due to the death of one pilot and the loss of one fighter. However, Jiang was making decisions in a domain of gains because of his unchallenged domestic authority and the favorable international environment. China was expected to join the WTO and succeed in bidding for the 2008 Olympic Games in 2001. Therefore, Jiang made a risk-averse decision to release the U.S. EP-3 crew after U.S. Ambassador delivered an "apology" letter with only two "very sorry" references to China. Although Jiang's risk-



averse policy did not bring any substantial gains for China during the crisis, it helped China achieve two diplomatic goals: joining the WTO and hosting the 2008 Olympic Games.

This analysis suggests three implications for the study of China's foreign policy crisis behavior. First, the four cases in this research are foreign policy crises between China and the United States in which China was relatively weak in power by any measures compared to the United States. However, China chose risk-acceptant policies in both the 1995-6 Taiwan crisis and the 1999 embassy bombing incident. It suggests that power disparity cannot prevent China's risk-acceptant behavior during crises even with strong adversaries. However, how China behaves when facing a weaker opponent still needs future research. China's foreign policy crises with Japan in the East China Sea and with some Southeast Asian countries over the South China Sea are two possible tests for the validity of the political legitimacy-prospect model of crisis behavior. Second, China's leadership transition increases the uncertainty of China's behavior in future foreign policy crises. When Jiang first came to power in 1989, he spent about 9 years to establish his authority in the CCP and the military. The 1995-1996 Taiwan crisis could have been shortened or even avoided, had Jiang controlled the military earlier. The military did not exert large influence in both the embassy bombing and the EP-3 incident because of Jiang's unchallenged authority over the military. In 2012, China will experience a leadership transition. Xi Jinping is widely believed to be the new "core" of Chinese leadership. Xi needs some time to consolidate his power as Jiang did in the 1990s. During the power consolidation period, Xi will be more vulnerable to the influence and pressures 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.

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 behavior during crises, other states need to consider 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 in the Chinese public. Public opinion has played an increasing role in influencing Chinese decision makers' domain of actions as we can see from the 1999 embassy bombing incident. 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 and legitimacy at home. Joseph Nye used to say, "if you treat China as an enemy, it will become an enemy." It 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 risky, during crises. However, if you treat Chinese leaders as a friend, they may behave prudently and cautiously for the sake of their political fates during crises. ■

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