

Online Appendix

February 1, 2017

1 INTRODUCTION

This online appendix provides supporting material for the main text. Section 2 lists the sources that were used to construct the bilateral event dataset for the 1990 to 2012 period. Section 3 reports examples for each type of event in the dataset. Broad categories include diplomacy, cooperation, criticism, and conflict. Subcategories are more nuanced. Some examples are drawn from my broader dataset that spans US-China relations over the 1949-2015 period. The data used in this study are a subset of that dataset. The event types are the same. Section 4 contains supporting figures mentioned in the main text, as well a a list of months characterized by social instability. Section 5 reports results for the additional robustness checks mentioned in the main text.

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3 EXAMPLE EVENTS

3.1 CRITICISM

- **Negative statement:** “after midnight on the day the US participants were to depart Beijing, the Chinese side called a meeting to discuss the US draft statement. In a very tense discussion, Qiao Guanhua subjected Kissinger to a barrage of blistering criticisms” (Ross 1995, 83)
- **Congressional hearing:** “SFRC chair Fred Thompson (R-Tenn) launched hearings on the campaign finance scandal, which stretched out for months. The Senate hearings were mirrored by the Burton (R-Ind) hearings in the House Committee on Government Reform and Oversight, which stretched into 1999 and culminated in Burton calling the president a 'scumbag' in the Indianapolis Star.” (Suettinger 2003, 329-331)

- **Postpone:** ‘PRC calls for postponement of Warsaw talks until after US election’ (MacFarquhar 1972, xvii)
- **Downgrade protocol:** “Lake and Christopher agreed to change the protocol arrangements—from a welcoming banquet to a working dinner, at which America’s indignation at the missile launches would be conveyed at a very high level.” (Suettinger 2003, 253)
- **Refuse:** “Human rights issues were... pushed hard during discussions by NSC and State Department officials, but China was not willing to be seen as giving in to the United States, particularly in advance of a major party congress.” (Suettinger 2003, 319)
- **Demand:** “Although Li and I had developed a good relationship, he was now very stern; he demanded I make a formal apology on Chinese television.” (Albright 2003, 532)
- **Warn:** “I pressed Hu again on continued currency flexibility, warning that the next Congress would be tough on this issue.” (Paulson 2015, 201)
- **Threaten privately:** Over a working dinner at the Virginia estate of Pamela Harriman, the ambassador to France, Christopher told Liu Huaqiu “there would be ‘grave consequences—meaning American military involvement—if the exercises got out of hand.”(Suettinger 2003, 253).
- **Ultimatum:** “After months of fruitless negotiations, Special Trade Representative Robert Strauss presented Deng Xiaoping with an ultimatum. Either Beijing compromised in three days or the United States would break off the negotiations and unilaterally impose quotas in accordance with article 3 of the US trade law, which would hold annual Chinese textile imports to the level of the first twelve of the previous fourteen months. This would actually reduce imports of Chinese textiles compared to the previous year.” (Ross 1995, 155)

3.2 CONFLICT

- **Threaten publicly:** At a press conference, Dulles announced that the US was “prepared to use tactical nuclear weapons in response to a major communist move in the Taiwan area” (Suettinger 2006, 257).

- **Obstruct:** The Chinese “insisted on remaining noncommittal about the cause of the sinking and blocked US and South Korean attempts in the United Nations to unambiguously identify North Korea as the responsible party.” (Bader 2012, 86)
- **Withdraw support:** “the [claims-assets] talks fell apart, and... Beijing withdrew its agreement to the package settlement,” as China was unwilling to lose face by paying on the claims-assets issue, as a signed agreement would have been difficult to achieve prior to normalization, and as normalization looked like an increasingly distant goal due to the Watergate scandal.” (Ross 1995, 75)
- **Cancel exchanges:** After progress in December 1969-February 1970, “the US incursion into Cambodia halted progress. Thus far, unilateral US concessions had reinforced the thinking of Chairman Mao and the arguments of moderate Chinese politicians, led by Premier Zhou, that US policy allowed for US-China cooperation against the Soviet threat. But the US invasion of Cambodia in the spring of 1970 played into the hands of Lin Biao and other Chinese hard-liners who had been contending that even in decline, the United States was dangerous. The invasion thus compelled Zhou and his colleagues temporarily to mute their support for rapprochement. More important, the invasion aroused Mao’s personal ire, for Washington seemed to be taking his interest in improved relations for granted and disregarding Chinese interests just when he had sanction sensitive negotiations with US ‘imperialists.’ Under these circumstances, Beijing canceled the ambassadorial-level talks at Warsaw scheduled for May 20, and Mao wrote a blistering article condemning US imperialism.” (Ross 1995, 34)
- **Punitive economic action:** “the US Export-Import Bank again froze loan guarantees for China, in response to a request from the State Department. The action, which delayed a \$35 million loan guarantee for the Guangzhou metro-rail project, was probably intended as a warning, but Beijing had already decided to resolve the issue.” (Suettinger 2003, 269)
- **Congressional act:** “Leaders from both parties hastily prepared a resolution (S. Con. Res. 107) reaffirming the Taiwan Relations Act, particularly those clauses that stated American expectations that Taiwan’s future would be determined by ‘peaceful means’ and that maintained the right to sell arms to Taiwan. The resolution also enjoined the president to seek a public renunciation by Beijing of the use or threat or force. It passed the Senate on July 10 by a vote of 92-0, with the House version passing ten days later by 390-1.” (Suettinger 2003, 349)

- **Infringe upon human rights:** “China announced it would bring to trial its most famous dissident, Wei Jingsheng, on charges of attempting to overthrow the Chinese government. ...[Wei] was pronounced guilty by a three-judge panel and sentenced to fourteen years in prison.” (Suettinger 2003, 242)
- **Intervene on behalf of dissident:** “In Washington, the State Department reacted to the embassy’s handling of Fang with anger and dismay. Believing that Fang’s arrest after having been denied refuge at the embassy would precipitate a damaging public outcry, Secretary Baker and Undersecretary Robert Kimmitt instructed Acting Assistant Secretary William Clark to have the embassy recontact Fang and authorize refuge for him and his family. Hoping to keep the situation low key, Clark telephoned Ambassador Lilley and urged him to ‘send somebody out to tell him that if he’d like to come to the Embassy, he can.’ Lilley immediately dispatched [acting DCM] Burghardt and [PA officer] Russell to the Jianguo Hotel, where they invited Fang to be the ‘guest of President Bush’ and spirited him and his family out the back door of the hotel and into a minivan, which drove them past PLA guards to the ambassador’s residence.” (Suettinger 2003, 70-71)
- **Incite protest:** “As on Saturday, student protesters were transported to staging areas near the embassy, as were some government workers. But this time, they had to show proof of having secured permission to demonstrate from the Public Security Bureau. Near the embassy, they were organized into groups, given a designated route of march and a schedule for completion of their protest. Some were even given slogans to shout and banners to carry.” (Suettinger 2003, 372)
- **Arrest nationals:** “The seriously damaged [EP-3] U.S. aircraft made a forced landing at Lingshui Military Airport, Hainan, at 9:33 a.m. The twenty-four member crew left the plane fifty minutes later, and Chinese personnel escorted the crew to a local guesthouse.” (Zhang Tuosheng 2006, 394).
- **Espionage:** China hacked the US Office of Personnel Management, gathering data on American intelligence personnel.
- **Develop weapon system:** “Despite President Hu’s desire to have my visit be picture-perfect to pave the way for his state visit to Washington just a little over a week later, in a remarkable display of chutzpah, the PLA nearly wrecked both trips. Just hours before my meeting with Hu, the PLA rolled out for the first time publicly its new J-20

stealth fighter. Photos of the plane hit the Chinese press about two hours before my session with Hu. As one of my China policy experts insightfully expressed it, 'This is about as big a 'fuck you' as you can get.'" (Gates 2014, 527)

- **Assert territorial claim:** "in what seemed to us an unwelcome innovation, the Chinese executive vice foreign minister gave a lengthy presentation on China's rights in the South China Sea, highlighting this as a national priority (though not, as was publicly reported in the US media, calling it a 'core interest' like Taiwan or Tibet)." (Bader 2012, 76-77)
- **Proliferate:** Intelligence reports suggested that "a Chinese corporation had sold 5,000 'ring magnets'—probably for use in uranium enrichment—to the A.Q. Khan Laboratory, long associated with Pakistan's suspect nuclear weapons program." (Suettinger 2003, 249)
- **Downgrade relationship:** "Hoping to head off legislative restrictions on how to deal with China, Secretary of State Baker testified before the House Foreign Relations Committee on June 20. He augmented executive branch sanctions already in place by pledging that all official contacts with China above the assistant secretary level would be suspended, canceling a commerce secretary trip scheduled for July, and by promising to recommend the suspension of all new international financial institution lending to China." (Suettinger 2003, 83)
- **Military exercise:** We announced "that the aircraft carrier USS George Washington would move into position off the Korean coast and join military exercises with the South Korean Navy. In all, eighteen ships, some two hundred aircraft, and about eight thousand US and South Korean troops would participate over four days." (Clinton 2014, 57-58)
- **Military conflict:** "While patrolling off the coast of South Korea, the American carrier [Kitty Hawk] detected the presence of a Chinese submarine in its vicinity. Anti-submarine warfare aircraft and other planes from the Kitty Hawk engaged the Han class submarine and pursued it back toward the Chinese coast in a vigorous manner, dropping sonar buoys and simulating an attack." (Suettinger 2003, 209)

3.3 DIPLOMACY

- **Positive statement:** "On June 7, an MFA spokesperson pointed out that China and the United States were going to settle the aircraft collision incident through joint efforts and expressed the hope that Sino-American relations would return to their normal path because China had allowed the United States to ship back the U.S. airplane and the two sides had resolved the incident." (Zhang Tuosheng 2006, 407)
- **Request:** "the foreign minister asked if I'd call the referendum a provocation again, this time in front of the Chinese press." (Rice 2011, 647)
- **Meet:** "I had also put a lot of thought into the person I would meet with first, and the province's Communist Party secretary, Xi Jinping, was the perfect choice. A rising political star, Xi had been an extraordinarily effective leader in promoting Zhejiang's private sector, and I thought that a meeting with him would send another strong signal to Beijing." (Paulson 2015, 189)
- **Negotiate:** "From the 6th through the 9th, the Ambassador usually had two meetings per day with Assistant Foreign Minister Zhou [to resolve the EP-3 crisis]." (Blair and Bonfili 2006, 383)
- **Invite:** "Shortly thereafter [Edgar Snow attended National Day celebrations with Mao], Mao told Snow that he would welcome an official visit to China from President Nixon." (Ross 1995, 28)
- **Visit:** "The first Strategic Economic Dialogue was held in Beijing on December 14 and 15, 2006. The 28-member delegation—the greatest number of Cabinet members and agency heads to travel in a single group to China from the US until then— included our ambassador, Sandy Randt, and six of my fellow Cabinet members... Federal Reserve chairman Ben Bernanke and Export-Import Bank head James Lambright also came. The Chinese side included 14 ministry-level officials, including central banker Zhou Xiaochuan, Finance Minister Jin Renqing, National Development and Reform Commission chairman Ma Kai, Labor and Security Minister Tian Chengping, and Commerce's Bo Xilai. This unprecedented high-ranking lineup showed the seriousness of both sides." (Paulson 2015, 198)
- **Explain:** "the Chinese ambassador was put in the picture by Defense at five pm [on March 24th, 2008, about the accidental shipment of ICMBs to Taiwan]. We were very

sensitive to the possibility that our mistake would be misconstrued or misinterpreted by the Chinese, and I wanted to do everything possible to underscore that it was a mistake, not a covert scheme to arm Taiwan with nuclear weapons. Throughout, I wanted complete transparency.” (Gates 2014, 241)

- **Reassure:** “The meeting with Li Yuanchao featured a lengthy personal presentation explaining in detail why China would not challenge the United States for global leadership and why there was no inevitable conflict in their interests.” (Bader 2012, 118)
- **Offer:** “To sweeten the deal, the United States approved the license for a supercomputer for China’s national weather service and offered to lift the sanctions on certain satellites to be launched on Chinese carrier rockets.” (Suettinger 2003, 174)
- **Express regret:** “On Saturday morning (Washington, D.C., time), Secretary of Defense William Cohen and Director of Central Intelligence George Tenet issued a joint statement that called the incident a targeting error and said, ‘We deeply regret the loss of life and injuries from the bombing.’” (Campbell and Weitz 2006, 336)
- **Propose:** “[Ambassador Beam proposed a cease-fire [on Quemoy] first, to be followed by other measures to reduce tension” (Suettinger 2006, 270)
- **Promise:** “Clinton promised to move quickly to implement the most important commitment on the US side, to grant China permanent normal trade relations (PNTR) status through an act of Congress.” (Suettinger 2003, 387)

3.4 COOPERATION

- **Apologize:** After being refused a phone call with Tang Jiaxuan, “I decided I would do what I could from a distance to cool things down. I called the Vice-Chairman of the Joint Chiefs, General Joseph Ralston, and invited him to put on his uniform and join me in paying a midnight visit to the Chinese ambassador. Tom Pickering and the NSC’s Kenneth Lieberthal completed our delegation. I had known Ambassador Li Zhaoxing from the days when we had both served at the UN. I told him the bombing had been a terrible accident and that we were extremely sorry. I said I knew what it was like to have colleagues killed and hoped he would convey my condolences to the families of those who had died or been injured. I also said I was worried about the safety of American diplomats in Beijing; it was vital the demonstrations not grow more violent.” (Albright 2003, 531)

- **Release nationals:** “Beijing responded to the ending of US patrolling of the Taiwan Strait by releasing two US citizens who had strayed into Chinese waters in February” (Ross 1995, 33).
- **Cooperative congressional action:** “Bush promptly vetoed [the US-China Act of 1991], saying that... ‘If we present China’s leaders with an ultimatum on MFN, the result will be weakened ties to the West and further repression... not... progress on human rights, arms control, or trade.’ Bush insisted his policy of ‘comprehensive engagement’ and ‘targeting specific areas of concern with the appropriate policy instruments’ had achieved progress that would be undone by the bill’s restrictive provisions.” (Suettinger 2003, 134)
- **Concede:** “Ultimately, China compromised to move the negotiations forward. Zhou’s subsequent message not only welcomed a meeting between Nixon and Mao in Beijing and a preliminary visit by Kissinger... it also accepted Washington’s formulation that each side could raise ‘the issue of principal concern to it.’ Equally significant, Zhou did not press for discussions on normalization; China was prepared to develop relations without focusing on the difficult issues associated with Taiwan. The two sides had reached agreement concerning the agenda of Kissinger’s talks in Beijing, the last political obstacle to his secret visit.” (Ross 1995, 36)
- **Aid:** “When the Reagan administration sought covert Chinese cooperation in arming the US-supported Contras in their war with the Nicaraguan Sandinista government, Beijing was pleased to comply. The chief of the military mission at the Chinese embassy in Washington negotiated the cooperation with White House officials.” (Ross 1995, 238-239)
- **Sign agreement:** USTR Mickey Kantor signed a “landmark agreement on intellectual property rights” (Suettinger 2003, 271-272)
- **Hold summit:** “Jiang received the full protocol treatment on his formal arrival at the White House [in October 1997], including the welcome on the South Lawn, honor guard review, twenty-one-gun salute, national anthem, and ceremonial speeches. The two sides held a ninety-minute bilateral meeting, at which the ‘building toward a cooperative strategic partnership’ was fleshed out in somewhat more detail—the two sides would take a more positive approach to each other and look for new areas in which to develop cooperation and agreement. In that sense, it was more of an attitudinal

change than any alteration in either side’s strategic outlook or perspective.” (Suettinger 2003, 324)

- **Yield militarily:** “Washington announced it would withdraw combat aircraft from Taiwan, and by June 1975, all such planes had been withdrawn.” (Ross 1995, 77)

4 SUPPORTING FIGURES AND TABLES

Figure 1: Chinese Costly Conflict Initiation Toward US (Monthly)

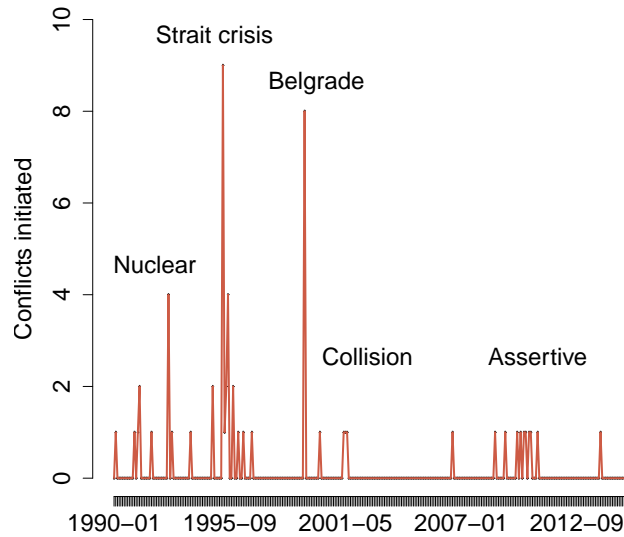


Figure 2: Correlation of Selected SSE Indices

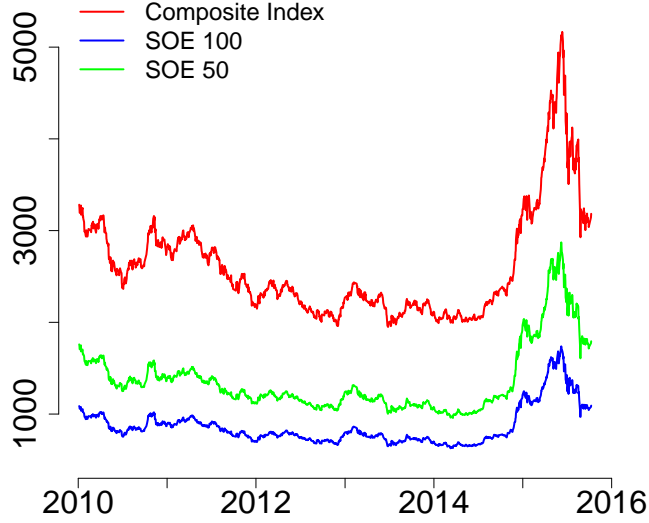


Table 1: Popular Crises

<i>Description:</i>	
1998-06 – 1998-07	Chen Xitong corruption scandal
2000-02	Liaoning pensioner protest
2003-04 – 2003-05	SARS
2004-10	Chongqing abuse of power riot
2005-01	Advanced nature of party campaign
2005-05 – 2005-08	Military protests
2005-06	Anhui abuse of power riot
2006-04 – 2006-08	Corruption
2008-01	Southern snowstorms
2008-03	Tibetan riots
2008-05	Sichuan earthquake
2008-06	Guizhou riot
2008-07	Milk melamine scandal
2008-12	Charter 08
2009-05	May 4 anniversary
2009-06	Tiananmen anniversary

5 ADDITIONAL ROBUSTNESS CHECKS

Table 2: Placebo Tests: Negative Shocks

	<i>Dependent variable:</i>					
	PRC costly conflict _t			PRC costly cooperation _t		
	(1)	(2)	(3)	(4)	(5)	(6)
Negative shock (5%)	0.690 (0.450)			-0.370 (0.327)		
Negative shock (10%)		1.123* (0.600)			0.230 (0.362)	
Negative shock (15%)			2.551** (0.991)			-0.473 (0.517)
PRC costly conflict _{t-1}	-0.022 (0.186)	-0.020 (0.180)	0.030 (0.186)	0.022 (0.132)	0.041 (0.133)	0.025 (0.136)
USA costly conflict _{t-1}	0.008 (0.315)	0.019 (0.308)	-0.197 (0.347)	-0.326 (0.269)	-0.365 (0.276)	-0.329 (0.273)
CPI _{t-1}	-0.050 (0.084)	-0.073 (0.085)	-0.037 (0.082)	-0.064 (0.063)	-0.070 (0.063)	-0.066 (0.063)
Party Congress _{t:t-6}	-1.003 (1.386)	-1.170 (1.393)	-1.827 (1.483)	0.891** (0.411)	0.783* (0.417)	0.928** (0.423)
Δ S&P500 _{t-1}	0.023 (0.056)	0.025 (0.055)	0.032 (0.053)	-0.0001 (0.033)	0.008 (0.033)	-0.0004 (0.034)
Constant	1.087 (8.731)	3.489 (8.781)	-0.049 (8.539)	6.289 (6.415)	6.985 (6.414)	6.540 (6.370)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	253	253	253	253	253	253
Log Likelihood	-100.242	-99.795	-97.948	-158.546	-159.005	-158.765
Akaike Inf. Crit.	278.484	277.591	273.896	395.092	396.011	395.530

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 3: Placebo Tests: Positive Shocks

	<i>Dependent variable:</i>					
	PRC costly conflict _t			PRC costly cooperation _t		
	(1)	(2)	(3)	(4)	(5)	(6)
Positive shock (5%)	-0.464 (0.495)			0.755*** (0.274)		
Positive shock (10%)		-0.606 (0.579)			0.383 (0.336)	
Positive shock (15%)			-1.281 (0.795)			0.264 (0.426)
PRC costly conflict _{t-1}	-0.014 (0.191)	0.0002 (0.193)	0.001 (0.181)	-0.027 (0.133)	-0.005 (0.138)	0.034 (0.133)
USA costly conflict _{t-1}	-0.010 (0.308)	0.001 (0.310)	0.013 (0.297)	-0.248 (0.278)	-0.309 (0.276)	-0.345 (0.275)
CPI _{t-1}	-0.037 (0.086)	-0.037 (0.087)	-0.005 (0.088)	-0.071 (0.064)	-0.072 (0.064)	-0.073 (0.064)
Party Congress _{t:t-6}	-0.855 (1.373)	-0.816 (1.374)	-0.911 (1.380)	0.863** (0.419)	0.914** (0.416)	0.876** (0.415)
Δ S&P500 _{t-1}	0.017 (0.056)	0.014 (0.056)	0.006 (0.055)	0.012 (0.034)	0.010 (0.033)	0.006 (0.033)
Constant	-0.207 (8.999)	-0.198 (9.059)	-3.575 (9.214)	7.047 (6.471)	7.189 (6.442)	7.242 (6.479)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	253	253	253	253	253	253
Log Likelihood	-100.835	-100.718	-99.853	-155.468	-158.579	-159.018
Akaike Inf. Crit.	279.670	279.435	277.706	388.936	395.158	396.035

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 4: Excluding Investor Anticipation

	<i>Dependent variable:</i>	
	PRC costly conflict _t	
	(1)	(2)
ΔSSE_{t-1}	-4.559** (2.254)	-4.736** (2.250)
PRC costly conflict _{t-1}	-0.141 (0.315)	0.001 (0.215)
USA costly conflict _{t-1}	0.161 (0.398)	0.105 (0.366)
CPI _{t-1}	-0.045 (0.115)	-0.041 (0.109)
Party Congress _{t:t-6}	-1.152 (1.568)	-1.600 (1.550)
$\Delta \text{S\&P500}_{t-1}$	0.022 (0.058)	0.025 (0.058)
Constant	-28.124 (4,382,511.000)	-28.607 (4,251,034.000)
Year fixed effects	Yes	Yes
Month fixed effects	Yes	Yes
Observations	228	236
Log Likelihood	-83.928	-86.855
θ	0.878* (0.458)	0.896* (0.469)
Akaike Inf. Crit.	243.857	249.711

¹ *p<0.1; **p<0.05; ***p<0.01

² Model (1) excludes observations in which China threatened the United States in $t - 1$.

³ Model (2) excludes observations in which either side threatened the other in $t - 1$.

Table 5: Net Tendency and Additional Covariates

	<i>Dependent variable:</i>			
	PRC net conflict _t			
	(1)	(2)	(3)	(4)
Δ SSE _{t-1}	-0.896*** (0.245)	-0.896*** (0.245)	-0.897*** (0.246)	-1.391** (0.573)
PRC net conflict _{t-1}	-1.163*** (0.139)	-1.163*** (0.139)	-1.163*** (0.140)	-1.111*** (0.217)
USA net conflict _{t-1}	0.388** (0.157)	0.388** (0.157)	0.378** (0.158)	-0.188 (0.304)
CPI _{t-1}	-0.012 (0.021)	-0.012 (0.021)	-0.013 (0.021)	-0.041 (0.028)
Party Congress _{t:t-6}	-0.175 (0.128)	-0.175 (0.128)	-0.174 (0.128)	-0.070 (0.191)
Δ S&P500 _{t-1}	-0.003 (0.011)	-0.003 (0.011)	-0.002 (0.011)	0.006 (0.011)
NPC Meeting _{t-1}		0.134 (0.171)	0.154 (0.174)	
Public crisis _{t-1}			0.137 (0.195)	
Δ Floorspace construction _{t-1}				1.428 (1.899)
Constant	1.564 (2.185)	1.564 (2.185)	1.645 (2.196)	4.411 (2.907)
Year fixed effects	Yes	Yes	Yes	No
Month fixed effects	Yes	Yes	Yes	No
Observations	98	98	98	23
R ²	0.645	0.645	0.648	0.737
Adjusted R ²	0.462	0.462	0.458	0.614

Note:

*p<0.1; **p<0.05; ***p<0.01