In the case of China, a rising great power, the question of adopting a democratic political system is not just a domestic issue, but has much broader implications for China's relations with the outside world, especially the United States. Whether Washington and Beijing continue to cohabitate without major conflict will depend in large part on the specific form of the regime that evolves in China and on the American perception of this regime. The research hypothesis of this paper proposes that in the event of a democratic transition, China will not adopt a liberal democracy, but a variation of democracy that will include meritocratic and communitarian aspects, due to the strong role of Confucian ethics and morals in influencing Chinese political culture. In an extreme case, China's "non-liberal" democracy may be perceived by the United States as a wholly undemocratic regime and hence, the presumed benign effects of democracy on state-to-state relations, such as "democratic peace", will become void. Yet, if China adopts a "non-liberal" democratic government that primarily strives to ensure "good governance" and if the United States is prepared to accept China as a "non-liberal" democracy, mutually beneficial and peaceful relations can be maintained. The first part of the paper focuses on defining the theoretical tenets that undergird U.S. perspectives and discourse on democracy in China in the context of U.S. Grand Strategy. The second part aims to identify prevailing Confucian principles that have broad political implications for Chinese society and culture and that will likely play a strong role in shaping a potential "Chinese democracy". The final part of this paper proposes how a "democracy with Chinese characteristics" may look like and how the United States will possibly perceive this regime.