

AU/AWC/079/1999-04

AIR WAR COLLEGE

AIR UNIVERSITY

CHINA: REGIONAL HEGEMON OR TOOTHLESS TIGER?

by

Joseph F. Cheney, Lt Col, USAF

A Research Report Submitted to the Faculty

In Partial Fulfillment of the Graduation Requirements

Advisor: Dr. Lawrence E. Grinter

Maxwell Air Force Base, Alabama

April 1999

Distribution A: Approved for public release; distribution is unlimited

Disclaimer

The views expressed in this academic research paper are those of the author(s) and do not reflect the official policy or position of the US government or the Department of Defense. In accordance with Air Force Instruction 51-303, it is not copyrighted, but is the property of the United States government.

Contents

	<i>Page</i>
DISCLAIMER	ii
PREFACE	iv
ABSTRACT	v
INTRODUCTION.....	1
WHAT IS HEGEMONY AND WHY DO CHINA’S LEADERS WANT IT?.....	4
Hegemony: A Framework of Reference	4
Why Does China Seek Hegemony?.....	6
What Form Would Chinese Hegemony Take?	7
WHERE IS CHINA ALONG THE PATH TO HEGEMONY?	10
WHAT WILL CHINA DO IN THE NEAR TERM?.....	22
WHERE ARE THE DANGER SPOTS?	29
HOW SHOULD US POLICY COPE WITH AN ENIGMATIC CHINA?	37
CONCLUSIONS.....	42
BIBLIOGRAPHY	44

Preface

The 1996 Sino-American crisis in the Taiwan Strait highlighted the potential threat posed by a rapidly modernizing China. It led to the publication of a number of books, all warning that China's building economic and military power was propelling it towards East Asian hegemony and conflict with the United States. Publication of these works produced a dialectic reaction which led to the publication of a number of works stressing that China's actions were benign, normal, and nothing to fear. Although the outward statements and actions of Chinese elites seemed to support the view of the alarmists, the East Asian economic crisis highlighted the fundamental weaknesses in China's economy. My research led me to believe that there was some degree of truth in both arguments.

I would like to acknowledge the help I received in this project from my advisor, Dr. Lawrence Grinter. His leadership made the development of this paper challenging, educational, and fun. I would also like to thank my family for their patience as I spent many hours either in the library or in front of a computer.

Abstract

There are two contemporary views of expanding Chinese economic and military power. One view stresses how far China *has come* in its development. It looks at expanding Chinese military power, bellicose statements by key elites, and the 1996 military adventurism in the Taiwan Strait to warn that China is trying to become East Asia's hegemon. This view also warns of coming Sino-US conflict. The other view emphasizes how far China *has to go* to become a regional power. It looks at a China that is profoundly poor and lives on the edge of political and social chaos. It emphasizes the statements of China's leaders that they oppose hegemony and will never seek it. It stresses how weak the Chinese military is in comparison to US military presence in East Asia. This paper analyzes both views and concludes that while China is driven by history and culture to seek East Asian hegemony, it currently lacks the resources to achieve this goal in the face of US military power. This paper also concludes that the only possibility for China to achieve hegemony in the short term is to wage a diplomatic effort to force the US military presence out of East Asia.

Chapter 1

Introduction

China's history, culture, traditions, size, economic dynamism, and self-image all impel it to assume a hegemonic position in East Asia.

—Samuel P. Huntington, *Author of the Clash of Civilizations*¹

To allege that a stronger China will pose a threat to other countries is groundless. China will never take part in an arms race, never engage in expansion, and never seek hegemony.

—Jiang Zemin²

China's burgeoning economic power, combined with rapid military modernization is of central interest in defining the 21st Century global system. China's growing power and seemingly limitless potential raise serious questions about China's interests in East Asia. Works such as *The Clash of Civilizations* by Samuel Huntington and *The Coming Conflict with China* by Richard Bernstein and Ross H. Munro, paint the image of an aggressive China building its power to challenge American influence and establish China once again in its traditional role as East Asia's hegemon. Other authors, such as David Shambaugh, observe that "*China will not exercise hegemony over East Asia by 2015. It will possess neither the will nor the capability to do so.*"³ Which argument is correct? Is China a rising hegemon or a benign toothless tiger that will lack the power and will to achieve regional hegemony? Both arguments are partly right and partly wrong. This paper asserts that while influential xenophobic elements within China's elites certainly do

have the intent and will to establish Chinese hegemony, China currently lacks the capability to become East Asia's hegemon in the face of US military power. In fact, the present Chinese regime exists on the fringes of economic and political viability. This lack of capability, however, will not stop China's leaders from bullying tactics, economic warfare, and risky military adventures in order to exert hegemonic influence "on the cheap" – no matter how dangerous such actions may be.

Why does China resort to such activities? There are two primary reasons. First, to gain the "respect" that China feels it is owed as one of the greatest civilizations of all time. China's security policy reflects a schizophrenic mixture of a national inferiority complex combined with a cultural superiority complex. Second, although China currently lacks the ability to impose hegemony in East Asia, its greatest near-term opportunity to reach this end is to foster conditions that drive the US to withdraw from its leadership role in East Asian security. China is well aware that the states of East Asia are permanently involved in the region by *geography*, while America is involved in East Asia by *policy*. If China can manipulate US East Asian policy, it might be able to gain the hegemony that it could not gain by other means.

This paper will survey five broadly related topics. First, hegemony will be defined and the forces that drive China towards hegemony will be described. Chinese desire for hegemony has its roots in the grandeur of ancient Chinese culture and in China's "Century of Shame" as it was exploited by imperialism. Second, the paper will describe where China stands on the path to hegemony. This will show that although China's leap towards modernization is incredible, it is still a developing country that has a long way to go in order to become a hegemonic power. Third, the paper will discuss China's

probable courses of action in the near term. Although China's policy will emphasize continued economic growth, this will not preclude risky military adventures such as the 1996 crisis in the Taiwan Strait. Fourth, the paper will describe the danger spots where current Chinese policy will create the potential for conflict with the US. This will include a discussion of the obvious danger spots, such as Taiwan and Korea, as well as emerging issues such as declining Chinese economic growth, environmental destruction, and diminishing Chinese natural resources. Fifth, this paper will recommend US policy guidelines to contend with unpredictable Chinese behavior. The goals of this analysis are to describe the complexity of dealing with expanding Chinese power and to emphasize the need for continued US leadership in East Asia.

Notes

¹ Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 1997), 229.

² Richard Bernstein and Ross H. Munro, "The Coming Conflict with America," *Foreign Affairs* Volume 76 No.2, March/April 1997, 52.

³ David Shambaugh, "Chinese Hegemony Over East Asia by 2015?" *Korean Journal of Defense Analysis* Volume IX No.1, June 1997, 25.

Chapter 2

What is Hegemony and Why Do China's Leaders Want It?

China need not possess overwhelming and dominant power to qualify as the hierarchical hegemon of Asia. It must simply possess enough preponderant power so that other nations would have to defer to Beijing's wishes before undertaking unilateral or multilateral action.

David Shambaugh¹

Hegemony: A Framework of Reference

Hegemony is a word that conveys a negative image in modern usage. This negative image is created because it is often used to describe “negative” events such as the Soviet Union’s “hegemony” over Eastern Europe. In reality, hegemony is a neutral term. *Webster's New World Dictionary* defines “hegemony” as “leadership or dominance, esp. that of one state or nation over others.”²

Given the gap between the common negative connotation of the word hegemony and the literal definition of the term, it is essential to establish a framework of understanding for this paper. A useful framework to do this is provided in Raymond Aron’s classic study of international relations, *Peace and War*. Aron asserted that there were three types of peace: equilibrium, hegemony, or empire. In other words, “...the forces of political units are in *balance*, or else they are *dominated by those of one among them*, or they are *outclassed by those of one among them* to the point where all the units, save one, lose

their autonomy and tend to disappear as centers of political decisions.”³ When any actor threatens to disturb the existing structure of peace (equilibrium, hegemony, or empire), conflict and potentially war are possible outcomes.

Equilibrium, similar to the concept of balance of power, is a situation where “...a state should never possess such strength that neighboring states would be incapable of defending their rights against it.”⁴ The Concert of Europe is an example of a stable system that existed in equilibrium for many years. The Allied nations fought World War I largely to prevent possible German hegemony and reestablish European equilibrium. Aron notes that “By definition, sovereign states regard as an enemy any claiming hegemony, that is, any that could deprive them of their own autonomy or their capacity to make their own decisions freely.”⁵

Hegemony is a situation where the hegemonic state is able to dominate the other states in the system. In peace by hegemony, the superiority of the hegemonic state is such that the “...unsatisfied states despair of modifying the status quo, and yet the hegemonic state does not try to absorb the units reduced to impotence. It does not abuse hegemony, it respects the external forms of state independence; it does not aspire to empire.”⁶

In peace by empire, “Imperial peace would not be distinguished from civil peace: it would be the internal order of an empire.”⁷ The best example of this would be the unification of the Chinese Empire in 221 BC. As the final provinces were brought under Imperial control, the task transitioned from *creating* an empire to *maintaining* internal order.

A clear definition of hegemony is critical to the debate over China's future goals. To illustrate, a recent US Department of Defense (DOD) report commented that "China does not seek hegemony in Asia or elsewhere, although its leaders hope to achieve a position where Asian countries and those with interests in Asia *take no actions which conflict with China's interests.*" (Emphasis added)⁸ This comment, while at first dismissing hegemony as a Chinese goal, then goes on to contradict itself by asserting China's desire to achieve what is in effect "peace by hegemony" as described by Aron. Such confusion over the meaning of hegemony is common. China does not seek empire, it seeks hegemony in East Asia. This is a situation where China would have complete freedom to pursue its interests, including territorial goals in Taiwan and the South China Sea. For this reason, China fights against any attempt to build bilateral or multilateral defense alliances in East Asia. The Chinese hope to create a situation where they can dominate any other state in East Asia on a bilateral basis. The key factor that currently prevents them from achieving this goal is the powerful presence of the US military in East Asia, supported by bilateral defense alliances. This arrangement keeps the East Asian system in equilibrium and has fostered regional development. Since China has clearly benefited from this equilibrium, the next question to ask is "Why would China want to upset this stable system to seek hegemony?"

Why Does China Seek Hegemony?

China seeks hegemony in East Asia for three reasons. First, although China's leadership would deny it, they want to return China to the predominate position it enjoyed in ancient times. This desire is fueled by China's strong sense of cultural superiority. The Chinese have always considered those outside their Sinic cultural zone

as “barbarians.”⁹ Admiral Joseph Prueher observed in February 1999, upon his retirement as the Commander in Chief of US Pacific Command, that “The Chinese believe they are the hub of the region.... At some point in the future they would like to have everyone in the region have to have China’s approval for whatever they might want to do.”¹⁰ Second, the Chinese are eager to erase the shame of centuries of western domination. Unfortunately for these ambitions, the rest of East Asia is in no mood to return to tributary status to help erase this shame. Third, China seeks hegemony because for the first time in centuries it’s a united nation that is actually developing sufficient power to become a hegemon. Samuel Huntington explains that, “The emergence of new great powers is always highly destabilizing, and if it occurs, China’s emergence as a major power will dwarf any comparable phenomena during the last half of the second millennium.”¹¹ China’s rapidly expanding power threatens East Asia’s current equilibrium. Given that China wants hegemony in East Asia, the next question is “What form would this Chinese hegemony take?”

What Form Would Chinese Hegemony Take?

The commonly accepted view of a future Chinese hegemonic regime is that it would parallel China’s hegemony during its imperial history. During this period, China considered itself the “Middle Kingdom” between heaven and earth. The Chinese culture reigned supreme throughout much of East Asia. The kings of tributary states, such as Korea, drew the legitimacy of their rule from the Emperor of China.¹² In accordance with Aron’s theory of hegemony, China did not try to absorb these tributary states into its empire. On the other hand, the Chinese did not hesitate to militarily “discipline” their neighbors when they failed to support the Middle Kingdom’s policies.¹³ This system

existed for centuries, but it would be a major mistake to assume that the tributary states “liked” this arrangement or would ever want to return to it. As Singapore’s former Prime Minister Lee Kuan Yew comments, “Many medium and small countries in Asia are uneasy that China may want to resume the imperial status it had in earlier centuries and have misgivings about being treated as vassal states having to send tribute to China as they used to in past centuries.”¹⁴ In the distant past, tributary states were subject to Chinese hegemony because they were too weak to resist. Under the protection of American military might, the former tributary states developed into independent states free of Chinese control. The unspoken fear within East Asia is that an American withdrawal combined with expanding Chinese power will open the door for revitalized Chinese hegemony. Now that the concept of Chinese hegemony in East Asia is fully developed, it is necessary to describe where China is along the path to obtaining it.

Notes

¹ Shambaugh, “Chinese Hegemony Over East Asia By 2015?”, 18.

² *Webster’s New World Dictionary*, Third College Edition. (New York: Simon & Schuster, Inc., 1988).

³ Raymond Aron, *Peace and War*. (Garden City, New York: Doubleday, 1966), 134.

⁴ Aron, *War and Peace*, 116.

⁵ Aron, *War and Peace*, 62.

⁶ Aron, *War and Peace*, 134.

⁷ Aron, *War and Peace*, 134.

⁸ Department of Defense, *Future Military Capabilities of the Peoples Republic of China*, September 1998, n.p.; on-line, Internet, 3 February 1999, available from <http://www.heritage.org/library/categories/natsec/bg1146/bg1146.html>.

⁹ Lawrence E Grinter, “Cultural and Historical Influences on Conflict in Sinic Asia: China, Japan, and Vietnam” in *Conflict, Culture and History: Regional Dimensions* (Maxwell AFB, AL: Air University Press, 1993), 126.

¹⁰ Richard Halloran, “Admiral Sees Storm Clouds Over China,” *Washington Times*, 19 February 1999.

¹¹ Huntington, *Clash of Civilizations*, 231.

¹² John K. Fairbank, “China’s Foreign Policy in Historical Perspective,” *Foreign Affairs*, April 1969, 458.

Notes

¹³ Grinter, “Cultural and Historical Influences...”, 126.

¹⁴ Berstein and Munro, “The Coming Conflict with America”, 23.

Chapter 3

Where is China Along the Path to Hegemony?

China is the fastest growing economy in the world, with what may be the fastest growing military budget. It has nuclear weapons, border disputes with most of its neighbors, and a rapidly improving army that may-within a decade or so-be able to resolve old quarrels in its own favor.

Nicholas D. Kristof.¹

Hegemony is a product of power. This power is drawn from many required sources including geopolitical strength, economic strength, military strength and power projection capability, and political stability. Analysis of all these factors will show that China has made incredible progress developing some of the required elements of hegemony. In other areas, it has made painfully little progress. In short, China is years away from credibly exerting East Asian hegemony *in the face of continued American military power and regional influence*. On the other hand, China's potential power in the future cannot be overlooked. The lack of strong multilateral security alliances makes it possible that China could divide and dominate the rest of East Asia if the US were to withdraw its military presence. Analysis of the required elements of hegemony reveals not only the extent to which Chinese power has increased in the past 20 years, but also the degree to which China is still a weak and divided state.

From a geopolitical standpoint, China has incredible potential. It's a huge state – the third largest in area with the world's largest population². Its population is ethnically 93

percent Han Chinese and shares a sense of common culture and language³. China's huge geography holds tremendous amounts of natural resources.⁴ China's geographical position places it in a central, insular position within Asia that allows it to react anywhere in Asia with interior lines of communication. Despite its many geopolitical advantages, China also faces daunting geopolitical challenges. Its enormous population is an incredible challenge to feed and clothe, let alone employ and educate. Rapid economic expansion has consumed tremendous amounts of natural resources – China has a growing dependence on energy imports.⁵ Even China's geographic position is a dual edged sword – China faces potential enemies (some nuclear armed) on every border.

China's rapidly expanding economic growth since 1978 is the phenomenon that led analysts to predict its rise as a future hegemonic power. Economic growth under Deng Xiaoping was incredible. Per capita income quadrupled over the past 18 years.⁶ China doubled its per capita income in only 9 years – in contrast, the United States took 47 years to double its per capita income.⁷ Since China's rapid economic growth began in 1978, it has experienced growth rates of up to 10 to 12 percent.

The Chinese economic miracle is losing its luster, however. Growth is clearly slowing. Chinese Communist Party (CCP) officials claim a 7.8 percent GDP growth for 1998, just short of their goal of 8 percent.⁸ Projected growth for 1999 is only 7 percent.⁹ These growth figures may be misleading. There is speculation that local officials may have felt pressure to doctor their statistics to indicate they met their 8 percent growth target. As Greg Mastel of the Economic Strategy Institute observed, "Chinese economic figures have always been suspect. They reflect political wishes as opposed to economic reality."¹⁰ Based on such indications as slow growth in electricity use and declining retail

prices, a Western diplomat estimated that real growth may have been as low as 4 to 5 percent.¹¹ In addition, what growth the Chinese did achieve was stimulated by massive government spending on infrastructure projects and investments in State Owned Enterprises (SOEs). Investment in SOEs climbed by 22 percent to \$260 billion, even though the SOEs are viewed as the weakest element of the economy. Over 49 percent of the SOEs are unprofitable.¹²

Economic development is central to China's hegemonic designs because a sound economy is the basis of its military modernization. China's economic power (and foreign currency reserves) have been greatly expanded through the peaceful incorporation of Hong Kong into the Peoples Republic of China (PRC). Although China's growth has been impressive, it is still a poor country. In stark contrast to communist ideology, there is a great disparity between rich and poor in the country. This uneven distribution of wealth is compounded by its geographic element – the coastal economic zones have prospered much more than the rural areas in the interior.¹³ China has so far avoided the worst effects of the Asian economic crisis because a large percentage of foreign investment is in direct investments, its currency is inconvertible, it has significant hard currency reserves, its debts are mostly long term, and it has a high domestic savings rate.¹⁴

China's economy, however, contains nearly all of the conditions that caused the crisis in other countries – including cronyism, bad bank loans, and inefficient capital allocation.¹⁵ Chinese officials openly admit that about 20 to 25 percent of the \$1 billion in loans from the state-run banks are bad.¹⁶ In comparison, Thailand's much smaller 5 percent rate of bad bank loans led to a traumatic bank crisis there in 1997.¹⁷ In June

1998, the Hainan Development Bank became the first bank to fail in modern Chinese history.¹⁸ In January 1999, the financial world was shocked when the Chinese announced the bankruptcy of the Guangdong International Trust and Investment Corporation, China's second largest financial trust company.¹⁹ Failures of large institutions such as this could cause China's financial system to lose access to international credit markets. As of March 1999, Chinese leaders are struggling to find a plan to keep a second major financial institution, the Guangzhou International Trust and Investment Corporation, afloat.²⁰ Although China's economy has not yet reached the crisis stage, the trends are ominous.

The potential that economic growth could slow is of great concern to Chinese leadership due to the potential effects on internal security. Chinese and foreign analysts have assessed that the minimum annual GDP growth to prevent citizen dissatisfaction from erupting into demands for political change is 5 percent.²¹ Since projected growth rates barely exceed this level, the prospect of political turmoil caused by an economic slowdown is a reason for great concern. Overall, China's growth in economic power is impressive, but fragile and uneven. Significantly, it provides the funds that fuel the modernization of China's military, the next required element of hegemony to discuss.

China's leadership continues to view a modern military force as an absolute requirement in order to gain recognition as a major regional power. Military strength and the ability to project this strength outside of a country's borders are basic requirements of a hegemonic power. China is already the dominant land power in East Asia, due to its huge population and army. What China lacks is a credible capability to employ and sustain conventional military forces outside its borders. In addition, the majority of

China's huge military is equipped with obsolete equipment. Evidence indicates, however, that China is taking major steps to increase its military potential.

China deliberately obscures the total amount it spends on defense. The official Chinese defense budget for 1997 was only \$9.8 billion.²² The Central Intelligence Agency estimates that China's defense expenditures are "almost certainly two or three times the announced budget."²³ Official figures indicate that the Peoples Liberation Army (PLA) budget grew by about 150 percent from 1989 to 1995.²⁴

The PLA remains a largely obsolete force, but some significant modernization has occurred. The ground forces clearly have the lowest priority in the modernization effort. The current force structure is impressive in sheer size however. PLA ground forces include 24 group armies, consisting of 73 infantry divisions, 9 main force divisions with a rapid-reaction role, 11 tank divisions, and 5 artillery divisions.²⁵ The PLA ground forces are equipped with some 8,500 main battle tanks and 1,200 light tanks.²⁶ The downside of this massive ground force is that it is equipped with antiquated weapons and it suffers from severe training and maintenance shortfalls. The size of the PLA ground forces have been substantially reduced, but a small number of select units have been chosen to modernize.²⁷ These units, known as Rapid Reaction Units, only comprise about 15 percent of the total PLA ground force strength.²⁸

Considerable attention has been focused on the PLA-Air Force's (PLAAF's) acquisition of 50 SU-27 fighters and a co-production agreement for up to 200 more.²⁹ While these aircraft represent a considerable increase in PLAAF capability, the balance of the PLAAF is equipped with outdated aircraft and equipment.³⁰ Training,

maintenance, and logistics are primitive. The PLAAF is also severely limited due to the lack of an air refueling or Airborne Warning and Control System (AWACS) capability.

The PLA-Navy (PLAN) has embarked on a significant modernization program. They purchased four quiet *Kilo* class diesel submarines. Two of these are Type 363s, which are reported to be as quiet as the US improved *Los Angeles* class.³¹ The PLAN has also purchased two Russian *Sovremenny* class destroyers. These advanced weapons platforms, armed with SS-N-22 *Sunburn* missiles, will outclass any ship in Taiwan's arsenal.³² Despite these improvements, the PLAN is no match for the US Navy. The PLAN also suffers from training, maintenance, and logistics problems. Now that China's military strength is outlined, it is necessary to evaluate the PLA's ability to project this military power to achieve their objectives in Taiwan and the South China Sea.

Conventional power projection capability – the ability to both project and sustain forces outside friendly borders – is a critical military element of a hegemonic power. China possesses only a very limited power projection capability. A US DOD report to Congress estimates that the PLAAF has only enough airlift capability to deploy about 6,000 troops or two airborne regiments at a time.³³ The PLAN is weak in both large amphibious ships and underway logistics ships.³⁴ According to the same U.S. DOD report, the PLA has a limited capability to deploy up to “1-3 infantry divisions, depending upon the mix of equipment and stores for immediate resupply.”³⁵ Even this capability is virtually useless without air cover. In addition, the Chinese show no signs of building the large numbers of landing craft that would be required to invade Taiwan.³⁶ The DOD report further concludes that “China has never conducted a large-scale amphibious exercise which has been fully coordinated with air support and airborne

operations.”³⁷ Based upon this severe lack of all the elements of conventional power projection capability, the International Institute for Strategic Studies concluded that “At present, China does not have the resources to project a major conventional force beyond its territory.”³⁸ This calculus could change, if the US decides to withdraw militarily from East Asia. This causes great concern for the East Asian nations that share a common land border with China, where the requirements of power projection capability are less complex.

Nuclear weapons are the wild card in China’s military strength. China’s significant nuclear forces include over 20 ICBMs, 80 IRBMs, one SSBN, and 120 nuclear capable bombers.³⁹ China’s nuclear forces not only could threaten its East Asian neighbors, some of them also pose a considerable risk to the continental US. As analyst Thomas Woodrow observed, “China currently has more ballistic missile firepower that can be targeted against the United States than did the Soviet Union during the Cuban Missile Crisis.”⁴⁰ Although China’s nuclear forces do have an offensive capability, their role is primarily defensive. They probably represent the ultimate guarantee against China’s invasion by an external threat. Given this ultimate security provided by nuclear weapons, the natural question that follows is “Why is China pursuing considerable increases in its conventional capability, when there has been no increase in its external conventional threat?” There is only one reasonable explanation – China’s expanding conventional military capability is designed to support China’s future goal of hegemonic influence in East Asia. It is now time to describe the final requirement of hegemonic power, political stability.

In order to maintain order within an East Asian hegemonic system, China's internal political situation must be stable. Since the Communist revolution's triumph in 1949, China has been torn apart several times by great internal turmoil such as the Great Leap Forward and the Cultural Revolution. Internal stability increased considerably following Deng Xiaoping's accession to power in 1978. Deng probably "saved" the Chinese Communist Party (CCP) by rejecting its Marxist economic principles. By turning China towards a more open market based economy, Deng Xiaoping enabled China's incredible economic expansion. Although this was certainly a positive outcome, it paved the way for future political instability because it totally undermined the legitimacy of the CCP's professed ideology. Communism is in its most basic sense, an economic theory. It is a fatal ideologic contradiction for a "Communist" regime to abandon Marxist economic theory in favor of what can best be described as state directed capitalism. At the 15th Party Congress in March 1998, China's President, Jiang Zemin, committed the CCP to following "...comrade Deng Xiaoping's behest and march unswervingly and triumphantly along the correct line."⁴¹ In doing so, Jiang Zemin committed the CCP to supporting Deng Xiaoping's path towards a market based economy – "socialism with Chinese characteristics." The danger in this course is the regime's total reliance on economic progress for legitimacy.

Unemployment is becoming an increasingly important challenge to stability, especially as China embarks on privatization of the SOEs. The International Institute for Strategic Studies observed that as the SOEs are privatized, "The potential for social disruption is immense as, in true Soviet fashion, the SOEs were not just units of

production, but provided housing and all forms of social security to their workers who thought they enjoyed lifetime employment.”⁴²

As the economy slowed and unemployment worsened in 1998 and early 1999, China’s leaders have become increasingly intolerant of dissent. Jiang Zemin stated at the Ninth National People’s Congress in March 1999, “Reform has entered a period when breakthroughs need to be made and stability faces new challenges...”⁴³ Jiang Zemin’s efforts to fight instability may do more harm than good. As Arthur Waldron observed, “Nor will the crackdown solve any of the problems now destabilizing China at the grassroots. China’s industrial unemployed and their dependents number something like 80 million.”⁴⁴

Any failure to sustain economic growth could open the door to political turmoil. This could have two possible effects on Chinese hegemonic designs. On the one hand, instability could cause an inward focus, as happened during the Cultural Revolution. On the other hand, internal turmoil could cause the regime to focus its energy outward in military adventures designed to galvanize the people behind nationalism, while blaming their economic difficulties on the West. Either outcome is possible, although neither is good from a point of view of US or East Asian interests.

China’s progress towards attaining the required elements of a hegemonic power can be characterized by major improvements in many of the key areas. More importantly, as significant as these improvements are, the challenges that China faces in order to gain status as a fully developed great power are even more staggering. Predictions of China’s continued growth using “straight line” projections based upon the last 20 years of growth are overly optimistic. China is just beginning to face the challenges of rapid

industrialization that the US and other nations faced at the turn of the 20th Century. China's growth has not been without cost. As will be discussed later, environmental damage has been enormous. China is still a poor country that is barely able to feed all of its population. Its social structure still needs to adapt to industrialization and urbanization. Approximately 270 million Chinese live in poverty.⁴⁵ The CCP is struggling to maintain stability and legitimacy. While China's ability to exert regional dominance has dramatically expanded, its ability to exert such influence will be minimal in the face of US military power. China's only prospect of becoming East Asia's hegemon in the near future is to coerce the US to disengage from East Asia.

Notes

¹ Nicholas D. Kristof, "The Rise of China," *Foreign Affairs*, Volume 72 No. 5 November/December 1993, 59.

² US Department of State, *Background Notes: China, November 1996*, n.p.; on-line, Internet, 30 November 1998, available from http://www.state.gov/www/background_notes/.

³ US Department of State, *Background Notes: China*.

⁴ Central Intelligence Agency, *Factbook*. n.p.; on-line, Internet, 30 November 1998. Available from <http://www.odci.gov/cia/publications/factbook/ch.html>.

⁵ Denny Roy, "The Foreign Policy of Great Power China," *Contemporary Southeast Asia*, Volume 19, Number 2, September 1997, 130.

⁶ Minxin Pei, "Is China Democratizing?" *Foreign Affairs*, Volume 77 No. 1, January/February 1998, 74.

⁷ *ibid.*

⁸ Matt Forney, "China's Economy Grew 7.8% in 1998, May Slow in 1999," *Wall Street Journal*, 30 December 1998.

⁹ Vladimir Isachenkov, "Premier: China's Economy to Grow." *Associated Press*, 26 February 1999, n.p.; on-line, Internet, 1 March 1999, available from <http://search.washingtonpost.com/wp-srv/WAPO/199990226/v000818-022699-idx.html>.

¹⁰ Richard Miller and Sara Nathan, "China's Balancing Act," *USA Today*, 17 November 1998.

¹¹ Erik Eckholm, "China Reports 7.8% Growth, Close to Goal Set for '98," *New York Times*, 31 December 1998.

¹² Matt Forney, "China's Economy Grew 7.8% in 1998, May Slow in 1999," *Wall Street Journal*, 30 December 1998.

¹³ William H. Overholt, "The Politics of Economic Takeoff," *The Rise of China* (New York: WW Norton, 1993), 102-111.

Notes

¹⁴ David M. Lampton, "China: Think Again," *Foreign Policy*, Spring 1998, 19.

¹⁵ Hans Binnendijk and Ronald N. Montaperto, eds., *Strategic Trends in China* (Washington, D.C.: Institute for National Strategic Studies, 1998), 5.

¹⁶ Richard Miller and Sara Nathan, "China's Balancing Act."

¹⁷ Joe McDonald, "China Banks Face \$100B in Bad Debt," *Associated Press*, 4 February 1999, n.p.; on-line, Internet, 6 February 1999, available from <http://search.washingtonpost.com/wp-srv/WAPO/19990204/v000003-020499-idx.html>.

¹⁸ *ibid.*

¹⁹ Michael Laris, "Chinese Say Bank Insolvent," *Washington Post*, 12 January 1999, n.p.; on-line, Internet, 22 March 1999, available from <http://www.washingtonpost.com/wp-srv/inatl/longterm/china/stories/insolve011299.htm>.

²⁰ "China Tries to Save Investment Firm," *Washington Post*, 19 March 1999, n.p.; on-line, Internet, 22 March 1999, available from <http://www.washingtonpost.com/wp-srv/inatl/longterm/china/china.htm>.

²¹ Hans Binnendijk and Ronald, N. Montaperto, eds. *Strategic Trends in China*, 5.

²² Information Office of the State Council of the Peoples Republic of China, *China's National Defense*, July 1998, n.p.; on-line, Internet, 2 September 1998, available from <http://www.china.org.cn/WhitePapers/NationalDefense.html>.

²³ Central Intelligence Agency, *Factbook*.

²⁴ Richard D. Fisher Jr., "The Accelerating Modernization of China's Military," in Kim R. Holmes and James J. Przystup, eds., *Between Diplomacy and Deterrence: Strategies for U.S. Relations with China* (Washington, D.C.: Heritage Foundation, 1997), 102.

²⁵ Colonel Terrence Taylor, ed., *The Military Balance 1997/98* (London: International Institute for Strategic Studies, 1997), 176.

²⁶ June Teufel Dreyer, "China's Strategic View: The Role of the People's Liberation Army," 25 April 1996, n.p.; on-line, Internet, 3 Feb 1999, available from <http://carlisle-www.army.mil/usassi/ssipubs/pubs96/chnpla/chnpla.txt>.

²⁷ Richard Fisher, "Defense Policy and Posture I" in *Strategic Trends in China*. Edited by Hans Binnendijk and Ronald N. Montapero (Washington, D.C.: Institute for National Strategic Studies, 1998), 63-64.

²⁸ Department of Defense, *Future Military Capabilities and Strategy of the People's Republic of China*, September 1998, n.p.; on-line, Internet, 3 February 1999, available from <http://www.jya.com/dod1226-98.htm>.

²⁹ Richard D. Fisher, "How America's Friends are Building China's Military Power," 5 November 1997, n.p.; on-line, Internet, 3 February 1999, available from <http://www.heritage.org/library/categories/natsec/bg1146/bg1146.html>.

³⁰ Fisher, "Defense Policy and Posture I", 61.

³¹ Fisher, "How America's Friends are Building China's Military Power"

³² *ibid.*

³³ Department of Defense, *Future Military Capabilities and Strategy of the People's Republic of China*.

³⁴ Fisher, "The Accelerating Modernization of China's Military," 240.

Notes

³⁵ Department of Defense, *Future Military Capabilities and Strategy of the People's Republic of China*

³⁶ John Culver, "Defense Policy and Posture II," in *Strategic Trends in China* (Washington, D.C.: Institute for National Strategic Studies, 1998), 72.

³⁷ Department of Defense, *Future Military Capabilities and Strategy of the People's Republic of China*.

³⁸ Taylor, ed., *The Military Balance 1997/98*, 164.

³⁹ Binnendijk, Hans, and Montaperto, Ronald, N., eds. *Strategic Trends in China*, 22.

⁴⁰ Tom Woodrow, "Nuclear Issues," in *Strategic Trends in China* (Washington, D.C.: Institute for National Strategic Studies, 1998), 86.

⁴¹ Xiao Xin, "1997-14(J) 15th National Congress of Communist Party of China," Undated, n.p.; on-line, Internet 22 September 1998, available from <http://power.beijing.cn.net/bikese>.

⁴² Sidney Bearman, ed., *Strategic Survey 1997/98*, (London: Oxford University Press, 1998), 177.

⁴³ "Reform Entering Crucial Stage." *China Daily*, 12 March 1999.

⁴⁴ Arthur Waldron, "Chinese Tremors," *National Review*, 25 January 1999.

⁴⁵ "Overview: Economy/Trade," *Washingtonpost.com: China Special Report*, January 1999, n.p.; on-line, Internet, 22 March 1999, available from <http://www.washingtonpost.com/wp-srv/inatl/longterm/china/overview/economy.htm>.

Chapter 4

What Will China Do in the Near Term?

At the end of the 20th Century, China has once again become a world power in its own right. It need not play second fiddle to anyone. The next generation coming to power in China is prepared to say no and won't hesitate to do so when it is in our interests.

—Zhang Xiabo and Song Qiang, Editors of *China Can Say No*¹

Three lessons from late 20th Century history will guide China's policy as it strives against odds to become the dominant force in East Asia. China, as the last major Communist power, will draw two of these lessons from the demise of the Soviet Union. First, it has learned that the building of a great military structure has little utility if it is not underpinned with a strong economy that guarantees stability. Second, China learned the dangers of "opening up" society too quickly. As a result, there will be little progress towards democratic and human rights reforms within China. The third lesson will be drawn from the performance of the US military in DESERT STORM and the so-called Revolution in Military Affairs (RMA). China's military will be downsized, modernized, and tailored for asymmetric warfare against the capabilities of the US and other Western nations that China can't hope to match militarily in the short term. The question of China's future policies will be answered in five key areas: economic growth, the Asian Financial Crisis, the "opening" of Chinese society, military modernization, and diplomatic initiatives to reduce American influence in East Asia.

In the near term, China's continued economic growth will be the central focus of their policy. Paradoxically, China is free to pursue this path because American military presence has ensured relative stability within East Asia. China's leadership, therefore, can proceed on a relatively slow path to military modernization. China's leaders must make economic development the focus of their policy because they have staked the entire legitimacy of the regime on it. The Communist ideology of the CCP is bankrupt. China's leaders, much like other East Asian leaders (prior to the Asian Economic Crisis), have chosen to identify their legitimacy through their ability to "deliver" economic growth and an improved standard of living. This is an area where China's leaders can't afford to fail. They have committed their futures based upon following Deng Xiaoping's path to an ever more open market economy. This effort will no doubt be aided through the acquisition of Hong Kong (along with its vibrant economy and tremendous monetary reserves) and Macao in 1999. Although generally expressed in nationalistic terms, Chinese hopes to bring Taiwan under mainland control are certainly influenced by the desire to gain unhampered access and control over Taiwan's considerable economic resources.

As vital as economic growth is to the survival of China's regime, the Asian economic crisis certainly provided China's leaders with a "wake up" call. Economies that once seemed on an inexorable path to greater success are now shattered. This crisis is especially worrying for Asian governments that tied their legitimacy to continued economic success and little else.² Indications from the 15th Party Congress shows that China's leaders have recognized that their economy is not invulnerable to the kind of chaos found elsewhere in Asia. Jiang Zemin and Prime Minister Zhu Rongji have taken

stands against the widespread corruption found in the Chinese economy.³ They have ordered the military and the Communist Party to divest themselves of their business interests.⁴ In addition, they are taking belated steps to reform their bankrupt banking system. Privatization of the SOEs will proceed at a pace carefully balanced against the regime's overriding concern with stability. This privatization process has already slowed. Renee Schoof, an Associated Press writer, reports that "Reform has slowed on many fronts. The government put the brakes on sales of state firms to private buyers, fearing an uncontrolled drain on public assets."⁵ Now that China's central policy focus on economic growth is outlined, it is necessary to discuss a related and equally important element of China's policy – destroying the Asian economic crisis before it infects the Chinese economy.

China's policy towards the Asian economic crisis is two fold. First and foremost, China wants to take whatever steps are necessary to insulate China's economy from the crisis. As already discussed, political stability within China depends on continued growth. The Asian economic crisis is a cancer that must be removed. Second, China wants to assume a leadership role in solving the crisis. This leadership role would be an important step towards China being recognized as a regional leader and eventual hegemon. China has already shown a willingness to take a leadership role in solving the Asian economic crisis by not devaluing the yuan and proclaiming it will not do so as its contribution to regional security.⁶ In its National Security Strategy, the US government even recognized China's leadership role in the crisis by observing that, "China has been a helpful partner in international efforts to stabilize the Asian financial crisis."⁷

China's policy toward the opening of its society is of crucial importance. The experience of the former Soviet Union is a foremost consideration in determining this policy. Having engineered their own brand of "perestroika," that has been tremendously successful, China is much less interested in attempting a Chinese "glasnost" with all its attendant dangers to central control. Chinese leaders see glasnost as the most important element in the failure of the Soviet Union. Opening of Chinese society, with its long history of autocratic central control by the CCP, to debate and criticism from within the society threatens the continued existence of the CCP. The vast inequities between rich and poor within the supposed "Communist" society would be exposed. Widespread corruption would come under scrutiny. The legitimacy of a regime that no longer practices the Communist ideology it continues to preach would be threatened to the bone. For all these reasons, China's leaders will resist to the utmost of their ability any significant opening of their society as if the CCP's life depends on it. American policymakers must realize that this is a survival issue for China's leaders as they attempt to "push" China towards human rights improvements and the adoption of a more open society. As a result, they must avoid "frontal assaults" against the Chinese leadership on this issue (i.e. MFN) because such assaults will generate tremendous Sino-American hostility and do little to solve the problem. On the other hand, the US should still peruse the goal of opening China at a level below that of direct national level confrontation. Despite the intense desire of China's leaders to keep their society closed, there is little to indicate that they will succeed in this attempt. In fact, to continue economic growth in an information based global economy, China's society will eventually have to open up or

face economic stagnation. Neither of these options portends well for the continued stability and viability of the CCP.

China's military modernization will continue at a steady, but relatively slow pace. Economic strength fuels China's military modernization and a too rapid growth in military power could threaten this economic strength. As Paul Kennedy observed in *The Rise and Fall of the Great Powers*, "It seems crudely mercantilist to express it this way, but wealth is usually needed to underpin military power, and military power is usually needed to acquire and protect wealth. If, however, too large a proportion of the state's resources is diverted from wealth creation and allocated instead to military purposes, then that is likely to lead to a weakening of national power over the long term."⁸ In China's case, the military plays a significant role in sustaining the autocratic regime. The military is a very influential force in Chinese politics and is a key factor in the continued preeminence of the CCP. At the Ninth National People's Congress in March 1999, Jiang Zemin reminded a PLA delegation that "Upholding the Party's absolute leadership over the army and preserving the nature of the people's army are fundamental issues to which we must always pay close attention and work hard to achieve."⁹ This relationship between the political and military leadership, plus the nationalistic urges for regional hegemony, will combine to ensure that China's military will continue to grow and modernize even though there is no external threat causing this to happen. Because of economic constraints on military growth, China's military growth will continue to emphasize those elements of the RMA that offer asymmetric challenges to American military power at minimum investment. Modernization will emphasize power projection capabilities that will enable China to dominate the Taiwan Strait. This will include an

improved blue water navy (including an improved amphibious capability), modernization of tactical aircraft (including the addition of aerial refueling and AWACS capability), and the creation of small but highly capable army units capable of being deployed rapidly by air or sea. That these efforts currently appear modest is less a product of Chinese rejection of hegemony as a goal, but rather indicates the predominance of economic growth in Chinese policy.

The final aspect of future Chinese policy to scrutinize is the course of diplomatic policy. For China, diplomatic policy will be the reflection of efforts to sustain stable internal affairs and will therefore be complex, contradictory, and opportunistic. Diplomacy will actually be the key tool in working towards hegemony in East Asia. While constantly declaring (falsely) its own benign objectives in East Asia, China will work constantly (but slowly) to erode support for continued US presence and influence in the region. This effort will continue slowly because continued US military presence is still in the best short term interests of China. It allows China's economy to grow in a stable environment with no threat to its lines of communication or trade. As Chinese economic and military power grows, China's leadership will increasingly flaunt Chinese culture and values in contrast to Western "greed and cultural decadence." Chinese cultural ties throughout East Asia will be emphasized along with China's "peaceful" approach to resolving regional issues. The underlying assumption of Chinese diplomacy into the 21st Century is that America will eventually "tire" of its commitments in East Asia and withdraw into neo-isolationism, leaving China as the default East Asian regional hegemon. While East Asia is becoming increasingly vital to the US economy, a historical analysis of American isolationism gives some credence to this strategy. All

these elements of Chinese diplomatic policy are logical and consistent with China's desire for regional hegemony, despite its rather limited ability to achieve such influence. This creates points of conflict and potential danger between Chinese policy and the interests and policies of both the United States and the other states of East Asia. The next chapter will discuss these potential flashpoints in detail.

Notes

¹ Zhang Xiabo and Song Qiang, "China Can Say No To America," *New Perspectives Quarterly*, Volume 13 Issue 4, Fall 1996, 55.

² Paul Dibb, David D. Hale, and Peter Prince, "The Strategic Implications of Asia's Economic Crisis." *Survival* Volume 40 No.2 (Summer 1998), 6.

³ "The Song of Jiang Zemin." *The Economist*, 8 August 1998, 1.

⁴ Michael Laris, "China's Communist Party Orders Itself to Get Out of Business," *Washington Post*, 30 November 1998, n.p.; on-line, Internet, 30 November 1998, available from <http://www.search.washingtonpost.com/wp-srv/Wplate/1998-11/30/0431-113098-idx.html>.

⁵ Renee Schoof, "Chinese Lawmakers Reexamine Reform," *Associated Press*, 1 March 1999, n.p.; on-line, Internet, 1 March 1999, available from <http://www.search.washingtonpost.com/wp-srv/WAPO/19990301/v000250-030199-idx.html>.

⁶ Dibb, Hale, and Prince, "The Strategic Implications of Asia's Economic Crisis," 19.

⁷ William J. Clinton, *A National Security Strategy for a New Century*, The White House, October 1998, 46.

⁸ Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987), xvi.

⁹ "Army Urged to Improve Quality." *China Daily*, 13 March 1998.

Chapter 5

Where Are the Danger Spots?

If the US interferes with the unity of China, that is a hostile act. It will respond, and damn the consequences.

Lee Kuan Yew¹

This chapter will discuss the six key “danger spots” where Chinese and US policy could come into direct conflict: the Asian economic crisis, Taiwan, Korea, the South China Sea, China’s need for resources, and the environment.

The Asian economic crisis is certainly a danger spot. As previously discussed, the legitimacy and survival of the CCP’s leadership depends on continued economic growth. Should the Asian economic crisis spread to China, even to a limited degree, the dangers are obvious. The most obvious danger is internal chaos and possible regime collapse that could further exacerbate regional instability. A less obvious danger is that the CCP’s leadership, faced by declining growth and increasing internal instability will use nationalism and anti-American xenophobia to “blame” the economic downturn on greedy American capitalists and away from themselves. As Denny Roy points out, “Seeking confrontation with foreigners is a time-honored tactic of governments hoping to persuade their discontented citizens to accept hardship or rally in support of the regime.”² China’s current benign policy toward Hong Kong could turn predatory. The military might take advantage of such instability to exert even greater influence on China’s policy. In any

case, any significant reduction in China's economic growth rate is a dangerous metric not only for China but for the region. If the policy of China does take a turn towards nationalism, the obvious target is the next danger spot to discuss – Taiwan.

The 1996 incident in the Taiwan Strait indicates the degree to which the policies of the US and China can come into conflict. America insists that any change in Taiwan's status should be resolved peacefully.³ This policy is codified in US law by the Taiwan Relations Act of 1979. China forcefully argues that Taiwan is an internal matter and therefore no business of the United States. It does not rule out the use of force to achieve reunification.⁴ The 1996 incident indicated both the willingness of the US to use its military to protect Taiwan and China's inability to project power onto Taiwan in the face of US and Taiwanese military power. More importantly, it indicated China's willingness to engage in a risky and dangerous military adventure to assert its continued claim of sovereignty over Taiwan.

A reasoned approach to the relations between the PRC and Taiwan argues that the best outcome for both parties is to continue the status quo. For all practical purposes, Taiwan is already an independent state, although economically integrated with the mainland. Taiwan has only a limited history of control by the mainland.⁵ China has little to lose through negotiation of Taiwan's independence except the chance to fulfill nationalistic desires to complete the 1949 revolution and the potential to gain Taiwanese military bases to control East Asian commerce. China has demonstrated that it will recklessly risk direct military confrontation with the US to gain these limited benefits.

The US and China seemed to have achieved a new level of cooperation and understanding over Taiwan following President Clinton's 1998 visit to China. This

dialogue took a major turn for the worse in early 1999, when the US began to openly discuss providing Taiwan with a Theater Missile Defense (TMD) shield. During a meeting between US and Chinese officials that I participated in during a March 1999 visit to Beijing, the Chinese officials stated that providing TMD to Taiwan is “equal to invasion” and warned us that “we will not allow this to happen.” Clearly, Taiwan will remain a danger spot for the foreseeable future. The next potential danger spot to discuss is equally dangerous: the Korean peninsula.

Korea has enjoyed an unstable period of peace since the end of the Korean War in 1953. Huge armies have faced each other over the DMZ for generations. To a large extent, the danger of renewed war on the Korean peninsula was held in check by the interests of the Soviet Union and United States in restraining conflict. Under this uncertain peace, South Korea has prospered, while North Korean development (albeit substantial) did not keep pace. The collapse of the Soviet Union, lack of support from China, and maintenance of a Stalinistic closed economy have destroyed the chances for North Korean economic development. This has led North Korea to the verge of collapse and chaos.

Today the danger on the peninsula is of either a “last gasp” North Korean military “explosion” or (as appears more likely) an “implosion” of the North Korean government and society. Either of these scenarios poses dangers for Sino-US relations. In the case of a North Korean explosion, the US military *will* be involved due to its large commitment of forces on the peninsula. It’s also certain that any response to an explosion will probably not be satisfied by a return to the status quo. This will raise again the question of Chinese response to US and South Korean troops moving north of the 38th parallel.

This issue will also be paramount in the case of a North Korean implosion. In the event of a North Korean implosion, needed humanitarian and economic assistance can only come from the US and South Korea. Once again, China will be confronted by new and potentially hostile force on their border.

The longer term question is how the East Asian balance will be redefined after Korean reunification. Will a reunified Korea continue to welcome the US military presence that contributes directly to regional stability? How will China and the US react to a reunified Korea that combines the power of the current North and South Korean militaries, with the capability to produce and employ both nuclear weapons and long range missiles? The answers are problematic, but the potential for dangerous Sino-US conflict is apparent.

The launch of a North Korean Taepodong missile over Japan in August 1998 shattered the region's sense of security. It forced the US to consider the deployment of a Theater Missile Defense "umbrella" to East Asia that has enraged China (especially if this umbrella covers Taiwan). Korea is sure to be a source of East Asian instability and potential Sino-US conflict until the peninsula is finally reunified. The next danger spot is further from China's borders, but represents a key test of China's expansionist goals – the South China Sea.

Awareness of China's interest in the South China Sea was awakened by its seizure of several of the Parcel Islands from Vietnam in 1974.⁶ Analysts who contend that China has hegemonic goals are quick to point out that China claims nearly the entire South China Sea as their territory – a quick review of a Chinese map of this area is very instructional. The current focus of attention for potential Chinese expansion is the

potentially resource-rich Spratly Islands. China, Vietnam, Malaysia, Brunei, Taiwan and the Philippines variously claim these islands.⁷ Official United States policy is to not take a position on the merits of these claims, but to insist on freedom of navigation in the area.⁸ In 1994, China constructed an early-warning installation on Firey Cross Reef in the Spratlys.⁹ China's military occupation of Mischief Reef in 1995 (that is within the Philippine's claimed 200 mile territorial zone), once again highlighted China's interest in the area. China built concrete structures on stilts, satellite dishes, anti-aircraft artillery, and an anchorage used by Chinese frigates.¹⁰ These islands in the South China Sea have no utility for habitation or agricultural development. China's demonstrated interest in these islands serves only two likely purposes: to extend regional influence and to secure needed resources. Occupation of the Spratly's extends China's influence because these islands are located near the world's busiest sea lanes and because it demonstrates to the world (especially Taiwan) China's ability and willingness to project military power. Any further extension of credible Chinese military power into the South China Sea will inevitably bring Chinese and American policies into direct conflict and increase the danger of instability. At present, US naval dominance in the South China Sea blocks any realistic expectation of Chinese success (as in the Taiwan Strait). Similar to the Taiwan Strait, China may overlook the "logic" of American military power if the Spratly Islands are proven to contain the resources some believe they contain. The danger in the South China Sea, therefore, is exacerbated by the search for resources, the next danger spot to discuss.

China's incredible economic expansion has been fueled so far by substantial Chinese supplies of domestic resources needed for industrialization. China has historically been

self sufficient in resources. As China's need for resources (particularly oil and other energy sources) increases, the inability to sustain this growth with domestic resources becomes clear. About 75 percent of China's energy consumption comes from the burning of domestic coal with a high sulfur content that is destroying China's environment.¹¹ As Nicholas Kristof observed in 1993, "If, within a few decades, each Chinese uses as much energy as every South Korean does now, then China will use more energy than the United States."¹² Why should China's increasing need for resources be dangerous? As Denny Roy observed, "The combination of a growing population, demands for higher living standards, loss of arable land, and depletion of other Chinese resources, compels Beijing to seek other sources of food and energy."¹³ This drive for the resources needed to sustain the economy and sustain the regime may inflame the forces striving for hegemony. Denny Roy further observes, "As China's relative power increases, Beijing might attempt to control additional land and sea areas beyond China's historical boundaries (even as defined by the Chinese) because of their economic value. Controlling vital supplies rather than buying them has the advantage of reducing exploitation by foreigners, a danger to which the Chinese leadership is highly sensitive."¹⁴ It is arguable whether China would resort to territorial expansion in order to sustain its economy. What is inarguable is that China's growth is based upon cheap labor and resources. As domestic resources decline, China will need to get additional *cheap* resources from elsewhere. They will have to meet this challenge in the face of rising expectations from Chinese society for an increased standard of living that the regime will not be able to deliver. This competition for resources can develop along dangerous paths.

Closely intertwined with the exhaustion of China's natural resources is the final danger area to discuss: the environment.

China's environmental devastation is the price of current Chinese economic growth. As David Lampton observed, "The human and economic costs of air and water pollution in China are staggering."¹⁵ The impact of Chinese economic expansion at the expense of environmental destruction is dangerous in two ways. First, it threatens China's internal stability by bringing into question the long term viability of Chinese economic growth and raising the prospect of internal discontent. David Lampton further observed that more than three quarters of China's real GDP growth has been offset by the costs incurred from air and water pollution.¹⁶ Second, Chinese environmental devastation is dangerous because of its external impact throughout the region. China's immense pollution has a regional (and potentially global) impact due to the effects of acid rain and carbon dioxide emissions.¹⁷ East Asian neighbors and the US will view China's environmental banditry with extreme disdain. This can lead to potentially dangerous regional conflict and instability.

Now that the key danger areas in Sino-US relations are outlined, what's the proper US policy to deal with unpredictable Chinese behavior? The task of prescribing future policy is obviously more difficult than analyzing past and current events. Despite the challenges involved, especially the uncertainty of future events, the next chapter will present some general normative guidelines for future US East Asian policy.

Notes

¹ Lee Kuan Yew, "America is No Longer Asia's Model," *New Perspectives Quarterly*, Winter 1996, 6.

² Roy, "The Foreign Policy of Great Power China", 128-129.

Notes

³ Hans Binnendijk, ed., *Strategic Assessment 1998* (Washington, D.C.: National Defense University, 1998), 46.

⁴ Information Office of the State Council of the Peoples Republic of China. *China's National Defense*.

⁵ Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (New York: Alfred Knopf, 1997), 157.

⁶ Bernstein and Munro, *The Coming Conflict with China*, 78.

⁷ Kristof, "The Rise of China", 67.

⁸ Scott Snyder, "Taiwan and the South China Sea" in *Strategic Trends in China*, Edited by Hans Binnendijk and Ronald N. Montapero (Washington, D.C.: Institute for National Strategic Studies, 1998), 97.

⁹ Bernstein and Munro, *The Coming Conflict with China*, 74.

¹⁰ Arthur Waldron, "Deterring China," *Commentary*, Volume 100 Number Four, October 1995, 19.

¹¹ Kenneth Lieberthal, *Governing China* (New York: WW Norton & Company, Inc., 1995), 280.

¹² Kristof, "The Rise of China", 64.

¹³ Roy, "The Foreign Policy of Great Power China", 128.

¹⁴ *ibid.*

¹⁵ Lampton, "China: Think Again", 26.

¹⁶ *ibid.*, 25.

¹⁷ Kristof, "The Rise of China", 65.

Chapter 6

How Should US Policy Cope With An Enigmatic China?

Our policy toward China is both principled and pragmatic: expanding our areas of cooperation while dealing forthrightly with our differences. Seeking to isolate China is clearly unworkable. Even our friends and allies around the world would not support us; we would succeed only in isolating ourselves and our own policy. More importantly, choosing isolation over engagement would not make the world safer. It would make it more dangerous.

—National Security Strategy of the United States, 1998¹

Policymaking is an iterative, non-linear process. In most cases, any reaction is based upon the last action within the system. As such, it's impossible to predict with any specificity, every situation that may arise which will determine American policy. What is possible, however, is to develop general policy norms based upon history and the probable future course of events. Key US general policy guidelines toward China will be discussed in three key areas: Sino-US diplomacy, US East Asian military presence, and Sino-US trade relations. The guidelines for these three policy areas are all relevant, in varying degrees, to the danger spots discussed in the previous chapter, although none is a panacea by itself.

Engagement is the key element of Sino-US policy. US efforts at “engagement” continue to vacillate between coddling and confrontation. The US must engage China firmly as a fellow great power, not confront it on issues that lead only to conflict without producing results. As Robert Ross asserts, “Engagement must mean more than simply

offering China the opportunity to follow the rules. It requires acknowledging Chinese interests and negotiating solutions that accommodate both American and Chinese objectives.”² The US should make its vital national interest unambiguously clear to China and defend these interests with all its elements of national power. Failure to do so may have contributed to China’s 1996 adventurism in the Taiwan Strait. What US policy must avoid is the use of threats of sanctions that it can’t back up with credible action. For example, continual threats to deny China Most Favored Nation (MFN) trading status if human rights improvements are not made has only produced humiliation for the US with no improvement in human rights. It is not that the goal of making human rights progress is wrong – this goal is proper and should be pursued through other less confrontational means. The error is to threaten sanctions that are not credible. This forces the US to repeatedly back down from sanctions and look inept and weak in the process. Instead, China should be continually engaged in a positive, yet firm manner at all levels of interaction.

The goal of US diplomacy with China should be consistency of policy across the spectrum of engagement. The US must clearly articulate its policy and stand by the policy with consistent action. For instance, US policy on Taiwan is clearly stated in law by the Taiwan Relations Act. The US response to the 1996 crisis in the Taiwan Strait was consistent with that policy. In contrast, when President Clinton became the first US President to publicly reject Taiwan’s independence, during his 1998 visit to China, it seemed to reflect acceptance of Beijing’s position on Taiwan. This didn’t appear to be consistent with the long standing US commitment to the peaceful transition of Taiwan. In early 1999, when open discussion began of possibly including Taiwan under a US

TMD umbrella, it seemed to indicate another policy shift towards renewed support for Taiwan. Whether intentioned or not, apparent policy shifts such as this are confusing and could lead to serious miscalculations of US intent and resolve. The US position on Taiwan should remain committed to the three Sino-US joint communiqués and the Taiwan Relations Act unless the US government makes a clear decision to change its policy on Taiwan and alter the law that directs that policy. Any other path could be dangerous.

Through continued engagement from a position of power, China can be encouraged to become part of a stable East Asian system. At the same time, the US must continue its policy of engagement with the other states of East Asia besides China. US policy should avoid the trap of becoming too Sino-centric and alienating other key regional states in the process. By engaging on a regional basis, the US strengthens its claim as both a Pacific nation and a full partner in the East Asian system.

The key to long term stability in East Asia is a continued policy of US military presence in East Asia. Policy must be developed, therefore, to cope with the changing East Asian environment. As this paper has continually stressed, the abdication of US presence in East Asia would create a vacuum that only China has the power and desire to fill. As Robert Ross clearly expresses, “U.S. strategic retrenchment would do far more to alter the Sino-American bilateral balance of power and the regional balance of power than any combination of Chinese military and economic policies.”³ Japan and other East Asian states would have to rearm in the face of Chinese hegemony. The Japanese-US military alliance is critical to containing Chinese designs for hegemony. Japan and the US must work together to cooperate on trade and financial issues, not only to create a

stable trading relationship, but to create continued support for US military forces in Japan. The US should not encourage Japan to expand its military influence outside of its own self defense region. East Asia is still not ready for an expanded Japanese military presence. US policymakers must also plan ahead for a reunified Korea and the prospects for continued US military presence on the peninsula. Can and should the US presence on the Korean peninsula continue after reunification? If US forces must leave Korea, can they be redeployed to another location in East Asia? These options should be studied now and decisions must be made considering the vital importance of the continued US military presence in East Asia.

Finally, US trade policy with China must be firm and fair. It must avoid the pitfalls that caused the Japanese-American trade relationship to degenerate into a near trade war in the early 1990s. Unfortunately Sino-US trade relationships already bear similarities to the Japanese model. American entrepreneurs, blinded by the prospect of China's virtually unlimited markets, have showed little restraint in investment in China. China's ready availability of cheap labor has flooded the US market with cheap goods with little penetration of the Chinese markets. The Sino-US trade imbalance threatens to exceed the trade imbalance with Japan.⁴

The US should work to facilitate China's entry into the World Trade Organization (WTO). On the other hand, the US should not accommodate China's wishes to enter as a "developing" country. China should not be allowed to use the WTO as a shield to protect it from sanctions, while at the same time it refuses to open its economy to imports.

US trade policy must do more than just encourage trade with China. It must control US direct investment in China and technology transfers. Direct investment must be controlled to ensure that US East Asian security policy does not become a hostage to our Chinese investments. The US already seems to be more susceptible to economic sanctions than China.

Technology transfer is critical to control in both the civil and military sectors. The US can't afford to transfer technologies developed after years of basic research to a potentially hostile power. Failure to control technology transfer may allow the Chinese to quickly close the technological gap without paying their share of the cost. Once again, policy should aim at achieving vital national interests, not confrontation.

Notes

¹ William J. Clinton, *A National Security Strategy for a New Century*, 43.

² Robert S. Ross, "Beijing as a Conservative Power," *Foreign Affairs*, Volume 76 No. 2, March/April 1997, 43.

³ *ibid.*, 44.

⁴ Bernstein and Munro, *The Coming Conflict with China*, 8.

Chapter 7

Conclusions

Because the facts of international politics are subject to continuous change, world affairs have surprises in store for whoever tries to read the future from his knowledge of the past and from the signs of the present.

Hans J. Morgenthau
*Politics Among Nations*¹

Although China's culture is one of the most ancient in the world, China is a true adolescent as a global actor. This paper shows that China is driven by culture, history, and new-found nationalism to become East Asia's hegemon. This paper also shows that China lacks the power now or in the near future, to become East Asia's hegemon in the face of US military power and presence in East Asia. The only hope for China to become the regional hegemon in the near future, is to coerce the US to withdraw militarily from the region.

The future for China is uncertain. Straight line projections based upon China's current economic growth show the potential for extraordinary shifts in the global balance of power in China's favor. In reality, these straight line projections are overly optimistic. China's economic growth has already started to slow and will probably stagnate further. China is still a poor country that faces tremendous challenges just to feed its enormous population. Any slowing of Chinese economic growth will cause further social and political turmoil. China's potential for growth is finite – there aren't enough resources in

the world for China's huge population to achieve the standard of living enjoyed by the US, Japan, or Western Europe. In the long term (50+ years) China will be a power to contend with. Somewhere along this path, the Chinese Communist form of government will collapse due to its own internal contradictions. No form of government can survive in the long term that supports economic practices directly contradictory to its ideology. The challenge of policy in the short term is to set the conditions that help China transition peacefully from Communism to whatever new form of government they choose. No matter what kind of state China emerges as in the long term, it's most important that it recognizes the US as a firm, consistent, and fair partner in the East Asian system.

Notes

¹ Hans J. Morgenthau, *Politics Among Nations* (New York: Alfred A. Knopf, 1948), 19.

Bibliography

- Aron, Raymond. *Peace and War*. Garden City, New York: Doubleday, 1966.
- “Army Urged to Improve Quality.” *China Daily*, 13 March 1998.
- Bearman, Sidney, ed. *Strategic Survey 1997/98*. London: Oxford University Press, 1998.
- Bernstein, Richard and Munro, Ross H. “The Coming Conflict with America.” *Foreign Affairs* Volume 76 No.2 (March/April 1997), 18-32.
- Bernstein, Richard and Munro, Ross H. *The Coming Conflict with China*. New York: Alfred Knopf, 1997.
- Binnendijk, Hans, ed. *Strategic Assessment 1998*. Washington, D.C.: National Defense University, 1998.
- Binnendijk, Hans, and Montaperto, Ronald, N., eds. *Strategic Trends in China*. Washington, D.C.: Institute for National Strategic Studies, 1998.
- Central Intelligence Agency, *Factbook*. n.p. On-line. Internet 30 November 1998. Available from <http://www.odci.gov/cia/publications/factbook/ch.html>.
- “China Names Economic Guru Zhu Rongji Premier.” *CNN Interactive*, 16 March 1998, n.p. On-line. Internet, 3 October 1998. Available from <http://europe.cnn.com/WORLD/9803/16/china.politics.ap/index.html>.
- “China’s ‘Boss’ Being Promoted to Premier.” *CNN Interactive*, 9 March 1998, n.p. On-Line. Internet, 3 October 1998. Available from <http://europe.cnn.com/WORLD/9803/09/china.rongji/index.html>.
- “China Tries to Save Investment Firm.” *Washington Post*, 19 March 1999, n.p. On-Line, Internet, 22 March 1999. Available from <http://www.washingtonpost.com/wp-srv/inatl/longterm/china/china.htm>.
- Clinton, William J. *A National Security Strategy for a New Century*. The White House, October 1998.
- Culver, John. “Defense Policy and Posture II” in *Strategic Trends in China*. Edited by Hans Binnendijk and Ronald N. Montapero. Washington, D.C.: Institute for National Strategic Studies, 1998, 69-74.
- Department of Defense, *Future Military Capabilities of the Peoples Republic of China*, September 1998, n.p. On-Line. Internet, 3 February 1999. Available from <http://www.heritage.org/library/categories/natsec/bg1146/bg1146.html>.
- Dibb, Paul, Hale David D, and Prince, Peter. “The Strategic Implications of Asia’s Economic Crisis.” *Survival* Volume 40 No.2 (Summer 1998), 5-26.
- Dreyer, June Teufel. “China’s Strategic View: The Role of the People’s Liberation Army,” 25 April 1996, n.p. On-Line. Internet, 3 February 1999. Available from <http://carlisle-www.army.mil/usassi/ssipubs/pubs96/chnpla.txt>.
- Eckholm, Erik. “China Reports 7.8% Growth, Close to Goal Set for ’98.” *New York Times*, 31 December 1998.

- Fairbank, John K. "China's Foreign Policy in Historical Perspective." *Foreign Affairs* (April 1969), 449-463.
- Fewsmith, Joseph. "Jiang Zemin Takes Command." *Current History* (September 1998), 250-256.
- Fisher, Richard D. Jr. "The Accelerating Modernization of China's Military," in Kim R. Holmes and James J. Przystup, eds. *Between Diplomacy and Deterrence: Strategies for U.S. Relations with China*. Washington, D.C.: Heritage Foundation, 1997, 97-140.
- Fisher, Richard. "Defense Policy and Posture I" in *Strategic Trends in China*. Edited by Hans Binnendijk and Ronald N. Montapero. Washington, D.C.: Institute for National Strategic Studies, 1998, 59-65.
- Fisher, Richard. "How America's Friends are Building China's Military Power," 5 November 1997, n.p. On-Line. Internet, 3 February 1999. Available from <http://www.heritage.org/library/categories/natsec/bg1146.bg1146.html>.
- Forney, Matt, "China's Economy Grew 7.8% in 1998, May Slow in 1999." *Wall Street Journal*, 30 December 1998.
- Funabashi, Yoichi, "The Asianization of Asia." *Foreign Affairs*. Volume 72 No.5 (November/December 1993), 75-85.
- Grinter, Lawrence E. "China No Threat While Modernizing." *Montgomery Advertiser*, 4 July 1998.
- Grinter, Lawrence E. "China's Reforms Work, But Unevenly Distributed." *Montgomery Advertiser*, 14 April 1996.
- Grinter, Lawrence E. "Cultural and Historical Influences on Conflict in Sinic Asia: China, Japan, and Vietnam." in *Conflict, Culture and History: Regional Dimensions*. Maxwell AFB, AL: Air University Press, 1993, 117-148.
- Halloren, Richard. "Admiral Sees Storm Clouds Over China." *Washington Times*, 19 February 1999.
- Huntington, Samuel P. *The Clash of Civilizations and the Remaking of World Order*. New York: Simon & Schuster, 1997.
- Information Office of the State Council of the Peoples Republic of China. *China's National Defense*, July 1998, n.p. On-line. Internet, 2 September 1998. Available from <http://www.china.org.cn/WhitePapers/NationalDefense.html>.
- Isachenkov, Vladimir. "Premier: China's Economy to Grow." *Associated Press*, 26 February 1999, n.p. On-Line. Internet, 1 March 1999. Available from <http://search.washingtonpost.com/wp-srv/WAPO/199990226/v000818-022699-idx.html>.
- Kennedy, Paul. *The Rise and Fall of the Great Powers*. New York: Random House, 1987.
- Klare, Michael T. "The Next Great Arms Race." *Foreign Affairs* Volume 72 No. 3 (Summer 1993), 136-152.
- Kristof, Nicholas D. "The Rise of China." *Foreign Affairs* Volume 72 No. 5 (November/December 1993), 59-74.
- Lampton, David M. "China: Think Again." *Foreign Policy* (Spring 1998), 13-27.
- Lardy, Nicholas. "China's Economic Prospects." in *Strategic Trends in China*. Edited by Hans Binnendijk and Ronald N. Montapero. Washington, D.C.: Institute for National Strategic Studies, 1998, 33-37.

- Laris, Michael. "China's Communist Party Orders Itself to Get Out of Business." *Washington Post*, 30 November 1998., n.p. On-Line. Internet, 30 November 1998. Available from <http://www.search.washingtonpost.com/wp-srv/Wplate/1998-11/30/0431-113098-idx.html>.
- Laris, Michael. "Chinese Say Bank Insolvent." *Washington Post*, 12 January 1999, n.p. On-Line. Internet, 22 March 1999. Available from <http://www.washingtonpost.com/wp-srv/inatl/longterm/china/stories/insolve011299.htm>.
- Lee Kuan Yew. "America is No Longer Asia's Model." *New Perspectives Quarterly*, (Winter 1996), 4-8.
- Lieberthal, Kenneth. *Governing China*. New York: WW Norton & Company, Inc., 1995.
- McDonald, Joe. "China Banks Face \$100B in Bad Debt." *Associated Press*, 4 February 1999, n.p. On-Line. Internet, 6 February 1999. Available from <http://search.washingtonpost.com/wp-srv/WAPO/19990204/v000003-020499-idx.html>.
- Miller, Richard and Nathan, Sara. "China's Balancing Act." *USA Today*, 17 November 1998.
- Morgenthau, Hans J. *Politics Among Nations*. New York: Alfred A. Knopf, 1948.
- Naughton, Barry. "China's Economy: Buffeted from Within and Without." *Current History* (September 1998), 273-277.
- Overholt, William H. "The Politics of Economic Takeoff." *The Rise of China*. New York: WW Norton, 1993, 85-145.
- "Overview: Economy/Trade." *Washingtonpost.com: China Special Report*, January 1999, n.p. On-Line. Internet, 22 March 1999. Available from <http://www.washingtonpost.com/wp-srv/inatl/longterm/china/overview/economy.htm>.
- Pei, Minxin. "Is China Democratizing?" *Foreign Affairs* Volume 77 No. 1 (January/February 1998), 68-82.
- "Reform Entering Crucial Stage." *China Daily*, 12 March 1999.
- Ross, Robert S. "Beijing as a Conservative Power." *Foreign Affairs* Volume 76 No. 2 (March/April 1997), 33-44.
- Roy, Denny. "The Foreign Policy of Great Power China." *Contemporary Southeast Asia* Volume 19, Number 2 (September 1997), 121-135.
- Schoof, Renee, "Chinese Lawmakers Reexamine Reform." *Associated Press*, 1 March 1999, n.p. On-Line. Internet, 1 March 1999. Available from <http://www.search.washingtonpost.com/wp-srv/WAPO/19990301/v000250-030199-idx.html>.
- Shambaugh, David. "Chinese Hegemony Over East Asia by 2015?" *Korean Journal of Defense Analysis* Volume IX No.1 (June 1997), 7-28.
- Sharma, Shalendra D. "Asia's Economic Crisis and the IMF." *Survival* Volume 40 No.2 (Summer 1998), 27-52.
- Snyder, Scott. "Taiwan and the South China Sea." in *Strategic Trends in China*. Edited by Hans Binnendijk and Ronald N. Montapero. Washington, D.C.: Institute for National Strategic Studies, 1998, 95-100.
- Taylor, Colonel Terence, ed. *The Military Balance 1997/98*. London: International Institute for Strategic Studies, 1997.
- "The Song of Jiang Zemin." *The Economist*, 8 August 1998.

- Spaeth, Anthony. "Jiang Zemin." *Time* Volume 150 No.26 (December 29, 1997-January 5, 1998), n.p. On-Line. Internet, 22 September 1998. Available from http://cgi.pathfinder.com/time/magazine/1997/int/971229/man_of_the_year.others_w13.html.
- Tucker, Nancy Bernkopf. "A Precarious Balance: Clinton and China." *Current History* (September 1998), 243-249.
- US Department of State. *Background Notes: China, November 1996*, n.p. On-Line. Internet, 30 November 1998. Available from http://www.state.gov/www/background_notes/.
- Waldron, Arthur. "Chinese Tremors." *National Review*, 25 January 1999.
- Waldron, Arthur. "Deterring China." *Commentary* Volume 100 Number Four (October 1995), 17-21.
- Webster's New World Dictionary*, Third College Edition. New York: Simon & Schuster, Inc., 1988.
- Woodrow, Thomas. "Nuclear Issues," in *Strategic Trends in China*. Edited by Hans Binnendijk and Ronald N. Montapero. Washington, D.C.: Institute for National Strategic Studies, 1998, 86-90.
- Wortzel, Larry M. "China Pursues Traditional Great Power Status." *Orbis* Volume 38 NO. 2 (Spring 1994), 157-175.
- Xin, Xiao. "1997-14(J) 15th National Congress of Communist Party of China." Undated. On-line. Internet 22 September 1998. Available from <http://power.beijing.cn.net/bikese>.
- Xiabo, Zhang and Qiang, Song. "China Can Say No To America." *New Perspectives Quarterly* Volume 13 Issue 4 (Fall 1996), 55-56.