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## CHINA'S NEW RELATIONSHIPS WITH ITS NEIGHBORS

by

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## *Preface*

Many books and papers are written about the rise of China by specialists who have watched China a lot longer than this author has. I'm intrigued with the potential China's large population possesses, especially on its path from socialism, and will continue to watch with great interest as its economic, political, social and military systems evolve for long after this paper is written. I fully believe China will change albeit not at the pace or manner that the US desires. The Chinese Communist Party will be hard-pressed to maintain their position and an orderly social transition, but I feel it is inevitable that the wants and needs of 1,400,000,000 people will prevail.

When the project first began as a review of all of China's relationships it quickly began to overwhelm my research. I also needed to avoid focusing on the status and history of cross straits dialogue and non-proliferation issues for fear that this paper would become one of many on these security topics. Casimir Yost, the Director of the Institute for the Study of Diplomacy, was especially instrumental in helping me prioritize and focus this paper on a manageable subject.

*Abstract*

Project's significance: The Peoples Republic of China (PRC) has figured in the strategic calculus of the United States since the defeat of the Nationalist forces in 1949. As the PRC struggles with internal change it is reaching out to the region, and its success bears directly on US policy, force structure, and influence in the Asia Pacific.

This study examines the PRC's relationships focusing primarily on Northeast and Southeast Asia. The primary research method is an open source search covering the history of the PRC and its foreign policy tenets since Mao's death.

Findings and Conclusion: In the last couple of years, China's economic capabilities have multiplied, expanding its international interactions. As theory predicts, China is converting a portion of its economic gain into military improvements, but the security gains are modest and specifically focused on hampering any US cross-straits response. The PRC's pragmatic decision to accommodate US military power while focusing on a daunting array of domestic priorities is likely to restrain PRC defense improvements for the foreseeable future.

This study shows that China's economic influence has had limited effects on other realms of national power. The US has not lost influence as a result of Chinese actions; however, the prestige of the United States may have suffered as a result of its own doing. The US must tend to issues important to Asians or the region may just look for another option that China would be all too happy to accommodate.



## Chapter 1

### Introduction

*But we should not fear a strong and prosperous China—the surest way to make China an enemy is to treat it as one.*

—Lee H. Hamilton

China is working hard to change its image to the outside world. Once seen as the “sick man of Asia,” China’s economic explosion is providing the wherewithal for it to regain a leading role in the region. To be successful, China has come to the realization that it can not continually mope about the so-called “century of shame,” recounting its oppression by first the Western powers and culminating with Japanese colonial rule. To move forward, China has to look to the future.

China also has come to the realization that it is in its interest to work with the major global and regional powers—attempting to be solely a beacon for the third world stymies growth potential. As in sports, you don’t improve your game if you don’t play with the more proficient opponent. Although China’s international relations reprioritization is most visibly focused close to home, it is not limited to the Asia Pacific region as Sino-US relations hold the highest priority. Gone are the recriminations of the 1990s as trade and counterterrorism provide a balm of cooperation under which more contentious issues lie.

Good Sino-US relations, coupled with China’s outreach, are forcing fears of a militaristic China into the background. China’s borders are much more secure and, to a

great extent, more demilitarized than in years past. And although disagreements with its neighbors remain, except in the case of Taiwan and the Diaoyutai/Senkaku Islands, efforts are underway to address them.

China initiated the Shanghai Cooperation Organization with Russia and the former Soviet states to its west to reduce tensions and address cross-border concerns affecting China's restive Muslim population. This effort, the Enduring Entente with Pakistan and warmer Sino-Indian dialogue has improved relations with Central and South Asia, but it is Chinese efforts in Northeast and Southeast Asia and how those efforts may impact the United States on which this paper will focus.

Taiwan is the most contentious issue between the United States and China, and Chinese actions and statements concerning Taiwan reverberate throughout the Asia Pacific, but this subject is purposefully minimized in this study as the author felt it would detract from the other international relations issues that he wished to cover. Although clearly an unavoidable issue when discussing Asia Pacific dynamics, the author's desire to avoid it, perhaps at times, may cause the reader to think it invisible. Hopefully the light coverage included is enough that the reader can forgive the larger omission, as many other studies are available on the subject.

A critical assumption is that the United States wishes to remain a military and economic power in the Asia Pacific for the foreseeable future. In order to do so the US will need to work with its Asia Pacific allies and friends to ensure there is a common, shared view of the future. Additionally, the United States will need to work with China to find common ground, allowing for peaceful growth while accommodating the needs of both nations.

China remains a weak nation, but its economic growth offers it opportunities to solve its many deeply rooted problems over time. A key unknown is whether the Chinese Communist Party's dictum to permit economic reform before political reform will withstand the massive internal pressures. Its growing economy also affords it opportunities to reform and upgrade its military capabilities. In and of itself this is a natural occurrence, yet traditional Chinese opaqueness and its Taiwan policy statements cause concern in Washington and throughout the region, giving rise to a cottage industry of those predicting "the China threat." Charles Kupchan, in one of his brief forays outside US-European prognosticating, saliently offers:

At this point in China's development, it is impossible to predict how its intentions will evolve and whether its relationship with the United States will track the benign course of Anglo-American rapprochement or the malign trajectory of Anglo-German rivalry and war. Accordingly, the United States does not yet have enough information to decide whether it should make room for China's ambition or resolutely seek to block its path. For Washington to accommodate China in the same fashion that it should give way to the EU would be naïve; Beijing's intentions may well necessitate constraint. But to assume China is already an adversary requiring rigid containment would be equally unfounded—and likely would become a self-fulfilling prophecy. In the great debate over China's future that is now taking place, both the optimists and the pessimists are off the mark. It is simply too early to pronounce China either a strategic partner or an implacable enemy.<sup>1</sup>

China does pose a real threat toward Taiwan, obviously a threat that the US does not ignore and addresses through multiple courses of action. But there is real danger viewing Chinese realpolitik concerning Taiwan and the natural modernization of the People's Liberation Army, of making China the bogey-man of the Asia Pacific as noted in the epigraph above.

Likewise, although a certain amount of wariness is prudent, China's outreach in East Asia can similarly be viewed as sound economic practice, akin to the North American

Free Trade Association. Fears that China is using its economic might to undercut US influence in the region are unfounded. Might that change in the future? Yes, but it depends on multiple actors, primarily China and the United States.

Ken Lieberthal states that China will need to achieve “three security objectives over the next three decades. First, it must avoid a major war. Second, it must reach a peaceful resolution (even if in the form of a long-term *modus vivendi*) with Taiwan. And third, it must manage its relations with the United States in a way that allows it to avoid pouring funds into outsized defense budgets. These three are related, and failure in any one would arguably increase the chances of failure in one or both of the others. China’s present leaders are correct, in short, when they assert that the country must avoid major international conflict if it is to realize its fundamental economic and social objectives over the coming three decades.”<sup>2</sup>

The United States obviously plays a role in the above, but also must attend to its relationships in the Asia Pacific and address issues that Asians hold dear. The worst course of action for America is to treat Asia with low priority and force the region to seek a substitute. Someday, China may be able to fulfill that role.

### Notes

<sup>1</sup> Charles A. Kupchan, *The End of the American Era: US Foreign Policy and the Geopolitics of the Twenty-First Century*, New York: Random House, 2002, 275.

<sup>2</sup> Kenneth Lieberthal, “China in 2033: What will China Look Like in 30 Years?” *The China Business Review*, March-April 2003, 47.

## Chapter 2

### Baseline: The PRC in 1998

*Change your thoughts and you change your world.*

—Norman Vincent Peale

In order to discuss the dynamic changes the PRC has undergone in recent years it is important to establish a starting point. Ever since the violent repression of the student demonstrations in Tiananmen Square in 1989, the end of the Cold War and subsequent collapse of the Soviet Union in 1991, any date would suffice, but for the purposes of this paper the author chooses 1998, as it stands out as a turning point in the way China looked at itself and at the world.

As the Soviet Union broke apart, China worked diligently to shore up its periphery, signing tension reduction and border agreements with India in 1996 and with Russia, Tajikistan, Kazakhstan, and Kyrgyzstan in 1997.<sup>1</sup> Earlier in the 1990s, China “normalized diplomatic relations with the Republic of Korea, Mongolia, Singapore, and Indonesia—thus taking significant steps to stabilize its periphery and regional security,”<sup>2</sup> leading many to conclude, “China is stronger today and its borders are more secure than at any other time in the last 150 years.”<sup>3</sup>

Additionally, Hong Kong reverted to Chinese rule in 1997, leaving Macao (reverted in 1999) and Taiwan as the “lost” territorial pieces remaining to make China whole again<sup>4</sup>, potentially beginning to draw the “century of shame” to a close.

## **Alliances and Bilateral Relations**

This introspective period, during which China viewed the outside world through a lens of distrust, obviously colored all of its external relationships. Thus, China preferred one-on-one relations, where its major advantage was its size. China has twelve contiguous neighbors and numerous others in Northeast and Southeast Asia, but had not entangled itself in a web of commitments. In fact, “of all the neighboring countries, China has enjoyed alliances with only two, the Soviet Union and North Korea, as well as stable alignments with two others, Burma and Pakistan. Of these relationships the one with the Soviet Union turned to enmity, and now that China has established diplomatic relations with South Korea, the alliance with North Korea is fraught with tension.”<sup>5</sup>

The Agreement on Confidence Building in the Military Field along the Border Areas and the Agreement on Mutual Reduction of Military Forces in the Border Areas signed with Russia and the former Soviet Republics, mentioned above, are a notable exception to this bilateral tendency. China’s dealings up until 1998 were primarily bilateral, having “distinguished themselves by their lack of enthusiasm for multilateral security cooperation in the Asia-Pacific.”<sup>6</sup> Even though China did join multilateral security groupings before 1998, such as the ASEAN Regional Forum (ARF) and the Council for Security Co-operation in the Asia Pacific (CSCAP), it did so only warily, to avoid losing face and influence.<sup>7</sup> Denny Roy notes Beijing’s desire to deal bilaterally eliminates the possibility of multiple smaller states collectively ganging up on China in an anti-China alliance, as well as to avoid or at least control discussions on matters China considers internal matters—such as Taiwan or China’s military modernization.<sup>8</sup>

## **Relations with the United States**

In the aftermath of the Tiananmen massacre and the subsequent imposition of sanctions, Sino-US relations nose-dived to their lowest level since diplomatic relations began in 1979. Throughout much of the 1990s, both countries counterpunched each other repeatedly, most often on security issues, human rights, and trade.

Labeling them as examples of US hegemonic behavior and desires, China singled out US alliances and overseas bases in the Asia Pacific as Cold War relics, and called for the withdrawal of US forces. Another target of the vitriol was the US relationship with Taiwan, notably when President George Bush agreed to sell 150 F-16s to Taiwan in 1992<sup>9</sup> during his reelection campaign, and then much more vociferously when President Clinton bowed to Congressional pressure and granted Taiwan's President Lee Teng-hui permission to visit his Cornell class reunion in 1995.<sup>10</sup>

Following that exchange, the event that spawned great anxiety was the 1995-1996 Taiwan Straits Crisis, during which the People's Liberation Army conducted naval exercises and fired missiles within miles of the harbor entrances on either side of Taiwan to cow Taiwanese pro-independence campaigns prior to legislative and presidential elections.<sup>11</sup> In response, the United States sent two aircraft carrier battle groups as a show of force, causing the PLA to curtail the "tests," while tacitly confirming the PLA's long-held suspicions that the US would respond to PRC military action to reunify Taiwan with the mainland.<sup>12</sup>

As the decade progressed, the two powers grew punch-weary as the heated exchanges rarely produced results satisfactory to the other. Perhaps indicating a maturing relationship, both the US and the PRC realized that little benefit existed, maintaining public, heated disagreements. Together they set a course to normalize relations,

eventually exchanging Presidential visits, with Jiang Zemin to Washington in 1997, and in 1998, Bill Clinton to Beijing. These summits “represented the capstone of this normalization effort, in effect strongly legitimating the PRC leaders at home and abroad—a key Chinese goal after the Tiananmen incident. Once this was accomplished, Chinese leaders could turn to their daunting domestic agenda with more assurance that the key element of US-China relations was now on more stable ground.”<sup>13</sup>

### **Economics**

As mentioned above, preceding this turnaround in relations, trade was one of the major issues that dominated Sino-US discourse. In the 1990’s Chinese industry was growing by leaps and bounds, exacerbating the US trade deficit.<sup>14</sup> An annual Congressional vote was required under Jackson-Vanik legislation to relieve Chinese goods from tariff consideration, at that time also known as most-favored nation (MFN) status, providing an annual Congressional opportunity in these post-Tiananmen times to berate China on the pace of human rights reforms.

Margaret Pearson indicates a Sino-US trade agreement was a mandated prerequisite for China’s admission into the regulated free trade Global Agreement on Tariffs and Trade (GATT) membership<sup>15</sup> (also required were Sino-Japanese, Sino-EU, and Sino-WTO bilateral agreements). The GATT became the World Trade Organization in 1995, and China desired to be an inaugural member of the WTO, not only for the prestige of being among the first, but to play a role in establishing the rules of the WTO.

But China would have to wait. Human rights considerations and concerns about the sheer size of China’s economy shaped the US negotiating position and in turn, the GATT working group’s, to force China to open its economy and adhere to free trade practices on



a much faster timeline than China had thought should be accorded a “developing” country. As GATT became the WTO, trade was further liberalized—including heretofore exempt industries—making the terms for WTO entry even more rigorous and leading the Chinese to accuse the US of having “raised the bar.”<sup>16</sup>

During the thirteen years of negotiations, the events of Tiananmen and the Taiwan Straits crisis not only interrupted the proceedings, but added fuel for those seeking changes in China’s behavior, and in turn were used to exact additional concessions. Finally, the coming presidential summits of 1997 and 1998 increased the pressures on China to conclude a deal, speeding the negotiations. Although the Sino-US bilateral agreement did not go into force until 1999 and China did not gain accession to the WTO until 2001, 1998 was a watershed year when substantial progress was made.<sup>17</sup>

In China’s own backyard, nearly all the Asian economies went into a tailspin in 1997 due to over-speculation and structural inadequacies in their financial systems. “The Chinese economy was protected from immediate negative fallout from the [Asian Financial] crisis because its currency was not convertible, it [held] the world’s second largest reserve of foreign exchange, its large international debt mainly involve[d] long-term commitments, and the vast majority of investment in China comes from the 40 percent domestic savings rate.”<sup>18</sup>

Even though the PRC economic system had (and continues to have) weak foundations,<sup>19</sup> the crisis presented an opportunity to break from its traditionally insular behavior, gaining both regional and global prestige. “Marking the first time [China] had participated in a multilateral effort” of this nature, China saw an opening to take an active

role in the wake of Japanese and US inaction. “All told, China contributed more than \$4 billion to assist Thailand, Indonesia, and South Korea.”<sup>20</sup>

China’s effort during this crisis, combined with its approaching integration into the world of free trade, its actions to stabilize its periphery, and the normalization of Sino-US ties, set the stage for the emergence of a newly confident China.

### Notes

<sup>1</sup> David Shambaugh. *Modernizing China’s Military: Progress, Problems, and Prospects* (Berkeley and Los Angeles: University of California Press, 2002), 288-290.

<sup>2</sup> *Ibid.*, 291.

<sup>3</sup> Andrew J. Nathan. and Robert S. Ross. *The Great Wall and the Empty Fortress: China’s Search for Security*, (New York and London, W.W. Norton and Company 1997), 226.

<sup>4</sup> Tony Saich. *Governance and the Politics of China* (New York: Palgrave Publishers Ltd. 2001), 142, 283.

<sup>5</sup> Nathan and Ross, 10.

<sup>6</sup> Denny Roy. “Restructuring Foreign and Defense Policy: The People’s Republic of China” in *Asia Pacific in the New World Order*, edited by Anthony McGrew and Christopher Brook (London and New York: Routledge 1998), 148-149

<sup>7</sup> Thomas J. Christensen. “Chinese Realpolitik: Reading Beijing’s World-View,” *Foreign Affairs*, Vol. 75, No. 5, Sep/Oct 1996: 38.

<sup>8</sup> Roy, 148-149.

<sup>9</sup> Nathan and Ross, 73.

<sup>10</sup> *Ibid.*, 74.

<sup>11</sup> Nathan and Ross, 221.

<sup>12</sup> Shambaugh, 4.

<sup>13</sup> Robert G. Sutter. *Chinese Policy Priorities and Their Implications for the United States* (Lanham, Boulder, New York, Toronto and Oxford: Rowman and Littlefield Publishers, Inc, 2000), 57.

<sup>14</sup> Margaret M. Pearson. “The Case of China’s Accession to GATT/WTO” in *The Making of Chinese Foreign and Security Policy in the Era of Reform* ed. by David M. Lampton (Stanford: Stanford University Press 2001), 340.

<sup>15</sup> *Ibid.*, 337.

<sup>16</sup> *Ibid.*, 340-342.

<sup>17</sup> *Ibid.*, 343.

<sup>18</sup> Sutter, 6.

<sup>19</sup> Tai Ming Cheung. “The Influence of the Gun: China’s Central Military Commission and Its Relationship with the Military, Party, and State Decision-Making Systems” in *The Making of Chinese Foreign and Security Policy in the Era of Reform*, ed. by David M. Lampton (Stanford: Stanford University Press 2001), 78-79.

## Notes

<sup>20</sup> Thomas G. Moore and Dixia Yang. “Empowered and Restrained: Chinese Foreign Policy in the Age of Economic Interdependence” in *The Making of Chinese Foreign and Security Policy in the Era of Reform* ed. by David M. Lampton (Stanford: Stanford University Press 2001), 205, 222.

## Chapter 3

### The Pressures for Change

*The mark of the immature man is that he wants to die nobly for a cause, while the mark of the mature man is that he wants to live humbly for one.*

— Wilhelm Stekel

So what confluence of events caused China to come out of its shell? Evidence that change was in the offing is apparent in the early 1990s, shortly after the failed coup by hard-liners in the Soviet Union. An internal Chinese Communist Party (CCP) document concluded:

China is a great power, it should forthrightly establish a general strategy in keeping with its great power status. Moral foreign relations cannot be conducted any longer, the principle of national interest should take the guiding role.<sup>1</sup>

Although penned more than a decade ago, evolutionary adaptation to environmental change requires time.

The environment in and around China was changing dramatically. Externally, globalization and free trade regimes were emerging, the gap between the capitalist, industrialized nations and the second and third world was widening, and in the wake of the Soviet collapse, American power stood alone and unchallenged. Internally, China's massive and potentially restive population created concerns for the CCP, exacerbated by China's backwater agricultural and industrial sectors.

The tough choice for the leadership was to fully join the rest of the world while trying to control the pace of internal change, or, avoid international organizations because of the perceived risk that outside influence might have on Chinese society, potentially limiting growth and increasing the risk of losing control and power from internal revolt. A population surpassing 1.4 billion tipped the scales toward joining the international system. Free trade offered China the opportunity to improve its industrial and agricultural sectors and in turn improve its standard of living and placate dissatisfaction. To increase the chance for success, China would also need to stabilize its periphery, tone down its anti-Western rhetoric (as it was joining a Western-led system), and avoid competing with American military power.

### **External**

Evident when Deng opened China's economy, the interrelation between domestic and foreign affairs was even clearer twenty years later. China needed to feed and employ a large and growing population, a population increasingly migrating from the countryside to the cities seeking higher-paying jobs. This dynamic and the enormity of caring for 1.4 billion people with raised expectations increased the requirement for agricultural and industrial technology from the outside. In order to pay for these needs China needed markets for its products, and by default, these internal pressures accelerated the need to gain entry into the multilateral economic organization of 146 nations (China became the 143<sup>rd</sup> member), the World Trade Organization.<sup>2</sup>

Nathan and Ross note: "US-China trade cooperation is a central element of China's modernization strategy. For much of the post-Mao era, the United States has been China's largest market. Exports to the United States of low-technology, inexpensive

consumer goods earn China the hard currency it needs to import the high technology necessary to modernize its economy and upgrade its defense capabilities.”<sup>3</sup> In order for continued growth of the Chinese economy, Sino-US relations had to get beyond the testy exchanges described earlier. Over time, Beijing has come to view “China’s interests as better served by cooperating with US power in ways that would advance Chinese influence as well, rather than viewing US and Chinese influence in zero-sum terms.”<sup>4</sup>

Nathan and Ross also point out that US dollars are ironically increasing the capabilities of a potential future adversary, the People’s Liberation Army.<sup>5</sup> Modifying one’s armed forces is natural, but the weapon systems one seeks are closely watched by all nations and in turn drives their acquisition strategies. China’s acquisitions are driven by lessons learned during the 1990s, namely the American penchant for sea and airpower, its reliance on communications and its likely application in any future Taiwan-related scenario. The PLA cannot afford to be unprepared in the event reunification calls for their involvement.

Although the PLA lacks transparency, it is known that “the philosophy of a people’s war of attrition has given way since the mid-80s to one of “active defense,” for which the PLA aims to develop (albeit from a low base) a high-tech rapid deployment capability with a streamlined command structure, advanced information warfare (including better surveillance capability), and high-performance precision-guided munitions.”<sup>6</sup> Additionally the PLA Navy (PLAN) has invested in counter-naval equipment: Sovremenny-class guided missile destroyers equipped with Sunburn anti-ship missiles, guided missile destroyers and submarines, all designed to counter the defenses of carrier battle groups.<sup>7</sup> Recent PLA exercises focus on establishing beachheads and fighting in a

combined arms manner.<sup>8</sup> “These efforts were designed to raise the credibility of the use of force against Taiwan and thus deter the United States from providing direct military assistance...or at the very least to delay the deployment of such assistance”<sup>9</sup> as the US included the potential for increased casualties in any deliberations.

Taking Taiwan by force is a daunting proposition when faced with the geography of the strait and Taiwan’s advanced defenses, but clearly more so if the US provides assistance. Noting the quick US victory in the first Gulf War, the casualty-free no-fly zones for the subsequent twelve years, and the US advances in precision weaponry demonstrated in Kosovo<sup>10</sup> and more recently in Afghanistan and Iraq, China has not invested in systems that will compete head-to-head with US strengths, but has sought an asymmetric approach as mentioned above to complicate America’s involvement. Using the largest estimate of the PRC annual defense budget, the US spends nearly eight times as much. As China’s defense capabilities are woefully behind US standards, China has apparently come to the realization that there is no way to catch up with US military power. Although the PLA received double-digit increases in recent years, domestic issues outlined below, will continue to restrain growth.

Excepting Taiwan, China has come to accept America’s security presence in the Asia Pacific,<sup>11</sup> noting not only that security is required for free trade but that no substitute for US power exists. China also recognizes that it benefits from the US military’s forward-basing, namely in secure sea lanes that carry oil and other goods to and from Chinese ports.<sup>12</sup> Yu Bin summed it up in December’s PacNet Newsletter, “a strong, stable, and prosperous America...is not only in the interests of Americans but also of the Chinese.”<sup>13</sup>

China's approach to its own neighborhood also evolved as it overcame its aversion to multilateral security groupings, concluding that there is more to be gained through cooperation—insiders have the benefit of shaping the agenda and writing the rules.<sup>14</sup>

Somewhat skeptically, J.N. Mak states, “China also possibly agreed to participate in the ARF because it needed, at least in the short-term, to establish its credentials as an internationally responsible actor.”<sup>15</sup> Giving him the benefit of the doubt, perhaps this was true initially, but the evidence is lacking—there are no indications China planned to back away from the ARF after it received a gold star for attendance. In fact, explained in more detail later, China has become an active member of the ARF and has increased its interaction with ASEAN as well as its other neighbors, collectively and individually.<sup>16</sup>

### **Internal**

So with all the pieces in place to guarantee open markets, does the Chinese leadership get to sit back and watch the grand plan unfold as the world sends jobs and cash to the PRC? Hardly...as the scope of China's internal problems is massive; its economy is hard-pressed to stay a step ahead of social collapse. The CCP needs the outside world to remain predictable and stable so the situation inside China's border is similarly predictable.

One of the top issues is the nation's integrity, understandably a point on which the CCP will not yield. Unfortunately, China considers Taiwan a breakaway republic and maintains the use of force as a reunification option—an issue with internal as well as external overtones. China has nearly 500 SRBMs targeted at the island, increasing at the rate of roughly 50 per year, and refuses to talk to Taiwan until it see things Beijing's way. Furthermore, in February 2000, Beijing indicated its patience could reach its limit if



Taipei avoided entering into meaningful talks indefinitely.<sup>17</sup> Long-standing US policy to assist Taiwan in its defense greatly complicates matters for Beijing.

Beijing believes Taiwan's *de jure* independence bears directly on secessionist movements in Xinjiang and Tibet.

Kazakstan, Kyrgyzstan, and Tajikistan have borders touching Xinjiang; these states plus Uzbekistan and Turkmenistan contain populations belonging to the same or similar cultures as some of Xinjiang's people; and all five have growing economic relations with Xinjiang. Events in these five republics could intensify unrest in Xinjiang.<sup>18</sup>

China is using a combination of repressive tactics inside Xinjiang and Tibet as well as relocating Han Chinese to these regions to alter the demographics. Both of these regions were ignored during the recent economic explosion as has much of the interior, but efforts are underway to rectify the disparities. In 2000-2001, the Western Development Initiative re-allocated revenues from prosperous provinces to impoverished provinces, and more recently China's new government is becoming focused on the issue.<sup>19</sup> The disparity in living conditions has widened and exacerbated other problems also. Peasants are even organizing and resisting local rule in rural areas<sup>20</sup> and millions of migrants are flooding the cities for work.

Pressures also abound from the requirements for WTO entry. Converting from a state-mandated production system to one shaped by market forces, China's over-capacity in many manufacturing areas highlighted the need to identify and shed the cost-losers. This transformation of the State Owned Enterprises (SOE) requires a delicate touch—on the one hand China needs to improve competitiveness according to WTO timelines, but at the same time it can ill-afford to put millions of unemployed on the streets. In fact, to avoid unrest, China must find work for these people and also create jobs for an additional 10 million workers annually.<sup>21</sup> Plus, the SOEs were a cradle to grave proposition—

providing housing, education, medical care, and retirement. When the SOE disappears, these benefits attrite also.

Additionally, WTO accession and the economic boom are requiring banking reform and an overhaul of the legal system with respect to property rights, civil claims, copyrights, etc. China's banks are in dismal shape and directly tied to the SOE problem. As Gerald Segal noted in 1999, a situation that has not improved since, "at least a quarter of Chinese loans are nonperforming—a rate that Southeast Asians would have found frightening before the crash [Asian Financial Crisis]. Some 45 percent of state industries are losing money, but bank lending was up 25 percent in 1998—in part, to bail out the living dead. China has a high savings rate (40 percent of GDP), but ordinary Chinese would be alarmed to learn that their money clearly is being wasted."<sup>22</sup>

Corruption is endemic as there are no checks and balances in the system.<sup>23</sup> The environment is being destroyed in the interest of short-term economic gains, fouling both the water and air not only inside China but of its neighbors as well. China's use of plentiful indigenous coal chokes the Beijing skyline by 9 a.m. and is held responsible for acid rain that damages one-third of Chinese agricultural land<sup>24</sup> and also reaches Japan and Korea. It is currently outstripping its energy production capabilities and by 2025 "China's electricity consumption is projected to nearly triple, growing by an average of 4.3 percent per year."<sup>25</sup> Its petroleum consumption is also rapidly rising, as "it has been estimated that China will import 5 million barrels of oil a day by 2015 (it was a small net exporter in the early 1990s), and most will come from the Middle East."<sup>26</sup>

To sum up, China suffers from secessionist movements and economic dissatisfaction in its interior. The State Owned Enterprises, fixtures of the controlled economy, are

being dissolved, forcing additional jobseekers on the system while at the same time eliminating the social safety net. The banks and environment are teetering, and the legal system can barely stay ahead of required changes to protect foreign investors, not to mention Chinese workers and economic migrants. The Central government has limited capabilities to deal with all the problems at once, as the majority of revenue once available came from the SOEs and the current inept tax collection system is only recouping 27% from private enterprises and the citizenry. Beijing is counting on continued economic growth—its national security strategy includes the point, “national economic development above 7 percent per year is considered a national security objective, since that is the level considered necessary to maintain employment at a level that will prevent public disorder.”<sup>27</sup> Public disorder in a population the size of China’s can lead to anarchy and perhaps an overthrow of the CCP.

Driven by necessity for a stable world, one that would invest in and purchase Chinese goods, the CCP adopted a survivalist mentality, reasoning it was easier to divert attention from social or political change if the people reaped economic gains. It was better to join the international system and shelve the rhetoric about US hegemonic behavior. Seeing the futility of an arms race with the United States while also accommodating US presence, allows China to focus the majority of its resources on social needs as it reaps the benefits of US security. This is the best proof that China began to mature and began to think strategically instead of tactically. Perhaps China began to hear its mantra about being and deserving the recognition of a great power, and realized it had to act like a great power.

## Notes

<sup>1</sup> Saich, 277.

<sup>2</sup> “Understanding the WTO: Members and Observers,” as of 4 April 2003, n.p.; online. Internet, available from [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm).

<sup>3</sup> Nathan and Ross, 77.

<sup>4</sup> Sutter, 167.

<sup>5</sup> Department of Defense Annual Report to Congress on the Military Power of the People’s Republic of China, July 2003, n.p.; online. Internet, available from <http://www.defenselink.mil/pubs/20030730chinaex.pdf>

<sup>6</sup> Sutter, 32.

<sup>7</sup> Shambaugh, 266-271.

<sup>8</sup> DoD on the Military Power of the PRC

<sup>9</sup> Michael D. Swaine. “Chinese Decision Making Regarding Taiwan, 1979-2000,” in *The Making of Chinese Foreign and Security Policy in the Era of Reform*, edited by David M. Lampton (Stanford: Stanford University Press, 2001), 328.

<sup>10</sup> David M. Lampton. *Same Bed Different Dreams: Managing US-China Relations, 1989-2000* (Berkeley, LA, London: University of California Press, 2001), 58, 74.

<sup>11</sup> Bonnie S. Glaser. “Face to Face in Shanghai: New Amity amid Perennial Differences,” *Comparative Connections*, CSIS Pacific Forum, 4<sup>th</sup> Quarter 2001.

<sup>12</sup> Stuart Harris and Richard N. Cooper. “The US-Japan Alliance” in *America’s Asian Alliances*, edited by Robert D. Blackwill and Paul Dibb (Cambridge, Mass and London: The MIT Press, 2000), 49.

<sup>13</sup> Yu Bin. “When Wen Comes to Washington...” *PacNet Newsletter*, No. 49, 4 December 2003.

<sup>14</sup> David C. Kang. “Getting Asia Wrong: The Need for New Analytical Frameworks,” *International Security*, Vol. 27, No. 4, Spring 2003, 62.

<sup>15</sup> J.N. Mak. “The Asia-Pacific Security Order” in *Asia Pacific in the New World Order*, edited by Anthony McGrew and Christopher Brook (London and New York: Routledge 1998), 116.

<sup>16</sup> Michael Vatikiotis and Murray Hiebert. “China’s Tight Embrace,” *Far Eastern Economic Review*, 17 July 2003, 28-29.

<sup>17</sup> Swaine, 330.

<sup>18</sup> Nathan and Ross, 197.

<sup>19</sup> Joseph Kahn. “China’s Leader Urges Shift in Development to Rural Areas,” *New York Times*, 5 March 2004.

<sup>20</sup> Dr. Yu Jianrong. “Organized Peasant Resistance and Rural Instability in China,” Chinese Academy of Social Sciences, Rural Development Institute, presentation at the Carnegie Endowment for International Peace, 2 December 2003.

<sup>21</sup> Robert J. Samuelson. “The China Riddle,” *Washington Post*, 30 January 2004.

<sup>22</sup> Gerald Segal. “Does China Matter?” *Foreign Affairs*, Sep/Oct 1999, 26.

<sup>23</sup> Zhang Wei. “The Direction of Economic Policies of the Fourth Generation of Chinese Leaders,” *China Strategy*, Vol. 1, International Security Program, Center for Strategic and International Studies, 30 January, 2004.

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<sup>24</sup> Economy, Elizabeth. "Painting China Green," *Foreign Affairs*, March/April 1999, Vol. 78, No. 2, 15-17.

<sup>25</sup> "International Energy Outlook 2003," Department of Energy, n.p.; online. Internet, available from <http://www.eia.doe.gov/oiaf/ieo/highlights.html>.

<sup>26</sup> Harris and Cooper, 49.

<sup>27</sup> Robert C. Fonow. "Beyond the Mainland: Chinese Telecommunications Expansion," *Defense Horizons*, Center for Technology and National Security Policy, National Defense University, No. 29, July 2003, 6.

## **Chapter 4**

### **PRC Efforts Since 1998**

At a talk in late 2003 summarizing his recent *Foreign Affairs* article co-authored with M. Taylor Fravel titled “China’s New Diplomacy,” Evan Medieros discussed the new pragmatism in Chinese foreign policy, and how it is “moving from an insular regional power more aware of its role, to a regional power with global involvement.”<sup>1</sup> He cites three new themes, the first, discussed previously that China itself needed to believe in—acceptance of China as a great power and the need to move away from its victim mentality. The second is a reordering of the priorities China assigns to foreign relations from the early days of the PRC when it tried to be a beacon to the disadvantaged in the Non-aligned Movement. The new ranking—high priority on relations with major powers (US, Japan, etc), periphery second, and developing nations third—aligns with Chinese economic and security needs. The third and final theme is recognition that China has responsibilities as a major power and it may no longer “free ride” on the international stage.<sup>2</sup>

#### **Economics**

Driven by internal needs, economic outreach moves China towards entwining relationships it once avoided. China is acting like and being accepted as a great economic power, focused on the major powers and especially the region. To enhance its position and assuage its

interlocutors, China is being extremely creative, simultaneously opening markets while asserting its peaceful intentions. Since achieving WTO membership in 2001, China has surprised all by the pace of reforms and its adherence to WTO compliance timelines. Of the current schedule the US-China Business Council notes that 2004 and 2006 are the most onerous<sup>3</sup> and China will be watched closely for any backsliding, although none is reported at this time.

The rise in China's trade is unprecedented; "its foreign trade exploded from about \$20 billion in the late 1970s to \$475 billion in 2000,"<sup>4</sup> and topped \$850 billion in 2003.<sup>5</sup>

### **Regional Free Trade Agreements (FTA)**

Figures like these are a lure for business people across the globe, but the Asia Pacific region is certain to benefit from proximity. A year prior at the sixth ASEAN +1 leader's summit in November 2002, China took the initiative and agreed to pursue a FTA with ASEAN. "The first phase of the new agreement is scheduled to be completed in 2010, with tariffs on a wide range of goods and services to be gradually abolished."<sup>6</sup> But even while negotiations are underway, China has offered an "early harvest program" on agricultural and certain manufactured products allowing ASEAN members to reap the benefits of reduced tariffs sooner.<sup>7</sup> The following year at the ASEAN +3 summit, the promise of a China-Korea-Japan Free Trade Agreement was included in the Joint Declaration on the Promotion of Tripartite Cooperation.

Clearly, economic clout helps sell the "new" China and suppress security fears as regional leaders like Singapore's Ong Keng Yong, current ASEAN Secretary-General says "China wants to be seen as cooperative, friendly and economics-oriented. It qualitatively wants to change Southeast Asia's mindset about China, which is heavy, big and overwhelming." In September of last year, incoming Malaysian Prime Minister Abdullah Ahmad Badawi also dismissed the idea

of China as a military threat and even echoed Chinese Premier Wen's insistence that his country wants to be a force for peace and stability in the region.<sup>8</sup>

### **Chinese Outward FDI**

China's growth also permits it opportunities to invest in foreign concerns presenting it the potential for a modicum of leverage in these economies. "Statistics from the United Nations Conference on Trade and Development show that China's direct overseas investment exceeded US\$ 35 billion in 2003, covering more than 160 countries and regions...the scale of China's investment overseas is by and large equivalent to that of the Republic of Korea....In terms of country, investment is made mainly in the United States, Canada, and Australia. Then come Thailand and Russia."<sup>9</sup>

An ASEAN-wide area for concern is China's attraction for FDI—investment that used to be targeted for their economies. China has attempted to allay fears by investing in Southeast Asian infrastructure and agricultural projects.<sup>10</sup>

In its most novel excursion abroad, "China plans to send 3000 farmers to till land in Kazakhstan... China is to rent 17,300 acres of arable land...to grow soybeans, and wheat, and breed animals."<sup>11</sup>

### **Diplomatic**

Again in line with the listed foreign policy themes, Tom Christensen notes that "there is evidence of an increased sophistication and confidence in Chinese diplomacy,"<sup>12</sup> further facilitating economic efforts. Additionally, the recent Schlesinger Working Group report sees that "US efforts to bring China into the global fold are now being overtaken by China's own growing diplomatic efforts to expand its influence in Asia."<sup>13</sup>



The recent emphasis on education and specifically English language training is evident, and furthermore Chinese diplomats are no longer prone to silently witness proceedings only speaking to make a rote presentation on the five principles of peaceful coexistence or some other long-standing element of Chinese policy, or voicing an objection when a fellow presenter nears or crosses a Chinese redline. Chinese diplomats are now engaged, and engaging, in international settings, a fact noted and (mostly) welcomed by fellow participants.<sup>14</sup>

Not only have the Chinese become more credible at carrying themselves in diplomatic affairs, but some would say savvier as well. This shift has been called “a charm campaign,” China’s “soft approach,” as well as “smiling diplomacy,” compared with the staid, moralistic presentations of the previous decade. These labels are perhaps unfair, indicating that the jury is still out, or used by skeptics to imply that recent Chinese diplomatic overtures are a facade masking Chinese real hegemonic intents.

In an effort “to counter the so-called ‘China threat’ theory, *heping jueqi* (literally emerging precipitously in a peaceful way) sums up Beijing’s avowed goal of good neighborliness and global responsibility. It means...China will never seek hegemony...Beijing has stressed that far from hurting other nations, China’s emerging pre-eminence will bring them sizable gains.”<sup>15</sup>

Noting the priorities listed at the beginning of the chapter, China’s outreach, or “charm campaign” is not only focused on the ASEAN powers. President Hu Jintao addressed the Australian Parliament this past fall to a standing ovation, “a juxtaposition almost inconceivable even a year ago in a nation long fearful of China. Mr. Hu officially laid out in his speech what has become obvious: Australia’s natural resources, particularly oil and gas, are playing a critical role in fueling China’s fast-growing economy” while also putting in a plug, calling “on Australia to play a constructive role in China’s peaceful reunification with Taiwan.”<sup>16</sup> Perhaps the most

unanticipated example of this new Chinese outreach was found in a recent *People's Daily*, the voice of the Chinese Communist Party (CCP). “In it the author argues that Japan is not the Japan of the imperialist past and that one should not equate recent Japanese military strengthening with “militarization” of Japan. Such sentiments are particularly significant given the well-documented Chinese mistrust of Japan and, in particular, of Japanese military assertiveness.”<sup>17</sup>

Tom Christensen notes “this moderate tone as yet another data point suggesting a potential shift in PRC foreign policy and security policy toward a more cooperative and less confrontational approach,”<sup>18</sup> but it is more than its tone—there is substance and creativity.

### **The New Security Concept**

Although creative when first proposed China’s New Security Concept (NSC) is now fairly hollow, but is used here to show its evolution. The NSC has evolved over more than fifteen years, incorporating regional reaction (or lack thereof) as well as the PRC’s change of heart concerning the US security presence in the region. When originally proposed in 1988 as a new international and political order<sup>1</sup> to break with the Cold War past, its potential application in the Asia Pacific was as a replacement for US bilateral alliances, and more generally, to break America’s unipolar hold on power.<sup>19</sup> In this original form, it is largely a failed gesture<sup>20</sup> as all five of the United States bilateral treaties in Asia are intact and in certain respects even stronger, as will be shown in Chapter 7.

Perhaps in recognition of its shortcomings as well as acceptance of the US security presence in the Asia Pacific,<sup>21</sup> the NSC morphed into more of a rhetorical framework for global, and more

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<sup>1</sup> Perhaps out of respect for its originator Deng Xiaoping, “China’s Position on Establishing a New International Political and Economic Order” is still on the PRC Ministry of Foreign Affairs website at <http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24883.htm> although it appears to be completely subsumed in the New Security Concept since 1997.

specifically, Asia Pacific security cooperation. For example, these excerpts from the Chinese Foreign Ministry NSC position paper demonstrate acceptance of a wide range of possibilities:

In China's view, the core of such new security concept should include mutual trust, mutual benefit, equality and coordination.

China maintains that cooperation under the new security concept should be flexible and diversified in form and model. It could be a multi-lateral security dialogue. It could also be a confidence building bilateral security dialogue or a non-governmental dialogue of an academic nature. The promotion of greater interaction of economic interests is another effective means of safeguarding security.<sup>22</sup>

The paper identifies both the ARF and SCO as working examples of the new security concept.

### **Association of Southeast Asian Nations (ASEAN) Plus**

China initiated the ASEAN +1 forum, where dialogue occurs between ASEAN and China, and ASEAN +3, which adds Japan and Korea to the group. These settings are where China has embraced (to varying degrees) multilateralism, overcoming its original fear of anti-China coalitions and avoiding the charge that China's efforts are strictly focused on business. However, China is still able to avoid contentious areas of its choosing—after years of negotiations on a legally-binding Code of Conduct for the South China Sea (SCS), China and the ASEAN signed a less-than-binding, political Declaration on the Conduct of Parties in the South China Sea, 4 Nov 2002.<sup>23</sup>

Although clearly a step in the right direction that Christensen touts as concrete reason for optimism concerning Chinese foreign policy<sup>24</sup>, it essentially serves as an interim document and falls far short of ASEAN's goal for a detailed and binding Code of Conduct.<sup>25</sup> In it the parties reaffirmed their commitment to freedom of navigation and also agreed to resolve territorial disputes by peaceful means. But on the controversial issues of building new structures, China demurred, and the final wording notes that the parties "pledged to exercise self-restraint in

activities that could spark dispute.” Additionally, no land masses were named in the document making the applicable area rather ill-defined, another victory for China which declares indisputable sovereignty over the whole South China Sea.<sup>26</sup>

Demonstrating the lack of effectiveness of the agreement, Vietnam recently announced plans to launch tourist visits and build a fisheries logistics center in the Spratleys. Also the Philippines Navy shadowed two PLAN vessels near Mischief Reef, and afterwards discovered new territorial markers on several unoccupied reefs and shoals in the Spratleys. In this latter case it is unclear if the declaration was violated, and the Philippines did not formally protest China’s activities.<sup>27</sup> To further discount the document’s value, in a divide and conquer mode China has sought bilateral pacts with some success with each of the claimants, most recently agreeing with Vietnam to complete follow-up negotiations on the agreement on Beibu Gulf fishery cooperation,<sup>28</sup> and with the Philippines for joint oil exploration in yet-to-be selected areas in the South China Sea.<sup>29</sup>

Again, a step in the right direction that only time will tell. In a better showing of acting responsibly to its neighbors concerns and reducing regional tension, at this past fall’s summit China acceded to the Treaty of Amity and Cooperation in East Asia (TAC), the code of conduct governing relations among ASEAN members, and the principle document presenting the “ASEAN way” of non-interference in each nation’s internal affairs. China is the first major non-ASEAN country to accede to the TAC (India signed moments later).<sup>30</sup> Additionally, in the latest instantiation of the “new security concept,” China proffered a new “strategic partnership” with ASEAN, covering areas of economic and political cooperation resulting in a Joint Declaration on Strategic Partnership for Peace and Prosperity,<sup>31</sup> and “proposed starting multilateral talks on

security issues in the Asia-Pacific region, which marked further cooperation in the fields of non-traditional security issues last year.”<sup>32</sup>

During this summit, the “plus 3” used the occasion to agree to the Joint Declaration on the Promotion of Tripartite Cooperation among the People’s Republic of China, Japan and the Republic of Korea. The plan to begin work on a free trade agreement mentioned above is included, but so are energy, environmental, international affairs and security cooperation.<sup>33</sup>

### **Six Party Talks**

The six party talks involving China, the United States, Russia, Japan and North and South Korea are China’s most prominent diplomatic effort. Albeit for different reasons, China shares the common goal for a nuclear free peninsula and one also free of war. However, China did not take the lead, until a steady round of US telephone diplomacy, high-level visits, and opinion pieces urged them to do more. Some believe the PRC undertook these talks as an effort to derail any ongoing US military planning, but as President Bush downplayed a military response soon after the crisis began, the author agrees with others that have concluded that the PRC came to the realization that this issue offered an opportunity to perform on the world stage with little risk to their own position (if an agreement is reached or there is no progress, China will reap some benefit from assuming a leadership role; if the situation deteriorates, China will be able to state they were above the fray seeking a diplomatic solution).<sup>34</sup>

China first hosted three party talks between the US, the Democratic People’s Republic of Korea (DPRK), and itself to address DPRK nuclear provocations, going so far as to prompt North Korea’s attendance by shutting off the cross border fuel flow.<sup>35</sup> The forum has since expanded to six party talks and has met twice, both times in Beijing. China is more than merely the arranger of conference facilities—acting also as broker, primarily between the US and the

DPRK; active participant in the talks themselves; drafter of the joint statements; and behind the scenes actor devising carrots and sticks to force the DPRK's participation and to some degree change in behavior.<sup>36</sup> China appears to be in this process for the long haul as noted in this excerpt from a recent Schlesinger Working Group Meeting at Georgetown University:

Thus far, however, the political jockeying between the US and North Korea has done little to shake China; on the contrary, the high profile skirmishing between Washington and Pyongyang and the six-power diplomatic maneuvering to contain it has done much to underscore China's growing political power and diplomatic initiative in the region.<sup>37</sup>

Former ROK Foreign Minister Han Sung Joo believes China's participation is complicated because it has a mutual defense treaty with the DPRK,<sup>38</sup> but even though China sees the need to maintain the DPRK as a buffer state, few believe China would support the DPRK if it initiated hostilities.<sup>39</sup>

## **Russia**

China and Russia signed agreements to reduce military tensions along their extensive border as part of a SCO Summit. "China and Russia have also signed several other bilateral agreements to stabilize and enhance their mutual security—including a nuclear nontargeting agreement (1994) and an agreement to prevent accidental military incidents (1994)."<sup>40</sup> Although still wary of Russia's nuclear forces, to facilitate economic and security cooperation, Moscow and Beijing concluded a twenty-year Treaty of Good Neighborly Friendship and Cooperation.<sup>41</sup> Some argue it is a classic balancing treaty against the US and its host of bilateral Asia-Pacific alliances,<sup>42</sup> while others note, it allows Beijing to worry less about its northern border while it attends to the south and the east.<sup>43</sup>

## **Military**

As Ken Allen and Eric McVadon argue, China views its military exchanges with other nations as a component of broader diplomatic foreign policy, to advance China's national security interests, and not as "stand alone" components of exchanges between military establishments.<sup>44</sup> Recently, this is an active leg of PRC diplomacy that expands beyond China's typical spheres of influence.

The evolution of the New Security Concept, and the agreements on the South China Sea and on Non-Traditional Security Issues with ASEAN were mentioned above. Additionally, in the ASEAN +1 forum China has offered to host bilateral security dialogues with each of ASEAN members, proposed the establishment of a new Security Policy Conference within the ARF,<sup>45</sup> and has also agreed to defense dialogues and exchanges with Korea and Japan. China hosted an ARF seminar on military logistics outsourcing support in 2002<sup>46</sup> and the ARF Intercessional Group on Confidence Building Measures in 2003.

### **Exercises**

Change here is impressive; again, acting more like a major power. China has continued to observe foreign military exercises. Highlights from 2002 include a naval mine clearance exercise sponsored by Singapore, a submarine search and rescue exercise sponsored by Japan, and sent officers to observe the Cobra Gold joint military exercises staged by the United States, Thailand and Singapore.<sup>47</sup> But in 2003, China hosted for the first time observers from 15 nations<sup>2</sup> for a live-fire armored brigade exercise in Inner Mongolia.<sup>48</sup> The most eye-opening military exchanges of late were the separate bilateral naval exercises with Pakistan<sup>49</sup> and India<sup>50</sup> held in 2003.

## **Arm Sales**

China's arms sales totaled \$600 million in 2001, and are primarily sold to Pakistan, Burma and sub-Saharan Africa<sup>51</sup>, bringing in funds that can be directly reapplied to Chinese military procurement, completely outside the PLA budget. This arm sales figure includes Chinese missile proliferation which is well documented in other publications.

In addition to longtime client Burma, China has offered other Southeast Asian nations weapons deals. Specifically Thailand was offered \$600 million in loans for weapons and spare parts<sup>52</sup> and Indonesia discussed the possibility of purchasing Chinese arms during Chinese Defense Minister Chi Haotian visited Jakarta in September 2002.<sup>53</sup>

China's foreign arms purchases, primarily from Russia, totaled \$6.7 billion in 2001.<sup>54</sup>

## **Relations with the US since 9-11**

Having covered China's efforts in Northeast and Southeast Asia, the author now turns to the relationship that holds the highest priority for China. Since the September 11, 2001 terrorist attacks, Sino-US relations have warmed to the point that Secretary of State Colin Powell labeled the relationship the best in thirty years—but not necessarily on the trade front. Although US exports to China are constantly increasing and American consumers benefit from China's low cost imports, the trade balance is predominantly in Beijing's favor, and as a result, US manufacturing job losses are blamed on China, especially during an election year.

Trade tensions aside and more closely to what Secretary Powell intimated, shared interests and cooperation are evident in increased intelligence sharing, coordination of law enforcement efforts and an extradition agreement for the war on terror.<sup>55</sup> China and the US, working

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<sup>2</sup> Including United States, Britain, France, Russia, Germany, Egypt, Canada, Thailand, Singapore, Tanzania, Turkey, Israel, South Africa, Pakistan



somewhat independently, reduced tensions between India and Pakistan following the terrorist attack on India's Parliament, and as mentioned earlier, much commonality also exists for collaboration on the six party talks concerning North Korea. Perhaps in time, cooperation and success in these endeavors will lead to some common objectives on major issues that China and the US cannot currently find agreement on, namely nonproliferation, human rights and Taiwan. For the last two years both parties muted their public exchanges on these issues, however, recent Taiwan elections and election-driven provocations, as well as the United States own election year rhetoric will sully the appearance that relations are good.

Chapter 3 discussed that Beijing has come to accept the US security presence in East Asia for its own reasons. The wars in Afghanistan and Iraq have further increased the US military presence in China's neighborhood. Those same East Asian bases and Guam are used as transit points that experience periodic personnel and equipment spikes. Southeast Asian countries provided basing for aerial refueling tankers as well as logistics support for ships en route. Central Asia is still hosting bases for search and rescue and other support forces. And South Asia has seen a surge in port calls, aircraft overflights, basing, and military exercises. Beijing, who not many years ago chafed at US forward basing and inferred that America had plans to encircle China, has barely batted an eyelash<sup>56</sup> as American bases, aircraft and ships arc around its borders. This remarkable silence from the "new" China reaps dividends from Asia Pacific neighbors seeking stability, where only Taiwan stands out as an issue associated with the behavior of the "old" China.

### **Notes**

<sup>1</sup> Evan S. Medieros. Presentation to Professor Robert Sutter's Georgetown International Affairs class "Chinese Politics and Domestic Priorities," 3 December 2003.

## Notes

<sup>2</sup> Evan S. Medieros and M. Taylor Fravel. "China's New Diplomacy," *Foreign Affairs*, Nov/Dec 2003, 22-35.

<sup>3</sup> Report on the working party on the Accession of China, World Trade Organization, 1 October 2001, n.p.; online. Internet, available from <http://www.uschina.org/specificcommitment.doc>

<sup>4</sup> Nicholas R. Lardy. *Integrating China into the Global Economy* (Washington DC: Brookings Institution Press 2002), 4.

<sup>5</sup> "China's total trade volume hit US\$ 851.2 billion last year" in *People's Daily*, 12 January 2004, n.p.; online. Internet, available from [http://fpeng.peopledaily.com.cn/200401/12/eng20040112\\_132381.html](http://fpeng.peopledaily.com.cn/200401/12/eng20040112_132381.html).

<sup>6</sup> "Dawn of a New Era: The Sino-ASEAN FTA," *Friedl Business Information Ltd.*, 10 September 2003, n.p.; online. Internet, available from <http://www.friedlnet.com/news/02111001.html>.

<sup>7</sup> Association of Southeast Asian Nations Secretariat, Framework Agreement on Comprehensive Economic Cooperation Between the Association of Southeast Asian Nations and the People's Republic of China, n.p.; online. Internet, available from <http://www.aseansec.org/13196.htm>.

<sup>8</sup> John McBeth. "Taking the Helm," *Far Eastern Economic Review*, 16 October 2003, 38-39.

<sup>9</sup> "UN Report: China becoming major investor abroad" in *People's Daily*, 7 January 2004, n.p.; online. Internet, available from [http://fpeng.peopledaily.com.cn/200401/07/eng20040107\\_132003.shtml](http://fpeng.peopledaily.com.cn/200401/07/eng20040107_132003.shtml).

<sup>10</sup> Lyall Breckon. "A New Strategic Partnership is Declared," *Comparative Connections*, CSIS: Pacific Forum, Fourth Quarter 2003, Vol. 5, No. 4, 80-81.

<sup>11</sup> "Go West, Young Chinese," *New York Times*, 18 December 2003.

<sup>12</sup> Thomas J. Christensen. "The Party Transition: Will It Bring a New Maturity in Chinese Security Policy?" *China Leadership Monitor*, No. 5, Winter 2003, n.p.; online. Internet, available from <http://www.chinaleadershipmonitor.org/20031/TC.html>.

<sup>13</sup> "Are We Taking China's Future for Granted?" *Schlesinger Working Group Report*, Fall 2003, prepared by Joseph C. Folio, 7.

<sup>14</sup> Discussions between the author and US diplomats during ASEAN Regional Forum (ARF) Intercessional Support Group on Confidence Building Measures, April 2002, Hanoi, Vietnam.

<sup>15</sup> Willy Wo-Lap Lam. "China Aiming for 'Peaceful Rise'," *CNN*, 3 Feb 2004, n.p.; online. Internet, available from <http://edition.cnn.com/2004/WORLD/asiapcf/02/02/willy.column/index.html>

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## Chapter 5

### Response from the Region

This past winter, Philip Pan's Washington Post article "China's Improving Image Challenges US in Asia," was the talk of the DC-based Asia-hands dinner circuit.<sup>1</sup> In it Pan argues that "perceptions of China are shifting across the region...China has gone out of its way to ease fears among its neighbors and won points by emphasizing a multilateral approach to solving problems."<sup>2</sup> How fully is China embraced in the Asia Pacific? Does the region believe there is a "new" China, or does it believe the "old" China is hidden behind a mask?

#### South Korea

Next to collaboration in the six party talks, trade leads the news in Korea's relationship with China. In fact, China surpassed the US as Korea's main export trading partner in 2003.<sup>3</sup> Sino-Korean trade, mostly in Korea's favor, posted a 40% gain in bilateral trade topping \$60 billion.<sup>4</sup> Obviously a plus for Korea, "as China emerges as South Korea's leading destination for exports, the South Korean economy is more immune to global downturns or U.S. economic slowdowns than before."<sup>5</sup>

Ever since China's accession to the WTO, predictions abound that Korea's and many other Asian economies will be hollowed-out as home-based corporations relocate to China for lower labor costs, but at the moment, exports to China are buoying Korean

business and employment. Robert Samuelson, quoting economic analyst Nicholas Lardy in another Washington Post article this January, states that China's "overall imports in 2003 rose 40 percent, or about \$118 billion, says Lardy. Steel imports totaled 36 million metric tons, a record for any country and double the level of the late 1990s. "Most of that steel is coming from Korea and Japan—even India is selling....They're elated."<sup>6</sup> And on the labor front, at least from Korea's textile industry, the industry's employment and GDP share has held steady for the past five years refuting some "hollowing" fears.<sup>7</sup>

That doesn't mean all is copasetic, as China's products continue to improve in quality and it continues to climb up the technology ladder, Korean exports to third countries are beginning to lose market share and China is making inroads into the Korean market.<sup>8</sup> Additionally, many of Korea's industries have or are considering relocating plants to take advantage of lower labor costs and to be closer to the burgeoning Chinese domestic market.<sup>9</sup>

In the realm of cultural exchanges, the PRC Foreign Ministry reports that "in 2002, ROK tourists visiting China were 2.12 million person/times while Chinese tourists to ROK totaled 550,000 person/times (33% and 63% rise over 2001, respectively).<sup>10</sup> According the PRC Ministry of Foreign Affairs, by the end of 2002, there were over 22,000 ROK students studying in China, a 37% increase.<sup>11</sup> Japan's Research Institute of Economy, Trade and Industry though, claims the number of Korean fulltime students in 2002 is over 36,000.<sup>12</sup> And yet other data indicates that in 2003, perhaps due in part to post 9-11 visa restrictions, the number of ROK students in China for the first time exceeds the number studying in the US,<sup>13</sup> but a large portion of the increase in this data appears to be what is known as "grass hoppers" that travel to China on 3-month visas to

study for a semester. In any event, one Korean diplomat states there is no cause for concern as the “best” students still study in America.<sup>14</sup>

Concerning military exchanges, Korean naval ships made their first ever (and to this date *only*) mainland port call in Shanghai in October 2001,<sup>15</sup> reciprocated by an inaugural Chinese two-ship port call to Korea the following May.<sup>16</sup> Although this exchange is important, there are no indications that China is willing to participate in search and rescue exercises or collaborate in humanitarian operations in the near future.<sup>17</sup>

Respondents to a recent poll in Korea chose China as the most important country for Korea. But when the same question was broken into two parts, which is the most important country economically and which for security; the answers were China and the United States, respectively.<sup>18</sup>

## **Japan**

It's doubtful that Japan and China's relationship will ever fully recover from the memories of WWII as nearly every exchange between the two is viewed through that lens by the Chinese. Relations in all areas but trade are often pre-empted by historical issues between the two. Japanese Prime Ministerial visits to the Yasukuni War Cemetery, the discovery of WWII chemical munitions shells at a Chinese construction site, and disputes over territorial claims to the Senkaku/Daoyutai Islands are wild cards<sup>19</sup> that pop-up and derail high level diplomatic visits or military exchanges without fail. Even newspaper reports of Japanese businessmen's dalliance with Chinese prostitutes results in Chinese leadership and public protests to Tokyo when it coincidentally occurs on an anniversary of an Imperial Japanese wartime atrocity in China.<sup>20</sup>

Trade, for the most part, is the one track in Sino-Japanese relations that seems to be immune, as Japan starts to recover from years of negative or no growth. As noted above concerning Korean and Japanese steel exports, “Japan’s rebound is being driven by a surge in exports to China.”<sup>21</sup> In 2003, “for the first time since 1961 when comparable data began to be collected, Japan imported more from China than the United States.”<sup>22</sup>

“Japan has been China’s largest trade partner for 11 straight years. The bilateral trade volume between China and Japan was estimated to hit a new high at US\$ 130 billion for 2003,”<sup>23</sup> in large part the result of imported computer parts now manufactured by Japanese companies in China.”<sup>24</sup>

As China’s capabilities improve, Japan is proving less likely to give money away. For five years running, Japanese Overseas Development Assistance (ODA) to China decreased<sup>25</sup> (ODA by another name is war reparations that Japan has provided to China, totaling over ¥3 trillion since normalization)<sup>26</sup> in 2004 to ¥114 billion. Although a modest 5% decrease, it continues to signify Japanese aid fatigue, especially in light of Chinese economic growth, the fact that China extends foreign aid to other countries and is increasing its military spending at double-digit rates.<sup>27</sup>

Similar to Korea, Chinese universities have seen a rise in Japanese students, over 16,000 in 2002, but many more still choose US colleges—over 46,000 in 2001.

Over the last three years Japan and China have cancelled more military exchanges than they’ve concluded due to the “wildcards” mentioned above, however, more positively, Japan’s Defense Minister did visit China in September 2003, the first by a Japanese defense minister in over five years. During the meeting, China and Japan agreed to reciprocal ship visits, with the PLAN visiting Japan first. Of particular note,



Japan's National Institute for Defense Studies enrolled the first Chinese officer since WWII.<sup>28</sup>

Japanese outward support for the US-led war on terrorism drew Chinese comments referring to Japan's colonial past "that Japan should continue to adhere to its defense oriented policy"<sup>29</sup> although in a high-level meeting with PM Koizumi, "China's leadership yielded their "understanding" of Japan's support."<sup>30</sup> Military concern is far from one-sided as Japan watches its very large neighbor grow in strength and capability. "Recent Chinese naval activities, including several contentious visits to disputed areas in the East China Sea and the first circumnavigation of the Japanese archipelago in more than fifteen years"<sup>31</sup> have raised tensions in Japan. "A recent public opinion poll conducted by Japan's widest-read daily revealed that only 37.3 percent of respondents believe the People's Republic of China can be trusted."<sup>32</sup> Based on these poll results and other anecdotal evidence, Benjamin Self predicts that "as each undergoes political, social, economic, and strategic transformation, relations between Japan and China will inevitably continue to erode."<sup>33</sup>

## **Russia**

Far from successfully balancing against the United States, Russia and China have attempted to "actively coordinate their policies"<sup>34</sup> since 9-11, hoping to keep US power in check, preferably through the UN. The abrogation of the Anti-Ballistic Missile (ABM) Treaty, hostilities in Afghanistan and the strategic return of the US to Central Asia raised concerns in both capitals. The US action in Iraq came as close as possible to re-galvanizing their partnership. Although they will continue to cooperate on items of

mutual benefit, since the initiation of hostilities in Iraq, Russia<sup>35</sup> and China<sup>36</sup> have individually worked to close the distance with the US and muted their criticisms.

Since the treaty between Russia and China was signed in 2001 (including the SCO treaties on border cooperation), it permits both to attend to domestic issues. Military relations along the border are so good, “China unilaterally withdrew its regular forces 500 kilometers from the border area, exceeding the 100-kilometer requirement established by the Russian-Chinese official agreement.”<sup>37</sup> Arms sales are the hot trade issue between these neighbors, comprising roughly 20% of annual trade and 40% of Russia’s arms export volume in 2001,<sup>38</sup> and 55% in 2002.<sup>39</sup> Over the last few years China has purchased and/or contracted for high technology Russian fighter jets, naval destroyers, submarines and air defense systems, markedly increasing its capabilities. Some of the deals allow Chinese co-production of these systems, increasing Chinese industrial know-how as well.<sup>40</sup>

This relationship certainly infuses Russia’s economy with much needed cash as their bilateral trade reached its highest level, \$15 billion in 2003, the majority going to Russia’s Far East.<sup>41</sup> But there is uneasiness as well. In the works for nearly ten years, in March 2004 Russia and Japan agreed on a Siberian oil pipeline. Long “promised” to terminate in China,<sup>42</sup> competition heated up when Japan offered to fund the \$5 billion construction of the pipeline, spend an additional \$1 billion to renovate Russian cities along the route, and invest another \$7.5 billion for additional oil exploration in East Siberia.<sup>43</sup> Aside from the money, a major factor in Russia’s lengthy decision timeline is serious concern with regard to a rising China.<sup>44</sup> Russia’s Far East is home to much of this sentiment as Russians in the sparsely settled region fear being edged out by the growing

Chinese population across the border. Ironically, the same Russian military that approves the constant flow of arm sales to China was adamantly opposed to giving China access to Russian fuel stocks.<sup>45</sup>

## **ASEAN**

China has had the most success pushing the “fear of a rising China” into the background with ASEAN. Although individual Southeast Asian nations remain wary of China in the long term in both economic and security realms, many are now focused on reaping short term economic gains while making attempts to adapt their economies for the future. In February, the Washington Post captured the magnitude of this exchange, noting “as China’s economy rapidly adds mass, it strengthens its pull on the rest of Asia...In the US, Europe and Japan, fretful attention has been trained on the \$438 billion worth of goods China exported last year...but here in Southeast Asia, the focus has largely shifted to the counterpart number—the \$413 billion worth of goods China imported last year, with the region’s economies capturing a disproportionate share of the spoils.”<sup>46</sup>

As mentioned in Chapter 4, economics is integral to the new strategic partnership. The region hopes that “China’s buying spree and voracious markets provide the underpinning for the peaceful coexistence that everyone wants,”<sup>47</sup> wishing to use the relationship to further entwine China. Specifically ASEAN wants to urge China to convert the watered-down South China Sea declaration into a binding “code of conduct.”<sup>48</sup> Similarly, China’s accession to the TAC and its offer for a Security Policy Conference to the ARF are each welcomed as opportunities to engage the Chinese, but no security realignment is in the offing. In recent years China is more accommodating to

regional naval visits, but for the most part there is no major increase in defense exchanges between the ASEAN countries and China.<sup>49</sup> Likewise, neither of the arm sales discussions concerning Thailand or Indonesia has come to fruition.

Concerning the China-ASEAN (FTA), ASEAN is generally upbeat. In addition to “early harvest” agreements reached with Singapore, Brunei<sup>50</sup> and Malaysia,<sup>51</sup> recent progress was made on some 200 produce items between China and Thailand. The Philippines, much more protective of its agricultural sector, reached an agreement on 82 items, but hopes to have industrial products included in the early harvest as well, a request China is not inclined to grant until negotiations on the FTA progress.<sup>52</sup> The author could find no source indicating Indonesia has similarly reached an early harvest agreement, but did uncover documentation listing Indonesian as well as Malaysian and Philippine concerns about the offer. In addition to these concerns, many inside and outside the region believe the early harvest program is clearly the low hanging fruit, and feel that the complete FTA is perhaps out of reach. Noting this, skeptics question China’s real intent, believing Beijing made the offer only to make Tokyo look inattentive and unresponsive.<sup>53</sup> In any event, although China and ASEAN are becoming more entwined through trade and security dialogues, there is no anti-US element to the deliberations.

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## Chapter 6

### Is China Benefiting?

Is China getting stronger? Certainly, its Gross Domestic Product (GDP) has quadrupled in the last 25 years<sup>1</sup> and its economy has grown at about 8-11 percent annual average. Are PRC ties to the region expanding? Without a doubt. Is China in a position to turn its new economic might into regional or global influence? Not to any large degree. Reviewing the results just presented yields no real takers to China's offer for a multipolar world and no shift in the Asia Pacific region away from the United States and towards China.

#### External Realignment?

The author could find no evidence that either Japan or Russia has accommodated Beijing in any major endeavor as a result of China's economic might. Not even the lure of selling Siberian oil to China could compete with a more attractive Japanese offer. The *Pacific Forum* offers three instances involving South Korean accommodation, all occurring in 2002—Seoul denied a visit request to Taiwan's first lady, and denied an Asiana airlines flight to Ulan Bator to the Dalai Lama. The *Forum* attributes both to reciprocity for PRC assistance with regards to North Korean refugees instead of economic arm-twisting. Lastly, the Seoul Metropolitan Government cancelled a cyber-essay award ceremony when they discovered the winner was a prominent Chinese



dissident involved in the Tiananmen democracy movement, Xu Bo. Furthermore, after wiring the cash awards to the runners up, Seoul city officials required Xu to come in and receive his award in cash, reportedly to avoid a paper trail!<sup>2</sup> Perhaps these three instances earn little more than a roll of the eyes; certainly no basis that they constitute a trend. This author applauds Scott Snyder's mining for these obscure events, but finds these instances reminiscent of the restrictions the United States placed on Taiwan President Lee's Hawaii transit nearly ten years ago, restricting him to the flight line on Hickam Air Force Base.<sup>3</sup> Or was that too a case where China's economy forced the hand of the United States?

Turning to ASEAN, China was clearly able to use its weight to avoid a binding South China Sea Code of Conduct, but that is an agreement that China has *always* resisted, only agreeing to this half-measure to placate other ASEAN claimants. Again, not necessarily an issue of economic pressure, just stiff resistance against what it considers feckless claims on its territory.

The best evidence in ASEAN, but not exactly a smoking gun, is the fact that the renminbi is becoming a form of hard currency in trade and tourism, despite the fact that it is not fully convertible.<sup>4</sup> Furthermore, even though many ASEAN currencies are pegged to the dollar, ASEAN did not support US calls, since the campaigns began for the 2004 US election, to float the renminbi. If the renminbi's value was determined by the market, Chinese exports would increase in price, potentially resulting in more (lower cost) ASEAN exports to the US market. *Pacific Forum* opines that the ASEAN "may have judged that increasing economic integration between China and ASEAN gave them a greater interest in a strong and growing Chinese economy than in gaining unilateral advantage for their exports."<sup>5</sup> This too seems hardly cause for alarm.

In fact, just the opposite if you subscribe to the liberal international relations precept of institutional binding. As China's economy grows, Beijing is increasingly entwined by its many relationships—not just trade relationships, but security ties too. David Lampton sums it up:

Beijing may initially be entering into encumbering international relationships based on tactical considerations, but that international involvement is a slippery slope. As a nation seeks to derive maximum benefit from the system, it becomes increasingly constrained. As it becomes increasingly constrained, the costs of withdrawal become progressively greater. What starts out as tactical adaptation may slowly change into “learning” (permanent change).<sup>6</sup>

In order for the gravy train to keep rolling, the international system needs stability. That stability is now in China's best interest, and they know it. As Richard Haass noted in last January's *South China Morning Post* “it would be curious indeed for China's leaders to destabilize Asia or embark on foreign policy adventures.”<sup>7</sup> China has also come to accept, if not welcome, the US security role in the Asia Pacific,<sup>8</sup> recognizing China benefits directly from the current international order.

Now some argue that the liberal view is all poppycock, that international “entwinement” did not stop either of the World Wars. But Samuel S. Kim points out that the interrelationships are very different now, the consequences more severe, therefore lessening the likelihood.

What distinguishes the post-1945 international system is the extent to which international organizations have become prominent and permanent parts of a complex, increasingly interdependent global system. In the post-Cold War era, thanks to globalization dynamics, the games that nation-states play have lost much of the realist simplicity of the struggle for power and plenty. Moreover, with the third wave of democratization, “democracies seem able to influence international norms and institutions, thereby affecting the probability that force will be used by states that are not themselves particularly democratic.”<sup>9</sup>

## **Overwhelming Internal Weaknesses**

Commenting in *Foreign Affairs* in 1999 on what he perceived as China's overblown potential, Gerald Segal said, "until we stop suspending our disbelief and recognize the theatrical power of China, we will continue to constrain ourselves from pursuing our own interests and fail to constrain China's excesses. And perhaps more important, until we treat China as a normal middle power, we will make it harder for the Chinese people to understand their own failings and limitations and get on with serious reforms that need to come."<sup>10</sup> Under pressure of WTO timelines, China is making great strides in economic reform, however, the extensive list of internal issues presented in Chapter 3 that require continual focus by the CCP, will keep China a weak country for some time to come.

John Mearsheimer points out that "a state's potential power is based on the size of its population and the level of its wealth. These two assets are the main building blocks of military power."<sup>11</sup> China only has one of the two, population, and has so many chits out that there is little left for military modernization. Recent force projection capabilities potentially exacerbate US freedom of action, but do they significantly hinder it? China recognizes the inadequacies of the PLA every time the US takes military action. It even calls into question the heritage of the PLA as the modern battlefield is no longer the realm of the peasant soldier, requiring entirely new accession, training, and equipping programs, not easily accomplished in the near term.<sup>12</sup> Even taking into account the lack of transparency into the Chinese defense budget "as a percentage of GDP, Chinese military expenditures do not appear to have reached a level where one could conclude the Chinese economy is being militarized and mobilized in order to balance against US power."<sup>13</sup>

In summary, China has a long way to go before any semblance of the “China threat” appears. It has many more weaknesses than strengths. Its national security strategy includes the point, “national economic development above 7 percent per year is considered a national security objective, since that is the level considered necessary to maintain employment at a level that will prevent public disorder.”<sup>14</sup> The fear of losing control inextricably links China to a stable international system. The Carnegie Endowment’s Minxin Pei aptly points out that the United States’ current myopia may be masking a bigger issue: “The United States—long preoccupied with a rising China that could become a “peer competitor”—has paid scant attention to the prospect that China’s weakness, rather than its feared strength, poses the graver and more difficult challenge to American national interests.”<sup>15</sup>

### Notes

<sup>1</sup> Siddharth Mohandas. “Introduction,” *The Rise of China: Foreign Affairs Editor’s Choice*, 2002, viii.

<sup>2</sup> Scott Snyder. “Celebrate While You Can, Because Tough Times are Ahead,” *Comparative Connections*, CSIS: Pacific Forum, Third Quarter 2002, Vol. 4, No. 3, 90.

<sup>3</sup> C.J. Chen. “The Dignity of Democracy,” *Heritage Foundation*, 1 Aug 2001, n.p.; online. Internet, available from <http://www.heritage.org/Research/AsiaandthePacific/HL715.cfm>

<sup>4</sup> Breckon, “SARS,” 76.

<sup>5</sup> Breckon, “On the Inside Track,” 81.

<sup>6</sup> David M. Lampton. “China’s Foreign and National Security-Making Process: Is It Changing, and Does It Matter?” in *The Making of Chinese Foreign and Security Policy in the Era of Reform* ed. by David M. Lampton (Stanford: Stanford University Press 2001), 35.

<sup>7</sup> Richard Haass. “Why Washington Welcomes China’s Rise,” *South China Morning Post*, 18 January 2003.

<sup>8</sup> Harris and Cooper, 49.

<sup>9</sup> Samuel S. Kim. “Northeast Asia in the Local-Regional-Global Nexus,” in *The International Relations of Northeast Asia*, edited By Samuel S. Kim (New York: Rowman and Littlefield Publishers, Inc 2004), 21-22.

<sup>10</sup> Segal, 36.

## Notes

<sup>11</sup> John J. Mearsheimer. *The Tragedy of Great Power Politics* (New York and London: W.W. Norton and Company 2001), 43.

<sup>12</sup> Howard M. Krawitz. "Modernizing China's Military: A High-Stakes Gamble," *Strategic Forum*, No. 204, December 2003.

<sup>13</sup> Alastair Iain Johnston. "China's International Relations: The Political and Security Dimensions," in *The International Relations of Northeast Asia*, edited By Samuel S. Kim (New York: Rowman and Littlefield Publishers, Inc 2004), 79.

<sup>14</sup> Fonow, 6.

<sup>15</sup> Minxin Pei. "Beijing Drama: China's Governance Crisis and Bush's New Challenge," *Policy Brief*, Carnegie Endowment for International Peace, 21 November 2002, 1.

## Chapter 7

### **Is the United States Losing Influence in the Asia Pacific?**

American 'hard' power is unmatched and is in fact increasing relative to the rest of the world. Coupling stealth, speed and precision with bases now located closer to anticipated hotspots, provides the ability to hold adversaries at risk on short notice. American 'soft' power, or influence, however, is on the wane in the Islamic world, and at times challenged elsewhere.

So how does one lose influence, and when lost, where does it go? American influence with other nations can be frittered away by its own actions, perhaps lost forever. In similar fashion that influence, or an equal quantity, can be regained through some new action or policy. In this instance, no third country gains a comparable amount of influence that the US lost. The US decision to begin hostilities in Iraq is an example where the fear of American unilateralism in future situations knocks points off America's global approval rating and China's, nor France's, nor any other country's rises as a result. American influence can also be lost in a head-to-head situation when a nation needs to choose between the United States and a third party. In this scenario influence is harder to regain as the actions of multiple actors are now in play. For illustrative purposes, in the six party talks China could gain influence with South Korea at the expense of the United

States if Beijing, in the face of perceived US recalcitrance, were to solely develop some winning combination for the peninsula.

The previous chapters concluded that China's recent efforts have mollified the region's perception of China. As this perception changes, it facilitates investment and trade opportunities, yet China's economy has not enabled it to gain much influence via other realms of national power, nor does it appear to have gained influence at the expense of the United States. Have recent US actions and decisions affected US influence in the Asia Pacific? And does China indirectly benefit from any loss of US influence?

### **Alliances and Relationships**

Alastair Johnston points out "as for external balancing, China is not trying as hard as it might to construct anti-US alliances or undermine US alliances globally or regionally...Nor does China appear to be all that active in trying to pry the US and Japan or the US and the Republic of Korea apart."<sup>1</sup> In fact recent decisions by Japan and Korea suggest that the US alliance structure is even stronger.

Japan's support for actions in Afghanistan included swiftly passing "emergency legislation" that increased Japan's Self Defense Forces rear area security at US bases, deployed military refueling ships and an Aegis guided missile cruiser to support coalition actions in the Indian Ocean, and provided regional air and sealift to coalition forces.<sup>2</sup> The emergency legislation was extended multiple times since enacted in the fall of 2001<sup>3</sup> and now includes deployment of a 1000-person post hostilities construction battalion in Iraq.<sup>4</sup> Missile defense is a major issue between the US and China. Giving little deference to its huge neighbor, Japan is an enthusiastic participant<sup>5</sup> in response to demonstrated capabilities in addition to veiled threats made by the DPRK.

Signifying the strength of the US-ROK alliance, its support for Enduring Freedom was just as robust, providing naval shipping and air transport in the Pacific and Indian Oceans, downed aircraft search operations off of Diego Garcia, field hospitals and engineering and medical units in Afghanistan<sup>6</sup> and most recently for Iraqi Freedom, an additional contingent of 3000 soldiers (1400 combat marines and 1600 construction engineers)<sup>7</sup> to Iraq, joining the 675 there since May 2003.<sup>8</sup>

President Roh's government made this decision even though the Korean public was divided.<sup>9</sup> In the future, Korean generational demographics—those that experienced the Korean War and generally side with US policy positions and basing, and the younger that are less inclined—will come increasingly into play. President Roh's election in 2002 and subsequent impeachment fourteen months later in March 2004, underscores this dynamic.<sup>10</sup> The US-ROK Future of the Alliance study focuses on moving and consolidating US bases further south of the demilitarized zone and further removed from congested cities. Once enacted, it should dampen public dissatisfaction concerning this element of the relationship.

Presidents Putin and Bush struck up a fast friendship early in this administration. Russia is supportive of the war on terror and looks to the US for understanding in its battle against Chechnyan separatists. Chapter 5 touched on the disagreement over invading Iraq and that in its aftermath Russia acted quickly to put the past behind it. However, more recently, US-Russian relations have receded into the background due to the rising importance of other international affairs, and even more recently as President Putin took what appeared to be less-than-democratic actions in the run-up to Russia's 2004 elections.



ASEAN has been generally supportive of the war on terror, although those countries with large Muslim populations have kept their participation low-key. Indonesia and Malaysia were very strong in their public condemnation of hostilities in Iraq, but it seems that although their disagreement with the US is credible, the rhetoric is mainly for public consumption. Materially, many ASEAN countries provided overflight clearances and landing rights in support of the air bridge, facilitated ship replenishment port calls, and in one instance a Southeast Asian nation deployed a construction battalion to Bagram for six months to repair the airfield. Support for Iraq operations was less robust due in part to the controversy surrounding the decision to begin operations without full UNSC approval (12 years of previous UNSC resolutions notwithstanding), but mainly because the US force flow did not impact the Pacific region to the same extent as Afghanistan operations. All in all, there does not appear to be lasting detrimental impact in the US-ASEAN relationship.

### **Foreign Students**

Chapter 5 noted that for the first time ever more Korean students are studying in Chinese universities than in American, although many of those in China are part-timers. In the case of full-time students, the author noted the wide variance between official PRC data and empirical data derived by a Japanese ministerial research adjunct. For the sake of argument, the author will use the larger number.

The fact that more students are studying in China than in the past is simply a reflection of improvements in the attractiveness of the new China compared with the old China—China is now more of an option than it was in the past. The growth of business

in China is appealing and experts label Mandarin as a must learn language,<sup>11</sup> where better to study it? Cost and proximity play also a role as in the case of the “grasshoppers.”

The number of foreigners in US colleges continues to climb, led by India, then China. Annual totals are approaching 600,000, although for 2003 the growth was less than 1%, the slowest increase since 1998. US visa restrictions as well as a slowdown in the global economy are the major factors cited.<sup>12</sup>

**Table 1. Asia Pacific Students in US Colleges.**

	<b>1998</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Japan</b>	47073	46497	46900	45960
<b>Korea</b>	42890	45685	49046	51519
<b>Mainland China</b>	46958	59939	63487	64757
<b>Total</b>	481280	547867	580500	586323

**Source:** American Institute of International Education.

International student data in Chinese colleges is more difficult to uncover, however, some conclusions can be drawn from the limited data available. Both US and Chinese colleges are admitting more students, although the percentage growth in China’s colleges is much larger. In 2002 the number of foreign students in China approached 86,000—a 42% rise over 2001. Seventy-seven percent of foreign students in China are from Asia. The Republic of Korea, Japan, the United States, Indonesia and Vietnam are the top five countries with students in China.<sup>13</sup>

**Table 2. Fulltime Students in Chinese Colleges.**

	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Korea</b>	NA	36093	NA
<b>Japan</b>	NA	16084	NA
<b>United States</b>	NA	7359	NA
<b>Total</b>	60443	85829	NA

**Sources:** Country data: “China Seen from Korea: Four Thousand Years of Close Friendship,” Japanese Research Institute of Economy, Trade and Industry; annual totals, PRC Ministry of Education as reported by Zhejiang University.

Although the number of foreign students in China has risen dramatically, especially if one adds the part time students from Korea, US foreign student enrollment is nearly seven times that of China’s. Although the recent large jump in Chinese admissions narrows the gap, it does not appear the United States has lost any prestige in terms of the attractiveness of its colleges—the numbers of Chinese in US colleges continue to rise. Of the 117,300 Chinese that studied overseas in 2003, 64757, or 55%, chose to study in the US. Furthermore, the majority of Chinese students that study overseas do not return home to China.<sup>14</sup> As an aside, since 1999 the favorite destination for full-time post-secondary study by Koreans is Canada,<sup>15</sup> yet there is no hue and cry that the US is losing influence to its northern neighbor.

### **Trade**

In 2003 the United States exported over \$1 trillion of goods and services, with a trade deficit of \$489 billion. US foreign trade statistics in table 3 indicate a negative trade balance across the board, although, within ASEAN the US has a positive trade flow with Singapore and Laos of \$1.4 and \$0.6 billion in 2003, respectively.<sup>16</sup>

**Table 3. US Trade in Goods and Services with Select Asian Countries.**

\$billions	2001			2002			2003		
	Imp.	Exp.	Bal.	Imp.	Exp.	Bal.	Imp.	Exp.	Bal.
<b>China</b>	102	19	-83	125	22	-103	152	28	-124
<b>Japan</b>	126	57	-69	121	51	-70	118	52	-66
<b>ROK</b>	35	22	-13	35	22	-13	37	24	-13
<b>ASEAN</b>	NA	NA	NA	75	41	-34	77	44	-33
<b>Russia</b>	6	3	-3	7	2	-5	8	2	-6
<b>Total</b>	1365	1007	-358	1392	974	-418	1508	1018	-489

**Source:** US Census Bureau Foreign Trade Statistics.

Concerning US-China trade, both imports and exports are increasing, but the bilateral trade deficit is increasing at a rate of roughly 20% per year in China's favor.

Focusing on China's largest trading partners, and consequently that which is the easiest to find data for, table 4 shows that China is importing (and exporting) more from the US, ROK and Japan in 2003, testimony to both China's growing domestic market and its burgeoning industrial production. Comparing tables 3 and 4, it does not appear US-ROK trade is suffering at the expense of ROK-PRC trade, however, imports and exports are down in US-Japan trade. The growing trade among Northeast Asian economies in large part is components exported to China to foreign subsidiaries which are then fabricating into finished goods and exporting back to the country of origin or to the large American market.

**Table 4. China's Foreign Trade**

<b>\$billions</b>	<b>2001</b>			<b>2002</b>			<b>2003</b>		
	<b>Imp.</b>	<b>Exp.</b>	<b>Bal.</b>	<b>Imp.</b>	<b>Exp.</b>	<b>Bal.</b>	<b>Imp.</b>	<b>Exp.</b>	<b>Bal.</b>
<b>U.S.</b>	19	102	83	22	125	103	28	152	124
<b>Japan</b>	30	56	26	40	61	21	53	69	16
<b>ROK</b>	18	13	-5	24	17	-7	35	22	-13

**Source:** US Census Bureau Foreign Trade Statistics; Japanese Customs and Tariff Bureau; Korean International Trade Administration.

**Military-to-military**

As mentioned earlier, the major alliance partners in this study, Japan and Korea, support operations in Afghanistan and Iraq materially and financially. In addition, each continue to purchase US arms, participate in joint and multilateral exercises and host military bases. In regard to the latter, the US has undertaken a number of initiatives to lessen the impact that its forward basing has on the surrounding host-nation populations especially on Okinawa and on the Korean Peninsula, which should assuage some of the concerns raised recently in those countries.

US-ASEAN military cooperation is a mixed story, but has been for some time. Due to Congressional restrictions, the United States military to military relations with Burma, Laos, and Cambodia are primarily limited to recovery operations for missing US servicemen within their borders. US-Indonesian relations are restricted to non-lethal exercises and conferences while arm sales are also restricted to spare parts for non-lethal military equipment purchased prior to the Indonesian military's involvement in human rights atrocities committed in East Timor. Recently some restrictions were lifted to allow Indonesian defense officials to attend US military schools.

Relations with US treaty allies Thailand and the Philippines are strong, with major exercises and other professional exchanges occurring frequently. Both nations were granted Major Non-NATO Ally<sup>17</sup> status in 2003<sup>18</sup> widening the potential for involvement

in research and development as well as repair contracts for US equipment. In both countries, the US is still the supplier of choice for military equipment. Thai price comparisons between US military and PLA equipment is most certainly a negotiating tactic.

Military to military interaction with Brunei is positive, but small due to the limited size and capabilities of the Royal Bruneian forces. US military ties with Vietnam are on the upswing with the first US ship visit occurring since the end of the Vietnam War in 2003.<sup>19</sup>

Relations with Singapore are also strong as it has hosted numerous ship repair and replenishment visits throughout operations in Afghanistan and Iraq for Pacific-based ships. Singapore built and funded the only pier in Southeast Asia capable of hosting a US aircraft carrier. It was inaugurated in 2001 with the visit of the *USS Kittyhawk*.<sup>20</sup>

### **Short term vs. Long term**

At this point in time, based on the data presented there is no decrease in the relations between the United States and the governments of East Asia. However, in those countries that supported the US decision to commence hostilities in Iraq, the populations are highly polarized. Is that factor a harbinger? As the memory of World War II and the Korean War fade, will age demographics shift future governments away from the US camp?

In democracies there is always that possibility. Some of those dynamics are playing out now in Korean politics as well as discussions over future defense considerations and US military base locations. Some evidence exists that the pretext for the impeachment of President Roh was that he was straying from America while getting too close to China.

Although apparently linked by his detractors, the author believes the issues are much more distinct and do not represent a tradeoff between the US and China. Call to mind the poll results presented earlier where Koreans selected China as the most important country economically and the US for security, indicating any future decision concerning US bases does not imply that China will fill the security void—no Chinese gain as a result of US influence loss. Additionally it appears very unlikely that Korea would decide to not host US bases to appease China, as both South Korea and China have stated that the US presence should remain even beyond reunification.<sup>3</sup>

But what about other long term possibilities? Are Asia Pacific nations hedging, supporting the US now while awaiting China's rise? No empirical data exists to indicate this possibility. Some pundits, looking at Chinese economic and diplomatic efforts in the region while carrying straight-line projections of Chinese economic growth forward, predict that China is laying the groundwork for long term regional hegemony. Too many inherent assumptions exist to label this more than speculation, but for the Asia Pacific to hedge, one also has to believe US influence in the region will recede. America plays a greater role than China determining US influence in the region.

China has changed, and as a result it has a modicum of new found influence in the region. It has gained this influence solely due to its own actions. The US has to some extent jeopardized its position with the war in Iraq as well as other recent actions, but by

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<sup>3</sup> As the United States and the Republic of Korea plan force structure and basing changes during the Future of the Alliance talks, some academics have heard from their Korean interlocutors that the ROK would prohibit peninsula-based US forces from engaging in a cross-straits crisis. A question better left unasked during official exchanges, similar to US cross-straits policy, a certain amount of ambiguity should be expected on the part of the ROK.

and large its influence in the Asia Pacific has suffered little damage and in some cases has even increased. However, influence can be fleeting; it requires constant maintenance. A nation-state can gain or lose influence on its own accord, but the hardest influence to regain, is that lost to another.

### Notes

<sup>1</sup> Alastair Iain Johnston. "Is China a Status Quo Power?" in *International Security*, Vol. 27, No. 4, Spring 2003, 39-40.

<sup>2</sup> "International Contributions to the War on Terror," US Central Command, n.p.; online. Internet, available from

[http://www.centcom.mil/Operations/Coalition/Coalition\\_pages/japan.htm](http://www.centcom.mil/Operations/Coalition/Coalition_pages/japan.htm)

<sup>3</sup> Brad Glosserman. "Vindication!" *Comparative Connections*, CSIS: Pacific Forum, Fourth Quarter 2002, Vol. 4, No. 4, 15.

<sup>4</sup> "The Sun Rises Over Samawah – Japanese Troops Arrive in Iraq," Virtual Information Center, 29 Jan 2004, n.p.; online. Internet, available from <http://www.vic-info.org/regionstop.nsf/0/6b84907ea0c12fc30a256e2a00055ad7?OpenDocument>

<sup>5</sup> Glosserman, 15.

<sup>6</sup> "International Contributions"

[http://www.centcom.mil/Operations/Coalition/Coalition\\_pages/republicofkorea.htm](http://www.centcom.mil/Operations/Coalition/Coalition_pages/republicofkorea.htm)

<sup>7</sup> Balbina Y. Hwang. "South Korean Troops to Iraq: A Boost for U.S.-ROK Relations," *Heritage Foundation*, Webmemo 427, 13 Feb 2004, n.p.; online. Internet, available from <http://www.heritage.org/Research/AsiaandthePacific/wm427.cfm>

<sup>8</sup> "Lawmakers Visit Korean Troops in Iraq," *Korea Update*, Embassy of the Republic of Korea, 30 Sept 2003, n.p.; online. Internet, available from [http://koreaemb.org/archive/2003/09\\_2/foreign/foreign4.asp](http://koreaemb.org/archive/2003/09_2/foreign/foreign4.asp)

<sup>9</sup> Hwang, <http://www.heritage.org/Research/AsiaandthePacific/wm427.cfm>

<sup>10</sup> Dr. David Steinberg. Presentation to Key Global Issues Seminar Fall 2003.

<sup>11</sup> "Expert: New 'must learn' language likely to be Mandarin," *CNN.com*, 1 March 2004, n.p.; online. Internet, available from

<http://www.cnn.com/2004/TECH/science/02/27/future.language.ap/>

<sup>12</sup> "Growth of Chinese Students in the US Slows Down: Report," Chinese Ministry of Foreign Affairs, 11 June 2003, n.p.; online. Internet, available from <http://chicago.china-consulate.org/eng/jy/t40302.htm>

<sup>13</sup> "Foreign Students on the Rise," Zhejiang University website, 18 April 2003, n.p.; online. Internet available from

<http://www.zju.edu.cn/english/news/2003/news030418.htm>

<sup>14</sup> "Record 20,100 Chinese Students Return Home in 2003," *People's Daily*, 16 Feb 2004, n.p.; online. Internet, available from

[http://fpeng.peopledaily.com.cn/200402/16/print20040216\\_134955.html](http://fpeng.peopledaily.com.cn/200402/16/print20040216_134955.html)



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<sup>15</sup> “Post Fair Report,” American International Education Foundation, n.p.; online 12 Mar 2004. Internet, available from [http://www.ief-usa.org/services/fairs/fair\\_korea\\_report03sa.htm](http://www.ief-usa.org/services/fairs/fair_korea_report03sa.htm)

<sup>16</sup> US Census Bureau Foreign Trade Statistics, Exhibit 6. Exports, Imports and Trade Balance by Country and Area, Not Seasonally Adjusted: 2003, online. Internet, available from <http://www.census.gov/foreign-trade/Press-Release/2003pr/12/exh6s.pdf>

<sup>17</sup> Fact Sheet: Major Non-NATO Ally (MNNA) Status for Thailand, US Embassy in Thailand, 19 Oct 2003, n.p.; online. Internet, available from <http://www.usa.or.th/apec2003/factsheetmnna.htm>

<sup>18</sup> Fact Sheet: Announcements Related to the Visit of President Arroyo, The White House, 19 May 2003, n.p.; online. Internet, available from <http://www.whitehouse.gov/news/releases/2003/05/20030519-2.html>

<sup>19</sup> “USS Vandergrift Concludes Historic Vietnam Port Visit,” 7<sup>th</sup> Fleet News Release, 24 Nov 2003, n.p.; online. Internet, available from <http://www.c7f.navy.mil/news/2003/November/15.htm>

<sup>20</sup> “First Us Carrier To Moor Pierside In Singapore,” Department of Defense News Release, 20 March 2001, n.p.; online. Internet, available from [http://www.defenselink.mil/news/Mar2001/b03202001\\_bt118-01.html](http://www.defenselink.mil/news/Mar2001/b03202001_bt118-01.html)

## Chapter 8

### Conclusions and Recommendations

*Neither we nor the Chinese leadership believe that there is anything inevitable about our relationship - either inevitably bad or inevitably good. We believe that it is up to us, together to take responsibility for our common future*

—Jim Kelly, Assistant Secretary of State for East Asia and Pacific Affairs  
Testimony before Senate Foreign Relations Committee

If US leadership is concerned that the Asia Pacific region may at some point switch from a US-centric order to one led by China, then it is up to the US to forestall such an event. And, if the proposition is sound that influence lost to another is hardest to regain, then the US would be wise to not offer a choice in the Asia Pacific. The US needs to not only maintain its power, but it also has to maintain its relationships while avoiding a take-it-or-leave-it attitude. US forward based forces are there at the invitation and favor of foreign hosts. All parties benefit as a result. If the US is cavalier about the relationships, then the US alone threatens the longevity of the relationships. To co-opt a phrase from the previous administration, the US cannot be the “indispensable nation,” if it is the only one that thinks so.

The US received relatively firm support from the governments in the region concerning the Afghanistan and Iraq actions—many did so in light of a divided population. The US would be well-served to assist those leaders at home. Far from quid

pro quos, there needs to be mutual beneficial exchange. In order to maintain and increase its influence in the Asia Pacific, the United States should consider some of the following suggestions:

**The United States needs an updated Asia Strategy.** The US has not promulgated an Asia Pacific strategy since 1998. Some have said if it wasn't for North Korea, there would be no attention given the Pacific since 9-11. A new visionary policy is sorely needed, one that compliments the US priorities on counterterrorism. Additionally, once it's available the US needs to pre-brief those most-affected, avoiding a repeat of the "Nixon shock" that hit Japan in 1972.

The US forward basing structure – nothing in this paper suggests a need for change in our basing structure, but the US needs Korea and Japan, and any other nation that hosts or will host US personnel or equipment, to believe it has a role in decisions. The US needs to recognize the difference between representing one's position and dictating to allies. Partners need to feel like partners.

In addition to Northeast Asia, the policy must also give attention to South East Asia. A way needs to be found to reach out to the un-engageables (i.e., Burma, Laos, and Cambodia) without yielding on human rights and democracy concerns. *Not talking* is a very difficult way to get a message across.

The US would be well-served to join with China and add substance to China's suggestion for an ASEAN Security Policy Conference. ASEAN is slowest to adopt change when it does not come from within, yet helping China succeed does not cost the US "real" or "relative" influence and it may even result in some enhanced security mechanism for a volatile region. A China more tightly bound to solving the security

issues of the Asia Pacific, the better for all involved. Does the US really care if it does not get full credit?

**The US must reduce the security dilemmas in Northeast Asia.** Perhaps more easily said than done, but instead of discounting Jiang Zemin's offer at Crawford to remove the mobile SRBMs opposite Taiwan, the US should explore the possibilities. China should follow the logic that no Taiwan missile defense is required if no missiles exist. Additionally, the US should continue to encourage China to increase the transparency of its Defense White Papers and the PLA budget.

The bold approach for North Korea needs wider dissemination. Making the details public might increase international pressure on the regime. Get mileage from Libya's conversion--accelerate restoration of ties and benefits to Libya in the wake of its nuclear relinquishment. Even though the DPRK says it isn't Libya, positive movement may entice them. Fact is the DPRK isn't India or Pakistan either.

**The US needs to change the perception that it is unilateralist.** If nations feel that the US may go-it-alone, then they just might let it happen, making the US responsible for all the costs. In this regard, the author believes there is great value in the ongoing effort to clarify the National Security Strategy to remove the perception that pre-emption is the US option of first choice. Additionally, the points made in Colin Powell's "A Strategy of Partnerships" found in *Foreign Affairs* earlier this year need to be more widely disseminated as well as used in every applicable venue.<sup>1</sup>

In the realm of treaties and international agreements, the US abrogation of the ABM treaty does not appear to have harmed US security interests at this point, but when coupled with US refusal to sign the Kyoto Protocol and other international agreements, it

has detracted from US influence, potentially indicating the US is above international rules and norms. The US has a lot at stake that must be protected; the author does not question the decisions made on these documents, but notes the means by which the US announces its disfavor could be improved.

In the Pacific, one area of great concern is global warming and the potential rise of ocean levels. The decision to not sign the Kyoto Protocol damaged US influence in Japan and the nations of Oceania. Current discussions to join a carbon emission trading system as that currently under consideration in the EU,<sup>2</sup> as some major US corporations with pending manufacturing infrastructure decisions are insisting, should be trumpeted as an example of US environmental concern and progress towards Kyoto's goals.

**US-China relations need to maintain an even keel.** Each administration must recognize that “even when presidents from Ronald Reagan, through Bill Clinton, to George W. Bush initially considered significantly altering the contours of the relationship with Beijing, each quickly realigned policy according to long-established principles once the costs of change to American interests became apparent.”<sup>3</sup>

If the question is what does the US want China to look like in the coming years, the additional question must be what affect will the US have on the outcome? The US must maintain a degree of pressure on China to conform with human rights standards, but would be better served if it followed the Dalai Lama's guidance:

I feel on issues such as human rights and religious freedom, it is better to engage Chinese leaders directly, without public condemnation....Once you state a critical view publicly, then the Chinese government, even if it wants to change, would find it more difficult.<sup>4</sup>

China will change, and although the United States will play a role via trade and diplomacy, China is in charge of its destiny. The question is will it be the vision of the

CCP or the vision of the other 1.4 billion Chinese that prevails? The United States will have the most influence on both parties if it quietly prompts, avoids threatening actions and statements, and leads by example. In these efforts, the US must avoid treating China as a budding adversary and help it to avoid Minxin Pei's dire picture of an imploding China.

The future of the Asia Pacific depends on many factors, but clearly China and the United States will play a major role in its outcome. Treating the region with the priority it deserves is the only way that the US can maintain its influence and presence. Without this attention, the region may believe it must choose between the United States and a substitute. If it overcomes all of its internal problems and avoids war, China will one day stand ready to fill this role.

### Notes

<sup>1</sup> Colin L. Powell. "A Strategy of Partnerships," *Foreign Affairs*, January/February 2004.

<sup>2</sup> "Emissions Trading Schemes," Department for Environment, Food, and Rural Affairs, Government of the United Kingdom, online. Internet, available from <http://www.defra.gov.uk/environment/climatechange/trading/index.htm>

<sup>3</sup> David M. Lampton. "The Stealth Normalization of US China Relations," *The National Interest*, Fall 2003, 37.

<sup>4</sup> John M. Goshko, "Dalai Lama Hopeful on Clinton Policy," *Washington Post*, 1 May 1998, A33, as reprinted by David M. Lampton in *Same Bed Different Dreams: Managing US-China Relations 1989-2000*.

## *Glossary*

ABM	Anti-Ballistic Missile
APEC	Asia Pacific Economic Council
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
CCP	Chinese Communist Party
CSCAP	Council for Security Cooperation in the Asia Pacific
DPRK	Democratic People's Republic of China
EAEC	East Asian Economic Caucus or Council
EU	European Union
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ISD	Institute for the Study of Diplomacy
MFN	Most Favored Nation
NSC	New Security Concept
PLA	People's Liberation Army
PLAAF	People's Liberation Army Air Force
PLAN	People's Liberation Army Navy
PM	Prime Minister
PRC	People's Republic of China
ROK	Republic of Korea
SCS	South China Sea
SOE	State Owned Enterprise
SRBM	Short Range Ballistic Missile
TAC	Treaty of Amity and Cooperation
WTO	World Trade Organization

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