

## CHINA: UNFOLDING THE PAPER DRAGON

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USAWC CLASS OF 2011

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REPORT DOCUMENTATION PAGE				Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. <b>PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.</b>					
1. REPORT DATE (DD-MM-YYYY) 23-03-2011		2. REPORT TYPE Strategy Research Project		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE  China: Unfolding the Paper Dragon				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)  Lieutenant Colonel William Carle				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)  Dr. Clay Chun Department of Distance Education				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) U.S. Army War College 122 Forbes Avenue Carlisle, PA 17013				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION / AVAILABILITY STATEMENT Distribution A: Unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT In the second quarter of 2010, China's gross domestic product surpassed Japan's second place ranking, making it the next largest economy only to the U.S. Many see this as a clear indicator of China's imminent rise as the next world leader. Three key aspects of national strength: people, government, and economy will help determine China's ability to transform from a paper dragon to a global economic and political leader. The Chinese Communist Party (CCP) aims to perpetuate its stratospheric economic growth to maintain its authoritarian rule and legitimacy. The focus on economics lies on the CCP's fear of internal instability and loss of power, which subsequently drives their domestic and foreign policies. One must consider the effects of these policies on China's ability to become the preeminent superpower. While many fear China's economic and military growth, China has shown considerable interest in developing values through Confucianism to counter some of the negative consequences of their past policies. Furthermore, a common interest in values between the U.S. and China may provide a practical intersection of interests for future dialogue.					
15. SUBJECT TERMS U.S.-China Relationship, Economics, Currency Manipulation, Asia-Pacific Security, Africa, China's Rise, Chinese Communist Party, Tiananmen Square, Confucianism, Universal Rights, Demographics, One-child Policy, Taiwan, Social Contract					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT  UNLIMITED	18. NUMBER OF PAGES  34	19a. NAME OF RESPONSIBLE PERSON
a. REPORT UNCLASSIFIED	b. ABSTRACT UNCLASSIFIED	c. THIS PAGE UNCLASSIFIED			19b. TELEPHONE NUMBER (include area code)



# USAWC STRATEGY RESEARCH PROJECT

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## **ABSTRACT**

AUTHOR: Lieutenant Colonel William Carle

TITLE: China: Unfolding the Paper Dragon

FORMAT: Strategy Research Project

DATE: 23 March 2011      WORD COUNT: 6,435      PAGES: 34

KEY TERMS: U.S.-China Relationship, Economics, Currency Manipulation, Asia-Pacific Security, Africa, China's Rise, Chinese Communist Party, Tiananmen Square, Confucianism, Universal Rights, Demographics, One-child Policy, Taiwan, Social Contract

CLASSIFICATION: Unclassified

In the second quarter of 2010, China's gross domestic product surpassed Japan's second place ranking, making it the next largest economy only to the U.S. Many see this as a clear indicator of China's imminent rise as the next world leader. Three key aspects of national strength: people, government, and economy will help determine China's ability to transform from a paper dragon to a global economic and political leader. The Chinese Communist Party (CCP) aims to perpetuate its stratospheric economic growth to maintain its authoritarian rule and legitimacy. The focus on economics lies on the CCP's fear of internal instability and loss of power, which subsequently drives their domestic and foreign policies. One must consider the effects of these policies on China's ability to become the preeminent superpower. While many fear China's economic and military growth, China has shown considerable interest in developing values through Confucianism to counter some of the negative consequences of their past policies. Furthermore, a common interest in values between the U.S. and China may provide a practical intersection of interests for future dialogue.





## CHINA: UNFOLDING THE PAPER DRAGON

In the second quarter of 2010, China's gross domestic product (GDP) surpassed Japan's second place ranking, making it the next largest economy only to the U.S.<sup>1</sup> Many see the unquestionable growth of China's economic and political influence as a clear indicator that China will be the next predominant world leader, unseating the United States from its lone superpower position. Undoubtedly, China currently plays an immeasurable role in shaping Asia-Pacific stability and security, and enjoys an ever-increasing worldwide influence due to its economic resurgence and growth over the past three decades. Since modern globalization and economic interdependence affects all world powers, one must ponder the consequences and costs to China associated with its potential rise to economic and political dominance. Can China's governmental and social system sustain its tremendous industrial growth and mitigate the burgeoning unintended second and third order effects, such as pollution, a growing socioeconomic disparity between rural and urban citizens, and a rising elderly population, amongst others; or will these issues derail China's rise to world preeminence? In other words, can China afford to stay the course, and more importantly, is China's rise to the top inevitable?

In late 1978, Deng Xiaoping's "socialism with Chinese characteristics"<sup>2</sup> instigated decisive economic market reforms, which propelled the nation's economy over the past thirty years. Ostensible political reforms, however, were not commensurate in magnitude or impact. Therefore, as China's incipient middle class grows, the Chinese Communist Party (CCP) must continue to orchestrate stratospheric economic growth to maintain its authoritarian rule and legitimacy, while balancing an increased international

role and influence. Therein lies the “China trap,” a domestic and international relations paradox. An appeased domestic population, through positive economic development, equates to a legitimized CCP ideology and rule, which in turn drives a foreign policy that often conflicts with international economic and political norms and agreements.<sup>3</sup> In the past, China has provided arms to Sudan’s leadership, marginally supported nuclear nonproliferation efforts in Iran, and imprisoned human rights activists, to include Nobel Peace Prize winner Liu Xiaobo for his desire to increase political freedoms.<sup>4</sup>

China’s rise and attempt to balance domestic stability with international policies prompts the U.S. and others to shape and refine their own foreign policies and military defense strategies. Colin Gray noted, “... no better insight [has been offered] for a general theory of the causes of war than was suggested 2,400 years ago by Thucydides—‘fear, honor, and interest’<sup>5</sup> ...”<sup>6</sup> Indeed, distrust and miscalculation between the world’s two largest economies may prove disastrous, and more broadly affect the global network of nations. The importance of the U.S.-China relationship cannot be overstated. As President Barrack Obama acknowledged in July 2009, “The relationship between the United States and China will shape the 21st century.”<sup>7</sup>

Three key aspects of national strength: people, government, and economy help determine China’s ability to transform from a paper dragon to a global economic and political leader. While the interpreted Clausewitzian trinity—people, government, and military—is valid in its own right, renowned economist Eliot Janeway stressed the need to also consider economics for successful policymaking.<sup>8</sup> Others go even further to suggest the latest wave of globalization and 21st century economic interdependence elevates the role of economic power over military might to achieve national objectives.<sup>9</sup>

Furthermore, a nation's durability is also dependent on the character of the social contract between the people and the government, which is uniquely shaped by culture and history. While other aspects of national power and internal capability contribute to the strength of a country, the focus on China's people, government, and economy is commensurate with the current level of domestic and international influence and intrigue. As China rises, can it ultimately adapt itself socially, politically, and economically, to include transforming an export-driven economy to domestic consumption, while effectively managing resources and the environment without alienating the rest of the world?

### The Social Contract and Heaven's Mandate

Thomas Hobbes postulated, "The passions that incline men to peace, are fear of death; desire of such things as are necessary to commodious living; and a hope by their industry to obtain them."<sup>10</sup> Hobbes made a strong universal case that humans, as social creatures, would not flourish under what he described as the "state of nature."<sup>11</sup> Under this condition, social rules or a commonly accepted mechanism to enforce them do not exist. Man would, therefore, live in a "constant state of war,"<sup>12</sup> driven by continual competition for basic, but limited resources.<sup>13</sup> To alleviate this menacing state, and in recognition of man's desire "for commodious living," Hobbes offered the "Laws of Nature" whereby man must agree to be governed by laws and a government with commensurate power to enforce the arrangements between the people.<sup>14</sup> In essence, man gives up his unconditional freedom under the state of nature to receive the benefits of society under the government's rule.<sup>15</sup> Consequently, the state leader must fulfill the obligations of this "social contract;" otherwise, the people will question the government's

legitimacy to rule. This may result in the loss of power through peaceful or violent means.

This social contract model applies to China. As early as 12th century B.C.E., many believed the imperial family received legitimacy of rule through the “mandate of heaven,” which was maintained through virtuous and effective government administration.<sup>16</sup> Traditionally, China oversaw its state, in terms of a large population and geographic size, by expecting society to monitor itself through a strong family system as demonstrated by Confucius’s ethical teachings.<sup>17</sup> Confucius taught the “paradigmatic relationship” between father and son was reciprocal in nature. The son’s fundamental responsibility is to obey the father, while the father’s responsibility and obligation is to lead and teach his son moral behavior through personal example. Confucius subsequently applied this concept to the relationship between a ruler and his subjects.<sup>18</sup> A broken relationship, such as the consequence of misrule, gave the people an inferred right to rebel. The apparent loss of the mandate of heaven encouraged the people to facilitate a change in the political landscape; however, a failed rebellion indicated to all that the mandate of heaven was in fact never lost.<sup>19</sup> From this unique historical and cultural perspective, a closer look at the people follows.

### The People

There are many dimensions associated with the Chinese people, which influence their internal and external relationships, such as demographics, culture, religion, philosophy, and its 3,500 years of recorded history. These aspects assist with analyzing the framework from which China addresses domestic and international issues. In particular, China faces two key issues and trends of significance, which also affects its future: changes in demographics and urbanization.

The 2010 Joint Operating Environment (JOE) identified demographic issues as one of ten trends influencing world security:

... the world's troubles will occur not only in the areas of abject poverty but also, to an even greater extent, in developing countries where the combination of demographics and economy permits populations to grow, but makes meeting rising expectations difficult.<sup>20</sup>

Currently, China is the most populous country in the world with an estimated 1.3 billion people. While this large population provides a massive source of cheap labor for industrial growth, the CCP has recognized its immense population, with unabated growth, will thwart the country's economic progress.

Initially, Mao Zedong considered a large population a national asset necessary for China's development and defense, notwithstanding any concern with the ratio between people and arable land.<sup>21</sup> As exemplified during the Great Leap Forward, Hu Yaobang, secretary of the Communist Youth League, declared, "The force of 600 million liberated people is tens of thousands of times stronger than a nuclear explosion."<sup>22</sup> Therefore, during the first 20 years of CCP rule, they chose not to implement any birthrate limiting policies. However, as the nation's annual birthrate exceeded 30 per 1,000, Zhou Enlai, China's first Premier, instituted a population control policy in 1971. He firmly believed positive economic development required this measure. With a campaign slogan of "late, sparse, and few" the policy exceeded its birthrate goal of 20 per 1,000 by 1980 to the actual value of 18 per 1,000.<sup>23</sup> Despite its initial success at cutting the population growth rate by roughly a third in 10 years, and achieving an almost two-child per family practice, projections indicated the population would still surpass 1 billion by 1980. Deng Xiaoping concluded the results of the existing measures would still hamper economic growth.<sup>24</sup> Therefore, in 1979, Deng

implemented the one-child policy with a goal of achieving a birthrate of 13 per 1,000.<sup>25</sup> This policy later became the Law on Population and Birth Planning in 2001.

Statistically, some regard China's comprehensive effort to stabilize its population growth a success. Data from 2010 show the country achieved a population growth rate of 12 per 1,000.<sup>26</sup> Furthermore, U.S. Census Bureau's 2009 projections indicate China's population will peak at around 1.4 billion by 2026,<sup>27</sup> following a population growth-rate decline in 2014.<sup>28</sup> Overall, the policy has prevented an estimated 400 million births, close to the population size of the European Union.<sup>29</sup>

Despite this achievement, China now contends with sharp domestic and international criticism over its birthrate control policies. Prototypical of China's governmental rule, the central government largely delegated law enforcement to provincial and local governments, who in turn directed family planning workers to enforce the policy "in a civilized manner."<sup>30</sup> Even though a number of state-sponsored incentives in the form of preferential housing, health and education care, as well as punitive measures exist,<sup>31</sup> local-level workers have sometimes still resorted to Draconian measures.

By in large, the policies have resulted in coerced abortions and sterilizations, female infanticide and abandonment, and targeted female abortions.<sup>32</sup> Furthermore, the policy has precipitated widespread marginalization and sexual discrimination of women as well as one of the highest female suicide rates among women in child bearing ages due to the monstrous pressure to bear a son, especially among rural women.<sup>33</sup> While not attributing these suicides to the one-child policy as do other sources, Yang Fude, vice-president of Beijing Hui Long Guan Hospital, noted in the *China Daily* in 2007,

“China is the only country where suicides among women outnumber men,” and “It is also one of the few countries where rural suicides outnumber urban suicides.”<sup>34</sup>

Although contemporary data indicate China’s suicide rate has dropped among rural women, it also shows an alarming increase among the elderly living in urban areas. Professor Jing Jun from Beijing’s Tsinghua University explained mass migration to urban areas has “pulled rural women out of subordinate roles,” but in contrast, the separation from traditional family support coupled with rising medical expenses has significantly increased stress on the elderly population.<sup>35</sup> He also noted the younger generation’s fixation on achieving a “modern-day” lifestyle, which suggests a break from Chinese social values and traditions.

In addition to the purported human rights violations and suicides, another unintended and undesired effect of the one-child policy, which may loom as large as an unmanageable population growth, is the significant demographical trends of an aging society and decreasing number of wage earners required to support them. Demographers are quick to point out the inherent economic and social instability of this circumstance, as well as the national shortage of wives, which further compounds the situation.<sup>36</sup> The effects of three decades of population manipulation, the influence of local child birth control measures, and the devaluation of females has created a society where the ratio between men and women is 119 to 100 and as high as 144 to 100 in some rural regions, as compared to the global ratio of 106 to 100. This skewed ratio has created 32 million more men than women under the age of 20.<sup>37</sup> This lopsided ratio undermines the traditional social fabric of Chinese society to provide social security and retirement support for elderly parents and grandparents through its families. In

particular, families have historically relied on sons to work the fields and maintain the family name and fortune, because a daughter will eventually focus her energy and income on her husband's family.<sup>38</sup> Therefore, a single-daughter family will not have this traditional support.

The rise of the "little emperors," products of the one-child policy, has contributed to the deterioration of traditional Chinese values, responsibilities, and filial piety.<sup>39</sup> Demographic experts have described the generation of the one-child policy as "more likely to be spoiled and self-centered,"<sup>40</sup> and prone to neglect their parents as they focus on personal wealth and material gain despite China's constitutional mandate to support their parents.<sup>41</sup> According to China's National Bureau of Statistics in 2005, 42 percent of Chinese families were elderly couples living alone.<sup>42</sup> This challenged demographic will only continue to grow. China's life expectancy has skyrocketed from 50 years in 1949<sup>43</sup> to nearly 75 years today.<sup>44</sup> Based on 2007 census figures, the retired-age population was 20 percent; however, by 2050, over 33 percent of the population will be of retirement age. Furthermore, the number of workers per retired person will drop from six to below two.<sup>45</sup> The strength of China's population to fuel its growing industry exists today; however, by 2015 the workforce population will decline about 0.1 percent per year.<sup>46</sup> Consequently, as the percentage of the workforce decreases, wages will most likely increase; thereby, reducing China's competitive economic advantage.<sup>47</sup> Diminishing exports may also fuel an increase in domestic interest rates and the price of consumer goods. CCP does not want this destabilizing situation.

But how can China address this growing pressure? To be sure, China recognizes these issues and seeks to reinvigorate and promote values, such as filial



piety, through the revitalization of Confucius's teachings. Formal recognition of these values occurred during the opening ceremonies of the 2008 Beijing Olympics where Chinese officials quoted the *Analects of Confucius*.<sup>48</sup> Additionally, in 2000, the State Council of China created a social security fund<sup>49</sup> to offset the lack of family support and the reduction in retirement programs formally provided by collapsing state-owned enterprises. Unfortunately, for most of the Chinese population this burgeoning social security system only covers about half of the state's employees and remains a work in progress.<sup>50</sup>

The socioeconomic gap between China's rural and urban populations, as well as seasonal migration of rural workers to the cities for employment and social benefits creates another strain on China's domestic landscape. During the late 1970s, Deng consciously focused economic growth efforts by "building on the best," which meant concentrating primarily along China's coastal regions rather than continuing to develop the country along an egalitarian path as prescribed by Chairman Mao.<sup>51</sup> Therefore, Deng shifted resources from the poorest regions in the west and concentrated on the coastal provinces, whose industrial capacity and access to the outside allowed them to maximize China's market-reform investment.<sup>52</sup>

The transformation and closure of the feeblest state-owned enterprises, the loss of jobs due to rural land use changes, and the lure of greater city pay, attracts a migrant rural workforce of 150 million "floating" workers.<sup>53</sup> Sadly, most of these workers are not entitled to benefit packages, job security, and access to the city's public services, such as housing and medical care, because these services reside with their official rural residence.<sup>54</sup> Therefore, despite much improved wages, life remains a challenge for

these temporary urbanites, because they incur out of pocket medical expenses and are relegated to living in shantytowns.

While the cities' permanent citizens mostly tolerate the migrant workers and their families, signs indicate a growing divergent class system and societal strain. A dearth of affordable housing, relatively low wages, rise in violent crimes, and a growing gap in wages have contributed to an estimated 100,000 demonstrations a year.<sup>55</sup> Currently, 55.1 percent (727.5 million) of China's population is rural;<sup>56</sup> however, by 2015 the population percentage will shift in favor of urban environments. Therefore, the CCP must effectively address this growing divide and urban strife to ensure internal stability. Other issues associated with this immense urbanization include the growing loss of limited arable land required to feed the people, which may begin to compete for the CCP's near-term attention. This loss comes from the growth in the number of factories, roads, and houses.<sup>57</sup> Added to the list of concerns are water shortages and increased pollution from unimpeded industrialization and growing cities. According to the World Bank, China is home to 20 of the world's 30 most polluted cities.<sup>58</sup>

Population control and urbanization has definitely contributed to China's rise and progress, but at a significant cost. Whether or not current policy reforms and adjustments to address the demographic and migration challenges are enough or too late to quell China's progress remains to an open question. These issues directly affect China's governance and motivation to produce a "harmonious society."

### The Government

Simply put, the CCP aims to maintain its power and rule. This is not to say the party's sole motivation is power, but rather they perceive political stability as the primary means to promote China's rise. Chinese history is replete with historical lessons for the

ruling government—dynasties fall when overwhelmed by domestic unrest and foreign aggression.<sup>59</sup> A weak, divided state lures foreign aggression and foreign aggression triggers political and social turmoil.<sup>60</sup> Additionally, China's politicians fear political defeat owing to a past precedence of losing their privileged livelihood, and sometimes even their own lives.<sup>61</sup> The lessons of the 20th Century, such as the fall of the Berlin Wall, the subsequent fall of the Union of Soviet Socialist Republics (USSR) and other communist regimes, and China's own civil unrest during the 1989 Tiananmen Square demonstrations are not lost on the current leaders. Consequently, the CCP's fear of domestic upheaval, "splittism," foreign aggression, and the desire for international legitimacy and recognition drives their domestic and international policies.

China's long history contains the presence of a strong emperor with two key constraints on his power: his personal capacity and the size of the country under his rule, which necessitated the need to rely on others to carry out his orders and desires.<sup>62</sup> Characteristics of a successful dynasty include a strong central government relative to local officials and gentry, equitable taxes, secure borders, active public works, rapid and effective response to natural disasters, and ultimately healthy economics.<sup>63</sup> While the CCP is not a dynasty per se, these desired conditions have not changed, nor has the challenge for a strong central government to direct, coordinate, and oversee national policy. Similar to the structure of the central government, where the CCP and government bureaucracy share power, albeit with the keen oversight of the political party, virtually all levels of government have a parallel Party administration (led by the secretary of the Party Committee) and a governmental body (led by the governor, mayor, or county head).<sup>64</sup> Local government effectiveness depends upon the

relationship between the local party leader and the local senior government official. The central government typically appoints non-local provincial leaders to avoid building strong local political bases, and to reduce corruption. Unfortunately, at the lowest level, officials in many instances come from the same general area and occasionally serve as both the party and government leader. In some cases, these officials treat the local community as their own fiefdom.<sup>65</sup> As expected, allegations of governmental corruption are directed most frequently at these local officials rather than at the provincial and central levels of government.<sup>66</sup>

As previously described, deleterious times were historically characterized by poor harvests, excess taxes, natural disasters, foreign threats, and generally hard times. These conditions indicated a weak and illegitimate central government, which sparked civil unrest and emboldened local leaders to take advantage of the situation and ensure the successful transfer of the mandate to rule to a new regime.<sup>67</sup> Within this framework and in light of the USSR's fall, the Tiananmen Square pro-democracy demonstration of 1989 still resonates loudly in the psyche of the CCP leadership.

Following the sudden death of the popular and reform-minded Hu Yaobang, who was forced to resign as CCP General Secretary by CCP conservatives two years earlier, student demonstrations erupted in Tiananmen Square with shouts of "Down with dictatorship!" and "Long live democracy and science!" CCP General Secretary Zhao Ziyang, who previously masterminded rural reforms, supported a peaceful and democratic solution to the demonstrations occurring in every Chinese province and in 132 other cities.<sup>68</sup> Zhao attempted to placate protesters with promises to end corruption and increase economic reforms. In stark contrast, CCP conservatives, including Deng,

officially called the protests “a well-planned plot ... to confuse the people and throw the country into turmoil.”<sup>69</sup> This mixed signal from the highest level of government encouraged urban residents to join and support the student protesters. As the furor grew, journalist from the *People’s Daily* ignored official censors and published actual events. Eventually, Deng, along with CCP conservatives, employed a hard line approach to end the demonstrations by convincing the PLA to take action. They then placed Zhao under house arrest until his death in 2005.<sup>70</sup> Deng synthesized the following lessons: avoid public leadership splits, prevent large-scale social unrest, and keep the military on the side of the Party.

With these lessons in mind, the CCP has already started making deliberate efforts to ensure a smooth and unified transition of power in 2012. On October 18, 2010, the CCP appointed Xi Jinping as vice-chairman of China’s Central Military Commission, in addition to his duties as China’s vice-president. President and CCP General Secretary Hu Jintao leads this important office, which prepares China’s top “leaders-in-waiting.”<sup>71</sup> Similar to a dynasty, the CCP is establishing the next line of leadership. During the 18th Party Congress of 2012, Xi is expected to become the next General Secretary of the CCP, and President of China the following year. Xi belongs to an elitist group known as the “princelings,” which refers to a descendent of one of the early senior CCP officials. Some in the CCP favor them, because of their proclivity to keep the party in power, while others do not.<sup>72</sup> The next two years will definitely test Xi.

Of utmost concern to the CCP is the fear of *fen lei*, also known as “splittism,” as described by Marxist doctrine to mean “tear up.”<sup>73</sup> In this vein, the CCP created a number of policies and took action to address regions of concern, such as Tibet,

Xinjiang, and Taiwan. Many hypothesize CCP inaction following a declaration of independence by Taiwan would reveal governmental weakness, and lead to the fall of the CCP and ignite other secessionist activity.<sup>74</sup> The CCP has channeled and promoted unity through nationalism as a way to diminish this threat and achieve support for its policies. Specifically, the CCP has taught its citizens that the “century of humiliation” will not end until China is strong enough to reunify with Taiwan.<sup>75</sup> Following the 2004 re-election of Taiwan’s president, Chen Shui-bian, known for his support of an independent Taiwan, China passed the “Antiseccession Law” in 2005 authorizing “nonpeaceful means” should Taiwan secede from China.<sup>76</sup> Interestingly, the main implication may not be China’s unfettered threat of military force, but rather an affirmation, both domestically and internationally, to its national sovereignty and honor.

Lately, CCP conservatives have pointed to the remarkable resiliency and strong performance of China’s economy during the 2008 global financial crisis as legitimizing their current efforts and ideology. Furthermore, this positive outcome has boosted their morale and validated their “China Model” of government and economics.<sup>77</sup> The following section on the economy will explore the inseparable tie between the people and the government.

#### The Economy: The Tie that Binds

The CCP considers the perpetuation of China’s economic growth a political imperative and means to promote social stability by preventing massive unemployment and large-scale labor unrest. This unpalatable situation would undoubtedly challenge and undermine CCP leadership, and potentially topple its rule. At the same time, the CCP recognizes that while it maintains the second largest economy in the world, the disparate distribution of wealth amongst rural and urban populations, and its lowly GDP

per capita ranking in the world indicate room for improvement. As such, the CCP has incrementally implemented a number of policies to sustain and support impressive economic growth.

These policies and actions, however, have created friction with other national powers and the U.S. In 1999, two years prior to China's accession into the World Trade Organization (WTO), President George W. Bush pronounced, "Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy...Trade freely with China, and time is on our side."<sup>78</sup> Despite this expectation, liberal democratization of China has yet to occur; and to the chagrin of the U.S., a massive trade imbalance has accompanied Chinese economic prosperity. In the following decade, China has devalued its currency, purchased debt around the world, and used coercive soft power to gain access to natural resources located in many developing countries, such as those found in Africa, to fuel its export-based economy.

China routinely conducts these actions to ensure the competitiveness of its own goods to the perceived detriment of its U.S. and European trading partners.<sup>79</sup> Nations protest China's currency devaluation practice, because it makes China's exports cheaper and foreign imports more expensive. According to the U.S.-China Economic and Security Review Commission's 2010 Report to Congress, China holds its currency between 20 and 40 percent below the world market value.<sup>80</sup> China does this by limiting the amount of U.S. dollars in circulation in China by requiring its citizens, businesses, and exporters to trade their renminbi (RMB) for dollars. The government then sets the daily exchange rate.<sup>81</sup> Added to this, China purchases U.S. dollar-denominated securities and recycles them back into the U.S. economy to maintain the low value of

the RMB. China is currently the largest foreign purchaser of U.S. debt. In July 2010, China held \$982 billion of the outstanding, officially registered U.S. Treasury securities, which represents 12 percent of the overall publicly held Treasury debt.<sup>82</sup>

China's currency manipulation and governmental support of its domestic companies comes at a price to foreign trading partners. China has increased its annual trade surplus with the U.S. from \$89 billion in 2001 to \$264 billion in 2009, which represents a cumulative surplus of over \$1.76 trillion dollars.<sup>83</sup> While a trade surplus is a boon to China, it also creates tension with U.S. lawmakers concerned by this imbalance, as well as the effects of China's undervalued currency to lure foreign direct investments and a concomitant transfer of U.S. jobs to China.<sup>84</sup>

One of the key implications of holding a large reserve of U.S. dollars is the need to ensure the U.S. economy remains healthy to assure the value of its own investment. During the financial crisis of 2008, China saw a significant decrease in the value of its holdings in U.S. dollars. Concerned, Premier Wen implored, "We have lent a huge amount of money to the U.S. ... I request the U.S. to maintain its good credit, to honor its promises, and to guarantee the safety of China's assets."<sup>85</sup> To protect its investment and to gain similar U.S. monetary advantages, because of the dollar's status as the world's preferred reserve currency, China has sought ways to encourage the use of the RMB as a world or regional standard, albeit with little affect at this time.<sup>86</sup> Ironically, while keeping the RMB low favors China's export-based economy, it does not necessarily appreciate earnings by Chinese workers nor facilitate China's ability to grow a larger domestic market.



In order to continue to fuel its economy, China has leveraged its soft power to gain foreign access to the developing world's natural resources. In particular, China has maintained an historical tie to many nations on the Africa continent, based initially on an anti-colonial narrative beginning with Egypt in 1956. During a special UN General Assembly in 1974, Deng Xiaoping expressed China's hope to strengthen "the unity of developing countries," safeguard "their national economic rights and interests," and to promote the "struggle of all people against imperialism."<sup>87</sup> Not only did China empathize with those oppressed by western colonialism to promote their ideology, but they also made inroads to gain access to natural resources in Africa. Even today, Africa plays a significant role in China's foreign economic policy as required to fulfill its ever-expanding energy requirements. The implication that China's economy plays a central role in the CCP's design to create a "Harmonious World" implies a foreign policy congruent with those ends. While China initially engaged African nations along anti-colonial ties, their modern narrative of non-interference appears to have caused unintended second order effects which contradict the Harmonious World model as vocalized by President Hu during the November 4, 2006 Beijing Summit of the Forum on China-Africa Cooperation.<sup>88</sup>

Signs indicate some African countries are tiring of China's coercive soft power. The African Labour Research Network study, "Chinese Investments in Africa: A Labour Perspective," indicted Chinese companies for having the worst labor conditions in 10 African nations and described them as "among the worst employers everywhere."<sup>89</sup> Allegations of corruption and poor implementation have tainted China's "Marshall Plan of Africa," an \$8 billion road and mine project initiative.

Additionally, despite increased trade between China and Nigeria valued up to 7 billion dollars between 2006 and 2008, corruption, scandal and delays have eroded the hopeful outlook and lure of China's unconditional development loans and their non-interference approach to foreigners' domestic policies—a stark contrast to the U.S. and international institutions, such as the IMF. Consequently, Nigeria's late president Umaru Yar'Adua canceled a number of the projects.<sup>90</sup>

The seeds of corruption have grown into disenchantment in Angola as well. Angolan Rafael Marques de Morais, founder of Maka, which monitors corruption in the country, says, "Corruption and a lack of accountability on China-Angola deals have undermined a more sustainable and long-term relationship between the two countries." As an example, a hospital built in Luanda by Chinese contractors began collapsing after only four years from completion, forcing the evacuation of both patients and staff in July 2010.<sup>91</sup>

Other effects of China's rapid economic growth under strict market controls are inefficiency, overwhelming environmental impacts with domestic and international implications, and the lack of innovation, which has crippled the profitability of many Chinese state-owned enterprises. Ultimately, as China adapts its economic policies and looks to its own people to expand its domestic economy, it must be prescient of the future impacts to the health of its population. As admitted by Zhou Shengxian, China's Minister of Environmental Protection, "The depletion, deterioration and exhaustion of resources and the deterioration of the environment have become serious bottlenecks constraining economic and social development."<sup>92</sup> The CCP has shown a keen awareness of these problems and must now find ways to address them.

## Implications of US-China Engagement: Fear or Trust

If China's actions did not create significant reverberations outside its borders, would the world care as much as it does? Globalization and transnational corporations have created common interests between China and the world, especially between the U.S. and China. China needs the U.S., because of its large holding of U.S. dollars, and the American consumer to sell its goods. Additionally, history has revealed the proclivity of rising powers and the transition of national rulers to create uncertain and volatile times; therefore, preventing misunderstanding and conflict maybe an immediate challenge. The opportunity exists for China and the U.S. to address common interests for the mutual benefit of both. Despite recent setbacks on the U.S.'s overall stature as a values-based world leader, President Obama's National Security Strategy stresses the importance of universal values in foreign policy.<sup>93</sup> With the growing Chinese endorsement of Confucius-taught values, the two countries may leverage this common ground. At the same time, many in the U.S. fear China, because of its growing military and lack of transparency, which has stressed the U.S.-China relationship.

China's expanding influence and economic power provides the means to further strengthen all of its industries and interests. As noted by Iwan Morgan, "First and foremost, economic growth generates the lifeblood of hard power."<sup>94</sup> Concomitant with China's economic growth is its increased military spending. The "Military and Security Developments Involving the People's Republic of China 2010" Annual Report to Congress indicates China's officially disclosed military budget grew an average of 11.8 percent (inflation adjusted) between 2000-2009, whereas its GDP grew nearly 10 percent.<sup>95</sup> The 2010 military budget is estimated at \$78.6 billion. While China currently relies on outside technology, such as Russia, and reverse engineering of advanced

technological systems, China's has made a concerted effort to integrate its defense industry with its expanding civilian economy and science and technology sectors, especially those with access to foreign technology. The defense shipbuilding and defense electronics sectors have seen the greatest progress over the last decade due to China's role as the world's second largest shipbuilder and its growing mastery of the information technology domain.<sup>96</sup>

In November 2010, China began production of its first aircraft carrier;<sup>97</sup> and most recently in January 2011, China unveiled its first stealth fighter jet prototype, J20, just one week prior to U.S. Defense Secretary's visit to China.<sup>98</sup> Both events appear to have caught the world by surprise as experts assumed China was many years away from achieving these accomplishments. Coupled with the knowledge that China has deployed between 1,050 and 1,150 CSS-6 and CSS-7 short-range ballistic missiles to units positioned opposite of Taiwan<sup>99</sup> and that China's "carrier killer" missile reached initial operating capability in December 2010,<sup>100</sup> one must determine the proper inferences to be made. Are China's actions aggressive in nature, or are they commensurate with a growing power trying to protect its sovereignty and interests?

President Hu in the late 1990s presented the "peaceful rising" slogan to a world unsure of China's growing power and intentions. Unfortunately, many missed his intended peaceful message; therefore, he subsequently modified the slogan to "peaceful development."<sup>101</sup> While some analysts hastily correlate modern-day China's governance to the opaque nature of pre-World War I era Germany, one must be cautious with making this analogy. This position argues China's lack of transparency and democracy will provoke wary behavior by the world's key nations, which may be

contrary to China's interests.<sup>102</sup> Regardless of known intent, China continues to try to assure the world. Following the leaks of the J20, the Chinese ambassador to the U.K., Liu Xiaming stated, "We do not see ourselves as rivals to the US. We believe the US and China can work together in the region."<sup>103</sup> As he reiterated the defensive nature of China's military and their inherent right for defensive development, he also expressed deep frustration with the west's double standard and "cold war" mentality. He specifically raised the immense attention given by some countries concerning local Chinese exercises, but noted, "no one speaks about [U.S. military exercises near China] in the same way."<sup>104</sup>

While humanity fears the unknown, perhaps the world should take comfort with China's efforts to promote values amongst its people through Confucianism, and the development of hundreds of Confucius Institutes around the world. In 2005, President Hu quoted Confucius saying, "Harmony is something to be cherished," as he called upon the CCP to build a harmonious society.<sup>105</sup> This resurgent emphasis on moral and ethical values does provide a common framework and context from which to discuss human rights and the rule of law within the international community of the United Nations. The CCP wants to inspire controlled nationalism, tempered civil discourse, and the younger population to look beyond their individual needs to take care of their aging parents. This modern embracement of Confucius's moral and ethical values contrasts starkly to Mao's Cultural Revolution era when he repudiated Confucianism for holding back China.<sup>106</sup> Ironically, on January 12, 2011, Chinese officials unveiled a 31-foot bronze sculpture of Confucius in Tiananmen Square, the political heart of China

and the location of Mao's interned remains.<sup>107</sup> This striking symbol suggests a potentially remarkable turning point for China.

### Conclusion

China's rise to become the preeminent superpower in the world is not inevitable. The framework of Chinese society, which drives China's domestic and international policies, remains complex and multidimensional. Former President of Pakistan Pervez Musharraf once declared, "China's economic miracle of the last 20 years is a beacon for all developing countries like Pakistan."<sup>108</sup> However, China's amoral international relations and use of coercive economic policies have fatigued the people living under authoritarian regimes, especially in Africa. Ultimately, its attempt at public works and building infrastructure in developing nations cannot hide the façade of its pragmatic, self-interested agenda, indifferent to the actions of brutal authoritarian regimes, which violate the human rights of their people. Would Confucius regard this rule as endorsed by the mandate of heaven? The CCP's self-imposed dictum to maintain power through a perpetuating and skyrocketing economic rise without regard to the universal rights of its people and to the environment may force significant and unpredictable domestic and international reactions. Without productive political and social reform, the CCP may push nationalism to its own detriment and demise. Similarly, the historical lessons of a fragile domestic domain from a disenfranchised working class may indeed void the current social contract without Heaven's mandate.

In the end, the strategic importance of the U.S.-China relationship requires the U.S. to engage China and promote problem solving along common interests. As the U.S. engages China, it must leverage its greatest strengths, its values and innovation, and should consider using a virtues-ethics approach.<sup>109</sup> For most of the 20th century,

the world has viewed the U.S. as a shining beacon, attracting immigrants and inspiring democracy and universal rights around the world. At the same time, the U.S. should not expect China to adopt a western liberal democracy, nor should it assume this transition is inevitable or commensurate with a burgeoning capitalistic system. Perhaps the U.S. and the western world should question whether this model is even applicable to China, with its long and unique history and culture. Undoubtedly, the Chinese understand the favorable benefits of a cooperative and peaceful coexistence. Globalization and the power of economics not only tie the CCP with its people, but also China with the rest of the world. The resurgence of Chinese values in the form of Confucianism, with the explicit endorsement of the CCP, provides an excellent intersection of interests between China and the U.S., as well as the international community to achieve a harmonious balance within its borders and the rest of the world. Perhaps China's attempts to rule as recommended in the Analects, "[the ruler] who governs the state through his virtue is like the pole star which stays put while the other stars revolve around it,"<sup>110</sup> will enable China to become more transparent. Ultimately, the CCP holds the power to unfold China's deep creases to shed its one-dimensional outward image and reveal a virtuous dragon. The implications are clear. China is a large country, rich with unique history, culture, and challenged with multidimensional issues. The U.S. would be wise to avoid viewing China one-dimensionally through the eyes of American exceptionalism, and must continue to seek a deeper understanding of this great nation.

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by the contemporary social theorist, Alasdair MacIntyre. Instead, current U.S. policies may “unleash disruptive forces of social change.” Since China is seeking to reinsert Chinese-unique moral and ethical values in its society through Confucianism (although, it is arguable whether it fully left Chinese society during Mao’s denunciation), a foreign policy based on a virtue-ethics approach may be effective when engaging China today.

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