

**CHINA'S TRANSITION INTO THE 21ST CENTURY:
U.S. AND PRC PERSPECTIVES**

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FOREWORD

This past April the Army War College's Strategic Studies Institute held its Seventh Annual Strategy Conference. The theme, "China Into the 21st Century: Strategic Partner and . . . or Peer Competitor," was especially timely.

The following papers, presented by Dr. David Shambaugh and Senior Colonel Wang Zhongchun, look at China from two very different perspectives. Professor Shambaugh contends that those who succeed Deng Xiaoping, fearful of any further erosion of Communist Party hegemony and determined to return China to a purer form of neo-Maoist Marxism, will become even more conservative as China's economic and social problems intensify. Despite considerable political and economic challenges, his best estimate is that China will, from inherent inertia, "muddle through" well into the 21st century. Indeed, it is in the interests of the United States for China to hold together as a territorial nation-state and political unit because disintegration would foster socio-economic dislocations that could destabilize Asia. At the same time, U.S. policy must maintain pressure on China to improve human and civil rights performance.

Senior Colonel Wang Zhongchun provides a *tour d'horizon* of nearly a half-century of Chinese defense policy, from a distinctly PRC perspective. He then argues that China has attained a position of security and, even though the world presents many uncertainties, Beijing is committed to playing a positive role for peace and stability in Asia. The central principle in today's security analysis is that defense policy must support economic development so that China can grow into an economically progressive, democratic, and modern socialist country. Colonel Wang portrays China's military posture as one that seeks, above all, to protect China's territorial sovereignty, while focusing in this relatively peaceful era on modernizing in step with national economic development.

These two monographs provide useful, if divergent, perspectives on a nation whose course in the early 21st century will increasingly interact with our own in political, military, and economic spheres.

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**POLITICAL DYNAMICS IN TRANSITIONAL CHINA:
IMPLICATIONS FOR THE UNITED STATES**

David Shambaugh

Introduction.

The United States is dealing with a complex and transitional political system in China. By some measures it is a strong, centralized, competent and decisive system. By others, it is a decentralized, weak, fragile, and decaying system. Understanding the nature of the transitions affecting the Chinese political system, the system's many complexities, and its strengths and weaknesses, is fundamental to fashioning an American strategy for dealing with China in the years to come. How China will behave on the world stage, whether it keeps its agreements with the United States and other nations, and its willingness to accept and uphold the norms and standards of international relations, all depend in no small part on the nature and evolution of China's political system and the officials that work in it.

This paper explores several elements of China's current political system with an eye towards anticipating its evolution and potential impact on Sino-American relations. Predicting this evolution is a difficult and ultimately impossible task. If Chinese politics have proven one thing since 1949, it is their unpredictability. At a time of such transition in the Chinese state and society, analysts have identified numerous potential scenarios and variables for China's political future.¹ My own estimate is that political change in China will be incremental at best and will very likely lurch further in the direction of harsh authoritarianism. I do not foresee the blossoming of political pluralism and democracy in China unless there is a fundamental change in the regime--a possibility to which I would assign very little chance. Rather, I foresee that:

! The ruling party and elite will continue to take a zero-sum view of politics--i.e., any gain in political autonomy on society's part is a loss for the state, and any move towards liberalization and pluralism is a step in the direction of increased societal pressure on the state and the ultimate political demise of the Chinese Communist Party (CCP). While this is not necessarily a correct view--the CCP could likely *increase* its legitimacy and longevity by relaxing its authoritarian grip and increasing political freedoms and participation--it is the consensus of the current ruling elite and represents a key lesson learned from the events of 1989-91 in China and the communist world.

! No Gorbachev-style political reformer will emerge in the post-Deng era. The regime will continue to be comprised of a combination of party apparachiks, economic technocrats, military modernizers, and political commissars--all of whom have an interest in maintaining tight authoritarian political control and modest economic reforms. The balance of political power among the ruling elite will thus remain profoundly conservative and dominated by the Soviet-trained generation now in power. This generation and ruling elite is profoundly suspicious of the West in general, and the United States in particular.

! Dissent and popular unrest will be dealt with harshly, and no genuinely autonomous forms of civil society will be permitted to develop.

! The regime and state will not be allowed to implode and fall from power. Brute force will be used to maintain power if necessary. The military

and security services will not only strictly police society, but will also play an increasingly important role in elite politics. A Polish Jaruzelski-style military/ security dominant state could well emerge if the party-state is challenged on a mass scale and proves divided or ineffective in dealing with popular unrest.

! Intensified nationalism will remain the psychological glue binding the state to society. This will also tend to win over many conservative intellectuals to the regime, and further isolate liberal intellectuals. "Neo-conservatism" (*xin baoshouzhuyi*) will replace "neo-authoritarianism" (*xin quanweizhuyi*) as the ethos of the intellectual elite.

! The political center (*Zhongyang*) in Beijing and the party and state authorities at the provincial and local levels will continue to work out a *modus vivendi* for demarcating respective responsibilities. The parameters of such a bargain are already taking shape in the form of the new revenue-sharing scheme and *nomenklatura* appointment procedures. In essence, the *quid pro quo* will entail a tradeoff of greater flexibility and leeway given to subnational levels in economic affairs in return for strict compliance in political affairs.

These are the main elements that I foresee in the evolution of the Chinese political system towards the turn of the century (any predictions beyond that are too difficult to envision). The implications of such a political system for U.S.-China policy are not encouraging. The very essence and nature of the Chinese political system will be an object of American concern in and of itself (particularly in the realm of human rights), but also because such a political regime will likely be very reluctant to meet American demands and cooperate on a variety of substantive issues of deep concern to the United States. The Chinese leadership will tend to see the United States in adversarial terms and *vice versa*. The decentralization of the economic system and declining local compliance with central policies also suggests that China's capacity to enforce bilateral and international agreements will continue to decline, thus further irritating Sino-American relations.

China as Political Pariah.

To many Americans and the Congress, the Chinese political system is repugnant and antithetical to cherished American values and national interests. China is seen by many as a harshly repressive, authoritarian, communist regime that concentrates power in the hands of a despotic few and systematically abuses the human rights of its citizens.

This is not an incorrect image. The Chinese regime is one of the world's worst abusers of human rights and basic freedoms. It maintains itself in power in large part through intimidation and coercion of the population. It tolerates no opposition. It maintains a garrison state of nearly 3 million in the armed forces, nearly 1 million in the paramilitary People's Armed Police, and perhaps 50 million nationwide in the Ministry of Public Security, Ministry of State Security, and local police. As many as 200 million serve in local militias. All of these forces are used more for the maintenance of internal security than external security. These security services are the direct tools of the ruling Communist Party and its constituent local governments. They brook no dissent. The judiciary system is merely a compliant arm of the security state, which prosecutes cases swiftly and metes out harsh punishments for a wide range of offenses. China has, by far, more capital punishment cases than any other nation on earth (approximately 6,000 in 1995); over 60 different offenses are punishable by death under the Chinese criminal and civil codes. China's penal system includes a vast network of draconian labor

camps--which have been brought to the world's attention by former inmate and human rights campaigner, Harry Hongda Wu.

China is also a country that denies its citizens fundamental political freedoms (despite many being enshrined in the Chinese constitution). The formation of autonomous civic or political organizations are forbidden, thus denying the opportunity for civil society to develop. Those that are permitted to exist are co-opted, infiltrated, and controlled by the party-state. No independent trade unions are allowed. No legitimate forms of political petition or protest are permitted. Nor are competitive parties and elections permitted to exist; the so-called "democratic parties" that operate under the Chinese People's Political Consultative Congress (CPPCC) are a sham. To be sure, there has been a greater measure of choice in the selection of local government officials and delegates to local and provincial people's congresses in recent years, but there is no doubt that any individual who transgresses Communist Party dictates, discipline, and norms will be removed from office. Freedom of speech and assembly is severely restricted--if not denied. Freedom of religion is also constricted, and a variety of religious practitioners are persecuted. Public expressions of political opposition are absolutely not tolerated, and will result in a lengthy sentence for "counter-revolutionary behavior." The media in China remain tightly controlled by the Propaganda Department of the Communist Party, and international media are also censored and restricted in their domestic distribution. Foreign journalists in China cannot leave the capital without permission and being accompanied by security monitors. While in Beijing, tailing and harassment by State Security agents is *de riguer*, as is telephone tapping, mail opening, and general surveillance. Other foreigners resident in China are subjected to similar forms of restriction and monitoring.

Let us not deceive ourselves--China's political system remains authoritarian and repressive. In fact, it has become significantly more so in recent years. Many features are antithetical to many core American values and those enshrined in the U.N. Covenant on Human Rights and other international agreements. Thus there is an empirical basis for the image of the Chinese political system as one that denies and abuses fundamental human and political rights, and operates a virtual police state. Under any set of criteria, it is difficult not to judge such a political system as inimical to American values and interests.

As the subject of this conference is to forecast whether China will become a "strategic partner" or "peer competitor" of the United States, I would submit that--in the political realm--China is neither partner or competitor, but is rather a pariah and an adversary. The United States and the international community cannot sit idly by and ignore such gross violations of basic human rights. It must both publicize and penalize China's transgressions, while working with Chinese authorities where possible to promote humane governance. Whether this state of affairs will continue into the future depends entirely upon whether the Chinese leadership returns to the path of increased tolerance, openness, pluralism, and political reform embarked upon during the 1980s under Zhao Ziyang and Hu Yaobang. As noted above, I rate the chances of such a change in the near term (3-5 years) as slim to nonexistent.

Such a pervasive negative image obscures the fact that the Chinese government also meets many basic human needs of its citizens and has done much to alleviate poverty, develop the economy and raise the standard of living of the populace. It has also removed many of the more draconian features of the Maoist era and opened China to a wide range of cultural pursuits. The

difference between China in 1976 and 1996 could not be more stark. There is much that has improved for Chinese citizens.

China's Political Fragility.

The image of China's political system presented above provides the sense that the regime is strong and in control. In some respects it is--but this image belies, I believe, a more fundamentally fragile and weak political system. On the surface it seems a strong and stable system--effectively governing 1.2 billion people, modernizing rapidly, attaining great power status, and beginning to flex its muscles on the world stage. But this image is deceiving.

There are many indicators of severe social and systemic weaknesses that the regime will be hard-pressed to cope with in the years to come. Corruption is rampant on a national scale, and is both corroding society and a cancer on the state. Politburo member and Beijing Mayor Chen Xitong was toppled from power in 1995 on corruption charges, while 18 of his associates were indicted for allegedly embezzling \$2.2 billion. Crimes of various sorts are rising rapidly. Drug use is increasing, as is prostitution. Secret societies and criminal triads operate nationally. Alienation is rampant among youth, and material hedonism permeates society. Intellectuals are a distraught lot. Respect for political authority has waned, and communist ideology is discredited. Compliance with political directives is usually feigned or often ignored. Local urban governments must cope with a huge migrant population on top of "normal" population increases that add more than 20 million *per annum*. Many of the old organs of the Leninist state--the propaganda, organization, united front departments--have atrophied. Recruitment into the Communist Party has fallen off, and in many cases new recruits must now be bribed by the Party to enter. In any event, they no longer see party membership as entree into the elite--nor as a guaranteed avenue of upward mobility. For many, party membership simply decreases the chances of harassment by the party-state and security authorities. It also means better access to *guanxi* (connections) that can be used in business or to get a passport and go abroad. Another sign of declining Party control is the more restricted impact of the *nomenklatura* system, whereby the "one-level-down" appointment system is now the national norm.

In brief, China is becoming an increasingly anarchic society. The general decline in state authority and moral community is the root of the problem, but the erosion of the public security system outside the capital, the opportunities for graft, rising social tensions, and increased access to weapons all have contributed.² China's social fabric is fraying. Even the nuclear family is fracturing--divorces increased nearly 100 percent between 1984 and 1994.

When considering this social decay in the context of China's political system, one has the sense of the proverbial emperor without clothes: a naked state stripped of its traditional sources of legitimacy and sources of rule; a state increasingly dependent on coercive methods of rule, corruption, and striking deals with local power barons to stay in power. In traditional Chinese political philosophy, such a state lacks moral authority (*de*) and, hence, legitimacy. A legitimate Chinese state is benevolent (*wangdao*), while an illegitimate state is coercive (*badao*). The analogy of the current Chinese Communist regime to moribund imperial dynasties is clear to many.

Does this mean it will implode or collapse? It is not likely. Many Chinese dynasties endured in despotic states for several generations, and many nations "muddle through" with problems far more severe than China. Indeed, one

could easily identify countless structural weaknesses in the United States--a crippling national debt that periodically shuts down the national government, laggard economic growth, decayed inner cities, widespread drug use, racial and ethnic tensions, a society alienated from political life, political leaders who are at loggerheads and fail to inspire the citizenry, rising terrorism--but the United States is not about to collapse. (Although quite a few of China's America watchers have predicted it!)

The expectation that the Chinese party-state will continue to muddle through should not obscure an analysis of the existing weaknesses and potential challenges to the regime and system. It is a political system with weak institutions and atrophied mechanisms of control within the context of hegemonic rule. The ruling elite are undergoing wholesale generational turnover and a political succession. The new elite is a conglomerate of apparachik-technocrats who, thus far, pursue incrementalist policies intended to preserve their power and maintain social order above all. They continue to reform the economic system, but show few signs of making concomitant changes to the political system. The Chinese Communist Party is a ruling party riddled with corruption, drawing upon shrinking sources of legitimacy, and maintaining its rule through coercive power and appeals to strident nationalism. If China suffers a downturn in the economy and living standards begin to stagnate (which is already occurring in many regions and among some classes), the most positive tool in the regime's arsenal would disappear.

Thus, while weak, I do not think that China's political system is about to collapse or imminently implode. Decay is a gradual process--the instruments of statecraft progressively corrode, but it takes time. China's political system is still far from being impotent. Unlike its neighbor, North Korea, China's political system is capable of performing certain social responsibilities of state, delivering remarkable economic growth, and protecting national security. These are not signs of a system on the verge of collapse. Yet, they should not mask underlying systemic weaknesses in the system and the profound challenges facing it in the future.

While China's leaders today are confronted with systemic weaknesses and an array of domestic problems, it can be argued that many problems have subsided compared with a year ago, and that the leadership's position has somewhat stabilized as a result. The growth and inflation rates have come down to manageable levels, leading some economists to conclude that China has managed the "soft landing" desired. The leadership succession seems more stable than it did a year ago, and China's foreign relations show strength in many cases.

On this basis, some China specialists find cause for cautious optimism--when only 6 months or a year ago, many prognoses were pessimistic. But if China-watching has proven one truism, it is not to overemphasize the peaks or the troughs in China's evolution. While detailing the problems and challenges that confront the Chinese party-state, they must at the same time be placed in comparative context.

Placing China's Problems in Context.

China's leaders are not the only ruling elites in the world who fail to inspire their citizenry and face problems of political succession, and the Chinese Communist Party is hardly the only political party in Asia or the world that suffers a crisis of confidence. Alienation runs deep in the body politic of many nations. The leaders of Great Britain, America, Germany, Israel, and Russia are fighting for their political lives. The Japanese and Italian governments seem in a perpetual state of flux. India and South Korea

are prosecuting unprecedentedly high-level corruption cases, while North Korea is on the verge of collapse. By comparison, China's leadership appears remarkably stable, and the Chinese Communist Party has shown endurance not demonstrated by its erstwhile comrades elsewhere in the shrunken socialist world.

China's social problems are generally well-managed when compared with other developing countries. China has a rapidly rising crime rate and growing problem with narcotics production and consumption, but it pales on an international basis. China has rampant corruption, but what developing country does not? China has problems of truancy, delinquency, illiteracy, and domestic violence, but these are all international problems associated with developed and modernizing societies. By the measures of many developing nations, China has demonstrated basic social stability and remarkable poverty alleviation, the ability to feed and deliver essential social services to the population, and a capacity for unparalleled economic growth.

Many of China's economic problems are shared by other transitional economies or are not as critical as elsewhere. China's difficulties of containing unemployment and social unrest while overhauling a laggard state industrial sector are shared by Germany and all the nations of the former socialist bloc. Its inflation rate (12 percent in 1995) is minuscule compared to the rates witnessed in certain Latin American, Middle Eastern, and Asian countries in recent years. A ballooning national budget deficit to approximately \$11 billion is unheard of in China, but would be welcome in the debt-plagued United States or Latin American states. China's foreign exchange reserves continue to mount (currently \$70 billion), its foreign trade shows a substantial surplus in its favor, and foreign investment continues to pour into the country at unprecedented levels. Externally, for the first time in 150 years, China has no pressing threat to its national security, and has managed to pacify its borders and normalize relations with all of its neighbors.

There are thus reasons not to overemphasize the myriad difficulties and problems encountered in its transition to a market economy. The magnitude of economic reforms undertaken in China over the last 15 years deserve much acclaim. They have produced the most rapid and dramatic economic transformation in as short a period of time as the world has ever known, with surprisingly little socio-political disruption. More than 200 million peasants have been moved off the land, out of agriculture, and into light industrial manufacturing. As a result of the growth of township and village enterprises (TVEs), China has become a major trading nation, and its manufactured exports flood world consumer markets. The socialist commune system in agriculture has been dismantled, with the result that annual grain production has increased by a quarter to an average annual yield of 435 million metric tons. (Whether this amount is sufficient to feed a population growing by approximately 20 million per year is another question.) The national economy has grown at an average of nearly 10 percent over the past 15 years, while wage increases have generally been able to keep pace with inflation. The service sector, nascent only a decade ago, now accounts for almost one-third of the country's Gross Domestic Product (GDP). The private and collective sectors of the economy have grown most dramatically, now accounting for roughly half of GDP. Chinese science and technology have made great strides, as has its military modernization program.

The success of China's reforms are consequently receiving close study by the former socialist countries in Eastern Europe, the former Soviet Union, and Asia. The "shock therapy" approach to economic transition from socialist to market economies (as advocated by the International Monetary Fund and Harvard economist Jeffrey Sachs) has produced mixed results--with Poland, Hungary, and the Czech Republic enjoying softer landings and easier transitions than

Bulgaria, the former East Germany, the Baltic states, and the former Soviet Union. As a result, China's more gradualist approach to introducing reforms has attracted increasing attention from economic planners and specialists in these countries and abroad.³

The Political Implications of China's Socio-Economic Problems.

Notwithstanding the context and balanced perspective called for above, an assessment of China's political stability must take into account the multiple social and economic problems existing in the country. Politics cannot be isolated from a nation's society and economy; indeed, as Marx aptly noted, the former reflects the latter.

While China seems relatively stable at present, it remains a volatile and unstable country that could suffer social and political turmoil at any time. Episodic outbreaks of unrest in cities and countryside provide the sense that social frustrations run deep and could easily erupt. Industrial action is on the rise, while rural riots have returned after a 2-year hiatus. Inflation and widespread corruption, taken together with labor mobility and rural unemployment, could trigger mass demonstrations again as in 1989. Widening income disparities is also a potential catalyst. The declining incentives to engage in farming--rising cost of inputs, inadequate procurement prices, IOUs paid for contracted grain, shrinking arable land--and better opportunities in the commercial sector have all stimulated countless cases of rural unrest and confrontation with local authorities. The government's plans to restructure state industrial enterprises, which will inevitably result in widespread urban unemployment, will fuel urban discontent. Loss-making state-owned enterprises (SOEs) have already endured several years of sporadic industrial action (by some accounts more than 10,000 incidents in 1994⁴). The government has thus far put off the restructuring program of SOEs for fear of the resulting dislocations and demonstrations, but the price paid has been a ballooning budget deficit resulting from the rising subsidies needed to keep the socialist behemoths afloat. The subsidies, in turn, have impinged upon the tight monetary policy needed to stem inflation and rationalize the chaotic banking system.

Nearly two-thirds of China's 12,000 large and medium-sized state industries lose money, yet they employ approximately 45 million workers and account for more than 50 percent of China's national industrial output. It is estimated that 70 percent of factories are unable to meet salaries on a regular basis.⁵ Keeping them afloat is causing severe budgetary strains on state coffers. In May 1995 the government announced that the SOEs had total assets of \$300 billion, but that they were also saddled with a \$200 billion debt.⁶ Chinese leaders have repeatedly stated their intention to bite the bullet and restructure the SOEs, but each time they have backed away. In 1995 the government finally moved from intention to specifics, and proclaimed that 1996 would be the year in which restructuring begins. Under the planned reform, several initiatives would be taken. The restructuring would not be undertaken wholesale, but rather incrementally--so as to assess progress and stagger the impact. Over a 5-year period, those firms with the worst losses would be declared bankrupt, but those that show improvement would be incorporated and amalgamated with existing collective enterprises (thus creating vertically-integrated *zaibatsu*-style conglomerates along the Japanese model), or auctioned off to foreign concerns. The bank debts of those that are to be turned into corporations would be written off and new shares created, backed by government bonds. The enterprises' housing, hospitals, clinics, schools, and other affiliated institutions (the major source of subsidies) would be absorbed by the central and provincial governments. A social security system is to be readied to compensate redundant workers. It is questionable

whether these plans will work, but, if they are phased-in, the worst dislocations could be avoided.

Thus, on balance, the Chinese economy remains in a half-way house between plan and market, with significant distortions left over from the socialist command economy plaguing further development. Proceeding with further market reforms will inevitably accentuate social dislocations and bring pressure to bear on the political system. It is likely that local governments will have to bear the brunt of both meeting and repressing social demands. Given the complex and intertwined environment in which local governments and local enterprises operate,⁷ these demands will place local governments in very awkward situations. On the one hand, they will be put into the position of having to subsidize local industries without adequate capital allocated from the central banking system. They will also potentially have to absorb large numbers of unemployed without adequate infrastructure, housing, or social services. On the other hand, if demonstrations erupt, local governments will be the first "decision point" to deploy People's Armed Police riot control troops. Such locally-garrisoned troops are generally far less competent or well-equipped for such circumstances.

While social instability is to be expected in a country the size of China and one that has experienced such dramatic economic change, the stresses and strains in society and on the political system have never been greater. Pent-up demands are not being met. Nor are they given avenues for interest aggregation and articulation, thus compounding social frustrations. China is following the well-worn path of other developing countries, whereby, after reaching a certain level of economic development and consumer satisfaction, citizens begin to desire improved social services and public policies. If the political channels for articulating these demands--or to aggregate these interests via civic and political non-governmental organizations (NGOs)--are unavailable or closed off by the state, the experience of many developing countries has been expression of political demands through political protest. The weak institutionalization of the Chinese political system in terms of expressing political demands and fashioning responsive public policies is a chronic weakness in the system at present and will only become more so over time.

China's Current Political Situation.

China faces a series of political challenges in the year ahead, not the least of which are the various political implications of managing the social dislocations caused by the economic reform policies outlined above. Providing social welfare for over 100 million unemployed; maintaining grain stocks and feeding China's 1.2 billion people; stemming the tide of internal migration of between 100-150 million people; bridging the growing income gaps within and between provinces; and satisfying public demands for improved housing, education, and environment will all top the government's agenda. All are difficult feats to accomplish.

In the coming years China's political problems will largely be those common to development--but on a magnified scale. In this regard, China's leaders confront challenges not unlike India, Indonesia, and other large developing countries. The key will be the degree to which the political system fashions public and private institutions that are responsive to public demands. This will inevitably require a political loosening to permit the development of civil society and NGOs--something the Communist Party has thus far feared and refused to permit. It will also necessitate more accountable government institutions. With the current level of corruption in China, the Communist Party and government already face a severe crisis of legitimacy. But

if government institutions at all levels fail to meet growing demands for social services, tensions will only galvanize and the regime's legitimacy will be further undermined. Given the Communist Party's zero-sum view of political power and its leaders' morbid fear of enfranchising other institutional bases of political mobilization, prognoses for institutional reform are not good. This, in turn, underlies the fragility of the current regime and political system.

China's creaking political system will probably "muddle through" in the near term, but fundamental structural adjustments are needed. In the immediate future, of course, China's leadership faces the prospect of political succession to Deng Xiaoping. It is not certain that Deng will die in 1996, but his frail condition and one public appearance in 3 years has sparked much speculation about his condition and the arrangements for his succession. Deng is thought to be suffering from a variety of ailments--including pancreatic cancer, diabetes, chronic hearing loss, and rheumatism.

Deng has arranged his succession as best possible. At the 14th Congress of the Chinese Communist Party in 1992, Deng made a last effort to overhaul the leadership, removing his opponents and installing a new cohort. **Jiang Zemin** was confirmed in the three top positions of state president, chairman of the Central Military Commission, and general-secretary of the Chinese Communist Party. Subsequently Jiang Zemin has consolidated his grip on power, particularly in the armed forces. In September 1995 Jiang shook up the Central Military Commission, bringing those loyal to him into the elite body. This shakeup of the High Command follows 2 years of personnel changes throughout military apparatus at lower levels. Jiang's hand has also been visible in promoting many former proteges from Shanghai to the inner-circle of the Politburo and putting his men in charge of key Central Committee departments. Jiang has also made his mark on the world stage, and has generally been well received abroad. Premier **Li Peng**, the Soviet technocrat and political hardliner, remains No. 2 in the hierarchy. He is not well liked at home or abroad, but has proven adept at managing the economy and building up a loyal network of supporters in State Council ministries. **Qiao Shi**, Chairman of the National People's Congress (NPC) and the man in charge of the internal security services, remains an enigmatic figure. He has breathed some new life into the NPC and has emerged from the shadows of security work to be a more visible leader at home and abroad in recent years. Vice-Premier **Zhu Rongji** has helped restructure the economy, but has made many political enemies in the process. Zhu is vulnerable in any succession struggle, although he is being mentioned as the leading candidate to succeed Li Peng as Premier when the latter's term expires in 1997 (Wu Bangguo, Luo Gan, and Li Lanqing are the other leading contenders). **Hu Jintao**, the youngest member of the leadership, was elevated to the Standing Committee of the Politburo and given the propaganda and ideology portfolio in 1992, while **Li Ruihuan** remains a peripheral member of the ruling elite.

These are the prime players among active politicians in the succession. Each has strengths and weaknesses in their bases of power, but they have an intrinsic interest in hanging together. However, as in other Communist systems, numerous retired and second echelon leaders wield important power and influence. My sense is that Jiang Zemin's status as *primes inter pares* is secure at present. If he does not play his hand carefully, he could be toppled, but, for the time being, his position seems secure. Jiang's links to the PLA are particularly crucial, and these too seem fairly solid at present. Jiang is vulnerable, however, for promoting many of his Shanghai cronies to the Politburo and top jobs in Beijing. But if he had not done so, critics would be accusing him of not building his power base. If Jiang has rivals, they would seem to be Li Peng and Yang Shangkun. The 87-year-old Yang

particularly has scores to settle with Jiang and retains considerable influence in the armed forces, while Li Peng has a strong following in both the Party and State Council and has a good track record on managing economic affairs. Both will be carefully watching for Jiang to slip, and will "keep their powder dry" for a showdown.

Thus Deng's arrangements for the succession seem to have taken root. Indeed, there is no real reason to expect midnight arrests, purges, or other overt factional struggles following the patriarch's demise. The leadership remains essentially united and collectivist--a marked departure from years past. Nonetheless, occasionally Deng's reform policies come under attack from remnants of what one may describe as neo-Maoism: those who fear the erosion of Communist Party hegemony, cultural and ideological contamination by Western "bourgeois" influences, and the usurpation of core communist values. Their threat to Deng's arrangements is not great, but it does point up the fact that such elements still exist among the Chinese elite, and they can marshal some influence and work to undermine further reforms.

While Deng's succession arrangements seem well-laid, it must be recognized that Communist party-states have a notoriously bad track record of arranging smooth successions. No doubt the leadership is not as united as it seems, and key cleavages do exist. But they should not be exaggerated either. The military High Command will be a crucial--even decisive--player and arbiter and has a strong interest in ensuring a smooth succession and social stability. It also has a corporate interest in maintaining the Communist Party civilians in power, but individuals who are supportive of the PLA's wishes and demands.

Just because the elite appears relatively united does not mean that the system is stable. Far from it. The entire system of Communist Party rule in China remains fragile and vulnerable. When considering post-Deng scenarios, internal upheaval and fundamental challenges to the system should not be ruled out. Recognizing the vulnerability of the system is not to overlook the Party's remaining sources of power--not the least of which is the military and the capability to maintain power through armed force if necessary. In the near term, China will not likely implode or collapse, but will rather continue to "muddle through" with more of the same: high growth, moderate inflation, growing corruption, increasing crime and social instability, sporadic dissidence and demonstrations, and attempts by the authorities to maintain social and political control.

Implications for the United States.

The above analysis of China's political system and situation suggests ten implications for the United States:

1. The U.S. capacity for inducing political change in China is limited in a direct sense, although contributing to policies that foster economic reform and openness is the best long-term assurance of exerting pressures for fundamental political change.

2. The United States should persistently address, through diplomatic channels, Chinese political transgressions and particularly flagrant abuses of human, religious, civic, and political rights. When necessary, it should speak out and publicly criticize such transgressions. It must also, whenever possible, work with its European and Asian partners and international organizations in making such representations.

3. The United States must deal with the existing leaders in China. Recognizing that the leadership is undergoing an elite succession in which the outcome is not predictable, it is not in American interests to align closely with a single individual or faction. The United States should stress its interests in humane and responsible policies, not individuals. The United States has a national interest in a stable, developing, and humanely governed China.

4. Given the potential for social and political unrest in China, the United States is well-advised not to assume the *status quo*--although it is the most likely scenario at present. The U.S. Government must carefully monitor events in China, and prepare for a range of contingences--including the potential for more lethal force against civilians by state security agencies.

5. The United States should encourage the civilian control of the military in China. It is not in U.S. interests for the PLA to seize political power, as it would undoubtedly be more repressive internally and assertive externally. At the same time, it is imperative to expand and deepen direct contacts with the Chinese military establishment on a variety of levels.

6. It is in the interest of the United States for China to hold together as a territorial nation-state and political unit. The disintegration of China would result in widespread social dislocations, a potentially unprecedented refugee exodus, and destabilized Asian security.

7. It is in U.S. interests for China to build political institutions capable of addressing multiple social and public policy issues confronting its populace. This need is pressing.

8. It is in U.S. interests to encourage political reform, legal reform, liberalization, and openness in China. Whether the regime likes it or not, China is becoming socially and economically more pluralistic--the political and legal systems need to accommodate and reflect these changes.

9. It is in U.S. interests to build direct ties with provincial and sub-provincial politicians and governments. Multiple benefits will accrue, including, hopefully, better subnational compliance with international agreements. It is also in U.S. interests to dramatically increase the contact between the Congress and Chinese politicians at various levels.

10. The United States should contribute, where possible, to enhancing civil society and non-governmental organizations in China.

ENDNOTES

1. See, for example, "China After Deng: Ten Scenarios in Search of Reality," *The China Quarterly*, March 1996, pp. 153-175.

2. For elaboration, see David Shambaugh, "Losing Control: The Erosion of State Authority in China," *Current History*, September 1993, pp. 253-59.

3. For a comparison and expanded discussion of China's development experience in comparison with other transitional economies, see "China's Transitional Economy," *The China Quarterly*, special issue, December 1995.

4. Citing internal PRC government documents, Willy Wo-Lap Lam, "Unrest on the Cards," *South China Morning Post Weekly*, December 16, 1995.

5. *Ibid.*

6. Western estimates place both total SOE assets and debts at approximately half these amounts.

7. See Jean C. Oi, "The Role of the Local State in China's Transitional Economy," *The China Quarterly*, December 1995, pp. 1132-1149.

**THE CHANGES AND DEVELOPMENT OF
CHINA'S PERIPHERAL SECURITY ENVIRONMENT
AND ITS DEFENSE POLICY**

Senior Colonel Wang Zhongchun

The founding of the People's Republic of China was a great turn in Chinese history. Since then, China brought to an end the several thousand-year reign of the exploiting class and removed the long term semi-feudal and semi-colonial state of suffering from the imperialists' aggression and enslavement; and it came into a new era of peaceful development as a people's democratic and socialist republic.

The Peripheral Security Environment of China and Its Defense Policy During the Cold War Era.

The Chinese people, who suffered from the disaster of more than 100 years of war and the humiliation from the enemy's aggression, thirst for peace and also know the value of state sovereignty. After the founding of the New China, the Chinese government and Chinese people hoped to rebuild the wounded homeland in a peaceful external environment, but because the United States and the Soviet Union posed a military threat to China at different times, and even simultaneously, during more than three decades following 1949, China had to devote substantial resources to prepare for a large-scale defensive war against a possible invasion from either superpower.

1950s. During the 1950s, because the U.S. Government pursued a hostile policy of encirclement and isolation against China, the main point of China's defense policy was to join in alliance with the Soviet Union to oppose the U.S. policy of containment.

During World War II, China and America were allies fighting against Japanese aggression. There were useful exchanges between the government of the liberated areas led by the Chinese Communist Party and the American Government. U.S. President Roosevelt, who was both far-sighted and pragmatic, sent a group of American military observers to Yanan, where the Central Committee of Communist Party was located. Differences in ideology did not stand in the way of their cooperation. Many reports were filed by members of the group, American diplomats, and reporters, giving truthful accounts of the democratic life in the liberated areas and communist-established base areas behind enemy lines. Both these Americans and General Stilwell, Commander of the China-Burma-India theater of operations, believed that the communist-led resistance forces constituted the main fighting force against Japanese aggression. They called on the U.S. Government to assist and coordinate with these forces in the common war effort. They were also opposed to giving assistance only to the Kuomintang (KMT) government for fear that the United States would be dragged into an unpopular and anti-communist civil war. Many U.S. Government officials, dismayed by the widespread corruption in the KMT government, viewed the Chinese Communist Party as a force of progress in China and called for the establishment of ties with it. Regrettably, with the onset of the Cold War between the United States and the Soviet Union, America's China policy became increasingly subjected to ideological influence. As the Anti-Japanese War came to an end, the United States turned to support the KMT government in its launching of a civil war by providing it with money, weapons, and military advisors. However, the U.S. government's support of the KMT ended in failure as the KMT government was overthrown by the Chinese people. The People's Republic of China was founded in 1949.

By 1949, the downfall of the KMT government was imminent. Mr. Huang Hua, then the head of the Communist Party of China (CPC) foreign affairs office in Nanjing and the Secretary of China's Foreign Ministry in the late 1970s, made numerous contacts with then U.S. Ambassador John Leighton Stuart, who still remained in Nanjing. Hua passed the message that Stuart was welcome to visit Beijing and that he would be received by Zhou Enlai during such a trip, thus indicating that New China was ready to enter into good relations with the United States. Unfortunately, the U.S. State Department quickly recalled Stuart.

On June 25, 1950, the Korean civil war broke out. Only 24 hours later, U.S. President Truman sent troops to the war, ordered the U.S. Seventh Fleet to patrol the Taiwan Straits and the U.S. 13th Air Force to set up base on Taiwan to prevent the People's Liberation Army (PLA) from liberating Taiwan Island, and supported the French Army's aggression in Vietnam. So, obviously, the United States constituted the main and realistic military threat to New China from three directions: the Korean Peninsula, the Taiwan Straits, and Vietnam.

On September 15, 1950, the U.S. troops landed on Inchon, Korean Peninsula. On September 28, they occupied Seoul, and, regardless of the last diplomatic efforts of the Chinese government, they crossed the 38th parallel and marched almost to the Yalu River, the boundary of China and Korea. Under such serious circumstances, China had to organize the Chinese People's Volunteers to cross the Yalu River on October 19 and fight against the U.S. troops on the Korean Peninsula for nearly 3 years. An armistice was signed on July 27, 1953.

After the Korean War, the Chinese government hoped that America would draw a lesson from the war and adopt an attitude of equality toward China. China took an active diplomatic policy of trying to pursue dialogue with the American government. But the United States continued pursuing its policy that isolated, blocked, and encircled China. It threatened the peace and security of the new Republic and made China's economic development very difficult. So China had to adopt the one-sided foreign policy of entering into an alliance with the Soviet Union and made efforts to break the U.S. policy of blocking and encircling China. In fact, during this period, besides the direct military confrontation between their armies, China and the United States were indirectly in confrontation over the Taiwan Straits and in the region of Indochina.

1960s. During the 1960s, China faced a military threat simultaneously posed by two superpowers: the United States and the Soviet Union. The geographical focus of China's defense policy began to gradually shift from an East-only orientation to one split between the East and the North.

The peripheral security circumstances of China became more serious during the 1960s. First, the good relationship between China and the Soviet Union ended. Beginning in 1964, the Soviet Union began sending reinforcements to the boundary separating China and the Soviet Union, and China and Mongolia. This provoked numerous incidents. First, Northern China sustained increasing military pressure from the Soviet Union. Second, the United States started an undeclared "special" war in Vietnam in 1961 and made a surprise bombardment on the northern part of Vietnam in August of 1964. It broadened the Indochina war and threatened China from the south. Third, the Indian government adopted a hostile policy toward China, with the support of the Soviet Union, and the Indian troops continuously operated in the border area and even invaded China's territory. Fourth, the Kuomintang authorities on Taiwan also stepped up harassing attacks against the southeast coastal area of mainland China.

The divergence between China and the Soviet Union began from the 20th Congress of the Soviet Union Communist Party in 1956. In 1958, the Soviet Union wanted to set up a united naval fleet with China in order to control China's military, but China refused. In June 1959, the Soviet Union unilaterally tore up the New National Defense Technical Agreement between China and the Soviet Union, and later recalled all Soviet experts and specialists from China. After 1964, the Soviet government began to increase its troops along the boundary of China and the Soviet Union, and China and Mongolia from about 10 divisions to 54 divisions; it also deployed a growing number of offensive weapons and continuously conducted military maneuvers aimed at China. In March 1969, Soviet forces invaded Chinese territory at Zhen Bao Island along the eastern part of the border. The Chinese frontier troops mounted a counterattack in self-defense and drove all the Soviet aggressors back. Facing increasingly great military pressure and an aggressive threat, China had to strengthen its defense forces in northern China.

At the same time, China gave full support to Vietnam for opposing the American aggression. From 1965 to the end of 1968, China sent supporting troops, including air-defense, engineering, railway-building, mine-sweeping, logistics, and shipping personnel to Vietnam. During the entire Vietnam War, the Chinese government gave the Vietnam People's Army a substantial amount of military weapons, equipment, and other supplies. The total value added up to \$20 billion U.S. dollars.

Along the southwest border, because the Indian Army continuously encroached on and invaded Chinese territory, China's frontier force counterattacked from October to November 1962 and achieved success. In the southeast area, the PLA defeated the Kuomintang's harassing attack from the land, the sea, and the air. The PLA also waged an anti-aircraft struggle and shot down U.S. military reconnaissance aircraft which invaded China's airspace, to safeguard the security and economic construction of the Chinese people.

1970s. During this decade, Sino-U.S. relations began to improve and at last became normalized. Meanwhile, the Soviet Union continued to build up its military forces along the border between the Soviet Union and China. As a result, China's defense policy emphasized preparations for an overall defensive war against a possible surprise attack from the Soviet Union.

Toward the end of the 1960s, relations between China and America began to change. Because of the relative decline of the United States, the bankruptcy of the policy that the American government pursued to isolate and encircle China for two decades, and the strong challenge of the expanded military power of the Soviet Union, the U.S. Government had to adjust its global strategy. It decided to reduce its forces in Asia and wanted to improve relations with China. When U.S. President Richard Nixon indicated his desire to talk with the Chinese leader, the Chinese government responded immediately. After Henry Kissinger, Nixon's special envoy, secretly visited China in 1971, President Nixon himself visited China during February 20-28, 1972. He seriously and frankly exchanged opinions about the issues in China-U.S. relations with then Chinese leaders Mao Zedong and Zhou Enlai. During this visit, the Chinese and American governments issued the Shanghai Joint Communique, and both sides hoped for the normalization of relations between the two countries. China and the United States formally established diplomatic relations in January 1979. Also, the United States signed an agreement in Paris in January 1973 to end the Vietnam War and resume the peace in Vietnam, agreeing to withdraw all its troops and dismantle its military bases in South Vietnam. The American threat to China's security diminished significantly.

On the other hand, the Soviet Union went on pursuing the policy of political pressure and military threat toward China, keeping about one million troops in the border area of China and the Soviet Union and Mongolia, and continuously strengthening its Pacific Fleet. It established a military base in Vietnam, and encouraged Vietnam to invade and occupy Cambodia. Even further, the Soviet Union invaded and occupied Afghanistan in 1979, and stationed troops at the border of China and Afghanistan. So the Soviet Union constituted the main and real threat to China from the North, the South, and the West.

China and the Soviet Union shared a border 7,000 kilometers long; adding the border of Mongolia, the total length of shared border was 12,000 kilometers. It was very possible for the Soviet Union to concentrate forces in advance, and to carry out a surprise strategic attack against China from different directions. The Pacific Fleet of the Soviet Union could press toward the Yellow Sea and the East China Sea directly from the Sea of Japan and blockade or land troops in China. So China kept on strengthening the defense of the northern frontier and sped up preparation for a defensive war against the Soviet Union. During this period, Mao Zedong, the Chinese leader, put forward the strategic thinking of "One Front," which was to organize an international united front running from Japan, through China, Pakistan, Turkey, the Middle East, and Europe to America in order to counter the expansion of the Soviet Union and to prevent the outbreak of world war.

The Strategic Shift in China's Defense Policy in the 1980s.

1980s. China made an assessment that even though the competition between the United States and the USSR was fierce, the world situation on the whole would move toward relaxation. Thus, China made a strategic change in its defense policy from the guiding principle of preparation for an early and large-scale defensive war, to one based on the gradual modernization of the country's defense in a relatively peaceful era.

In the late 1970s, China reassessed the world situation and the trend of development at that time and held that a world war was not likely to occur and that peace and development are the top priorities on the agenda of the world. Then it put forward the general state strategy of making economic development the central task. The Third Plenary Session of the Eleventh Central Committee of the Communist Party of China decided in December 1978 to shift the focus of the work of the whole country onto economic development in three strategic stages. The first stage was to double the gross national product (GNP) of 1980 by 1990 and to solve the problem of food and clothing for the people. The second stage was to quadruple the GNP of 1980 by the end of this century, thus reaching a higher level for the people's livelihood. The third stage was to reach the level of medium-developed countries in terms of per capita GNP by the middle of the next century, thus enabling the people to enjoy a relatively well-to-do life. After that, China will continue going forward to develop the country into a more wealthy, democratic, civilized, and modern society.

With the shift in the focus of the work of the state, the guiding principles of China's defense and armed forces development have also started to make a strategic change. In the enlarged session of the Central Military Commission held in May 1985, Deng Xiaoping, then-Chairman of the Central Military Commission, pointed out that, under the new historical conditions, it was imperative to make a correct assessment of the world situation and resolutely shift the guiding principles for defense and armed forces development. To sum it up in one sentence, it was aimed at changing a guiding

principle which had long been based on preparations for an early and large-scale nuclear war to one that is based on development in a peaceful era.

This decision was based mainly on three considerations. First, concerning the analysis of the then-international situation, China's assessment was that even though the competition between the United States and the Soviet Union was fierce, and on the surface the East-West contradictions, particularly with respect to the INF struggle, were becoming acute, the tension would not continue. The world situation would move toward relaxation, and the possibilities of a new world war or direct military confrontation between the two superpowers would be reduced. It was based on such assessment that China foresaw the approach of a long-term peaceful environment which would render it unnecessary to mobilize the entire population to resist a foreign invasion.

Second, China acquired a deeper understanding of the importance of economic security within state security. It realized that, without economic development, there would be no final guarantee for state security. And therefore, the meeting of the Central Military Commission reconfirmed a decision taken by the government in 1978 to take economic development as the overriding target for the whole nation, and that defense development must serve the need of economic development. The readjustment of the guiding principles of the defense policy is reflected in the military field.

Third, in line with readjusting the guiding principles of the defense policy is the need of building a modern and regular army. In view of the above-mentioned two points, it is not only necessary but also possible for the armed forces to do some concrete work to develop national defense by proceeding from the long-term mission of the army instead of taking temporary and expedient measures to meet the immediate threat.

To effect the strategic change in the guiding principles of defense policy, the Chinese government and its armed forces adopted the following measures:

The demobilization of the People's Liberation Army. On October 6, 1985, China's Xinhua News Agency reported that China had decided to reduce the its military by one million personnel. In the ensuing 2 years, a number of corps, divisions, and regiments which were constructed in war time, earning numerous war merits and great fame, were inactivated (together with their designations), helping to reduce the total figure of the PLA from 4 million to 3 million. This unilateral disarmament before the end of the Cold War indicated that China is willing to make contributions to world peace and has done so with its own concrete actions.

Streamlining and Restructuring. All the similar staff departments and overlapping institutions at the level of General Headquarters were disestablished or incorporated, and the rating of some units was downgraded. The number of Military Area Commands (MAC) was cut from 11 to 7. Some academies in the Army, Navy, and Air Force were closed or incorporated. A number of combined army groups were newly established. Some troops for civil guard duties were handed over to the control of the civil security departments and were renamed as People's Armed Police (PAP). The county-level People's Armed Departments were incorporated into civilian establishments.

Establishing a new national defense system of combining standing forces with reserve forces. The newly organized reserve-duty divisions and regiments were conferred with relevant designations and army flags, formally lining up into the establishment of PLA. A new system for reserve-duty officers was also

instituted, and efforts were made to bolster the defense reserve strength. The national mobilization regulations, statutes, and system were newly enacted and improved, aiming at combining a crack standing force with a powerful reserve force.

Emphasis on education and training. It was ruled that education and training should be regarded as the centerpiece for the daily work of field troops. A training system categorized into high, medium, and rudimentary levels and two long-term and short-term training forms were put into force for commanders so as to qualify them for their posts in terms of political theory, knowledge of science, and battle preparing and commanding capability.

After the strategic readjustment of China's defense policy was made, the PLA has also converted great quantities of its military facilities for civilian use or for dual purposes. The Air Force and the Navy have provided large numbers of airfields and docks for civilian use. The army has opened more than 300 special-purpose military railroads to society and has provided 257 military long-distance telephone lines to government institutions. The defense-related industrial departments have also converted on a large scale to manufacturing civilian products and have played their roles in economic development.

China's Security Environment and Defense Policy in the Post-Cold War Era.

1990s. During the post-Cold War era, China has even more firmly pursued its strategic change of the mid-1980s and has continued pursuing a defense policy and military strategy for peace. China now enjoys the best security environment since the founding of the PRC. China will devote every effort to maintain the peace and the stability in Asia-Pacific region in order to develop its economy.

After the strategic readjustment of China's defense policy of the mid-1980s, profound global changes have taken place. The Soviet Union is no more. The Cold War has ended. The world bipolar structure has collapsed, evolving rapidly towards multipolarity. However, as the new balance in the international area is short of formation, the transitional period may run through the whole of the 1990s or even longer, which, on its own, is likely to complicate further the world situation due to its overextended duration. On one hand, the Cold War pattern leaves behind strong imprints and interactions. On the other hand, the multipolarization and unbalanced development of world economic, political, and military forces bring forth a series of new problems, giving rise to a number of new characteristics in the present world strategic situation. This phenomenon not only offers historic opportunity to China, which is now fully absorbed in economic development, but also entails stern challenges. Yet, by and large, opportunities outnumber challenges.

First, the world strategic situation continues to be more relaxed, and the possibility of a global war can be basically ruled out. This is due to the interaction of various sources:

! The major powers have for the first time since the end of World War II done away with the relationship of direct imminent military antagonism. Both the United States and the Soviet Union, two pillars bolstering two blocks of the East and West which were on antagonistic terms for almost 45 years, were reduced to decline for the one and disintegration for the other. Russia, the main successor of the former Soviet Union, has, from the Chinese perspective, adopted a pro-West foreign policy. It can be argued that U.S. power has declined in the wake of the Gulf War.

! One after another, the major powers have adjusted their military strategies, aiming now at fighting regional conflicts or local wars rather than large-scale wars as they did in the past. In March 1992, the United States formally proposed its regional defense strategy, the centerpiece of which was to shift its focus of defense from the former Soviet Union and the Warsaw Pact to regional crises and middle-to-low intensity conflicts. Russia, for its part, emphasized in its new military strategic conception preparation for local wars or armed conflicts with modern conventional weapons. In addition, countries like Great Britain, France, and Japan all set their focus of war strategy upon preparation for regional conflicts.

! Breakthroughs have been made in negotiations on arms control and disarmament. In the field of nuclear disarmament, START II was signed by the presidents of the United States and Russia in January 1993, and the Nuclear Non-Proliferation Treaty was indefinitely extended in 1995. Regarding conventional disarmament, an agreement on the reduction of conventional weapons in Europe was signed by 29 countries of NATO, the former Soviet Union, and East Europe in June 1992. To echo these actions, many countries unilaterally put into force their disarmament plans.

! The growing integration of the world economy constrains the outbreak of world war. The growing interchanges, interactions, and intimacy of the world economy have fostered a competitive community which interweaves the interests of different countries.

Second, China has shaken off the direct and imminent military posture of the superpowers so that it now is not confronted with the realistic threat of a large-scale attack. After many years of devoted efforts, China also has established normal and friendly relations with all its peripheral neighboring countries. China's relations with Japan are sound and stable, and it is China's hope that the two countries will go on maintaining good relations for generations. China has resumed its normal relations with Russia, Vietnam, Laos, and Mongolia, and has extended exchanges and cooperation with them. Sino-Indian relations have been improved. China's traditional and friendly relations with the Democratic People's Republic of Korea, Pakistan, and Nepal have been further developed. It has established diplomatic relations with the Republic of Korea and the republics of the Commonwealth of Independent States and has resumed diplomatic relations with Indonesia, resulting in many friendly exchanges between China and these countries. Good progress has also been made in China's relations with the Association of Southeast Asian Nations. Generally speaking, China has made relatively large achievements in its policy of good neighborliness.

Third, the world situation continues to be more relaxed, and China has been enjoying the best period in its peripheral security environment since the founding of the Republic. However, the world today is in a period of change in strategic structure. The international situation is complicated and volatile, and there are many uncertainties. Hegemony and power politics still exist, and some western powers still intervene and meddle in China's internal affairs--even on issues concerning China's fundamental interests. So China should provide against danger while living in peace; a country cannot do without defense. Defense modernization is not to be overlooked and should be correspondingly developed step-by-step on the basis of economic development (so as to guard against any change in the future security situation).

In the new historical period after the Cold War, China's defense policy and armed force development have the following characteristics:

(1) Defense modernization must be subjected to and serve the nation's general strategy of making economic development the central task, and developing the country into a rich, democratic, civilized, and modern socialist country through the three-stage modernization process which was decided in 1978. By now, the Chinese people have completed the first stage (to double the GNP of 1980 by 1990) ahead of time, and the 1990s will be a critical period for China to realize the second stage (redoubling the GNP of 1990 by the end of this century). Deng Xiaoping, the Chinese senior leader, pointed out on many occasions that China will not alter within 100 years, insisting on the economic drive as the central task of the whole nation. Jiang Zemin, the President of China, emphasized in his *Political Report* for the 14th Congress of the Chinese Communist Party that the most important thing for adhering to the Party's basic line is to insist on taking the economic drive as the center, and that "this center cannot be shaken in any case unless the enemy launches a large-scale invasion against us." The defense policy has to be subjected to and serve the party's basic line and strategy of national economic development. To "be subjected" means that the national defense development has to be in a less important and subordinate position, proper size and speed have to be kept for the development of national defense, and it cannot spend more funds and national resources and must not harm the general interest of national economic development. To "serve" means that it must provide the security support for the country's economic development. Additionally, departments of defense, science and technology, and the defense industry must actively make contributions to national economic development by pursuing principles of peace-war combination and civilian military compatibility.

(2) China's defense policy is purely self-defensive in nature and is not directed at any specific country. The peaceful settlement of international disputes and refraining from the use of force or the threat of using force constitute the basic principles of China's foreign policy with regard to conflict resolution. In recent years China has established normal and amicable relations with all its neighboring countries. China has already solved long-standing border disputes with some countries through peaceful negotiation and is in the process of settling further border problems with other countries. China and India took steps to reach agreement on some confidence-building measures and to reduce tension along their border in 1993. China and Russia initialled an accord on settling boundary disputes and agreed to stop targeting their nuclear weapons at one another in 1994. China and Vietnam created a commission to settle their territorial disputes, including territorial waters. With regard to the Spratly Islands issue, China has put forward the principle of "shelving the disputes and conducting joint development." China's positive attitudes are beneficial to avoiding new conflicts in the region and to solving the problem through peaceful means, winning appreciation from various quarters. This is not a tactical move, but China's long-term national strategic policy.

(3) The sole aim of China's defense policy is to maintain sovereignty and territorial integrity, while ensuring a stable security environment for domestic development. China's military strategy of "active defense" is based on guiding a territorial defensive operation. In effect, the fighting task of the PLA is to counter and eventually win a military conflict or a local war within the border area in case of foreign invasion. China will not invade other countries forever and will not provoke a war. But China will not absolutely allow other countries to violate its own territorial integrity and sovereignty. "We will not attack unless we are attacked; if we are attacked, we will certainly counterattack." Once the enemy launches an aggressive war, the Chinese people and army will be bound to rise in self-defense, and will

take effective and flexible operational forms for fighting against the invaders until the war is won, thus resuming and rebuilding peace.

(4) China does not prepare to establish any force-projection capability overseas, does not join in any military alliance, and does not seek spheres of influence; these are important distinguishing qualities of China's armed forces development and defense policy. China has no military bases overseas or any active-duty soldiers stationed abroad. China is not interested in being involved in an arms race with other powers and will never engage in military expansion. China has never sought hegemony in the past, does not at present, and will not in the future.

(5) The overall modernization objective of the PLA is to develop the army into one that is leaner, better equipped and better trained, with the capability to win a local war under modern fighting conditions. In this respect, Jiang Zemin, Central Secretary of the CPC and Chairman of Central Military Commission, pointed out at the 14th Party's Congress that:

In the light of Deng Xiaoping's ideas on the army-building in the new period, we must develop the People's Liberation Army into a powerful, modern, and regularized revolutionary army, and enhance our strength of national defense, thus providing our reforms, opening to the outside world an economic drive with strong security support. The PLA must take the modernization drive as the center, attach high importance to its qualitative developing and strengthen its combat power comprehensively so as to meet the need of modern warfare and better shoulder the sacred task of safeguarding state sovereignty of our land, air, and sea territories and maritime right, and tasks of maintaining reunification and security of our motherland.

And

the PLA must surely attach strategic importance to its education and training, so as to raise the quality of all officers and soldiers comprehensively and help the army strive for qualified political consciousness, perfect mastery of military skill, fine style of working and fighting, strict disciplines, and powerful logistic support. And it also should attach great importance to researches of defense science and technology and to development of defense industry, thus gradually improving its weapons and equipment.

So we can see from Jiang Zemin's speech that upgrading weapons, equipment, and military technology, and improving the quality of army personnel while developing military thought and doctrine are the main tasks of China's armed forces modernization.

(6) China's defense modernization will be a gradual and long-term process due to the limitation of China's defense expenditure. In recent years, there have been many discussions over the level of China's defense expenditure. Although in recent years China's military spending has increased to some extent, the increase was partly used to offset the debts accumulated in previous years because of unduly low military spending. It also compensated for the loss of spending power caused by high inflation. For example, China's defense expenditure was 63 billion *yuan* which was equivalent to US\$7.4 billion in 1995. While defense expenditures increased by 14 percent over the spending in 1994, the increase was actually zero due to a 15 percent inflation rate for this period. In terms of GNP, China's defense expenditure is declining in

proportion to GNP, from 5.56 percent of GNP in 1979 to 1.2 percent in 1995. At the same time, China's defense expenditure is also declining in proportion to the overall government expenditure from 17.4 percent in 1979 to 8 percent in 1995. These figures fully illustrate that China's defense spending is at a very low level with respect to GNP and overall expenditures.

China's arms sales have also aroused suspicions. The fact is that (1) China's arms exports are very limited, and (2) the Chinese departments which manufacture weapons belong to the State Council, so the income of arms sales is at the government's disposal. In late 1979, China's Defense Industry, which includes nuclear, electronics, shipbuilding, aviation, aerospace, and weaponry manufacturing, began its first step toward demilitarizing. During the past decade, China's defense industry has switched from a formerly military-oriented monorail to its current dual track system of serving both civil and military production, and the products for civil use have increased 20 percent every year. At present, more than 70 percent of the output value of the defense enterprises are civil products. Two-thirds of defense enterprises now produce purely civilian products. What some have said about income from arms sales and military-produced civil products being used for military spending is totally wrong.

(7) China's defense modernization is mainly based on its own efforts of self-reliance. China is a developing country with a large territory and population. The PLA's weapons and equipment are of low quality. China cannot build up its national defense by relying on purchasing new weapons abroad. It is true that China has purchased 26 SU-27 long-range fighters and 5 SA-10 Grumble anti-missile systems for the Air Force, and a few new submarines for the Navy. However, this is relatively modest when compared to the 150 F-16s and 60 Mirage 2000s bought by Taiwan, and the 160 F-15s purchased by Japan. The argument that "China has imported large quantities of foreign weaponry and equipment" is much exaggerated. To improve weapons and equipment, the PLA will depend mainly on constantly rising levels of research and development, along with manufacturing technology of industry. Such improvement can only be carried out gradually with the growth of national economic power, while the introduction of advanced technology and new equipment is limited in scale and is only supplementary.

(8) China has actively participated in international arms control and disarmament negotiations. Since the 1980s, China has signed the Biological Weapons Convention (BWC), the Nuclear Non-Proliferation Treaty (NPT), and the Chemical Weapons Convention (CWC). China also has committed itself to implementing the Missile Technology Control Regime (MTCR) and participated in the U.N. Arms Transfer Register. China has taken a serious and conscientious attitude in the U.N. Security Council, has supported peacekeeping operations, which uphold and preserve justice, and shows respect for the Charter of the United Nations as well as international law. It has also dispatched officers to serve as U.N. military observers.

China will firmly and unswervingly implement the national general strategy of making economic development the overriding task, and will adhere to seeking a peaceful and stable external environment. China's defense policy will also adhere to this general strategic orientation. China has made and will continue to make a big contribution to the peace and stability in the Asia-Pacific region and to the world at large.

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