



China's Domestic Politics and Foreign Policies and Major Countries' Strategies toward China

edited by Jung-Ho Bae and Jae H. Ku





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Korea Institute for
National Unification

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Printed December 2012

Published December 2012

Published by Korea Institute for National Unification (KINU)

Publisher President of KINU

Edited by Center for Unification Policy Studies, KINU

Registration Number No. 2-02361 (97.4.23)

Address 123, 4,19-ro(Suyudong), Gangbuk-gu, Seoul 142-728

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Fax (82-2) 901-2543

Homepage <http://www.kinu.or.kr>

Design and Print Hyundai Artcom Co., Ltd.

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ISBN 978-89-8479-686-7 93340

Price ₩ 22,500

All KINU publications are available for purchase at all major bookstores in Korea.

Also available at Government Printing Office Sales Center Store (+82 2-) 734-6818; Office (+82 2-) 394-0337

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Preface

Since China emerged as the second economically strongest power in the world, the international community has paid increasingly more attention to it. China's rise as a G2 power as part of a transition of global power and the potential future of the Chinese economy have been of particular interest. The changing nature of U.S.-China relations and the strategic environment of East Asia during this transition of global power has become a topic of high interest for Korea as well.

This is a crucial time to accurately analyze and evaluate the present and future of China. There is no value in underestimating or overestimating China's prospects. Since South Korea must cooperate strategically and wisely with China to deal with a changing North Korea while at the same time preparing for unification of the Korean Peninsula, accurate analysis and understanding of the reality of China's power—Chinese leadership and political economy, and its foreign policy and strategy towards North Korea—is necessary.

Given these strategic issues, this study intends to discuss and analyze China's political economy and leadership, foreign

policy and relations, and major countries' (the U.S., Japan, Russia, India, and Australia) policies toward China as part of a joint research project with experts abroad.

This study is deeply indebted to a few individuals for their precious advice and cooperation in assembling this volume: Dr. Jae H. Ku at the U.S.-Korea Institute at SAIS, Johns Hopkins University, and Dr. Yong Shik Choo at the Graduate School of International Studies, Chung-Ang University. Also a special thanks to Mimi Ahn, who devoted several months of her time throughout the entire process of publication.

As the editor of this volume, it is my hope that this research helps academics and experts as well as general audiences to better understand the implications of China's rise to its region and the world.

Jung-Ho Bae
(Director of the Center for Unification Policy Studies)

Introduction

Turning Points for China and the Korean Peninsula

Jung-Ho Bae and Dongsoo Kim



Korea Institute for
National Unification

China at a Turning Point

Since the 1980s, China has accomplished rapid economic growth and has earned the nickname “the world’s factory,” reflecting the development that occurred as a result of reforms and the establishment of an open-door policy in 1978. Since then, China has maintained 30 years of rapid economic growth, around 9.9% per year, and has emerged as the world’s second most powerful economy, based on GDP in 2010, overtaking Japan. Because of this, a considerable number of experts predict that China’s GDP will surpass that of the United States by 2020. The likelihood of this prediction coming true increases greatly when calculated in terms of PPP, which represents China’s standard of living.

Those who are optimistic about China’s economic growth base their expectations on the Chinese Communist Party’s crisis-coping ability and state-dominated market economic system, the country’s extremely low financial deficit rate and huge foreign exchange reserves, numerous signs pointing to a possible transition from an export-led market to a domestic market design, continued rural migration to urban secondary and tertiary industries and an acceleration of urbanization, and the transition from labor-intensive to capital and technology-intensive industry.

Meanwhile, some are more cautious and pessimistic saying that China’s consistently rapid growth has reached its limit due to changes in the international economic environment and in light of China’s internal problems. In reality, limits on Chinese economic growth potential have been due in part to economic troubles in China’s major export markets, such as the financial crises in the United States and throughout Europe, and the effects that inflation

in wages have had on industries that rely on low wages. Moreover, difficulty in collecting accumulated loans and financial weakness from excessive investment in state and private enterprises may also negatively affect China's economy. Weak socioeconomic factors also threaten China's economic growth potential, including a rapidly aging society, a reduced economically-active population, an approximately 150 million surplus population in agriculture, worsening distribution problems, a widening gap between the rich and the poor, serious corruption, and a developmental gap between inland and coastal regions.

Therefore, future development of the Chinese economy depends on how China overcomes such socioeconomic issues despite being affected by the U.S. and EU financial crises. This also implies that the Chinese economy has arrived at a juncture of either sustained growth or recession. Furthermore, China's stable economic growth in the future is not just tied to its national power, but to its socioeconomic issues as well, which shows that it has come to a turning point overall.

In sum, China is faced with transition on international political, socioeconomic, and domestic political levels. First, the international community has entered a time in which the global power structure is changing. While the power and influence of China rises, economic recession has left the United States relatively weak. U.S.-China containment and cooperative relations have caused a global power shift and major strategic changes are taking place throughout Northeast Asia. Second, China's economic power is at a juncture of either sustained growth or recession due to international economic currents and domestic socioeconomic issues. This may considerably affect China's national power, not to mention the survival of the Communist Party. Third, new leadership emerged

during the 18th party convention in 2012. Newly aspiring 5th generation leadership consists of officials born after 1949. This change in leadership from the 4th to the 5th generation is by far the largest power replacement in the last 30 years. How China responds in each of these three dimensions will help determine its relative economic and strategic power in the future and whether the global power shift from the West to the East can be sustained.

China's Leadership Shift and Emergence of New Leadership

There have been three leadership successions in China since the Tiananmen Square Massacre in 1989: from Deng Xiaoping to Jiang Zemin in 1992, from Jiang Zemin to Hu Jintao in 2002, and from Hu Jintao to Xi Jinping in 2012. If examined in the context of generations of leadership since Mao Zedong (1st generation), this 2012 leadership transition has brought about a 5th generation leader, Xi Jinping. As previously mentioned, the leadership shift from the 4th to the 5th generation, when compared to the last 30 years of leadership changes, took place on the largest scale and with considerable power play behind the scenes.

This 5th generation leadership was officially announced at the 18th National Congress of the Chinese Communist Party in November 2012. The major leaders of the 5th generation are Xi Jinping, Li Keqiang and Wang Qishan (Refer to Table 1). Xi Jinping is a top-ranked elite member of the Crown Prince Party, serving as vice president of the CPC Politburo Standing Central Committee and vice-chairman of the Central Military Commission, and is the

presumptive heir to the current general secretary and president, Hu Jintao. Li Keqiang would be second-in-command within this new leadership and comes from the Communist Youth League, belongs to the State Council of the People’s Republic of China (party based on mass coalition), and is vice-premier and deputy party secretary. He is expected to succeed Wen Jiabao to take on the position of premier. Wang Qishan is an elite from from the People’s Republic of China, and currently serves as the vice-premier, but is expected to take charge of heavy responsibilities on the economic front.

〈Table 1〉 Major leaders of the 5th generation

	Xi Jinping	Li Keqiang	Wang Qishan
Current position	Vice President	Vice Premier	Vice Premier
From	Shaanxi	Anhui	Shaanxi
Education	Tsinghua University	Peking University	Northwest University
Characteristics	Top of Crown Prince Party (Elite group)	Top leadership of the Communist Youth League (Party based on mass coalition)	Crown Prince Party (Elite group)

Other major officials include Yu Zhengsheng (Secretary of Shanghai), Zhang Dejiang (Vice Premier), Zhang Gaoli (Secretary of Tianjin), Wang Yang (Secretary of Guangdong Sheng), Li Yuanchao (serving on the Politburo of the CPC and as the head of its Organization Department), and Liu Yunshan (serving on the Politburo of the CPC and as the Director of the Propaganda Department of the CPC Central Committee), who is a prime candidate for top official of the CPC Central Committee.

A factional classification of the Chinese Communist Party is shown in Table 2. Major factions include the Communist Youth League, the Crown Prince Party (the Princlings) and the Shanghai

faction. However, when the Crown Prince Party and the Communist Youth League are in conflict, the Shanghai faction pursues “loose solidarity” with the Crown Prince Party.

The Crown Prince Party is made up of the descendants of influential senior communist officials from the Revolution in the People’s Republic of China; there are approximately 4,000 members. Major leaders include Deng Pufang—a son of Deng Xiaoping, Zeng Qinghong—a son of Zeng Shan, and Xi Jinping—a son of Xi Zhongxun.

⟨Table 2⟩ Major factions of Chinese Communist Party

	The Communist Youth League	The Princelings (Crown Prince Party)	Shanghai faction (Shanghai clique)
Senior officials			Jiang Zemin, Zeng Qinghong
Top-ranking officials	Hu Jintao, Li Keqiang, *Wen Jiabao: no affiliation with CYL, but pro-Hu Jintao	Xi Jinping, He Guoqiang	Wu Bangguo, Jia Qinglin, Li Changchun, Zhou Yongkang
Prospective candidates for top-ranking officials	Li Yuanchao, Liu Yandong, Wang Yang	Wang Qishan, Yu Zhengsheng	Zhang Dejiang, Liu Yunshan, Zhang Gaoli, Meng Jianzhu

The Communist Youth League is a youth movement by the Communist Party and was organized in Shanghai in August 1920. Membership exceeds 80 million and ranges in age from 14 to 28. Currently, Chinese President Hu Jintao holds the senior seat. The Communist Youth League has grown to be a core faction by selecting a large number of its members from key posts in the 4th generation leadership.

The Shanghai faction supports market-oriented economic policies to stimulate growth around Shanghai and is composed of leaders who rose to prominence in connection with the Shanghai

municipal administration under former CPC General Secretary, President Jiang Zemin, a principal leader of the 3rd generation. Major leaders include former Prime Minister Zhu Rongji, Chairman and Party Secretary of the Standing Committee of the National People's Congress Wu Bangguo, and former Vice President Zeng Qinghong.

Another characteristic of these 5th generation leaders is that during the Cultural Revolution, this generation directly experienced an impoverished standard of living in mountains and farmlands. Moreover, this generation is relatively more knowledgeable about liberal arts and social sciences, and consists of highly educated elites who have accumulated experiences from abroad.

Therefore, 5th generation leaders are emphasizing stability at this turning point in China, and are likely to pursue pragmatic reform. Some major policy issues that they now face are as follows.

On a political level, there are matters of harmony among factions within the party as a short-term goal and reformation of the full political system as a midterm goal. In the process of replacing the 4th generation with 5th generation leadership, each faction made intense power plays and tremendous political conflicts emerged. Therefore, the 5th generation leadership needs to sort out the aftermath of this power play as soon as possible in order to find a solution for political rupture and conflict. In particular, it is in Xi Jinping's first and foremost political agenda to harmonize and solve these hostile disputes. Furthermore, midterm political reforms include implementing system reforms to promote democracy and secure fairness in the judicial system. The Communist Party also needs to strengthen control in the People's Liberation Army.¹ To fa-

1. Wooyeol Paik, "Policies and Directions of the 5th Generation Leadership," advisory meeting at KINU, September 18, 2012.

cilitate economic development and social reforms, these new leaders need to secure and maintain powerful and authoritative leadership during the process of political reform, while pursuing democracy at the same time.²

On an economic level, the new leaders will need a strategy to maintain Chinese economic growth and enhance fairness in distribution. It will not be easy to sustain 7% economic growth in China, and unfair distribution of wealth is currently the biggest problem in China's economy. In other words, the prime economic policy measures that the 5th generation has to simultaneously solve are discrepant growth and distribution problems.

Finally, on a societal level, the 5th generation leadership needs to strengthen social controls and confront the start of an aging society. Social control becomes difficult once democratization and freedom of press is achieved, especially with the spread of internet and SNS, but it remains as a principal issue. Also, China has rapidly progressed into an aging society where there is a very weak socioeconomic foundation compared to other developed countries, and some regions have already started aging. The coming of an aging society and decrease in an economically active population are very important social and economic issues that need to be resolved.

2- Jae Ho Hwang, "Characteristics of Chinese Political System and its Evaluation," advisory meeting at KINU, September 21, 2012.

The Rise of China, the Strategic Environment of Northeast Asia, and the Korean Peninsula

The rapid rise of China has caused changes in the strategic environment in Northeast Asia. Countering the rise of China, the U.S. has proposed a new grand strategy called the “Pivot to Asia,” and the U.S.-China relationship, which has been the centerpiece of Northeast Asian security configurations, is under serious challenge.

Recently, the U.S. made it clear that it will place its strategic focus on the Asia-Pacific region, pointing out that it is not only an Atlantic country, but also a Pacific one. Secretary of State Hillary Clinton proposed key principles for U.S. foreign policy in Asia, as shown in Table 3 below, asserting ways to utilize and engage geopolitical dynamics in Asia to determine the future of the U.S. economy and security.³

〈Table 3〉 Key Principles of U.S. Foreign Policy in Asia

- | |
|--|
| <ul style="list-style-type: none"> (1) To strengthen bilateral security alliances (2) To strengthen cooperation with rising powers such as China (3) To expand cooperation with multilateral regional organizations (4) To increase trade and investment (5) To deploy extensive military capability (6) To promote democracy and human rights |
|--|

President Barack Obama proclaimed that the U.S. would strengthen not only the quantity but also the quality of its military capability in this area, emphasizing the increased strategic importance of Asia.⁴ In fact, while Europe was the center of U.S. for-

3- Hillary Clinton, “America’s Pacific Century,” *Foreign Policy* (November 2011).

4- “U.S. Pivots toward Trouble in West Pacific,” *Asia Times Online*, September 26, 2012, accessed on September 28, 2012.

foreign policy during the Cold War era, Asia has occupied its central status throughout the 21st century. Furthermore, while undergoing economic crisis and dramatic changes in its strategic environment, the Obama Administration proposed more detailed principles to maintain U.S. supremacy in this area in the “New Strategic Guidance” published in January 2012.

Considering the rise of China and changes in U.S. foreign policy, the interests of the two great powers are most likely to overlap in the Asian region. This reality suggests that in this region, the two countries may come into conflict when their interests contradict, while they will cooperate in areas where they see common interests.

Indeed, already recent U.S.-China relations have shown some areas of conflict and cooperation. For instance, while the U.S. and China were largely adversarial throughout 2010, the U.S.-China summit in 2011 helped to renew commitment toward better cooperative relations between the two countries. Conflicts between the U.S. and China in 2010 surfaced mainly from trade issues. The two countries frequently argued over anti-dumping issues and the revaluation of the Chinese yuan. President Obama emphasized the necessity to revalue the Chinese yuan, and the U.S. Congress claimed that China should have been designated as a manipulator of exchange rates. Furthermore, the U.S. and China were in frequent disagreement over such political issues as Tibet and the Dalai Lama, U.S. arms export to Taiwan, and sanctions on Iran.

U.S.-China relations were re-characterized from conflictual to cooperative at the U.S.-China summit in January 2011. During the meeting, U.S. President Obama and Chinese President Hu Jintao agreed upon a comprehensive package of cooperation on diverse issues such as economy, military, security, and human rights

to improve their relations.⁵

In addition to the summit, improved relations between the two countries have resulted from Chinese accommodation of U.S. demands on key politically sensitive issues.⁶ China also made a cooperative posture in its relations with the U.S. based on the strategic judgment that conflicts with the U.S. would not be conducive to achieving stable economic growth or to shaping a favorable international environment for China. Taking into consideration the economic interdependence of the U.S. and China, their cooperation in the economic arena will continue.

On the other hand, considering the increase in Chinese military capability and its status as a member of the G2, the strategic mutual control between the U.S. and China may be further strengthened in political and military issues. Unlike the U.S. and other counterparts in Europe, China has raised its military spending by 12% on average for the past decade. The modernization of China's military has focused on improving its "Anti-Access/Area-Denial (A2/AD)" capability, which is intended to hedge U.S. power in Asia. This approach includes thousands of land-based ballistic missiles and cruise missiles, a fleet of nuclear powered submarines, and surveillance satellites and long-range radar intended to blind American forces.⁷ Most recently, this approach was highlighted by

5. More specifically, the U.S. and China agreed on the following: reform of Yuan exchange rate, objection to protectionism in trade and investment, strengthening the protection of intellectual property rights in China, and holding a U.S.-China dialogue to promote human rights. When it comes to security and military issues, the two countries agreed that they would strengthen cooperation in nuclear security and the U.S. proclaimed to support "one China."

6. In the summit meeting in 2011, China generally cooperated with U.S. demands in specific areas.

7. "Asia's Balance of Power: China's Military Rise," *The Economist*, April 7, 2012 <www.economist.com/node/21552212>, accessed on September 25, 2012.

the launch of an aircraft carrier by the Chinese government. Even though the current military spending of China is less than a quarter of U.S. military expenditures, it is projected that China will become the world's largest military power in 20 years.

The growth of Chinese power has sparked changes in U.S. policy designed to counter it. In other words, the U.S. has started to adopt a strategy to balance the rise of China and its growing power in East Asia. For instance, the Obama Administration suggested a detailed U.S. defense policy to respond the changing security environment and economic crisis in the New Strategic Guidance document, which supposes China as a potential enemy.⁸ The intentions of the U.S. include not only maintaining a favorable position in the balance of power against China in Asia, but also checking its aggressive foreign policy and demonstrating U.S. willingness and power as a balancer to the allies and other strategic partners who have serious concerns about the rise of China.

As discussed above, Northeast Asia currently shows signs of a changing regional balance of power, which has caused a mutual hedging strategy for both the U.S. and China. In other words, while the U.S. and China have mutually cooperative relations and economic interdependence, they also demonstrate efforts to achieve mutual checks and balances in other areas.

South Korea's Direction of Diplomacy toward China

The changing strategic configuration in Northeast Asia in re-

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⁸ U.S. Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," January 2012, <www.defense.gov/news/Defense_Strategic_Guidance.pdf>, accessed on September 26, 2012.

sponse to China's rise, and the emergence of 5th generation leadership in China will tremendously affect China-South Korea relations. In other words, South Korea also faces a turning point in its diplomatic policy toward China and ought to take these factors into serious consideration. To be specific, the following details should be regarded in terms of strategies for foreign affairs and China relations.

First, the 5th generation leadership succeeded into power from each faction and made the first and superior collective leadership system. Therefore, even if Xi Jinping becomes president, it is not easy for foreign policy to be independently decided and pursued.

Second, the political stability of 5th generation leadership depends on sustained economic development. In order to maintain economic growth, China's leadership wants a stable environment in and out of China, including a stable Korean Peninsula.

Third, as China's power increases, the 5th generation leadership will actively develop *yousuozuowei*⁹ diplomacy, without avoiding conflicts and confrontations exceeding *taoguangyanghui*,¹⁰ and be willing to *douerbuo*¹¹ in issues regarding major national interests. That is, aspirations for a powerful nation and Chinese nationalism will be projected in the foreign policies of the 5th generation leadership.

Such leadership characteristics are reflected in China's policy

9- To actively participate where the role is needed in its will.

10- It literally means, to hide the shiny sword in a sheath and wait until the right time comes and in the meantime to grow power. In other words, it is a term for diplomatic strategy to keep a low profile until the power of the nation is strong enough to internationally take effect.

11- To actively fight within a boundary that is harmless to the whole structure.

towards the Korean Peninsula as well. In this regard, South Korea will have to strategically consider the following issues.

First, the 5th generation leadership will pursue stability as the focus of its Korean Peninsula policy, and as long as it sustains the peninsula's status quo, it will keep supporting North Korea. Because China stresses domestic economic growth until 2020, it will function as a "guardian of North Korea" to help nurture an environment conducive to economic activity.

Second, the leadership will promote *yousuozuowei* diplomacy in order to enlarge China's political influence as its military strength increases, which will greatly affect the Korean Peninsula.

Third, U.S. containment of China is expected to grow as China's power and influence increases. In this strategic context, there is a huge tendency to focus on the Korean Peninsula. In other words, China's 5th generation leadership realizes the South Korea-U.S. alliance plays a role in U.S. containment policy and will attempt to approach the Korean Peninsula issue in the same strategic terms.

Furthermore, there is a great tendency for residents in Shanghai and Beijing to underestimate South Korea and Japan based on their judgment of GDP growth. Even Chinese elites are starting to be concerned by some Chinese arrogance on this matter along with China's GDP growth.

Therefore, the basis of South Korea's diplomatic strategy toward China must take into account China's increasing national power, U.S.-China mutual containment and cooperation, China's 5th generation leadership's interests and goals, China's containment of U.S. influence in the region and the linkage of the South Korea-U.S. alliance to that issue, China's blind faith in GDP growth and arrogance, and its half a billion internet users. It also needs to con-

sider South Korea-China trade exceeding 200 billion dollars, North Korean issues, and the importance of China's role in overcoming discrepant value systems and weak trust between South Korea and China, democratization, market economy, and the rule of law.

Therefore, South Korea's diplomatic policy has to strive to strategically build cooperative relations with China based on a strong Korea-U.S. alliance. In other words, South Korea needs to seek "Alliance with the U.S. and cooperation with China" diplomacy. It also needs to develop diplomacy to unite the Korean Peninsula and to facilitate relations with China by persuading Chinese media, academia as well as the Chinese government. Due to the North Korean nuclear and missile issues, China faces a huge burden and many concerns. Hence, South Korea has to strengthen public diplomacy towards China and communicate strategically to empower human and political networks and build stronger trust between Korea and China.

Although some say South Korea's geographical conditions will worsen during a time of global power transformation and with the rise of China,¹² others argue that South Korea's fate in a realigned system is not so straightforward. However, South Korea will need to focus on developing strategic diplomacy towards China, while focusing on national growth and increasing the value of the Korean Peninsula.

12- Zbigniew Brzezinski, *Strategic Vision-America and the Crisis of Global Power* (New York: Basic Books, 2012).

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Part 1

Evaluation of China's Domestic Politics and Leadership



Korea Institute for
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1

A Chinese Model for National Development

Yong Shik Choo

On December 18th 1978, at the Third Plenary Session of the 11th Central Committee, the Chinese Communist Party announced that the party would pursue “opening and reforms for national economic development,” and reject “class struggle and isolationism as a guiding principle.” This historical decision laid a foundation of pragmatism for Chinese national development. In the previous three decades, China showed remarkable economic success with an average annual growth rate of more than 10%, and emerged as the second largest economy in the world. Even after the 2008 world financial crisis, the Chinese economy marked a 9.5% annual growth rate with \$3 trillion in foreign reserves (IMF and CIA statistics). Such great economic performance attracted intense international attention.

The rise of China as a strong economy has shifted the global geopolitical landscape. The driver of geopolitical change has been the emergence of the Group of 2, an increasingly interdependent and significant Sino-U.S. relationship in international relations. Will “Chimerica” lead to a strategic partnership or conflict and confrontation between the two nations?¹ Or will it lead to a clash of civilizations? The future of the Sino-U.S. relationship will depend on how the two nations will define and pursue their national interests. It will also depend on whether their visions for national development and their grand strategies to achieve them are compatible and mutually accommodating. This chapter will explore how the Chinese model for national development has been constructed and what implications it poses with regard to the international order in the future.

1. Niall Ferguson, *The Ascent of Money: A Financial History of the World* (New York: the Penguin Press, 2008), pp. 332-340.

Intellectual Discourse on the Chinese Model

Discourse on Chinese Development

Initially, debates on China's development focused on its particularity—whether a Chinese model of national development exists. If there is a unique Chinese model of development, then what makes it distinctive and can it be applied to other nations? Such an ontological debate has evolved beyond a purely academic discussion. The deepening and expansion of financial crises around the world has discredited a neoliberal, American-style development model, and has sparked the intellectual community to begin discussing the Chinese model as an alternative to the American one. This discussion is not simply about a new model for economic development, it is about values, and eventually, a system that human society should pursue for development. These epistemological questions have led to debates on the probability of reshaping the current world order: whether China will emerge as a hegemonic power.²

The debate on China's development has evolved through three phases. In an early phase of “open reform,” the Chinese government emphasized a Chinese-style socialism that was distinct from other socialist countries in that it adopted a market economy, but was still different from Western capitalism. However, as China showed enormous economic success, the emphasis on its uniqueness made Chinese-style development an academic and intellectual construction, an alternative to the American model of development.

2. Randy Peerenboom, *China Modernizes: Threat to the West or Model for the Rest?* (New York: Oxford University Press, 2007).

In 2005, Joshua Cooper Ramos proposed the Beijing Consensus, a unique Chinese-style development model that could replace the Washington Consensus, an American-style development model.³ With the outbreak of the 2008 U.S. financial crisis, the international community has taken increasing note of the Beijing Consensus's potential as a new paradigm for national development. Weary of academic debates developing into ideological tension between Washington and Beijing, Chinese scholars termed it a "Chinese model." The Chinese model is taken to mean "a strategic choice China has adopted to modernize itself in a globalizing world, and a development strategy and governance model it has gradually developed in the process of opening and reforms in reaction to the challenges of globalization."⁴ The key question is whether this discourse on the Chinese development model simply proposes its particular experience or augurs changes to the world order.

Proponents and Opponents of the Chinese Model

The proponents of the Chinese model argue that the uniqueness of the Chinese political system contributed to its economic development. Pan Wei maintains that the Chinese political system is founded not upon a separation of power, but upon a division of labor. Unlike the Western concept of a separation of power, the distinctive features of the Chinese political system—such as the spirit

³ Joshua Cooper Ramos, *The Beijing Consensus* (The Foreign Policy Center, 2004) <<http://fpc.org.uk/fsblob/244.pdf>>.

⁴ Seon Hong Jeon, "The Chinese-style Economic Development and System Transformation: Discourse on the Chinese Model and Its Implications," *East Asia Briefing*, Vol 6, No. 1 (2011), pp. 74-75.

of serving people, a bureaucratic recruitment system, communist leadership, and a check-and-balance relationship between government agencies—promoted economic progress. Wang Shaoguang defines the Chinese model as the “3.0 version of socialism,” and praises it as a development model that China should pursue in the future. Such logic stresses the point that the development of a huge country like China inevitably requires an authoritarian system. Robert Lawrence Kuhn also argues that the Western democratic system does not benefit the reality of China, and that the communists’ one party rule is the best choice for the country.

On the other hand, opponents illuminate the dark side of the Chinese model by showing that it disregards ordinary people’s lives and is oriented to promote the privileges and wealth of the upper classes. They label it a “‘power-market complex,’ a market economy added onto the top of an authoritarian system.”⁵ According to this view, the power-market complex has brought up monopolistic, unfair commercial exchanges, and deepened income disparity and social unrest in China. David Harvey and Martin Hart-Landsberg view the Chinese model as exploiting labor like a neoliberal system does. Rightists also contend that China could make economic progress by joining the global market economy, and that it is not the result of the uniqueness of the Chinese system.⁶

Recently, the focus of debates on the Chinese model has evolved from the analysis of the causes of economic development, to the nature of the Chinese political system. While advocates

5- Yun Mi Jang, “Discourse Analysis of the Chinese Model,” *A Modern Study of China*, Vol. 3, No. 1 (2012), pp. 85.

6- Edward Steinfeld, *Playing Our Game: Why China’s Rise Doesn’t Threaten the West* (New York: Oxford University Press, 2012).

praise the Chinese system for promoting economic development, rightist critics foresee that without democratic reforms it will not be possible to continue sustainable development. Leftists point out that the Chinese model has alienated and disadvantaged the public. The intellectual contentions around the Chinese system stirred up controversy over whether the system could be an alternative to neoliberalism. Will China become a great power? If so, how would China change the contemporary world order?

Ideological Contentions to the Chinese Model

The proponents of the Chinese model illuminate as an empirical fact that the particularity of the Chinese system has played a critical role in its economic development. The central government has tried to find new areas outside the system (e.g. international trade and investment) for innovation and progress, while supporting successful local initiatives working within the system.⁷ They argue that such a pragmatic approach has proved to be unique to China. The central government has adopted the principle of “one system, multiple ways,” a decentralized development strategy that recognizes local diversities. As a result, various models must co-exist for economic development in China, such as the Shanghai model, the Chongqing model, the Gwangdong model, etc. Some models follow market-driven economic development; others, a government-led one. Recently, the Chongqing model has attracted extensive attention as a successful case of government-driven development by expanding domestic demand and consumption. The model is hailed

7. Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform 1978-1993* (New York: Cambridge University Press, 1995).

as an embodiment of the strengths of Mao's and Deng's ideas, and a case of grass-roots socialism.⁸ In this decentralized model, the central government plays a coordinating role. Sebastian Heilmann and Wang Shaoguang argue that the Chinese model is the outcome of comprehensive experiments and efforts made for economic development from a long-term perspective. In that process, the central government has respected local particularities, integrating and coordinating various local initiatives. However, the opposition contends that the duality of local initiatives and central controls has also caused corruption, income disparity between cities and rural areas, and inequality between coastal and inland regions.

According to Yun Mi Jang, there are four perspectives on Chinese development, varying by how they assess the pre-and post-reform eras. Liberals are critical of the Chinese system as being a one-party, feudal-style dictatorship, and insist upon its democratic reform. Advocates of market economy believe that the adoption of a market system has enhanced the Chinese economy and that China can overcome the obstacles with complete implementation. Maoists, or the New Left, are nostalgic for the Mao era and are critical of the deepening income inequality and exploitation of labor for economic development, calling for a return to the Maoist system. Nationalists, or the proponents of the Chinese model, contend that the previous six decade long modernization should be regarded as one process. The pre-and post-reform eras differ only in their approaches and methods to accomplishing development. They emphasize China's particularities and uniqueness as the primary cause of economic development. The liberals and the New

⁸- Yun Mi Jang, "Discourse Analysis of the Chinese Model," p. 92.

Left are populists, while others can be seen as elitists. The proponents of market economy and liberals insist on adopting Western civilization and Westernization. On the other hand, the New Left and nationalists uphold the principle of “Western technology, Eastern spirit.” As illustrated from these four ideological stances, theorizing about a Chinese model is becoming increasingly popular within Chinese intellectual circles.⁹

As mentioned above, the theory of the Chinese model emphasizes that the historical particularism and cultural uniqueness of China have been critical to national progress, though Chinese economic development was achieved while being incorporated into the world capitalist system. The key point here is that China has maintained its sovereignty during the process of modernization; therefore, Chinese modernization must be viewed not as economic development, but as a process of a historical and political development, during which it never lost its independence and always preserved its national identity. Recently, the theory has advanced to form a discourse on Chinese identity constructed through distinct historical experiences and producing the unique development model. The nationalistic theory might have at least two significant effects on international society. First, the theory could widen and strengthen domestic support of Sino-centric nationalism; the Chinese nation created its own development model distinct from or maybe even superior to the Western one. Hence, it can enlarge and expand the internal legitimacy of nationalist external policies. Second, it could provide an ideological device to project the uniqueness or national identity of China into the international

⁹- *Ibid.*, p 96-97.

community. This means that China is trying to change the world order in its own way. Up until now, the Chinese government has explained its foreign policy in terms of “peaceful development,” and a “harmonious world” to indicate a friendly relationship with the world. However, an attempt at projecting and imposing its identity outside of China might lead to a clash with the West.¹⁰ In this sense, it is notable that developing nations are increasingly accommodating toward the Chinese model because Beijing’s so-called charm offensive of foreign economic assistance does not force authoritarian regimes to take democratic reforms as neo-liberalism does.¹¹

China’s Vision of the Nation’s Future and its Grand Strategy

Evolution of the Chinese Grand Strategy

The long-term purpose of the Chinese grand strategy is achieving “peaceful growth,” through “opening and reforms,” and “economic development,” as Deng Xiaoping expounded. In order to undertake it, the Chinese government has executed a grand strategy, based upon the principles of “one state, two systems,” “rule of law,” and “market-oriented economic development.” In line with this, at the 17th CCP Central Committee Hu Jintao pro-

10- Martin Jacques, *When China Rules the World: The Rise of the Middle Kingdom and the End of the Western World* (New York: The Peenguin Press, 2009).

11- Joshua Kurlantzick, *Charm Offensive: How China’s Soft Power is Transforming the World* (New Haven, Conn: Yale University Press, 2007).

posed the concept of “scientific development” that envisioned an active or proactive foreign policy, including “sustainable development,” “harmonious society and harmonious world” (a friendly relationship with neighboring nations), and “engagement with the international community.” Hu also reaffirmed the four cardinal principles of “socialism,” “dictatorship of people’s democracy,” “CCP leadership,” and “Marxism-Leninism-Maoism,” and pronounced that China would continue the market-oriented economic reforms which it has pursued since 1978, and gradually take on domestic political reform. Along with that, he emphasized the significance of peaceful development. Succinctly, Hu’s scientific development aims to maintain a socialist system and to promote economic development. To do this, he must create an external environment that favors China’s development by preserving friendly relationships with the international community. However, in response to China’s rise, the perception of China as a threat has emerged in the international community. Initially, the perception stemmed from a fear of China’s sheer size with no regard to its intention⁷. But as China keeps growing without a clarification of its foreign policy intentions, this perception has been reinforced and developed into a theory of a Chinese threat. Furthermore, the premises of Chinese foreign policy have gradually become more active and expansive.

The basic principles of Chinese foreign policy were outlined in 1953, when Zhou Enlai proposed five principles for peaceful co-existence to resolve a Sino-Indian territorial dispute. These included mutual respect for each other’s territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful co-existence. These defensive tenets have evolved into active or proactive ones, as China’s national power has grown, from “anti-

hegemony” and “keeping a low-profile (*tao gwang yang hui*)” during the Deng period to “responsible power (*you suo zou wei*),” “peaceful rise or development,” and “harmonious world” through the Jiang Zemin and Hu Jintao periods. This conceptual evolution of Chinese foreign policy reflects Beijing’s willingness to project power, proportionate with its national capability, in response to changes in international relations.

“Anti-hegemony” originated in the 1970s as a counter-strategy to the Soviet containment of China. In the 1980s, Beijing continued to call for it to preclude the U.S. containment of China. The “keeping a low-profile” was a part of Deng’s pragmatic diplomacy. Realizing that China’s neighboring nations were not friendly, Deng tried to overcome a security dilemma with them and construct an external environment that favored China’s development. He suggested concentrating on economic development and maintaining a low-key diplomacy until the country is capable of being a great power. Even as a great power, Deng believed that China should pursue its own hegemony and must seek co-prosperity in a hospitable relationship with the world.¹² After the 1997 Asian financial crisis, Jiang Zemin announced that China would participate in world affairs more actively as a “responsible great power.” While “keeping a low-profile” was a hallmark of defensive realism, recognizing the salience of a security dilemma, the “responsible great power” is a neoliberal foreign policy strategy that reflects increasing interdependence and China’s growing power. The “peaceful rise (or

12. Yunling Zhang and Shiping Tang, “China’s Regional Strategy,” David Shambaugh (ed.), *Power Shift: China and Asia’s New Dynamics* (Berkeley: University of California Press, 2005), p. 49; So Jung Kim, “The Current Status and Prospect of Chinese Nationalism,” *Korea Journal of Northeast Asia*, Vol. 38 (2006), p. 279.

expansion)” is an extension of “responsible great power.” However, worried that the international community might construe this as a Chinese attempt for hegemonic power, Beijing began to use the terms, “peaceful development” or “harmonious world.” Nevertheless, it is becoming clear that the underlying premise of Chinese foreign policy has been moving toward “making a great power.”

Theory of Great Power

Broadly, there are five views on the future of China.¹³ The first view is that China should pursue neither super nor hegemonic power status, and should remain distant from the United States, Russia, Japan, India and others. This semi-isolationism reflects traditional defensive realism. The second theory is that China lacks the conditions for being a great power. This opinion highlights a number of domestic problems that would hinder China’s ability to sustain growth. It argues that the external security environment has not yet been stabilized and China still falls behind other nations in terms of hard and soft power. This cautious position also reflects the tradition of defensive realism. The third view foresees the collapse of China. The Chinese economy is like “a building constructed on sand.” It predicts that, under intense international pressure to force China to comply with WTO requirements and other international obligations, and with its labor productivity declining in a world economic crisis, Beijing will eventually choose an anti-reform policy leading to its collapse.¹⁴ Unlike the three cau-

¹³- Zicheng Ye, *Inside China’s Grand Strategy: The Perspective from the People’s Republic* (Lexington: University of Kentucky Press, 2011), pp. 13-14.

¹⁴- Joe Studwell, *The China Dream: The Quest for the Last Great Untapped Market on Earth* (New York: Atlantic Monthly Press, 2002), p. 268; Gordon Chang, “The

tious and even pessimistic views, the fourth stance toward China's future presents an optimistic vision that it is natural for China to grow. This theory of natural growth is based on the liberalist idea that China does not need to struggle to be a great power; instead, in the process of economic development, the country's national power will expand and it will emerge as a great power.¹⁵

Last is the theory of great power. Its origin dates back to Sun Yat-sen, the father of Chinese modernization. The theory contends that China must be, and is destined to be, a great power due to its size in terms of both territory and population, and the uniqueness of its civilization and history. It also emphasizes that China's recent economic growth makes this possible. While defensive realism and the cautious views above reflect the second generation leadership's foreign policy (like that of Deng Xiaoping), the optimism and the great power theory resonate with the current leadership's attitudes toward China's relationship with the outside world. Broadly, the advocates of the great power theory are divided into two groups in respect to where China stands in the international community. One group proposes an offensive strategy. Li Mingfu has asserted that, in order for China to have great power, its military must be superior to that of the United States. In the same vein, others point out that the Chinese-style development model of the Beijing Consensus is replacing the neoliberal model of the Washington Consensus. They envisage that China will rise to be a hegemonic power. Meanwhile, Wang Jisi takes a more defensive posture, though certainly sup-

Coming Collapse of China: 2012 Edition," *Foreign Policy* (December 29, 2011), <http://www.foreignpolicy.com/articles/2011/12/29/the_coming_collapse_of_china_2012_edition?hidecomments=yes>.

15- Lijun Sheng, "China and the United States: Asymmetrical Strategic Partners," *Washington Quarterly*, Vol. 22, No. 3 (1999).

porting China's great power position. He recollects that historically, the Ming, Qing, and Kuongmintang governments were toppled both by external threats and internal disorder, and thus argues that the most urgent task for the Chinese leadership is to protect its national sovereignty and security from external threats. Therefore, the strategy must aim at enhancing people's living standards, welfare, and happiness through promoting social justice. According to Wang, "scientific development" and "harmonious society and harmonious world" include the implication that Chinese foreign policy must deeply consider external and internal conditions to prevent a weakening of domestic reforms in deference to external threats. In conclusion, a stable international order is a prerequisite for China's ability to sustain economic growth. Wang disregards any hegemonic strategy that considers the US as an enemy and regards defensive realism as out of date. He suggests a grand strategy in pursuit of "a responsible great power in harmony with the world," and for that to happen, China has to cooperate with other powers to establish international stability and peace.¹⁶

Zicheng Ye believes that China possesses the potential to be a great power but has to first overcome many domestic hurdles, such as the Taiwan issue, the low living standard due to overpopulation, a relatively low level of scientific and technological development, relatively low influence in the international community and so on. In the same vein with Wang, Ye agrees that China's grand strategy should be focused on domestic reforms, such as economic development, political reform (Chinese-style democracy), and the establishment of the Chinese spiritual civilization, but claims that China

16- Jisi Wang, "China's Search for a Grand Strategy," *Foreign Affairs*, Vol. 90, No. 2 (March/April 2011).

should become a great power through great power diplomacy.¹⁷ Ye defines great power diplomacy as maintaining workable relationships with other great powers and projecting the Chinese image as a great power over the world. The essence of great power diplomacy is to not disrupt the relationship with the United States, maintain friendship with neighboring nations, strengthen multi-lateral cooperation and act responsibly in Asia and other regions, and refrain from intervening in other nations without their request.¹⁸

Ye considers China's most critical bilateral relationship to be its relationship with the United States. However, for him, forming an alliance with Washington means yielding a part of Beijing's national interests and hampering its independence as a great power in the international community. Particularly, Ye asserts that no matter what happens, the Chinese national self-identity should not be compromised. Thus, he reasons that the Sino-U.S. relationship, neither in an alliance nor confrontation, will take on the coexistence of confrontation and cooperation; thus, China has to manage the relationship by reacting "in reasonable and restrained means" to any U.S. actions undermining China's national interests.¹⁹ As for the cross-strait issue, Ye clarifies the nexus of unification and development as follows. If China develops economically and becomes politically stabilized, independence would not be an option for Taiwan. If this were to happen, the pro-independence forces will become stronger and expand there. Therefore, development should precede unification. Logically, China should accomplish a

17- Zicheng Ye, *Inside China's Grand Strategy: The Perspective from the People's Republic*, p. 38; Rex Li, *A Rising China and Security in East Asia: Identity Construction and Security Discourse* (New York: Routledge, 2009), pp. 182-183.

18- Zhang and Tang, "China's Regional Strategy," pp. 49-50.

19- Ye, *Inside China's Grand Strategy*, pp. 4-5.

confederation with Taiwan by being flexible with the “One China Policy.” Right now, the United States is trying to uphold the status quo, which is consistent with its interests. However, as China gradually and peacefully grows, the common interests between Washington and Beijing will increase accordingly and those between the U.S. and Taiwan will shrink. As a result, the Taiwan issue will be marginalized in the U.S. foreign policy agenda. Ye suggests that the rise of China as a great power is the eventual solution to the Taiwan issue. In sum, the theory of great power encapsulates the Chinese grand strategy as becoming a great power by constructing a peaceful and stable external environment that is essential and a prerequisite to sustaining development and solving domestic and national problems.

Construction of the Theory of Great Power

The theory of great power has been constructed on two constituting ideas. One is the empirical knowledge of contemporary China, and the other is a shared memory of Chinese history and national identity. Since China adopted opening and reforms in 1978, it marked the most rapid growth in the world and reached the level of a great power in terms of national power. In 2011, in terms of GDP it was the second largest nation after the United States. Chinese GDP is still 50% that of the United States but its annual real growth rate has been higher than 10% for the previous thirty years. Moreover, China seems to continue to grow. Its military expenditure is estimated at 16.6% that of the United States. However, since 2004 Beijing has continued to enhance its military power. In particular, the recently launched aircraft carrier will strengthen Chinese power projection capability.

〈Table 1〉 World Ranks in GDP and Military Expenditure in 2011

Rank	Country	GDP (USD million)
1	United States	15,094,025
2	China	7,298,1472
3	Japan	5,869,471
4	Germany	3,577,031
5	France	2,776,324

Source: IMF

Rank	Country	Military Expenditure (USD)	% of GDP
1	United States	687,105,000,000	4.7%
2	People's Republic of China	114,300,000,000	2.2%
3	Russia	61,285,000,000	2.5%
4	France	57,424,000,000	2.7%
5	United Kingdom	55,586,000,000	2.7%
6	Japan	54,420,000,000	1.0%

Source: SIPRI Yearbook 2012

〈Table 2〉 GDP and Military Expenditure in China

(unit: RMB)

Year	GDP	Price level (2000=100)	Nominal Growth (%)	Real Growth (%)
1980	460,906	25		
1985	896,440	30	94.5	89.5
1990	1,854,790	49	106.9	87.9
1995	6,079,400	91	227.8	185.8
2000	9,921,500	100	63.2	54.2
2005	18,308,500	106	84.5	78.5
2010	25,506,956	112	39.3	33.3

Source: IMF

(unit: USD million)

Year	Military Expenditure	Growth (%)	% of GDP
1989	16,600		2,5
1995	20,875	25,8	1,7
2000	33,496	60,5	1,9
2004	57,542	71,8	2,1
2005	64,726	12,5	2
2006	76,065	17,5	2
2007	87,730	15,3	2,1
2008	96,663	10,2	2
2009	116,666	20,7	2,2
2010	121,064	3,8	2,1
2011	129,272	6,8	

Source: SIPRI Database

With the expansion of Chinese national capabilities, some estimates show that the country will be more than a great power, growing to be even stronger than the United States. A study by the Carnegie Endowment for International Peace forecasts that Chinese GDP will reach that of the U.S. by 2030 and surpass the U.S. by 2050.

〈Table 3〉 Estimates of US and Chinese GDP

	USA	China	China/USA (%)
GDP (USD trillion)			
2010	13,15	3,64	27,7
2025	19,48	16,12	82,8
2030	22,26	21,48	96,5
2050	38,65	46,27	119,7
GDP per capita (USD)			
2010	42,372	2,699	6,4
2025	54,503	11,096	20,4
2030	59,592	14,696	24,7
2050	88,029	32,486	36,9

Source: Carnegie Endowment for International Peace

Another factor that has a profound impact on China's construction of national vision and grand strategy is its national identity. There is a shared understanding among the Chinese people with regard to their nation's imperial history. Because China was an empire, it could become one again. Such a sense of historical determinism justifies China's hegemonic position as natural. China has preserved its own distinct civilization for more than 5,000 years. It used to be the strongest and wealthiest nation in the East. Especially, from the Han to Qing dynasties, Chinese hegemony continuously ruled the East. Premised upon this imperial history, some Chinese intellectuals have cautiously presented a Sino-centric worldview: China has been at the center of world history, not just in the East.

Ye contends that until the late 18th and the early 19th centuries, China was the world's most powerful country. According to Ye, the Han, Tang, Ming, and Qing dynasties were stronger and more prosperous than the Roman Empire and modern Europe. And among the 15 empires that existed after the 15th century, only the Ming, Qing, and modern Japan were non-Western. Rome at its zenith ruled around 60 million people. Its territory reached 6,500 km² from Britannia to northern Africa. Rome maintained 350,000 regular military forces and 30 garrison legions consisting of 10,000 soldiers per each unit. On the other hand, the Han dynasty (B.C. 206 - A.D. 220) governed an empire of about 60 million with 1 million soldiers. Rome's road system ran roughly 5,984 km, and 6,800 km in the case of Han.²⁰ Moreover, in most cases, Rome

²⁰- Guo Changgang, *Ancient Rome* (Shanghai: East China Normal University Press, 2002), pp. 1-2, 146; Shouyi Bai, *General History of China, Vol. 5 & 9* (Shanghai: Shanghai People's Publishing House, 1989-99), pp. 453- 456; Rein Taagepera, "Size and Duration of Empires: Growth-decline Curves, 600 B.C.

ruled other nations by assimilating their elites, while Han Sinicized both elites and general populaces in the regions it conquered by transferring advanced agricultural technologies and Confucianism to them.²¹

The Tang dynasty (A.D. 618-907) adopted a feudal system 700 years before Europe did. Its capital, Chang'an with a population size of 1 million, prospered more than Constantinople, the wealthiest city in Europe, with 800,000 people residing there. The capital was both the point of departure and destination of the Silk Road. It was the center of the East-West continental trade. During the Sui dynasty (A.D. 581-618), the Great Canal was the world's largest. The country held more advanced technologies than Europe in textile, mining, maritime navigation, metallurgy, and paper and printing industry, etc.²² China also had more developed social and political institutions. Tang constructed a cutting-edge bureaucratic system by adopting a state-examination system. Paul Kennedy concluded that the Ming dynasty (A.D. 1368-1644) was also stronger than contemporary Europe. During the 15th century, Europe was placed at a disadvantage. There was far less arable land than in China. Geopolitical threats from the Ottoman Empire were incessant but feudal Europe was politically disintegrated. Furthermore, its science and technology lagged far behind that of China. Since the late 15th century, a series of modern revolutions, such as geographical discovery, the Renaissance, religious reformation, the

to 600 A.D.," *Social Science History*, Vol. 3, No. 4 (1979), p. 125; Denis Twitchett and Michael Loewe (eds.), *The Cambridge History of China* (Cambridge: Cambridge University Press, 1992), p. 78.

²¹- Zicheng Ye, *Inside China's Grand Strategy: The Perspective from the People's Republic*, p. 32.

²²- *Ibid.*, p. 33.

Enlightenment, and the Industrial Revolution, moved modern Europe to the center of global politics and opened the age of European hegemony. Nevertheless, China's national power was no less than that of Spain or the Netherlands. Up to the late 17th century, the size of the Ming population increased to 160 million. Zheng He's seven voyages show that Ming navigation technology and know-how far exceeded that of the Europeans. Culturally, Ming neo-Confucianism profoundly affected the formation of modern civilization and constructed the Sino-centric worldview in the East.²³

Ye asserts that it was only after the Opium War in 1842 that China began to fall behind the European powers. Prior to the war, economically, the Qing (A.D. 1644-1912) dynasty was wealthier than Great Britain. According to Kennedy's analysis, Qing industrial production constituted 32% in 1750 and 33% in 1800 of the world's total while Great Britain accounted for only 1.9% and 4.3%. In 1860, Qing's share was 19% and Great Britain's was 19.9%. British trade was 23% in 1880 and 18% in 1890 of the world's total while Qing trade was 12.5% and 6% respectively.²⁴ Angus Maddison's study confirms that Qing was more powerful than the European powers until the mid-19th century. In 1820, Qing's GDP was about \$US199.2 billion at the price level of 1990. British GDP was estimated to be \$US 34.8 billion, only one seventh of China's. India and France marked \$US 110.9 billion and \$US 37.3 billion, respectively. Qing's total production composed 28.7%

²³ *Ibid.*, pp. 34-35; Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), pp. 4-9, 23.

²⁴ Kennedy, *The Rise and Fall*, pp. 147-150.

of the world's total, which was greater than the combined production of India, France and Great Britain, which was 26.5%. Yet, China's share of the global GDP declined rapidly after the late 19th century to 13.2% in 1890, 9.1% in 1919, and 5.2% in 1952.²⁵

The historical memory of China as a great empire shared by the Chinese people provides epistemological foundations for the theory of great power. Most of the Western countries' grand strategies, including the United States, are rooted in strategic thinking based on technical rationality. On the other hand, the Chinese vision of nation and a grand strategy to achieve it is more likely to be founded on its historically constructed national identity. Such an organic conception of nation underlies the ontological meaning for China's unique modernization: its particular modernization process is a product of its unique history and a return to a great power is natural.

The Chinese Model and its Implications for Foreign Relations

From a theory of great power perspective, the Chinese model has significant implications for the international community, particularly with the emergence of the Group of 2 (G-2 system), and the Beijing Consensus as an alternative to the Washington Consensus. It is notable that there is an intense debate unfolding on the Beijing Consensus with regard to its existence as a real policy and its identity.

²⁵- Angus Maddison, *Monitoring the World Economy, 1820-1992* (Paris: OECD Publishing, 1988).

One group agrees that the idea is a unique model for national development. The other holds the position that it is a tool to embellish the Chinese development model to disguise its dark side.²⁶

The Emergence of the G-2 System

The 2008 U.S. financial crisis sparked by the bankruptcy of Lehman Brothers Holdings Inc. led the world economy into turmoil. U.S. credibility was severely damaged; in contrast, China emerged as the largest foreign reserve holder. The economic upheaval and its impact on the international political economy heightened international concerns in the G-2 system. U.S. public expenditure of \$US 780 billion, intended to salvage the financial industry and to stimulate the economy, exacerbated the U.S. fiscal deficit; and rising inflation dampened the value of the U.S. dollar. Furthermore, the U.S. dollar was losing credibility as a key currency. The financial crisis itself was largely caused by the instability of the current international financial system. Nevertheless, the fact that it started in the United States weakened the legitimacy of the current neoliberal system and particularly, the Washington Consensus.

During the financial crisis, China became one of the most powerful leading nations in the international political economy. Not completely incorporated into the international economic system, China stimulated its domestic demand and supported purchasing power with an economy-stimulation package worth \$US

26. Scott Kennedy, "The Myth of the Beijing Consensus," *Journal of Contemporary China*, Vol. 19, No. 65 (2010); Mex Rebol, "Why the Beijing Consensus is a Non-consensus: Implications for Contemporary China-Africa Relations," *Culture Mandala: Bulletin of the Centre for East-West Cultural & Economic Studies*, Vol. 9, Issue 1 (2010).

480 billion and alleviated trade shocks incurred by sharp reductions in exports in other nations. At the G-20 Summit, China expressed its willingness to play a leading role in the international community by requesting the replacement of the U.S. dollar as a key currency and the reform of international financial institutions. As the largest creditor of the United States, China's international prestige and power was strengthened. Niall Ferguson coined the term "Chimerica" to underscore the significance of the deepening Sino-U.S. economic interdependence that signaled the opening of the G-2 system. A G-2 system implies that China is bringing big changes into the current international order by pursuing "peaceful development" with a clear intention to be "a responsible great power" by carrying out "great power diplomacy." At the 2007 U.S.-Chinese strategic meeting, the issue of the G-2 system was formally raised as the most important bilateral relationship in the 21st century. However, the G-2 system is not always cooperative. At the U.S.-Chinese Summit in November 2007, both nations agreed to cooperate on resolving key environmental and energy issues but showed significant differences with regard to Iranian nuclear development, the cross-strait issue, Indian issues and the appreciation of Chinese currency. Moreover, as international discontent with neoliberalism rapidly expanded and manifested in the unprecedented "Occupy Wall Street" protests, the idea of the Beijing Consensus as an alternative to the Washington Consensus was echoed throughout the international community. It seems that the Chimerica of Sino-U.S. interdependence has degenerated into a confrontation between their two different models of development, and could lead to competition for leadership in managing the current international order of political economy. Then, what is the Beijing Consensus pursuing? What are its major differences from the Washington

Consensus? Will it emerge as a new paradigm for international and national developments in the future?

Political Economy of the G-2 System: Washington Consensus vs. Beijing Consensus

〈Table 4〉 Comparison of Washington Consensus and Beijing Consensus

	Washington Consensus	Beijing Consensus
Ideology	Neoliberalism	State-led Capitalism
Major Features	<p>Fiscal balance, Fiscal expenditure on public goods, Tax reforms with expanding the base for tax revenues and enhancing equity</p> <p>Deregulated interest rates, Competitive exchange rate, Free Trade, Free Capital Flows</p> <p>Privatization, Deregulation of market, Protection of private ownership</p>	<p>Development based upon innovation: market economy for rapid and continuing growth</p> <p>Sustainable and balanced development: harmony between cities and rural areas, between coastal and inland regions and between human being and nature</p> <p>Self-determination against hegemonic power, Opposition to the Washington Consensus, Engagement in globalization, Enhancing the Chinese leadership as an exemplar, Maintaining capability to keep a power balance with US</p>

Source: Seon Joo Kang, "A Debate on a New International Order: 'the Washington Consensus' vs. 'the Beijing Consensus'," *Analysis of Major International Issues*, No. 2009-29 (2009).

If the Washington Consensus is based on the principle of market economy, the Beijing Consensus is rooted in state-led capitalism that treats markets as instruments for economic and national development. During the Cold War period, the United States established its own hegemonic order in the West by containing communist expansion with nuclear deterrence and a network of politi-

cal/military alliance relationships. In terms of international political economy, Washington provided massive foreign economic assistance to stabilize the economies and societies of developing nations and prevent the penetration of communism. U.S. foreign assistance was in line with the Keynesian prescription that has underpinned U.S. economic development policy since the Great Depression. The logic was that a state must take the lead on economic growth by creating, expanding, and maintaining aggregate demand. U.S. policy was also premised on the principle of “embedded liberalism”: that while promoting free trade, limited protectionism could be permitted in developing nations vulnerable to communist attacks.²⁷ As the world recession was prolonged in the 1970s, Keynesian economics and embedded liberalism receded and the Reagan administration adopted neoliberalism as a new paradigm for managing the international political economy. In 1989, John Williamson proposed the neoliberal development model of the Washington Consensus as a reform package to rescue developing nations caught in an economic crisis. The Washington Consensus presented the debt-ridden Latin American countries with reform measures including liberalizing trade, opening capital markets, privatization, deregulation, etc. It also requested “good governance” as a prerequisite to successful economic reforms. Good governance entailed social and political reforms intended to promote democracy, such as effective rules of law, independence of central banks, anti-corruption, establishment of social safety-nets and so on.²⁸

27- John Ruggie, “Territoriality and Beyond: Problematizing Modernity in International Relations,” *International Organization*, Vol. 47, No. 1 (1993).

28- Narcis Serra, *et al.*, “Introduction: From the Washington Consensus Towards a

The IMF and World Bank officially took up the Washington Consensus. As its prescription was extensively implemented in Latin America, Africa, Eastern Europe, and Asia, the Washington Consensus expanded neoliberal institutions all over the world, deepened globalization under American hegemony, and initially, stabilized the international political economy. Under the neoliberal system, the growth of the world economy marked a record high and capital flows were liberalized at the global level for the first time. However, neoliberal reforms enfeebled and deteriorated developing economies with fragile institutions. As a result, the inequality in the distribution of wealth widened. In the late 1990s, neoliberalism caused a severe imbalance between state and market that led to a series of financial crises in Asia (1997), the United States (2008), and Europe (2010). Furthermore, the enforcement of good governance invoked a backlash from authoritarian regimes in developing nations. As the neoliberal prescription was increasingly regarded as a tool to preserve U.S. hegemony, anti-American sentiment spread and public distrust and suspicion of the Washington Consensus proliferated over the world.²⁹ The weakening of the U.S. economy and the rising discontent with neoliberalism resulted in augmenting international interests and expectations with regard to the Beijing Consensus.

The Beijing Consensus does not represent an official position of the Chinese government. It originated as an academic con-

New Global Governance,” Narcis Serra and Joseph Stiglitz (eds.), *The Washington Consensus Reconsidered: Towards a New Global Governance* (New York: Oxford University Press, 2008).

²⁹- John Williamson, “A Short History of the Washington Consensus,” Narcis Serra and Joseph Stiglitz (eds.), *The Washington Consensus Reconsidered: Towards a New Global Governance* (New York: Oxford University Press, 2008).

struction in the process of debating the causes of Chinese economic development. The Washington Consensus has been endorsed by Western society as well as the IMF and World Bank; while the Beijing Consensus has not been officially recognized in the international community. However, the rise of China has already had a big impact on the international political economy. The changing dynamics of the Sino-U.S. relationship are expected to reconfigure the world order. Therefore, it is necessary as well as meaningful to analyze the Beijing Consensus as a potential alternative to the Washington Consensus.

The Beijing Consensus was originally defined by Joshua Cooper Ramo in 2004. Originally, it meant a Chinese-style model for economic development. Ramos explained the model in three components. First, China should sustain economic development by continuing innovations and reforms. To do so, it is critical to minimize the negative effects of reforms on society and eliminate social conflicts incurred by reforms. Second, China must respect equality and justice. Economic development should be designed and directed, not only to produce wealth but also to maintain harmony between coastal and inland areas, between the economy and society, and between human beings and nature. Third, China must secure national security and self-determination. It should protect independence from hegemonic powers. It should also develop an asymmetrical capability to keep a balance of power and manage a workable relationship with a potential hegemon. The Beijing Consensus does not simply connote an economic development model. Rather, it suggests a grand strategy to sustain economic development, to curtail the side effects of economic development, and finally, to make an external environment supportive of China's growth and internal integration.

The Implications of the Beijing Consensus for International Political Economy

As a model for economic and political development, how is the Beijing Consensus different from the Washington Consensus? As its alternative, how would the Beijing Consensus change the current international political economy? China has followed a state-led capitalist system by adopting a market economy as an instrument for economic development. The Beijing Consensus views state intervention in a market as inevitable in order to redress social and economic unrests accompanied by rapid economic growth. A radical market-oriented reform, such as shock therapy in Eastern Europe, might undermine the Chinese domestic system. Thus, the Chinese government believes that the state must intervene, and if necessary, control the market to continue development and keep up the socialist system in China. Chinese state-led capitalism recognizes private ownership by the means of production. However, the state directs private sectors to act in accordance with the goals national policies seek to achieve and the state intervenes in a market to constrain any individual's self-interested behavior from disturbing the national economy. As for local autonomy, the central government supports local initiatives if their performance is acceptable, the duality of local autonomy and central control.

While the Washington Consensus upholds democratic reform, the Beijing Consensus calls for Chinese-style democracy. The essence of liberal democracy is individual freedom. A democratic procedure to represent and coordinate diverse individual interests and allocate resources in the process of public policy-making is essential to maximize individual welfare. However, Chinese-style democracy prioritizes various interests and allocates resources from

the viewpoint of consolidating social integration and promoting national development. In other words, the Chinese system is a kind of communitarian social democracy. The combination of an authoritarian political system and a market economy is basically different from what the Washington Consensus envisions and what the Keynesians tried to promote. Therefore, if China attempts to construct a world order based on the Beijing Consensus, it cannot accommodate the current neoliberal order. China's pursuit of hegemonic power would likely bring fundamental changes to the current order of the international political economy.

As a geopolitical strategy, the Beijing Consensus clearly opposes any hegemonic power in Asia. Reinterpreting it, China would like to contain the enlargement of U.S. engagement and preclude its hegemonic influence in the region. If necessary, China may take action to build up a sphere of influence under its own hegemony in Asia. Beijing has reacted to a potential U.S. containment of China by expanding cooperation with the members of the Shanghai Cooperative Organization and by stabilizing North Korea as a buffer zone against a possible U.S. expansion in Northeast Asia.³⁰ In Southeast Asia, China has provided a tremendous amount of economic assistance to enhance its soft power. The recent territorial dispute with Japan surrounding the Diaoyu Islands and the launching of the Liaoning aircraft carrier show that Beijing is willing to project military power not only to protect its sovereignty, but also to pursue hegemonic power in Asia.

The last point to consider is whether the Beijing Consensus explicitly or implicitly includes any vision or strategy to seek global

³⁰- Quadrennial Defense Review by U.S. Department of Defense.

hegemony for China. It clarifies anti-hegemony but mentions nothing about China's pursuit of global hegemony. However, the Beijing Consensus is intrinsically different from the Washington Consensus in terms of ideology, values, and the international order it tries to promote. Moreover, it is becoming one of the most salient issues of international political economy, as the Chinese model and theory of great power emphasize the centrality of China's uniqueness and have captured extensive popularity among the domestic populace. Taking this point into account, it is probable that the Beijing Consensus will develop into a theoretical impetus for China to seek a hegemonic position in the world. If this occurs, China's pursuit of hegemonic power might bring about a clash of ideology, system, or worldview with the United States, not to mention a geopolitical conflict.

Conclusion

The United States has repeatedly warned about the threat of China, while stressing the importance of having a cooperative relationship with it. The *2012 Defensive Strategic Guideline* postulates that China, along with North Korea's nuclear development, is an imminent threat in East Asia.³¹ It recognizes that U.S.-Chinese cooperation is needed for the establishment of regional stability and peace in Asia. But the guideline makes it explicit that Beijing must clarify the intentions of its military build-up. This implies that

31- U.S. Department of Defense, "Sustaining U. S. Global Leadership: Priorities for 21st Century," <http://www.defense.gov/news/defense_strategic_guidance.pdf>.

while the United States will try to maintain constructive cooperation with Beijing, the U.S., inevitably, may have to contain China. Neoconservatives during the Bush administration envisioned the strategic containment of China by strengthening alliance networks from the Bay of Bengal to the Eastern Sea in Korea.³²

Zbigniew Brzezinski who played a key role in normalizing the Sino-U.S. relationship, suggests that with the rise of China, Japan, and India, global geopolitical gravity and the center of economic vitality has been moving from the West to the East, from the Atlantic to the Pacific Ocean, and from Europe to Asia. He sees U.S. hegemonic power in decline, as its leadership is being discredited and its economy relatively weakened, in the international community. Above all, Brzezinski regards the rise of China as the root cause of the shift in global geopolitics. However, China's expansion is blocked by Japan in the East, by NATO in the West and by India in the South. Therefore, he does not foresee China replacing the United States as a global hegemonic power.

Nevertheless, Brzezinski cautions that if both the United States and China have confrontations in terms of ideology and identity, it would be disastrous for the international community. In other words, if China tries to project its own identity and ideology onto the world, Sino-U.S. confrontations will be unavoidable and could expand into a clash of worldviews or civilizations. In this sense, the Beijing Consensus has the potential capability to fundamentally alter the current world order.

32- Michael McDevitt, "The Quadrennial Defense Review and East Asia," *PacNet Newsletter*, No. 43 (2001).

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2

Leadership Transition in China

*- from Strongman Politics to
Incremental Institutionalization*

Yi Edward Yang



Introduction

In the spring of 2012 a shocking political scandal drew the world's attention to China. A local police chief in the provincial municipality of Chongqing ran to the nearest U.S. consulate with evidence that a senior Chinese leader was engaged in illegal activities, including an attempt to cover up a murder committed by his wife. The accused official was Chongqing Party Secretary and Politburo member Bo Xilai, who was widely considered a strong contender for promotion to the Chinese Communist Party (CCP) Politburo Standing Committee (PSC), China's most powerful decision-making body. The murder allegations changed everything. Instead of considering Bo Xilai for a top leadership post in Beijing, Party leaders removed him from his existing positions and publicly accused him of serious disciplinary violations.¹

To many China observers, Bo's downfall shows that although China's elite politics have deliberately become much more regularized and, to a certain extent, institutionalized since the beginning of the reform era, power struggles at the top of China's political order are still a grave business which can at times erupt into political turbulence. This chapter intends to provide an overview of China's leadership politics while highlighting some major developments in the rules and processes (both formal and informal ones) that gov-

* Please note that the final manuscript of this chapter was received in September 2012, before the 18th National Congress of the Communist Party of China (November 2012) and the 12th National People's Congress (March 2013) were held. Any leadership changes that may have taken place during these congresses are not reflected in this chapter.

1. "CPC Central Committee to Investigate into Bo Xilai's Serious Violations," *Xinhua*, April 10, 2012, <http://news.xinhuanet.com/english/china/2012-04/10/c_131518307.htm>.

ern leadership transitions at the very top level. It begins with a brief introduction of the leadership structure at the pinnacle of power in contemporary China, followed by a historical overview of the generations of Chinese leadership since 1949, the year when the People's Republic was founded. This chapter then highlights important developments in China's leadership transitions in recent decades. It concludes by discussing challenges facing China's current and future leaders.

Leadership Structure in China

Ever since the People's Republic of China (PRC) was founded in 1949, the Chinese Communist Party has been the country's sole ruling party and its ultimate source of political power. To maintain Party command over the state and the society, founding leaders designed their political system to tightly entangle the party with the state. The most pronounced feature of such a system is that top Chinese Communist Party leaders have always held the most important positions in the government apparatus concurrently.² At the national level, these positions include President of the PRC, Premier of the State Council (i.e., the government cabinet), the Chair of the National People's Congress (NPC, the legislature of the PRC), and Chair of the Central Military Commission (CMC), which is the Chinese military's commander-in-chief. This feature would be further replicated at local levels—e.g., provincial, munic-

² Cheng Li, "China's Communist Party-State: The Structure and Dynamics of Power," William A. Joseph (ed.), *Politics in China: an Introduction* (New York: Oxford University Press, 2010), p. 166.

ipal, county, and township—where party cadres concurrently dominate leadership posts in government agencies or the local People’s Congress.

This is why China’s political system is commonly referred to as the communist party-state. Consequently, any discussion about the Chinese leadership must focus on the leaders of the Chinese Communist Party.

At the pinnacle of the CCP’s organizational hierarchy is the Politburo Standing Committee (PSC), the Party’s (and, by implication, China’s) most powerful policy and decision-making entity. The current PSC is comprised of nine officials, who collectively constitute the core leadership of China today.³ They hold, concurrently with their positions on the PSC, the most important offices in the party-state. CCP General Secretary Hu Jintao, the highest-ranking leading member on the PSC, serves simultaneously as the head of state in his capacity as President of the PRC, and as Chinese military’s commander-in-chief in his capacity as Chairman of the Central Military Commission. PSC member Wu Bangguo serves as Chairman of the National People’s Congress (NPC), and PSC member Wen Jiabao serves as Premier, or head of China’s government cabinet (officially referred to as the State Council).

3- It should be noted that the CCP Constitution does not specify a fixed number for the seats on the PSC. Historically, this number has varied. For instance, the PSC formed at the 13th Party Congress in 1987 had only five members, and the PSCs formed at both the 14th Party Congress in 1992 and 15th in 1997 had seven. More recently, both the 16th (2002) and 17th (2007) Party Congresses had an expanded PSC with nine members. For more discussions on the contending views on the evolution of PSC membership, see Cheng Li, “The Battle for China’s Top Nine Leadership Posts,” *Washington Quarterly*, Vol. 35, No. 1 (2012), pp. 131-145.

PSC members generally have broad administrative experience and established leadership credentials in their assigned area of responsibility.⁴ Since the reform era began in 1978, it almost has become a prerequisite for PSC hopefuls to have provincial leadership (either as provincial party secretaries or governors) experience.⁵ In conjunction with their respective policy expertise, PSC members also head party “Leading Small Groups” (LSGs). LSGs are non-public bodies designed to facilitate cross-agency coordination needed to implement PSC decisions.⁶ LSG policy areas include foreign affairs, national security, finance and economy, propaganda and ideology, Taiwan affairs, Party building, etc.⁷ Each group is headed by a PSC member. Current Party General Secretary Hu Jintao, for example, heads three LSGs – national security, foreign affairs, and Taiwan affairs.⁸

In the CCP power hierarchy, the next highest decision-making body after the PSC is the larger Politburo, which started its current term in 2007 with 25 members. In addition to the nine PSC members, the full Politburo includes a selected group of leaders representing major departments in the Party bureaucracy, the military, the State Council, major provinces and cities. Politburo members are all members of the biggest CCP leadership group, the

4- Cheng Li, “The Battle for China’s Top Nine Leadership Posts,” p. 135.

5- Cheng Li, “China’s Communist Party-State: The Structure and Dynamics of Power,” p. 169.

6- Susan V. Lawrence and Michael F. Martin, “Understanding China’s Political System,” Congressional Research Service, May 10, 2012, p. 18, <<http://www.fas.org/sgp/crs/row/R41007.pdf>>.

7- Alice Miller, “The CCP Central Committee’s Leading Small Groups,” *China Leadership Monitor*, No. 26 (September 2, 2008), <<http://www.hoover.org/publications/china-leadership-monitor/article/5689>>.

8- *Ibid.*

Central Committee, which currently has approximately 371 full and alternate members. While the CCP constitution designates the Central Committee as the organizational body that “elects” the Politburo, Politburo Standing Committee, and Party General Secretary, in practice, however, incumbent leaders and influential party elders negotiate a list of nominees for these supremely important positions. Until now, the Central Committee’s vote has been by and large a ceremonial process that officially ratifies that list.

The Central Committee, in turn, is elected by the delegates to the National Congress of the Chinese Communist Party, which convenes for about two weeks in the fall once every five years. The current CCP National Congress is the 17th, whose term is between 2007 and 2012. The 17th Party Congress has 2,270 delegates, among whom 2,213 were regular delegates from thirty-eight constituencies (e.g., provinces, CCP central departments, central government ministries and commissions, major state-owned enterprises, banks, and financial institutions, the People’s Liberation Army, etc.) and 57 were invited delegates. The 18th Party Congress is scheduled for later this year (2012), during which a new generation (the 5th generation) of party leaders is expected to be anointed and important policy decisions will be announced.

History of Leadership Transitions in China:

1949-present

The Chinese Communist Party describes its leadership history in generations. In the official rhetoric, the first three gen-

erations each had a core leader: Mao Zedong was the core of the first generation, Deng Xiaoping the core of the second, and Jiang Zemin the core of the third. Current CCP General Secretary Hu Jintao has been referred to as a prominent member of the fourth generation collective leadership.⁹ Generational transitions have not always been orderly and peaceful. For the past sixty years, CCP leadership struggles often clouded the nation's political landscape and drew global attention. Despite recent attempts to develop a more regularized process featuring both formal and informal rules, leadership transitions still lack transparency and are mired with behind-the-scenes struggles and bargaining. Below I outline the history of core leadership transitions in China since 1949.

First Generation

Although CCP official discourse refers to the first generation as a collective governing body, Mao Zedong was the indisputable supreme leader and commanded insurmountable prestige and power until his death in 1976. The 1949-1976 period is thus commonly referred to as China under Mao. Mao Zedong's ascendancy took place between 1935 and 1945, the decade when his political and military policies saved and later reinvigorated the CCP in the midst of its dual struggles against the Nationalists (Kuomintang) and the Japanese.¹⁰ Mao also established himself as the party's spiritual pillar by expounding a complete set of ideologies—later

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⁹ See, for example, "People's Daily Calls for Stability after Bo's Case Exposed," *Xinhua*, April 12, 2012, <http://news.xinhuanet.com/english/china/2012-04/12/c_122963841.htm>.

¹⁰ Frederick C. Teiwes, "Mao Zedong in Power (1949-1976)," William A. Joseph (ed.), *Politics in China: an Introduction* (Oxford University Press, 2010), pp. 64-65.

known as Mao Zedong Thought—that were rooted in China’s social realities and focused on pragmatic problem solving. Mao’s solidified his leadership in the wartime era via a series of collective administrative decisions (in 1943-1945) that gave him the authority to personally decide critical party issues and that approved the formation of a new Maoist leadership.¹¹ That arrangement would endure after the founding of the People’s Republic in October 1949.

During the earlier years of the PRC, despite Mao’s absolute authority in party, state, and military affairs, he was not intrusive in most policy areas where other senior leaders had expertise.¹² Zhou Enlai, as premier, was crucial in state administration and Chen Yun was in charge of economic policy. While Mao served as the party chairman, Deng Xiaoping assumed a key role as CCP Secretary-General, charged with overseeing the party’s day-to-day business. In terms of the transition of power to the next generation of leadership, Liu Shaoqi was designated as Mao’s successor. From 1956 to 1966, Liu ranked as the First Vice Chairman of the CCP; in 1959, he succeeded Mao as Chairman of the PRC, and was publicly acknowledged as Mao’s chosen successor in 1961.¹³

However, in the aftermath of a series of failed social and economic policies (e.g., the Hundred Flowers Movement and the Great Leap Forward) spearheaded by Mao between the late 1950s and early 1960s, Liu fell out of favor. Liu tried to redeem himself by publicly criticizing the Great Leap Forward and by initiating a series of policies that Mao perceived as “revisionist.” This did not go

11- *Ibid.*

12- *Ibid.*

13- June Teufel Dreyer, *China’s Political System: Modernization and Tradition*, 8th edition (Longman Pearson, 2012).

over well with Mao, who grew increasingly doubtful about Liu Shaoqi's loyalty. In 1966 Mao unleashed the Great Proletarian Cultural Revolution, a movement designed to steer China in Mao's preferred direction and to purge leaders that he detested. At the outset of the Cultural Revolution, Liu Shaoqi was purged from all official positions. He was later detained, interrogated, and tortured until his death in 1969.

After the removal of Liu Shaoqi, Mao picked Lin Biao as his successor. Lin was the renowned PLA general who popularized mass learning of Maoist ideologies via the now famous "little red book." However, Lin was soon implicated in a plot (although Lin's son was the actual mastermind) to assassinate Mao. When Mao found out about it in September 1971, Lin Biao fled with his wife and son toward the Soviet Union. Under still-mysterious circumstances, their plane crashed in the Mongolian desert, killing all aboard.

Mao's health deteriorated quickly in the year following Lin's death, and succession struggles intensified among the various elite factions. The new round of struggles involved Mao's wife, Jiang Qing, and three of her allies, a group known collectively as the notorious "Gang of Four." To everyone's surprise, Mao named Hua Guofeng as his successor despite the fact that Hua, a provincial leader, lacked adequate central leadership experience and political prestige. At the time of Mao's death in September 1976, the Gang of Four, concerned for its own fate at the hands of military leaders it had harshly purged during the Cultural Revolution, frantically plotted to take power. Hua Guofeng, with the help of senior military leaders, arrested the Gang of Four in early October 1976. This critical event, tinted by fierce life-or-death struggles, ushered in the second generation of leaders.

Second Generation

Hua Guofeng's time as paramount leader was short-lived. Deng Xiaoping, who was purged during the Cultural Revolution but rehabilitated after Mao's death and then re-appointed to the PSC, as Vice Premier of the State Council, and Vice Chairman of the Central Military Commission, quickly sidelined Hua and consolidated control over national policymaking with the support of other senior leaders and Deng's own protégés throughout the country. By the time the Third Plenum of the 11th Central Committee of the Chinese Communist Party was held in December 1978—during which Deng launched ambitious economic reform—the extent to which Deng could exert his influence and wield power was clear.

Although widely regarded as the paramount leader of the second generation, in the post-Mao era Deng Xiaoping never held formal party leadership positions as party general secretary or chairman. Instead, with Deng presiding behind the scenes, China's early reforms were carried out by the Hu Yaobang-Zhao Ziyang team, with Hu serving as the party general secretary and Zhao serving as premier. This generation of leaders also included many prominent figures such as Li Xiannian, Chen Yun, Ye Jianying, Yang Shangkun, and Peng Zhen, all of whom took part in the Chinese Revolution. Among these leaders were conservatives who disagreed with varying aspects of Deng's liberalizing economic reforms. These leaders later (in 1987) forced the resignation of Hu Yaobang, whose policies were deemed too soft on the emerging tendency towards bourgeois liberalization in Chinese society.

There was reason to be optimistic about the progress made during the first decade of reform. Agricultural production was re-

vived with the implementation of the Household Responsibility System. Industrial reform started more slowly but accelerated from the mid-1980s. These initial successes started driving the growth of foreign trade and foreign investment in China. Economic reforms, however, were not paired with much change in China's repressive political system. Over time, economic reform brought in Western economic and political ideas and triggered many social and economic ills such as inflation, corruption, and inequality. These problems could not be contained or ameliorated by the existing political system, and the tensions erupted into massive student-led demonstrations in the spring of 1989. These demonstrations presented one of the most critical challenges to the party's legitimacy and survival. In deliberating how to deal with this brewing crisis, the "reformers" and "conservatives" struggled over who would inherit the leadership mantle.¹⁴ Eventually, the conservatives won the struggle—student demonstrations were officially condemned as counter-revolutionary and subversive, and were to be suppressed by force. Reformist General Secretary Zhao Ziyang was removed for suggesting that the party compromise with the student movement to resolve the crisis peacefully.

Third Generation

The transition to the third generation took place in the aftermath of the June 4, 1989 crackdown. Jiang Zemin, the former party chief of Shanghai, was named the new general secretary and hardliner favorite Li Peng took over the premiership. Jiang did not

¹⁴ Joseph Fewsmith, "Elite Politics: the Struggle for Normality," Joseph Fewsmith (ed.), *China Today, China Tomorrow* (Rowman and Littlefield, 2010), p. 152.

have the political heft to carry on Deng's reforms in a political environment dominated by conservatives. Deng had to use his own clout to push things forward. In 1992 Deng Xiaoping (who had resigned from his last official post as CMC chairman in 1989) toured the Shenzhen Special Economic Zone in southern China and launched a broadside attack against conservative leaders. Deng's efforts succeed, and the conservative leaders fell from power later that year during the 14th Party Congress. To make Jiang's job even more secure, Deng engineered the removal of senior PLA leaders who had not shown deference to Jiang, who was serving as Chairman of the Central Military Commission, the PLA's commander in chief.¹⁵ Deng's insurmountable influence and forward-looking political maneuvering created a good political environment for Jiang Zemin's reign, one that was stable and lacking major political obstacles.

The "third generation" era officially began with the election of the new Politburo Standing Committee during the 14th Party Congress in 1992, although Deng Xiaoping still wielded tremendous influence behind the scenes until his death in February 1997. It is worth noting that before his death Deng engineered the elevation of Hu Jintao (who showed unwavering political tenacity during the 1989 political turmoil as party secretary of the Tibet Autonomous Region) to the PSC during the 14th Party Congress. Hu would later become China's fourth generation leader.

By the time of Deng's death, Jiang Zemin had already consolidated his power base. In official discourse, the third generation, in addition to Jiang, included other prominent leaders such as Li

¹⁵- *Ibid.*, pp. 153-154.

Peng, Zhu Rongji, Qiao Shi, and Li Ruihuan. One important feature of the third generation is that these leaders were considered the post-revolutionary generation—the cohort that by and large grew up and received education after the founding of the People's Republic in 1949.¹⁶ Most leaders that came to the fore in this generation were trained as engineers. They were thus collectively referred to as the generation of technocrats, who tended to be good problem solvers and yet lacked vision.

During this period the third generation leaders presided over major economic and bureaucratic restructuring. To prepare for future leadership transitions, they instituted new rules and procedures that emphasized criteria such as age, education, and experience (details regarding these new rules and procedures will be discussed in greater detail later in this chapter). Leadership transitions started to move towards regularization and institutionalization. Power struggles at the top still persisted, however, albeit much less ferociously than during the Maoist era. Many China observers saw the emergence of nascent factionalism among elite CCP leaders evidenced by Jiang's efforts to promote his former protégés from Shanghai and to turn that network into a private power base.

At the 16th Party Congress in November 2002, Hu Jintao succeeded Jiang Zemin as the CCP General Secretary. All other members of the PSC who had reached the new age limit stepped down and handed over China's top leadership positions to what would be referred to as the fourth generation. Remarkably, this was the first peaceful and orderly leadership transition since the founding of the PRC.

¹⁶- *Ibid.*, p. 154.

Fourth Generation (current)

Prominent fourth generation leaders include Hu Jintao (as General Secretary), Wen Jiabao (as Premier), Wu Bangguo, Jia Qinglin, Zeng Qinghong, and Li Changchun. Overseas media often dub this generation as the Hu-Wen Administration. From the outset of this new leadership era, Hu emphasized—to a greater extent than his predecessor Jiang Zemin—the importance of institutions and following the rules.¹⁷ He took the initiative of requiring the Politburo to formally report to the Central Committee and introduced the notion and practice of limited competition and accountability within the party, commonly referred to as “inner-Party democracy.”¹⁸ In addition, the Hu-Wen Administration shifted China’s official rhetoric in a more populist direction, emphasizing the need to implement a more balanced and sustainable economic development model (officially dubbed the “scientific development” concept) and to address social and economic grievances by building a “harmonious society.” This new policy discourse represented a departure from Jiang Zemin who had prioritized the pure speed of GDP growth over sustainability and equitability. Some argue that this new policy orientation divided fourth generation leaders into two informal camps, one that supports Hu’s populist approach and another that stands behind a more elitist developmental approach associated with Jiang.¹⁹ Struggles between these camps seemed to have intensified at times. For instance, in 2006, former Shanghai Party Secretary Chen Liangyu, a Politburo member widely re-

¹⁷- *Ibid.*, p. 158.

¹⁸- *Ibid.*

¹⁹- June Teufel Dreyer, *China’s Political System: Modernization and Tradition*, pp. 142-143.

garded as a close associate of Jiang Zemin, was purged and sentenced to a jail term on corruption charges. That was considered a political triumph of Hu Jintao.²⁰

Transitions to the next cohort of leadership (the fifth generation) were set in motion during the fourth generation. During the 17th Party Congress held in 2007, Xi Jinping and Li Keqiang were the only two newly-inducted PSC members who, based on age limit rules, could continue to serve beyond the 18th Party Congress in 2012. It became clear that Xi Jinping would inherit the CCP General Secretary position from Hu Jintao when, in October 2010, the Fifth Plenum of the 17th Central Committee approved his appointment to First Vice Chairman of the CMC. Li Keqiang is likely to replace Wen Jiabao as the next premier.

The full membership of the next PSC (to be appointed during the 18th Party Congress) is far from settled, however. Xi Jinping and Li Keqiang are only two members of what will likely be a seven or nine member committee.²¹ China's current leaders probably decided whom to appoint to fill the remaining vacancies during their behind-closed-doors deliberations in August 2012, at their private retreat in Beidaihe, a beach town on China's northeast coastline. That decision will not be made public until the Party Congress convenes in fall 2012. What is certain is that the flamboyant former Chongqing party secretary and Politburo member, Mr. Bo Xilai,

20- See, for example, "Shanghai Party Chief Sacked for Graft," *China Daily*, September 25, 2006, <http://www.chinadaily.com.cn/china/2006-09/25/content_696159.htm>; Cao Li and Wang Yu, "Chen Gets 18 Years for Corruption," *China Daily*, April 12, 2008, <http://www.chinadaily.com.cn/bizchina/2008-04/12/content_7544559.htm>.

21- The size is not set in stone. Although the fourth-generation PSC included nine members, the latest rumors in Beijing indicate that the fifth-generation committee may be reduced to seven members.

will not be on that list after his downfall in March 2012.

How are China Top Leaders Selected?

The PSC is China's most powerful decision-making body. It is fair to say that the nine individuals who currently serve on the PSC are the most powerful people in China. How, then, is PSC membership decided? Although the selection process is still very opaque, China researchers have done extensive work to piece the process together.

The CCP constitution (2007) dictates that all Politburo members, including the PSC and the General Secretary of the Party, should be elected by the CCP Central Committee. In practice, however, the process is top-down rather than bottom-up. In the case of the transition between the 4th and 5th generations, membership in the next Politburo and the PSC will almost certainly be the result of bargaining and negotiations among outgoing PSC (4th Generation) and retired but still influential top leaders (e.g., former Party General Secretary Jiang Zemin, former Premier Li Peng, former Premier Zhu Rongji, and other former PSC members). Outgoing PSC leaders usually attempt to “exert influence, protect their interests, and maintain the continuity of their policies by making sure some of their protégés serve on this supreme leadership body.”²² After the list of candidates is finalized, it will be presented to the Central Committee, which then “approves” the slate of candidates

²²- Cheng Li, “Preparing For the 18th Party Congress: Procedures and Mechanisms,” *China Leadership Monitor*, No. 36 (January 6, 2012), <<http://www.hoover.org/publications/china-leadership-monitor/article/104241>>.

for the next Politburo and the PSC. Thus, to call the Central Committee's selection of the Politburo an election would be far-fetched; it is a complicated and multifaceted decision negotiated by a small clique of top leaders, each vying to insert his closest associate into the next generation of top leadership. Therefore, as Cheng Li, a specialist on China's leadership politics, pointed out, the single most important factor for the selection of Politburo and PSC members is their patron-client ties.²³

Recent Developments in China's Leadership Transition

It is clear that the CCP is not willing to relinquish its monopoly on political power by experimenting with Western style multi-party democracy. This does not mean, however, that the Chinese Communist Party is a stagnant institution that adamantly resists any political change. On the contrary, since the beginning of the reform era, the CCP has experienced profound transformations in response to China's evolving political, economic, and social environments. The question of who should lead the country through the next generation does not rely only on the arbitrary preferences of individual leaders such as Mao Zedong or Deng Xiaoping. Instead, the process through which the next round of top leaders emerges and finally takes over from the previous generation is now governed by a number of formal and informal rules. These rules were intended to regularize the leadership transition process in order to avoid debilitating political turmoil, to curtail ar-

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 23- Cheng Li, "The Battle for China's Top Nine Leadership Posts," p. 134.

bitrary power of individual leaders, and to preserve party unity. At the same time, these rules were not intended to completely deprive current CCP leaders of the power to influence the future leadership composition and policy directions by welding their influence through informal channels.

Age and Term Limits for Top Posts

An essential part of Deng Xiaoping's political legacy was the establishment of age and term limits in the promotion and retirement system for CCP cadres.²⁴ The 1982 PRC constitution stipulates that all the supreme offices of the state—the PRC presidency and chairmanships of the NPC, for instance—can be held by the same person for only two consecutive five-year terms. It further states that “the Party's cadres at all levels, whether democratically elected or appointed by the leading organs, do not enjoy life tenure and their job positions can be changed or removed.” No Party leaders, however, followed these stipulations in the constitution until Deng Xiaoping himself took the first step toward breaking the tradition of life tenure by retiring from all his official positions in November 1989.²⁵ Although Deng remained the most powerful person (albeit behind the scenes) in China until he passed away, he set a precedent that helped institutionalize and solidify age and term limits for future party leaders.

These rules were further specified and enforced during the Jiang Zemin era. The age rule dictates that members of the Politburo

24_ Jing Huang, “Institutionalization of Political Succession in China: Progress and Implications,” Cheng Li (ed.), *China's Changing Political Landscape* (Brookings Institution Press, 2008), p. 85.

25_ *Ibid.*, pp. 85-86.

who have reached the age of seventy will retire at the next party congress. Ministers and provincial party secretaries and governors have a retirement age of 65, although those in the middle of their terms are often permitted to serve until age 68.²⁶ In addition, all top party and state officials are limited to two five-year terms. These age and term limits define the number of positions that will turn over at each Party Congress and limit the pool of possible candidates. They generate a sense of consistency and fairness in the retirement and recruitment of leaders and also reduce the average age of the leadership cohort.²⁷ Newly appointed members of the Politburo in 2012 are all expected to be aged 62 or younger.²⁸

Merit and Experience Based Ascendancy

Another new development in reform-era leadership politics is the notion that cadres rise within the Party or State hierarchy based on their experience and merit. This also applies to the grooming of the next generation of top leaders. All sitting members of the PSC gained extensive work experience in various provinces or policy sectors before ascending to the top. The succession of the CCP General Secretary position now appears to be a deliberate and phased process to make sure the next party leader will obtain enough experience and training before taking over. This is also designed to facilitate a smooth and orderly power transition process. For instance, it took Hu Jintao ten years (starting from 1992 when he joined the PSC) to complete his accession to the post of party

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 26- Susan V. Lawrence and Michael F. Martin, "Understanding China's Political System," p. 8.

27- Cheng Li, "The Battle for China's Top Nine Leadership Posts," p. 134.

28- *Ibid.*

General Secretary at the 16th Party Congress in 2002.

The ideal of meritocracy however can sometime give in to the practice of nepotism. The children of high-level officials, often dubbed as “princelings,” have occupied many important positions in the Chinese political landscape, sometimes regardless of their abilities, training, or experience.²⁹ Many Politburo and PSC members are members of this “princelings” group. For example, the man poised to become China’s next top leader later this year, Xi Jinping, is the son of a revered early revolutionary, Xi Zhongxun. Bo Xilai, the fallen Party Secretary from Chongqing, also has a revolutionary pedigree. He is the son of Bo Yibo, another Mao-era revolutionary leader who survived the Cultural Revolution to become one of the “Eight Immortals,” the eight powerful officials in Deng Xiaoping’s inner circle.³⁰

Collective Leadership

Since Deng Xiaoping passed away in 1997, China has had no supreme leader. The nine men who sit on the PSC form a collective leadership in which consensus is required for major decisions. Collective leadership, as embodied in the inner operation of the PSC, has become the defining feature of today’s Chinese elite politics. Such an arrangement was supposedly designed and re-inforced by Deng Xiaoping to prevent overconcentration of power in individual leaders as well as to secure leadership stability and

²⁹- Susan V. Lawrence and Michael F. Martin, “Understanding China’s Political System,” p. 8.

³⁰- Melanie Hart, “China’s Real Leadership Question,” *Center for American Progress* (August 16, 2012), p. 9, <<http://www.americanprogress.org/issues/china/report/2012/08/16/11976/chinas-real-leadership-question/>>.

policy consistency. Under this system, all important decisions are to be made collectively through a process of discussion, consultation, debate, and vote (if necessary) among the PSC members.³¹ In order to prevent a deadlock in policymaking, the PSC must be composed of an odd number of members—seven in Jiang’s period and nine in Hu’s period. Collective leadership was a crucial aspect of the institutionalization of the CCP political process, but the need for consensus does however account in part for the Party’s frequently slow official responses to breaking events such as the Bo Xilai affair.³²

Implications for the Future of Chinese Politics

After three decades of reform and opening, leadership politics in China has been transformed in important ways. Certain aspects of leadership transition are now governed by well institutionalized formal rules pertaining to age and term limits, professional qualifications, and elite policy-making processes. However, crucial processes such as the selection of upcoming PSC members and Party General Secretary are still shadowed by informal rules that only top leaders know how to navigate. Consequently, there exists in China elite politics today an interplay between formal and informal rules, where each is seen as complementary to the other.³³ While formal rules prevent China from

31- Jing Huang, “Institutionalization of Political Succession in China: Progress and Implications,” p. 85.

32- After the accusations against Bo Xilai broke in the media, it took a few months for the party to reach a verdict on his fate.

sliding back into chaos due to elite infighting, informal rules allow top leaders to wield power in critical areas of personal or factional interests outside the constraints of institutions.

Nonetheless, these quasi-“formalization” developments have helped the CCP leadership maintain political stability since the 1989 crisis.³⁴ Today’s elite politics in China is much more orderly, transparent, and predictable compared to earlier times. These changes also have far-reaching impacts on the future of Chinese politics. First, the implementation and regularization of formal rules and procedures empower the authority of institutions while restricting the arbitrary power of individual leaders.³⁵ This greatly reduces the extent to which retired leaders can influence personnel decisions and policymaking. Second, collective leadership, which emphasizes consensus building, is conducive to consistent and rational policymaking processes and outcomes. Third, as rules that govern cadre promotion focus on concrete criteria such as age, education, professional experience and performance, current leaders’ personal preferences and patronage are likely to play a diminishing role in the selection of future generations of leaders.

There is also a downside to this recently institutionalized collective leadership. First, consensus building and intra-elite bargaining, although typically resulting in rational and somewhat predictable policy decisions, can be slow in responding to domestic or foreign policy crises, whose numbers have been on the rise.³⁶

33- Joseph Fewsmith, “Elite Politics: the Struggle for Normality,” p. 162.

34- *Ibid.*

35- Jing Huang, “Institutionalization of Political Succession in China: Progress and Implications,” p. 85.

36- Joseph Fewsmith, “Elite Politics: the Struggle for Normality,” p. 163.

Delayed responses to recent crises such as the Bo Xilai scandal, the SARS epidemic, and the EP-3 incident demonstrated that CCP leaders have yet to find a way to deal with similar situations in an effective and swift fashion. Second, the lack of a strongman combined with a consensus-based policymaking method may prove challenging to solve China's many emerging problems. Solving these problems requires audacious and determined policy changes that involve economic and political risks and tradeoffs. For instance, to gear the current economic development model towards one that is conducive to sustainability and innovation, CCP leaders must reduce government support for powerful state-owned enterprises and traditional industries such as coal and steel and focus on nurturing private enterprises and the industries of the future such as clean energy and next generation information technology.³⁷ To quell the ever-rising discontent from the disenfranchised population, the next generation of leaders must forge ahead with political reforms that would bring about more meaningful transparency, accountability, and rule of law. None of these tasks is easy. The next generation of China's leaders has many daunting challenges ahead of them.

³⁷-Melanie Hart, "China's Real Leadership Question," p. 4.

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*China's Domestic Politics and Foreign Policies and
Major Countries' Strategies toward China*

3

Actors and Factors *- China's Challenges in the Crucial* *Next Five Years*

*Christopher M. Clarke**

* I am grateful to the Korea Institute for National Unification and the U.S.-Korea Institute for the opportunity to contribute this chapter to their book on China. Any errors or interpretations remain solely the responsibility of the author. I am indebted to Sinologist and journalist Francesco Sisci for the felicitous phrase “actors and factors” which he used in a private communication.

China from 2012-2017 faces perhaps the most crucial five-year period since Deng Xiaoping introduced the post-Mao reforms of the late 1970s and early 1980s. The challenges China will face during this period are serious and run the gamut from political and institutional to economic, social, military, and international. Whether the new generation of Chinese leaders who will come to power in 2012-2013 will be up to facing these challenges remains an open question, but preliminary signals suggest they may be no more willing or able to challenge the entrenched interests and formidable obstacles to the kinds of changes China will need to undertake than their post-Deng predecessors have been. Most likely, the party will continue to “muddle through.” Even if it begins to introduce necessary reforms, its problems likely will continue to worsen, social tensions will keep rising and break out in periodic bouts of unrest, and its economy will face major, wrenching adjustments.

China’s Crucial Next Five Years

As the 18th Chinese Communist Party (CPC) congress of late 2012 approaches, a number of Chinese and foreign observers have opined that the leaders who are elected to manage China’s challenges over the next five years may face the mainland regime’s last chance to reform its system before China’s problems become un-

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* Please note that the final manuscript of this chapter was received in September 2012, before the 18th National Congress of the Communist Party of China (November 2012) and the 12th National People’s Congress (March 2013) were held. Any leadership changes that may have taken place during these congresses are not reflected in this chapter.

manageable and result in upheavals that could sweep aside the party and its rule. In June 2012, for example, Zhang Yansheng argued that “Our reform model of ‘crossing the river by feeling the stones’ can no longer go on... Instead we should shift towards reform based on rules and laws.”¹ Zhang, an economist and Secretary General of the Academic Committee of the National Development and Reform Commission, arguably China’s most powerful economic agency, is certain to be in a position to see and assess China’s vulnerabilities. Speaking at the Asia-Global Dialogue 2012 in Shenzhen, he said that “If such reform does not take off, China will run into big trouble, big problems.”

Yuan Peng, Director of the Institute of American Studies at the China Institutes of Contemporary International Relations (CICIR), made a similar point on July 31, 2012 in *People’s Daily*, the flagship newspaper of the communist party. Yuan argued that “China’s greatest challenges are not before it at present, but lie in the next 5-10 years; the real difficulty is not the international scene or in our neighboring region, but instead lies in our internal system reform and social situation; the real danger is not one of military confrontation or conflict, but instead stems from troubles in the non-military realms of finance, society, the internet and foreign affairs.”²

Similar views with a foreign policy focus were expressed in a July 12, 2012 opinion article in the *New York Times* by research fellow Zhao Minghao of the China Center for Contemporary World

1- Lulu Chen, “Mainland’s Last Chance to Reform,” *South China Morning Post*, June 3, 2012.

2- Yuan Peng, “Where the Real Challenges to China Lie,” *People’s Daily*, July 31, 2012, translated by Open Source Center as CPP20120731787005.

Studies, the think tank of the Communist Party Central Committee International Department:

China increasingly realizes the predicaments it faces while its power has been growing rapidly... The country is the world's most populous nation, the biggest trader, the biggest recipient of foreign direct investment, and the second largest economy (in gross domestic product at purchasing power parity per capita). Nevertheless, its G.D.P. per capita and human development level (a United Nations ranking of standard of living) are respectively 120 and 101 in the world... China has limited resources on a per capita basis, and a rapidly aging population, with more than 700 million living in rural areas and 150 million under the poverty line (people living on less than \$2 per day account for 36 percent of the overall population)... If China is to accept that "more is not always better" in terms of power accumulation, it needs to change its behavior, values and policies to handle its growing power capabilities and curb its imperialistic impulses... China needs to learn to listen and to do more to embed itself in the open and rule-based world order, to which there is no alternative.³

Perhaps most alarming—and surprising—was Premier Wen Jiabao's warning at the March 2012 session of the National People's Congress Standing Committee:

Reform has now come to a critical stage. Without successful political structural reform, fully implementing the economic structural reform would be impossible; the achievements we have accomplished in this area could be lost; new problems emerging in society would not be fundamentally resolved; and such historical tragedy as the Cultural Revolution could happen again. Each party member and leading cadre with a sense of responsibility should feel a sense

3. Minghao Zhao, "The Predicaments of Chinese Power," *The New York Times*, July 12, 2012, <http://www.nytimes.com/2012/07/13/opinion/the-predicaments-of-chinese-power.html?_r=2>.

of urgency. Certainly, I am fully aware of how difficult it is to pursue reform. Any reform would require the awakening, support, enthusiasm, and creativity of the people. In a big country like China, with a population of 1.3 billion, we must pursue this based on China's national circumstances and develop socialist democratic politics in a gradual manner. This is no easy task. The reform can only progress and must not stagnate or regress, as stagnation and regression will simply offer us no way out. I understand that people not only look at my words, my ideals, and my belief but also see what objectives I can achieve with my own efforts. I would like to tell you that as long as I can draw a breath, I will fight one more day for the cause of China's reform and opening up.⁴

With such well-connected analysts near the centers of power in Beijing, and even top officials, warning of dire consequences if China does not resume political reform, one hardly needs to take the word of dissidents and foreign critics. China clearly faces a "do-or-die" need for some fairly basic reforms during the tenure of the incoming leadership of 2012-2013.

Politics in Command

China's political system has been seriously rocked by a series

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4. "Full Text of PRC Premier Wen Jiabao's Live News Conference Mar 14, 2012," Beijing in Mandarin translated by Open Source Center as CPP20120314047001. Wen has repeatedly made clear his view of the urgency of undertaking political reform. See, for example, Minnie Chan, "Wen in Renewed Plea for Winder Political Reforms," *South China Morning Post*, April 29, 2011; Shuli Hu, "Inside Lianghui [ed. The "Two Sessions," i.e., the NPC and simultaneous Chinese People's Political Consultative Conference]: a Memorable Press Conference," Beijing, *Caixin* (in English), March 15, 2012, OSC CPP20120316572013; "Ming Pao Editorial: Wen's Call for Political Structural Reform," *Ming Pao Online*, March 16, 2012, OSC CPP20120316572040; *Caixin Wang* Report, "The Age of Political Reform," *Caixin* (in English), OSC CPP20120323572026.

of scandals and embarrassments in 2012, scandals that have exposed the ugly dark side of the political system which the leadership attempts to keep hidden by a façade of unity and harmony. These scandals have also put on public display some of the fundamental weaknesses and vulnerabilities of a system that on a day-to-day basis appears solid, in control, and all but unchallengeable. In addition to the Bo Xilai fracas,⁵ three of these problems stand out particularly clearly this year.

Preparing for Leadership Turnover

The 18th Party Congress will be the first leadership overhaul in China since the late 1970s “without adult supervision,” i.e., the first that has not been pre-determined by the veterans of the Long March generation.⁶ In a sense, it really will be the first test of

5- Numerous press reports have covered the Bo Xilai incident. See, for example, AFP, “Ruling PRC Communist Party Fires Bo Xilai in Highly Unusual Public Rebuke,” Hong Kong (in English), March 15, 2012, OSC CPP20120315968122; AFP, “Analysts Say Chinese Leader’s Sacking Exposes Party Rifts,” Hong Kong (in English), March 16, 2012, OSC CPP20120316968134; AFP, “Bo’s Fall Brings Out His Fans And Also the Harsh Critics,” Hong Kong (in English), March 18, 2012, OSC CPP20120319572013; Jamil Anderlini “China’s Security Chief at Risk of Purge,” London, April 19, 2012, OSC EUP20120420167010; AFP, “China Purges Bo Xilai, Probes Wife for Murder,” Hong Kong (in English), April 11, 2012, OSC CPP20120411968063. For excellent wrap-ups of the “Bo Xilai Affair,” see Alice Miller, “The Bo Xilai Affair in Central Leadership Politics,” Joseph Fewsmith, “Bo Xilai and Reform: What Will be the Impact of His Removal,” and James Mulvenon, “The Bo Xilai Affair and the PLA,” all in *China Leadership Monitor*, No. 38, August 6, 2012.

6- Christopher M. Clarke, “China’s Leadership Transition,” a paper prepared for ASAN Plenum 2012– “Leadership” Session Two—“China: Ready for Global Leadership?,” April 25-27, 2012, Seoul, Korea; Cheng Li, “Preparing for the 18th Party Congress: Procedures and Mechanisms,” *China Leadership Monitor*, No. 36, January 26, 2012; Alice Miller, “The 18th Central Committee Politburo: A Quixotic, Foolhardy, Rashly Speculative, But Nonetheless Ruthlessly Reasoned Projection,” *China Leadership Monitor*, No. 33, June 28, 2010.

whether the Communist Party as an institution—as opposed to its founding fathers—can engineer a successful and peaceful transition from one generation to another. Former party chief Jiang Zemin was selected by the elders to salvage the CCP's reputation after the Tiananmen crisis of 1989. Deng plucked outgoing party boss Hu Jintao from virtual obscurity in the provinces to serve a two-term apprenticeship near the top and groomed him to take power after Jiang Zemin's terms in office. By contrast, the presumptive duumvirate expected in 2012-2013 to take up the key posts of party chief and premier—Xi Jinping and Li Keqiang, respectively—were winnowed out of a complicated political process that involved horse-trading and jockeying by current leaders who needed to balance quasi-factional alignments, personal preferences and connections, and past performance.⁷

The current leadership's apparently well-designed trajectory for this year's transition suddenly veered wildly off course this spring with the Bo Xilai imbroglio in Chongqing and the subsequent jockeying for position of his detractors, supporters, and potential rivals. Just when many analysts thought they had something of a handle on what to expect at this fall's party congress, such basic questions as how many Politburo Standing Committee members will be promoted and who they will be once again became open questions.⁸ Other questions surfaced about the role of

7- Cheng Li, "Preparing for the 18th Party Congress: Procedures and Mechanisms," Alice Miller, "The Road to the 18th Party Congress," *China Leadership Monitor*, No. 36, January 26, 2012; Cary Huang, "Party Polls 370 Members on Choice of Top Leaders," *South China Morning Post*, June 8, 2012; Chen Yong, "Getting onto the Party Congress," *The Economic Observer* (Nation), Issue 569, May 14, 2012, <<http://www.eo.com.cn/ens/2012/0523/226967.shtml?IdTis=XTC-DS01-D31W7Y-DD-XM92N-VFR4>>.

8- Compare, for example, Brian Rhodes & Benjamin Kang Lim, "Insight: With Bo

the military in such internal struggles and the potential for a counter-coup against those who purged Bo from the leadership.⁹

This internal upheaval ripped aside the curtain of “unity” and “harmony” within the top leadership and exposed the reality of a political system dominated by greed, corruption, ambition, in-fighting, dirty tricks, and even murder at the top.

Complicating the leadership transition of 2012-2013 is the fact that it is likely to be one of the largest, if not the largest, overhauls of the leadership in the past three decades. Unless there is some major departure from past practice and current expectations, about 70% of the top leaders of the Politburo Standing Committee, State Council Executive Committee, and Central Military Commission will be replaced. Seven of the current nine Politburo Standing Committee members will retire, including top leader Hu Jintao, a turnover of nearly 80%. At least seven of the remaining 16 regular members of the Politburo will retire or be removed (including the already suspended Bo Xilai), a turnover of 50%. Three of the top leaders of the Central Military Commission (Hu and the two uniformed vice chairmen) will retire, as will five of its eight regular members, including the heads of three of the four general departments, a 67% turnover. Perhaps as many as seven or eight of the top ten State Council leaders will leave office, and somewhere between 60-65% of Central Committee full and alternate seats will

Xilai Down, Nine Leaders who May Soon Run China,” *Reuters*, March 16, 2012; Chia-ye Sun, “Eight Persons To Compete for Seven Standing Committee Member Positions: Age and Gender Are Considered Important Factors,” *Ming Pao Online*, June 15, 2012.

⁹ Staff Reporter from the “News/Politics” section, “PLA General Liu Yuan Part of Bo Xilai Coup Plot: Open Magazine,” *Taipei Want China Times* (in English), posted by Open Source Center, CPP20120524968156.

change hands.¹⁰

Moreover, turnover during the past two years among provincial governors and party secretaries and minister-level officials within the government has been substantial. Since 2010, for example, more than 45% of the provincial-level party secretaries have been replaced, with another four or five likely to be replaced in the next year, for a total turnover of over 60%. Nearly as high a percentage of provincial governorships has changed hands over the same period. Of 26 ministers, only two have been appointed since 2010, but as many as 12 may be replaced between now and next spring due to reaching retirement age.

A less visible, but upon close examination, equally disturbing problem as the extent of the turnover is that the leadership transition does not appear to have been especially well thought out or prepared, even absent the wild card of the Bo Xilai incident. Although succession at lower levels, and to an extent in the military, apparently has been proceeding during this period according to past norms and procedures, the leadership failed to make preparations for the next generational turnover at the very top. This included failing to promote into the politburo one or more sixth generation successors to serve the kind of apprenticeship Hu Jintao received.

Despite knowing for a decade that this turnover would take place, advance preparations were minimal, consisting almost exclusively of elevating Xi Jinping and Li Keqiang to the Standing Committee with the evident intent of replacing Hu and Premier

¹⁰- Christopher M. Clarke, "China's Leadership Transition.," Alice Miller, "Prospects for Solidarity in the Xi Jinping Leadership," *China Leadership Monitor*, No. 37 (April 30, 2012).

Wen Jiabao, respectively, and of promoting Xi to vice chairman of the Central Military Commission to succeed Hu as chairman. The 2007 Congress did *not*, however, promote other obvious candidates to the Standing Committee, or even to the Politburo, so that they could straddle the 2012 congress.

This has resulted in at least one awkward structural anomaly. Since Tiananmen, as China's leadership has sought to regularize procedures and appear to comport itself in line with the PRC Constitution, the number two person on the standing committee has been the chairman of the National People's Congress. The premier, or head of government, has been the number three-ranked party member. This in part is because the premier is elected by, and annually answerable to, the National People's Congress (NPC) over which the NPC chairman presides. Thus, today, Wu Bangguo, the head of the NPC Standing Committee is ranked number two in the party, ahead of Premier Wen Jiabao. Wu is, nominally at least, Wen's "boss."

Between the 18th CCP Congress this fall and the 12th NPC next spring, however, China will have to do one of three things: give up its plan to make Li Keqiang premier and make him head of the NPC, or break the precedent of having the NPC chair outrank the premier, or jump someone from a mere politburo member (or even lower) over the head of premier-designate Li. Any of these outcomes suggests a not very well thought-out succession plan.

This apparent lack of advance preparation has also left the leadership without obvious candidates to fill some of the most important Standing Committee responsibilities. Most notably, there is no regular Politburo member in charge of security or party discipline issues ready to replace the current Standing Committee security "czar," Zhou Yongkang. This means that either someone will

have to “cross-train” into the job or someone not on the Politburo—like Public Security Minister Meng Jianzhu—will have to take a “Great Leap” from the Central Committee to the Politburo’s Standing Committee. Again, this does not seem to be a very well planned process for a smooth succession.

Similarly, within the military leadership, the only three probable remaining Central Military Commission members are the head of the General Armaments Department and the commanders of the Navy and Air Force. It is possible that two of the three will replace the current two uniformed CMC vice chairmen. It would mark a major break with recent tradition, however, to have either service chief as a vice chairman. In recent decades, only Admiral Liu Huaqing came out of a non-ground-forces branch to be a CMC vice chairman, and that was as the result of a political decision to appoint a close Deng Xiaoping ally, not because no one else was of sufficient stature and loyalty to Deng. If neither of the service chiefs becomes a CMC vice chairman, someone will have to jump over them. Again, this does not seem to me to reflect a well-planned succession.

This suggests that China’s new leadership will face a longer-than-usual period of having to establish its sense of legitimacy. Legitimacy will not derive, even second- or third-hand, from the charisma of the founding fathers nor will it stem from the new leaders’ outstanding performance in stressful times or crisis. It will have to be built by a combination of continuity and stability, while promulgating new ideas, approaches, and policies for dealing with China’s many problems and challenges.

Poor Institutionalization

China from the outside appears to be one of the most heavily institutionalized countries in the world, supervised by a virtually ubiquitous communist party,¹¹ a huge government and government-affiliated bureaucracy,¹² policed by a combined force of regular and “People’s Armed” police totaling some 3.5 million people,¹³ and guarded by a military establishment of more than 2.2 million.¹⁴

Despite this massive personnel and organizational infrastructure, China’s problem is not over-institutionalization, but *under*-institutionalization. Firstly, once one divides these seemingly huge numbers by China’s massive population, one can see that the populace is actually poorly served: the Chinese Communist Party accounts for only about six percent of the total population. With the majority heavily weighted in government, industrial, military, and intra-party structures, there are few party members in the vast

11- The current membership of the CPC is more than 82 million, larger than the population of all but about 16 countries. “Facts and Figures: Total Numbers of Chinese Communist Party,” <<http://www.chinatoday.com/org/cpc/>>; “Countries of the World,” <<http://www.worldatlas.com/aatlas/populations/ctypopls.htm>>.

12- “China has nearly 10 million civil servants and a large number of people working in government-affiliated institutions,” according to Qizheng Zhao, spokesman of the Fourth Session of the 11th Chinese People’s Political Consultative Conference (CPPCC) National Committee, speaking during a news conference on the CPPCC session at the Great Hall of the People in Beijing, March 2, 2011, <http://news.xinhuanet.com/english2010/china/2011-03/02/c_13757802.htm>. The total number is believed to exceed 40 million.

13- This includes a regular police force of about two million and a “People’s Armed Police Force” of some 1.5 million. See, for example, Kathrin Hille, “China’s Police Ill-equipped to Handle Unrest,” *Financial Times* (online), February 5, 2012 <<http://www.ft.com/intl/cms/s/0/526b2508-4d49-11e1-8741-00144feabdc0.html#axzz2GEDhUwf2>>.

14- See Melissa Block speaks with Eric Heginbotham, “A Primer on China’s Military,” *NPR News*, February 14, 2012, <<http://www.npr.org/2012/02/14/146890903/a-primer-on-chinas-military>>.

number of small enterprises and villages. China's government is similarly thinly spread, with the greatest shortage often at the lowest levels. China's internal security forces, whose budget in 2012 surpassed for the first time the official budget for the military, is dwarfed by China's huge population. Its roughly two million regular police average out to about 150 officers per 100,000 people, about half the world average.¹⁵ Moreover, "China's police force remains crippled by huge regional disparities and institutional weaknesses."¹⁶ According to one expert on Chinese internal security, "There is a tremendous gap in the number of public security police per capita and the per capita law enforcement budgets of China's largest cities and richest provinces and its poorer, interior provinces... In 2008, Shanghai spent twice as much per capita on law enforcement than Xinjiang," an area of constant subliminal unrest and occasional outbursts of violence.¹⁷

The situation is no better in whatever sector one examines, whether the economy, society (both discussed below), the military, or foreign policy decision-making,¹⁸ "China's institutional weaknesses, often misperceived as strengths, provide the principal challenges to the new, fifth-generation leadership and its ability to execute its policy preferences and meet the growing complexity of

15- According to a 2005 UN survey cited in Hille, "China's Police Ill- equipped to Handle Unrest."

16- *Ibid.*

17- *Ibid.*

18- See, for example, Linda Jakobson and Dean Knox, "New Foreign Policy Actors in China," *SIPRI Policy Paper*, No. 26 (Stockholm International Peace Research Institute, September 2010); David Shambaugh, "Coping with a Conflicted China," *The Washington Quarterly* (Winter 2011); Michael D. Swaine, "China's Assertive Behavior, Part Three: The Role of the Military in Foreign Policy," *China Leadership Monitor*, No. 36 (January 26, 2012).

state and societal expectations... The problem is that the institutions themselves can—and often do—constrain the most talented of China’s leaders.”¹⁹ As one analyst concludes, what “we can expect in China in the short-to-medium term is an increase in the political battles necessary to create a more auspicious policy environment for China’s leaders to meet the challenges that confront them.”²⁰

The Chen Guangcheng Incident

The Chen Guangcheng incident of April 2012 provides a vivid example, indeed a microcosm, of the many of the shortcomings of China’s institutions. The facts of the case are, briefly: Chen, a blind, self-taught “barefoot lawyer,” sought to expose abuses in official family-planning policy, often involving claims of violence and imposition of forced abortions by local officials in his Shandong provincial community.²¹ Chen was placed under house arrest from

19- Andrew Mertha, “Domestic Institutional Challenges Facing China’s Leadership on the Eve of the 18th Party Congress,” *Asia Policy*, No. 14 (July 2012), pp. 1-20, <<http://asiapolicy.nbr.org>>.

20- *Ibid.*

21- The following account is taken from Ian Johnson, “Pressure for Change is at the Grassroots: An Interview with Chen Guangcheng,” *New York Review of Books*, June 20, 2012; Philip P. Pan, “Chinese to Prosecute Peasant Who Resisted One-Child Policy,” *Washington Post*, July 8, 2006; Philip P. Pan, “Who Controls the Family?” *Washington Post*, August 27, 2005; Reuters, “Chronology of Chen Guangcheng’s Case,” *Human Rights Watch*, July 19, 2006; Lillian Cheung and Ding Xiao, “Blind Chinese Activist Describes 38-Hour Kidnapping by Shandong Officials,” *Radio Free Asia*, September 8, 2005; “Scuffles at China Activist Trial,” *BBC*, July 20, 2006; “China Abortion Activist on Trial,” *BBC News*, August 18, 2006; “China Abortion Activist Sentenced,” *BBC*, August 24, 2006; “China: Torture Medical Concern Prisoner of Conscience, Chen Guangcheng,” *Amnesty International*, June 21, 2007; Andrew Jacobs and Jonathan Ansfield, “Challenge for U.S. After Escape by China Activist,” *The New York Times*, April 27, 2012; Mark Memmott, “Blind Activist Flees House

September 2005 to March 2006 and formally arrested in June 2006. During his trial, Chen's attorneys were forbidden access to the court, leaving him without a proper defender. On 24 August 2006, Chen was sentenced to four years and three months for "damaging property and organizing a mob to disturb traffic." Chen was released from prison in 2010 after serving his full sentence, but remained under "house arrest" at his home in Dongshigu Village enforced by thugs hired by local officials. Chen and his wife were reportedly beaten shortly after a human rights group released a video of their home under intense police surveillance in February 2011.

On April 22, 2012, Chen escaped from house arrest. After an escapade that would make fitting fodder for a Hollywood spy thriller, by communicating with a network of activists via cell phone, he reached a pre-determined pickup point where an activist was waiting. A chain of human rights activists then smuggled him into Beijing, after which he was surreptitiously brought into the U.S. Embassy in Beijing.

Following shortly after the attempted "asylum" bid by Chongqing's top security official in the U.S. Consulate General in Chengdu in February,²² the coincidence of Chen's seeking refuge in

Arrest In China," *National Public Radio*, April 27, 2012; "China Dissident Chen Guangcheng 'in US Embassy,'" *BBC News*, April 27, 2012; Andrew Jacobs, "Flight of Chinese Rights Lawyer Thrills Dissidents," *The New York Times*, April 28, 2012; Alexa Oleson "Running Blind: Chinese Activist's Dramatic Escape," *Seattle Post-Intelligencer*, April 30, 2012.

²²-Tania Branigan, "Chinese Police Chief Suspected of Trying to Defect Visited Consulate, US Confirms," *The Guardian*, February 9, 2012; Dan Levin and Michael Wines, "Cast of Characters Grows, as Does the Intrigue, in a Chinese Political Scandal," *New York Times*, March 8, 2012; Ian Johnson, "Mystery of China's Missing Crime Fighter Deepens," *New York Times*, February 9, 2012, <http://www.nytimes.com/2012/02/10/world/asia/mystery-of-chinas-missing-crime-fighter-deepens.html?_r=0>.

the U.S. Embassy concurrently with the presence of a very high-level U.S. delegation for an annual “Strategic and Economic Dialogue” turned the incident into a first-class imbroglio that highlighted many of the weaknesses of China’s system. These include:

- Serious, systemic abuses of human rights and arbitrary use of power and authority by local leaders
- The lack of an independent prosecutorial or judiciary apparatus to serve as a check on untrammelled use of power, and the lack of recourse for those abused by the system
- The inability or unwillingness of central authorities to intervene to force local officials to follow national laws, policies, and procedures
- The failure of central officials to pay attention to local abuses until forced to by the glare of the international spotlight
- China’s seeming inability to control its internal political and social environment to avoid complicating important foreign relations.²³

The Uncertain Economic Road Ahead

These institutional and political weaknesses are also at the heart of China’s growing economic crisis.²⁴ Since the return of

²³– Other examples include the testing of a new Chinese “stealth” fighter during a visit by U.S. Defense Secretary Gates in January 2011. See Elisabeth Bumiller and Michael Wines, “Test of Stealth Fighter Clouds Gates Visit to China,” *The New York Times*, January 11, 2011, <<http://www.nytimes.com/2011/01/12/world/asia/12fighter.html>>; the conflict between Chinese maritime security vessels and the American oceanographic survey ship, U.S.N.S. *Impeccable*, in 2009. See Mark Valencia, “The Impeccable Incident: Truth and Consequences,” *China Security*, Vol. 5, No. 2 (Spring 2009).

Deng Xiaoping in the late 1970s, Beijing has attempted to spark rapid economic growth—its main source of legitimacy in the face of the manifest failure of communist ideology to advance China’s modernization or improve the lot of its citizens—by various schemes to devolve economic decision-making power to the local levels and introduce market forces to guide economic development. Each attempt has resulted in short-term progress accompanied by longer-term problems. The devolution of authority to the provincial level in the 1980s resulted in a loss of central control over the macro-economy and the draining away from the center of fiscal revenue. In the mid-1990s, Premier Zhu Rongji fought a long and difficult battle to regain much of this authority and boost central revenues, while turning over more and more economic control to corporations.²⁵

Each approach led China’s economy up something of a blind alley. Currently, powerful state-owned enterprises, tightly interlinked with politically well-connected families and institutions such as the People’s Liberation Army,²⁶ local officials whose jobs

24- See, for example, Andrew Mertha, “Domestic Institutional Challenges,” pp. 5-10; Barry Naughton, “Leadership Transition and the ‘Top-Level Design’ of Economic Reform,” *China Leadership Monitor*, No. 37 (April 30, 2012); Barry Naughton, “Macroeconomic Policy to the Forefront: The Changing of the Guard,” *China Leadership Monitor*, No. 36 (January 26, 2012); Chenggang Xu, “The Fundamental Institutions of China’s Reforms and Development,” *Journal of Economic Literature*, Vol. 49, No. 4 (2011), pp. 1076-1151, <<http://www.aeaweb.org/articles.php?doi=10.1257/jel.49.4.1076>>.

25- For a summary, see Barry Naughton, “Zhu Rongji: The Twilight of a Brilliant Career,” *China Leadership Monitor*, No. 1 (January 30, 2002).

26- Matthias Schramm & Markus Taube, “The Institutional Economics of Legal Institutions, Guanxi, and Corruption in the PR China,” <http://www.icgg.org/downloads/contribution10_schramm.pdf>; Andrew Szamosszegi & Cole Kyle, “An Analysis of State-owned Enterprises and State Capitalism in China,” a paper prepared for the U.S.-China Economic and Security Review Commission (October 26, 2011); “China: The Case for Change On the Road to 2030,” *The*

and livelihoods depend on rapid—rather than rational—economic development, local governments that depend on a completely unsustainable level on land sales,²⁷ and an underdeveloped and poorly directed financial system²⁸ are perpetuating an economic growth model that almost everyone in China, including its top leaders, recognizes is no longer viable and may be sowing the seeds of the regime's destruction.²⁹

China seemed to weather the world economic crisis of

World Bank, February 27, 2012, <<http://www.worldbank.org/en/news/2012/02/27/china-case-for-change-on-road-t-030>>; “The Bank’s Full Report, China 2030: Building a Modern, Harmonious, and Creative High-Income Society,” The World Bank and Development Research Center of the State Council, the People’s Republic of China, 2012.

- 27- Eve Cary, “Local Government Financing Growing Increasingly Precarious,” *China Brief*, Vol. 12, Issue 10 (May 11, 2012), pp. 10-13; Eve Cary, “China’s New Property Tax: Toward a Stable Financial Future for Local Government?” *China Brief*, Vol. 12, Issue 5 (March 2, 2012); Langi Chiang & Nick Edwards, “China Orders Local Governments to Set up Debt Repayment Funds,” *Reuters*, March 3, 2012, <<http://uk.reuters.com/article/2012/03/06/china-tax-reform-idUKL4E8E636U20120306>>; Willy Lam, “Local Debt Problems Highlight Weak Link sin China’s Economic Model,” *China Brief*, Vol. 11, Issue 13 (July 15, 2011).
- 28- See, for example, Ted Osborn, “Hidden Weakness in China’s Banks,” *The Wall Street Journal*, May 27, 2011, <<http://online.wsj.com/article/SB10001424052702304520804576347020876062988.html>>; Yao Yang, “China’s Crippled Financial Sector,” *Project Syndicate*, October 10, 2011, <<http://www.project-syndicate.org/commentary/china-s-crippled-financial-sector>>.
- 29- For a sampling of criticisms of China’s economic growth model, see “A Comparison with America Reveals a Deep Flaw in China’s Model of Growth,” *The Economist*, April 21, 2012, <<http://www.economist.com/node/21553056>>; Ansuva Harjani, “China Growth to Stay Weak for Several Years: Credit Suisse,” <<http://www.cnbc.com/id/47808940>>; Dexter Roberts, “China is No. 1 (Or So Many People Believe),” *Bloomberg*, June 14, 2012, <<http://www.businessweek.com/articles/2012-06-14/china-is-no-dot-1-or-so-many-people-believe>>; Nicholas Lardy, “China’s Rebalancing Will Not be Automatic,” *East Asia Forum*, February 22, 2012, <<http://www.eastasiaforum.org/2012/02/22/china-s-rebalancing-will-not-be-automatic>>. For a differing perspective, see Kevin Yao, “Sum of China’s Economic Parts Exceeds the Whole in 2012 Forecast,” *Reuters*, March 9, 2012, <<http://www.reuters.com/article/2012/03/09/us-china-economy-growth-idUSBRE82800920120309>>.

2008-2010 better than most countries,³⁰ but the weaknesses in its economy became more and more pronounced in the following two years.³¹ As journalist Keith Bradsher argued in *The New York Times* in June 2012:

Many Chinese economic indicators already show a slowdown this spring, with fixed-asset investment growing at its weakest pace in May since 2001. The annual growth rate for industrial production has edged below 10 percent, while electricity generation was up only 3.2 percent in May from a year earlier and up only 1.5 percent in April.

The question is whether the actual slowdown is even worse. Skewed government data would help explain why prices for commodities like oil, coal and copper fell heavily this spring even though official Chinese statistics show a more modest deceleration in economic activity.

Manipulation of official statistics would also provide a clue why some wholesalers of consumer goods and construction materials say sales are now as dismal as in early 2009.

30- See Nicholas R. Lardy, "The Sustainability of China's Recovery from the Global Recession," *Peterson Institute for International Economics Policy Brief*, No. PB10-7 (March 2010); Barry Naughton, "Macroeconomic Policy to the Forefront."

31- In addition to the sources cited in footnote 26, see Tom Holland, "Factor in Natural Capital, and China's Growth Rate Plunges," *South China Morning Post*, June 22, 2012, <<http://www.pressdisplay.com/pressdisplay/viewer.aspx>>; Chico Harlan, "China's Economy Growing at Slowest Rate in Three Years, Official Data Show," *The Washington Post*, July 14, 2012, p. A10 (Economy & Business Section); John Chan, "Chinese Economy Slows to Three-year Low," <<http://www.wsws.org/articles/2012/jul2012/chin-j16.shtml>>; "China Data Show Drops in Exports and Prices," *Reuters*, June 22, 2012, <http://www.nytimes.com/2012/06/22/business/global/china-data-show-drops-in-exports-and-prices.html?_r=1&ref=global>. For an excellent wrap-up, see Barry Naughton, "Economic Uncertainty Fuels Political Misgivings," *China Leadership Monitor*, No. 38 (August 6, 2012). For a dissenting view, see Eswar Prasad, "Reform by Stealth is Reason for Optimism about China," *Financial Times*, August 5, 2012, <<http://www.ft.com/intl/cms/s/0/5d977010-dd56-11e1-8fdc-00144feab49a.html#axzz233VEFKne>>.

Keeping accurate statistics for internal use by policy makers while releasing less grim figures to the public and financial markets may also help explain why China's central bank suddenly and unexpectedly cut interest rates earlier this month.³²

Researchers from the World Bank and the Development Research Center of the PRC's State Council, predict "GDP growth to decline gradually from an average near 8.5 percent in 2011–15 to around 5 percent in 2026–30,"³³ well below the level Chinese government officials have long touted as necessary to maintain relatively full employment. Moreover, they argue, "China's current pattern of development has also placed considerable stress on the environment—land, air, and water—and has imposed increased pressure on the availability of natural resources."³⁴

For years, central officials have been promising to shift China's growth model away from large-scale, state-dominated growth based on government investment, infrastructure construction, and exports toward a new model based on consumer spending.³⁵ But

32- Keith Bradsher, "Chinese Data Mask Depth of Slowdown, Executives Say," *The New York Times*, June 22, 2012, <<http://www.nytimes.com/2012/06/23/business/global/chinese-data-said-to-be-manipulated-understating-its-slowdown.html?pagewanted=all>>. For discussions of China's questionable economic statistics, see also Ambrose Evans-Pritchard, "China's Very Mysterious Data," *The Telegraph*, January 26, 2012, <<http://blogs.telegraph.co.uk/finance/ambroseevans-pritchard/100014380/china-s-very-mysterious-data>>; Tom Orlik, "Lies, Damned Lies, and China's Economic Statistics," *The Wall Street Journal*, July 25, 2012, <<http://online.wsj.com/article/SB10000872396390444840104577548932454533806.html>>.

33- The World Bank, "China: The Case for Change on the Road to 2030," February 27, 2012, p. 8.

34- *Ibid.*

35- See, for example, Wen Jiabao, "Report On The Work Of The Government," delivered at the Fifth Session of the Eleventh National People's Congress, March 5, 2012, <http://www.china.org.cn/china/NPC_CPPCC_2012/2012-03/14/con

in many cases, they have proven powerless to break through the wall of special interests and make the kinds of basic market-oriented reforms, separation of state-owned enterprises from government connection and financial favoritism, and creation of a regulatory and judicial environment that would provide a level playing field that would be required to put China on a sustainable growth path for the 21st century.³⁶ Chinese leaders continue, in many ways, to use the same administrative tools to try to boost a sagging economy.³⁷ As Hong Kong economist Xu Chenggang put it:

The 11th and 12th FYPs identify the same underlying structural problems in the Chinese economy: (1) export-led growth is not sustainable; (2) consumption as a share of China's gross domestic product (GDP) is too low due to the low income-to-GDP ratio, weak demand, and an unsustainably high savings rate; (3) socio-economic inequalities are growing; and (4) manufacturing needs to be upgraded to allow China to move up the value chain in light of rising labor costs and environmental protection issues.³⁸

tent_24894423.htm>; Wen Jiabao, "Text of Government Work Report Delivered by Wen Jiabao at NPC Session, Mar 5, 2011," OSC CPP20110305046001; Joseph Fewsmith, "Debating the 'China Model'," *China Leadership Monitor*, No. 35 (September 21, 2011).

- 36- For an exception, see Joseph Fewsmith, "Guangdong Leads Call to Break Up 'Vested Interests' and Revive Reform," *China Leadership Monitor*, No. 37 (April 30, 2012); Willy Lam, "Wang Yang: The Future Torchbearer of Reform," *China Brief*, Vol. 12, Issue 11 (May 25, 2012), pp. 2-5. See especially "China: The Case for Change on the Road to 2030."
- 37- See, for example, Andy Xie, "China's Dangerous Rate Cuts," *South China Morning Post*, July 11, 2012; Michael Wines, "China Begins New Round of Stimulus, With Caution," *The New York Times*, May 30, 2012, <<http://www.nytimes.com/2012/05/31/world/asia/in-china-a-new-round-of-stimulus.html>>; Keith B. Richburg, "As China's Growth Slows, Tough Options Loom," *The Washington Post* (Economy and Business Section), June 7, 2012, p. A14. For a good overview, see Wayne M. Morrison, "China's Economic Conditions," *Congressional Research Service*, June 26, 2012.
- 38- Chengguang Xu, "The United States and China: The Next Five Years," pre-

There is no sign that China's incoming leaders will be any more forceful or successful in doing so than the Hu-Wen leadership which came to power from a background of leadership in poor and backward provinces with a deep appreciation for the problems of the disadvantaged hinterland. Indeed, officials appear to be making an effort to cut off debate about China's economic weaknesses and future course.³⁹ Moreover, as the World Bank warns: "global and domestic trends are also likely to give rise to many risks that could slow economic growth and disrupt China's progress to become a high income, harmonious, and creative society. Managing the transition from a middle income to a high-income society will itself prove challenging, and a global environment that will likely remain uncertain and volatile for the foreseeable future makes the task doubly daunting. The next five years will be particularly risky as the global economy enters a new and dangerous phase and works its way through the aftereffects of the global financial crisis and adjusts to the 'new normal'."⁴⁰

The Restless Society

Staying on China's current course of slow economic reform

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sentation at the Brookings Institution, Washington, DC, May 19, 2011, cite in Andrew Mertha, "Domestic Institutional Challenges Facing China's Leadership on the Eve of the 18th Party Congress," p. 6.

³⁹- See Ian Johnson, "China Closes Window on Economic Debate, Protecting Dominance of State," *The New York Times*, June 17, 2012, <<http://www.nytimes.com/2012/06/17/world/asia/in-shift-china-stifles-debate-on-economic-change.html?pagewanted=all>>.

⁴⁰- The World Bank, "China: The Case for Change on the Road to 2030," p. 10.

and stalled (or backsliding) political reform will exacerbate already deepening social tensions in China, raising the likelihood of large-scale protests, and even another political crisis on the scale of the 1989 Tiananmen incident.⁴¹ China's institutional weaknesses have led to aberrations such as endemic corruption; arbitrary imposition of illegal fees; confiscation of property under unfair conditions by abuse of the right of "eminent domain;" the widespread use of illegal means, including hired gangs of thugs and prevention of complainants from seeking redress through existing systems originally set up to remedy such abuses⁴²; and repressive central policies toward anyone who complains or "bucks the system," including ethnic minorities, human rights lawyers and activists, and protestors.⁴³

The resultant combination of rapidly increasing public expectations of improvement in the standard of living commensurate with China's reported aggregate economic growth figures, lack of institutional capacity to deal with dissent or protest without repression, and hesitancy within the top leadership to entertain fundamental political reforms has been a steep rise in socio-economic tensions.⁴⁴ Each year for roughly the past decade there have been

41. See, for example, Richard Haas, "China's Greatest Threat is Internal," *The Financial Times*, December 28, 2011, <<http://www.ft.com/intl/cms/s/0/9598b09e-2c9b-11e1-8cca-00144feabdc0.html#axzz22bkSJjQ9>>.

42. "Beat Him, Take Everything Away": Abuses by China's Chengguan Para-Police," *Human Rights Watch*, May 16, 2012.

43. The very important issues of ethnic relations, religious policy and freedom, and detailed treatment of dissent lie outside the scope of this chapter. For overviews, see Bureau of Democracy, "Country Reports on Human Rights Practices for 2011: China," *U.S. Department of State*, May 24, 2012, <<http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>>; "Congressional-Executive Commission on China: Annual Report, 2011" (Washington D.C.: U.S. Government Printing Office, October 10, 2011), <<http://www.gpo.gov/fdsys/pkg/CPRT-112JPRT68442/html/CPRT-112JPRT68442.htm>>.

something on the order of 180,000 “mass incidents” in China, defined as outbreaks involving more than 500 people and taking place in the public arena,⁴⁵ and there are some indications that such incidents are getting bigger, more confrontational, and more violent.

China’s approach over the past several years has been to strengthen “social management.”⁴⁶ Beginning before the 2008 Beijing Olympics, the Chinese leadership began to strengthen and expand public security forces of all kinds. In 2011, the official budget for “*wei-wen*,” a catch-all phrase for expenditure related to maintaining social stability, reached roughly US \$95 billion, a 13.8% increase over 2010.⁴⁷ The planned official budget for the People’s Liberation Army—which includes the land forces, navy, air forces, and strategic rocket forces—was only about US \$91.5 billion, apparently making this the first year that spending on *domestic* security exceeded that for *foreign* security.⁴⁸ Again in 2012,

44_ See Willy Lam, “Chinese Citizens Challenge the Party’s Authoritarian Tilt,” *China Brief*, Vol. 11, Issue 10 (June 3, 2011); Peter Mattis, “Zhou Yongkang and the Tarnished Reputation of China’s Police,” *China Brief*, Vol. 12, Issue 7 (March 30, 2012).

45_ See, for example, Francois Godemont, “Control at the Grassroots: China’s New Toolbox,” *European Council on Foreign Relations, Asia Centre*, June 2012; Sarah Cook and Leeshai Lemish, “The 610 Office: Policing the Chinese Spirit,” *China Brief*, Vol. 11, Issue 17 (September 16, 2011).

46_ See Godemont, “Control at the Grassroots”; Peter Mattis and Samantha Hoffman, “Plenum Document Highlights Broad Role for Social Management,” *China Brief*, Vol. 11, Issue 20 (October 28, 2011); Joseph Fewsmith, “‘Social Management’ as a Way of Coping With Heightened Social Tensions,” *China Leadership Monitor*, No. 36 (January 6, 2012); Willy Lam, “Beijing’s ‘Wei-Wen’ Imperative Steals Thunder at NPC,” *China Brief*, Vol. 11, Issue 4 (March 10, 2011).

47_ Lam, “Beijing’s ‘Wei-Wen’ Imperative Steals Thunder at NPC.”

48_ Of course, there is much debate about what the “true” level of military spending in China is, a debate that lies beyond the scope of this chapter. For good

planned domestic security spending (US \$111.4 billion, an 11.5% increase) outpaced defense spending (US \$106.4 billion, an 11.2% increase).⁴⁹

Chastened by the explosion of ethnic unrest within China between 2008-2011 and the “Arab Spring” of 2010-2011, the leadership has experimented with a variety of mechanisms to deal with local unrest. These range from the “Wukan Model,” in which Guangdong officials recognized public grievances, removed offending officials, and took steps to redress abuses,⁵⁰ to violent repression followed by intense political crackdowns.⁵¹ Violent repression is especially common in workers’ protests and those involving ethnic minorities.⁵² These crackdowns have been accom-

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discussions of the issue, see Dennis J. Blasko, Chas. W. Freeman, *et al.*, “Defense-Related Spending in China: A Preliminary Analysis and Comparison with American Equivalents,” *The United States-China Policy Foundation*, (Washington D.C.: May 2007); Dennis J. Blasko, “An Analysis of China’s 2011 Defense Budget and Total Military Spending — The Great Unknown,” *China Brief*, Vol. 11, Issue 4 (March 10, 2011). On the connections between the PLA and domestic security, see Dennis J. Blasko, “Politics and the PLA: Securing Social Stability,” *China Brief*, Vol. 12, Issue 7 (March 30, 2012).

49_ Chris Buckley, “China’s Domestic Security Spending Rises to \$111 Billion,” *Reuters*, March 5, 2012, <<http://www.reuters.com/article/2012/03/05/us-china-parliament-security-idUSTRE82403J20120305>>.

50_ See Fewsmith, “Guangdong Leads Call.”; Keith Hand, “Constitutionalizing Wukan: The Value of the Constitution Outside the Courtroom,” *China Brief*, Vol. 12, Issue 3 (February 3, 2012); Samantha Hoffman, “Portents of Change in China’s Social Management,” *China Brief*, Vol. 12, Issue 15 (August 4, 2012); Keith Hand, “Exploring Constitutional Reform in the Wake of the Bo Xilai Affair,” *China Brief*, Vol. 12, Issue 10 (May 11, 2012).

51_ See, for example, Lisa Murray, “China Protests Highlight Simmering Unrest,” *Financial Review*, July 31, 2012, <http://afr.com/p/world/china_protests_highlight_simmering_oBS2plF2VcWLayZEAfw4SO>; AFP, “Crackdown Planned Ahead of Chinese leadership Change,” July 18, 2012, <<http://www.abc.net.au/news/2012-07-18/an-china-crackdown-ahead-of-leadership-change/4139272>>.

52_ On the latter, see, for example, Mary Hennock, “China Unrest Kills at Least 12 [in Xinjiang],” *The Guardian*, February 28, 2012, <<http://www.guardian.co.uk/world/2012/feb/28/china-unrest-kills-12-yechang>>; AFP, “China Vows Crackdown

panied by an anaconda-like squeezing of “new media” and other mechanisms of social control. All users of Internet accounts, Twitter-like accounts, and micro-blogs must now register with their real names, as must travelers on the nation’s railways, for example.⁵³ The leadership has also stepped up standard communist propaganda to try to bolster both its legitimacy and social stability.⁵⁴

Corruption, built into the structure of China’s politico-economic system, has become a particularly thorny issue and has consistently rated as one of the highest complaints of average Chinese citizens in public opinion polls.⁵⁵ In 2010, the vice-chairman of the National Committee of the Chinese People’s Political Consultative Conference and former long-serving auditor general of the National Audit Office, called for better legal structures and greater supervision over the business dealings of officials and their children. He said the rapidly growing wealth of Communist offi-

after Latest Protest,” <<http://www.mysinchew.com/node/75039>>.

53- See various postings on the *China Digital Times*, for example, <<http://www.chinadigitaltimes.net/>>. On railways, see “Real-Name Ticket Sales for All Trains,” January 2, 2012, <http://www.chinadaily.com.cn/bizchina/2012-01/02/content_14370521.htm>.

54- See Peter Mattis, “Another Lei Feng Revival: Making Maoism Safe for China,” *China Brief*, Vol. 12, Issue 5 (March 2, 2012); Peter Mattis, “Re-Popularizing Marxism: Li Changchun’s Contribution to Reform,” *China Brief*, Vol. 12, Issue 13 (July 7, 2012); and Willy Lam, “Beijing’s Post-Bo Xilai Loyalty Drive Could Blunt Calls for Reform,” *China Brief*, Vol. 12, Issue 7 (March 30, 2012).

55- See, for example, Minxin Pei, “Corruption Threatens China’s Future,” *Carnegie Endowment for International Peace Policy Brief*, No. 55 (October 2007); Minxin Pei and Daniel Kaufmann, “Corruption in China: How Bad is It?,” November 20, 2007, <<http://www.carnegieendowment.org/2007/11/20/corruption-in-china-how-bad-is-it/2028>>. On questions about the reliability of polls that show a majority of Chinese “satisfied” with the regime’s anti-corruption efforts, see Wu Zhong, “Disparities in Data,” *Asia Times Online*, May 24, 2012, <<http://www.atimes.com/atimes/China/NE24Ad03.html>>.

cials' children and family members "is what the public is most dissatisfied about."⁵⁶ The Bo Xilai affair of spring 2012, which reportedly involved a nexus of power politics, corruption, and murder, raised the corruption issue again to the top of the public's attention.

Conclusion

China is a country where the future is unclear, and even the past is uncertain. New leaders and major party meetings have a way of not only redirecting the course for the future, but redefining the past in ways that assist in explaining and legitimizing policies that depart from current trajectories. Thus, little can be completely ruled out, and signs of vigorous, high-level debate about the need for fundamental reform continue.⁵⁷

Prudent leaders in the running for top-level positions at the 18th Party Congress and following 12th National People's Congress would hardly be likely to signal plans for major departures from current policy, even if they intended to implement them after tak-

56- Jamil Anderlini, "Chinese Officials' Children in Corruption Claim," *Financial Times*, March 12, 2010.

57- See, for example, Willy Lam, "China's Remnant Liberals Keep Flame of Liberalization Alive," *China Brief*, Vol. 12, Issue 3 (February 2012); Peter Mattis, "Central Party School's Critiques Suggest New Leadership Dynamics," *China Brief*, Vol. 12, Issue 12 (June 22, 2012); Lu Xiaobo, "Intra-Party Systems Need Remedial Measures," *Beijing Global Times* (online), April 24, 2012, OSC CPP20120425722006; Xiaoru Chen, "How Can Local Governments Push Ahead With Reform (How to Accelerate Government Reform)," *Beijing Renmin Ribao* (online), April 10 2012, OSC CPP20120410787006; "Indispensable Systematic Supervision," *Caixin Wang*, April 18, 2012, OSC CPP20120419572001.

ing office. Moreover it seems unlikely that officials who owe their careers either to family ties or the Communist Youth League, and who came up by successfully navigating the tricky waters of the party apparatus would be prepared to entertain the kinds of reforms that might topple the very system in which they have finally made it to the pinnacle.

Official statements in the press, and by some of the contestants, show the likely limits to reform after the 18th Party Congress brings down its curtain. As an April 2012 *People's Daily* article warned, reform “does not mean weakening the CCP’s leadership.”⁵⁸ An editorial in the semi-official *Global Times* reiterated in the immediate wake of Bo Xilai’s removal from the party’s politburo that the “country will continuously carry out reform and opening-up and will *stick to its fundamental political system*.”⁵⁹ Security czar Zhou Yongkang sounded an especially conservative note in speaking to a training course for local secretaries of party “political and legal affairs commissions,” which are in charge of all aspects of law and order in China:

We must *unswervingly uphold the party’s leadership over law and order work*, persist in viewing the party’s undertakings, the people’s interests, and the law and Constitution as paramount, conscientiously boost our political sensitivity and political discerning power, maintain a high degree of unity with the party Central Committee on major issues of right and wrong, and *safeguard the party’s leadership, the people’s democratic dictatorship, the path of socialism with Chinese characteristics*, and the overall good situation of reform, develop-

⁵⁸ *People’s Daily*, April 23, cited in Peter Mattis, “The Limits of Reform: Assaulting the Castle of the Status Quo,” *China Brief*, Vol. 12, Issue 9 (April 27, 2012).

⁵⁹ “Bo’s Case Shows Resilience of Rule of Law,” *Beijing Global Times* (online), April 11, 2012, OSC CPP20120411722004. Emphasis added.

ment, and stability with actual actions.⁶⁰

The same sort of message was echoed by Xi Jinping, the putative successor-designate as China's supreme leader when speaking in January 2012 at a gathering of communist party representatives from universities: "University party organs must adopt firmer and stronger measures to maintain harmony and stability in universities. Daily management of the institutions should be stepped up to create a good atmosphere for the success of the party's 18th congress." According to the *South China Morning Post*, Xi went on to say that "universities must make it a paramount task to 'instruct' the thoughts of young lecturers and recruit more of them to join the party."⁶¹

In short, the debate over the need for fundamental political and economic reform is likely to continue in fits and starts in coming years, but one can hardly help but conclude, along with author Peter Mattis that the "latest calls for reform augur little, if any, change to the status quo, regardless [of] how strong the language or how dire the situation might seem for a scandal-ridden CCP on the cusp of a major leadership transition. The internal tensions between the CCP's primacy and the need for more objective "scientific development" are not new, but reform probably will require trade-offs involving the CCP's political power."⁶² As of now, the CCP

60- "Zhou Yongkang Stresses at First Training Course for Secretaries of Political Science and Law Commissions Nationwide: Step Up Study and Training To Raise the Standards of Leading Cadres in Law and Order Work and Constantly Create a New Situation of Scientific Development in Law and Order Undertakings," *Beijing Xinhua Domestic Service*, March 26, 2012, OSC CPP 20120326136003. Emphasis added.

61- Stephen Chen, "Thought Control Called for at Universities," *South China Morning Post*, January 5, 2010, OSC CPP20120105715011.

leaders—current and prospective—show little sign of being open to such “tradeoffs”, challenging entrenched interests, or undertaking reforms that threaten the party’s control or its member’s perquisites.

Nonetheless, China is unlikely to “collapse”—however one might define that—and there still is no viable alternative to communist party rule in some form. The past three decades show the party’s ability to adapt without yielding any political control is remarkable. Thus China’s most likely course over the next 3-5 years will be to continue to “muddle through.” The country’s problems, however, will continue to worsen without some major changes in the system of political accountability and the rule of law; freer flow of information; shifts from an investment-and-export driven growth model to a consumer-oriented approach, which will require a substantial shift of resources from the state to the individual; and measures to narrow the widening wealth gap. Even if these reforms are introduced, China will continue to face rising social tensions and periodic bouts of unrest as the reforms work their way through the system and winners and losers sort out their fates.

62. Peter Mattis, “The Limits of Reform: Assaulting the Castle of the Status Quo,” *China Brief*, Vol. 12, Issue 9 (April 27, 2012); Willy Lam, “Chen Guangcheng Fiasco Shows Dim Prospects for Political- Legal Reform,” *China Brief*, Vol. 12, Issue 10 (May 11, 2012), pp. 3-5; Alice Miller “Prospects for Solidarity,” “Taking the Next Step,” *Caixin.cn* (August 1, 2012), OSC CPP2012080 2702045.

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4

China's Ethnic Minorities and Reform

Carla P. Freeman

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There is perhaps no area of greater tension in China's post-Mao development story than between its decentralized strategy for expanding economic prosperity and its goal of building a "unitary multi-ethnic state." On the one hand, the devolution of authority to localities that has incentivized (and enabled) local Chinese leaders to grow their local economies has been a key factor in China's extraordinary economic expansion. On the other, a primordial objective of China's Communist Party (CCP) leadership has been the creation of a modern, unified nation-state in a territory that encompasses both a dominant Han ethnic group and a diverse population of ethnic minorities. With the founding of the People's Republic, Beijing's official recognition of 56 Chinese ethnic groups—55 ethnic minorities and the dominant Han—was designed to facilitate national integration. The establishment by Beijing of discrete "autonomous" administrative areas – counties, prefectures, and province-level regions—where there are concentrated ethnic minority populations was also aimed at this goal.

This political commitment to ethnic autonomy and a sustained link between ethnic diversity and territory within China has proven challenging in an era of rising ethno-nationalism. Devolution of political or administrative authority to these regions, even if confined to the economic arena, poses a risk to the goal of national integration. From the development issues particular to many ethnic minority areas, to concerns about the potential political implications of fostering a strengthened ethnic identity, China's central state has struggled to find a path that will increase economic opportunities for minority groups without engendering ethno-nationalism and a related desire for self-determination within its ethnic areas.

This path has proven difficult to navigate. In a context of in-

creased economic interdependence, the location of many of China's ethnic minority populations along China's borders, in close proximity to groups with shared ethnic identities in neighboring countries, is a boon to cross-border trade but also facilitative of a shared ethnic consciousness that spans sovereign boundaries. Globalized communications have enabled the interlinking of culturally similar groups worldwide, creating networks conducive to economic activity as well, but also to the potential emergence of a distinct political identity. As the centrally appointed, non-ethnic party secretaries who lead autonomous governments promote the tried and true Chinese recipe of industrial and infrastructure-based economic growth, they have found it is not always welcomed by their ethnic constituents. It may disrupt traditional ways of life and, related to this, the economic activities it creates, while they may benefit local communities, also attract migrants, mainly Han Chinese, from other regions. These are only a few of the challenges confronting Beijing as it seeks to balance growth with unity or, in the official phraseology of the day, to build a "harmonious society."

This chapter examines China policies toward its ethnic minorities with a focus on the specific challenges China has confronted where its ethnic minority populations are concerned as it has pursued its post-Mao economic strategy. The chapter is organized as follows: it begins by providing background on China's ethnic minority groups and their political status within China. Its second section describes some of the major development challenges faced by China's ethnic groups. It follows this discussion in its third section with an analysis of how the Chinese government has sought to address these challenges, how these approaches differ from those applied to non-ethnic regions, and why. In conclusion, it briefly considers how China's current policies toward its

ethnic minority regions may affect China's future economic and political development.

China's Multiethnic State

The People's Republic of China (PRC) is a modern state with a territorial reach that encompasses much of the extent of the last Chinese empire. This "Chinese" empire was not in fact under Chinese dominion but as seen by the Han Chinese under alien, Manchu rule. The Manchu people, a traditionally nomadic, non-Han population from the forests and low-lying plains, East of Mongolia and Northeast of the Great Wall, had conquered the Ming, establishing the Qing dynasty in 1644. During the course of their more than two and half centuries of rule, the Qing extended political control over vast new territories on what had been the Ming Empire's periphery. Qing territorial expansion incorporated many peoples and regions that had not previously been under Chinese suzerainty. The Chinese state that was born of China's first 20th century revolution in 1911, saw itself as heir to this territory, which then included contemporary Mongolia. Chinese Communists, whose victory had been won in part from the reaches of China's geographic expanse, which by then had been carved up by European and Japanese imperialism, had a goal of constructing under their leadership a new Chinese republic—the People's Republic—that exercised sovereignty over territory that included many non-Han people. Among the core objectives of the CCP-led government was forging a modern Chinese identity that would bind these diverse populations together as a single nation-state.

The CCP's vision for China's non-Han populations was quite different from that of its Nationalist predecessors. Under Kuomintang rule, the goal of ethnic assimilation had driven minority policy. As scholar Suisheng Zhao describes, Chiang Kai-shek referred to the non-Han people from the territories added by the Qing to the traditional Han-populated core as "*bianmin*," or "frontier people," without acknowledging the distinct cultural identities of the many non-Han groups who lived in China's borderlands.¹ In contrast, China's Communist revolutionaries initially advocated a federal concept rooted in the recognition of ethnic diversity and the right to self-determination of national minorities, an idea borrowed from the Soviet model. Once established as the leaders of China's national government, however, the CCP reformulated its position on the relationship between ethnic minorities and the state, arguing that "self-determination" had been achieved with the CCP's revolutionary triumph and replacing the revolutionary language of federation and self-determination with "cooperation and unity."²

In moving away from the idea of self-determination as a fundamental right of ethnic minorities, the CCP rejected the Soviet model as inappropriate for conditions in China. The Soviet Union was not conceived as a nation-state but rather as a multi-national federal state, including ethnic republics based on ethnic categories – distinct "nationalities" – codified by the state.³ In contrast, for the CCP, constructing a modern, powerful nation-state in China was a

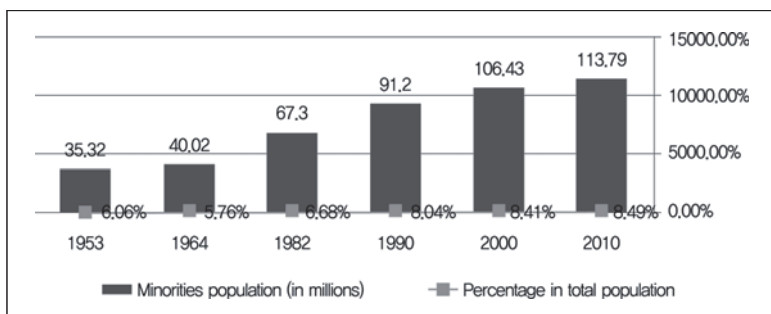
1- Suisheng Zhao, *Nation-State by Construction: Dynamics of Modern Chinese Nationalism* (Stanford: Stanford University Press, 2004), p. 173.

2- *Ibid.*, p. 175.

3- Rogers Brubaker, "Nationhood and Nationalism in the Soviet Union and Post-Soviet Eurasia: An Institutional Account," *Theory and Society*, Vol. 12 (1994), p. 49, <http://www.sscnet.ucla.edu/soc/faculty/brubaker/Publications/10_Nationhood_and_the_National_Question.pdf>.

core ambition, linked to its political legitimacy. Unlike the Soviet Union, where Russians were but one of several Slavic groups who made up the dominant population, the Han constituted well over 90% of the population of China in 1949. At the same time, non-Han groups occupied nearly 65% of the territory the CCP sought to govern. It was, therefore, critical that ethnic minority populations be made part of the CCP's enterprise of building an economically and politically powerful, unified nation-state. Thus, while officially China continued to use the term for ethnic minorities that translates as "nationalities" (*minzu*) in Chinese, in practice they were seen as ethnic minorities (*zuqun*) that were part of a Chinese (*zhonghua*) nation.⁴

〈Figure 1〉 Percentage Share of Ethnic Minorities in China's Population



Source: 1953-2000 data comes from China Data Online, Basic Statistics on National Population; the recent 2010 census data comes from the website of the Central People's Government of the People's Republic of China, <http://www.gov.cn/gzdt/2011-04/28/content_1854048_2.htm>. (Note: Data in this chart excludes Hong Kong, Macao and Taiwan).

4- Chinese scholar Ma Rong is among current advocates for changing the term from "*minzu*" to "*zuqun*." See Ma Rong, "A New Perspective in Guiding Ethnic Relations in the 21st Century: 'De-politicization' of Ethnicity in China," <<http://www.case.edu/affil/tibet/moreTibetInfo/documents/Depoliticizing2.pdf>>, revised draft of original paper published in *Asian Ethnicity*, Vol. 8, No. 3 (October 2007), pp. 199-217.

To achieve the political objective and engage ethnic minorities in national construction, by 1952 China had established a system of autonomous regions in areas where ethnic minority populations were concentrated through its Program for the Implementation of Regional Ethnic Autonomy -- later codified in the "Law on Regional Ethnic Autonomy." At the provincial scale, ethnic autonomous regions included areas where a single ethnic group was heavily dominant, such as the Tibetan Autonomous Region, as well as territories where a number of different ethnic groups coexisted, such as Xinjiang or Inner Mongolia. Autonomous areas were established at various administrative levels, depending upon the size of the ethnic population, from autonomous prefectures, autonomous counties (also autonomous banners), and autonomous districts and townships. Today, official data indicates that regional autonomy has been extended to more than 70 percent of the total population of ethnic minorities in China. According to the regional autonomy law, autonomy applies to, "the right to formulate self-government regulations and other separate regulations in light of the particular political, economic and cultural conditions of the ethnic group in that autonomous area." Autonomy as legally defined does not include the right to self-determination. Particular emphasis is placed in the language of the law on support ("respect and guarantees") by the state for the cultural, religious, and linguistic distinctiveness of ethnic groups.⁵

However, having set the goal of establishing an administrative map for ethnic minority populations, China's post-1949

⁵ Data and discussion above from Information Office of the State Council, "Regional Autonomy for Ethnic Minorities in China," February 2005, <http://english.gov.cn/official/2005-07/28/content_18127.htm>.

leaders discovered it a complex process. Institutions were created, including a State Nationality Affairs Commission (SNAC) that was established as early as 1949. In the early 1950s, teams of government officials and scholars gathered data to determine and map ethnic identity. Here, the Soviet experience offered the guide. To make official determinations of ethnic identity, China utilized Stalin's nationality concept with its four principal criteria of common territory, shared language, common economic system, and shared culture.⁶ Some ethnic groups were assigned identities that followed long-established traditions and commonly-held knowledge. Other ethnic identities were created where politically required. The best known example of this is that of the Zhuang. Here the Chinese state created a single ethnic group by bringing together many once distinct groups to form a single ethnic minority in the Guangxi Zhuang Autonomous Region in China's southwest.⁷ As several scholars have commented, by defining ethnic identity, the new Chinese leadership also made it clear that ethnic identity was a function of the new Chinese state.⁸ Individuals' ethnic identity was included in the household registration system established by Beijing.⁹

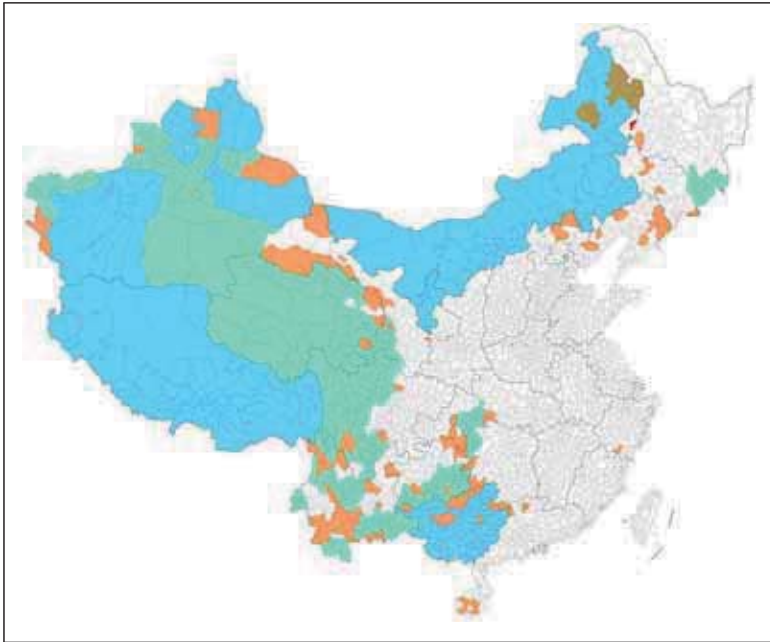
6- The actual language is "psychological makeup" expressed as a "national character." See J.V. Stalin, "Maxism and the Nationalities Question in J.V. Stalin," *Works* (Moscow: Foreign Languages Publishing House, 1954), p. 307; June Dreyer, *China's Forty Millions: Minority Nationalities and National Integration in the People's Republic of China* (Cambridge: Harvard East Asian, 1976), pp. 141-146.

7- Katherine Palmer Kaup, *Creating the Zhuang: Ethnic Politics in China* (Boulder: Lynne Rienner, 2000).

8- *Ibid.*, pp. 8-9; Zhao, *Nation-State by Construction*, pp. 180-182; Samuel Kim and Lowell Dittmer, "Whither China's Quest for National Identity," Dittmer and Kim (eds.), *China's Quest for National Identity* (Cornell, 1993), p. 276.

9- <<http://www.case.edu/affil/tibet/moreTibetInfo/documents/Ethnicrelations2.pdf>>.

(Figure 2) Map of China's ethnic autonomous areas
 (region: blue, prefecture: green, county: orange, banner: brown, district: red).



Source: <<http://www.paulnoll.com/China/Provinces/autonomous-regions.html>>.

Once put into place, the governments of autonomous areas incorporated local ethnic elites who had accepted CCP rule. They also began to train ethnic cadres. In addition, the National People's Congress included ethnic minority representation.¹⁰ However, with rare exceptions, autonomous areas were not headed by ethnic representatives. Inner Mongolia's Mongolian party secretary, Ulanhu, was among the few until his purge at the beginning of the Cultural Revolution in 1966. For the most part, the senior post of party secretary in ethnic autonomous regions has been occupied by an ethnically Han leader. Ethnic minorities have been given leadership

¹⁰- Zhao, *Nation-State by Construction*, p. 186.

roles in the administrative hierarchies of autonomous regions, serving in such positions as governors and mayors. However, only recently have all five governors of the provincial-level ethnic autonomous regions been ethnic minorities.¹¹

The PRC's policy toward ethnic regions thus sought in principle to recognize the distinctiveness of ethnic minority groups and avoid the replication of the historical chauvinism that had divided the "civilized Han" from the barbarian on the edge of the Chinese empire. However, as Chinese leaders sought to consolidate political control over ethnic regions as well as to promote ideological conformity throughout China in the pre-reform era, in practice, many policies resonated more closely with China's assimilationist traditions than with a respect for the particular cultural and religious preferences of ethnic groups.¹²

Development Challenges and China's Ethnic Minorities from Mao to Deng

What became by the late 1950s, intense campaigns by party leaders to assert greater political and ideological conformity between ethnic regions and the rest of China, was closely related to the economic vision of China's communist leaders and the difficulties they confronted as they sought to realize this vision of the new socialist economy in many autonomous areas. In the 1950s,

11- Cheng Li, "Ethnic Minority Elites in China's Party-State Leadership: An Empirical Assessment," *China Leadership Monitor*, No. 25 (Summer 2008), p. 2.

12- Suisheng Zhao, *Nation-State by Construction: Dynamics of Modern Chinese Nationalism*, p. 1911.

Mao Zedong sought to extend collectivization throughout China. Although this effort was initially allowed to proceed slowly in ethnic regions, by the mid-1950s, all were expected to have implemented socialist economic reforms. In addition to smaller scale industrial enterprises, a number of “key projects” were also initiated alongside supporting rail lines in autonomous regions, in large part in the interest of supplying the raw materials for China’s industrialization. They included such massive industrial state owned enterprises (SOEs) as the Baotou Iron and Steel Base in Inner Mongolia.¹³ Tibet’s 17-point agreement with Beijing of 1951 had won it greater rights to carry out reforms “of its own accord,” and this was practiced for the first part of the decade. By the late 1950s, the push to make progress on the socialist transformation of “New China” had been extended to Tibet as well, an effort that has been linked to the Tibetan revolt of 1959.¹⁴

There were many obstacles to implementing the Maoist agenda for development, which alongside economic advancement included the construction of a “socialist consciousness”¹⁵ in ethnic areas. The physical landscape of many regions inhabited by ethnic groups made the effort to expand cultivation in these areas difficult and indeed ill-suited to local realities. As one study of the environmental impact of efforts to transform the pastoral system of the Inner Mongolian grasslands to increase yields shows, for example,

13- “China White Paper: Promoting the Development of all Ethnic Groups,” September 27, 2009, <<http://www.china.org.cn/e-white/4/4.4.htm>>.

14- Zhao, *Nation-State by Construction*, pp. 188-89, 192.

15- Elizabeth Perry, “From Mass Campaigns to Managed Campaigns: Creating a New Socialist Countryside,” Sebastian Heilmann and Elizabeth Perry (eds.), *Mao’s Invisible Hand: the Political Foundations of Adaptive Governance in China* (Cambridge and London: Harvard University Asia Center, Harvard University Press, 2011), p. 36.

the results were devastating. Unsuitable lands were plowed up for crops, drastically reducing the land base available for the livestock on which the herding population depended. Soil erosion was aggravated and much of the high-quality rangeland was permanently lost.¹⁶

This was also true for the slopes of the mountainous regions of western China, where efforts to plant grain yielded few crops but substantial environmental damage, resulting in greater economic deprivations for these populations than prosperity. In the wake of the Great Leap disaster and Third Front policies to move more industry inland, some mineral-rich mountain areas were rapidly industrialized. Panzhihua in Sichuan offers one example.¹⁷ Panzhihua, located at the headwaters of the Yangzi River, once known for the beauty of its cycad forests, is not itself an ethnic autonomous area. However, it does include a substantial ethnic population, which in the late 1950s made up about 25% of the area's residents. These were highland people—Bai, Dai, Miao, and Yi.¹⁸ The story of the severe pollution of Panzhihua's soil and water is well told in Judith Shapiro's *Mao's War against Nature*. The construction of the mines and mills and related infrastructure also brought tens of thousands of migrants to the region, displacing local residents if they had not already been forcibly relocated.¹⁹

16- Dee Mack Williams, *Beyond Great Walls: Environment, Identity and Development on the Chinese Grasslands of Inner Mongolia* (Stanford: Stanford University Press, 2002), pp. 29-30.

17- Judd Kinzley, "Transformation of Panzhihua, 1936-1969: Crisis and the Development of China's Southwestern Periphery," *Modern China*, Vol. 38, No. 5 (September 2012), pp. 559-584.

18- Brian Tilt, *The Struggle for Sustainability in Rural China: Environmental Values and Civil Society* (New York: Columbia University Press), p. 23.

19- Judith Shapiro, *Mao's War against Nature: Politics and the Environment in*

These economic changes were followed by the political upheaval of the Cultural Revolution from the mid-1960s to mid-1970s. While politically-motivated violence was endemic in China during this period, ethnic populations were particular targets. With the mission of challenging traditional practices to focus the efforts of the masses on class struggle, Red Guard attacks on ethnic minorities and their cultural heritage, including cultural sites were especially vicious. As Michael Schoenhals has written, in a study focused on Yunnan province, the Cultural Revolution-era program of “political frontier defense”(PFD) targeted the ethnic groups that tended to make up the populations of China’s periphery in an effort to “cleans[e] out... bad elements.”²⁰ Targets were often village headmen, labeled “class enemies,” but anyone could become the object of political frontier defense, making them potential victims of confiscation or destruction of property, humiliation, physical brutality, or even death. Armed clashes broke out periodically between minority groups along the frontier and the armed militia that supported the PFD, one source of the death toll associated with the campaign, which reached the tens of thousands due to executions and other acts of violence.²¹ Brutality against civilians was also intense in Inner Mongolia where, amid rising Sino-Soviet tensions and an “Outer Mongolia” that was in the Soviet orbit, the ethnic Mongol population was suspected of political disloyalty.

While some special central policies for minority regions were sustained during the period from the mid 1950s to 1970s, as a

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Revolutionary China (Cambridge: Cambridge University Press), pp. 155-58.

²⁰ See Michael Schoenhals, “Cultural Revolution on the Border: Yunnan’s ‘Political Frontier Defense’ (1969-1971),” *The Copenhagen Journal of Asian Studies*, Vol. 19 (2004), p. 36.

²¹ *Ibid.*, pp. 27-54.

whole it marked a setback for relations between ethnic minority groups and China's political center. The emergence of Deng Xiaoping as China's paramount leader saw Beijing abandon the coercive assimilationism of the Mao era toward a new approach to engaging with China's ethnic populations that put material incentives at the center. This alongside the broader economic reforms introduced by the post-Mao leadership was a reflection of the more "lively, diversified cultural life" Deng envisaged emerging in China.²² A new approach to economic development in China's ethnic regions was also clearly needed. As the reforms began, ethnic groups in China were still among its poorest populations. Per capita GDP for most autonomous regions in the late 1970s and early 1980s was among the lowest in the country.²³ In 1985, by official count, of the 331 most seriously poverty-stricken counties in China, 141 of these were ethnic minority counties.²⁴

China's Reform-Era Policies toward Ethnic Minority Regions—Development for Stability

An early step by the new Dengist leadership toward ethnic groups was the introduction of new subsidies for economic development in minority areas. In addition, for the first time, provinces with substantial ethnic populations—Guizhou, Qinghai and Yunnan,

22- Michel Oksenberg, "Economic Policy-making in China: Summer 1981," *The China Quarterly*, No. 90 (June 1982), p. 172.

23- National Bureau of Statistics, "Statistical Database," revised 1978-2003.

24- "National Minority Policy and its Practice in China," <http://news.xinhuanet.com/zhengfu/2002-11/18/content_633175.htm>.

provinces also among China's most impoverished—were granted some of the same special fiscal transfers as autonomous areas.²⁵ However, a number of features of China's early reforms created new challenges for the economies of these ethnic areas. Of these, two policies were especially important. The first was the policy of starting the process of national growth by focusing on China's coastal provinces, letting coastal industrial growth and foreign investment pull along development in inland China, in large part through primary resource exploitation. The second was the introduction of a new "fiscal contracting system" that allowed local regions to retain revenue and devolving authority to them over their expenditures, enabling coastal provinces to accumulate budget surpluses while poorer regions developed budget deficits.

As the coast's growth surged, ethnic minority regions and subprovincial-level areas responded to their flagging economic position by looking for ways to increase their own economic resources. Many of the strategies that emerged reflected the growing latitude accorded by Beijing to China's regions to take initiative and experiment with their own economic strategies. Some ethnic regions pursued protectionist strategies, stipulating in local legislation what proportion of products from their regions they would not "export" to areas outside their own administrative limits. Xinjiang set up trade barriers, reportedly banning 48 commodities from being "imported" across its administrative borders on the grounds that they were damaging to its economic development.²⁶

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25- Christine Wong, "Ethnic Minority Regions and Fiscal Decentralization in China: the Promises and Reality of Asymmetric Treatment," Richard Bird and Robert Ebel (eds.), *Fiscal Fragmentation in Decentralized Countries: Subsidiary, Solidarity, and Asymmetry* (Edward Elgar, 2007), p. 283.

26- Chien-min Chao, "T'iao-t'iao versus K'uai-k'uai: A Perennial Dispute between

Regions also introduced their own policies on the share of profits that the centrally-controlled state-owned enterprises operating in their administrative jurisdiction would retain.²⁷

Other strategies involved international trade. After Xinjiang was permitted to conduct border trade in 1983, its long international border became a target of opportunity for the autonomous region to initiate relationships with its Central Asian neighbors.²⁸ Jilin province's Yanbian Korean Autonomous Prefecture sought to expand border trade with North Korea, with local leaders successfully promoting an ambitious scheme to develop a trilateral economic cooperation zone in the Tumen River Delta where China converges with North Korea and Russia. (The economic scheme itself proved too ambitious for the subregion's geopolitics.) As early as 1981, Yunnan, with its heavily ethnic border, sought to expand economic relations with the countries to its south, much of their petty trade exploiting ethnic kinship ties that spanned the political boundary.²⁹ Guangxi too reopened trade with Vietnam at Beihai, a prefecture-level city in its Zhuang Autonomous Region designated one of China's "open coastal cities" in 1984. Other regions, such as Inner Mongolia with its long border with the Soviet Union, also sought to expand cross-border economic links.

Central and Local Governments in China," Bih-jaw Lin and James T. Myers (trans.), *Forces for Change in Contemporary China* (Columbia, South Carolina: University of South Carolina, 1993), p. 164.

- 27- Minglang Zhou, "The Fate of the Soviet Model of Multinational State-Building in the People's Republic of China," Thomas Bernstein and Hua-yu Li (trans.), *China Learns from the Soviet Union, 1949-Present* (Lanham: Lexington Books, 2010).
- 28- Gaye Christoffersen, "Xinjiang and the Great Islamic Circle," *The China Quarterly*, No. 133 (March 1993), pp. 142-143.
- 29- Sandra Poncet, "Economic Integration of Yunnan with the Greater Mekong Subregion," *Asian Economic Journal*, Vol. 20, No. 3 (September 2006), pp. 2-3.

By the mid-1990s, China's central authorities had launched programs to rein in much of the activity that had prompted some of its own scholars to openly express concerns about the level of decentralization, worrying that central government could be losing its grip on the country as a whole.³⁰ Beijing's efforts at recentralizing its fiscal authority included disciplining localities away from such practices as the erection of trade barriers. Recentralizing efforts did not, however, extend to quashing the ability of localities to take initiatives that would maximize their comparative advantages. Deng's commitment to experimentation in the interest of development, expressed in his 1992 "Southern Tour," were affirmed by his successor, Jiang Zemin, who assumed power with an economic reform agenda focused on opening the Chinese market still further to international participation.

For China's autonomous regions, the decade of unbridled decentralization had yielded mixed economic results. By a variety of measures, from income levels to job opportunities, most ethnic populations continued to lag behind their Han counterparts in material terms.³¹ On the political front, however, it had had an impact. On the one hand, the relationship between ethnic populations and China's central government had undoubtedly improved from its

30- Chinese scholars Shaoguang Wang and Angang Hu worried about emerging centrifugal tendencies in China that recalled those apparent before the break-up of Yugoslavia.

31- Discussion of these issues from various angles may be found at Xiaogang Wu and Xi Song, "Ethnic Stratification in China's Labor Markets: Evidence from Xinjiang Uyghur Autonomous Region in 2005," a paper presented in the spring meeting of the ISA Research Committee on Social Stratification and Mobility (RC28), Haifa, Israel, May 9-11, 2010, <<http://paa2011.princeton.edu/download.aspx?submissionId=111672>>; HRIC, "Minority Exclusion, Marginalization and Rising Tensions," *Minority Rights Group International*, 2007, <<http://hrichina.org/sites/default/files/oldsite/PDFs/MRG-HRIC.China.Report.pdf>>.

Cultural Revolution nadir. Preferential policies for ethnic minorities had accompanied the reforms. Ethnic groups were exempted from the one child policy implemented by Deng Xiaoping, with average family size approximately double that of Han Chinese.³² During the 1950s and 1960s, Mandarin had been made the official language of school instruction in ethnic regions. Instruction in ethnic minority languages was restored with the 1984 law on regional autonomy for ethnic minorities and the promotion of ethnic minority languages was permitted.³³ On the other hand, decentralization and the lighter touch of the central state had also given ethnic groups an opportunity to reaffirm social and cultural traditions and to restore both economic and cultural links with populations beyond China's borders that shared these traditions, populations that were Gin, Korean, Mongol or Uyghur, for example, not "Chinese."

The new millennium and China's accession to the World Trade Organization in this context saw an explosion of technology that changed the capacity of groups to form networks in and beyond China. In 1999, China had fewer than 9 million Internet users, 10% of which were foreign businesses.³⁴ In 2010, 61 percent of Xinjiang villages and 99 percent of counties and townships had broadband connections. In the wake of the bloodshed in

32- Weiping Wu, "Demographic Challenges in China," April 2008, <<http://sites.tufts.edu/wuweiping/files/2011/02/GWU-DOD080423.pdf>>.

33- Yuxiang Wang and JoAnn Phillion, "Minority Language Policy and Practice in China: the Need for Multicultural Education," *International Journal of Multicultural Education*, Vol. 11, No. 1 (2009), <<http://ijme-journal.org/index.php/ijme/article/viewFile/138/312>>.

34- China Internet Network Information Center, "Semi-Annual Survey Report on Internet Development in China," July 1999, <<http://www.apira.org/data/upload/pdf/Asia-Pacific/CNNIC/4.pdf>>.

Xinjiang, Chinese authorities sought to reduce the chances of further violence by banning Internet use. Access to telecommunications has also been a factor in fostering links between the international Tibetan independence movement and Tibetan groups within China as never before.³⁵

In the late 1990s, central leaders had anticipated there would be social disruptions as a result of China's WTO entry and its impact. They introduced new streams of financial support for ethnic minority areas. From the "Prosperous Borders, Wealthy Minorities (*xingbian fumin*)" program of 1998 and the "Great Western Development Program (WDP) (*xibu da kaifa*)," announced in 1999, Beijing sought to supplement local government budgets to stimulate economic activity in regions that still lagged behind the coast, many of these regions having substantial ethnic populations. That the WDP put heavy emphasis on ethnic regions was evidenced by its extension to ethnic regions far from Western China, including Yanbian prefecture along the North Korean border. By 2009, all of China's autonomous regions, autonomous prefectures, and autonomous counties were included in the WDP, or had been granted comparable financial support from Beijing.³⁶

In addition to the goal of addressing the widening gap between China's inland regions, which included many ethnic areas, these special fiscal flows and tax breaks through the WDP were focused on the development of roads, railroads and airports, and other infrastructure, new physical connections between regions

35- Cui Jia, "Security of Internet, Phone Top Priority in Xinjiang," *China Daily*, May 20, 2010, <http://www.chinadaily.com.cn/china/2010-05/20/content_9870467.htm>.

36- Government White Paper, "Accelerating the Economic and Social Development of the Ethnic Minorities and Minority Areas," 2009, <http://www.china.org.cn/government/whitepaper/2009-09/27/content_18610178.htm>.

that were once far away from China's national (and predominantly Han) "core." Infrastructure development followed the Chinese maxim that "if you want to get rich, build a road (*yao xiang fu xian xiu lu*)." In addition to channels for prosperity, they also serve the nation-building objectives of the central Chinese party-state, physically integrating once peripheral regions and their peoples into China's "core"—a strategy for both national economic development and national integration. As a commentary on China's 12th Five Year Program for economic development observed ahead of its dissemination, "In the proposed new five-year plan, the central government plans to further support the strategy of developing the western region, which is certain to promote... prosperity in the region and lead to a great unity among people of different ethnic groups..."³⁷

The WDP dramatically boosted rates of growth in many of these regions from single to double digits, with investment in fixed assets in these regions five and a half times greater than the total for the previous half century.³⁸ At the same time, while the WDP-supported growth has improved infrastructure, created employment, and contributed to alleviating poverty in many areas, it has also given rise to new tensions. For one, within regions its impact has been uneven, with some populations relatively further marginalized in economic terms. For another, this gap has often followed ethnic lines, with urban, Han populations benefiting relatively more.³⁹ In addition, the economic opportunities created by the

³⁷ "China's Xi Vows to Speed up Tibet's Development While Fighting Separatism," *People's Daily*, July 19, 2011, <<http://english.peopledaily.com.cn/90001/90776/90785/7444645.html>>.

³⁸ Mitch Moxley, "China Renews 'Go Wes' Effort," *Asia Times*, July 23, 2010, <http://www.atimes.com/atimes/China_Business/LG23Cb01.html>.

WDP have attracted migrants, often ethnically Han or from other ethnic groups, in significant numbers, a development consistent with nation-building, but also a factor in increasing tensions between local ethnic populations and the newcomers. With the violence that erupted in June 2009 in Xinjiang's capital, Urumqi, Uyghurs and Han offered a tragic example of what can happen when these tensions reach the boiling point. Xinjiang has experienced the most dramatic demographic changes in recent history in China, with the Han population increasing from under 7 percent in 1949 to 40 percent in 2008. Studies have shown that Han migrants to Xinjiang find it easier to win jobs in cities than do local minorities, exacerbating ethnic inequality and inter-ethnic tension.⁴⁰ Similar patterns are found in other ethnic regions. Ethnic tensions contributed to setting off the bloody conflict in Tibet and Tibetan areas in other provinces in March 2008, where Han Chinese were among the dead. In 2011 in Inner Mongolia, where ethnic Han now make up about 80% of the population, street protests followed the death of a herder struck by a coal truck driven by a Han Chinese.⁴¹

Local leaders are responsible for the prosperity and stability of the localities they govern. They are incentivized to promote

39_ Mitch Moxley (Asia Times article above) also quotes a Chinese researcher who notes that in spite of robust growth in many western regions as a result of the WDP. "conditions in some areas have even deteriorated despite the years of investment."

40_ Anthony Howell and C. Cindy Fan, "Migration and Inequality in Xinjiang: A Survey of Han and Uyghur Migrants in Urumqi," *Eurasian Geography and Economics*, Vol. 52, No. 1 (2011), p. 1, <<http://www.sscnet.ucla.edu/geog/downloads/597/403.pdf>>.

41_ Jaime FlorCruz, "Inner Mongolia Beset by Ethnic Conflict," CNN, June 2, 2011, <http://articles.cnn.com/2011-06-02/world/inner.mongolia.unrest_1_mongolians-mining-nicholas-bequelin?_s=PM:WORLD>.

fast-paced economic growth because it is vital for promotion. In the past, a demonstrated willingness to use coercion in the interest of stability has also been rewarded. Hu Jintao's success in quelling dissent in Tibet during his time as party chief, often cited as a reason for his political rise, has been offered as one example. Historically, local leaders have appeared willing to gamble that they can manage any inter-ethnic tensions that may emerge from their growth strategies, even if doing so requires force.

Conclusion

As tensions around ethnic identity have grown in China, however, China's central government has begun to search for new ways of navigating its goals of national integration and development in the context of China's multiethnic reality and the political implications of having established ethnic autonomous areas on its soil. These have included a concerted effort to better understand China's ethnic populations. Harkening to the late 1940s and early 1950s, once again teams of researchers from China's ministries and leading think tanks have been dispatched to ethnic regions to gather survey data and other information. In addition to seeking data to better inform policy, Beijing has stepped up efforts to readdress economic inequalities among ethnic groups, giving greater attention to new poverty alleviation strategies for its most marginalized populations that include capacity-building for indigenous economic growth. Fundamentally, however, central policies have focused on direct fiscal transfers from the central state to China's ethnic autonomous regions. In addition to the large-scale WDP pro-

gram, the government has expanded fiscal flows to ethnic groups along China's international borders.⁴² Beijing has also made an effort to seek direct input from ethnic regions on the fiscal policies that affect them. But in effect these fiscal flows appear not only aimed at development but consistent with increasing or at least reinforcing the economic dependency of these regions on Beijing.

An obvious shortcoming of such policies is that they focus on development and material prosperity, failing to explicitly address the challenge of reconciling the aspirations for the preservation of a unique cultural identity of China's largest ethnic populations with the central state's goal of constructing a strong unitary state. It is true that the infrastructure development stimulated by the WDP and other programs has woven China together as never before, and it is possible that the physical integration of once distant regions will ultimately have an assimilative and homogenizing effect on China's ethnic populations. If history is a guide, however, this process is likely to be a very bumpy one, with a high risk of further inter-ethnic violence.

Since its introduction by Hu Jintao, the formulation of a "harmonious society" as a guiding vision for China has been associated, not with the idea of unity in diversity, but with a hard-line policy toward ethnic regions. The goal of "harmony" is seen as a reflection of Beijing's fears that, as inter-ethnic tensions rise amid current economic and demographic changes in China's autonomous regions, that internationally-sponsored separatism is also becoming

42. This policy involving transfer payments from the Ministry of Finance directly to local budgets is aimed at ethnic groups with populations of 100,000 or fewer. "The Chinese Government's Support for the Development of Ethnic Groups with Small Populations," September 6, 2005, <<http://www.china.org.cn/e-news/news050906-2.htm>>.

ing a more significant political factor in these regions—especially in Tibet and Xinjiang. Beijing’s heightened sense of insecurity has also been reflected in its admonitions to the international community that national unity is among its “core interests” and it takes a zero-tolerance view on international commentary on its handling of its restive ethnic populations. Policies like these are costly both to China’s national coffers and to China’s international reputation.

They also carry other, steeper political costs for China and its political future. As more Chinese regions reach middle-income level, accompanied by substantial middle-class populations, Beijing is also confronting a new Chinese society that, to borrow from Abraham Maslow’s “hierarchy of needs,” has elevated its aspirations beyond material fulfillment to recognition and self-actualization. This is a development that experience in other societies has shown goes hand in hand with a popular desire for direct engagement in political decisions.⁴³ The potential for political reform toward greater political openness on the part of the Chinese leadership is constrained, however, by the fear that, unless the party-state keeps a tight grip on its ethnic populations, they will push for independence, jeopardizing the nation-building project on which its legitimacy rests so heavily. China’s current leadership is relatively weak, with the designated president Xi Jinping merely *primus inter pares* among his peers, his status dependent on his ability to sustain broad support within the party. This is a political dynamic that promises a low-risk approach to governance. But, without an expansion of political freedom on Mainland Chinese territory, the

⁴³ See discussion in J. L. Sullivan and J. E. Transue, “The Psychological Underpinnings of Democracy: A Selective Review of Research on Political Tolerance, Interpersonal Trust, and Social Capital,” *Annual Review of Psychology*, Vol. 50 (February 1999), pp. 625-650.

chances that Beijing will achieve its most significant irredentist goal — that of peacefully winning unchallenged sovereignty over Taiwan—are slim. Under these circumstances, it is not too bold to suggest that China's political future rests on its ability to resolve the tension between its goals of national integration and the presence on Chinese soil of ethnic groups with identities that are not only cultural but territorial.

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Part 2

China's Foreign Relations and its Policies toward Major Countries



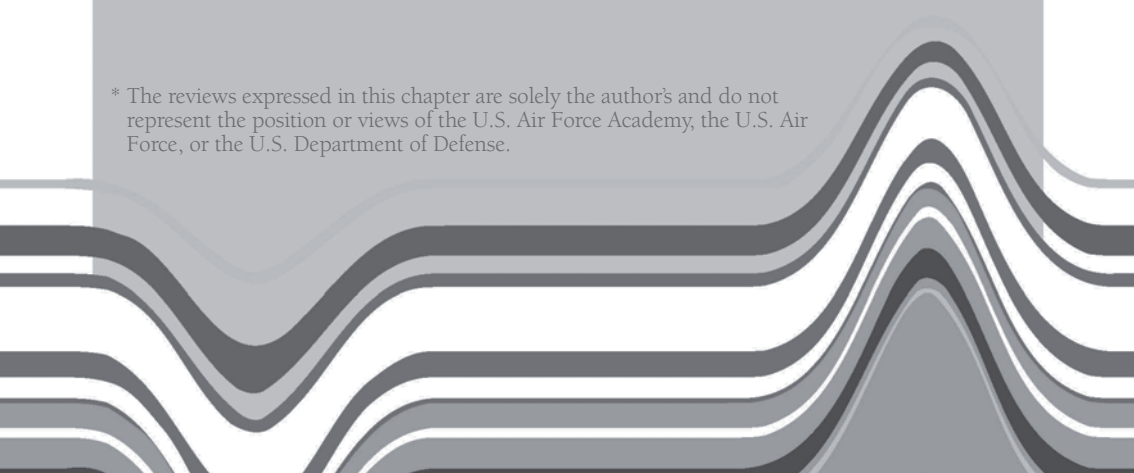
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National Unification

5

*Resisting, Reducing, and Replacing - China's Strategy and Policy towards the United States**

Fei-Ling Wang

* The reviews expressed in this chapter are solely the author's and do not represent the position or views of the U.S. Air Force Academy, the U.S. Air Force, or the U.S. Department of Defense.



What will happen between the world's two largest economies with drastically different political systems? More specifically, will the United States and China be colluding allies or even co-hegemons, peaceful working-partners, or deadly rivals? The fact that one of the two, the People's Republic of China (PRC), is developing and evolving rapidly makes those questions ever more pressing and challenging. Various speculations are already abundant ranging from the so-called Beijing-Washington "G-2" idea or "Chinamerica" of a new world order,¹ a new Chinese rule of the world,² a fierce geopolitical struggle between the USA and the PRC first in the region of the Western Pacific,³ to a coming realization of the two-decade old prophecies of global clashes between the Western and the Eastern civilizations.⁴ Whatever the actual outcome, the current international order and world peace, especially the regional stability and security in East Asia, are clearly at stake.

The epic enormity, uncertain dynamics, and ever changing factors in Sino-American relations demand extensive yet nuanced analyses to ascertain the future of this crucial relationship. Central

1- Niall Ferguson and Moritz Schularickz, "'Chimerica' and the Global Asset Market Boom," *International Finance*, Vol. 10, No. 3 (2007), pp. 215-239; Niall Ferguson, "What 'Chimerica' Hath Wrought," *The American Interest* (January-February, 2009). However, Ferguson soon suggested the infeasibility of such an idea and argued instead the coming collision between the U.S. and China (Philip Sherwell, "Niall Ferguson: China's Got the Whole World in its Hands," *The Telegraph*, March 12, 2012). For a businessman's take on this, see Handel Jones, *Chinamerica: the Uneasy Partnership that Will Change the World* (New York, NY: McGraw-Hill, 2010).

2- Martin Jacques, *When China Rules the World: the End of the Western World and the Birth of a New Global Order* (New York, NY: Penguin Press, 2009).

3- Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York, NY: Norton, 2011).

4- Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York, NY: Simon and Schuster, 1996).

to this effort is the need to understand the strategic visions, values and norms, and policy preferences that guide the two great powers. While the American strategic preferences and value system are relatively stable and transparent, the most common aphorism used to describe Chinese strategic intentions remains the word “uncertainty.”⁵

This chapter intends to help reduce the uncertainty about Chinese long-term preferences through an analysis about the traditional and ideational sources of China’s strategy and policy towards the United States. Contrary to some of the conventional wisdom, I will argue that, despite the notoriously arcane and opaque nature of Chinese politics, Beijing’s basic strategy towards the United States is rather unambiguous: essentially, China eyes the top position of global power and leadership currently occupied by the United States with a great amount of complex feelings of antipathy, dread, and envy. The deeply-rooted ideational path and the historical logic of Chinese polity determine that, without a sea change of sociopolitical institutions and values at home, the PRC is destined to be a lasting rival and challenger to the United States and Beijing is trying everything to resist, reduce, and replace American power and leadership, first in its neighborhood and then wherever and whenever possible. To China’s neighbors and the world at large, Beijing’s three-R (resisting, reducing, and replacing) strategy is likely to significantly constrain international cooperation.⁶ It will in-

5- Susan Shirk, *China: Fragile Superpower* (New York, NY: Oxford University Press, 2008); David Lampton, *The Three Faces of Chinese Power: Might, Money, and Minds* (Berkeley, CA: University of California Press, 2008); Henry Kissinger, *On China* (New York, NY: Penguin, 2011); Robert Sutter, *Chinese Foreign Relations* (Lanham, MD: Rowman & Littlefield, 2012), pp. 3-13.

6- Rosemary Foot & Andrew Walter, *China, the United States, and Global Order* (New York: Cambridge University Press, 2010).

creasingly force nations to choose sides, voluntarily or involuntarily, and to settle past scores and current and future issues with growing deference to Chinese demands and preferences. It also has great implications about the future of world order and global governance.

The above points are elaborated in three steps: I first outline a peculiar Chinese traditional and ideational foundation for the making of Chinese foreign policy. Then I briefly describe China's relations with the U.S. over the past century as the background. Third, I analyze the current Chinese worldviews and preferences, featuring a mighty state-led rise of past ideas and preferences that are fundamentally incompatible with the U.S.-led post-Cold War world order and are sustaining and furthering China's three-R strategy towards the United States: to resist, reduce, and replace American power in order to safeguard Beijing's core interests of political survival and security.

The Chinese Path of Tradition and Ideation

The Chinese traditional and ideational path, on which today's Chinese foreign policy is based and is moving forward from, can be summarized as a thick heritage of a Confucian-coated Legalist (Realist) autocratic polity, a long political experience of an empire-world order, and a state-constructed deeply-rooted *tianxia* (all under heaven) worldview.

This path was started by the Qin Empire (221-207 BCE) that united the Chinese world and give the country the name "China" (Qin or Chin). It was then perfected by the subsequent Han Empire

(202 BCE-9 CE & 25-220 CE) that gave the Chinese people the name of Han nation. Peculiar geo-historical predispositions contributed profoundly to the formation and continuation of this path. As its name in Chinese, *Zhong Guo* (Central Country), shows, the Chinese believe that they are at the center of the known world despite the fact that they are physically isolated and insulated from the rest of the planet by the Pacific, high mountains, great deserts, and tropical jungles. It is easy to believe and govern (and sometimes pretend or assume) China as the whole known world, the *tianxia*.

Accordingly, the whole world is often (or should be) united under one ruler at the center. Outsiders are mostly different, often inferior, and must be subjugated or assumed away or kept at bay. Yet, an invading barbaric nation with enough force and wisdom could take over and become the new ruler by subscribing to the central's Confucian-coated Legalist norms and rules and by utilizing the resources and talents that the vast Han nation has to offer through taxation, conscription, and imperial examination. The brutal invasions by the Mongols and the Manchus indeed created a mighty "Chinese" empire-world governance for the whole known Chinese world that was well embraced and supported by the Han elites and even masses.⁷

The paramount significance of history and the long state-monopoly of writing and teaching history have contributed directly to the maintenance of the Chinese ideational path. History is both a substitute for and an euphemism of the superior authority or deity

7- Shangsheng Chen (ed.), *Rujia ernming yu zhongguo chuantong duiwai guanxi* [Confucian civilization and China's traditional foreign relations] (Jinan: Shandong University Press, 2008), pp. 12-15.

that records and judges human behavior eternally, functioning as the de facto national and state religion in the Chinese world. Inevitably, political rulers all routinely censor, rewrite, and falsify the records and the presentation of history in China.⁸ China has the world's longest continuously kept historical record in the same written language, with basically the same criterion, started in the 5th century BCE when Confucius edited *The Annals*. State censorship peaked after the 8th century when writing history became the exclusive enterprise of the imperial court. The Chinese memory of the past and the Chinese worldview are therefore shaped by such a singular, political construction of tradition and ideation. The real Chinese history and its lessons, especially the unorthodoxy and inconvenient experiences and ideas such as the glorious pre-Qin era (prior to 221 BCE), the golden age of the Song (960-1279), and the Chinese experience since the 19th century, have mostly been distorted, discounted, and dismissed. As a result, deep in the Chinese mind, politics ought to be autocratic and aristocratic and the known world ought to be united, often irrespective of the race or ethnicity of a particular ruler, as long as the ruler wins the *tianxia* mandate of heaven (or as it has been rephrased in contemporary China, mandate of the people) with enough force and right rhetoric.

This Chinese historical and ideational path, which I call Qin-Han *tianxia* system and tradition, includes the following three key elements:

⁸- Ann Anagnost, *National Past-Times: Narrative, Representation, and Power in Modern China* (Durham, NC: Duke University Press Books, 1997); David Scott, *China and the International System, 1840-1949: Power, Presence, and Perceptions in a Century of Humiliation* (Albany, NY: State University of New York Press, 2008).

- 1) An autocratic polity based on legalism (realism) power politics. Started with the Qin's success in unifying the whole world or *tianxia yitong* (all united under heaven) with its superior force and superb diplomacy, Chinese rulers have always relied on the ruthless, centralized, hierarchical use of force to rule. Rule of man by law (sometimes simply by will) rather than rule of law is the norm. The emperor is above any institutional or legal confines (often even above any moral confines) and is the one and the only center of power and the ultimate legal and moral arbiter. All officials and bureaucrats are appointed top-down to govern the people. No political dissent and opposition are allowed nor are other political forces or uncontrolled sociopolitical and economic organizations or religious groups.
- 2) A coating of the political system with Confucian humane rituals and slogans. The Qin Empire was short-lived for only 13 years as naked totalitarian despotic governance with pre-industrial-age technology over a vast world is hardly sustainable. The Han Emperor Wu Di (156-87 BCE) greatly enhanced and improved the Qin polity through the innovative establishment of Confucianism as the main imperial ideology to organize and pacify people. Confucianism preaches to model politics and governance after an agrarian paternal family. Its humane slogans, social rituals and moralistic teachings and common sense approaches, if used well, generate great force for stabilizing the autocratic sociopolitical hierarchy. Therefore, all Chinese rulers ever since have been Confucian-coated Legalist Qin-Han rulers.⁹ Later dynasties such as the Sui-Tang (581-907 CE) empires further fine-tuned the system through reforms like institutionalizing a meritocracy with the imperial exam system.
- 3) A *tianxia* ideal that mandates the Qin-Han rulers to seek, or at least pretend to seek, a political unification of the whole known world under one single ruler, the Son of Heaven, who provides legitimacy for political order and governance for all. As the famous ancient verses (believed to be edited by Confucius in the 5th century BCE) professed: "all land under heaven belongs to

⁹- Victoria Tin-Bor Hui, "How China Was Ruled?" *The American Interest* (March/April 2008).

the king, all people on the land are king's subjects."¹⁰ The Qin Empire was the very first genuine *tianxia* system. The great empires such as the Han, Tang, and Qing deeply legitimized it with their long reigns over literally the whole known world. In fact, all of China's major empires and dynasties have been either a *tianxia* world-empire or a *tianxia* wannabe or simply pretended that they also were *tianxia* rulers through pretention and self-deception with bribery-like tributary (*chaogong*) practices of a symbolic empire-world order.¹¹

Internally, this Qin-Han polity is autocratic and aristocratic, often despotic. Externally, it can hardly be secure or peaceful until it can incorporate and govern the whole known world (*tianxia*), to have a singular rule over all peoples; or it must keep or assume away the ungoverned and the ungovernable. It is bound to be an empire-world order as it cannot live well and contently with equals, alternatives, comparison, and competition. Functionally, the Qin-Han *tianxia* system is nearly perfect for the rulers and ruling elite as it repeats an apex of human political order and governance. It is simple and effective, accumulates and centrally utilizes massive wealth and talents, delivers order and peace to a vast land for long periods, even with the incurable corruption of the officialdom, inept (even crazy) emperors, and constant rebellions. It provides the ruler with extraordinary staying power and super stable institutional continuity.¹² Over time, the *tianxia*

10- Confucius, *et al.* (eds.), *Shijing-Xiaoya-Beishan zhishi* [Books of Odes-Xiaoya-Decade of Northern Hill] (Beijing: High Education Press, (5th century BCE) 2010).

11- Practice of tributary started by the Han Empire and was used by later rulers to symbolically rule the remote peoples in East, Southeast, and Central Asia. Ying-Shi Yu, *Trade and Expansion in Han China* (Berkeley, CA: University of California Press, 1967).

12- John King Fairbank (ed.), *The Chinese World Order: Traditional China's Foreign*

mandate has propelled just about all of China's rulers and intellectuals towards the building of a singular and harmonious Qin-Han empire-world system, at the great expense of human rights, technological innovation, and economic efficiency.

China and the United States

After the last Chinese *tianxia* world order collapsed under the superior force of foreign powers towards the end of the 19th century, China entered an entirely new era. Like in the past cycles of Chinese political history, ambitious leaders and warlords contended for the mandate of heaven to rule the whole known world of China. Unlike in the past, non-Chinese influence has affected just about every aspect of Chinese life. All political forces and groups have been under foreign influences and have often been directly financed by foreign sponsors. The United States in particular has been a key, later the most important, foreign factor shaping Chinese foreign policy, internal politics and even the Chinese mind. It was the American doctrine of "open-door" first proposed in 1899 by the then U.S. Secretary of State John Hay, arguably a mostly self-serving move by Washington, that led to the aversion of a Chinese repeat of the fate of India and Africa.¹³ The U.S. has been

Relations (Cambridge, MA: Harvard University Press, 1973); Gungwu Wang, "Tianxia and Empire: External Chinese Perspectives," inaugural Tsai lecture, Harvard University, May 4, 2006; Lucian W. Pye, *Spirit of Chinese Politics* (Cambridge, MA: Harvard University Press, 1992).

¹³- Delber McKee, *Chinese Exclusion versus the Open Door Policy, 1900-1906: Clashes over China Policy in the Roosevelt Era* (Detroit, MI: Wayne State University Press, 1977).

a chief external source of education to Chinese elites ever since. To this day, some of the best Chinese higher education institutions have their origins in American schools founded in the 19th and 20th centuries.

The *Kuomintang* (KMT or Nationalist Party) and the ROC (Republic of China, 1912-) have had deep and extensive relations with the United States from their birth, as amply documented already by historians. The ROC was also profoundly influenced by its exhausting struggles against the Japanese invasion and Soviet subversion. Foreign induced and imposed institutional and ideological changes nudged and pushed the ROC to overcome its “natural” inclination and move away from the Chinese path of Qin-Han *tianxia*, “joined the right side twice” during both world wars to finally enter the post-World War II Westphalia system led by the United States as one of the Big Five.¹⁴ After losing the Chinese Civil War and fleeing to Taiwan, the ROC gradually generated peacefully the first non-Qin-Han Chinese political system: a democracy with freedom of speech and human rights under the rule of law.

Mao Zedong and the CCP (Chinese Communist Party) were once also openly professed fans of American ideals, institutions, policies, and leaders. They openly professed admiration and even flattery of the United States and its policies.¹⁵ Mao himself, for example, was calling for an American-style federal system in China as

14- Qin Hui, “Minzu zhuyi de shijian: zhongguo zhanqilai liao de licheng [Practice of Nationalism: History of China’s Standing up],” *Nanfang zhoubu* [Southern Weekend], Guangzhou, January 19 & February 2, 2012.

15- See the later banned collection of CCP’s official publication, Xiao Shu (ed.), *Lishi de xiansheng* [Early Echoes of History] (Shantou: Shantou University Press, 1999).

late as in 1920,¹⁶ only one year before he came a founding member of the CCP, which was a Chinese nationalist movement and a tool of subversion created by the Soviet Union.¹⁷ The CCP eventually went native and grew strong during World War II, with significant American help, to successfully replace the ROC with a “New China” (the PRC, 1949-) through a rather classic peasant rebellion.

Like his ROC opponents led by Chiang Kai-Shek, Mao was a Legalist practitioner of power politics highly path-dependent on Chinese tradition and ideation. Unlike the KMT and the ROC, however, Mao took sides with Moscow in both cold and hot wars with the United States, especially on the Korean Peninsula and in Southeast Asia. The PRC took a leap backward to become a new “son-of-heaven plus meritocratic bureaucracy” or a reincarnation of Qin-Han empire with new trappings of the imported Marxism.¹⁸ Mao, the self-proclaimed new Qin Shi Huang (the first Qin Emperor), instinctively knew the need to work towards a *tianxia* world order to preserve and govern his new empire, and to realize his ambition for power and fame as the ruler of all under heaven. A “real” Qin-Han Empire can hardly be peaceful and content when there are other uncontrolled and undeniable powers in coexistence and competition. And the United States became logically a natural ene-

16- Zedong Mao, “Hunan jianshi de genben wenti-hunan gongheguo [Key to the Construction of Hunan-Republic of Hunan],” *Dagong bao* [Dagong Daily], Changsha, September 3, 1920.

17- Kerry Brown, *Friends and Enemies: The Past, Present and Future of the Communist Party of China* (London & New York: Anthem Press, 2009).

18- Fei-Ling Wang, *Institutions and Institutional Change in China: Premodernity and Modernization* (London & New York: Macmillan Press & St Martin’s Press, 1998); Yuan Jian, *Zhongguo: qiji de huanghun* [China: the End of a Miracle] (Hong Kong: Hong Kong Wenhua Yishu Press, 2008), p. 155; Ross Terrill, *The New Chinese Empire: And What It Means for the United States* (NY: Basic Books, 2004).

my number one.

The Moscow-centered anti-American communist revolution was at first a great fit for Mao. The death of Stalin and the clumsiness of Nikita Khrushchev in the mid-1950s allowed Mao to dream of leading a world revolution to create a new *tianxia* order under the banner of communism or simply “the East Wind,” with him as the new leader, the exclusive “great savior of the people” as he was portrayed for decades.

However, Mao quickly realized that he was in fact very weak in comparison to his opponents beyond his control. The new emperor had few new ideas and only limited resources. Mao sighed in 1955 that he could never relax until his country “finally catches up and surpasses the United States” (as the world’s top power).¹⁹ His theatric maneuvers to capture the whole “socialist camp” including the former Soviet Union (a technology and resource giant) failed with a costly Sino-Soviet split ten years after he signed an alliance treaty with Moscow. With a burning desire, Mao harshly micro-managed the economy to “catch up with the West” with little knowledge of modern science and economics. The mad campaign of the Great Leap Forward collapsed with the worst peacetime loss of human lives in world history (over 30 million deaths in three years). His absurd push for a speedy world revolution and world leadership soon led his regime and country into the very dangerous position of opposing both superpowers by the late 1960s.

Interestingly, the United States came to the rescue of Mao’s empire. Thanks to American geopolitical realists, chiefly Richard Nixon and Henry Kissinger, who were eager to get out of the quag-

¹⁹- Cited in Yihe Zhang, *Shun changjiang, shuilu canyue* [Waning Moon over the Yangtze River] (Hong Kong: Oxford University Press, 2007), p.8.

mire of Vietnam and gain an upper hand in the Cold War against Moscow, Mao and his successors survived their *tianxia*-building blunders and acquired membership in the international community of sovereign states. The U.S. shielding and the access to Western technology, capital, and markets, at the expense of forcing Beijing to abandon its ideological and treaty allies and comrades all over the world, saved and enriched the PRC.

After the Tiananmen uprising in 1989 and the end of the Cold War in 1991, Beijing managed to continue its crucial access to the world market despite the sharpened odds of political difference with the U.S. The CCP retreated further. Not only did Beijing give up any pretention of world revolution against the United States, it deliberately went low-key to follow Deng Xiaoping's order of *taoguang yanghui* (laying low hiding and biding for time): "To keep a low profile, be good at pretending and hiding, never take the lead, act out selectively, preserve ourselves, and gradually and quietly expand and develop."²⁰ China made greater efforts to open up more (but selectively) to the outside, culminating in joining the World Trade Organization in 2001.

For the past four decades, the U.S. has been the chief source of technology and capital to China. Moreover, the U.S. has been China's largest export market. Much of China's impressive new wealth is generated by its highly lucrative trade with the United States.²¹ By 2012 when the PRC was running basically a trade defi-

²⁰- Leng Rong, *et al.* (eds.), *Deng Xiaoping nianpu* [Chronicles of Deng Xiaoping] Vol. 2 (Beijing: Central Documents Press, 2004), p. 1346; Zemin Jiang, *Jiang Zemin wenxuan* [Selected Works of Jiang Zemin] (Beijing: Renmin Press, 2006), p. 202.

²¹- The PRC state now holds the world's largest foreign currency reserve (over \$3.2 trillion in 2012). Data Release by PRC Ministry of Finance, Beijing,

cit with the rest of the world, it continued and even enlarged its massive trade surplus with the United States to finance its massive internal and international endeavors. As a result, the PRC state is now financially being rapidly empowered, primarily financed by massive trade with the United States.

Chinese Strategic Views and Preferences about the United States

Decades-long opening to the outside has given China a growing vested interest in the U.S.-led world order. A great amount of complex flows of people and information have also brought new perspectives to China.²² The overall Chinese strategic views and preferences are now quite diverse and even self-conflicting.²³ There is, however, a fairly consistent Chinese take on the United States, increasingly influenced by the rising Chinese strength and statist nationalism.

On the one end of that spectrum of ideas, Chinese liberals want to embrace fully the norms and values of the U.S.-led current world system such as globalization and other “universal values” or “world perspectives.”²⁴ They think that the problems and mistrust

January 20, 2012.

22- Changhe Su, “Heyue, guojia lilun yu shijia zhixu [Contract, Theory of the State, and World Order],” *Guoji wenti luntan* [Forum on International Issues], Beijing, No. 47 (Summer 2007), pp. 128-143.

23- Gloria Davies, *Worrying about China: The Language of Chinese Critical Inquiry* (Cambridge, MA: Harvard University Press, 2009); David Shambaugh, “Coping with a Conflicted China,” *The Washington Quarterly*, Vol. 34, No. 1 (2011), pp. 7-27.

between Beijing and Washington are mostly rooted in China's "problem of the Chinese autocratic political power" and "the only way to avoid China becoming the 'Yellow Peril' to the world in the future is to change China's autocratic political power."²⁵ Not surprisingly, Beijing has taken a hardline to harass, marginalize, exile, and jail those politically "dangerous" thinkers and writers such as China's first Nobel Peace Prize winner (2010) Liu Xiaobo, who was sentenced to jail for 11 years in 2009.

More moderate views see China as a "quasi status quo country"²⁶ that can work peacefully with the United States, despite that the American values of democracy and human rights have complicated life for the PRC leaders.²⁷ China should join, rather than confront, the United States but seek a bigger role to modify even reconstruct the current world system to best address China's core interests of sovereignty, security, and development simultaneously yet peacefully.²⁸ Chinese Foreign Minister Yang Jiechi called for efforts to "actively participate in the adjustment of international rules and

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- 24- Xiao Qin, Commencement Speech at Tsinghua University's Business School, July 19, 2010; Yushi Mao, "Yi shijie lichang chongsu zhongguo daguo diwei [To Remake China's Great Power Status with World Perspectives]," *Financial Times* (online), February 1, 2012.
- 25- Lixiong Wang, "Wuqi xiaomi buliao chouheng [Weapons Cannot Eradicate Hatred]," *Kaifang* [Open], Hong Kong, November 2001.
- 26- Zhongyi Peng, "Zhongguo zai shijie zhixu zhong de canyu, shouyi, he yingxiang [China's Participation, Benefits, and Influence in World Order]," *Shiejie zhengzhi yu jingji* [World Politics and Economy], Beijing, No. 3 (2007).
- 27- Xiaoming Zhang, "Zhongguo de jueqi yu guoji guifan de bianqian," *Waijiao pinglun* [Diplomatic Review], Beijing, No. 1 (2011), pp. 40-47.
- 28- Jisi Wang, "Dangdai shijie zhengzhi fazhan qushi yu zhongguo de quanqiu jiaose [Trends of Contemporary World Politics and China's Global Role]," *Beijing daxue xuebao* [Journal of Peking University], Beijing, No. 1 (2009), pp. 11-14; "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way," *Foreign Affairs* (March/April 2011).

norms.” Retired senior official Zheng Bijian asserts that China and the U.S. can sustain a win-win “convergence and community of shared interests.”²⁹

Perhaps right in the middle, realist thinking of hegemonic power struggle deeply colors China’s strategy towards the United States today. Viewing the preservation of its Qin-Han autocratic polity as its number one core interest, Beijing should treat the U.S. as its leading competitor and main external threat. In order to resist American influence and pressure, China must play its international power games better so to reduce American power and to replace Washington’s leadership, one step at a time. And enriching and empowering itself through mercantilist international competition is deemed as the key route. A two-pronged strategy is in practice: China pushes for economic globalization for its vital needs of foreign markets, resources, and technology. On the other hand, Beijing works hard and creatively to resist and replace American power wherever and whenever there is a chance under the general slogan of promoting state sovereignty and “multipolarity.” The U.S. is viewed as having “deeply structural and institutional” conflicts with China and Washington is working hard to “strangle” Beijing. As a new rising power, China should strive by all means to overpower the U.S. to accomplish a new round of power transition with the PRC as the victorious new leader.³⁰ “To reform the unfair,

29- Bijian Zheng, “Guanyu liyi huihedian he liyi gongtongti de rugan sikao [Some Thoughts on ‘Converging Points of Interests and Community of Interests’],” keynote speech at the 2012 Global Times Annual Conference, Beijing, December 17, 2011.

30- Peng Yuan, “Zhongguo yu xifang de jinzheng shi shen cengci de [Sino-Western Rivalry is Deeply Structured],” the 2012 Global Times Annual Conference, Beijing, December 17, 2011.

irrational, and unequal world order” is the mission of rising China.³¹

More sophisticated theorists argue that China could successfully rise up under the Westphalia system to win its inevitable “zero-sum game” against the United States by utilizing Western ideas and technology including democracy as a new kind superpower.³² If the problems that humanity is facing are not the fault of the current world order, then clearly they are the fault of the current leadership; the patient, better, and stronger PRC is waiting to assume this leadership in due time.

At the same time, the powerful tradition of Chinese politics and the deeply harbored Qin-Han *tianxia* worldview are also rising, often disguised as realism and patriotism. Precisely because of the development of a spectrum of diverse ideas and its implied consequence of undermining the one-party authoritarian regime, the CCP has been working hard in recent years to re-strengthen its traditional control of the Chinese mind. Like the many rulers before who fully appreciated the utility and benefits of the Qin-Han Confucian-Legalist polity, the CCP has now bent over to revive traditional Chinese ideas, in the name of rejuvenating Chinese civilization and upholding Chinese character. China’s strategy toward the U.S. is now increasingly influenced and even redefined by a statist dichotomy of “the universal world” versus “the special China.”³³

31- Shixiong Ni & Shuguang Zhao, “Guoji xingshi de bianhua yu shijia zhixu de chongjian [Changes of International Situations and the Reconstruction of World Order],” *Jilin University Journal*, Changchun, No. 1 (2010); Shuang Wang, “Pingheng, ronghe yu yingdao – shixi xion shijie zhixu chongjian zhong zhongguo de zuoyong [Balancing, Merging, and Leading—on China’s Role in the Reconstruction of a New World Order],” *Dangdai Yatai*, Beijing, No. 2 (2011).

32- Xuetong Yan, *et al.*, *Ancient Chinese Thought, Modern Chinese Power* (Princeton, NJ: Princeton University Press, 2011), pp. 99-100 & 219.

33- Biao Xiang, “Xunzhao yige xin shijie [Looking for a New World],” *Kaifang shi-*

Chief among the rise of Confucian-coated Legalist ideas of the imperial times, the *tianxia* idea has made a strong re-articulation. The *tianxia* idea is now taken as China's ideational weapon to resist and replace the dominant Western/American worldviews. Emphasizing the oneness, all-inclusiveness, centrality, and totality of the whole world, China should advocate a singular sociopolitical system and thought-system that cover and govern the whole world uniformly to ensure order and harmony and to maximize "world interests" and "world rights" rather than inherently divisive and conflicting individual human and national rights and interests. In this way, China will usher in a new, better, harmonious, and rational world order to reorganize and transform the whole world from a "bad world" to a "good world." The *tianxia* idea is "viewed as the prelude to a perfect world institution, it allows (us) to move forward to manage the whole world and achieve *tianxia* (order), or to retreat to (at least) safe-keep China in a chaotic world."³⁴ A dreamily superior *wangdao* (king's way or a Confucian benevolent son-of-heaven) ought to remake and replace, in China and the whole world, the "unethical Western" governance and order of democracy based on "inferior ways" of social contract, rule of law, and individual rights. The historical record edited by Confucius, *The Annals*, is the "Grand Charter" and "eternal law" for all human political activities.³⁵

dai [Opening Era], Beijing, No. 9 (2009); Jilin Xu, "Pushi wenming haishi zhongguo jiazhi? [Universal Civilization or Chinese Values?]," *Aisixiang.com*, Beijing, June 4, 2010.

34- Tingyang Zhao, *Tianxia tixi: shijie zhidu zhixue daolun* [Tianxia System: a Philosophical Discourse on a World Institution] (Nanjing: Jiangsu Education Press, 2005), pp. 24-5, i, 4-11, 13-5, 17 and 123-4.

35- Qing Jiang, "Wangdao zhengzhi shi dangjin zhongguo zhengzhi de fazhan fangxiang [Wangdao Politics is the Direction of Chinese Politics Today]," Jing Haifeng (ed.), *Chuangxing ji* [Collection of Firewood] (Beijing: University

While largely addressing the macro issue of world order, the revitalized Qin-Han *tianxia* idea has already started to affect China's strategy towards the United States by justifying Beijing's efforts of resisting, reducing, and replacing Washington. Not only American leadership but also the overall organizing principle of the current world order are questioned and challenged by the *tianxia* "alternative," a "better vision for the world."³⁶ Some further popularized a Sino-centric *tianxia* and its implied "inevitable civilizational showdown with the West," as a general puts it in his geo-strategic blueprint of capturing the "world island" of Eurasia and defeating the "American Empire."³⁷ A best-seller glorifies civilizational confrontation with the West and calls for brutal force and wolf-like spirit of predators as the way to rejuvenate the glories of the Han, Tang, Yuan, and Qing so to remodel China and the world.³⁸ China ought to repeat the success of the Qin – "to establish a new clean world modeled after Chinese ways and laws" that are the (superior and invincible) "way of the heaven versus the West's acting out of the (disastrous and undesirable) way of humans."³⁹

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Press, 2004); Qing Jiang, *Zhengzhi ruxue* [Political Confucianism] (Beijing: Sanlian Press, 2003); Qing Jiang, *Zailun zhengzhi ruxue* [Another Treatise on Political Confucianism] (Shanghai: Huadong Shida Press, 2011); Qing Jiang, "Wo suo lijie de ruxue [Confucianism as I Understand it]," *Rujia Zhongguo* [Confucian China] (September 11, 2004).

- 36- Yaqing Qin (ed.), *Guoji zhixu* [International Order] (New World Press, 2007); Fangyin Zhou, "Zhongguo de shijie zhixu lilun yu guoji zhiren [China's Understanding of the World Order and International Responsibility]," *Guoji jingji pinglun*, Beijing, No. 3 (2011).
- 37- Yazhou Liu, *Xibu lun* [Treatise on the West], 2004. Excerpt in *Fenghuang zhoukan* [Phoenix Weekly], Hong Kong, August 5, 2010.
- 38- Rong Jiang, *Lang tuteng* [Wolf Totem] (Wuhan: Changjiang Wenyi, 2004), pp. 378-401.
- 39- Yuzhong Qu, *Daofa zhongguo: 21 shiji zhonghua wenming de fuxing* [Ways and Laws of China: the Rejuvenation of Chinese Civilization in the 21st Century]

In short, the rejuvenated *tianxia* idea amounts to promoting the notion that the whole world should be united and governed like an orderly and harmonious family with layers and ranks under one centralized ruler, a benevolent dictator rather than the rule of law. It pretentiously repackages the long stagnation and despotism under the Chinese world order before the 19th century as China's alternative to the Westphalia system.⁴⁰

Chinese Policy towards the United States: Three R's in Steps

Essentially a reincarnation of the Qin-Han polity, the PRC has a core interest of tenaciously protecting its political system of a non-hereditary autocracy that is fundamentally at odds with the dominant political values and norms represented by the current international leader. It is truly ironic that the U.S.-led post-Cold War liberal world order has enabled China to be secure and prosperous as a nation; yet it constantly makes the PRC rulers fundamentally insecure and discontent because the institutional and normative incompatibilities created by the tradition and ideation of Chinese politics.

Like the past *tianxia* rulers, Beijing is compelled to accomplish the traditional mandate of heaven to seek survival and se-

and *Zhongguo zhengjiu shijie: yingdui renlei weiwei de zhongguo wenhua* [China Saves the World: Chinese Culture Deals with the Crisis of the Humanity] (Beijing: Central Bianyi Press, 2008 & 2010).

40- Fei-Ling Wang, "Heading off Fears of a Resurgent China," *International Herald Tribune*, April 21, 2006.

curity through constructing a new world-empire. Great power disparity between China and the U.S.-led West rendered that option difficult and dangerous as Mao's grand failures have shown. Still from the same imperial playbook, Beijing has to keep away, confront, and challenge American leadership in today's world and, ultimately, seek to replace Washington in order to reorder the world.⁴¹

Thus, the PRC has refused to be a full-fledged member of the post-Cold War world community by subscribing fully to its values and rules and by shouldering its proper share of obligations. The fearful yet wealthy Chinese leaders are rule-of-force Legalist (Realist) rulers with a great belief in sheer force and raw power. They continuously seek refuge in more power through extensive state monopolies, aggressive mercantilist policies, and steady military expansions. President Hu Jintao openly stated that the goal of China's development is to have a "Rich Country and Strong Army,"⁴² similar to the official national purpose of pre-World War II Japan, in order to safeguard CCP rule as China's top core interest, resist and deny American power, and replace American leadership, one step at a time.⁴³ Accordingly, the PLA (People's Liberation Army) has already been growing at a pace even faster than that of the red-hot Chinese economy for over two decades, with many expensive and blue-water capable and far-reaching military capabilities (such as anti-satellite ability, submarines, long distance missiles, and airplane carriers) being actively developed. Many have already noticed that Beijing is rapidly acquiring a military capability

41- Xilai Yu, "Shijie zhixu de sanzong jiegou [Three Structures of World Order]," *Zhanlue yu guanli* [Strategy and Management], Beijing, No. 2 (1998).

42- Jintao Hu, "Meeting the PLA Delegation," *Xinhua* & CCTV, Beijing, March 12, 2011.

43- Author's interviews of Chinese officials and scholars, 2011-12.

of the so-called A2-AD (Anti-Access and Area-Denial) in the West Pacific, especially in the East China Sea and the Yellow Sea.

In order to resist and reduce American power, Beijing sometimes pretends that there is already a *tianxia* system centered in the PRC by working creatively to create a “Chinese world” first through strikingly isolationist measures including propaganda wars and information control.⁴⁴ Even the supposedly integrated cyberspace has been carved along Chinese borders by the mighty Chinese Great Fire Wall. Beijing has also gone on the offensive ideologically by promoting a “Beijing Consensus” or “Chinese Model” as opposing the “Washington Consensus.”⁴⁵ The reducing and replacing efforts are observable in far away places in Africa, where Chinese money and influence have already directly delivered a blunt hit to the American power and leadership there.⁴⁶ *The Economist*, for example, already reports that China is now an external player, equal to if not more important than the United States, in the Sudan versus South Sudan conflict.⁴⁷

Nourished by the surging calls of the PRC statist nationalism or patriotism, rising Chinese power is already seen exercising a “new” leadership in East Asia as part of the overall strategic game with the United States. One example is the highly patronizing tone of President Hu Jintao’s letter of congratulation to Kim Jong-un for his succession in Pyongyang in 2012.⁴⁸ The heated Chinese dis-

44- Anne-Marie Brady, *China’s Thought Management* (London: Routledge, 2011).

45- “Jujiao zhongguo moshi [Focusing on China Model],” <<http://theory.people.com.cn/GB/40557/149513/index.html>>, last accessed May 2, 2012.

46- Author’s interviews with U.S. officials and diplomats, 2011-12.

47- “The Sudans at Loggerheads: Africa’s Next Big War?” *The Economist*, April 26, 2012.

48- Jintao Hu, “Congratulation Telegram to Comrade Kim Jong-un,” *PRC Foreign*

putes with Southeast Asian nations over the islets in the South China Sea and with Japan and Korea over rights in the Yellow Sea and East China Sea are also moves in the direction of replacing American power in the region through acquiring deference and submission based on fear, to be generated by achieving a power parity even superiority in the region versus the United States. An outspoken spokesman of the PLA openly declared in 2012 that the PRC must build up its military power as fast as it can to “make foes suffer and give friends goodies” and “only when we are not afraid of the United States anymore, other nations will then be afraid of us.”⁴⁹

For its neighbors, China’s three-R strategy and the related policies towards the United States offer short-term opportunities but spell long-term challenges. Beijing’s “united front” effort of resisting and reducing American power and influence creates wind-falls for regional nations in terms of preferential trade terms, direct financial gains and overall friendly accommodation. China has bent over, for example, to appease and court South Korea for that strategic purpose. Beijing’s effort in this regard has seen some clear successes such as in the most recent (2012) foreign ministers meeting of ASEAN, where the Southeast Asian nations for the first time ever in 45 years, failed to agree on a joint-communicué due to the disagreement between (Cambodia) and other members (the Philippines and Vietnam) about whether to mention the territorial disputes with China about the South China Sea.⁵⁰

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 Ministry, April 11, 2012. I am indebted to Thomas Christensen for this point.

49- PLA Navy Major General Yang Yi quoted in Liu Bin, *et al.*, “Sijujie ganbu de ‘shijie guan’ [Worldviews of the Bureau-level Officials],” *Nanfang zhoubao* [Southern Weekend], Guangzhou, April 27, 2012.

50- Sopheng Cheang, “ASEAN Fails to Reach Common Ground on China Row,” *AP* (Phnom Penh), July 13, 2012.

As speculated by many, in the long run especially, China's imperialist tradition in the region is likely to manifest itself further.⁵¹ And indeed Beijing has become increasingly assertive and demanding, felt most acutely by its neighboring nations.⁵² As some have already observed, Beijing is having its own version of the Monroe Doctrine and "war between China and America is far from inevitable."⁵³ The expected further tension in the U.S.-China rivalry is likely to force East Asian nations to take sides more explicitly and expensively down the road. One interesting and yet largely overlooked development is perhaps the success of the Shanghai Cooperation Organization (SCO) that China has helped to create and in which it has been very active.

In sum, China is now poised to continue to resist the U.S. tenaciously and innovatively and reduce and replace American power ever more effectively as its power grows for chiefly its political objective of regime survival and, increasingly, nationalist ambitions. This is perhaps a natural consequence associated with the rise of a new great power, as predicted by the power-transition theory and realist thinkers. The Sino-American rivalry may, hopefully, be kept as measured and largely virtuous competition between the world's two largest economies. However, given our understanding of China's reviving tradition of preference for world or-

51- Yuan-kang Wang, *Harmony and War: Confucian Culture and Chinese Power Politics* (New York, NY: Columbia University Press, 2010).

52- At the 2012 Global Times Annual Conference of "World Change, China Strategy" in Beijing, many of the three dozen speakers (leading officials, scholars, and analysts) have called for assertively "acting out selectively" especially in the neighborhood, December 17, 2011, author's interviews of officials and analysts in East Asia, 2011-12.

53- Steven Walt, "Dealing with a Chinese Monroe Doctrine," *The New York Times* (online), May 2, 2012.

der and after some critical steps of that three-R pursuit, determined by mostly Beijing's internal political logic and dynamics, as some Chinese intellectuals have already warned, Beijing's Qin-Han statism could easily go grossly wrong, leading the Chinese nation and the whole region, if not the whole world, into catastrophes just like Nazi Germany and Militarist Japan before.⁵⁴ Compared to that kind of negative scenario, a new Cold War might actually be more preferable, however undesirable and unfriendly it might be to China's many neighbors as they will be forced to expensively take sides. Only time will tell if this time the world will repeat the past or wisely create a brand new history of great power relations.

⁵⁴- Jilin Xu, "Jin shinian lai zhongguo guojia zhuyi sichao zhi pipan [A Critique of the Surge of Chinese Statism in the Last Ten Years]," *Aisixiang.com*, Beijing, July 6, 2011.

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6

China's Japan Policy
- Managing the Islands Dispute in a
Transitional Era

Yongtao Gui

The Sino-Japanese dispute over the Diaoyu Islands (called the Senkaku Islands in Japan) has escalated again since 2012. While China continued to urge the Japanese side to work together with China to bring the bilateral relationship back on the right track, the Chinese government and general public have shown a more resolute stance in dealing with the issue. What has caused such changes in China's Japan policy? This chapter tries to explore this question by first unraveling China's view on the islands dispute in the context of China's definition of its national interests, and then by discussing China's strategic assessment of Japan and the overall regional situation. The author argues that the changing domestic politics in both China and Japan and changing strategic structure in the Asia-Pacific region have posed various challenges for Sino-Japanese relations, and that China needs to search for more rational approaches in managing this difficult relationship.

The Diaoyu Islands Issue and the Evolving National Interests of China

The dispute over the Diaoyu Islands has been an issue in Sino-Japanese relations since 1971 when the United States, through the Okinawa Reversion Agreement, transferred the administration of the Diaoyu Islands to Japan, an illegal action that immediately invited protest from both the Chinese mainland and Taiwan. But since China and Japan normalized their diplomatic relationship in 1972, the two countries have managed to prevent the dispute from escalating into a major conflict and from affecting the overall situation of their relations. China's official position on this issue is

that the islands are China's territory and that China is willing to shelve the territorial dispute and engage in joint exploration of resources with Japan. In 2008, China and Japan declared their plan to jointly explore oil and gas resources in certain areas in the East China Sea, marking a positive trend towards the resolution of the issue. However, the ship collision incident near the islands in 2010 and the Japanese "nationalization" of the islands in 2012 caused unprecedented tension between the two countries and virtually paralyzed the negotiations on the issue. Although in both cases China continued to urge the Japanese side to control the situation collaboratively, as it always has done in the past, China also started to take countermeasures ranging from suspending high official exchanges to dispatching law enforcement ships to patrol the islands, which indicates changes in China's policy on the dispute.¹

What has caused the changes in China's policy? A simple answer is that the issue has carried greater weight in China's consideration of its national interests. Firstly, although the Chinese government has never explicitly specified that the Diaoyu Islands are included in the scope of China's "core interests," there are a number of signals in recent years that imply such a policy trend. For instance, during the 2010 diplomatic crisis caused by the ship collision incident, some media reported that China has upgraded the Diaoyu Islands and East China Sea issue to the level of "core interests".² In January 2012 the *People's Daily*, in response to the

1- A Chinese expert on Japan views this change as a shift from idealism to realism. Lifeng Jiang, "Diaoyudao Wenti yu zhongri guanxi [The Diaoyu Islands Issue and Sino-Japanese Relations]," *Riben Xuekan*, No. 5 (2012), p. 36.

2- Kobayashi Tetsu, "Chugoku, aratani higashi shinakai mo kakusinteki rieki [China Newly Includes East China Sea into Core Interests]," *The Asahishimbun Digital*, October 2, 2010, <<http://www.asahi.com/special/senkaku/TKY201010020217.html>>.

Japanese government's naming of some islets in the Diaoyu Islands, published an article condemning the Japanese act as "brazenly harming China's core interests."³ Chinese high officials, however, have been avoiding using this concept on specific issues in order to carry out prudent diplomacy. State Councilor Dai Bingguo is the only high official who publicly gives a definition to this term, which is firstly the safeguarding of the fundamental system and national security, secondly national sovereignty and territorial integrity, and thirdly sustainable and stable development of the economy and society.⁴ Since the Diaoyu Islands issue can be viewed as being included in the second category of territory-related "core interests," Chinese analysts and media tend to stress the importance of this issue by defining it as China's "core interests" whenever tensions heighten. Even Chinese Premier Wen Jiabao, in a meeting with his Japanese counterpart in May 2012, urged Japan to "faithfully respect China's core interests and major concerns" when reiterating China's principal position on issues related to Xinjiang and the Diaoyu Islands.⁵ As is known, when defining an issue as China's "core interests," the Chinese government is sending a clear message that it will allow no compromise in dealing with such an issue. Seen in this light, the significance of the Diaoyu Islands in

3- Sheng Zhong, "Zhongguo weihu lingtu zhuquan de yizhi burong shitan [China's Will to Safeguard Territory and Sovereignty is Not Allowed to be Tested]," *The People's Daily*, January 17, 2012.

4- Jing Li and Qingcai Wu, "Daibingguo: zhongguo de hexin liyi shishenme [Daibingguo: What is China's Core Interests]," *Chinanews*, July 29, 2009, <<http://www.chinanews.com.cn/gn/news/2009/07-29/1794984.shtml>>.

5- Zhanyi Yu, "Wen Jiabao huijian riben shouxiang chongshen diaoyudao deng wenti yuanye lichang [Wenji Bao Meets Japanese Prime Minister, Reiterates Principle Positions on the Diaoyu Islands Issue]," *Chinanews*, May 13, 2012, <<http://www.chinanews.com/gn/2012/05-13/3884480.shtml>>.

China's national interests has apparently increased, and it seems to be no longer an interest that can be sacrificed to maintain a friendly overall relationship.

Secondly, the Chinese government is increasingly under pressure from rising nationalism in China. Territorial issues such as the Diaoyu Islands dispute are most likely to flare up nationalistic sentiment. Also as a result of the recent prevalence of the Internet and smartphones in China, it has become impossible to control the spread of such sentiment. Large-scale demonstrations took place in both 2010 and 2012 in major Chinese cities, revealing tremendous public anger on Japanese provocations over the disputed islands. The Chinese activists who landed on the Diaoyu Islands in September 2012 were admired in China as national heroes. The issue has also become a headline and a topic in the mass media, arousing awareness of this problem among the general public and educating average people about the historical background of this issue. Some foreign political observers see the Chinese government as deliberately stirring up, controlling, and maneuvering nationalism to boost its own popularity. This kind of view is at best outdated, if not misleading. The Chinese government can no longer control public opinion in the information age, and nationalism at the grassroots level has become an independent force in China's foreign policy making process.⁶ An intensive interaction between the government and public opinion will characterize China's policy towards Japan and other major powers in the foreseeable future. A desirable outcome of this interaction is to cultivate more rational

⁶ Yongnian Zheng, "Yazhou minzuzhuyi yu quyuan anquan [Asian Nationalism and Regional Security]," author's blog, August 23, 2012, <http://www.caogen.com/blog/infor_detail.aspx?id=66&articleId=39681>.

responses to sensitive issues. But in the short term, the Chinese government will still have to strike a balance between meeting nationalistic demand and managing a peaceful and friendly international environment for domestic development.

Thirdly, the Diaoyu Islands dispute is directly linked to the delimitation of the Exclusive Economic Zone and Continental Shelf in the East China Sea, which involves a vast potential of natural resources. Although the two countries proposed a preliminary plan of joint exploration in the summer of 2008, further negotiations and implementation of the plan have since been suspended. Politics are obviously hampering the economy on this particular question. Should the two countries look at the dispute mainly from a business point of view and focus on economic benefit, it would have been much easier to work out some solution. But neither side is willing to pursue economic interests at the expense of sovereign rights. Under such circumstances, a generally stable and cooperative political relationship is needed to promote economic cooperation on this issue. China can hardly accept an arrangement that allows Japan to benefit from joint exploration of the resources in the East China Sea while continuing to assert the non-existence of territorial disputes over the Diaoyu Islands and rejecting negotiations with China on the issue.

Fourthly, the Diaoyu Islands issue is a point upon which the Chinese mainland and Taiwan have a consensus and common interests. Both sides across the Taiwan Strait agree that the Diaoyu (called Diaoyutai in Taiwan) islands belong to China and are part of Taiwan, and strongly oppose Japan's "nationalization" of the islands. Although Taiwan, constrained by its relations with Japan and the United States, is unlikely at the moment to unite with the mainland against Japan, public opinion in Taiwan is supporting a tougher

stance on this issue.⁷ Analysts on both sides of the strait and some local officials in Taiwan are urging cross-strait cooperation or at least coordination in winning back the islands.⁸

Finally, China also attaches strategic importance to the islands dispute with Japan. From the Chinese perspective Japan's recent islands disputes with China, South Korea and Russia reveal its attempt to negate the result of World War II, because these disputes, despite their differences, all have their origins in the aftermath of the war. A *People's Daily* editorial stressed that Japan's provocations over the disputed islands have exposed its intention to reverse the post-World War II arrangement of Japan and the international order of the Asia-Pacific region, and that the root cause of Japan's action is a lack of penitence for its aggression and colonialist past.⁹

In sum, the Diaoyu islands issue, if not carefully shelved by both the Chinese and Japanese governments, will inevitably emerge to be a highly emotionalized political, economic and strategic question. Although it is debatable whether China should burden this individual issue with so many loads, the reality is that the Chinese government has to bear all the above-mentioned factors in mind when making its policy.

7. Shiyan Xiao and Hong Liu, "Ma Yingjiu dui rimei tan diaoyudao: Wuyi lianshou dalu duikang riben [Ma Ying-jeou Speaks to Japanese Media: No Intention to Join the Mainland against Japan]," *People's Daily Online*, August 22, 2012, <<http://he.people.com.cn/GB/n/2012/0822/c192235-17390340.html>>.

8. Yaoyuan Lang, "Zhongguo ruhe qigao yizhao baowei diaoyudao [How Can China Prevail in Safeguarding the Diaoyu Islands]," *21ccom.net*, July 12, 2012, <http://www.21ccom.net/articles/qqsww/zlwj/article_2012071263628.html>.

9. Jiping Guo, "Zhongguo de diaoyudao qirong taren siyi 'maimai' [How Could Japan "Buy" China-owned Diaoyu Islands?]," *The People's Daily*, September 11, 2012.

China's Strategic Assessment of Japan and the Regional Situation

For the Chinese, a grave concern about Japan is the rise of right-wing forces in Japanese politics.¹⁰ In the past decade, the Sino-Japanese relationship has suffered from such problems as the repeated visits to the Yasukuni shrine by Prime Minister Koizumi Junichiro, the Japanese government's approval of revisionist history textbooks, Japanese politicians' denial of the Nanjing Massacre and other wartime atrocities, and the Diaoyu Islands dispute; all of which were partly or directly triggered by the right-wing forces. In the recent islands dispute, the governor of Tokyo, Ishihara Shintaro, aided by a number of extreme right-wing groups, fomented a wave of nationalist sentiment among the Japanese public, who would otherwise have little interest in those islands. Some Japanese media, including the *Yomiuri Shimbun*, supported Ishihara's plan to "purchase" the islands, creating a "China threat" atmosphere in public opinion. The central government failed to control the damage caused by such extreme right-wing movements, and finally followed suit to "purchase" the islands itself. There were indeed pro-Ishihara trends in both the ruling Democratic Party of Japan (DPJ) and the opposition Liberal Democratic Party (LDP). For instance, Ishihara's son, chief secretary of the LDP, has been advocating "nationalization" of the islands and stationing Self-Defense Forces on the islands for a long time. Maehara Seiji, the former party leader of DPJ, had also publicly

¹⁰- Jianzhong Lan, "'Goudao' naoju ciji ri jiduan minzuzhuyi taitou [The 'Islands Purchase' Farce Stirs up Extreme Nationalism in Japan]," *Xinhua*, September 12, 2012, <http://news.xinhuanet.com/world/2012-09/12/c_123703155_2.htm>.

proposed for a “nationalization” plan before the government made the formal decision. Under such domestic political circumstances, views in favor of a balanced policy towards China have been virtually silenced. A case in point is the change or dismissing of the Japanese ambassador to China, Niwa Uichiro, after he publicly criticized Ishihara’s islands purchasing plan. Hence, from the Chinese perspective, Japanese politics as a whole are heading in a rightist direction. Although the mainstream parties and politicians speak and act less radically than people like Ishihara, they may share similar political ideology and policy preferences. The elements that attempt to revise Japan’s “Peace Constitution” are seen to be rising again. Power struggles and elections within the DPJ and LDP and the general election intensify the populist and nationalist trend in Japanese politics, and give the right-wing groups more chances to maneuver for larger political influence. Chinese analysts suspect that if this trend continues to grow, it will inevitably poison Sino-Japanese relations as well as the regional stability.¹¹

From the Chinese perspective, the Japanese media and public opinion have recently also exerted some negative influence on Sino-Japanese relations by holding an emotional and biased view of China. This anti-Chinese undercurrent flows through the history of postwar Japanese politics, but has never come into the political mainstream since the diplomatic normalization between the two countries. One of the reasons why in recent years it has become so influential as to take the overall Sino-Japanese relationship hostage lies in the growing distrust of a rising China among the

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¹¹- Wei Li, “Ribei de guojia dingwei yu lishi fansi [Japan’s National Orientation and Self-reflection on the History Issue],” *Guoji Jingji Pinglun*, No. 4 (2012), p. 46.

Japanese public. As various opinion polls have shown, the image of China in Japan has been continuously deteriorating in the past decade.¹² The Japanese media's biased reports on the history-related demonstrations in 2005, the issue of poisoned dumplings imported from China in 2008, and many other negative aspects of contemporary China, are directly responsible for such public distrust of China. In 2010 the ship collision incident near the Diaoyu Islands even topped the ten biggest news headlines of that year. Since then the Japanese media has created a discourse that portrays Japan as the victim of Chinese power, which makes all discussion on China very sentimental. In 2012 a groundless accusation of spy activities of a Chinese diplomat in Japan became headlines in major Japanese media amidst already deteriorating Sino-Japanese relations over the islands dispute, which reveals a tendency in the Japanese media to cast aspersion on anything related to China. Against such backdrop, moderate views can hardly find their way in Japan while radical hardliners become increasingly popular.

Many Chinese analysts believe that one of the major sources of such distrust derives from the psychological impact of China's replacing Japan as the second largest economy in the world. Among Japanese political elites, the traditional idea of Sino-Japanese friendship has been widely negated and replaced by a new principle which emphasizes pursuing concrete interests. When Chinese leaders meet their Japanese counterparts and advocate the building of a "friendly" relationship, they are seldom reciprocated with the same words.¹³ The Chinese find that Japan is anxious to

12- Shiguang Cui, "Zhongri xianghu renshi de xianzhuang tezheng he keti [The Current Situation, Features and Problems in China-Japan Mutual Cognition]," *Riben Xuekan*, No. 6 (2011), p. 62.

strengthen its claims and interests in dealing with China for fear that it will have less leverage when being overwhelmed by Chinese power in the near future, and is therefore no longer satisfied with tolerating or shelving differences under the umbrella of friendship rhetoric.

Turning eyes from Japan's domestic politics and public opinion to its foreign policy, Chinese analysts think that Japan harbors ambitious strategic goals beyond the islands dispute itself when taking provocative actions in recent years. A typical Chinese interpretation of Japan's strategic goals regarding the Diaoyu Islands is firstly to advance Japan's position on the islands from its current control, to occupation and development, and eventually to sovereign ownership; secondly to break the restrictions of its peace constitution and transform Japan into a "normal state," that is, to become a political and military great power in the international arena; and thirdly to compete with China for leadership in geopolitics and regional affairs.¹⁴

Some Chinese experts perceive a series of collusive actions by Japan to achieve such goals. From the aspect of international politics, Japan, using the 2010 ship collision incident, first managed to get the United States to commit to applying the U.S.-Japan security treaty to the Diaoyu Islands, and then enhanced its aid to some Southeast Asian countries in their maritime disputes with China. In domestic politics, Japan first reset the agenda through the met-

13- Jing Qiu, "Zhanlue huhui guanxi' de dingwei: Zhongri bijiao de shijiao [The Definition of the "Strategic and Mutually Beneficial Relationship": Comparing China and Japan]," *Waijiao Pinglun*, No. 1 (2012), pp. 102-108.

14- Dong Ding, "Ribei weihe zaida 'diaoyudao pai' [Why Japan Plays Again the 'Diaoyu Islands Card']," author's blog, July 15, 2012, <<http://blog.huanqiu.com/84877/2012-07-16/2561384/>>.

ropolitan government of Tokyo's plan to "purchase" the islands so as to break the status quo of no development on the islands, and then mobilized territorial nationalism among the Japanese public by such advertising tactics as raising funds for the "purchasing" plan. The "nationalization" plan finally came out as no more than an effort on the part of the central government to restrict the allegedly uncontrollable consequences of the metropolitan government's islands "purchase."¹⁵ At the same time, a report without an identified source began to spread in the Japanese media, saying that the Chinese government had agreed to acquiesce to the "nationalization" and would not take strong countermeasures other than diplomatic protest as long as Japan's action is confined to "nationalization" itself.¹⁶

Another factor that naturally concerns China is the U.S. role in the Sino-Japanese relations and the broader Asia-Pacific region. On the Diaoyu Islands disputes, the U.S. government has repeatedly clarified that it does not take sides on the question of sovereignty, that the U.S.-Japan security treaty applies to the islands, and that it hopes the two sides resolve the issue peacefully. Although Japan has been interpreting this stance as U.S. commitment to helping Japan safeguard the islands, the Chinese side has a more sophisticated assessment of the U.S. interests in the region. In the first place, China acknowledges that it has always been a U.S. scheme to use territorial issues as a wedge to interfere in East Asian

15- Jianping Liu, "Zhongri guanxi haineng zaiyici kuayue weiji ma [Can the Sino-Japanese Relations Overcome Another Crisis]," *Nanfang Zhoumo*, August 30, 2012.

16- "Senkaku mondai de 'tainichi san joken' [Three Conditions on the Senkaku Islands Issue]," *Jiji News* (Beijing), August 28, 2012, <<http://www.jiji.com/jc/zc?k=201208/2012082800517>>.

affairs. In the early years of the Cold War, the United States used the Kuril Islands/Northern Territories dispute to estrange Japan from the Soviet Union. Similarly in the process of the Okinawa reversion, the United States drove a wedge between Japan and China by including the Diaoyu Islands into the reversion, which is seen by the Chinese as one of the root causes of the dispute. More recently caught in a predicament over the issue of relocating the Futenma base in Okinawa in 2010, the United States is seen to have deliberately flared up Japanese public sentiment on the Sino-Japanese ship collision incident, trying to demonstrate that the role of the U.S.-Japan alliance and the U.S. military presence in Okinawa is to assist Japan to protect those disputed islands. Also, similarly in 2012, when pushing through its plan to deploy the V-22 osprey aircraft to Japan against the will of Japanese public, the defense establishments in the United States and Japan found the Diaoyu Islands dispute and “China threat” theory a convenient excuse. In light of these historical and contemporary cases, the Chinese have reason to believe that the United States is exploiting the Sino-Japanese territorial dispute for its own strategic purposes, namely to rebalance its military posture towards Asia and to address the perceived “China threat.”¹⁷

Many Chinese analysts point out, however, that the U.S. aim is to maintain some degree of tension between China and Japan, but not to instigate a direct conflict between them, because it does not want to be entangled in such a conflict. This explains why U.S. high officials’ position changed from stirring up trouble to calming

17- Lan Gao, “Meiguo dui zhongri diaoyudao zhengduan de jieru qianxi [A Preliminary Analysis of the American Interference in the Sino-Japanese Diaoyu Islands Dispute],” *Riben Xuekan*, No. 2, pp. 56-60.

down the storm when the situation over the islands became really tense. In fact, there is a significant difference between the arrangements of the U.S.-Japan security treaty and that of the NATO Treaty. The former stipulates that if one party suffers armed attack, the other “would act to meet the common danger in accordance with its constitutional provisions and processes;” while the latter says that the parties will take forthwith action that is deemed necessary including the use of armed force. Put simply, under the U.S.-Japan security treaty, the U.S. forces will not automatically take action when Japan is attacked. Indeed both the United States and Japan know that Japan must defend its remote islands mainly on its own. Therefore, the United States simply uses the islands dispute to justify the strengthening of its alliance with Japan and the consolidation of its military bases in Japan, and would not allow Japan and China to have a real fight on this issue.

That being said, Chinese analysts do admit that the strategic goals of the United States and Japan largely match each other in the current geopolitical context. For the United States, Japan’s commitment to expanding its security role in the region is indispensable in order to enhance American clout, particularly when it is faced with the perceived threats posed by China’s rising military power and North Korea’s nuclear ambitions in an era of fiscal austerity and shrinking defense budget. For Japan, having the United States behind its back when confronting China on such security issues as territorial disputes will at least deter China from resorting to the use of force. After their first summit in 2012, President Obama and Prime Minister Noda declared that the two countries would develop Guam into “a strategic hub” and consider building joint training facilities there and on nearby islands. Against the background of the increasing U.S. military presence in Asia-Pacific countries such

as Australia, Singapore and the Philippines, Japan's eagerness to contribute to amplifying the U.S. regional role is surely to be welcomed by the Americans. For the part of the U.S., it also agreed to enhance cooperation between U.S. forces and Japanese Self-Defense Forces in early warning and surveillance activities over Okinawa and the southwestern islands of Japan.¹⁸ In this way, countering China's rising military power has become the central theme of the U.S.-Japan alliance, which naturally harms the security interests of China.

In response to such U.S.-Japan collusion and the U.S. using of the Diaoyu Islands dispute in its overall China strategy, the Chinese side took some military measures to show its cards to the United States. A high-ranking Chinese military officer made an unscheduled visit to the United States to clarify the Chinese military's position on the issue. In the meantime China conducted a couple of missile tests, including that of an intercontinental ballistic missile with multiple warheads that can be used to launch a nuclear attack on the American mainland.¹⁹

Another related strategic development is the American and Japanese involvement in the South China Sea. By insisting on its interests in the freedom of navigation around the area and criticizing China for its assertive actions, the United States clearly took the side of the Philippines and Vietnam against China, and attempted to align ASEAN against China. Japan, similarly, has conducted joint military exercises with Vietnam, and planned to provide the

18- Yuka Hayashi, "Japan's Premier to Pledge Expanded Role in Region," *The Wall Street Journal*, April 30, 2012, p. A9.

19- Litai Xue, "Diaoyudao zhengduan jiang zouxiang hechu? [Where is the Diaoyu Islands Dispute Heading?]," *Zaobao*, August 31, 2012, <http://www.zaobao.com/special/forum/pages8/forum_zp120831.shtml>.

Philippines with 12 patrol ships to reinforce its coast guard, both of which are actions with an explicit purpose of countering Chinese power. In fact Japan has in recent years signed a series of new security pacts with such Asian countries as Singapore, India, Vietnam and the Philippines to booster its regional defense relations. In the newly approved defense guidelines, Japan for the first time raised the notion of fostering security ties with its Asian neighbors.²⁰ From the Chinese point of view, these movements are nothing but an antagonistic policy aimed at encircling China.²¹

The strategic discussion in China also examines the implications of the changing balance of power among China, Japan and the United States. One question is whether Japan is declining or rising. Considering Japan's shrinking population and economy, many people in China and abroad believe that Japan's national power and international influence are undoubtedly going downward. But at the same time Japan is also reinforcing its defense capability in such areas as ballistic missile defense, remote islands defense, and force mobility, which has direct implications for China's security interests. The argument that Japan should turn the Self-Defense Force into a real military force and exercise the right to collective defense has been gaining ground in Japanese politics, which has convinced the Chinese that Japan is determined to assume a more proactive role in international security affairs. To some Chinese, if such a trend cannot be held back, Japanese "militarism"

20- Yoree Koh, "Japan the Challenge China on Security," *The Wall Street Journal*, November 19, 2011, <http://online.wsj.com/article/SB10001424052970204517204577043543713437020.html?mod=WSJAsia_hpp_LEFTTopStories>.

21- Xiaoguang Lin, "Ribei jiji jieru nanhai wenti de zhanlue yitu he zhengce zouxiang [The Strategic Intention and Policy Direction of Japan's Active Involvement in the South China Sea Issue]," *Heping yu Fazhan*, No. 2 (2012), pp. 56-58.

could resurrect and pose a grave threat to China.

Similarly China views the change in the U.S. hegemony as the starting point of the discussion when assessing the regional strategic environment. On the one hand, many Chinese analysts believe that U.S. power is in relative decline as a result of the damages caused by the Iraq War and the global financial crisis, which eases China's strategic pressure. On the other hand, the United States, aware of its fiscal restrictions, has enhanced relations with its allies and partners in the Asia-Pacific region to make up for its own limited resources. This has given Japan a chance to expand its role in the region while at the same time reinforcing its own defense capability in case the United States cannot mobilize enough resources to fulfill its security commitment to Japan. Therefore, from the Chinese perspective, a relative decline in the U.S. dominant position in the region will inevitably lead to the military rise of Japan, a scenario that does not necessarily serve China's strategic interests.

There are of course other scenarios, the most well-known of which is to build an East Asian Community. When Prime Minister Hatoyama Yukio took the initiative to push forward this community building agenda, many Chinese responded enthusiastically and foresaw a significant shift in Japan's foreign policy direction. As is known, Hatoyama completely failed in his ambition to reorient Japan; and his successor Kan Naoto virtually brought the DPJ back to the same alliance-centered foreign policy track which the LDP had followed for decades. Another recent effort is to promote regional integration in Northeast Asia through the negotiations of a China-Japan-South Korean trilateral free trade agreement. Although the three countries have agreed to start the negotiations in 2012, the process seems to lack momentum for the moment. While Japan

is still ambiguous on the question of whether to prioritize the negotiation of this trilateral agreement or participate in the U.S.-led multilateral free trade negotiations in the Asia-Pacific region, namely the Trans-Pacific Partnership (TPP), China and South Korea have started their bilateral free trade negotiations. A Chinese expert on Japan pointed out that even though Japan agreed to start the trilateral free trade negotiations and promoted some monetary cooperation with China, Japan was simply following its longtime policy towards China of separating economy from politics, and that the Chinese must throw away their illusion of Sino-Japanese friendship.²²

Meeting Challenges in a Transitional Period

Japan's "nationalization" of the Diaoyu Islands has triggered strong reactions from China. Some people are even prophesying a coming Sino-Japanese war. However, we must not lose sight of the whole picture of China's foreign policy and of Sino-Japanese relations. As Chinese Vice President Xi Jinping articulated in a speech in July 2012, China will continue to promote peace and stability in the Asia-Pacific region, will continue to appropriately handle differences and frictions with relevant countries, and will work together with these countries to maintain the overall situation of regional stability while firmly safeguarding its national sovereignty, security and territorial integrity.²³ Regarding Sino-Japanese rela-

22- Jianping Liu, "Zhongri xu zhuoshou 'diaoyudao shibian' de yufang waijiao [China and Japan Must Prepare for Preventive Diplomacy on a Diaoyu Islands Incident]," *Nanfang Zhoumo*, July 19, 2012.

23- Jinping Xi, "Xieshou hezuo gongtong weihe shijie heping yu anquan [Working

tions, Chinese leaders have on various occasions stressed the importance of peace, friendship and cooperation between the two countries. When receiving Japanese Prime Minister Noda in Beijing in December 2011, Chinese Premier Wen Jiabao said that China and Japan should stick to the road of peaceful coexistence, friendship for generations, mutual benefits and cooperation, and common development. He also said that China and Japan should be good neighbors and good partners, not adversaries.²⁴ President Hu Jintao, in his meeting with Noda during the same visit, also expressed that China would be willing to join together with Japan in promoting political mutual trust, expanding exchanges and cooperation, and opening a new phase of Sino-Japanese strategic and mutually beneficial relationship.²⁵ Even in the recent vehement criticism of Japan for its islands “purchase,” Chinese official denunciations of Japan all ended with a call on Japan to return to the right track of dialogue and negotiation and to maintain the overall situation of the bilateral relationship together with China. In short, the Chinese leadership and government are committed to building a cooperative relationship with Japan from a long-term and strategic perspective. The question for China is how to translate these general principles into concrete policies.

Firstly, China needs to rationalize the nationalistic elements in its society and develop a new model of making foreign policy by

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Together to Safeguard World Peace and Security],” *Xinhua*, July 7, 2012, <http://news.xinhuanet.com/politics/2012-07/07/c_112383083.htm>.

24- “Wen Jiabao yu riben shouxiang yetian jiayan juxing huitan [Wen Jiabao Talks with Japanese Prime Minister Noda Yoshihiko],” *Xinhua*, December 25, 2011, <http://news.xinhuanet.com/politics/2011-12/25/c_111298984.htm>.

25- “Hu Jintao huijian riben shouxiang yetian jiayan [Hu Jintao Meets Japanese Prime Minister Noda Yoshihiko],” *Xinhua*, December 26, 2011, <http://news.xinhuanet.com/world/2011-12/26/c_111305717.htm>.

properly incorporating public opinion. Nationalistic sentiment, admittedly, remains high among the Chinese public and flares up into radical actions on some occasions. Chinese nationalism is deeply rooted in history and cannot be tamed in the near future. Under the current circumstances the question for the public is how to express their views and feelings in a more rational and effective way, and the question for the government is how to safeguard national interests from a longer-term perspective.²⁶ The recent public response to the Diaoyu Islands dispute has shown a more open and healthier approach in this regard. People debate, for instance, on whether boycotting Japanese products is a proper way to express their opinions. And when the incident occurred in which the official car of the Japanese ambassador to Beijing was forced to halt by two vehicles and the Japanese flag was ripped off from the car, both Chinese high officials and average Chinese people denounced the act as irrational and illegal. When making foreign policy, China should not merely react to public pressure passively, but actively engage the public by more frequently exchanging views with average people through online discussion, public hearings, policy transparency, etc. Only in this way can China cultivate more rational public responses on foreign policy issues; and only in this way can China's Japan policy win support from the people.²⁷

Secondly, China needs to be patient in solving differences with Japan and looking forward to its long term strategic interests. It is true that Chinese power is rapidly growing and is surpassing

²⁶- Ze Lai, "Minzu zhuyi rechao hou de leng sikao [A Cool Thinking after the Upsurge of Nationalism]," *21ccom*, August 22, 2012, <<http://www.21ccom.net/articles/bzkd/2012/0821/66113.html>>.

²⁷- Jiang, "Diaoyudao Wenti yu zhongri guanxi [The Diaoyu Islands Issue and Sino-Japanese Relations]," p. 36.

that of Japan in various aspects. But economically China still lags far behind Japan in high technology and service sectors. The per capita GDP of China remains one tenth that of Japan. More importantly, the economies of the two countries have become increasingly interdependent. Their bilateral trade volume reached 344.9 billion dollars in 2011, hitting another historical high; and Japan's direct investment in China grew 49.6 % in the same year.²⁸ A deteriorating Sino-Japanese relationship is therefore not the interests of China. In the security field, Japan is seeking help from its ally the United States and is aligning with other Asian countries to counter China's influence. If China hastens into an all-out confrontation with Japan, the United States, Japan, and some other Asian countries will further reinforce their security ties and even create an Asian version of NATO that will definitely exacerbate China's difficult international environment.²⁹ China should be confident that time is on its side, and that China will be able to employ more and more resources to pursue its national interests vis-à-vis Japan and other countries.³⁰

Thirdly, China needs to learn more about the changing politics in Japan. During the first two decades after diplomatic normalization, there was a strong impetus to provide China with economic aid among political and economic pragmatists in Japan along with a sincere reflection of Japan's wartime history led by liberal in-

28- Statistics released by the Japan External Trade Organization (JETRO), <<http://www.jetro.go.jp/china/data/trade/>>.

29- Litai Xue, "Ruhe jiedu zhongri diaoyudao zhengduan [How to Interpret the Sino-Japanese Diaoyu Islands Dispute]," *Ifeng*, July 13, 2012, <http://news.ifeng.com/opinion/zhuanlan/xuelitai/detail_2012_07/13/16000439_0.shtml>.

30- Di Liu, "'3.11' hou de zhongri guanxi [The Sino-Japanese Relations after the 3.11 Earthquake]," *Xinmin Zhoukan*, No. 8 (2012), p. 23.

tellecuals and politicians, both supported by the general public. Since the 1990s, however, the above situation has changed. With both pragmatists and liberals losing their influence, Japan has been heading in a more conservative political direction. Given all the economic and social problems that Japan is facing, this trend will not be reversed in the short and medium term. In addition, with a continuous weak and frequently changing government, Japanese political leaders are more likely to resort to populism and nationalism. All these factors will raise risks in the management of the Sino-Japan relations. China should look for new approaches to engage such a less friendly Japan in the coming decades.

Finally, China should work toward building a stable and cooperative relationship with the United States in order to create a better environment for managing its relations with neighboring countries. If the U.S.-China strategic distrust³¹ cannot be properly addressed, other countries in the Asia-Pacific region will have to take sides between the United States and China. And in the current circumstances most countries will try to enhance economic relations with China while strengthening security ties with the United States, called by some analysts a hedging strategy. This will inevitably cause friction between China and its neighbors on security issues, from which China, Japan and other Asian countries will suffer, and the United States will benefit. Only a new arrangement of the U.S.-China relationship can change such a situation.

In sum, Chinese domestic politics, especially the interaction between the government and the general public, Japanese domes-

³¹- Kenneth Lieberthal and Jisi Wang, "Addressing U.S.-China Strategic Distrust," (March 2012), <<http://www.ciss.pku.edu.cn/en/DocumentViewForPublishInfo.aspx?id=845>>.

tic politics, and the overall strategic structure in the Asia-Pacific region are all fundamentally changing. In such a transitional period, tensions among relative countries will inevitably rise from time to time. What China and other countries must do is to avoid short-sighted and emotional responses and look into the long term future. Everyone must calm down and think about what is really good for the people and for the overall development of the region. Only from such a strategic point of view can China, Japan and other countries manage their relationships in this time of hardship.

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7

*China's Dilemma and its Policies
toward North Korea in the
Kim Jong-un Era*

*- Maintaining the Status Quo while
Managing a Difficult North Korea*

Ki-Hyun Lee

Introduction

In defining the relationship between China and North Korea (Democratic People's Republic of Korea, DPRK), generally there are two contradicting theses. One is that the two regimes are blood relatives united in brotherhood; in other words, bonded by a blood alliance. This is both right and wrong. The two have maintained a "lip and teeth relationship (唇亡齒寒)" relationship — a commonly used Chinese proverb which refers to solid, interdependent relationships — ideologically and geo-politically. Because the other's presence had been thus important, as the proverb implies, the condition for a so-called blood alliance is met. North Korea has maintained a political system similar to that of China and has shared strategic interests with China. Moreover, China not only shares similar memories of the Korean War with the North, but also has provided it with military support along with economic aid. Above all, through the Treaty of Friendship, Co-operation and Mutual Assistance, a military agreement between China and North Korea, the two powers have maintained a tight relationship. This treaty is comprised of an understanding that the two can engage in joint action in response to any external threat. With these facts in mind, their relationship can indeed be called a blood alliance. Nevertheless, in interpreting North Korea's nuclear weapons possession and the current missile crisis, whether or not the Sino-North Korea relationship is a blood alliance is still in question. This has led many scholars to doubt the above mentioned thesis. In terms of actual policies, mutual agreements have rarely been made.¹ Even if we say

1. You Ji, "China and North Korea: A Fragile Relationship of Strategic Convenience," *Journal of Contemporary China*, Vol. 10, No. 28 (2001), pp. 387-398.

that they have kept an amiable relationship, this has merely been the result of strategic interests as well as various other coinciding interests, and if these situations did not exist, their relationship would change into a relationship of conflict and confrontation.²

Another confounding thesis is that China has significant influence on North Korea. This thesis is also true but false. It is true considering that the relationship is between a powerful nation and a considerably weaker one, not to mention the high dependency of North Korea on China. However, North Korea's prioritization of its geopolitical security limits the influence China has over the North and also allows the North to maintain a certain degree of independence.³ North Korea has pursued its own line of conduct without China's consent or approval in its nuclear and missile tests, and such nuclear strategy itself is an extreme example of China's low influence over the North. Nonetheless, this alone is not enough to outright deny China's influence. First of all, North Korea's economy has always relied on China. Amid international

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- 2- Representative examples could be the period when North Korea and China had almost no exchange of greetings after the establishment of diplomatic ties between South Korea and China as well as China's sanctions on North Korea regarding North Korea's nuclear weapons and missile launch. Chang Hee Park, "Change in Geopolitical Interest and the Sino-North Korea Alliance Relations: Origin, Development, and Outlook," *Sino-Soviet Research Serial*, No. 113 (2007), pp.27-55; Jong Suk Lee, *Sino-North Korea Relationship: 1945-2000* (Seoul: Joongshim, 2000)
- 3- Yong Ho Kim, "Alliance Reliability and Latter Alliance Dilemma in an Asymmetrical Alliance: Focusing on Sino-North Korea Alliance and North Korea's Approach toward the US, Research on Unification Issues," No. 36 (2001), pp. 5-37; Samuel Kim and Tai Hwan Lee, "Chinese-North Korean Relations: Managing Asymmetrical Interdependence," Samuel Kim and Tai Hwan Lee (eds.), *North Korea and Northeast Asia* (Lahham: Rowman and Littlefield, 2002); Sukhee Han, "Alliance Fatigue amid Asymmetrical Interdependence: Sino-North Korea Relations in Flux," *The Korean Journal of Defense Analysis*, Vol. 16, No.1 (2004), pp. 155-179.

sanctions against the North during its nuclear provocations, China has kept providing aid directly and indirectly. As a matter of fact, North Korea so greatly relies on China's economy that the North Korean economy's survival is in the hands of the great Chinese economy. Also, despite domestic controversies regarding the abolition of the Treaty of Friendship, Co-operation and Mutual Assistance, which is still closely related to military cooperation, it still stands and is in effect. Moreover, regardless of its intentions, China has long been a guardian defending North Korea on major Northeast Asian security matters including military provocations. Thus, considering all this, if China does have intentions to stringently punish the North for its delinquency, it is certain that its influence over the North is bigger than that of any other country in the world.

Ultimately, the ambiguity of the Sino-North Korea relationship and China's influence over the North can be clarified by first understanding China's perception and interests regarding North Korea. Through this, we can understand as well as predict China's actions. The Kim Jong-un Era has newly emerged in North Korea. What are China's perceptions and strategies toward this new regime and what is its plan for setting the table in its relationship with the North? This question brings us back to the need of grasping China's strategic interests behind this relationship. This chapter is an analysis of China's perceptions and interests that lie beneath its strategic progress. It also aims to predict the future route of China's policy toward the Kim Jong-un regime.

The contents of this chapter are as follows. In relation to the question indicated in the introduction, section 2 analyzes China's perceptions and dilemma toward North Korea, and section 3 aims to provide a better understanding of China's selected strategies in its effort to solve the dilemma. The fourth section predicts Chinese

diplomatic strategies toward the North and how they will shape the relationship between the two based on China's past course of action. The last section is an overall conclusion of the chapter.

North Korea as a Difficult Counterpart and China's Dilemma Regarding North Korea

North Korea as a Counterpart

North Korea has been quite a burden for China. Despite a rather asymmetrical relationship between a more powerful country and a less powerful one, various limitations in China's control over North Korea's actions have been exposed. Firstly, throughout history, North Korea has procured comparative independence from China. After the Korean War, conditions were favorable for China in acquiring both influence and superiority over North Korea. However, in the August Sectarian Incident of 1956, North Korea purged pro-Chinese personnel within the country and eliminated any potential influence that China may have had on its internal affairs. China put forth diverse pressure toward such a daring trial, but scarred its reputation by eventually withdrawing the Chinese People's Army from North Korea in 1958.⁴ China's influence certainly did not cease to exist, but through these events, Kim Il-sung succeeded in securing considerable independence and an equally

4. For more information on this, refer to Jian Chen, "Limits of the Lips and Teeth' Alliance: A Historical Review of Chinese-North Korean Relations," *Asia Program Special Report*, No. 115 (September 2003), p. 7; Jong Suk Lee, *Sino-North Korea Relationship: 1945-2000* (Seoul: Joongshim, 2000), pp. 209-215.

strong voice at the negotiating table with China and the Soviet Union.⁵

Secondly, even amid economic crises, the North refused China's invitation to adopt perestroika and glasnost. North Korea's considerable independence within the socialist camp led to the North sticking to its own economic route different from that of China even in the post-Cold War era when China took a turn toward reform and globalization. China had hoped the North would take a similar turn, but instead, the latter criticized the former saying that China was an apostate and a traitor, having knelt before imperialism. Especially when China normalized its relationship with South Korea (Republic of Korea, ROK),⁶ North Korea practically cut off its relationship with China for almost 7 years (1992-1999) and intentionally increased economic and cultural exchanges with Taiwan,⁷ even though during this time, the North was suffering a major economic crisis also known as the "Arduous March." Furthermore, at the International Olympic Committee (IOC), it irritated China by lending no support for Beijing's bid to host the 2000 Olympics.⁸ Even now, China hopes that North Korea

5- For more information on North Korea's strategy of acquiring independency between China and the Soviet Union, refer to Myeong Hae Choi, *Sino-North Korea Alliance Relationship—A History of Uncomfortable Cohabitation*.

6- North Korea perceived the fall of Eastern Europe socialist bloc as a crisis and hoped for China, as an ideologically homeogenous country, to keep its socialist ideology and opposed to better relationship between China and the West.

7- Gregory J. Moore, "How North Korea Threatens China's Interest: Understanding Chinese Duplicity on the North Korean Nuclear Issue," *International Relations of the Asia-Pacific*, Vol. 8, No. 7 (2008), pp.1-29; International Crisis Group, "China and North Korea: Comrades Forever?" *Asia Report*, No. 112 (February 2006), p. 16.

8- Jian Chen, "Limits of the Lips and Teeth' Alliance: A Historical Review of Chinese-North Korean Relations," p. 9.

will follow China's lead and adopt perestroika and glasnost, but this hope has not yet become a reality.

Thirdly, North Korea threatens China. North Korea's independence from China is clearly reflected in the North's nuclear weapons and missile strategies. What today we often call the "nuclear crisis" came into full scale partly due to North Korea's antagonistic attitude toward South Korea and the United States and the need for negotiation with these two counterparts. Nevertheless, after witnessing the establishment of diplomatic ties between China and South Korea, North Korea's distrust toward China as an ally regarding national security also seems to have triggered the crisis. We must focus on the fact that North Korea's nuclear weapons development efforts were formed amid a security dilemma between the two socialist superpowers, China and the Soviet Union.⁹ As the fact that some Chinese scholars are concerned about the unpredictability of North Korean nuclear weapons that may target China shows, North Korea is also a regime posing nuclear threats to China.¹⁰

9- For more information on North Korea's alliance dilemma between the Sino-Soviet conflict, refer to Myeong Hae Choi, "North Korea's Dilemma toward China in the 1960s and Calculated Adventurism," *Collection of Treaties on International Politics*, 48th Edition, No. 3 (2008), pp. 119-148.

10- For a similar opinion, refer to Feng Zhu, "North Korea Nuclear Test and Cornered China." *PacNet CSIS*, No. 41 (June 1, 2009); Chaizen states that North Korea's nuclear possession is a clear damage to China's major interests. 蔡建, "朝核危机再起 中国如何应对," 『世界知识』 (September 2009), pp. 27-29; 张琰瑰, "安理会决议应该给朝鲜足够的压力," 『世界知识』, No. 22 (2006), p. 17; 詹德斌, "朝鲜已成中国战略包袱?," 环球时报(June 3, 2009). For an opposing view, that China will ultimately be able to solve the North Korean nuclear issue if it maintains amiable relationship with the North, refer to Changlin Wang, "The Tone of China's Policy Toward North Korea Must Not Change Just Because It Conducted Another Nuclear Test," *Huanqiu Shibao*, June 12, 2009. For information on a similar opinion, refer to Michael D. Swaine, "China's North Korea Dilemma." *China Leadership Monitor*, No. 30, p. 6.

Moreover, through military provocations with nuclear weapons and missiles, North Korea irritated the U.S. which made it easy to limit and exploit China's actions. Throughout history, there are numerous occasions when North Korea made use of China's actions to its benefit. The "Pueblo Incident" (1968) is a representative example. In this incident, a North Korean vessel captured a U.S. technical research ship near Wonsan Port in North Korea. In response, the U.S. Johnson Administration mobilized a large-scale military force in the East Sea consisting of aircraft carriers, destroyers, and more that were originally heading toward Vietnam. This formed a tense atmosphere in Northeast Asia.¹¹ The U.S. already burdened with the Vietnam War, ended the tension through negotiations, worried that the situation would develop into a full-scale war. During this process, North Korea succeeded in procuring China's wholehearted support. Also, North Korea was able to retrieve its amiable relationship with China which was at risk because of the Great Cultural Revolution within China and the strong criticism toward the North that followed. Similar cases are the sinking of the South Korean ship, Cheonan, and the bombing of Yeonpyeung Island in South Korea. Despite the undeniable evidence of North Korean provocation, China, in opposition to the South's wishes, maintained its vague standing, seemingly defending the North. Rather surprisingly, China strengthened political and economic cooperation with North Korea. This comes from acknowledging that China most likely considered U.S. aircraft carriers entering the seas around the Korean Peninsula in response to the North's military provocations as a threat. In the context of the

¹¹- "Pueblo and Poplar Trees" (March 2012), <chinawatch.co.kr>.

Cheonan incident, China lost more than it gained. That is, any investment in a peaceful rise was completely destroyed, which resulted in a deeper conflict with the U.S. and the reemergence of theories stating that China threatens nearby countries and more, not to mention the increase in the cost of managing North Korea's future provocations. Overall, North Korea has been quite a burden for China and the relationship between the two has always been uneasy. This precisely shows that China certainly has its limits in controlling North Korea's attitudes and policies.

China's Policy Dilemma Regarding the North

North Korea has not been just a burden but even a threat to China. In handling its relationship with such a troublesome regime, what dilemmas might China face?

Economic development has been of primary importance to China above any other matter. In pursuit of modernization, China rid itself of its image as a country of revolution and took the road toward globalization. The policy of reformation and openness (perestroika and glasnost) of China's reform group from Deng Xiaoping (邓小平) down admitted the contradictions of the original Chinese economic policy, which consisted of a solitary, planned economy, and sought to open up more to other nations and strengthen the functions of its market. "Deng Xiaoping Theory," which is also known by the famous quote, "as long as it catches mice, it's a good cat (黑猫白猫论)," precisely reflects China's pragmatism as well as China's "Getting Rich First (先富论)" mindset, which also conveys its urge to push its best efforts toward economic development.¹² In order to acquire economic development, China set its foreign diplomatic strategy keynote as *taoguangyan-*

ghui (韬光养晦), which means hide the light and wait for the right moment. In other words, China was determined not to clash with nearby and Western states before its national power reached a certain level. The fear that the absence of Western cooperation would obstruct its path toward economic development also played a role. Despite the worsened relationship between China and the U.S. after the Tiananmen Square protests (1989), China was determined to grasp onto the basis of perestroika and glasnost. This led to an improvement in its relationship with nearby nations and major powers besides the U.S. which ultimately helped China in overcoming the Tiananmen crisis and staying on its route toward perestroika and glasnost. The establishment of diplomatic ties between China and South Korea was also a result of China concluding that the recovery of a cooperative relationship between the two would be beneficial to its economy. China's firm stance in keeping its relationship with South Korea while being labeled as a traitor by its old ideological companion, North Korea, indicates that economic development has been of paramount importance to China.

By adopting economic modernization as a national priority for the last 30 years, China has achieved significant economic growth and now reigns as an economic superpower. In order to maintain its economic growth, it has concentrated on a domestic policy of national solidarity, integration and stability, and a diplomatic policy of international stability and peace near its borders.¹³

12- Ki-Hyun Lee, "Post Kim Jong-il Regime and China," *North Korea in Transition and Discussion on Unification* (Neulpoom, 2011), pp. 191-192.

13- China is racing toward its goal of achieving the economic competitiveness equivalent to that of developed countries by 2050. This is well shown in its political slogan of building a "Xiaokang (小康) [society consisting of a functional middle-class without worries about clothing, food, or housing]." 胡锦涛, "高举

The reason China prioritizes stability in Northeast Asia is that it exempts China from futile disputes, helps it focus on domestic politics and economic development, and makes it possible to maintain peaceful cooperation with major economic partners such as South Korea, Japan, and the U.S. Especially considering China's highly sensitive stage in development, if continuous economic development is not secured, there is no knowing when domestic contradictions will surface.¹⁴ Because of this, North Korea not engaging in provocations is the best scenario for China, but even if there were provocations, China definitely would not root for any threat to stability or an escalation of a clash between nearby states.

Nevertheless, China's hope has not prevented the North from posing a threat to the stability of nearby regions. Considering geopolitical reasons and the history of Northeast Asia, there has been a probability that North Korea's military provocations will destroy the peaceful status quo framework as well as bring forth the logic of the Cold War Era. For example, North Korea's long-range missile program and its nuclear weapons program have had a significant effect on China's primary national goal. China has worried that the North's missile and nuclear programs might evoke military intervention from the U.S. or other powerful states near China.¹⁵ Moreover, there has been the possibility of the U.S.' preemptive attack on North Korea's nuclear facilities, which may lead to a war on

中国特色社会主义伟大旗帜为夺取全面建设小康社会新胜利而奋斗。” 中国共产党第十七次全国代表大会报告 (October 2007).

14- Susan Shirk, *China: Fragile Superpower* (New York: Oxford University Press, 2007).

15- When North Korea successfully tested its nuclear weapons, China was worried that countries like the US or Japan would consider North Korea's complete disarmament or a direct attack on North Korea's Yongbyon nuclear complex.

the Korean Peninsula if North Korea responds to the attack. In this context, it would be inevitable for China to consider involvement in the war, risking stable economic growth. China refuses any U.S. military approach to Chinese borders, partly due to the memories of the Korean War. Also, North Korea's attempt to possess nuclear weapons could rearrange the power balance within the region. When North Korea announced its status as a nuclear power, the theory of nuclear armament emerged in South Korea and Japan, and concern rose that the theory might expand toward Taiwan.¹⁶ Even if this does not happen, actions toward a Northeast Asian military alliance under U.S. leadership are at least more likely to be formed and strengthened.

With this in mind, applying sanctions against North Korea, a country that poses a threat to China's primary goal and incites instability throughout the region, is an easy choice for China. However, this is not an easy solution after all—for several reasons. First, China's strong sanctions toward North Korea could result in the North's instability or even an outright collapse of the regime. The fall of the regime is China's nightmare, because the instability of the North Korean regime will lead to a mass inflow of refugees to China. Many ethnic Koreans reside in the northeastern Chinese region close to North Korea, so the people there share strong national and cultural homogeneity. If a large number of North Korean refu-

16- You Ji, "Understanding China's North Korea Policy," *China Brief*, Vol. 4, No. 5 (March 2004). In opposition to North Korean nukes and missile launch, states nearby China had once strongly urged for a revision of nuclear armament or long-range missile plans. Apt examples are: (1) The 1998 Taepodong missile launch being the major reason behind Japan joining the US' missile defense system (2) Provoking Japan's statement of nuclear armament (3) Provoking South Korea's statement of nuclear armament. For more information, refer to Moore, "How North Korea Threatens," pp. 14-15.

gees cross the border into China, there is a high possibility that it will create an atmosphere desiring independence among ethnic minorities as well as social instability. The economic and social cost of effectively handling such a situation would be huge and would certainly interfere with China's current economic growth.¹⁷ Moreover, the collapse of or any sudden change in the North Korean regime would inevitably lead to high expenses, not to mention U.S. intervention following the collapse intending to regulate and contain nuclear and chemical weapons usage. Thus, China's concerns seem understandable.¹⁸

Second, China can do nothing but worry about its strategic policies concerning U.S. containment. China has always determined its policies toward the Korean Peninsula within a broad framework of its Northeast Asia security strategy. The focus of Chinese diplomatic security strategies is preventing the United States' unilateral leadership from taking over Northeast Asia. Consequently, China is nervous about solidifying a military alliance with the U.S. and its containment measures toward China's rise. When China's rise first got into its stride, the flow of U.S. containment toward China within Northeast Asia also rose. Amid this, North Korea's strategic value as a buffer zone was undoubtedly raised.

Third, when China joined the international community, it was faced with a dilemma regarding its roles and responsibilities as a member. Even if the U.S. strengthens its containment policy

17- In case of South Korea, the cost of unification is seen as an obvious expense, but in the case of China, it feels reluctant toward paying an increasing cost that it has no obligation to.

18- In reality, the US' major reports have brought forth the necessity of U.S. troops' presence in North Korea if there is a sudden concern in North Korea's nuclear material and its weapons of mass destruction. "Preparing for Sudden Change in North Korea," *CFR Council Special Report*, No. 42 (January 2009).

against China's rise, China's primary goal is still a stable Northeast Asia, for the sake of its economic growth. Therefore, it strategically best suits China to maintain a cooperative relationship with the U.S. and avoid unnecessary conflicts. From China's standpoint, it has no chance of winning the hegemonic competition against the U.S., a country superior to China in both the economic and military sectors. Such competition also could spread the "China threatens nearby countries" theory once again. With regard to all this, China acknowledged the U.S. as a "manager" within the Northeast Asian region and tried to minimize restraint of surrounding states against its rise through the "seonrinwooho (good neighbor friendship) policy." For this, the Hu Jintao (胡锦涛) Administration accentuated China's "peaceful rise" or "development with respect to peace" by pushing forth theories like "rising in peace (和平崛起)" and "peaceful development (和平发展)." China also put forth the "responsible superpower theory" which infers that it will be a responsible member of the international community. China has actually strived to improve its image in the international community, and displayed its excellent development model as well as its image as a responsible superpower by joining the WTO, hosting the Olympics, and more. Also, China has been strengthening economic cooperation as well as cultural diplomacy and public diplomacy with the rest of the world, including the ASEAN member states and mid-Asian countries. Moreover, China's major trading partners, South Korea, the U.S., and Japan, are all vulnerable to the crises originating from North Korea. In this sense, an image as a protector of North Korea is of no benefit to China. Thus, in dealing with North Korea's provocations and solving problems related to North Korea, China faces a dilemma because it has to take on an active role in the international community.

Ultimately, China's dilemma in its strategy toward the North is that of maintaining the status quo. Stability on the Korean Peninsula, which is geographically proximate to China, is absolutely necessary for a stable development of the Chinese economy. However, because North Korea uses extremely risky militaristic strategy in order to overcome the crisis the regime is going through, which is directly related to its survival, it attempts to break down the status quo. In the short term, such an attempt can encourage neighboring nations to increase their military strength and build up an alliance system under the leadership of the U.S. This then could escalate into containment against China's rise. If China deters North Korea's misconduct, the North's strategic value as a geographical buffer zone could be on the line, and strong sanctions could, at worst, provoke North Korean instability (flow of North Korean refugees, collapse of the North Korean regime) and sudden actions (spread of warfare).¹⁹ Consequently, China's efforts in maintaining the status quo will inevitably be obstructed because of possible instability in the Chinese economy and the Northeast Asian region.

China's Strategy of Maintaining the Status Quo and Balance

No Nukes

North Korean nuclear weapons have been quite a heavy bur-

¹⁹- Samuel S. Kim, "China and North Korea in a Changing World," *Asia Program Special Report* (2003), p. 12.

den on China. Chinese experts on the Korean Peninsula all agree that North Korea's nuclear armament is definitely not acceptable.²⁰ The stance of the Chinese government has also been clear. China emphasizes denuclearization of the Korean Peninsula among its principles related to North Korea (peace and stability on the Korean Peninsula, denuclearization of the Korean Peninsula, and peaceful resolution through dialogue) and has clearly opposed North Korea's development and possession of nuclear capabilities. Nevertheless, for China, because peace and stability on the Korean Peninsula is a prerequisite to stability in the Northeast Asian region—for the sake of its economic development—it does not wish for the North Korean nuclear problem to be solved forcibly. Moreover, since it does not want direct U.S. intervention in the Korean Peninsula or any friction with the U.S. on this issue, China intends to manage the uncertainty and instability of the North Korean nuclear problem through compromising with the U.S.

During the first nuclear crisis in 1990, China was struggling to improve its relationship with Western nations, especially the U.S., because of the Tiananmen Square protests of 1989. In consideration of such circumstances, China did not exercise its veto right on the adoption of the IAEA's UN Security Council Resolution and Presidential Statement, and by waiving its voting right instead, avoided direct confrontation with the U.S.. In addition, North Korean leverage was weakened by the establishment of Sino-South Korea diplomatic ties that cooled off the relationship between China and North Korea. China simply continued to insist on the

²⁰ A number of Chinese scholars show such stance in their papers. Representative of such papers: 阎学通, “东亚和平的基础,” *国际政治与国际关系*, No. 3 (2004), pp. 8-15; “时殷弘, 朝鲜核危机: 历史, 现状与可能前景,” *教学与研究*, No. 2 (2004), pp. 56-58; 楚树龙, “东北亚战略形势与中国,” *现代国际关系*, No. 1 (2012).

general rule of dialogue among the states concerned, restraining itself from close involvement in the North Korean nuclear issue, and rooted for reaching an agreement with the U.S. The general opinion is that, during these times, China was relatively passive and even seemed like a spectator. Nevertheless, as the possibility of a military clash on the Korean Peninsula rose with U.S. direct intervention, China put high pressure on North Korea which in a way contributed to the establishment of the Geneva Agreed Framework (10/21/1994).²¹

Chinese policies toward North Korea turned into more active intervention in the 21st century compared to the first nuclear crisis. The Chinese administration concluded that taking up an active role as an arbitrator in the North Korean nuclear issue is important in solving the problems. When faced with the second nuclear crisis, China intervened right from the start by suggesting the North Korea-US-China three party talks which, with China's efforts, expanded to the six party talks afterward.²² The reason for such an active stance on the part of China is that the second North Korean nuclear crisis started at a similar time as the advent of the Hu Jintao regime. Hu Jintao's policies toward North Korea were based on three principles in dealing with the North Korean nuclear armament: peace and stability on the Korean Peninsula, denuclearization of the Korean Peninsula, and peaceful resolution through dialogue, but accentuated a more active role and responsibility of China.²³ This is firstly related to Hu Jintao's change in diplomatic

21- Heung Kyu Kim, "Sino-U.S. Relationship and the North Korean Issue amid Changes in the 21st Century," *South Korea and International Politics*, Vol. 27, No. 1 (2011), pp. 213-245.

22- Joseph Kahn, "China Offers its Help in US-North Korea Nuclear Talks," *The New York Times*, April 24, 2003.

policies. He valued *taoguangyanghui* (hide the light and wait for the right moment), but also started to emphasize the “responsible superpower theory (責任大國)” which underscored China’s role and responsibility in the international community and the *yousuozuo-wei* (有所作为) value, which means “participate actively and act as you desire.”

Secondly, it is related to the change in relations with the U.S.. The early George W. Bush Administration assumed China to be a potential challenge as well as a strategic competitor and designated North Korea as part of an axis of evil, along with Iran and Iraq. According to the Nuclear Posture Review, the U.S. listed China and North Korea as possible targets of U.S. preemptive attack and mentioned that the U.S. might use its nuclear weapons if North Korea attacks South Korea or if a dispute arises on the Taiwan Strait.²⁴ However, a change in the Sino-American relationship was sensed after the 9/11 terrorist attacks in 2001. In the case of the U.S., assistance from China, a permanent member of the United Nations Security Council, was indispensable in eradicating terrorism. In the case of China, improvement in the relationship with the U.S. was in line with its national strategy of economic development with the basis of a stable international atmosphere.²⁵ Amid all this, the Sino-American relationship showed practical progress and China’s perception and response toward the North Korean nuclear issue also

23- About China’s policy line toward North Korea, refer to Heung Ho Moon, “China’s Basic Perception on and Policy Line toward the North Korean Issue,” *Sino-Soviet Research*, Vol. 27, No. 3 (2003).

24- Department of Defense, *Quadrennial Defense Review* (September 2001), p. 4.

25- For progress in Sino-US relationship after the 911 terrorist attacks, refer to Jonathan D. Pollack, “Chinese Security in the Post-11 September World: Implication for Asia and the Pacific,” *Asia-Pacific Review*, Vol. 9, No. 2 (2002), pp. 19-20.

started to become more active. In this flow of events, China had actually enacted a practical warning-like restraining measure toward North Korea. For example, in February of 2003, China temporarily cut off its oil pipeline and blocked the oil supply to North Korea and even extracted words from parts of the Treaty of Friendship, Co-operation and Mutual Assistance where it mentions the military alliance.²⁶ China's firm stance became even more active when North Korea decisively executed its first nuclear experiment despite China's disagreement. Cooperating with the U.S., China agreed to the adoption of UNSC Resolution 1718, which sought to restrain North Korea. This decision on the part of China was considerably bold. It was basically a statement saying that China can take a rather active restraining stance instead of the arbitrator role like before. In a similar vein, China has used the word "brazen" (悍然), strong diplomatic vocabulary, in criticizing the North's nuclear experiments. Also, at that time, China even construed "chocopies" (a popular South Korea snack) given to North Korea as luxury items.²⁷ This shows China's activeness in its restraining measures toward North Korea. In 2009, a representative of the Chinese Embassy emphasized that the relationship between China and the North was of the same, normal nature like its relationship with any other nation in the world, and then agreed to UN Resolution 1874, another restraining measure toward the North.²⁸

26- 沈骥如, "维护东北亚安全的当务之急: 制止朝核问题上的危险博弈," 『世界经济与政治』, No. 9 (2003).

27- China had taken a firm stance in the past also, such as halting oil transfers to North Korea. Heung Kyu Kim, "Sino-U.S. Relationship," p. 229.

28- 中国外交部发言人记者会 (June 2, 2009), <<http://www.fmprc.gov.cn>>.

Maintaining Status Quo and Balance

However, Beijing has constantly used its best efforts to keep a balanced stance in the North Korean crisis. China has accentuated that authorities related to the oil pipeline have to remain calm and in control as well as refrain from actions that may intensify tensions, and solve the problem through peaceful means such as dialogue and negotiation. In other words, China was making a statement: “We wish to strongly criticize North Korea for its provocations while prioritizing peace and stability on the Korean Peninsula, and, we prefer peace and dialogue over the use of force and want to avoid the situation worsening in a unilateral way and avoid heightening of conflict.” Because from China’s point of view, if the North Korean problem ignites U.S. intervention on the Korean Peninsula and forms an alliance system under U.S. leadership, this could also break the status quo in Northeast Asia. Therefore, China has kept utilizing North Korea’s strategic and geopolitical value. Especially in the Sino-American relationship, a pattern of using North Korea as a strategic buffer zone has been more visible when the U.S. containment policy toward China has been strengthened.

First of all, signs of U.S. containment toward China’s rise in 1990 brought out China’s efforts to rebuild the Sino-North Korean relationship which became estranged after the establishment of Sino-South Korean bilateral ties. In 1997, the U.S.-Japan alliance and containment measures toward China were strengthened; the U.S. and Japan agreed upon a “defense guideline” which stated that the two countries will engage in joint action to tackle emergencies in the Northeast Asian region. Moreover, as the U.S. raised China’s concerns over U.S. policy toward it—mistakenly bombing the Chinese Embassy during the Kosovo War in 1999 and the U.S.

Congress bringing up suspicions that China stole nuclear technology—China actively sought out recovery of the Sino-North Korean relationship.²⁹ The Bush Administration's unilateral diplomacy made matters worse, increasing threats to Chinese national security, which accelerated the recovery of the relationship between China and North Korea.

Secondly, these are some Chinese actions harboring the North. There are more recent events after the Cheonan incident. It was in 2007, when the U.S. credit crunch spread the financial crisis and China's rise relatively sped up, that China started to evaluate North Korea's strategic value. Furthermore, as China began to seek its interests within the region through overall military buildup and strengthening measures such as in the navy and air force, the intersection of interests between China and the U.S. broadened within the Northeast Asian region. This brought forth the United States' active re-management of East Asia. The U.S. designated China as a potential challenge and expanded its engagement policy toward it and its reassurance policy toward East Asian allies, starting a full-fledged containment policy toward China. Amid all this, the conflict between the U.S. and China aggravated the entire defense area and the Cheonan ship sinking incident occurred. Moreover, after the Cheonan incident, other occurrences that ignited the conflict against China continued to arise: the solidified military alliance between South Korea and the U.S. as well as the U.S. and Japan, the U.S.' warning toward China regarding expansion in the South China Sea, the approval of military arms sales to Taiwan, the conflict between China and Japan over the Diaoyudao Islands (釣魚

29. Ki-Hyun Lee, "China's Policy toward North Korea and the Dynamics of Sino-North Korea Alliance," *JPI Policy Forum* (May 2011), p. 7.

島, Senkaku Islands in Japanese), the currency war targeting China, and Liu Xiaobo being awarded the Nobel Peace Prize. This string of events led China to think that these occurrences obstruct the rise of China and that a defense frame under U.S. leadership blockades China from the rest of Northeast Asia.³⁰ Thus, based on the strategic decision that it would not respond to the problems within the U.S. defense framework, China evoked North Korea's strategic value and provided North Korea with political and economic benefits.

These two cases reflect well the fact that China made use of North Korea's strategic value with regard to maintaining the status quo and balance in dealing with U.S. containment policies. We can also perceive, from this, that China surely wishes to keep cooperation with the U.S. for the sake of its economy's stable development, yet it strongly refuses the United States unilateral breaking the current order. From this point of view, North Korea's survival is a necessity for China whether or not it adopts perestroika and glasnost or proceeds with a third generation hereditary succession of power.³¹ This is why China constantly gave economic aid to North Korea, helping the maintenance of the regime even though the North ran counter to the current flow of perestroika and glasnost.³²

30- *Ibid.*, pp. 8-9

31- Shambaugh states that China's strategic goals are as follows in order of prior importance; first is the survival of the North Korean regime, second is North Korea's reform, third is development of the Sino-South Korea relationship, fourth is unification between the two Koreas, and last, restraining North Korea's development of WMD, weapons of mass destruction. David Shambaugh, "China and the Korean Peninsula: Playing for the Long Term," *The Washington Quarterly* (Spring 2003), pp. 43-56.

32- Of course, China made attempts to transform the friendly economic relationship to a normal economic relationship. For research that asserts a change in Sino-North Korea relationship from a traditional blood alliance to a normal relationship between two nations after the establishment of diplomatic ties between South Korea and China, refer to Taeho Kim, "Strategic Relations be-

Some analysts thought of China's strong criticism and statements toward North Korea as a shift in China's policy toward it, but it is hard to say that there was a significant shift in the basic principle of Beijing maintaining its relationship with Pyongyang in the long run. It seems as if China is strongly censuring North Korea and seizing normalization of relations between the two countries, but actually it has played a major role in keeping up the North Korean regime. Although there are no disclosed statistics on Chinese aid to North Korea, it is assumed that about one quarter to a third of China's entire foreign aid is directed toward the North. Until the mid-90s, three quarters of North Korea's oil and food imports were from China and even after 2000, a considerable amount of oil and food has come from China.³³ Economic cooperation between the two also has broadened. During the second North Korean nuclear crisis (2003-2004), the Chinese central government encouraged Chinese industries to invest in North Korea, and as a result, Chinese investment in North Korea increased more than 10 times over.³⁴ Later, even after the two North Korean nuclear tests, the trade volume between China and North Korea continued to expand. North Korea's dependency on China's economy has also increased. China accounted for about 38.9% of North Korea's entire foreign trade in 2005 but grew even more to 57% in

tween Beijing and Pyongyang," James F. Lilley and David Shambaugh (eds.), *China's Military Faces the Future* (New York: Almonk, 1999); Tom Hart, "The PRC-DPRK Rapprochement and China's Dilemma in Korea," *Asian Perspective*, Vol. 25, No. 3 (2001).

33- Samuel S. Kim, "China and North Korea in a Changing World," *Asia Program Special Report* (2003), p. 11-17.

34- Jae Cheol Kim, "The Political Economy of Chinese Investment in North Korea: A Preliminary Assessment," *Asian Survey*, Vol. 46, No. 6 (November/December 2006), pp. 898-916 (898-899).

2010.³⁵ From observing this process, we can see that China has been deeply involved in the survival of the North Korean regime and has played a major role both directly and indirectly.

China's Policy toward North Korea in the Kim Jong-un Era

The Unchanging Structure of Strategic Interests

The Kim Jong-un era has begun in North Korea. What policies will China pursue toward Kim Jong-un's North Korean regime in the future? We should first examine whether Kim Jong-un's rise in power will bring about change to the structure of China's strategic interests or not. A country's strategic actions are based on its interests, thus, we have to comprehend the changes in China's interests in order to predict its future actions. Long story short, there have been no significant changes in Chinese strategic interests from the Kim Jong-il era to the Kim Jong-un era of today. First of all, China still regards economic development as its most significant value. China now stands at a crossroads of transition in its path toward economic growth from an export-based method to a domestic demand-based method. Simultaneously, it faces the immense wall of the global financial crisis and is pressured to focus more on procuring stable economic growth. In domestic politics, the importance of peace and stability in nearby regions increased with the

³⁵- Byeong Gon Choun, "Sino-North Korea Relationship after Kim Jung il: Consistency and Change," *The 21st Anniversary of the Korea Institute for National Unification Conference Presentation Collection* (2012), p. 67.

visible lame duck effect before the establishment of the fifth generation leadership as well as the dispute over power in the next administration (as shown in the Bo Xilai incident). Secondly, a general structure of cooperation is being formed between the U.S. and China, but after the United States' so called "return" to East Asia, conflicts regarding the adjustment of the intersection of interest between the two constantly emerge. The flames of conflict that rose in 2010, including the Cheonan sinking, have yet to be entirely put out. Disputes over economic issues between the two still exist and a hegemonic conflict is still ongoing. Of course, an agreement was made on preventing deeper tensions by sensing the possibility of an offensive U.S.-China clash on the Korean Peninsula and the South China Sea. However, it is inaccurate to say that the strategic value of North Korea to China has decreased considerably in setting this relationship with the U.S.. Considering the gradual progress of U.S. military alliance buildup, plans for a South Korean-U.S.-Japan unified military training,³⁶ and expansion of China-Russia military cooperation, it is more likely that North Korea will become of a higher geopolitical value. Thirdly, North Korea's instability and uncertainty has increased since the Kim Jong-il era. Many Chinese scholars state that the North Korean inner power structure is stable, but it largely reflects the hopeful thinking China has toward North Korea's stability.³⁷ North Korea has a new leader, but uneasiness regarding the stability of Kim Jong-un's power per-

36- "Plans for a First-Ever South Korea-US-Japan Unified Military Training on the Way," *JoongAng Daily*, May 9, 2012.

37- At the Korea Institute for National Unification's visit to China Seminar (April 2012), a number of experts on the Korean Peninsula said North Korea is very stable, but did not deny that China is pushing stronger efforts for the prevention of North Korea's additional nuclear test.

sists and signs of inner reform are still opaque. Moreover, it seemed that a peaceful atmosphere had been created through the agreement on February 29, 2012 between North Korea and the U.S., but the North ultimately executed its long range ballistic missile test and received international criticism. This is an apt example of North Korea's instability and uncertainty.

In this sense, there are no significant changes to China's strategic interests in relation to North Korean issues compared to the past. In order to promote economic development and tackle issues in domestic politics, China needs a more stable atmosphere, the United States' containment toward China's rise is also still in progress, and North Korea's uncertainty has continued to grow.

Consistency and Transition in China's Policy toward North Korea

From observing the structure of its strategic interests, we can predict that China will maintain consistency in its policies toward North Korea instead of undergoing change. That is, it will most likely prioritize North Korea's stability and peace on the Korean Peninsula, pursue peaceful solutions to the North Korean nuclear issue, and, despite placing huge pressure upon North Korea on the surface, keep its engagement basis as well as strategically stick to providing economic aid and cooperation to the North underneath. Such basic policy structure toward North Korea has been evident ever since the second nuclear test in 2009. In this matter, China decided to differentiate the North Korean nuclear issue from the North Korean issue as a whole and set its focus on the latter. In other words, as the North Korean nuclear problem has intensified, China, rather, has pushed it back and deemed it less important. This decision seems to be based on a realistic thinking that the

probability of North Korea surrendering to outer powers and giving up its nuclear weapons is very low.³⁸ In addition, the lessons from its relationship with the North must have made China consider the consequences of pressuring and isolating North Korea, which will provoke North Korean resistance, and the related possibility of the Korean Peninsula becoming more unstable. Furthermore, China's burden became heavier with regard to the crisis and collapse of the North Korean regime amid rumors of Kim Jong-il's ailing health and the joint action of South Korea, the U.S., and Japan pressuring the North. In order to prevent a crack in its policy for maintaining the status quo on the Korean Peninsula by a shaking North Korean regime, China chose to expand its North Korean influence and persuade a step by step adoption of perestroika and glasnost through strengthening its relationship with the North in a medium to long term perspective.

Because of this, China had already accepted Kim Jong-un's inheritance of power even before the death of Kim Jong-il, and provided support for the settlement of the early Kim Jong-un Administration. After the Cheonan sinking, China solidified political and economic exchange with the North as well as accentuated amity between the two states, and in 2011, practically accepted Kim Jong-un's power inheritance during the visit to North Korea by Meng Jianzhu, the Minister of Public Security, and Li Keqiang, the Vice-Premier of the State Council of the Democratic People's Republic of Korea. Also, in dealing with Kim Jong-il's sudden death, China actively sought to contain an expansion of confusion and uncertainty within North Korea by offering the quickest diplo-

³⁸- Heung Kyu Kim, "Sino-U.S. Relationship," pp. 233-234.

matic condolence compared to any other nearby country. In a similar vein, China actually sent a message of support toward Kim Jong-un's inheritance system by stating that "we wish North Korea transforms grief into strength under the leadership of comrade Kim Jong-un" in a telegram of condolence jointly signed by the Chinese Communist Party, government, and military. Moreover, the prompt offering of condolence by Chinese high officials (including Hu Jintao) publicized to the whole world through global media that China is a reliable power supporting North Korea. The Chinese Ministry of Diplomatic Affairs also made contact with nearby states in an act to prevent future confusion about North Korea.

In terms of the North Korean missile tests, China has chosen a balance strategy, trying its best to prevent the situation from worsening. China has appealed to related nations that they maintain objective and calm in dealing with North Korea's missile firing and has tried to minimize the tension that strong international sanctions might bring on the Korean Peninsula. Without a doubt, changes in the international order favoring a cooperative relationship with the U.S. and the international demand toward China to display a responsible attitude toward North Korea's provocations pushed China into accepting the UN Presidential Statement. However, China actively cooperated with the U.S. in reaching an agreement over the statement because a presidential statement has less powerful influence compared to a resolution, thus, it seemed better to go along with the flow of accepting the statement to lessen the burden on China. Through reaching an agreement over the Presidential Statement, it is perceived that China maintained the consistency of its policies toward North Korea. That is, it delivered a direct and indirect warning to the North as well as its worries over the North's dogmatic act of missile testing without China's

agreement beforehand. On the other hand, China also evaded criticism from the international community that it provides unilateral support to only North Korea as well as built an image of a responsible superpower through cooperation regarding the UNSC Presidential Statement. Nonetheless, while it sent powerful warnings to the North, it also aided the survival of the North Korean regime and left some room for the North to increase its influence. Even in North Korea's view, since it is difficult to find sponsor countries, relying on its sole supporting country and trade route, China, was the only choice. In addition, because the Kim Jong-un Administration will try to use and rely on China in order to survive, China's strategy of expanding its influence over North Korea seems to have succeeded to some degree.

Of course, the big picture of status quo maintenance in China's policy toward North Korea is not likely to change, but it is hard to say that Chinese policies will not change according to changes in North Korea. First of all, China wishes to keep a cooperative relationship with the U.S., but does not wish for a U.S. intervention on the Korean Peninsula or a strengthened South Korea-Japan-U.S. alliance in Northeast Asia followed by future North Korean provocations such as a third nuclear test. The current state in Northeast Asia shows that countries are increasingly going along with the United States' return to Asia and South Korea, Japan, and even Southeast Asian countries are strengthening security logics to confront China as a threat. It is likely that China will choose to put its best efforts toward repressing North Korea's provocations, that is, to prevent the worst from happening. The progress in China's tone of criticism toward the North on the missile test compared to the launching of Kwangmyongsong-2, a satellite, exhibits such a stance. In this matter, the Chinese government

did not respond directly to either statement: the North's statement that it has the right to peaceful uses of outer space or the international community's statement that the North violated the UN resolution.³⁹ It is known that Hu Jintao expressed concern over North Korea's missile launch during his talk with President Lee Myung-bak of South Korea (March 23, 2012),⁴⁰ and on the day that the North announced its plans to test its missile, China's Vice-Minister of Diplomacy Zhang Zhijin invited the North Korean ambassador to China, Ji Jae ryong, and expressed China's concerns and worries. China's such actions cannot be seen as futile nitpicking, but rare cases of Chinese diplomacy that can be interpreted as a signals of a possible use of force. After the North Korean missile launch, China pushed efforts directly and indirectly to prevent North Korea's third nuclear test⁴¹ and, mostly from some Chinese people who believed North Korea to be a burden on China, strong statements in support of powerful sanctions against North Korea such as blocking the oil supply to the North in response to its military provocations came up.⁴² This atmosphere displayed China's

39- The Chinese Ministry of Diplomacy once argued that "satellite launches are different from missile tests or nuclear tests and each state has its right to peaceful use of outer space" at the time that satellite Gwangmyeong-2 of North Korea was launched. 外交部发言人姜瑜举行例行记者会 (April 7, 2009), <<http://www.fmprc.gov.cn>>.

40- "China Urges North Korea to Halt its Rocket Launch and Improve Public Welfare," *Yonhap News*, March 26, 2012.

41- The Chinese experts on the Korean Peninsula from a Policy Research Institute latently implied that presently, there is heavy pressure on North Korea for its provocative actions. Interview (April 2012).

42- Professor Qiu Su Leng of China's Tsinghua University stated that if North Korea proceeds with a third nuclear test, China would halt its oil support and humanitarian aid to the North. Professor Jiu Feng of Beijing University also stated that the North Korean regime will collapse soon. Such firm voices are being raised, "China to Halt Oil Supply in Case of a Third North Korean Nuclear Test," *Chosun Daily*, May 3, 2010.

limitations in tolerating North Korea's military provocations and the possibility of China's active intervention in the future.

Now let us consider the possibility of change in North Korea. A representative example would be North Korea's announcement that it will adopt a new management system for its economy (6.28 Policy) in an attempt to stimulate the economic relationship between North Korea and China following a visit to China by Jang Sung-taek (Vice Chairman of the National Defense Commission of North Korea). As many people point out, we must be careful about making a definite prediction over whether Kim Jong-un will shoot a new flare of perestroika and glasnost or follow the steps of his father, Kim Jong-il. Nevertheless, we cannot ignore the possibility that if this new administration's steps lead to boldly promoting perestroika and glasnost and actively improving foreign relations, it will also bring forth a change in its form of relationship with China.⁴³ However, the possibility of North Korea's deadlock diplomacy will not change in a short period of time and limitations in building an economic cooperation model still exist because of the weak corporate conditions of the North that fall behind those of China. According to the DPRK-China Joint Development Collaboration Leadership Committee's Agreement on a joint development of Hwanggumphyong and Wihwado zone and Nasun, or Najin-Sonbong Free Trade Zone arranged during Jang Sung-taek's visit to China, the cooperation code between the two states was lowered from government-controlled (政府主导) to government-guided (政府引导). In economic cooperation with and investment to the

⁴³- China's paramount leader, Hu Jintao, emphasized actively investigating on a new form of cooperation during Sung Taek Jang's visit to China. 胡锦涛会见由张成泽率领的朝方代表团, 新华网 (August 17, 2012).

North, China has emphasized centering corporations and market principles, thus, not yet providing the special guarantees from the Chinese government that North Korea anticipates. Based on the above, amid no particular changes in North Korea's policies related to perestroika and glasnost, it seems that China's unilateral, ever-generous economic investment and support toward North Korea cannot go beyond maintaining the survival of the North Korean regime.

Conclusion

Despite North Korea's policy line of military provocations and ambition toward nuclear possession, China has always worried that forceful sanctions against the North will result in political confusion, a second breakdown of the North Korean economy, mass North Korean refugees, and natural disasters on a large scale. This is why China reluctantly continues to help the survival of an almost fallen regime.⁴⁴ This does not mean keeping North Korea up and running is not a burden for China. The international community considers China as a G2. There are responsibilities that follow such status and China has also been fully aware of such a burden. Because of this burden, China has constantly promoted denuclearization and peace on the Korean Peninsula and agreed to the use of sticks instead of carrots to some degree in dealing with the North. The responsibility of China will continue to grow in the

44. Stephan Haggrad and Marcus Noland, *Famine in North Korea: Markets, Aid and Reform* (New York: Columbia University Press, 2007).

future and consequently there will be stronger public opinion on North Korea being an uncomfortable neighbor and a strategic burden. If China is indeed pressured by its responsibility, inducing North Korea's change is most in line with its national strategic interests. This implies the possibility that China's future policy toward North Korea might change into a more participative one compared to the past.⁴⁵

However, North Korea's actions in the Kim Jong-un era have not been in step with China's strategic intentions from its beginning, from the missile launch to the preparation of nuclear testing, and so on. As history shows, North Korea has been extremely wary of China's intervention in its internal affairs, and when it now faces a security dilemma as well as instability of Kim Jong-un's power, it is hard for North Korea to give up nuclear power, its strategic card. Adopting the Chinese way of perestroika and glasnost also does not seem like a viable option for North Korea at this stage. This is because, from acknowledging that inheritance of power focuses on stability rather than change, we cannot anticipate an immediate change in terms of North Korea's policy line after Kim Jong-un's rise to power. For now, it seems likely that China will manage situations while expanding its influence on North Korea's Kim Jong-un Administration through more active participative policies. Nonetheless, North Korea will be cautious about China's interference in its internal affairs and strive to set an advantageous rela-

⁴⁵- China had emphasized 'regularly and frequently to heighten dialogue in dealing with internal, diplomatic issues and had constantly underscored perestroika and glasnost as well as China's building experience. It is said that the Chinese authorities sent a message to North Korea in the party talks between the two saying that if North Korea wants China's support, it should act up more home and abroad. Feng Zhu, "The Dear Leader's China Trip: Rift Failed to Cover," *Asia Security Initiative* (May 11, 2010).

tionship with China regarding a stable maintenance of the regime. Of course, because China's support is indispensable to North Korea in keeping its system of power inheritance, North Korea will show gestures that somewhat coincide with China's interests, similar to the North Korean way of perestroika and glasnost with which Kim Jong-il once experimented. However, basically, the perception and interest gap between the two states is wide, thus, there is a high possibility that their relationship will crack at any time. Therefore, it will be difficult for China to escape the same old wheel that it has been spinning all these years.

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*China's Domestic Politics and Foreign Policies and
Major Countries' Strategies toward China*

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8

The Uneasiness of Big Brother-Little Brother Relationships - China's Relations with Neighboring Vietnam, Laos, Cambodia, Mongolia, and Myanmar

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The People's Republic of China (hereafter China) is no longer an emerging power; China has arrived. Admiral Mike Mullen, before retiring as Chairman of the Joint Chiefs of Staff in 2011, stated in a speech at Renmin University in Beijing that, "China today is a different country than it was 10 years ago, and it certainly will continue to change over the next 10 years. It is no longer a rising power. It has, in fact, arrived as a world power."¹ China's major power status can be measured in many ways, not least of which is its military buildup. China's \$6 trillion GDP surpassed Japan's GDP to become the world's second largest economy in 2011; China holds the world's largest currency reserves at \$3.3 trillion; and legions of Chinese tourists are visible throughout the world.

China's newly found status as a major power is not without controversy. Many neighboring states believe China is beginning to flex its muscles. To be sure, China mixes both hard power and soft power as policy tools, and this is nowhere more evident than in its dealings with its immediate neighbors. China's post-Cultural Revolution era foreign policy objective has been to pursue a policy that fosters a "peaceful, prosperous and friendly neighbourhood."² A friendly, peaceful environment would ensure China's continued economic development and rise. To that end, Beijing, at least rhetorically, has operated under the Five Principles of Peaceful Co-existence: "mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal

1. "Mullen: China Now a World Power," *CNN*, July 10, 2011, <http://articles.cnn.com/2011-07-10/world/china.mullen_1_military-exercises-world-power-south-china-sea?_s=PM:WORLD>.

2. Zhimin Chen and Zhongqi Pan, "China in its Neighbourhood: A 'Middle Kingdom' not Necessarily at the Centre of Power," *The International Spectator*, Vol. 46, No. 4 (December 2011), p. 83.

affairs, equality and mutual benefit, and peaceful Co-existence [sic].”³ The reality, however, is that Beijing behaves like a realist major power, interfering when it deems necessary, as highlighted in two border clashes with its neighbors: with India in 1962 and with Vietnam in 1979. Just in the past two years, Chinese patrol boats have cut cables laid by a Vietnamese seismic survey ship off the coast of Vietnam, rammed into a Vietnamese energy exploration vessel, and have fired upon Filipino fishing trawlers in or near the contested Spratly Islands in the South China Sea, islands claimed by virtually by all ASEAN⁴ countries and China.

While China can certainly intimidate its smaller neighbors, China’s most often used method of pursuing of its national interests has been to employ its increased economic leverage: bilateral trade, developmental assistance, and large public projects financed by cheap Chinese loans. The recipient countries, however, have had mixed feelings regarding Chinese largesse. While they welcome aid and investment, they are extremely wary of being dependent on China. Moreover, throughout much of Southeast Asia, wealth is concentrated among the overseas Chinese or indigenous ethnic Chinese communities. These Chinese communities and business networks are often seen as a threat to the ruling elites, while at the same time serve as a source for the ruling elite’s rent seeking activities.

It is this uneasiness that is the hallmark of China’s relationship with its smaller neighbors: Vietnam, Laos, Cambodia, Mongolia,

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 3- Ruixiang Zheng, “Creating a Peaceful and Stable Neighboring Environment,” *China International Studies* (March/April 2010), p. 8.

4- ASEAN stands for the Association of South East Asian Nations constituting ten countries: the Philippines, Singapore, Malaysia, Indonesia, Thailand, Brunei, Vietnam, Cambodia, Laos, and Myanmar.

and Myanmar. Chinese officials have often phrased the relationship between China and its smaller neighbors as a big brother-little brother relationship, conjuring up a picture of a friendly, cooperative relationship. This rhetoric of a big-brother and little-brother relationship often belies the complexity, animosity and fear encapsulated in this relationship. A closer examination of China's relationships with the aforementioned five countries will show that Beijing's preferred policy instrument is to use its political-economic leverage. However, Chinese political heavy handedness coupled with its preponderant economic presence in the region is causing its neighbors to hedge and seek out other regional powers, most importantly the United States. This chapter will examine the depth of Chinese economic penetration and the domestic responses of the recipient countries to hedge against China without upsetting China.

Sino-Vietnamese Relations

In November 1991, China and Vietnam normalized relations and ended hostility which had lasted for more than a decade since China invaded Vietnam in 1979, ostensibly to teach Vietnam a lesson. The rapprochement was possible because, with the Soviet Union disintegrating, the international political climate had shifted decidedly against countries aligned with the Soviet Union. Therefore, Vietnam began to ease tensions with China to offset the winding down of Soviet influence in the region. Moreover, Vietnam could no longer put off economic renovation, which had been hampered by the occupation of Cambodia, international isolation,

and hostility with China. As for China, the Sino-Vietnamese normalization could lead to China having normal relations along its entire border; economic reforms in the provinces located on the border became not only possible but also potential engines of growth. The most crucial part for Beijing, however, was that the hostility towards Vietnam had been the exception to the reform-era foreign policy; Beijing could now pursue a regional strategy in Asia based on peace and economic cooperation without exception.⁵

Since Vietnamese Communist Party General Secretary Do Muoi and Premier Vo Van Kiet visited Beijing in November 1991 to declare the formal normalization of ties, the two countries' political leaders have routinely exchanged visits to each other's capitals, and these political and diplomatic exchanges highlight the improvement of their bilateral ties. Recently, Vietnamese President Truong Tan Sang called for a "comprehensive strategic cooperative partnership" with China aimed at the development of Vietnam and regional stability.⁶ Seemingly on the surface, the Sino-Vietnamese relationship appears solid, and nowhere is this more visible than in their growing economic relations.

The Sino-Vietnam economic relationship is steadily growing. According to the FDI data released by the Vietnamese Ministry of Planning and Investment, as of June 2011, China ranked 14th in terms of total registered capital, with an investment of \$3.71 billion (see Table 1). This table suggests that China, in comparison to Taiwan, Singapore, South Korea, and Japan, has a long way to go to

5- Brantly Womack, *China and Vietnam: The Politics of Asymmetry* (New York: Cambridge University Press, 2006), pp. 214-215.

6- "Vietnamese President Vows to Strengthen Ties with China," *Xinhua*, September 4, 2012. <http://news.xinhuanet.com/english/china/2012-09/04/c_131825262.htm>.

wield a strong economic influence in Vietnam. Most recently, Taiwan's newspaper *The China Post* reported that in the first two months of 2012 Japan became the leading foreign investor in Vietnam with newly registered and expanded investment of more than \$1 billion.⁷

〈Table 1〉 FDI in Vietnam by Partner 2011

No	Country	Number of Projects	Total Registered Capital (Billions of USD)
1	Taiwan	2,180	23,16
2	Singapore	918	22,92
3	South Korea	2,771	22,81
4	Japan	1,532	21,27
5	Malaysia	382	18,79
6	British Virgin Islands	494	14,80
7	USA	577	13,25
8	Hong Kong	634	8,44
9	Cayman Islands	52	7,43
10	Thailand	245	5,88
11	Holland	147	5,56
12	Brunei	114	4,77
13	Canada	106	4,66
14	China	792	3,71
15	France	323	2,97

Source: "Vietnam's FDI Figures," *Vietnamese Ministry of Planning and Investment*, June 23, 2011, <<http://fia.mpi.gov.vn/News.aspx?ctl=newsdetail&aID=1093>>.

It is worth noting that China's FDI in Vietnam has drastically increased over the past few years. As seen in Table 2, from 2004 to

7- "Vietnam Attracts US\$1.23 Billion from FDI in First 2 Months of 12," *The China Post*, March 1, 2012, <<http://www.chinapost.com.tw/business/asia/vietnam/2012/03/01/333216/Vietnam-attracts.htm>>.

2006, China's outward FDI in Vietnam recorded an insignificant growth, merely reaching \$43.52 million. It, however, rapidly rose the following year and soared to \$119.84 million in 2008. In 2009, there was a slight decline of \$7.45 million to \$112.39 million in FDI. This figure almost tripled the following year in 2010; by 2011, China's FDI in Vietnam reached \$3.7 billion (see Table 1). China's investment in Vietnam increased almost three-fold over four years from 2006 to 2010; and based on this trend, it is fair to say that China may become one of the top investors.

(Table 2) China's Outward FDI Flows by Country (Millions of USD)

	2004	2005	2006	2007	2008	2009	2010
Cambodia	29.52	5.15	9.81	64.45	204.64	215.83	466.51
Laos	3.56	20.58	48.04	154.35	87.00	203.24	313.55
Mongolia	40.16	52.34	82.39	196.27	238.61	276.54	193.86
Myanmar	4.09	11.54	12.64	92.31	232.53	376.70	875.61
Vietnam	16.85	20.77	43.52	110.88	119.84	112.39	305.13

Source: "2010 Statistical Bulletin of China's Outward Foreign Direct Investment," *Ministry of Commerce People's Republic of China (MOFCOM)*, <<http://hzs.mofcom.gov.cn/accessory/201109/1316069658609.pdf>>.

The one particularly thorny issue that can derail regional stability immediately and China's continued investment in Vietnam may be territorial disputes with Vietnam. The maritime disputes over the South China Sea have festered for years, and the tension has been escalating in recent months. The South China Sea is a sea-lane linking the Pacific and Indian Oceans, and its seabed is believed to be abundant in both oil and natural gas. Presently, almost all ASEAN countries have laid claims on some or all parts of the disputed areas.⁸ In 1974, towards the end of America's involvement in the Vietnam War, China expelled South Vietnam to control

completely the Paracel (Xisha) Islands. Since then, China and Vietnam have both loudly proclaimed their sovereignty and jurisdiction over some or all of the Spratly (Nansha) Islands in the South China Sea.

The South China Sea disputes arose again in 2008 when a secret Chinese submarine base constructed in Sanya, China's southernmost city on the Hainan Islands, was discovered. This base was considered a major security threat to China's immediate neighbors in Southeast Asia. To Vietnam, China is seen as deliberately creeping into the South China Sea. Whether the Chinese government has officially added the South China Sea as its "core national interest" as some media outlets have reported is immaterial; Beijing has already demonstrated a firm determination to secure its maritime interest in this area. At a regular press conference held on March 8, 2011, China's Foreign Ministry Spokesperson Jiang Yu made it clear that China has "indisputable sovereignty" over the Spratlys and their adjacent waters.⁹ To make this point even clearer, Beijing approved Sansha City on Woody Island in the Paracels to administer almost the entire South China Sea, including both the Paracel and the Spratly Island chains, on June 20, 2012. Ten days later, Beijing announced plans to establish a military garrison there. The Vietnamese National Assembly responded almost immediately by adopting "Vietnam's Law on the Sea," describing the Spratlys and

8- The South China Sea extends from the Strait of Malacca in the southwest, to the Strait of Taiwan in the northeast. Over 500 million people in China, Taiwan, the Philippines, Malaysia, Brunei, Indonesia, Singapore, Cambodia, Thailand, and Vietnam live within 100 miles of the coastline.

9- "Foreign Ministry Spokesperson Jiang Yu's Regular Press Conference on March 8, 2011," Permanent Mission of the People's Republic of China to the UN, March 9, 2011. <<http://www.china-un.org/eng/fyrth/t805431.htm>>.

the Paracels as being under the sovereignty of Vietnam; China countered by announcing that it had begun “combat ready” patrols in the area.¹⁰

It was in this context that ASEAN leaders met in Phnom Penh in July 2012 for the 19th ASEAN Regional Forum. For the first time in its 45-year history, ASEAN leaders failed to forge a joint statement. China used its influence over Cambodia, the summit chair, to block regional-level discussions on the territorial disputes and any attempts to pass a binding maritime Code of Conduct to resolve disputes.¹¹

The failure to stand up to China at the ASEAN Regional Forum by ASEAN states indicate the level of influence China has over some of its southern neighbors. Therefore, some of the countries involved in the disputes with China are privately encouraging the U.S. to be more vocal in checking China’s assertive actions in the region. Although the U.S. has repeatedly stated that claimants must resolve these specific issues peacefully, the U.S. has recently come out forcefully in calling for an end to China’s unilateral actions in the South China Sea, the development of an effective code of conduct, and honoring the freedom of navigation.¹² During a recent visit to Indonesia, U.S. Secretary of State Hillary Clinton stated, “The United States has a national interest, as every country does, in the maintenance of peace and stability, respect for international law, freedom of navigation, unimpeded lawful commerce in

10- Prak Chan Thul and Stuart Grudgings, “SE Asia Meeting in Disarray Over Sea Dispute with China,” *Reuters*, July 13, 2012, <<http://www.reuters.com/article/2012/07/13/us-asean-summit-idUSBRE86C0BD20120713>>.

11- *Ibid.*

12- Douglas H. Paal, “Dangerous Shoals: U.S. Policy in the South China Sea,” *Carnegie Endowment for International Peace* (August 2012), <<http://carnegieendowment.org/2012/08/11/dangerous-shoals-u.s.-policy-in-south-china-sea/dc0c>>.

the South China Sea.”¹³ Predictably, Beijing, which now feels that the U.S. is taking sides, reaffirmed its claim over the South China Sea. At a joint press conference held with the visiting U.S. Secretary Hilary Clinton, Foreign Minister Yang Jiechi again underscored, “China has sovereignty over the South China Sea islands and their adjacent waters.”¹⁴

Sino-Cambodian Relations

Sino-Cambodian relations have improved remarkably since Hun Sen, then Second Prime Minister, staged a military coup and cultivated close ties with China in the late 1990s. China has eagerly sought to consolidate its position as the predominant foreign influence in this region, and Cambodia has acted as a stalwart supporter of China under its political patronage. Phnom Penh’s espousal of Beijing’s foreign policy has been both consistent and comprehensive. Cambodia supports China’s “One China” policy, has banned the Falun Gong religious group, sided with Beijing after the U.S. bombing of the Chinese Embassy in Belgrade in 1999, and later supported Beijing’s stance after the U.S.-China mid-air plane collision incident in 2001.¹⁵ For China, the improved relations with Cambodia provided a solid opportunity to chip away Vietnamese

13- Matthew Lee, “Clinton Urges ASEAN Unity over South China Sea Disputes,” *The Washington Times*, September 3, 2012, <<http://www.washingtontimes.com/news/2012/sep/3/clinton-urge-asean-unity-south-china-sea/?page=all>>.

14- “China’s Position on South China Sea Consistent, Clear: FM,” *Xinhua*, September 5, 2012, <http://news.xinhuanet.com/english/china/2012-09/05/c_131829526.htm>.

15- Bronson Percival, *The Dragon Looks South: China and Southeast Asia in the New Century* (Westport, Conn: Praeger Security International, 2007), pp. 40-41.

influence that had been so dominant throughout the 1980s following the Third Indochina War.

China has reciprocated Cambodia's political support by intensifying its economic ties with Cambodia. In terms of FDI, China is the largest investor in this region. According to a report of the Council for the Development of Cambodia, a Cambodian government organ, the largest share of incoming FDI for the period from 1994 to 2011 came from China (23.97 percent); the total investment received amounted to \$8.91 billion. The data on China's outward FDI estimated by the Ministry of Commerce of the People's Republic of China (MOFCOM) also indicates that China's FDI in Cambodia increased at a vigorous pace—\$5.15 million in 2005 to \$466.51 million in 2010 (see Table 2). The sharp increase in trade volume also deserves attention. As Table 3 indicates, the volume of trade between the two countries totaled \$2.5 billion in 2011, showing a continuous growth from \$223.55 million in 2000 with only a small drop in 2009.

<Table 3> China's Trade with Cambodia (unit: USD)

Year	Export	Import	Total
2000	164,064,273	59,490,717	223,554,990
2001	205,653,505	34,804,308	240,457,813
2002	251,556,452	24,549,735	276,106,187
2003	294,646,513	26,001,422	320,647,935
2004	451,774,334	29,931,897	481,706,231
2005	536,031,332	27,304,920	563,336,252
2006	697,764,757	35,091,355	732,856,112
2007	883,594,971	51,065,879	934,660,850
2008	1,095,543,284	38,828,183	1,134,371,467
2009	907,060,919	36,892,151	943,953,070
2010	1,347,341,970	93,627,088	1,440,969,058
2011	2,314,810,078	184,297,983	2,499,108,061

Source: UN Comtrade, <<http://comtrade.un.org>>.

Bilateral relations have also benefited from active exchanges of political leaders. In December 2010, Cambodian Prime Minister Hun Sen made an official visit to China and signed 13 deals on energy, infrastructure, finance and consular affairs.¹⁶ Also in March 2012, Chinese President Hu Jintao paid a three-day visit to Cambodia, the first visit by a Chinese leader since 2000. During the visit, President Hu asked Prime Minister Hun Sen not to push the talks on the issue of the South China Sea too fast, even though China claimed that it wanted to move toward finalizing a code of conduct in the South China Sea.¹⁷ Hun Sen agreed with China not to “internationalize” the issue; China rewarded Cambodia with a pledge to provide more aid and to double bilateral trade to \$5 billion by 2017.¹⁸

Hu Jintao’s March visit to Phnom Penh succeeded. Cambodia, which holds the rotating chair of ASEAN, prevented any mention of the South China disputes, thereby preventing for the first time a joint communiqué from being released. The Philippines and Vietnam squarely placed the blame on China and Cambodia for this failure at the Foreign Minister’s meeting.¹⁹ The accusation from Manila and Hanoi is a clear indication of both the frustration of working with China and China’s increasing economic and political

16- “Cambodian PM Hun Sen’s China Trip Fruitful: Official,” *People’s Daily Online*, December 17, 2010, <<http://english.people.com.cn/90001/90777/90851/7234851.html>>.

17- Prak Chan Thul, “Hu Wants Cambodia Help on China Sea Dispute, Pledges Aid,” *Reuters*, March 31, 2012, <<http://www.reuters.com/article/2012/03/31/us-cambodia-china-idUSBRE82U04Y20120331>>.

18- *Ibid.*

19- Prak Chan Thul and Martin Petty, “Analysis: China’s Sway over Cambodia Tests Southeast Asian Unity,” *Reuters*, August 12, 2012, <<http://www.reuters.com/article/2012/08/12/us-asean-china-idUSBRE87B0MW20120812>>.

influence in the region. According to a briefing held by the Cambodian Secretary of State for Finance Aun Porn Moniroth on September 3, it was revealed that four loan agreements for unspecified projects worth about \$420 million were signed when Prime Minister Hun Sen visited China over the weekend, and another three loan agreements, worth more than \$80 million, are expected to be signed this year.²⁰ Clearly, the Chinese government was pleased with the summit in Cambodia and made it known that it highly appreciated the part that Cambodia played.²¹

Sino-Laotian Relations

China has had much more solid ties with Cambodia than it has had with Vietnam and Laos. Until the late 1980s, Laos very closely allied with Vietnam; Beijing's position in Laos has remained relatively weak even after the normalization of diplomatic relations in 1989. However, the dominant Vietnamese influence in Laos does not necessarily mean that Laos conducts its foreign affairs entirely relying upon Vietnam. Vientiane's maintaining of strong ties with Hanoi does not preclude the possibility of building a better relationship with Beijing or any other foreign countries.

Vientiane's diplomatic strategy has been to improve its relationship with Beijing while not damaging its special relationship

20- "China Gives Cambodia Aid and Thanks for ASEAN Help," *Reuters*, September 4, 2012, <<http://www.reuters.com/article/2012/09/04/us-cambodia-china-idUSBRE88306120120904>>.

21- For more details, refer to the news article released by *China Daily*, September 3, 2012, <http://www.chinadaily.com.cn/china/2012-09/03/content_15728379.htm>.

with Vietnam. Indeed, Sino-Laotian relations witnessed a turn-around following the exchange of high level visits of political leaders that began in the early 1990's.²² In November 2000, the relationship between the two gained momentum as Chinese President Jiang Zemin paid a visit to Laos as the first ever Chinese head of state to visit the country. In a joint declaration, the two countries pledged to develop a long-term, stable, good-neighborly, and mutually trusting relationship. In February 2002, Laos' Prime Minister Bounngang Vorachit reciprocated by visiting China; the two sides signed five agreements on extradition and economic cooperation.²³

Keeping pace with the change in their bilateral relations, China has begun to deepen its engagement in the Laotian economy where Thailand and Vietnam have traditionally held strong positions. The bilateral trade between the two countries has made an eye-opening progress in relative terms, though the trade volume in absolute terms is still relatively low. As demonstrated in Table 4, in 2000 the total value of China's exports to and imports from Laos was just \$34.42 million and \$6.42 million, respectively; it, however, reached \$476.25 million and \$827.59 in 2011. The spectacular growth in bilateral trade is shown in China's import of Laotian goods; it has increased almost 130 times since 2000.

22- The Sino-Laotian ties deteriorated in 1978-1979 following Vietnam's invasion of Cambodia and China's retaliatory attack on Vietnam. Laos sided with Vietnam. The relations between the two countries were not formally normalized until 1989. In the 1990's, most of the visits were paid by the Laotian leaders with the exception of Premier Li Peng's visit to Laos in 1990.

23- "Backgrounder: Major Events in Sino-Laotian Relations," *Xinhua*, June 15, 2010, <http://news.xinhuanet.com/english2010/china/2010-06/15/c_13351061.htm>.

〈Table 4〉 China's Trade with Laos (unit: USD)

Year	Export	Import	Total
2000	34,418,849	6,420,670	40,839,519
2001	54,409,921	7,458,049	61,867,970
2002	54,304,714	9,649,361	63,954,075
2003	98,234,513	11,201,847	109,436,360
2004	100,883,246	12,654,103	113,537,349
2005	103,376,718	25,545,083	128,921,801
2006	168,716,852	49,646,755	218,363,607
2007	177,936,831	85,918,978	263,855,809
2008	268,113,530	134,258,761	402,372,291
2009	376,649,989	367,19,183	743,969,172
2010	483,622,848	601,489,848	1,085,112,696
2011	476,254,069	827,588,282	1,303,842,351

Source: UN Comtrade, <<http://comtrade.un.org>>.

Spurred by official aid, state investment, and private businesses, China's investment in Laos has surged since the end of 2011. According to *Vientiane Times*, the Lao National Chamber of Commerce and Industry anticipates that China, which is ranked second after Vietnam at present, will become the largest foreign investor in Laos; from 2000 to 2010, Vietnam was the largest foreign investor with an investment value of \$2.77 billion and China with an investment value of \$2.68 billion.²⁴ This recent rapid increase in China's investment value is also in line with the trend of China's outward FDI flow data released by MOFCOM. As indicated in Table 2, from 2004 to 2010, China's outward FDI to Laos increased annually except in 2008; the investment increased by 54.3 percent

24_ "China Likely to Become Lao's Largest Foreign Investor," *Vientiane Times*, April 4, 2012.

in 2010, with the total amount reaching \$313.55 million.²⁵ With its vigorous investment activities, China has played a pivotal role in infrastructure projects in Laos. For instance, in 2008, the Chinese government drafted a master plan, the so-called the “Northern Plan”, to develop the industrial sectors in northern Laos by 2020.²⁶ Also in 2010, China proposed the construction of a high-speed railway link between Vientiane and Kunming, the capital city of Yunnan Province in Southwest China, and the Lao National Assembly approved this plan with China’s financial backing.²⁷ Beijing over the years has been providing large infrastructure projects such as rail, highways and gas pipelines that link up its Yunnan Province with neighboring countries to the south.

With its increasing importance attached to Laos, China will undoubtedly use its economic leverage to promote its geopolitical objectives in Southeast Asia. ASEAN got a glimpse of this at the ASEAN Foreign Ministers meeting in Phnom Penh this April when Lao tacitly supported Cambodia’s refusal to discuss the South China Sea disputes. Next time, China may expect Vientiane to be China’s surrogate on contentious issues involving China and Southeast Asia. However, given the preexisting strong bond with Vietnam as well as brisk economic exchanges with Thailand, it might not be as easy for China to influence Laos, but China is likely to expend billions of dollars to accomplish its objectives.

25- 2010 Statistical Bulletin of China’s Outward Foreign Direct Investment.

26- Daniel Allen, “China in Laos: Counting the Cost of Progress,” *Asia Times*, September 19, 2009, <http://www.atimes.com/atimes/Southeast_Asia/KI19Ae01.html>.

27- “Lao National Assembly Approves High-speed Railway Linking Yunnan,” *Xinhua*, December 24, 2010, <http://news.xinhuanet.com/english2010/world/2010-12/24/c_13662165.htm>.

Sino-Mongolia Relations

Historically, there are two Mongolias: Inner and Outer Mongolia. Inner Mongolia remained a part of China while Outer Mongolia became the Mongolian People's Republic in 1924 with the help of Bolshevik troops. After Mao Zedong unified China in 1949, Sino-Mongolian relations began on a positive note; the two countries exchanged embassies in 1950, and the Treaty of Friendship and Mutual Assistance was signed in 1960. Two years later, the two countries signed the Boundary Treaty. However, when the Sino-Soviet split intensified in the 1960s, Mongolia was virtually cut off from any interaction with China when it decided to side with the Soviet Union. The relationship remained cool until Soviet leader Mikhail Gorbachev eased tensions with both the West and China in the mid-late 1980s. Reflecting a new political climate, China and Mongolia began a process of reengagement with the resumption of direct flights in 1986, after 19 years of suspension.

The collapse of the Soviet Union and the withdrawal of Soviet troops in 1992 paved the way for the normalization of Sino-Mongolian relations; two years later, the two countries signed the Treaty of Friendship and Cooperation. The Sino-Mongolian economic relationship developed rapidly following the normalization due to proximity, Mongolia's possession of natural resources, and China's desire to influence Mongolia vis-à-vis Russia. Two-way trade increased ten-fold in the years 1998-2008, from \$243 million to \$2.44 billion.²⁸ This figure now exceeds \$3 billion and is expected to grow even more significantly in the next few

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 28- Fang Hua, "Neighbors and Partners," *Beijing Review* (August 2010), p. 14.

years as China would like to harvest Mongolia's huge reserves in natural resources: copper, iron, coal, gold, uranium, and zinc.²⁹ From 2004-2008 (see Table 2), of the five countries examined in this chapter, Mongolia received the most FDI from China. In addition, China has provided Mongolia with large amounts of aid and soft loans over the years. In March 2010, China pledged a loan of \$3 billion for highway and railway construction.³⁰

The heavy economic dependence on China is not lost among Mongolian political leaders; while Mongolia welcomes Chinese business and aid, it is afraid of Chinese domination. Therefore, Mongolia has often repeated that it would seek diverse partnerships and cooperative relationships with geographically far off countries to offset set its dependence on China and Russia. In this mixture, Ulan Bator sees the United States as its "third neighbor", a powerful country that could balance against China and Russia. In recent months, the United States has taken a special interest in Mongolia as part of a new "Asia Pivot" policy aimed at paying more attention to Asia, as evidenced by Secretary of State Hilary Clinton's visit in July 2012 and Vice President Joe Biden's trip to Mongolia in 2011. Secretary Clinton visited Mongolia to promote democracy and economic liberalization and to make a business pitch on behalf of American companies.³¹ As more American companies are drawn into Mongolia, and thereby more American government interests,

29_ Chris Devonshire-Ellis, "China Woos Mongolia as Australia of North Asia," *China Briefing* (March 2011), <www.china-briefing.com/news/2011/03/02/china-woos-mongolia-as-australia-of-north-asia.html>.

30_ Fang Hua, "Neighbors and Partners," p. 14.

31_ Jane Perlez, "From Mongolia, Clinton Takes a Jab at China," *The New York Times*, July 10, 2012, <http://www.nytimes.com/2012/07/10/world/asia/in-mongolia-clinton-offers-message-to-china.html?_r=0>.

Mongolia will be a locus for China's pressure to curb U.S. influence, which it sees as trying to contain China through strengthening relationships with countries surrounding China.

Sino-Myanmar Relations

China has been the *de facto* guarantor of Myanmar's security for the past two decades. Myanmar virtually cut itself off from the rest of the world in 1962 when General Ne Win nationalized the country's industries and expelled much of the foreign investment and nationals. When General Ne Win was overthrown by a military coup in 1988, the new military leaders flirted with reform until the opposition led by the Nobel Laureate Aung San Suu Kyi won a landslide election in 1991. The military-controlled government did not recognize the election, placed Aung San Suu Kyi under house arrest, and held onto power for the next twenty years. The international community, led by the United States, responded by imposing sanctions on Myanmar. As a result, Myanmar deepened its economic and military ties with China.

China's economic penetration into Myanmar is both deep and pervasive. As Table 2 shows, China's FDI in Myanmar has grown exponentially since 2004. The overall picture of China's economic engagement with Myanmar is far greater than what this figure suggests.

Due to a lack of transparency and state secrecy, China's economic statistics do not clearly and comprehensively capture the significant border trade, China's developmental assistance, soft loans, and joint ventures. According to Chinese official statistics,

the 2010 two-way trade exceeded \$4 billion, and China's investment in Myanmar was \$12.3 billion.³² These figures do not take into account large public works projects that China is financing, such as the railway system from Kunming to Kyaukpru Township in Arakan State and to Yangon at the cost of \$5.6 billion. In addition to the \$18 billion already spent in Myanmar on some 72 joint ventures, the new capital Naypyitaw's parliament and convention center were built with \$1 billion of Chinese aid.³³

Myanmar too recognizes the pitfall of becoming too dependent on China.³⁴ The deep-seated fear of China lends some credence as to why Myanmar has improved relations with the United States since 2010, first by having an election that paved the way for a multi-party parliament, the first of its kind since the 1960s.³⁵ In 2011, with the selection of a new president, Myanmar began a rapid improvement of relations with the United States, even to the point that senior U.S. government officials have lauded Myanmar and its reforms as a model and direction for North Korea to follow.

32- "Myanmar-China Border Trade Fair Launched in Muse," *People's Daily Online*, April 29, 2011, <<http://english.peopledaily.com.cn/90001/90776/90883/7365992.html>>.

33- Interview with General David Abel, Former Minister of Finance at Traders Hotel, Yangon in Myanmar, May 2011.

34- In January 2010, the author visited Myanmar along with a team of academics from the Johns Hopkins School of Advanced International Studies. At a meeting with U Taung, Minister for Science and Technology, a SAIS professor wanting to elicit a reaction from the minister about the heavy dependence on China asked if the minister was worried that Myanmar would become another southern province of China. Minister U Taung shot back, "You are wrong."

35- The election was not free and fair. Government sponsored parties won over 80 percent of the seats. The election, however, opened up the political system for the opposition and ethnic minorities. In the spring of 2012, Aung San Suu Kyi won a seat to the Lower House of the Parliament; her party, the National League for Democracy, won 43 out of 45 seats in a special election that filled vacant seats.

Myanmar's opening up to not only the United States but also to Europe and other democratically and economically advanced countries is a clear indication that it would like to enjoy relationships with countries that could balance China. In the words of a senior Myanmar official, Myanmar "would like to have alternatives to China."³⁶

Conclusion

China's influence in the world is growing, and its influence in the Asian region in particular is ever more noticeable and acute. The future direction of China's relations with its immediate Asian neighbors will be determined by many factors to be sure. Increasing trade relations with China by Vietnam, Cambodia, Laos, Mongolia, and Myanmar would suggest that the deepening of economic activities will dampen the likelihood for disputes such as the territorial disputes in the South China Sea to go unchecked and erupt into an open conflict. Still, China's relationship with its smaller neighbors is an asymmetrical relationship that will only become more unequal as time passes. China's preferred diplomatic strategy to deal with territorial and other contentious issues only bilaterally may further fuel China's attempts to influence its smaller, poorer neighbors with economic inducements. Given the resources available to China, it can employ a wide range of diplomatic and military tools to achieve its objectives. China's launching of its first

³⁶ Interview with Ko Ko Hlaing, Chief Political Adviser to the President Thein Sein. Sedona Hotel, Yangon, Myanmar, December 2011.

aircraft carrier into service in September 2012 only reinforces the view that, as time goes by, China's military reach will be commensurate with its economic reach. Therefore, the neighboring countries, while welcoming China's investments and aid, are also keenly interested in fostering better ties with the United States—exactly what Vietnam, Mongolia, and Myanmar have done.

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*China's Domestic Politics and Foreign Policies and
Major Countries' Strategies toward China*

9

*The North Korean Nuclear Issue
and China's Strategy*

Seongwhun Cheon

Introduction

The participating members of the Six Party Talks, as well as the experts and the public, do not see a solution to the North Korean nuclear issue in the short-term. The perception that the nuclear issue needs to be resolved in the medium to long term implies that the issue will most likely be resolved in close conjunction with the national unification of Korea. Thus, as long as China favors the stability of the Kim Jong-un regime, at least in the short-term, there will be a strong correlation between China's medium to long-term strategy regarding the North Korean nuclear issue and the unification of the two Koreas.

It will be helpful to consider China's position on unification before proceeding. Andrei Lankov, an expert on North Korean issues, has categorized China as a power having great interest in, as well as having great influence over, Korean unification, and has gone on to summarize China's position on the issue of unification.¹

China's priority in the Korean Peninsula is stability first, maintenance of the division second, then comes the dismantlement of the North Korean nuclear capability. Above all, China seeks to maintain and legitimize North Korea's regime and believes that North Korea must undergo economic development to deal with the demands of a fast changing global environment. In order to achieve such economic development, China's leaders believe that stability in the Korean Peninsula is essential. If a unified Korean Peninsula gives China more stability than a divided one, it may support unification.

1- Andrei Lankov, "The Unification Diplomacy: Mission Possible?" *IFANS Review* (June 2011), pp. 3-11.

Second, China wants to maintain the division with North Korea acting as a buffer. The main reason for the intervention in the Korean War was to prevent a U.S. troop presence on China's north-eastern border. Thus, it is not in the interests of China to border a democratic and nationalistic unified Korea supported by the United States. Unification under South Korean control could have implications for the large number of Korean-Chinese (Chosunjok) in China.

Lastly, China still wants the dismantlement of the North Korean nuclear program. As an "official" nuclear power, China's interests are in line with those of the United States and Russia in that they all do not want new nuclear powers to emerge. Furthermore, North Korea's nuclearization may also mean the nuclearization of Japan and South Korea which could lead to a destabilizing nuclear arms race in the region.

Chinese Perspective of the North Korean Nuclear Issue.

Even with the North Korean nuclear problem worsening, China has been cautiously guarding its relationship with North Korea under the perception that stability in the Korean Peninsula adheres to its interests. In general, Chinese experts agree that the nuclear problem is staying for the long-term and that it is important to preserve stability above all else. For example, advisory member Pan Zhenqiang of the Korean Peninsula Research Center of the Chinese Forum for Reform and Openness has stated that the dismantlement of the North Korean nuclear arsenal will take a very long time and that the North Korea-China relationship will con-

tinue to grow because it is important for the peaceful international environment while adhering to China's foreign policy ideology.² In addition, although China will still continue to exercise considerable political and economic influence over North Korea, it is still an uncontrollable state and China's influence over North Korea should not be overestimated. China does not wish to control North Korea but it plans on showing respect to the North Korean regime's goals and strategy. Improvements in DPRK-China relationship are conducive to peace on the Korean Peninsula as well as being in South Korea's interests. He stated that there is no need for South Korea to be concerned and that China desires a win-win situation for both China-DPRK and China-ROK relationships.

Given these considerations about North Korean-Chinese relations, China's basic perception concerning the North Korean nuclear issue can be summed up in the following four points.³

- Denuclearization of the Korean Peninsula and a solution to the North Korean nuclear issue contributes to peace and stability on the Korean Peninsula and are in the interests of China.
- The North Korean nuclear issue is an opportunity to enhance relations with the United States, and is also a source of leverage with which China can obtain support from the United States in the Taiwan issue.

2. He exchanged views with the writer at the Chinese Forum for Reform and Openness on January 25, 2008.

3. Jae Ho Hwang, "China's Position in Regard to the Second Nuclear Testing of North Korea and South Korea's Policy Direction in the Future," special conference for national defense and security commemorating the 60th founding anniversary of the Air Force Academy (November 21-22, 2009), pp. 3-4.

- While worrying about the potential of Taiwan, South Korea, and Japan acquiring nuclear capabilities because of North Korea, China seeks to block hawks from the United States and Japan from pressuring North Korea.
- Although not directly related to the North Korean nuclear issue, China intends to prevent chaos and negative influences in the bordering areas in case of a collapse of the North Korean regime and large-scale refugee inflows.

If we take a closer look at what Chinese specialists are saying about the North Korean nuclear issue, they tend to see the problem arising from the antagonism between the United States and North Korea.⁴ According to them, there is no direct relationship between the nuclear issue and China itself. They see China as playing a bridging role between the United States and North Korea, particularly in the Six Party Talks where the disparity of positions is extremely wide between the United States and North Korea. This seems to be a concerted effort on the part of the Chinese to impede any responsibility for the nuclear problem. Advisor Pan Zhenqiang claims that upon review of the nuclear standoff process, it is not just North Korea which went back on its word, but the United States, Japan, and South Korea all failed to live up to the responsibilities at hand and, thus, share the blame for the failure of the resolution process.

In the same vein, many Chinese specialists claim that the security of North Korea has to be guaranteed in order for the denuclearization to proceed. They claim that “certain conditions” must

4- The writer exchanged views with Pan Zhenqiang of the Institute Center of International Affairs at Tsinghua University on July 26, 2009.

be met in order to convince North Korea to dismantle its nuclear weapons and that the denuclearization must go hand in hand with the lowering of tensions in the Korean Peninsula.⁵ In an interview conducted on August 21, 2012 to mark the occasion of 20th anniversary of the normalization of relations between South Korea and China, Chinese Foreign Ministry's Vice Minister Puing expressed that common security, including that of North Korea, has to be realized and said the following:

The problem of the Korean Peninsula has a long history and as such is very complicated. The last sixty years have seen many ups and downs. Hot and Cold wars, the rise and fall of tensions, as well as confrontations and dialogue have all taken place. Taken all together, at the core is the security issue. Security for not just one nation, but security for all nations of northeast Asia including that of North Korea. Security for all the nations must materialize in order for the Korean problem to be resolved fundamentally.⁶

To talk of the possibility of a North Korean contingency while at the same time worrying about its security simply doesn't make sense. Advisor Pan has claimed that discussions on North Korean contingency are theoretical at best and have an extremely low possibility of becoming reality thus it is inappropriate to talk of such events. He claimed that the important issue in North Korean contingency is the "issue of legality of intervention." That it has to be clear whether international law allows for such intervention, and even in that case, there has to be a just cause for the intervention. Furthermore, he stated that the United Nations Security Council

⁵- The writer exchanged views with Pan Zhenqiang on July 26, 2009.

⁶- *Yonhap News*, August 23, 2012.

must be the vehicle for such occasion and that whether the contingency poses a threat for the peace of the international society as well as the region of northeast Asia is a decision left to the Security Council.⁷

Ever since the outbreak of the nuclear problem, there have been talks of precision strikes on the facilities of Youngbyun and Kilju. Most Chinese specialists realize that the strikes to the externalities of these facilities will not cause harm to Chinese territories nearest to North Korea. For example, a specialist from the China Nuclear Association stated that the fallout from Youngbyun in the event of a strike will be less than one ten thousandth of the radioactive fallout of the Chernobyl accident. Thus, he claimed, that the border areas of China will not be affected and that there is no need for the Chinese authorities to take any measures. He further speculated that South Korea will not be affected by a potential fallout but that the prevailing wind will be from the southwest and the currents are also flowing towards the south.⁸

If North Korea's security is a matter of concern, then the possibility of North Korean contingency should not be a subject of discussion. In the context of North Korea's security, China too worries about proliferation of nuclear devices especially in the hands of a potentially unstable regime. Professor Jin Canrong of the Chinese People's University has talked about the debate between North Korea as an asset or a liability for China and concluded that most people in China think of it as a liability, adding that most people think that North Korea must be denuclearized.⁹ He also expressed

7- Advisor Pan exchanged views with the writer on July 26, 2009.

8- The writer discussed with Zhu Xuhuk at China Nuclear Association on July 26, 2009.

empathy for Korean unification and said that Korean unification is inevitable and morally correct. However, he stated that there is disagreement as to the timing of the unification, adding that as China becomes stronger, the Chinese people will feel more favorably towards it.

Although the necessity of denuclearizing North Korea is widely shared among the international community, there is growing consensus that denuclearization also comes with obstacles, considering the current state of international affairs as well as North Korea's persistence on keeping its nuclear power. Chinese People's University's Professor Jin Canrong provides three reasons that make denuclearization difficult from North Korea's perspective.¹⁰

- North Korea continuously claims that it faces security threats.
- It wants to raise its national prestige as a legitimate nuclear power.
- It hopes to maintain equality with the South in dealing with unification.

Some have pointed out that the current state of international affairs also proves to be a factor working against the denuclearization of North Korea. Chinese leaders believe that if there is a lesson learned by the North Korean regime from the fall of Hussein in Iraq and Kaddafi in Libya, it is that the two respective nations would not have met the same fate if they had acquired nuclear weapons. The Chinese claim that the fall of dictators in the Middle East has hardened the resolve of the North Korean leadership to achieve nuclear status. On the other hand, some in China are care-

⁹- An exchange of views with Professor Jin Canrong on May 25, 2011.

¹⁰- An exchange of views with Professor Jin Canrong on May 25, 2011.

ful not to make the connection between the two. For example, Professor Cheng Xiaohu of the People's University says that using the case of Libya to maintain nuclear weapons is a paradox in reasoning.¹¹

He claims that Libya has a population of 6 million and an army of only 70 thousand, whereas North Korea has a population of 22 million and an army of more than 1 million, thus not making them comparable. North Korea has a formidable conventional arsenal which is more than enough to protect its territory as it has for the last 60 years. Professor Cheong has stated that although there is only a small possibility of North Korea giving up its nuclear ambitions, it will be difficult to attract investments for its economic development without denuclearization.

China's policy towards the nuclear issue will inevitably be linked to China's strategic thinking towards North Korea as a whole as has been the case in the past. Thus, it is imperative that we have a look at the decisive factors for China's North Korea policy. One study suggested five factors¹²:

First, the strategic calculations concerning North Korea between the United States and China are not compatible with each other. Whereas the United States' primary objective with North Korea is non-proliferation, China put the stability of the North Korean regime as its top priority. There is no long-term agreement on the future of the Korean Peninsula and the discussions that they are having are centrally tactical.

Second, China mistrusts the United States because although

¹¹- An exchange of views with Professor Cheng on May 25, 2011.

¹²- Jae Ho Hwang, "China's Position in Regard to the Second Nuclear Testing," pp. 5-6.

the United States has asked for the cooperation of China on the North Korean nuclear issue, the United States has gone on its own in striking deals. For example, when China, alongside the United States, strongly condemned the first nuclear test by North Korea, the United States went on its own to strike a separate “2.13 Agreement” in Berlin through its bilateral channel with North Korea. Ever since, China has faced criticism for blindly following the United States.

Third, there is also a high degree of mistrust towards the North Korean leaders. China worries about the unpredictability of North Korea when pressured. For instance, for the Chinese, the prospect of North Korea striking a deal with the United States and then becoming pro-United States is a possibility that they cannot overlook. Although China supports direct dealings between the United States and North Korea on the issue, it does not want those talks to overshadow the DPRK-China relationship.

Fourth, China approaches the North Korean nuclear issue from a comprehensive North Korea and Northeast Asia level. It considers the nuclear issue as a step towards “maintaining and creating a new order in the Korean Peninsula and the northeast Asian region.” From this perspective, the North Korean nuclear issue cannot be unrelated to the unification of the two Koreas.

Fifth, China worries about a contingency or a collapse of North Korea. This implies that if North Korea is pressured and a contingency situation erupts within North Korea, China may be forced to take care of the mess. And a North Korea contingency would be detrimental to China’s national development strategy of preserving a stable environment around China.

Position on the Six Party Talks

If the Six Party Talks can be summed up in one sentence for China, it would be “a chance to raise the prestige of China through a diplomatic process commensurate to the rapidly rising Chinese economic influence.” This sentence is not an overstatement. The 9.19 Joint Statement not only deals with the North Korean nuclear issue, but also claims its stake in peace on the Korean Peninsula and Northeast Asian security. This means that the Six Party Talks are an institutionalized mechanism in which China hopes to manage its interests in case of instability on the Korean Peninsula. It is implied that this is the reason why the Six Party Talks are so important to the Chinese. While the nuclear issue for the Chinese is of secondary concern, the more important issue for them is that the Six Party Talks give them the ability to intervene in case of a contingency on the Korean Peninsula through an established multi-lateral mechanism. One of the reasons why the Chinese are in no hurry to resolve the North Korean nuclear issue is because the Six Party Talks themselves are a strategic asset for China.

However, the lack of results from the Six Party Talks as well as the two nuclear tests in the meantime, have left even the Chinese specialists in a worrisome spot. Especially, the Chinese have reacted harshly to criticisms that they have used the Six Party Talks to their own benefit in the past. For example, on May 26, 2006, Chinese Foreign Ministry Spokesman Liu Jenchao expressed in a briefing that he cannot agree with the accusations claiming that China is not trying its best at the Six Party Talks in order to remedy the North Korean nuclear problem, saying “China has no designs to use the Six Party Talks to further China’s own interests other

than finding a solution to the North Korean nuclear issue.”¹³ He further stated that China’s active participation is solely for the Korean Peninsula’s peace and prosperity in the long-term.

On the other hand, the opinion that the Chinese have limited means to control North Korea has surfaced. For example, Tsinghua University Professor Li Bin suggested that the Chinese have almost no influence on North Korea in terms of security because North Korea would only talk to the U.S. on such matters. He recalled seeing a blueprint for the Six Party Talks being drawn up during a United States-North Korea bilateral meeting and remembered thinking that China is not as big of a country as everyone thinks it is and that it has overachieved at the Six Party Talks thus far.¹⁴ Ding Yifan, of the Global Development Institute of the Chinese State Council, stated that since North Korea only believes that it can become an industrialized country by 2020 if it keeps its nuclear capability, it is therefore difficult to persuade the North Koreans to give up their nuclear ambitions. While North Korea becoming an industrialized country by inappropriate means may send a wrong signal to China’s other neighbors such as Vietnam, the Western allies’ attack on Libya is making North Korea’s denuclearization much more difficult.¹⁵

On January 25, 2008, when the writer visited the Chinese Forum for Reform and Openness, advisor Pan Zhenqiang stated that “I am also disappointed with the delays in the Six Party Talks process. But we must confront the reality not our sentiments. The only thing that China can do at the Six Party Talks is to mediate

13- *Yonhap News*, May 25, 2006.

14- An exchange of views with the writer on July 26, 2009.

15- An exchange of views with the writer on May 25, 2011.

and participate.”¹⁶ He further expressed that we must not only pressure the North to denuclearize but must also take into consideration its security and the peace settlement in the Korean Peninsula in the future.

This reflects the Chinese desire to utilize the Six Party Talks not as a mechanism to resolve the nuclear issue, but as a means of restructuring the security on the Korean Peninsula. Let us take a closer look at advisor Pan’s ideas of a peace settlement¹⁷:

- All surrounding powers must work together to establish a peace settlement under the principles of reciprocity and equality and must not try to enforce one’s interests on others.
- In reaching a peace settlement for the Korean Peninsula, the characteristics of the Korean Peninsula and the region of Northeast Asia must be taken into account; the European model should not be outright copied.
- Based upon mutual trust, the process must incorporate openness and reforms, and refrain from ideological or Cold War influences.
- Based on trust, there must be a comprehensive mechanism for cooperation and progress.
- Peace settlement on the Korean Peninsula must be a gradual process and if there are any conflicts in due course, we should wait to make better decisions.
- There are four necessary conditions for a permanent peace settlement on the Korean Peninsula: 1. North Korea’s commitment to its words for denuclearization, 2. finding a solution to the

16- An exchange of views with the writer on January 25, 2008.

17- *Ibid.*

cease-fire agreement among the states involved in the Korean War, 3. normalization of relations between North Korea and Japan and between North Korea and the United States, and 4. improved relations between South and North Korea and strengthening of their mutual interests.

- Peace settlement on the Korean Peninsula is important for both Korea and China and in due course the two states should play special roles based on their own status and stance. South Korea is responsible for unification with North Korea and China considers peace in the Korean Peninsula as beneficial for regional peace and prosperity.
- In the course of the peace settlement on the Korean Peninsula, the role of the United States-South Korea military alliance has not yet been visibly effective but it will inevitably have effects on the course of reaching the peace settlement. Questions as to which role the United States-South Korea military alliance should serve need to be clarified during the course of the peace settlement.
- It is expected that there will be difficulties in domestic reform and economic soft landing of North Korea yet they are not perceived as impossible. However, without reform in North Korea, the core on which the proceeding peace settlement on Korean Peninsula depends will remain unstable.
- Concerning the ideology issue, it doesn't seem that there is an obstacle for strengthening cooperation between South Korea and China, even though the views of both countries remain different. China does not impose its views and political system on other countries and encourages cooperation based on recognition of diversity.
- A stable and permanent peace settlement will be desirable. The most important step is putting the cease-fire agreement on the

table and having all parties join to discuss. The original members of the agreement are North Korea, China, and the United States; however China will not oppose if South Korea wants to participate.

- Unlike this, the main parties of the peace agreement are South and North Korea and the United States and China can be parties in terms of historic view. China must be involved in the peace settlement of the Korea Peninsula and it will be meaningless without China's engagement.

China seems to grow more attached to the Six Party Talks as the results of participating in the talks turned to be rather beneficial to its diplomatic status. China also has an ambition to use the Talks as a frame for re-organizing the security structure in the Northeast Asia. Nevertheless, China seems to be frustrated in its commitment and ability failing to achieve the denuclearization of North Korea.

Da Wei from the Chinese Institute for Contemporary International Relations said that the following hopes of China have disappeared since the Six Party Talks started: 1. Strengthening of China's influence, 2. Enhancing relations between the United States and China, 3. Regional cooperation including South Korea and Japan.¹⁸ He also insisted that China adopt these new aims: 1. Preventing further nuclear tests and provocation from North Korea, 2. Weakening the pressure by the United States and South Korea on North Korea, 3. Maintaining cooperative relations with North Korea. China may see the possibility of denuclearization of North Korea as remote given its first goal is neither denuclearization nor dismantlement of

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 18- An exchange of views with the writer on May 26, 2011.

North Korea's nuclear weapons but prevention of nuclear tests in North Korea. Wang Fan from the Institute for International Relations at the Chinese Academy of Diplomacy argued that North Korea got the wrong idea that they could become both an industrialized country and a nuclear state when the Six Party Talks urged North Korea to choose one or the other.¹⁹

As time goes on, it is likely that there will be more critical and introspective voices on the Six Party Talks within China. These voices within China could also lead to criticisms of North Korea as the root of all problems. Professor Jang Rengui from the Chinese Central Party School compared North Korea to the story of exchanging shoes below in his article in the domestic press on September 21, 2011:

The process of the Six Party Talks is for North Korea to exchange their "old shoes" of plutonium with new ones of enriched uranium. North Korea declared the end of this "exchanging shoes" with the explosion of the cooling tower which had been an important and symbolic facility for their plutonium plan. It means that the "old shoes" which were supposed to be abandoned were used for the "performance". From North Korea's perspective, the Six Party Talks is a good business to sell "old shoes."²⁰

Nevertheless, the Chinese government will maintain its official stance that the Six Party Talks would be helpful for the stability and peace on the Korea Peninsula and Northeast Asia as well as for the North Korea's nuclear issue. On March 13, 2009, Wen Jiabao, the Prime Minister of China stated China's position on the Talks after the closing of the National Congress of the People's Representatives.²¹

¹⁹- *Ibid.*

²⁰- *Naeil Shinmoon* [newspaper], September 21, 2011.

- It is important to solve major issues through the Six Party Talks on behalf of the current state of the Korean Peninsula.
- The Six Party Talks need to be pursued with great powers in mind to solve the problems surrounding the Korean Peninsula. There is no need to provoke further contradiction and delays.
- The only way to secure peace on the Korean Peninsula and Northeast Asia is denuclearization of the Korean Peninsula through the Six Party Talks.
- The Chinese government will maintain relations with the members of the Six Party Talks and work towards constructive improvement of the talks.

On August 21, 2012, during an interview for the commemoration of the 20th anniversary of diplomatic relations between South Korea and China, Puing, the Vice Deputy Minister of Ministry of Foreign Affairs gave answers such as the one below²²:

Since the current climate of the Korean Peninsula remains complicated and sensitive that there is lots of instability and uncertainty. China will be observant of the current situation and cooperate with the nations involved. We hope that the nations will be able to maintain a calm demeanor, leave the door open for healthy communication and not to pursue wrong actions that could cause troubles. I believe that the Six Party Talks are the only valid frame to advance relations among the nations involved through dialogue, as well as the only valid system to achieve denuclearization of the Korean Peninsula and secure the stability of Northeast Asia

²¹- *Yonhap News*, March 13, 2009.

²²- *Yonhap News*, August 23, 2012.

Evaluation of North Korea's Nuclear Tests

In this section, we will look at China's view and stance on North Korea's nuclear tests through evaluation and analysis by the Chinese press and experts on the nuclear tests in 2005 and 2009 and the projected third nuclear test.

The First Nuclear Test

Chinese experts affirmed that North Korea had informed the Chinese government before the first nuclear test that the estimated explosive power would be 4 kilotons(kt). It was analyzed in general that the first test registered a 4.2 on the Richter Scale and its destructive power varied from 0.5kt (Russia Geological Survey) to 1kt with most data being under 1kt. While the first nuclear test only marked 25% destructive efficiency, the first test is considered successful.²³ Dr. Siegfried Hecker, former president of the Los Alamos Institute in the United States, reflecting on his previous visits to the Youngbyun facilities, wrote that he and Chinese experts came to a consensus that the first nuclear test had been an incomplete success.²⁴

The Second Nuclear Test

North Korea did not inform any country in advance about the second test, including China. Chinese experts analyzed that the

²³- The writer exchanged views with Wu Jun, research fellow at the China Academy of Engineering Physics on July 26, 2009.

²⁴- Siegfried Hecker, "Denuclearizing North Korea," *Arms Control Today* (May/June 2008), pp. 61-62.

second test registered a 4.7 on the Richter Scale and was five to seven times stronger than the first one in terms of destructive power. Professor Jang Rengui from the Chinese Central Party School said that the lineal distance for the location of the test was only 65km away from Tuman, Jilin and only 160km from Yenji. An artificial earthquake was detected in Yenji after the second test, causing a school building to collapse and students to be evacuated.²⁵

Given the fact that it is not easy to make a nuclear weapon under 10kt of destructive power, China was quite relieved and confident that North Korea had failed to miniaturize a nuclear warhead.²⁶ It was unknown what kind of measures North Korea used to enhance the destructive power of the warhead but one of the three measures below is considered as the highest possibility: 1. a quantitative increase of conventional explosives, 2. a quantitative increase of plutonium, or 3. the use of a new blueprint.²⁷

Wu Jun, a researcher at the Chinese Industrial Physics Research Society analyzed the background of the second test by North Korea as follows.²⁸ First, North Korea was not satisfied with the result of the first test and tried to enhance its destructive power. In fact, just after the first nuclear test, most experts anticipated that it was only a matter of time for North Korea to conduct an additional test proving the credibility of its nuclear deterrent open which it had strongly insisted. Guo Xiaobing, from the Chinese Institute for Contemporary International Relations, presented three objectives

²⁵- *Yonhap News*, June 15, 2009.

²⁶- The writer exchanged views with Wu Jun, research fellow at the China Academy of Engineering Physics on July 26, 2009.

²⁷- *Ibid.*

²⁸- *Ibid.*

for the second test²⁹: 1. to enhance the ability of its nuclear weapons, 2. to draw the attention of the United States, and 3. to be a part of the power succession. He argued that North Korea has already acquired a nuclear deterrent and that no nation with a nuclear weapon has been overturned militarily and that no nation has given up their nuclear weapons because of sanctions.

When the international community proceeded to reinforce sanctions against North Korea through the United Nations Security Council after the second nuclear test, China tried to weaken the intensity of the sanctions. China maintains its position that the UN sanctions should not hinder the stability of the North Korean regime. On June 25th 2009, Chin Kang, then spokesperson of the minister of foreign affairs, stated that international sanctions against North Korea must not affect the people's livelihoods and normal economic activities.³⁰ On the same day, Chung Yoonghwa, then Chinese Ambassador to South Korea, also mentioned that UN sanctions were not one of the goals of Security Council and only political and diplomatic measures are certain ways to solve problems on the Korean Peninsula.³¹ When North Korea revealed its enriched uranium program which it had been denying, China maintained its careful position. On the 23rd of November 2010, Hong Rei, then spokesperson of Ministry of Foreign Affairs, said that "we are observing a press release on this issue," On the 14th of December in the same year, Jang Wi, then spokesperson of ministry of foreign affairs mentioned that "China urges each country to take responsible action following the resolution of the UN Security

29- *Ibid.*

30- *The Chosun Ilbos* [daily new], June 29, 2009.

31- *Ibid.*

Council on the enriched uranium program of North Korea and to fulfill international obligation as responsible actors.” On January 14th 2011, Chui Tenkai, Vice Deputy Minister of Foreign Affairs, commented that no Chinese evaluators have seen North Korea’s uranium activities on location. He also said that the experts who saw the activities were entirely American and he was not certain if the activities were indeed real.³²

China has also refused to make public the findings of the Report on the Fulfillment of the Resolution written by an expert panel on the UNSC sanctions against North Korea.³³ The justifying logic for China’s attitude for “defending North Korea” was “don’t cause a rifle to get discharged by accident from cleaning the gun.” Jang Wenrin, Chief of International Affairs at the Chinese Academy of Social Sciences, insisted on preventing an unexpected accident from the sanctions mentioning that China would be more concerned if excessive compression led to domestic chaos and the collapse of North Korea that would ultimately result in threatening the stability of Northeast Asia region.³⁴

On the other hand, Wu Jun sees that North Korea needs at least one year to decide to do the next test.³⁵ He pointed out that it normally takes considerable time to conduct the next stage of tests after analyzing results and fixing problems. He gave an example of the United States which had taken a year and a half from one test to another in the course of developing nuclear warheads. Comparing with the United States’ nuclear tests, it could mean that North

32- *Kyunghyang Daily News*, January 15, 2011.

33- *The Segye Times*, February 14, 2011.

34- *The Chosun Ilbo* [daily news], June 15, 2009.

35- An exchange of views with the writer on July 26, 2009.

Korea decided to do a nuclear test in May 2009 or at least before in 2008; and it is illogical to presume that a test scheduled to be in April would be carried out in May.

China does not seem to be worried about the danger of the nuclear tests. Researcher Wu Jun commented that both tests were conducted safely and there was no leakage of radioactive materials from the second test, whereas there was a tiny amount of leakage from the first test. He said that this could mean that the underground test facilities of North Korea might be located much deeper compared to the test facilities of other countries. He also argued that since North Korea's nuclear test facilities are located in a populated mountainous area rather than in a conventional testing area such as the desert, North Korea could not have carried out such a big nuclear test.³⁶

The Possibility of a Third Nuclear Test

China opposes a third nuclear test by North Korea. After the failed third long-range missile test, there were talks of a third nuclear test talking place. Many have credited China for convincing North Korea to not take that step.³⁷ Chinese People's University's Cheng Xiaohe has put it simply, "A third nuclear test will be poison to the security environment of Northeast Asia, it will worsen the competition among the nations involved, and it will magnify the conflict between the North and South Korea." Wang Fan, Institute of International Relations at the Chinese Academy of Diplomacy, has said that North Korea will not undertake a third test because

³⁶- An exchange of views with the writer on July 26, 2009.

³⁷- An exchange of views with the writer on May 26, 2011.

the DPRK simply has more to lose than gain by it, and that the North has more to gain by conducting another long-range missile test rather than a nuclear test. Furthermore, he stated, although the North will not give up its “military first” politics, it is sending many signals that an economic reform within North Korea during the power transition will require a stable environment in Northeast Asia.³⁸

There are also strong voices against a third test stressing that it is very much against the interests of China. Professor Jang Rengui, of the Communist Central Party School, in his paper published in the *Hwangusibo* entitled “Radiation has no Borders and Nuclear Safety First,” states, “in the nuclear age, we must set new standards of values and principle nuclear safety is not a given sovereign right to any power.” Professor Jang continues, “if one state’s nuclear activities affect another, then that other state not only has the right to make suggestions and negotiations, but also has the right to appeal to the United Nations Security Council for penal measures.”³⁹ Professor Jang’s comment contradicts the official statement of the Chinese government which has said that North Korea also reserves the right to use nuclear energy for its energy needs. Indeed, Professor Jang seems to have urged for a change in Chinese policy to a policy of intervention towards North Korea. Professor Jang states, “even if a state intends to pursue a peaceful means of nuclear energy, it should not cause danger of accidents to neighboring countries.” He continues, “nuclear safety has to precede political and economic imperatives because political and economic interests are short-term in nature, but nuclear safety is

38- *Ibid.*

39- *The Segye Times*, April 27, 2011.

linked explicitly to the survival of a nation.”

On April 24, 2011, Professor Jang Rengui, at the “Korea-China-Japan International Symposium,” gave the following reasons and measures for China to oppose North Korea’s third nuclear test⁴⁰:

- North Korean nuclear tests not only put the Korean Peninsula under environmental threat but, for the first time, put China in danger as well.
- A North Korean nuclear test was conducted less than a hundred kilometers from concentrations of Chinese population in the Chinese territory.
- This is way too dangerous, and if an accident occurs, it will directly affect China.
- North Korea’s nuclear program should not only be considered in the light of security, but also in the light of nuclear safety and pollution.
- States that do not adhere to the Non-Proliferation Treaty of the United Nations must face repercussions including inspections and stronger political, economic and military measures.

It is the widely accepted understanding of Chinese specialists that if the North conducts its third nuclear test, it will most likely be a test of a uranium warhead. Zhu Feng, Vice Director of the International Strategy Research Center of Beijing University, in a closed session in Seoul on July 28, 2010, said that if the North conducts its third test, it will most likely involve a miniaturized warhead on a missile instead of an underground test. He stated that the

⁴⁰- *The Dong-A Daily News*, April 27, 2011.

Chinese authorities believe that the North now has enough nuclear technology to enable miniaturization of its nuclear device.⁴¹ Regarding the North Korean statement that it has succeeded in nuclear fusion testing, he said that the Chinese authorities believe that this does not mean that the North is capable of producing hydrogen bombs, but that it is in the process of miniaturizing its nuclear warheads.

Professor Jang Rengui too, in a paper he published in the *Hwangusibo* on June 15, 2009, stated that the North will conduct its third nuclear test using enriched uranium near the Chinese border.⁴² He did not disclose the reasons, or sources, behind the statement concerning the enriched uranium, but said that the test site is likely to be somewhere far from Pyongyang, in a mountainous area, where secrecy can be kept far from the DMZ, thus, near the Chinese border. So, he said, the threat to Chinese territory and citizens must be taken into account and the Chinese authorities must observe and inspect with care.

Position on South Korean Nuclear Armament

With the intensification of the nuclear situation in the North, there have been debates within South Korea that South Korea should not just depend on the negotiations and look for alternative ways to deal with the new threat from the North.⁴³ One of the pro-

41- *The JoongAng Ilbo*, July 31, 2010.

42- *Yonhap News*, June 15, 2009.

43- For specific cases, refer to Seong-Whun Cheon, "Korea's Nuclear Policy Option: to Nuclear Armament?" *The Direction of Korean Security Policy*, at the

posed methods to achieve this is to take into consideration the possibility of acquiring nuclear weapons capabilities. The two ways in which the South can do this are, first, acquire proper technology and thus the capability on its own, and second, reintroduce American tactical nuclear weapons on South Korean soil. The Chinese seem to be more sensitive of the prospect of reintroducing American nuclear capability on the Korean Peninsula. The Chinese perspective regarding South Korea's position is as follows.

Position on South Korean Acquisition of Indigenous Nuclear Weapons Capability

Director Yen Sheatung of the Institute of International Affairs argued during the Davos Forum in late January 2011 that because North Korea has already acquired nuclear weapons, we must face the reality of a unified Korea having nuclear capabilities. In sum, his statement is as follows⁴⁴:

- China is already surrounded by nuclear powers such as Russia, India, and Pakistan. One more does not make a significant difference.
- The important thing is the status of affairs with the state.
- If Korea is unified under South Korean terms and as a result a unified Korea obtains a nuclear weapon, there is no possibility that Korea will use the weapon. The United States will never allow it.
- A united Korea will have more than 70 million people and con-

24th Sejong National Strategy Forum on April 12, 2011.

⁴⁴- *Yonhap News*, January 30, 2011.

siderable economic capacity. This may cause a threat to Japan, but not to China.

Dean Yen Sheatung's remarks show the fundamental thinking behind the Chinese attitude towards a potentially nuclear South Korea. When and if South Korea decides that it must go nuclear in the face of the threat it faces from the North, we can reasonably expect the following from the Chinese regime. First, China will give historical reasons as to how South Korea has always been on the periphery of Chinese interests, and because China's power is far superior to that of South Korea, that it will not constitute a significant threat to China. South Korea is unlike India and Japan, thus, China will not be alarmed by the South Korean acquisition of nuclear weapons. Second, Chinese leaders will think that even if South Korea acquires such a weapon, it will not contemplate using it against China. Chinese leaders and its military calculate that South Korea will not be able to put the nuclear option on the table with the Chinese because it will most likely mean the end of the Korean nation as a whole.

Third, unlike the United States, China does not have the urgency of protecting the international system of nonproliferation and even has helped WMD proliferation, supporting Pakistan's nuclear development for example. Therefore, even in the event that South Korea arms itself with nuclear weapons, China most likely will not punish South Korea for such action. Rather, China's stance will be different depending on many factors such as the geopolitical situation in Northeast Asia, the relationship between China and South Korea, the relationship between South Korea and North Korea, and the relationship between China and the United States. A good example that China has a loose attitude towards

such matters could be seen in its reaction towards the Cheonan sinking, the Yeonpyong attack, and in China's decision to send the enriched uranium issue back to the UN Security Council.

*Position on Redeploying American Tactical Nuclear Weapons*⁴⁵

China has not delivered any official statements on the redeployment of U.S. tactical nuclear weapons on the Korea Peninsula. However the issue of the redeployment of tactical nuclear became publicized in South Korea and even the U.S. Congress became interested in this issue, the Chinese press and academics began to suggest their opinions on the issue. For instance, in 2011 when the controversy on the redeployment of tactical nuclear weapons of the U.S. military began to spread, *Hwangusibo* strongly criticized the possibility through an editorial article and also in a separate report on the 1st of March in 2011.⁴⁶

- <Editorial article: the idea of the redeployment of nuclear weapons in South Korea is dangerous > : “If the United States deploys tactical nuclear in South Korea, it must destroy the strategic balance of power in Northeast Asia. China cannot avoid producing and deploying nuclear weapons further and developing more advanced vehicles to secure our strategic safety.”
- <Separate report>: “The international community is worrying about the sudden controversy of redeployment of tactical nuclear weapons on the Korea Peninsula so that it may renew ‘the

45- An excerpt from Seongwhun Cheon, *Study on Reliability of U.S.’ Nuclear Umbrella Policy towards South Korea* (Seoul: KINU, 2012).

46- *The JoongAng Ilbo*, March 2, 2011.

era of nuclear arms race'. It is noteworthy that the supporting opinion for 'the nuclear against nuclear' is spreading in South Korea as redeployment of U.S. tactical nuclear weapons has been suggested."

Chinese academics are also showing interest in the redeployment of tactical nuclear weapons issue. According to Dr. Changkwon Park of the Korean Institute for Defense Analysis, Chinese specialists showed great concern about the redeployment of tactical nuclear weapons in South Korea during a conference held in May 2012.⁴⁷ Various media carried articles that criticized the United States Congress review of the potential redeployment of tactical nuclear weapons in South Korea.⁴⁸

- <Huangu Times>: The talk of introducing tactical nuclear weapons in South Korea has the purpose of pressuring both China and North Korea. This assault, led by the Republican Party of the U.S., has grave consequences for Northeast Asia. Although the nuclear issue is important to the security of the region, there are other more important issues such as the Senkaku issue as well as the Dokdo issue.
- <CCTV>: Reintroduction of tactical nuclear devices to South Korea will harm the North Korean nuclear problem.
- <People's Daily>: Expressed concern over American media covering the tactical nuclear issue and reminded that the 1992 nuclear-free Korean Peninsula declaration was still in effect.

47- An exchange of views with the writer on June 5, 2012.

48- *Yonhap News*, May 19, 2012.

Conclusion

Ever since the early 1990s when the nuclear standoff began with North Korea, until 2003 when the first Six Party Talk began in Beijing, China had been a bystander at best. China during the time acted as if the North Korean nuclear development had nothing to do with Beijing. This Chinese attitude began to change drastically with the advent of the Six Party Talks. The problem lies in the fact that for South Korea, China's newly found interest in the developments has had the effect of negatively impacting the North Korean nuclear problem. Ever since the Talks have begun, China has done no more than to simply ask the nations involved to keep patient and reach a solution through dialogue and by peaceful means. More importantly, China has only been putting emphasis on its perception of North Korea's security situation and neglecting the nuclear proliferation problem at hand. Not only that, China, in effect, has become somewhat like the caretaker of North Korea, shielding it from pressures from other members of the Six Party Talks, as well as interfering with the United Nations Security Council resolutions. At one point, a report condemning North Korea on behalf of the United Nations Security Council was left unpublished due to opposition from China.

These and other Chinese attitudes and actions (or non-actions) have led the international community to believe that China has not lived up to the level of behavior commensurate to its status as a "permanent 5" or an "official nuclear power." With the ever worsening North Korean nuclear situation, the international community is calling out to the Chinese to stop repeating their position of resolving the issue through dialogue and peaceful means. Of

course, the reason behind the utter lack of interest on the part of China is its complete underestimation and lack of understanding of the North Korean nuclear issue and international norms. China simply feels safe and content with its knowledge that North Korea will not use its nuclear weapons against them. If separatists in Tibet and/or Xingjian were intent on developing nuclear weapons, it is a good bet that the response from Beijing might be a little different – an invasion would not be out of the question.

In the so-called “G-2 era,” China must lend a careful eye to the international society’s prevailing sentiments and demands and act accordingly in order to obtain the trust and prestige commensurate with its rising economic and political clout. China must take the world’s problems to heart even if the problems do not threaten China directly. The Chinese perspective on North Korea’s irresponsible actions must change to accommodate the view of the international community. There is little sense in protecting and sustaining an internationally branded rogue state just because North Korea had been a “blood ally” in the past—this is simply not in the interest of the Chinese people.

The international community also must ask and at times pressure China to act more responsibly in its dealings with the North Korean nuclear issue. Without a doubt, China is the closest and the most influential country to North Korea, and as such, the expectations of the international community put on China weigh heavily. All nations, South Korea and the United States in particular, hope that China will take a more responsible and serious posture to resolve the North Korean nuclear problem.

The keys to a peaceful solution to the North Korean nuclear issue are in the hands of the Chinese. The only way for the nuclear issue to be resolved is if the Chinese take a sterner posture towards

the North Koreans, at times bearing the costs of short-term damage to the relationship. Only a stronger China will be able to strip the North Korean regime of its aimless nuclear ambition. Of course, this will be possible when and if China has a long-term vision for Korean unification. The Chinese leadership must decide which Korea will be the driving force in the unification process. China as an active cooperative partner in the construction of a unified Korea is very much in the interest of China.

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10

One Strategy, Three Pillars - China's Attempt to Secure Global Energy Resources

Bo Kong

* Acknowledgement: I would like to thank Michelle Kae for providing excellent research and editorial assistance. But any remaining errors or omissions are the responsibility of the author alone.



Introduction

From a resource distribution and developmental point of view, it is inevitable that China's need for energy will compel it to look beyond its shores. While its per capita energy endowment (oil, natural gas, coal, and uranium) is ranked well below the world average, its economic growth has been three times faster than the global average since the country inaugurated reform and opening up in 1978. With this consistent, rapid economic growth, China has emerged to become both the world's second largest economy and its largest exporter in very short order. The rapid economic growth, in combination with its emergence as the world's leading export powerhouse and an insufficient resource base per capita, correlates with its dependence on foreign energy. As the country's industrialization and urbanization accelerate in the aftermath of economic reforms, energy dependence has grown swiftly and systematically. China became a net oil importer in 1993, a net natural gas importer in 2006, a net coal importer in 2009, and now obtains about 60%, 21%, and 5% of its total consumption of oil (crude and oil products), natural gas, and coal respectively from abroad. With the exception of coal, China is set to increase fossil fuel imports. Meanwhile, uranium demand from China's growing nuclear reactor fleet has also surpassed domestic supplies, with about 50% of its needs imported. As the country builds more nuclear power plants in response to concerns about electricity shortages, environmental pollution, and international pressure to reduce its carbon footprint, increased dependence on imported uranium is expected.

Consequently, concerns about the supply security of China's

imported energy are emerging. These concerns center on whether the country can secure reliable and sufficient energy supplies from abroad, obtain the supplies at affordable prices, ensure their safe transportation back home, and realize its energy interests abroad without compromising its broad foreign policy objective. Because energy is indispensable for sustaining economic growth in China, ensuring supply security overseas is both an economic and security proposition for the Chinese government.

Four factors have exacerbated China's security concerns. First, to a large degree, China is victim to the surging demand for raw materials, which propelled the upward spiral of commodity prices (especially oil prices) from 2001 to 2008 (BP 2012). This sustained escalation of commodity prices, also known as the "super-cycle of the commodities boom,"¹ has led to negative consequences for China's pursuit of energy resources. Competition has intensified worldwide, especially between China and its Asian neighbors also heavily dependent on the global energy market (e.g., Japan, South Korea, and India) in both major producing regions (i.e., Africa and Central Asia) and disputed territories rich in hydrocarbons (e.g., the East China Sea and the South China Sea). Some major energy producers, including Russia and Venezuela, have started to embrace a new round of "resource nationalism,"² complicating China's attempt to secure energy overseas.³ Additionally, the instability of China's primary sources of energy (notably the Middle

1- A. Heap, "China: The Engine of a Commodity Super Cycle," *Citigroup Global Markets* (Citigroup/Smith Barney, 2005).

2- I. Bremmer and R. Johnston, "The Rise and Fall of Resource Nationalism," *Survival: Global Politics and Strategy*, Vol. 51, No. 2 (2009).

3- Bo Kong, *China's International Petroleum Policy* (Santa Barbara, California: Praeger Security International, 2010), p. 103.

East and Africa, which supply three quarters of China's imported oil combined) and travel routes (such as the Strait of Malacca and the Strait of Hormuz) justifiably escalate concerns on energy supply security.

These concerns have conspired to cause a paradigm shift in China that sees energy security as high politics⁴ and favors state intervention in the country's attempt to secure energy resources worldwide.

To alleviate these security concerns, China launched an aggressive approach to secure energy resources worldwide. In 2001, the Chinese government launched the "going out" strategy and applied it to securing global energy supplies. Under this broad strategy, the country's global energy hunt has spawned a consistent pattern of behavior featuring a triangular interaction among three key players—the Chinese state, its energy state-owned enterprises (SOEs), and its state-owned financial institutions (SFIs). The dynamics of China's energy diplomacy agenda incorporate these actors as the Chinese state seeks access to resources through energy SOEs, the energy SOEs gain access to vis-à-vis overseas direct investment (ODI), and the SFIs finance the required amount for ODIs and overseas expansion. Since launching the "going out strategy," the frequency and intensity of interactions between these core players have increased significantly. Thus, energy diplomacy by the Chinese state, ODI by its energy SOEs, and energy financing by its SFIs have evolved to become the three core pillars of China's global energy strategy.

This chapter aims to shed light on this recently formed pat-

4- K. Lieberthal and M. Herberg, "China's Search for Energy Security and Implications for U.S. Policy," *NBR Analysis*, Vol. 17, No. 1 (2006).

tern of “one strategy, three pillars” in China’s attempt to secure energy resources worldwide. Considering the centralized political system in China, it is tempting to conclude that the country’s attempt is orchestrated by the Chinese state, which uses its two arms—energy SOEs and SFIs—to maximize its global energy interests and promote its global influence. This analysis, however, suggests that the iron triangle of the Chinese state, its energy SOEs, and its SFIs does not exist and their aggressive efforts have thus far yielded ambiguous dividends for the country’s energy security.

The structure of the chapter is as follows. Its preliminary section provides a historical review of the evolution of China’s global energy strategy. This is followed by a detailed case study of how the country’s global energy strategy is implemented with regard to oil. Then it offers an assessment of the effectiveness of this strategy for enhancing the country’s energy security. The final section integrates preceding discussions and concludes with policy implications.

Evolution of China’s Global Hunt for Energy: One Strategy, Three Pillars

Before tracing how China’s global energy strategy has evolved, it is essential to note that the security implications of the country’s growing dependence on different forms of energy vary greatly from one another. In a nutshell, a hierarchical order separates oil from the other three forms. This is a reflection of China’s energy circumstances and the variant level of its dependence on different forms of foreign energy. In terms of resource endowment, its proven oil reserves as a share of the global total are the smallest among the four

forms of energy in question. In contrast, China possesses the world's third largest reserves of coal and its largest deposit of shale gas resources, the full utilization of which would counterbalance the country's overseas dependence on these fuels, although for now its dependence on foreign gas will continue to grow until the country experiences a North American style "shale gas revolution." While its dependence on foreign uranium is likely to grow in the future, unlike oil, the world has plenty of supplies that can last for more than 100 years' use (Nuclear Energy Agency 2012), thus alleviating concerns about supply scarcity.

Furthermore, oil is central in China's energy agenda because oil is the most versatile fuel and one of the most sought-after fungible commodities on the international energy market; it is heralded as "industrial blood" and "black gold," whereas a globally integrated market for coal and natural gas does not exist. However, oil cannot be easily substituted by natural gas, coal, and uranium for power generation. The substitution is especially difficult in the transport sector and for military use. Oil is still perceived to carry strategic importance for national security despite its increasing commoditization. Thus, concerns about the supply security of the country's global oil supplies occupy a central place on the country's energy security agenda.

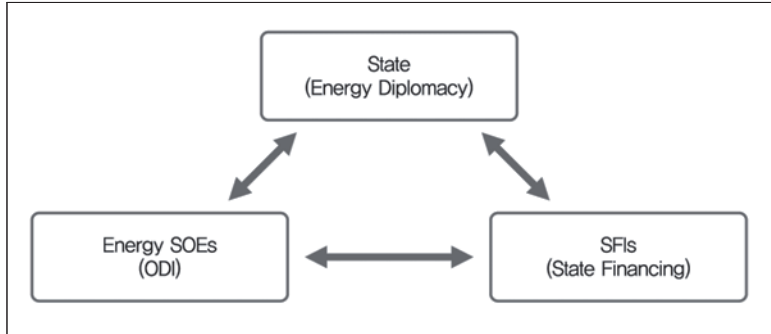
Because of this centrality, supply security of the country's imported oil has received special policy attention⁵ and galvanized the formulation of the "going out" strategy.⁶ Over time, this has not only been applied to securing other forms of energy, but has also

5- Bo Kong, "An Anatomy of China's Energy Insecurity and Its Strategies," *Pacific Northwest National Laboratory* (Seattle, Washington, 2005).

6- Bo Kong, *China's International Petroleum Policy*.

evolved to become the country's overarching developmental strategy for managing its integration into the global system. As far as energy is concerned, the "going out" strategy has gradually developed three interconnected pillars (Figure 1): 1) promoting the international expansion of its energy SOEs and encouraging them to seek global energy production off-take rights or equity energy through ODI, 2) assisting Chinese energy SOEs' ODI with state financing or loans from Chinese SFIs to energy-rich countries, and 3) supporting Chinese energy SOEs' expansion featuring government-to-government arrangements. Since China's plan in securing oil supplies overseas is most representative of its overarching global energy strategy, this chapter will discuss China's attempts to secure its global oil supplies.

〈Figure 1〉 Three pillars of China's "going out" strategy



However, it is important to note that this formation of the "one strategy, three pillars" is not an intentional outcome of Chinese state planning or a response to a strategic challenge. The formation is instead an accumulation of gradual responses from the Chinese NOCs, the Chinese state, and its SFIs in different sequence and with variable involvement over time that corresponds with the

changing perceived importance of the challenge. Retrospectively, China's global hunt for oil started out primarily as an industrial response. It did not become a national effort receiving formalized state support until Beijing launched the "going out" strategy in 2001. Prior to that, the Chinese SFIs merely provided the Chinese NOCs with some haphazard support. This support began to increase with the release of the "going out" strategy and intensified significantly following the 2008 global financial crisis. An examination of how China has implemented the "one strategy, three pillars" to secure global oil supplies illustrates the evolution of China's global energy strategy.

Three Phases of China's Attempt to Secure Global Oil Supplies

Broadly speaking, China's attempt to secure global oil supplies has undergone three phases. The first phase occurred from 1993 to 1999 and was defined by three characteristics: 1) China's dependence on foreign oil was rising, but still low, 2) its oil import volume and expenditure were insignificant, and 3) global oil prices were very low, especially during the Asian Financial Crisis. Consequently, the country's oil import dependence did not attract much policy attention and was not perceived as a national policy challenge. Instead, it was considered primarily an industrial challenge for its NOCs, which were struggling to accelerate domestic oil production growth in the face of a series of daunting challenges. These included aging oil fields, reserves that were difficult to replace, increasing debt burdens of NOCs and suppressed oil prices.⁷

Chinese NOCs, represented by the China National Petroleum Corporation (CNPC) were forced to go out to territories beyond the Chinese shores to look for solutions for their domestic problems. CNPC tested the water by making its first batch of cross-border investments in Thailand, Canada, and Peru in 1993. Its early success led to opportunities in other countries, including Venezuela, Papua New Guinea, Sudan, and Kazakhstan, which in turn emboldened CNPC to expand elsewhere and enticed its peers—the China National Petrochemical Corporation (SINOPEC), the China National Offshore Corporation (CNOOC), and Sinochem Group—to follow suit. During this phase, the Chinese state offered little policy or financial support for Chinese NOCs. In fact, the mainstream view of state bureaucracies placed emphasis on domestic exploration and purchases of oil instead of ODI.⁸

The year 2000 marked the beginning of the second phase and constituted a milestone in the country's foreign energy policy as it ushered in a constellation of events that catalyzed the formulation of the country's global energy strategy. Specifically, it witnessed the country's oil import volume double at a time when international prices more than tripled during the same year, resulting in a two-fold increase in the country's oil import expenditure. This combination of import surge and price hike made clear to the Chinese leadership that the country's dependence on foreign oil is a strategic challenge that could wreak havoc on the Chinese economy. This realization coincided with the drafting of the coun-

7. Bo Kong, *China's International Petroleum Policy*, pp. 33-41.

8. X. Xu, "Chinese NOCs' Overseas Strategies: Background, Comparison and Remarks," *The Changing Role of National Oil Companies in International Energy Markets* (2007), <http://www.rice.edu/energy/publications/docs/NOCs/Papers/NOC_ChineseNOCs_Xu.pdf>.

try's 10th Five Year Plan (FYP) for 2001-2005, which allowed the central leadership to identify and frame medium and long-term challenges facing the country. Jiang Zemin, then president of China, put forward the "going out" strategy for the Chinese oil industry in 2000, which was then enshrined into the country's 10th FYP in 2001 and incorporated into the CCP's 16th Congress in 2002. In addition to endorsing what its NOCs had been doing for the past decade or so, the Chinese government intensified its support, which included simplifying bureaucratic procedures and approvals regarding their ODI, rallying financial support from the SFIs for the international expansion of the Chinese NOCs, and mobilizing diplomatic resources to facilitate their access to resource-rich countries overseas.

The 2008 global financial crisis marks the beginning of the third phase, characterized by the remarkable aggressiveness of the Chinese NOCs in the global energy market, especially as far as their involvement in mergers and acquisitions (M&As) was concerned. In contrast with the first two phases of China's global hunt for oil, this aggressiveness often comes on the heels of Chinese SFIs' provision of cross-border energy-backed loans. There is little doubt that the growing involvement of these SFIs were in response to the country's "going out" strategy. But it also takes place against the broad backdrop of growing concerns in China about how its SFIs preserve and enhance the value of the country's mammoth \$US 3 trillion-plus foreign exchange reserves. The 2008 global financial crisis and the ensuing U.S. quantitative easing monetary policy intensified concerns in China because they were perceived as threatening to the value of its foreign exchange reserves, the overwhelming majority of which are held in dollar-denominated assets. Against this backdrop, Chinese SFIs increased their involvement in

cross-border resource-backed loans, sometimes using the Chinese RMB. Viewed from a broader perspective, this increased involvement of Chinese SFIs in cross-border resource deals serves at least two purposes: 1) supporting the internationalization of Chinese SFIs and the Chinese RMB, and 2) converting the country's dollar-denominated foreign exchange reserves into tangible assets at a time of global financial uncertainty.

This brief review of the three phases of China's attempt to secure global oil supplies reveals that the country did not have a grand strategy to begin with. The common assumption that the Chinese state was thinking forward and responding proactively is certainly a myth. Instead, the Chinese state essentially followed situational ethics and responded to strategic challenges when necessary and that gradually coalesced into some consistent patterns of behavior, raising the question of each key player's methods in securing global oil supplies for the country and the effectiveness of individual and collective effort.

ODI by Chinese NOCs: “3+3”

There are essentially six Chinese NOCs at stake implementing China's “going out” strategy—three major and three minor players, or “3+3.” The three majors are 1) CNPC—successor to the country's former Ministry of Petroleum Industry and now Asia's largest oil producer with most of its assets focused on onshore E&P; 2) Sinopec—formed on the basis of assets from three former ministries (Ministry of Petroleum Industry, Ministry of Petrochemicals, and Ministry of Textiles) and now Asia's largest refiner in capacity

terms; and 3) CNOOC—the most internationalized Chinese oil company with primary assets focusing on offshore activities. Increasingly, these three majors use their primary listed arms, PetroChina, Sinopec, and CNOOC, respectively, to pursue ODI.

Three minor state-owned players actively pursuing global oil supplies include 1) Sinochem Group, a trading company that is now involved in upstream E&P in the global oil industry; 2) China ZhenHua Oil (ZhenHua), a subsidiary of the country's largest arms exporter, China North Industry Corporation (NORINCO); and 3) CITIC Resources Holdings Limited (CITIC Resources), a subsidiary of the investment conglomerate CITIC Group Corporation.

Over the past two decades, these players acquired oil resources across the world, demonstrating their propensity to learn and their growing level of sophistication. When they debuted on the international oil market in the early 1990s, some of the super oil majors of the West, or the international oil corporations (IOCs), had already been operating globally for almost a century. Rather than competing with the IOCs, they concentrated on oilfields with depleting reserves often dumped by the IOCs, including those in politically risky (or volatile) countries, such as Sudan, Iran, and Myanmar. They focused on their advantages—low-cost services provision and competent onshore capabilities. Gradually, they took on riskier exploration projects, conducting offshore activities, engaging in global M&As, assuming the role of project operators, and even expanding into the area of unconventional oil and natural gas resources.

In addition to pursuing equity investment and engaging in M&As in the global oil market, Chinese NOCs developed three unique methods to expand their global presence. First, unlike major IOCs that divested their service arms in the 1990s, Chinese

NOCs managed to hold onto their complete set of service arms in the areas of geophysical prospecting, well drilling, well logging and testing, and surface engineering and construction. Furthermore, labor cost differentials gave Chinese NOCs a comparative advantage over Western counterparts in providing affordable and fast-delivery oil services. To coordinate their upstream operations and service operations, Chinese NOCs adopted the approach of “walking on two legs,” i.e. pursuing international expansion on both fronts.⁹ The penetration of Chinese oil service arms and their successful operations built the reputation of Chinese NOCs and often unlocked upstream opportunities that would otherwise have been inaccessible. As Chinese NOCs’ upstream arms expand across the world, they generate opportunities to incorporate their service counterparts in their operations. This synergy also facilitates Chinese NOCs taking their workers to overseas projects, which has encountered backlash in some countries.

The second approach Chinese NOCs have developed is controlling market access. Recognizing the changing landscape of the global oil market and hungry for access to overseas upstream opportunities, the Chinese NOCs leveraged their control of the market as the world’s second largest oil importer for upstream access overseas. Chinese NOCs allow producer country NOCs to expand in China’s downstream markets; in return, these producer NOCs provide Chinese NOCs with refinery feedstock and investment opportunities. The interaction between China and Saudi Arabia (the world’s largest oil exporter) provides a case in point. Through its partnership with Saudi Aramco and Saudi Basic Industries

⁹- Bo Kong, *China’s International Petroleum Policy*, pp. 69-75.

Corporation, Sinopec secured guaranteed oil supplies from Saudi Aramco and gained the opportunity to build the Yasref refinery in Saudi Arabia. Similarly, CNPC used the same approach to unlock upstream opportunities in Qatar, Russia, and Venezuela.

Finally, IOCs have stepped up their presence in China's oil market, especially in downstream operations. This has fostered partnerships between Chinese NOCs and IOCs and has allowed Chinese NOCs to extend this collaboration abroad. For example, on the basis of their cooperation in China, Sinopec and BP extended their partnership to offshore Angola while CNPC and BP continued their cooperation in Iraq.

Chinese NOCs' ODI has consistently grown and their involvement in global M&As has become more aggressive. Annually, their aggregate ODI used to be in the order of tens of millions of dollars in the early 1990s, to hundreds of millions of dollars in the early 2000s, but now is valued at tens of billions of dollars. Consequently, Chinese NOCs are now a serious force to be reckoned with—accounting for 12% of the total value of the global M&A transactions between 2008-2011.¹⁰

Energy Financing by Chinese SFIs: “2+1”

Chinese NOCs' growing involvement in ODI and cross-border M&As raises the question of how their international expansion is financed. Their ability to self-finance global endeavors has grown

¹⁰- T. Atmakuri, “Chinese NOCs Continue Acquisitions; Deal Value for 2011 Below 2010 Levels,” *Derrick Petroleum Services*, 2012.

significantly due to 1) the domestic structural reforms in the late 1990s coupled with rising global oil prices and 2) the public floatation of subsidiaries on domestic and international stock markets. However, one cannot ignore the major role of SFIs and the financing they provide to Chinese NOCs directly and indirectly, especially since “going out” became a national strategy. Their role gained more prominence in the aftermath of the 2008 global financial crisis. This section investigates the role of these SFIs in China’s attempt to secure global oil supplies.

The state financing for Chinese NOCs primarily comes from “2+1” SFIs— two majors and one minor. The two majors are the China Development Bank (CDB) and China Export and Import Bank (China Exim Bank), with the former primarily engaged in development finance and mid-to long-term investment chiefly based on funds from its sales of government-backed bonds, while the latter is responsible for offering trade finance. Although China Investment Corporation (CIC) is smaller than CDB and China Exim Bank, it also has a growing energy portfolio. Established under the Ministry of Finance with assets totaling over \$480 billion in 2011, CIC is the fifth largest sovereign wealth fund (SWF) in the world that. Unlike China Exim Bank and CDB, CIC seems primarily interested in obtaining higher returns on its capital rather than physical control of energy resources for the country and accordingly, will not be the center of the following discussion.

Among the three, China Exim Bank is the first Chinese SFI that started providing financial support to Chinese NOCs. Initially, it was driven by its mission to promote the country’s trade with the outside world, especially exports, including the oil industry’s. But China established the “going out” strategy in 2001, China Exim

Bank's role took on a broader dimension in supporting the international expansion of corporate China. For example, the very first batch of loans it provided to CNPC was an export credit of 100 million yuan (\$12 million) at a subsidized rate in 1995 to support the company's entry into Sudan¹¹ and in 2001 it offered CNPC another \$1.2 billion export credit. It became more involved in the overseas operations of Chinese NOCs and adopted the approach of "infrastructure for resources" to help Chinese NOCs secure oil supplies, especially in Africa. This approach has three components: 1) China Exim Bank signs an agreement with the borrower government, according to which the former finances the latter's infrastructure projects, such as public housing, roads, railways, bridges, and ports etc., while the latter hires Chinese construction and engineering companies to build the projects; 2) to pay off the loans, the borrower government asks its NOC to reach an agreement with a Chinese NOC, establishing a long-term purchase agreement or equity investment; and 3) instead of paying money to the borrower country's NOC, the Chinese NOC would deposit the payment to the account China Exim Bank created on behalf of the borrowing country's NOC. China Exim applied this approach in Angola, Nigeria, and Gabon.

CDB also provides substantial financing for Chinese NOCs' global acquisition directly and indirectly since 2001. In contrast to China Exim Bank, CDB's financial packages are often much bigger, and their rates tend to be much higher when providing loans to oil-rich countries. Despite this, CDB is the most prominent

¹¹- N. Gao, "Kaipi Heijin-Zhongguo Jinchukou Yinhang Youhui Daikuan Zhichi Sudan Xiangmu [Opening up the Black Gold: China Export and Import Bank Provides Preferential Loans to Support Projects in Sudan]," *Guoji Rongzi* [International Financing], No. 5 (2001).

Chinese SFI that provides energy-backed loans. In many instances, CDB is the default choice in the aftermath of the recent global financial crisis because many of these oil-dependent economies have experienced budget shortfalls. CDB's energy-backed loans are essentially a type of barter trade that entails three components similar to the above "infrastructure-for-oil" approach: 1) CDB lends money to a borrower country government, 2) to pay off the loans, the governments direct its NOC to provide long-term oil supplies to Chinese NOCs, and 3) the Chinese NOCs acquire the oil and pay CDB on behalf of the borrower country's NOC. Since 2008, CDB has applied this approach to a variety of countries.

Beijing's Energy Diplomacy

In addition to mobilizing its SFIs to provide financial assistance to its NOCs' effort to acquire global oil supplies, Beijing has also bolstered its support by engaging in active energy diplomacy since it launched the "going out" strategy. Again, like the formulation of the country's broad global energy strategy, there is little indication of who is in charge of formulating or implementing the country's energy diplomacy. Neither is there any coordination in terms of how different bureaucracies within the Chinese government actually practice energy diplomacy. In fact, authority over energy diplomacy is quite functionally distributed. While the National Energy Administration (NEA) often leads the government's effort in promoting international energy cooperation, the Office of Economic Diplomacy in the Ministry of Foreign Affairs (MOFA), the National Energy Commission (NEC), the Energy

Research Institute (ERI) under the National Reform and Development Commission (NDRC), and the China Institute of International Studies (CIIS), which is affiliated with MOFA, all play some role in formulating and shaping the way Beijing considers and conducts its energy diplomacy.

Nevertheless, consistent behavioral patterns have emerged in the way Beijing uses diplomacy to promote the country's access to energy overseas. Generally, there are three central components of Beijing's energy-oriented diplomacy. First, Beijing's energy diplomacy is often anchored by 1) vaguely defined strategic partnerships with energy-rich countries (such as Saudi Arabia, Venezuela, Nigeria, Kazakhstan, Indonesia, the United Arab Emirates (UAE), and Canada); 2) top leadership visits to countries important for energy trade, investment, and transit; and, 3) government-to-government agreements or Memorandum of Understandings (MOUs) on all-encompassing areas of cooperation, to which energy is integral. This fits in with the broad Chinese philosophy of moving from general to specific, i.e. nurturing and cementing energy-specific cooperation under the broad umbrella of comprehensive economic cooperation. In this regard, Premier Wen Jiabao's visit to three of China's leading sources of imported energy in the Middle East—Saudi Arabia (the top crude oil supplier), the UAE, and Qatar (the top liquefied natural gas supplier)—in January 2012 could be considered a specific manifestation of its energy diplomacy.

Second, Beijing's energy diplomacy frequently incorporates a mixture of policy instruments. For example, in June 2006, Beijing combined trade and loan packages to promote SINOPEC's access to upstream opportunities in Angola. However, one should not play up the notion of "aid for energy" or "Beijing's holistic energy diplomacy" too much as Beijing gives aid to energy-rich countries

as well as those with few natural resources. Similarly, while it hopes to enhance China's access to energy resources, it also hopes to achieve other foreign goals. Goal multiplicity is the factor that complicates categorizing energy diplomacy from normal diplomacy.

Third, Beijing uses both bilateral mechanisms and regional/multilateral forums to promote China's energy interests. Its effort to advance comprehensive energy ties in oil, gas, coal, and electricity with Russia through the China-Russian Energy Dialogue at the vice premier level since 2008 illustrates the type of bilateral mechanism in its energy diplomacy. This institutionalized and focused bilateral dialogue has enabled Beijing and Moscow to discuss their energy cooperation in an integrated fashion and with high-level support. It is under this mechanism the two countries made the breakthrough in extending the first phase of the East Siberian-Pacific Ocean Oil Pipeline (ESPO) to China under a "loans for oil" arrangement, according to which the CDB provided Rosneft and Transneft (Russia's leading NOC and oil pipelines owner) a 20-year loan of \$25 billion while securing 300 million tons of Russian crude oil between 2011 and 2030. In addition to bilateral mechanisms, Beijing has increased regional and multilateral forums to promote its energy interests. For example, Beijing has used the China Arab Energy Cooperation Conference to improve ties with energy-rich Arab states. Similarly, it has used some non-energy specific forums, such as the Shanghai Cooperation Organization (SCO) and the Forum on China-Africa Cooperation (FOCAC), to engage energy producers on a regional level.

Assessing the Effectiveness of China's Global Energy Strategy

China's pursuit of global oil supplies for the past two decades, especially under the "going out" strategy since 2001, has created some apprehension among other major consuming nations, their oil companies (both NOCs and IOCs), and their financial institutions.¹² To establish or refute the validity of these apprehensions, one has to perform a thorough assessment of the effectiveness of China's global energy strategy. However, such a task could not be accomplished without specifying some benchmarks. This chapter proposes the following conditions to consider: 1) whether its global attempt to secure oil supplies has lowered the risks of disruption to China's global oil supplies at the source, 2) whether the attempt has enhanced the affordability of the country's global supplies (i.e., protecting the country from price shocks that could wreak havoc on its economy), and 3) whether the attempt has improved the transit security of its global oil supplies.

Against these benchmarks, China's global attempt to secure energy supplies has a very poor record of enhancing the country's energy security. First, none of the three pillars of the country's global energy strategy have enhanced the country's ability to reduce risks of disruption to its energy supplies at their source. It is true that the Chinese NOCs have significantly increased their ODI, the volume of global M&As, and access to overseas equity energy;

¹²- D. Zweig and B. Jianhai, "China's Global Hunt for Energy," *Foreign Affairs*, Vol. 84, No. 5 (2005); Erica S. Downs, "Who's Afraid of China's Oil Companies," C. Pascual and J. Elkind (eds.), *Energy Security: Economics, Politics, Strategies, and Implications* (Washington D.C.: Brookings Institution Press, 2009).

however, none these accomplishments have translated into an enhanced ability to protect against supply disruptions at the source of supply. For example, Chinese NOCs' imports from Libya fell by nearly two-thirds when Libya's civil conflict hit production facilities and halted its exports for six months. Similarly, another conflict outbreak between South Sudan and Sudan in early 2012 over transit fees and border issues forced CNPC to suspend the majority of its operations in South Sudan. Consequently, China's oil imports from South Sudan plummeted by more than 40%. Of course, Chinese NOCs are not the only entities affected by supply disruptions. None of China's state financing or energy diplomacy could have prevented these occurrences, the causes of which were entirely local. Nevertheless, having a lot of assets in politically risky and volatile energy-rich countries make them vulnerable to unanticipated and unmanageable local supply shocks. The only ways to reduce these risks is through investing with thorough political risk analysis, portfolio diversification, risk insurance, hedging options, and back-up plans. Chinese NOCs' operations have yet to indicate that they have developed these capabilities. On the contrary, the real instrument that will provide China with a shield against supply disruptions is its domestic effort to build its strategic petroleum reserves.

Second, the three pillars of China's global energy strategy have provided the country with little protection against energy price fluctuations. Some officials in China hoped that the Chinese NOCs could help the country mitigate price risks by shipping their overseas equity oil back home. In reality, most of their equity oil is sold on the international oil market.¹³ Similarly, it is also a myth

13- Erica S. Downs, "The Fact and Fiction of Sino-African Energy Relations," *China Security*, Vol. 3, No. 3 (2007); J. Jiang and J. Sinton, "Overseas

that the Chinese SFIs' "loans for oil" deals help the country guarantee long-term supplies under favorable prices. Almost all of these arrangements allow oil prices to fluctuate with market conditions.¹⁴ Some may attribute the "Asian discount" Saudi Arabia offered to Asian customers in spring 2012 to China's implementation of its global energy strategy.¹⁵ Linking Asia's increasing bargaining power with Middle East suppliers to China's "one strategy, three pillars" would be an exaggeration. This collective market influence comes out of a more fundamental change, in which China transformed into a global economic powerhouse and the world's center of demand for energy, which in turn has enticed more producing countries, such as Russia, Venezuela, and Nigeria, to look to East.

Third, while Chinese NOCs have built three land-based pipelines and are building another two through the occasional help of Beijing's energy diplomatic efforts and its SFIs' financial support, these pipelines will do more to help China ship more hydrocarbons across its borders than remedy transit challenges. The three completed pipelines—the ESPO oil pipeline, the Sino-Kazakh oil pipeline, and the China-Central Asian gas pipeline, and the two under construction (the China-Myanmar oil and gas pipelines)—will only marginally help the country reduce its dependence on the "chokepoints," especially the Malacca Strait, for shipping its imported energy as these pipelines together will only han-

Investment by Chinese National Oil Companies: Assessing the Drivers and Impacts," *International Energy Agency* (Paris, 2011).

14- K. P. Gallagher, A. Irwin, *et al.*, "The New Banks in Town: Chinese Finance in Latin America," *Inter-American Dialogue* (Washington D.C., 2012).

15- Historically, Persian Gulf countries charge their Asian customers an "Asian Premium" for their crude oil. This surge has averaged about \$1.2 per barrel since 1998.

dle a small fraction of China's total energy trade. Further, land-based pipelines, as evidenced in the previously mentioned disputed areas, are as vulnerable as the sea lines of communications to attacks. In the event of a military conflict, they could easily become a concentrated target.

Conclusion

The assessment that none of the three pillars of China's global energy strategy have significantly enhanced the country's energy security essentially reveals two practical policy implications. First, there is no iron triangle among Beijing, its NOCs, and its SFIs. The fact that the Chinese NOCs only bring a small fraction of their overseas equity oil production back home reveals their autonomy from the Chinese government and the commercial, rather strategic, nature of their behavior. Similarly, the fact that the Chinese SFIs have regularly taken the initiative to provide energy-backed loans that do not provide a kind of supply security or price security guarantee may suggest that they are more interested in expanding overseas lending and preserving and enhancing the value of their vast amount of foreign exchange reserves than seeking energy security for the country. Certainly, more empirical analysis is needed to verify this hypothesis, but this resonates with the increasing trend of the Chinese SFIs blending state and market practices.

Second, the country's energy security could be improved. In fact, even if Beijing, its NOCs, and SFIs did not pursue aggressive energy diplomacy, overseas ODI, and cross-border energy-backed loan deals, China's energy security over the past two decades prob-

ably would not have been significantly jeopardized. Since the first oil shock in 1973, no major oil importing country in the world has ever experienced difficulties in sourcing sufficient supplies from the global market. Oil is always available to the highest bidder on the integrated and fungible oil market. In this sense, the notion of supply security essentially boils down to a price issue. The solution to supply shortages, either because of orchestrated incidents or natural accidents, is high prices. Thus, as long as China can afford oil from the international market, oil will always be available. This also confirms the fundamental reality that oil producing nations, especially the petro states (such as Saudi Arabia, Russia, Angola, and Venezuela), are highly dependent upon oil export revenues and are fundamentally incentivized to supply the international oil market. A case in point is that the Organization of the Petroleum Exporting Countries (OPEC) has always found it difficult to enforce supply quotas among member countries. Therefore, energy security has less to do with what one country does abroad, and more to do with what it does at home. Establishing the right mix of energy institutions, including competitive markets and pricing regimes, which promote effective resource allocation, transparent competition, efficient use, and alternative solutions is the real answer to the different forms of energy supply security challenges.¹⁶

¹⁶- Bo Kong, "Institutional Insecurity," *China Security* (Summer, 2006).

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Part 3

Major Countries' Policies and Strategies toward China



Korea Institute for
National Unification

11

U.S. Policy and Strategy toward China

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It is difficult to overstate the huge, and growing, importance of the U.S.-China relationship, not only for both countries but also for the Asia-Pacific region and the world.¹ Indeed, a number of current and former leaders in both countries have characterized the U.S.-China relationship as one of the most important bilateral relationships in the world.² China and the United States are among each other's most important economic partners and the two countries are becoming more closely linked than ever before at the societal level. Yet despite a growing web of economic and social linkages, the two countries also have disagreements over a variety of issues. Points of contention include China's economic policies, Beijing's human rights record, China's handling of its maritime territorial disputes with its neighbors, and U.S. arms sales to Taiwan. On a deeper level, however, some observers suggest that the status of each country in the international system and the relative balance of power between them are the most important factors complicating their relationship. The United States remains the world's most powerful country, politically, economically, and militarily, but it is facing economic challenges and must cope with the resultant budget constraints. China is clearly a rising power, one with expanding global interests, a rapidly growing economy, increasing diplomatic influence, and an increasingly capable military. Many

1- For recent assessments of the U.S.-China relationship, see Michael D. Swaine, *America's Challenge: Engaging a Rising China in the Twenty-First Century* (Washington, DC: Carnegie Endowment for International Peace, 2011); Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton, 2011).

2- See, for example, comments by former U.S. President Jimmy Carter and China's current Vice President—and likely future leader—Jinping Xi, "China-U.S. Agree Bilateral Relations 'Most Important,'" *Xinhua*, January 12, 2009, <http://news.xinhuanet.com/english/2009-01/12/content_10647585.htm>.

observers have suggested that the history of great power relations, which is replete with tragic confrontations between established hegemonic powers and rising challengers, does not bode well for this most important of relationships. To make matters worse, strategic distrust further complicates the U.S.-China relationship.

Given these problems, it is not surprising that both sides are pursuing strategies that combine elements of engagement and balancing.³ Nonetheless, both sides also recognize that they have a strong interest in avoiding a relationship that is dominated by distrust and strategic rivalry, and leaders in Washington and Beijing attach great importance to successfully managing the U.S.-China relationship. Chinese leaders, for their part, have stated that they seek a “new type” of great power relationship with the United States.⁴ America’s leaders, too, have underscored the importance they attach to building a stable and constructive relationship with China. For the United States, achieving such a relationship with China represents a serious policy challenge. From Washington’s perspective, it is not only essential to preserve U.S. interests and influence while avoiding unnecessary confrontation, but also to seek China’s cooperation in order to address a wide range of important global political, economic, and security issues. This demands that

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3- For a thorough analysis of hedging and its implications, see Evan S. Medeiros, “Strategic Hedging and the Future of Asia-Pacific Stability,” *Washington Quarterly*, Vol. 29, No. 1 (Winter 2005-06), pp. 145-167.

4- See “President Hu: China, U.S. Should Break Traditional Belief of Big Powers’ Conflicts,” *Xinhua*, May 3, 2012. Speaking at the opening session of the fourth U.S.-China Strategic and Economic Dialogue (S&ED) in Beijing, Hu called for the two sides to “build a new type of relations between major countries.” Furthermore, Hu stated, “we should, through creative thinking and concrete steps, prove that the traditional belief that big powers are bound to enter into confrontation and conflicts is wrong and seek new ways of developing relations between major countries in the era of economic globalization.”

Washington develop a principled, realistic, and flexible approach to dealing with a rising China. The remainder of this chapter addresses the Obama Administration's China policy and the challenges Washington faces in trying to achieve its strategic objectives.

U.S. Policy and Strategy towards a Rising China

In response to the challenges inherent in dealing with a rising China, the Obama Administration has adopted an approach that is largely consistent with that of its predecessors in many respects, but it has also aimed to increase its emphasis on the Asia-Pacific region and to seek the right balance in America's relationship with what many observers now see as the world's second most powerful country. Former National Security Council Senior Director for Asia Jeffrey A. Bader has highlighted several key principles that have animated U.S. policy toward the Asia-Pacific in recent years, including

- According a higher priority to America's involvement in the Asia-Pacific region
- Striking the appropriate balance in the U.S.-China relationship
- Strengthening U.S. alliances and building partnerships with other countries in the region
- Maintaining and expanding the U.S. political, economic, and security presence in the region
- Pursuing dismantlement of North Korea's nuclear weapons program
- Increasing U.S. participation in regional institutions like ASEAN

and the East Asian Summit

- Supporting universal human rights while recognizing the existence of societal differences
- Promoting domestic economic recovery as a foundation for all of these initiatives⁵

Within this broader context, Bader characterizes the overarching goal of U.S. policy towards China as shaping the U.S.-China relationship “to maximize the chances that China’s rise will become a stabilizing and constructive force rather than a threat to peace and equilibrium.”⁶ Furthermore, according to Bader, U.S. policy towards China has rested on the “three pillars” of “(1) a welcoming approach to China’s emergence, influence, and legitimate expanded role; (2) a resolve to see that its rise is consistent with international norms and law; and (3) an endeavor to shape the Asia-Pacific environment to ensure that China’s rise is stabilizing rather than disruptive.”⁷

As underscored by numerous official statements, the United States continues to emphasize that it welcomes China’s emergence as a great power with global interests. Secretary of State Hillary Clinton and other senior U.S. officials have emphasized that the United States wants to build a “positive, cooperative, and comprehensive relationship” with China.⁸ Elaborating on this point in a

5- Jeffrey A. Bader, *Obama and China’s Rise: an Insider’s Account of America’s Asia Strategy* (Washington, DC: Brookings, 2012), pp. 6-8.

6- *Ibid.*, p. 7.

7- *Ibid.*

8- For example, see Hillary R. Clinton, “Inaugural Richard C. Holbrooke Lecture on a Broad Vision of U.S.-China Relations in the 21st Century,” Washington DC., January 14, 2011, <<http://www.state.gov/secretary/rm/2011/01/154653.htm>>.

May 2011 Congressional testimony, State Department official Daniel J. Kritenbrink indicated that Washington seeks a U.S.-China relationship that not only is “positive, cooperative, and comprehensive,” but also “grounded in reality, focused on results, and true to our principles and interests.”⁹ Furthermore, according to Kritenbrink: “We welcome a strong, prosperous, and successful China that plays a greater role in world affairs, and we are committed to working with China and the international community on critical global issues. Moreover, we believe that a strong U.S.-China relationship serves to bolster stability and security in the Asia-Pacific region.”¹⁰

Washington clearly recognizes China’s importance in addressing a broad range of global challenges, including economic and environmental problems, and regional security issues such as North Korea and Iran. This is one reason why a stable and comprehensive relationship with China is so vital to the United States. Speaking at the opening of the U.S.-China Strategic and Economic Dialogue in Beijing in May 2012, Secretary of State Hillary Clinton said, “the United States remains committed to building a cooperative partnership based on mutual benefit and mutual respect... China and the United States cannot solve all the problems of the world, but without our cooperation, it is doubtful any problem can be solved.”¹¹

⁹- Daniel J. Kritenbrink, “U.S. Policy Toward the People’s Republic of China (P.R.C.),” Testimony Statement before the U.S.-China Economic & Security Review Commission, Washington, DC (April 2011), <<http://www.state.gov/p/eap/rls/rm/2011/04/160652.htm>>.

¹⁰- *Ibid.*

¹¹- Hillary R. Clinton, “Remarks at U.S.-China Strategic and Economic Dialogue Opening Session” (Beijing, May 3, 2012), <<http://www.state.gov/secretary/rm/2012/05/189213.htm>>.

Under the Obama Administration, the United States has pursued a variety of avenues to improve its relationship with China, seek greater cooperation on issues of shared concern, and reduce mutual suspicion. Beyond high profile leadership visits and face-to-face meetings at the G-20, G-8, United Nations, and APEC conferences, the United States and China have built upon the Strategic Economic Dialogue initiated during the Bush Administration, by transforming it into a new Strategic and Economic Dialogue (S&ED). The S&ED still addresses economic issues, but it also gives greater prominence to political security issues. Perhaps the most important contribution of the S&ED is that it integrates political, security, and economic issues in an annual dialogue, with delegations headed by the secretaries of State and Treasury on the U.S. side, and state councilor for foreign affairs and vice premier in charge of economic and financial affairs on the Chinese side. As Jeffrey Bader has observed, the establishment of an approach that is unique to the U.S.-China relationship reflected “the particular important that the Obama administration attached to China.”¹²

At the same time, however, Washington is realistic about the challenges it faces in its relationship with China, and it is determined to do all it can to ensure that China’s rise is consistent with international rules and norms. In the same May 2011 congressional testimony that highlighted Washington’s desire for a productive relationship with China, Krittenbrink also stated, “we have no illusions about the many obstacles to our cooperation and the many differences that continue to exist between us. While we

¹² For more on the establishment of the S&ED and its role in the U.S.-China relationship, see Jeffrey A. Bader, *Obama and China’s Rise*, 1st edition (Brookings Institution Press, 2012), pp. 21-22.

have made progress in some important areas, it is clear that much more needs to be done. As Secretary Clinton has said, ‘You cannot build a relationship on aspirations alone.’ We therefore are engaging with the Chinese leadership to emphasize the steps we believe are necessary to bring us closer to our shared goals of regional stability and increased prosperity.”¹³

To be sure, Washington is also concerned about how a stronger and more capable China will use its growing power in the region and beyond. Specifically, U.S. officials and observers have stated that China’s growing military capabilities, lack of transparency, and greater assertiveness in dealing with its neighbors contribute to uncertainty about Beijing’s long-term strategic intentions, leading many observers in the United States and the Asia-Pacific region to ask how a more capable China will use its growing power in the region and beyond. China’s growing military power is an area of particular concern. Once dismissed as a “junkyard army,” the Chinese military is now impressing outside observers—and alarming some of China’s neighbors—with its growing air, naval, missile, space, and information warfare capabilities. According to the U.S. Department of Defense, “As part of its long-term, comprehensive military modernization, China is developing and fielding large numbers of advanced medium-range ballistic and cruise missiles, new attack submarines equipped with advanced weapons, increasingly capable long-range air defense systems, electronic warfare and computer network attack capabilities, advanced fighter aircraft, and counter-space systems.”¹⁴

13- Daniel J. Kritenbrink, “U.S. Policy Toward the People’s Republic of China (P.R.C.)”

14- “Quadrennial Defense Review Report,” *U.S. Department of Defense* (February 2010), p. 30, <http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf>.

China's growing military capabilities, along with incidents such as Beijing's anti-satellite test in January 2007, its harassment of a U.S. surveillance ship in March 2009, and more recently its assertive actions in defense of its territorial claims in the South China Sea, are raising questions about whether an increasingly powerful China represents a threat to the U.S. and its allies. Fueling the accelerating modernization of the People's Liberation Army (PLA)—and the concerns of analysts who see China as an emerging competitor—is the rapid growth of China's defense budget. Beijing's increases in defense spending have enabled the People's Liberation Army to develop more credible options for using force against Taiwan and countering U.S. military intervention.

The PLA continues to lag behind the United States military in many respects, but its new capabilities already present serious challenges to the security balance in the Asia-Pacific region. In 2009, then Secretary of Defense Robert Gates observed that Beijing's advances in cyber-warfare, anti-satellite weapons, submarines, and ballistic missiles could threaten America's regional bases, the aircraft carriers that have become symbols of U.S. presence and power projection, and the space assets and computer networks that support them.¹⁵

It is not just specific capabilities that alarm many observers. Indeed, U.S. officials and analysts have pointed to China's lack of transparency and uncertainty about the intentions that are motivating China's modernization of its military capabilities as serious concerns. For example, when the *Financial Times* interviewed Admiral

15- Robert Gates, "A Balanced Strategy," *Foreign Affairs* (January/February 2009), <<http://www.foreignaffairs.com/articles/63717/robert-m-gates/a-balanced-strategy>>.

Gary Roughead, U.S. Chief of Naval Operations, in January 2011, the conversation quickly turned from Chinese capabilities to the more difficult question of how to assess China's intentions. "That's the \$64,000 question," Admiral Roughead replied.¹⁶

Official documents like the Department of Defense's 2010 *Quadrennial Defense Review* reflect these sentiments. According to the QDR: "China has shared only limited information about the pace, scope, and ultimate aims of its military modernization programs, raising a number of legitimate questions regarding its long-term intentions."¹⁷

Washington recognizes that China's growing capabilities also create opportunities for cooperation in areas such as counter-piracy and disaster relief operations, but even statements that recognize the potential benefits of such cooperation are often tempered by concerns about China's long-range goals. For example, according to the 2010 QDR, "China's military has begun to develop new roles, missions, and capabilities in support of its growing regional and global interests, which could enable it to play a more substantial and constructive role in international affairs. The United States welcomes a strong, prosperous, and successful China that plays a greater global role. The United States welcomes the positive benefits that can accrue from greater cooperation. However, lack of transparency and the nature of China's military development and decision-making processes raise legitimate questions about its future conduct and intentions within Asia and beyond."¹⁸ Despite

16- "Interview Transcript: Admiral Gary Roughead," *Financial Times*, January 18, 2011.

17- "Quadrennial Defense Review Report," *U.S. Department of Defense* (February 2010), p. 30, <http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf>.

18- *Ibid.*, p. 60.

these concerns, Washington's overall strategic message is that the United States welcomes the emergence of a more prosperous and powerful China—one that is capable of playing a larger and more constructive role on the world stage. At the same time, however, the United States is also shifting its strategic focus toward the Asia Pacific region in ways that are designed to maintain its influence and assure its allies as China's power grows.

The Obama Administration's China policy is closely connected to its broader strategy of "rebalancing" towards the Asia-Pacific region. The central themes of this approach were described in Secretary of State Hillary Clinton's November 2011 *Foreign Policy* article on America's Asia-Pacific strategy, in which Secretary Clinton wrote, "The future of politics will be decided in Asia, not Afghanistan or Iraq, and the United States will be right at the center of the action." Accordingly, Clinton continued, "One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment—diplomatic, economic, strategic, and otherwise—in the Asia-Pacific region."¹⁹

Against this backdrop, President Barack Obama's November 2011 Asia-Pacific trip was widely seen as a reaffirmation of America's commitment to the Asia-Pacific region, and a clear signal of Washington's intent to shift its attention to Asia following years of war in Iraq and Afghanistan. For some observers in China, however, their country appeared to be the clear target of the vigorous U.S. diplomacy that characterized the trip. First, President Obama hosted the Asia Pacific Economic Cooperation (APEC) meeting in

¹⁹- Hillary R. Clinton, "America's Pacific Century," *Foreign Policy* (November 2011).

Hawaii, and highlighted progress toward negotiating the Trans-Pacific Partnership (TPP), an economic agreement that, at least initially, will not include China. Next, President Obama traveled to Australia, where he announced plans for expanded U.S. military deployments, to include a U.S. Marine Corps presence in Darwin. In an address to the Australian Parliament, President Obama underscored that this was part of America's broader strategic shift to the Asia Pacific region. Obama underscored that he had made "a deliberate and strategic decision — as a Pacific nation, the United States will play a larger and long-term role in shaping this region and its future."²⁰

Meanwhile, in the Philippines, Secretary of State Hillary Clinton reaffirmed the vitality of the U.S.-Philippines alliance and underscored the U.S. view that the South China Sea dispute "should be resolved peacefully." And in what seemed to be a pointed reference to recent Chinese actions, Clinton added: "The United States does not take a position on any territorial claim, because any nation with a claim has a right to assert it, but they do not have a right to pursue it through intimidation or coercion."²¹

The Asia-Pacific tour concluded with President Obama's visit to Indonesia, during which he held bilateral meetings with the leaders of India, Indonesia, Malaysia, Thailand, and the Philippines, represented the United States at the ASEAN summit, and partici-

²⁰- Barack Obama, "Remarks by President Obama to the Australian Parliament," Office of the Press Secretary, The White House (Parliament House, Canberra, Australia, November 17, 2011), <<http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>>.

²¹- Hillary R. Clinton, "Presentation of the Order of Lakandula, Signing of the Partnership for Growth and Joint Press Availability with Philippines Foreign Secretary Albert Del Rosario," U.S. DEPARTMENT of STATE (Manila, Philippines, November 16, 2011), <<http://www.state.gov/secretary/rm/2011/11/177234.htm>>.

pated in the broader East Asian Summit—the first time a U.S. president had done so. At the meeting, Chinese Premier Wen Jiabao was clearly on the defensive diplomatically when many of the other leaders took China to task for its approach to its territorial claims in the South China Sea. In addition, the United States announced that Secretary Clinton would visit Burma, which some commentators have described as a quasi-ally of China.²²

In all, President Obama's Asia Pacific trip underscored Washington's determination to address regional fears that the U.S.—perceived to be exhausted by the wars in Iraq and Afghanistan and struggling with its economic problems—would retreat as China rises. Instead, President Obama and Secretary Clinton made it clear that the U.S. would strengthen its commitment to the Asia Pacific region, militarily, diplomatically, and economically, and make the region a defense priority despite looming budget cuts. Yet even as the trip underscored America's willingness and ability to counter a more assertive China when necessary, President Obama also reiterated that the United States welcomes “the rise of a peaceful and prosperous China” and promised to seek “more opportunities for cooperation.”²³ More recently, America's improving relationship with Burma (Myanmar) following its initial steps toward political openness, Secretary Clinton's participation in the July 2012 ASEAN meetings in Cambodia, and her visit to Laos—the first by a U.S. Secretary of State since the mid-1950s—further underscored the Obama administration's emphasis on the Asia Pacific

22- The trip marked the first visit to the country by a U.S. Secretary of State in more than 50 years—and it followed Burma's decision to suspend construction of a dam backed by a Chinese state-run company.

23- Barack Obama, “Remarks by President Obama to the Australian Parliament.”

region.

Refining America's defense policy has emerged as another important aspect of the Obama Administration's strategic "rebalancing." On January 5, 2012, President Barack Obama and Secretary of Defense Leon Panetta released a new defense strategic guidance, highlighting U.S. national defense priorities and underscoring America's determination to maintain its global leadership and military superiority despite budgetary constraints.²⁴ Specifically, the strategy states that, even as budgetary challenges necessitate a "smaller and leaner" U.S. military, it will remain "agile, flexible, and ready for the full range of contingencies." Although the strategy indicates the United States will continue to focus on counter-terrorism, it highlights the Asia-Pacific and the Middle East as key regional priorities. Moreover, it states the U.S. military "will of necessity rebalance toward the Asia-Pacific region."

Within the context of a growing focus on the Asia-Pacific region, the new defense strategy notes that China's emergence as a great power has "the potential to affect the U.S. economy and our security in a variety of ways." It also states that the United States and China "have a strong stake in peace and stability in East Asia and an interest in building a cooperative bilateral relationship." At the same time, however, the strategy highlights the need for greater transparency in China's defense policies: "the growth of China's military power must be accompanied by greater clarity of its strategic intentions in order to avoid causing friction in the region." Moreover, the strategy commits the United States to maintaining

²⁴ U.S. Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense" (January 2012), <www.defense.gov/news/Defense_Strategic_Guidance.pdf>.

the ability to operate effectively in the region despite advances in Chinese military capabilities aimed at countering U.S. intervention. It affirms that, in response to the development of “asymmetric means” designed to counter U.S. power projection capabilities, the U.S. military will make the investments required “to ensure its ability to operate effectively in anti-access and area denial (A2/AD) environments.” In addition, it underscores America’s commitment to ensure free use of international water space, stating that the United States “will continue to make the necessary investments to ensure that we maintain regional access and the ability to operate freely in keeping with our treaty obligations and with international law.”

Chinese analysts have reacted with predictable concern about U.S. “rebalancing” towards the Asia Pacific. Some have suggested that America’s approach reflects fear that China’s emergence as a great power will threaten U.S. interests and undermine American supremacy. Others view “rebalancing” as targeted against China and see American actions as further evidence of Washington’s determination to “contain” China. Accordingly, even as Washington emphasizes diplomatic and economic initiatives and strengthens its military posture in the region, it also seeks to assure Beijing that the United States is not trying to delay or prevent China’s emergence as a great power with global interests and capabilities.

U.S. leaders have repeatedly attempted to reassure Beijing that the United States is not trying to contain China, and on the contrary, views a stable and constructive relationship with China as favorable to U.S. economic and security interests. Indeed, over the past several years, public statements by political leaders and senior military officers have consistently emphasized this point. For example, during a November 2009 visit to Tokyo, President Obama stated that the United States “does not seek to contain China.”

President Obama also emphasized that it is in America's interest to "pursue pragmatic cooperation with China on issues of mutual concern," and stated, "the rise of a strong, prosperous China can be a source of strength for the community of nations."²⁵ Similarly, in June 2011, then Secretary of Defense Robert Gates said: "We are not trying to hold China down. China has been a great power for thousands of years. It is a global power and will be a global power."²⁶

More recently, at the June 2012 Shangri La Dialogue in Singapore, Secretary of Defense Leon Panetta responded to concerns about Washington's growing focus on the Asia Pacific region, stating: "Some view the increased emphasis by the United States on the Asia-Pacific region as some kind of challenge to China. I reject that view entirely. Our effort to renew and intensify our involvement in Asia is fully compatible—fully compatible—with the development and growth of China. Indeed, increased U.S. involvement in this region will benefit China as it advances our shared security and prosperity for the future."²⁷ In addition, Chairman of the Joint Chiefs of Staff General Martin Dempsey echoed Secretary Panetta's comments, publicly refuting speculation that a growing emphasis on the Asia Pacific region is aimed at constraining China's emergence as a great power.²⁸ The United States has also sought to

25- Barack Obama, "Remarks by President Barack Obama at Suntory Hall," Office of the Press Secretary, The White House (Tokyo, Japan, November 14, 2009), <<http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-suntory-hall>>.

26- Gates quoted in Julian E. Barnes, "No Plans to Hold China Down: Gates," *Wall Street Journal*, June 2011.

27- Leon E. Panetta, "Shangri La Security Dialogue," *Department of Defense* (Shangri-La Hotel, Singapore, June 2, 2012), <<http://www.defense.gov/speeches/speech.aspx?speechid=1681>>.

28- The Pentagon, "DoD News Briefing with Gen. Dempsey" (June 2012), <<http://www.jcs.mil/speech.aspx?id=1710>>.

strengthen its military-to-military relationship with China, a task that has been especially challenging because of Chinese distrust of the United States and multiple disruptions caused by Beijing's reaction to recent U.S. arms sales to Taiwan. Notwithstanding these challenges, the Pentagon continues to emphasize its desire for a "healthy, stable, reliable, and continuous" military-to-military relationship with China.²⁹

Implications for the United States

As reflected by the strategy of "rebalancing" toward the Asia Pacific region, a central element of U.S. policy toward China in recent years has been working with allies and partners in Asia "to foster a regional environment in which China's rise is a source of prosperity and stability for the entire region."³⁰ As some observers have put it, to get U.S. policy toward China right, Washington has to get the region right, and this has been a key focus of U.S. diplomatic, military, and economic efforts under the Obama Administration. Toward this end, the United States has strengthened its participation in institutions such as the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), and the East Asia Summit (EAS), strengthened its ties with traditional allies such as Japan, South Korea, the Philippines, and Australia, and reached

29- See, for example, "Joint Press Briefing with Secretary Panetta and General Liang from the Pentagon," DEPARTMENT of DEFENSE (May 2012), <<http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5027>>.

30- Daniel J. Kritenbrink, "U.S. Policy toward the People's Republic of China (P.R.C.)," U.S. DEPARTMENT of STATE (April 13, 2011), <<http://www.state.gov/p/eap/rls/rm/2011/04/160652.htm>>.

out to other countries to improve its regional relationships.

There have been signs that this policy is working as intended. Chinese leaders appear to realize they miscalculated by asserting Chinese claims too aggressively at times in recent years. Even before President Obama's Asia Pacific trip, Chinese scholars were lamenting China's troubles with its neighbors.³¹ Some Chinese scholars even opined that these problems suggested that Beijing should reconsider its regional diplomacy.³² Moreover, there is some reason to believe that China may be recalibrating its approach in response to such concerns. For example, according to Taylor Fravel's recent analysis of China's strategy in the South China Sea, Beijing has taken a more moderate tack in recent months to avoid further escalation.³³ In July 2011, Beijing agreed to adopt "Guidelines on the Implementation of the Declaration on the Conduct of Parties in the South China Sea," which it characterized as a roadmap for implementation of the November 2002 "Declaration on the Conduct of Parties in the South China Sea."

More broadly, recent publications by Chinese scholars underscore the fact that Beijing clearly still recognizes the central importance of the US-China relationship, notwithstanding its concerns about the implications of U.S. "rebalancing." In a May 2011 article, for example, Niu Xinchun highlighted the US-China relationship as the most important and the most complicated bilateral

31- See, for example, Feng Zhu, "China's Trouble with the Neighbors," *Project Syndicate* (October 31, 2011), <<http://www.project-syndicate.org/commentary/fzhu3/English>>.

32- See Ian Johnson and Jackie Calmes, "As U.S. Looks to Asia, It Sees China Everywhere," *New York Times*, November 15, 2011.

33- M. Taylor Fravel, "China's Strategy in the South China Sea," *Contemporary Southeast Asia*, Vol. 33, No. 3 (2011), pp. 292-319.

relationship in the world.³⁴ Furthermore, Niu argued that the U.S. “return to Asia” should be seen as aimed at balancing Chinese influence and assuring U.S. friends and allies, and greater U.S. involvement should thus be seen as competition, but not as “containment.”

Although there have been some signs of success, the central challenges of U.S. policy toward China may only become more difficult for United States to manage over time. First, the United States must continue to assure its regional allies and other countries that it has the capability and will to serve as an effective counterweight to an increasingly powerful and at times more assertive China. Washington must also encourage these countries to exercise restraint in handling their maritime territorial disputes with Beijing, lest they engage in risky actions that could provoke an otherwise avoidable crisis or even trigger a direct conflict between the United States and China. Second, in dealing with China, the United States must persuade leaders in Beijing that it has the staying power to remain actively engaged in the Asia Pacific region despite its need to address security issues in other parts of the world and deal with serious economic challenges and resource constraints. At the same time, the United States must continue to assure Beijing that it does not intend to contain China or otherwise obstruct its emergence as a great power. Striking the appropriate balance between these objectives is a daunting task, especially given the need to manage differences over sensitive issues such as human rights, U.S. arms sales to Taiwan, China’s approach to handling its maritime territorial dis-

³⁴- Xinchun Niu, “Zhong-Mei guanxi de ba da misi [Eight Myths of US-China Relations].” *Xiandai Guoji Guanxi* [Contemporary International Relations] (May 2011), pp. 5-12.

putes, and some of China's economic policies.

Disagreements on contentious issues such as these contribute to Chinese suspicion of the motives driving U.S. policy more generally, and this is another important challenge for U.S. policymakers. No matter what strategic assurances the United States provides, some in China are concerned the United States is becoming increasingly uneasy about China's emergence as a great power. Specifically, despite Washington's rhetorical emphasis on the importance of a stable and constructive U.S.-China relationship, they are deeply concerned the United States ultimately will attempt to delay or prevent China's emergence as a great power because it sees a stronger China as a threat to its continued preeminence. Some even fear Washington aims to "contain" China, reflecting the mutual strategic distrust that makes the U.S.-China relationship so difficult to manage successfully.³⁵

Chinese analysts have harbored deep suspicions about U.S. strategic intentions for many years. However, what some Chinese analysts see as the potential risks of a shifting balance of power between China and the United States, along with aspects of the Obama Administration's "rebalancing" towards the Asia-Pacific region, appear to have intensified their concerns about Washington's supposed desire to prevent China's rise from challenging America's position as the predominant power in the international system. To be sure, there is considerable debate about these issues in China, but even the more nuanced and balanced assessments suggest Beijing views Washington's concerns about China's rising power

³⁵- Kenneth Lieberthal and Jisi Wang, "Addressing U.S.-China Strategic Distrust," *John L. Thornton China Center Monograph Series*, No. 4 (Washington, DC: Brookings, March 2012), <http://www.brookings.edu/~media/research/files/papers/2012/3/30%20us%20china%20lieberthal/0330_china_lieberthal.pdf>.

and growing U.S. involvement in the region as factors that are complicating U.S.-China relations. China's most recent defense white paper reflects this growing wariness. According to the white paper, "Suspicion about China, interference and countering moves against China from the outside are on the increase."³⁶

Some in China also believe that the United States seeks to undermine the power of the Chinese Communist Party through "peaceful evolution." Indeed, Beijing's longstanding fear of "peaceful evolution" has been heightened recently amid concerns about pro-democracy uprisings in the Middle East and North Africa. Recently, some have cited U.S. efforts to circumvent Internet censorship as evidence of this alleged intent to subvert China's political system. Some Chinese observers even interpreted then U.S. Ambassador to China Jon Huntsman's appearance at a February 2011 "Jasmine Revolution" gathering in Beijing as proof of what they see as a conspiracy aimed at weakening and destabilizing China. The U.S. Embassy in Beijing explained the timing of the stroll was a coincidence. Whatever Chinese officials and scholars may think about this particular incident, some probably will continue to view U.S. support for civil and political rights in China as indicative of a desire to change China's system of government through "peaceful evolution," or even to Westernize and divide China so that it will be unable to challenge U.S. dominance regionally and globally.

Beijing's suspicion of U.S. strategic intentions is a challenge in that it makes it even more difficult for Washington to assure its allies and maintain a strong deterrence posture in the region while si-

³⁶- State Council Information Office of the People's Republic of China, *China's National Defense in 2010* (Beijing, March 31, 2011), <http://www.china.org.cn/government/whitepaper/node_7114675.htm>.

multaneously assuring Beijing that it welcomes China's arrival as a great power. Indeed, Beijing's concerns about Washington's recent Asia-Pacific diplomacy, and its perceptions of the U.S. "rebalancing" as a whole, would appear to suggest that friction between the two countries is to be expected as part of a complex relationship that embodies both opportunities for cooperation and intensifying competition for regional influence. How to make the most of the opportunities for cooperation on issues of mutual concern, maintain a strong security position without exacerbating intense distrust, and manage the inevitable differences in ways that avoid crisis or conflict while at the same time preserving U.S. interests and those of America's allies and friends in the region are likely to remain the central challenges U.S. policymakers will face in dealing with a rising China for many years to come.

Because some of the actions America will need to take in the region in this context are likely to reinforce Chinese suspicion of U.S. intentions, Washington will find it challenging to pursue its interests without inadvertently deepening China's distrust of U.S. motives. As former NSC Senior Director for Asia Jeffrey Bader observes, "Future presidents will need to find the right balance in China policy, so as to maintain America's strength and watchfulness but not fall into the classic security dilemma, wherein each side believes that growing capabilities reflect hostile intent and responds by producing that reality."³⁷ How well they strike this balance will have major implications not only for the U.S.-China relationship, but also for regional security and stability, America's role in the Asia Pacific region, and a broad range of global challenges.

37- Jeffrey A. Bader, *Obama and China's Rise: an Insider's Account of America's Asia Strategy*, p. 150.

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*China's Domestic Politics and Foreign Policies and
Major Countries' Strategies toward China*

12

*Understanding Japan's Strategy
toward China*

Yasuhiro Matsuda

A decorative graphic at the bottom of the page consisting of several overlapping, wavy lines in various shades of gray and white, creating a sense of movement and depth.

Introduction

This chapter aims to explain Japan's China strategy. However, the Japanese government has never published a public document on its China strategy. Accordingly, I will attempt to explain the big picture of Japan's China strategy by relying on the parts about Japan's China strategy have been made public in reports by the Ministry of Foreign Affairs the Defense White Paper, scholars, and think tanks.

Taking for granted that Japan has been steering its strategy based on the development of China according to Japanese interests and using four scenarios regarding China's future image as tools, the writer shall explain Japan's China strategy following the 1980s.

Since entering the 21st century, China has been developing at an astonishing speed both economically and militarily. Sino-Japanese relations have also experienced big changes, increasingly complicating the situation. I would like to suggest what kind of China strategy Japan must adopt by using limited policies to address a quickly rising China.

“Four Chinas”

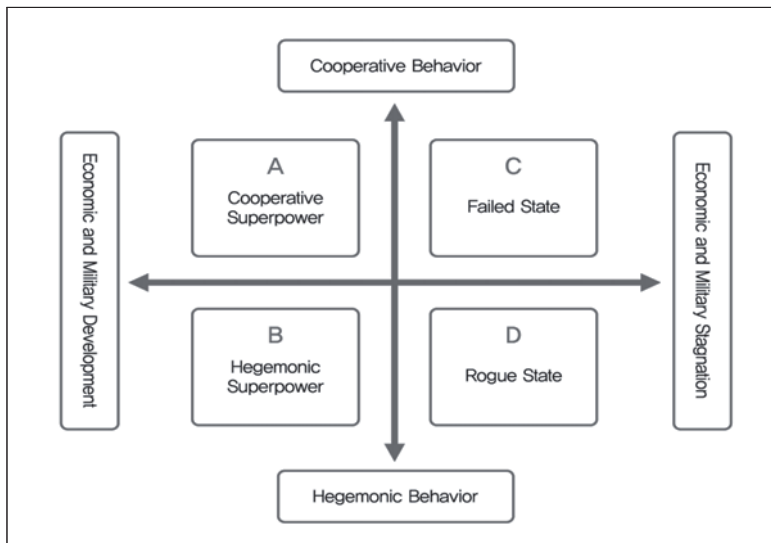
Deciding on the kind of China strategy it will implement is a very important task for Japan. In this chapter, I first organize Japan's past and present China strategies using possible future scenarios of China. Next, I point out the problems of such China strategies as derived from these future scenarios, and discuss the kind of China strategy that Japan must adopt.

Figure 1 depicts a matrix representing China's future scenarios. However, such scenarios are not predictions of the future. They just represent kinds of images of China's future that unconsciously arise in the minds of people when they discuss China.

The horizontal axis shows the extent of China's economic and military development. The vertical axis represents the degree to which China has been cooperative or uncompromising. A China that becomes more developed and cooperative through assimilation into the international community is "A: cooperative superpower." A China that becomes hegemonic and uncooperative towards the international community as a result of its development and therefore champions hegemonism is "B: hegemonic superpower." If China fails to achieve development and ends up in a situation in which it is impossible not to request foreign aid, it is "C: failed state," and if China has to sacrifice foreign states on the basis of its own failure at development, or try to maintain power through brinkmanship, it becomes "D: rogue state."

As you can see, none of these possible scenarios is a perfect description of the current China. On the other hand, each scenario does contain within it an aspect that certainly exists or has existed in China. People are unconsciously discussing the present and future China based on these four "types" of China. These "Four Chinas" reflect people's projections about a "preferred image of China" versus a "not preferred image of China."

〈Figure 1〉 China's Four Future Images



Formation and Change of Strategy of Engagement

Using these “four Chinas” as tools, it is possible to generally explain Japan’s previous, present, and future China strategy. Let’s take a moment to survey the past. The United States’ attempt to approach China in the early 1970s was motivated by a balance strategy consisting of a plan to easily withdraw from the Vietnam War by pulling in China while at the same time isolating the Soviets. During what was called the “New Cold War” of the early 1980s, Japan strengthened its involvement in China by cooperating with Western powers including the United States. The Western states considered China a different kind of state than the Soviet Union, and thus began providing economic cooperation, modernization and marketization support.

The kind of China strategy that resulted from cooperation between Japan, the United States, and Europe consisted of not only separating China from the Soviets, but also preventing China from ending up as a “C: failed state” or a “D: rogue state,” as well as stabilizing China. Japan’s Official Development Assistance (ODA) towards China was a powerful means of this.¹ During this time “friendship” was the key word in Sino-Japanese relations. As you can see from Figure 2, the percentage of Japanese people who felt an affinity towards China in the 1980s was very high at 60% to 70%. It can be inferred that at that time in Japan there still existed feelings of atonement about its war with China as well as sympathy towards China’s perceived poverty. Although factors such as the so-called “Perception of History Problem” have acted as obstacles to growth in Sino-Japanese relations, they did not exert enough influence to cause the entire relationship to regress, and those days were truly a golden age of Sino-Japanese relations.²

As apparent from the Korean and Vietnam Wars, from the 1950s to 1970s China was directly and indirectly intervening in disputes with surrounding nations as well as with Western states. In addition, China has repeatedly resorted to the use of force in exporting revolution to Southeast Asia as well as in territorial disputes

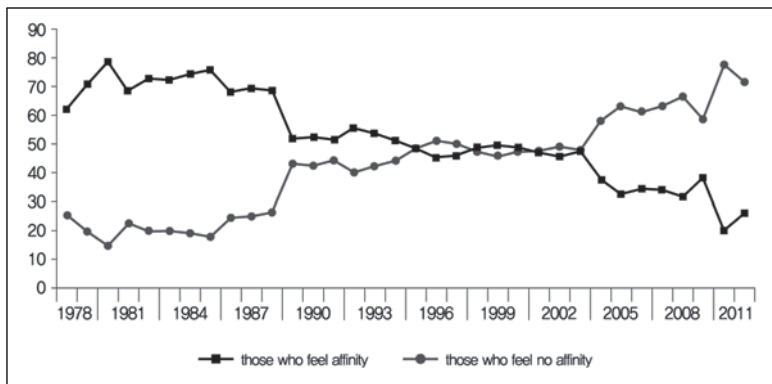
1- Yoshihide Soeya, “Japan’s Relations with China,” Ezra F. Vogel, Yuan Ming, and Akihiko Tanaka (eds.), *The Golden Age of the U.S.-China-Japan Triangle, 1979-1989* (Cambridge, MA and London: The Harvard University Asia Center, 2002), pp. 222-223. Japan’s cumulative total record of Official Development Assistance toward China as of FY 2010 is the following. (1) Loans: 3,316.5 billion yen, (2) grants: 155, 7 billion yen, (3) technical cooperation: 173.9 billion yen. “Kakkoku Chiiki Josei: Chuukajinminkyowakoku [Regional Affairs: The People’s Republic of China],” Ministry of Foreign Affairs of Japan, <<http://www.mofa.go.jp/mofaj/area/china/data.html#05>>.

2- Tuosheng Zhang, “China’s Relations with Japan,” Ezra F. Vogel, et al. (eds.), *The Golden Age of the U.S.-China-Japan Triangle: 1972-1989* (The Harvard University Asia Center, 2002), p. 192.

with surrounding states. China has also had chaotic experiences in internal affairs, such as the Great Leap Forward and the Cultural Revolution. After Sino-U.S. rapprochement in 1972, China began to gradually move towards a more cooperative stance in its involvement with both Western states and Southeast Asian nations. In the 1980s, the United States, using the Sino-Soviet rivalry situation, began military cooperation with China, even supplying arms.³

With the progress of marketization of the economy, the process of China's exit from socialism looked to be advancing smoothly. However, from the late 1980s to early 1990s, cataclysmic events such as the end of the Sino-Soviet rivalry, the Tiananmen Square Incident, the end of the Cold War, the democratization of Eastern European nations, and the collapse of the Soviet Union inevitably brought about major changes not only in China but in the entire international structure itself.

(Figure 2) Japanese People's Affinity towards China(1978-2011)



Source: "Polls on Diplomacy," Japan Cabinet Office,
 <<http://www8.cao.go.jp/survey/h23/h23-gaiko/2-1.html>>.

3. James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton* (New York: Alfred A. Knopf, 1999), pp. 137-150.

The end of the Cold War signified the fall of socialism. This was understood as “the end of history,” and it was taken for granted in most post-socialist states to implement “market economy and liberal democracy systems.”⁴ However, China initially understood its Tiananmen Square Incident as well as the collapse of the Soviet Union to be the results of foreign influences’ “peaceful evolution,” and continued its one-party system. The Chinese Communist Party, or CCP, strengthened its “ability to govern” through learning lessons from the collapse of socialism in Eastern Europe and the Soviet Union.⁵

It is at this point that the United States’ China strategy began to undergo changes. The balance policy geared towards the Soviet Union disappeared, and instead, by inducing a “market economy and liberal democracy system,” the United States began to emphasize its focus on converting China into a state that shares profits and value with Western states. Although the position and mode of expression were different, it can be said that China’s initial concerns were, in fact, substantiated.

These changes took place over a long process. Even when its public image in the U.S. suffered due to the Tiananmen Square Incident of 1989, the George H. W. Bush Administration continued to seek to stabilize China as well as U.S. relations with China, just as it had in the New Cold War period.⁶ Japan is a nation that has deep historical relevance to China in addition to being its neighbor,

4- See, Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992).

5- Joseph Fewsmith, *China since Tiananmen*, Second Edition (Cambridge: Cambridge University Press, 2008), pp. 255-256.

6- James Mann, *About Face: A History of America’s Curious Relationship with China, from Nixon to Clinton*. chapter 11.

and so it aimed even more strongly to stabilize relations. Japan lifted all economic sanctions and in 1992 the emperor paid a state visit to China, paving the way for China's return to international society.

The Advent of Hedge Strategies

In spite of rumors of collapse, China revived growth by returning to reform and opening up, made its comeback onto the international community, and proceeded with modernization of its armed forces by importing advanced weapons from Russia. Further, it executed missile tests and joint amphibious exercises to coincide with Taiwan's 1996 Presidential election, effectively threatening Taiwan through military force.

The South China Sea expansion, executed based on military force at the same time as the 1996 Taiwan Strait Crisis, aroused wariness in the United States as well as in East Asian states. As China became stronger and more affluent, the "China threat" became more real, and it became clear that it would be impossible to deal with China through a strategy of engagement alone. With the start of the post-Cold War era, the United States' China strategy was organized into "engagement and hedge/balance" strategies.⁷ However, this was in fact a policy that was meant to convince China, which had already switched directions due to the Tiananmen Square Incident and suppression of pro-democracy movements, to be-

⁷ Micharl D. Swaine, *America's Challenge: Engaging a Rising China in the Twenty-First Century* (Washington DC: Carnegie Endowment for International Peace, 2011), pp. 24-26.

come a preferred “cooperative superpower.” For example, the idea that it is imperative to suppress China’s use of force and threats against Taiwan and the South China Sea coastal states became strengthened. In other words, this is the idea that China’s development into a “hegemonic superpower” must be restrained.

Over a period spanning 1993 and 1994, a nuclear crisis occurred on the Korean Peninsula, originating from North Korea’s nuclear development. As a result of an internal review of what kind of military support it could provide the U.S. during a hypothetical emergency situation on the Korean Peninsula, the Japanese government found that the absence of necessary domestic laws indicated that only very limited support would be possible. The U.S. and Japan thus proceeded to strengthen their sense of crisis, and in 1996 announced the “Japan-U.S. Joint Declaration on Security: Alliance for the 21st Century,” as well as amended the “Guidelines for U.S.-Japan Defense Cooperation” in 1997. In addition, Japan confirmed its “Law Concerning Measures to Ensure the Peace and Security of Japan in Situations in Areas Surrounding Japan” in 1999, carrying out preparations for U.S.-Japan defense cooperation. Through these legal arrangements as well as the execution of preparations for Japan’s Self-Defense Forces, it became possible for Japan to provide rear-area support for the U.S. military in noncombat areas.⁸

Due to the strengthened deterrent of the U.S.-Japan alliance, the effects of China’s threat against Taiwan were weakened, and China feared that support for Taiwanese independence would increase as a result. The U.S.-Japan alliance’s re-definition or re-con-

⁸ Masahiro Akiyama, *Nichibei no Senryakutaiwa ga Hajimatta: Anpo Saiteigi no Butaiura* [The Japan-US Strategic Dialogue], (Tokyo: Aki Shobo, 2002), pp. 242-271.

firmation, which was originally brought about in response to the crisis on the Korean Peninsula, coincided with the timing of the Taiwan Strait Crisis, and as a result proved effective in deterring China. China repeatedly criticized the alliance's Guidelines, pressured Japan to exclude Taiwan from its "situations in areas surrounding Japan," and repeatedly requested that the alliance exclude Taiwan from its ballistic missile defense system.⁹

Thereafter, China's economic and military prowess began to experience extremely rapid growth as it overcame the Asian economic crisis in 1998, and gained membership in the World Trade Organization (WTO) in 2001. In the United States, the very China-wary George W. Bush Administration came into office in 2001. In Japan, concerns over China escalated with the advent of the Koizumi Administration, and confrontations over past history between the two nations repeated themselves. It is under these circumstances that Japan began to focus on its "China hedging strategy."

To "hedge" means to prepare for the risk of facing a worst-case-scenario situation by devising a defense strategy in advance. In other words, this strategy contains within it the implication that China is heading towards becoming a "B: hegemonic superpower" at a consistent rate of probability, and so it is imperative to prepare for such a scenario. This would not be so much for the purpose of deterring China from miscalculating and attacking Taiwan, but rather of making autonomous preparations for China's predicted rise in power. That is, Japan would be preparing for when China does become a "B: hegemonic superpower." China's actions during the 1990s

⁹- Yasuhiro Matsuda, "Security Relations between Japan and the PRC in the Post-Cold War Era," Niklas Swanström and Ryosei Kokubun (eds.), *Sino-Japanese Relations: The Need for Conflict Prevention and Management* (Newcastle upon Tyne: Cambridge Scholars Publishing, 2008), pp. 81-83.

awakened the U.S. and Japan to the necessity of such a hedging strategy.

When State President Jiang Zemin visited Japan in 1998, his repeated criticism of Japan's militarism resulted in further aggravation of the Japanese people's negative image of China, and political relations between China and Japan steadily deteriorated.¹⁰ However, as evident in Figure 2, the Japanese people's image of China during this period was still ambivalent. What finally disrupted this balance were the anti-Japan demonstrations that broke out in China in 2005. The Japanese people's feelings of affinity toward China plummeted to the 30% range, and consistently 60% or more stated that they felt no affinity towards China. The deterioration of China's image in Japan underpinned Japan's hedging strategy.

China in the 21st Century: a Vulnerable Superpower at the Crossroads

However, as it entered the 21st century China became a different kind of entity than it had so far been, and Japan became unable to adopt a simple hedging strategy. China is a superpower whose future prospects are significantly controversial. Concerns abound because it is unclear whether China will continue its cur-

¹⁰ Ryoko Iechika, "Rekishu Ninshiki Mondai [Issue of Recognition of History]," Ryoko Iechika, Yasuhiro Matsuda and Dan Zuiso (Duan Ruicong) (eds.), *Kaiteiban, Kiro ni Tatsu Nitchukankei: Kako tonu Taiwa, Mirai eno Mosaku* [Sino-Japanese Relations at the Crossroads: Dialogue with the Past, and Grope toward the Future, revised edition] (Kyoto: Koyo Shobo, 2012), pp. 31-34.

rent pattern of development and become more cooperative, or whether it will end up becoming hegemonic. This is why China is said to be “a nation at the strategic crossroads.”¹¹

For now, China is reaping the successes of policy management by technocrats operating under a Communist one-party rule system, and is rapidly rising in economic and military aspects. Table 1 has been organized by Japan’s policy think tank, the Tokyo Foundation, and shows estimated GDP given that Japan, the U.S., and China continue growth at their current rates. According to these projections, China will surpass the U.S. by the mid-2020s. Of course, as will be mentioned later, Chinese society contains many factors of instability, and it cannot be stated for certain that such projections will be realized, but the fact remains that China’s rise has the potential to profoundly influence the current world order.

〈Table 1〉 Japan–U.S.–China nominal GDP estimates (2010–30)

Units: 2010 USD/bn unmodified

	2010	2015	2020	2025	2030
Japan	5,458.87	6,379.66	7,380.36	8,001.79	8,409.96
U.S	14,657.80	17,993.10	22,205.97	24,916.36	28,411.29
China	5,878.26	10,061.80	16,136.70	24,136.59	34,657.70

Source: “Japan’s Security Strategy toward China: Integration, Balancing, and Deterrence in the Era of Power Shift,” The Tokyo Foundation (October 2011), p. 22, <http://www.tokyofoundation.org/en/additional_info/security_strategy_toward_china.pdf>.

11- “Quadrennial Defense Review Report,” Department of Defense (Washington DC: February 6, 2006), pp. 27-32, <<http://www.defense.gov/qdr/report/report20060203.pdf>>.

(Table 2) Comparison of National Defense Spending in Japan, the US, and China (2010-30)

Unit: 2010 USD/Million

(% of GDP)	2010	2015	2020	2025	2030
Japan (1.0%)	51,420	63,797	73,804	80,018	84,100
US (4.7%)	687,105	845,676	1,043,681	1,171,069	1,335,331
US (3.0%)	N/A	N/A	666,179	747,491	852,339
China (official ×1.4)	160,020	309,904	497,010	744,238	1,067,457
China (2.2%)	114,300	221,360	355,007	531,599	762,469

Source: *Ibid.*, p. 26.

Excluding unpublicized military spending, China's national defense budget has, with the exception of 2010, been consistently increasing by double digits for the past 23 years, reaching 650.3 billion yuan (an estimated 106.4 billion dollars) in FY2012.¹² This is the world's second-largest defense budget after the U.S., and amounts to 1.8 times Japan's spending on defense-related purposes. Unique among nuclear weapon states, China is continuing to strengthen its nuclear capabilities, in addition to modernizing its navy and air force, and is rapidly advancing military utilization in outer space and cyberspace endeavors. As apparent in Table 2, according to the Tokyo Foundation's projections, supposing that China's actual defense spending is about 1.4 times more than it has announced, and assuming that the United States' defense budget is falling to about 3% of GDP, by 2025 the two nations' defense spending will be about the same, and by 2030 China will far exceed the U.S. in defense spending.

12- See "Defense of Japan 2012," Ministry of Defense (Tokyo, 2012), Chapter 1, Section 3, <http://www.mod.go.jp/e/publ/w_paper/pdf/2012/07_Part1_Chapter1_Sec3.pdf>.

However, as China is also called a “vulnerable superpower,” it is also a developing country with many enormous social contradictions.¹³ The existence of inter-regional and intra-regional gaps, political corruption, and the stagnation of political reform, an inadequate social security system, and other factors mean that China is developing with many factors of instability. The faster it develops, the more magnified its domestic contradictions become, and the risk of failure increases. China has a weak system of dealing with social dissatisfaction. It is an unstable society in which tens of thousands of mass protests occur annually.

China’s uncertain direction of development also obscures the direction of its foreign policy and security policy. Problems such as exchange rate adjustment, a low birth rate and aging population, scarcity of resources, and environmental pollution are projected to bring about a limit to rapid growth at around 2020. Therefore, it is questionable whether the kind of linear growth pattern shown in Table 1 will be realized.

China is currently abiding by the principle of “peaceful development,” and to this end is exercising cooperative diplomacy without creating enemies.¹⁴ The age in which China would readily resort to armed force in order to resolve conflicts with foreign nations, as in the Mao Zedong and Deng Xiaoping eras, has officially ended, with the sole exception of the Taiwan problem. This is because it is crucial to maintain an international environment of peace

13- See Susan Shirk, *China: Fragile Superpower* (New York: Oxford University Press, 2007), ch. 1.

14- Information Office of the State Council, “III. China’s Foreign Policies for Pursuing Peaceful Development,” *China’s Peaceful Development*, Chinese Government’s Official Web Portal (September 2011), <http://news.xinhuanet.com/english2010/china/2011-09/06/c_131102329_4.htm>.

and stability in order to continue long-term economic growth.

Nevertheless, China's nationalistic behavior in diplomacy has not dwindled, and in fact this tendency is becoming stronger. China is still continuing to assert unilateral territorial claims in the East China Sea and South China Sea, and is accelerating its nationalistic behavior according to the heightened capacities of its naval and maritime law enforcement agencies. In the September 2010 Senkaku boat collision incident, which involved a collision in "disputed waters" between a Chinese trawler and a Japanese Coast Guard patrol boat, China repeatedly took "retaliatory measures" which horrified and angered the Japanese people.¹⁵ As shown in Figure 2, the Japanese people's affinity toward China hit an all-time low directly following this incident. During anti-Japanese demonstrations in China caused by Japan's "nationalization" of the Senkaku Islands in summer of 2012, rioters attacked the Japanese embassy, consulates-general, and even the stores, offices and factories of Japanese firms. The Japanese public, seeing Japan's presence in China as a great contributor to its economic growth, was shocked by this violence and antagonism. In addition, China also has several maritime territorial issues with Vietnam, the Philippines and some other countries in Southeast Asia.

Although it is said that China's Taiwan policy is based on conciliatory measures, China has positioned 1,000 to 1,200 (as of October 2011) short-range ballistic missiles aimed at Taiwan.¹⁶

15- See, Ryoichi Hamamoto, "Chuugokuno Doukou:2010nen10gatsu [China Trends: October 2010]," *Toa* [East Asia], No. 519 (November 2010).

16- "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China," Department of Defense (May 2012), p. 21, <http://www.defense.gov/pubs/pdfs/2012_CMPR_Final.pdf>, accessed on September 10, 2012.

While seemingly championing peace with Taiwan on the surface, China is proceeding smoothly with plans to modernize its armed forces with the possibility of an attack on Taiwan and with the United States' refusal of intervention in mind. Not only that, but China has also further increased its ability to project military power, has succeeded in testing anti-satellite weapons (ASAT) in 2007, and has even begun navigational tests on aircraft carriers purchased from Russia.¹⁷ Since aircraft carriers are not needed for an attack on Taiwan, it can be inferred that China's objective lies in deployment of military action in places farther away.

China is most certainly systematically building up towards the goal of becoming a military superpower. However, its military expansion is going ahead at astonishing speeds with the rest of the world totally in the dark about what kind of military China is creating and for what exact purpose. In addition, despite the fact that it has consistently been claiming that it is "peaceful" and "not a threat," it has published extremely inadequate information of its military spending and weapon acquisition plans. There has also been very low transparency in the nature of the process of committing to military or national security policies.¹⁸ Such are factors that contribute to the "China Threat Theory."

17- "Quadrennial Defense Review Report," Department of Defense.

18- *Ibid.*

Transformation of Strategy of Engagement: Towards Building a Strategic Mutually Beneficial Relationship

On the basis of a “China Threat Theory,” it has become quite difficult for Japan and other surrounding nations to move forward with their policies toward China. With the exception of some disciplinary actions related to the Tiananmen Square Incident, basing policies on the “China Threat Theory” means that matters of trade and personal exchange become restricted from the point of view of security. It is useless for only Japan to adopt such a containment policy, but it is even more difficult for Japan to cooperate with other nations to agree on and enforce such a containment policy. This is because all the states in the region including China and Japan are further solidifying their interdependent relationships in the current age of globalization.

So, what kind of China strategy should Japan adopt hereafter? It would be obviously anachronistic to pursue stability in China, altogether avoiding the possibilities of China becoming a “C: failed state” or a “D: rogue state.” For example, Japan’s Official Development Assistance (ODA) towards China has set as its prime objective the creation of an affluent China that will actively contribute to the peace and stability of the international community.¹⁹ Accordingly, it is right that Japan has terminated yen credit to a newly affluent China in 2005. This action signifies the move to a new stage in Japan’s China strategy to one that further urges China to move toward more responsibility in the international commun-

19- Tomoki Kamo, “Taichuu Keizai Kyoryoku [Economic Cooperation with China],” Ryoko Ichika, *et al.* (eds.), *op. cit.*, pp. 253-256.

ity, toward becoming a “A: cooperative superpower.” This is the reason why World Bank President during the George W. Bush Administration Robert Zoellick claimed that China needs to be led towards becoming a responsible stakeholder.²⁰

What gave shape to Japan’s comprehensive China strategy is the agreement on the need to build a “mutually beneficial relationship based on common strategic interests.” In 2007 Prime Minister Shinzo Abe appealed to China in order to ease tensions that arose as a result of previous Prime Minister Koizumi’s Yasukuni Shrine visitations, and China accepted these appeals. As detailed in the 2008 Joint Communiqué of the Government of Japan and the Government of the People’s Republic of China, the particulars of this agreement involve (1) promotion of mutual political trust, (2) promotion of human and cultural exchanges and increased amity between citizens, (3) strengthening of reciprocal cooperation, (4) contributions to Asia and the Pacific, and (5) contributions to global issues.²¹

This strategy of engagement has its basis in the plus-sum idea that it is mutually beneficial to deepen interdependence. The future strategy of involvement must set as its objective not only to facilitate change within China through increased exchanges, but to urge China to take responsibility for and productively participate in international issues including regional security.

²⁰– Robert B. Zoellick, “Whither China: From Membership to Responsibility?,” U.S. DEPARTMENT of STATE, September 21, 2005, <http://www.ncuscr.org/files/2005Gala_RobertZoellick_Whither_China1.pdf>

²¹– “Joint Statement between the Government of Japan and the Government of the People’s Republic of China on Comprehensive Promotion of a ‘Mutually Beneficial Relationship Based on Common Strategic Interests’,” Ministry of Foreign Affairs of Japan, May 7, 2008, <<http://www.mofa.go.jp/region/asia-paci/china/joint0805.html>>

However, based on its current process of development it is becoming increasingly uncertain as to whether inducing China to become an “A: cooperative superpower” is a real possibility. In the United States, James Mann states in his book *The China Fantasy* that the typical American idea that China will eventually become democratized if it becomes affluent is at best wishful thinking, and that China’s only objective is becoming an affluent and strong nation, so it will not become a democracy.²² Such an opinion is also deep-rooted in conservative platforms in Japan, and is also widely accepted as an evident truth and common concern in surrounding states as an effect of their accepting China’s resolute foreign policy. Therefore, there is further necessity for a hedging policy towards China.

Smart Balancing

A hedging strategy is meant to prepare for a situation in which China actually does become a “hegemonic superpower.” Such a scenario would be a nightmare for China’s surrounding states, including Japan. Preparations for such a scenario based on traditional balance or hard balancing strategies would entail strengthening of Japan’s Self-Defense Forces, reinforcement of the U.S.-Japan alliance, the formation of a siege on China, and facilitating estrangement between China and Russia.

The paradox of “self-fulfilling prophecy” always follows

22- See James Mann, *The China Fantasy: How Our Leaders Explain Away Chinese Repression* (New York: Viking Adult, 2007).

hedging strategies. That is, continuously asserting to a neighbor with whom one already has rocky relations that “we are preparing for when you really become an enemy” signifies that that neighbor may really become an enemy in the near future. Although the Sino-Japanese relationship is very intimate, if the two show too much enmity towards each other, they will fall into a “security dilemma” and this could even possibly trigger competition in military expansion.

Additionally, a hedging strategy could also bring about internal controversy. This is because it would be difficult to convince a naïve public about the need for a hedging strategy on top of the current strategy of engagement. Since Japan’s cumulative fiscal deficit is the worst out of all developed nations, it is difficult to increase its defense budget. The fact that Japan’s defense budget has consistently been reduced throughout the worsening of Sino-Japanese relations during the administrations of Koizumi and his successors reflects this reality.

In its 2010 National Defense Program Guidelines (NDPG), Japan implemented the idea of “dynamic defense force” in response to its diversified mission.²³ This is not to say that it responded to a changing security environment with military expansion, but rather that it aimed to respond by carrying out “selection and concentration” in order to raise efficiency, keeping budget restrictions in mind.²⁴

23- “National Defense Program Guidelines for FY 2011 and Beyond,” Ministry of Defense, December 17, 2010, <http://www.mod.go.jp/e/d_act/d_policy/pdf/guidelinesFY2011.pdf>.

24- Yasuhiro Matsuda, “Japan’s National Security Policy: New Directions, Old Restrictions,” *East West Center, Asia Pacific Bulletin*, No. 95 (February 23, 2011), <<http://www.eastwestcenter.org/fileadmin/stored/pdfs/apb095.pdf>>.

Even the U.S.-Japan alliance itself cannot be guaranteed the ceaseless support of the people. As evident from the discord surrounding the problems of the U.S. military bases in Okinawa and the Marines' introduction of the Osprey vertical take-off aircraft at Futenma Air Base, U.S.-Japan relations always stand on shaky ground. It has never been productive to recklessly engage allied or surrounding states and regions. While the United States, injured from Iraq and Afghanistan, is on the one hand calling for a strengthening of the U.S.-Japan alliance under the Obama Administration, on the other hand it is also seeking the cooperation of China.

Even states and areas that had previously strongly opposed China such as India, Vietnam, and Taiwan are now taking the cooperative route with China. A hard balancing approach to China has already become an anachronism in political theory. Unlike the Soviet Union of the past, China proceeded with marketization of its economy, thus developing by increasing international trade and exchange.

Rather than as an annually increasing "threat," China ought to be thought of more in terms of growing "uncertainty," holding some concerns about its future. Japan's and the United States' hedging strategy is in all respects geared toward the factors of uncertainty that exist in the whole region, and it would be prudent not to specifically designate China. The Japanese government has officially declared that it does "not regard China as a threat" in 2006.²⁵ This is the only way in which Japan can obtain acquiescence both at home and abroad. Ultimately, Japan should simply

²⁵- Yasuhiro Matsuda, "Japanese Assessments of China's Military Development," *Asian Perspective*, Vol. 31, No. 3 (October 2007), p. 187, <<http://www.asianperspective.org/articles/v31n3-g.pdf>>.

move forward with maintaining its defense forces and reinforcing its alliance with the U.S. as an independent state should, without necessarily singling out China as a perceived threat.

Japan is proceeding to implement a more moderate and flexible policy or soft balancing towards a rising China. Soft balancing is a policy that strives toward balance of an emerging nation based on cooperation, utilizing international and regional institutions and frameworks, while at the same time still proceeding to a certain extent with bolstering defense forces. This is not a preemptive check on the emerging nation, but rather the preparation of an atmosphere in which the international community can naturally respond to a hypothetical situation in which a certain nation manifests its discontent by ignoring or destroying international rules.

The report, titled “Japan’s Visions for Future Security and Defense Capabilities in the New Era: Toward a Peace-Creating Nation,” submitted to the prime minister by the “Council on Security and Defense Capabilities in the New Era” in 2010 emphasizes security cooperation at the regional and global levels among nations centered around those allied with the U.S.—those that are like-minded nations or have deep relations with Japan’s sea lanes of communication, such as South Korea and Australia. This is the kind of effort that can improve Japan’s security environment without designating any single nation.²⁶

26. The Council on Security and Defense Capabilities in the New Era, “Japan’s Visions for Future Security and Defense Capabilities in the New Era: Toward a Peace-Creating Nation,” Prime Minister of Japan and His Cabinet (August 2010), pp. 18-23, <http://www.kantei.go.jp/jp/singi/shin-ampobouei2010/houkokusyo_e.pdf>.

Conclusion: Recommended China Strategy for Japan

Just as China's future scenario is at a crossroads, the China strategy that Japan must implement cannot be simple, but rather a combination of engagement and hedging. The important point is that neither engagement nor hedging can be executed ambiguously, and both sides must be carried out with awareness and certainty. In order for this, a clear sense of commitment as a nation and the existence of a prudent, supportive public are essential. For instance, the ruling and opposition parties, public opinion, the Ministry of Foreign Affairs, Ministry of Defense, law enforcement agencies, the Ministry of Economy, Trade and Industry, Ministry of the Environment, and other sectors all must have a common foundation for considering the China strategy.

In addition, Japan needs to construct a comprehensive security strategy that encompasses diplomacy, defense, the economy, and the environment, and to judge a China strategy based on that strategy. In order to do this there is the immediate need for internal consolidation of the China strategy, and for comprehensive domestic and high-level strategic dialogue. In addition, talks of the establishment of a Japan National Security Council (JNSC) have not yet amassed sufficient political heft. The idea of JNSC was once proposed by Prime Minister Sinzo Abe, but was immediately shelved by his successor Prime Minister Yasuo Fukuda in 2007.

Next, the U.S. alliance is an irreplaceable and invaluable strategic asset for Japan, and the U.S. is an important partner for both engagement and hedging toward China. At the U.S.-Japan Security Consultative Committee (2+2) Meeting in June 2011, the U.S. and Japan announced bilateral strategic objectives, and confirmed that

each would proceed with active involvement in China. Japan must continue intimate cooperation with its ally, the U.S., regarding its China strategy.

Also, it is important to bring China's actions up to the world's standards through a multilayered, multilateral framework. Japan must win the support of the U.S. and Asia, and autonomously strive for multilateralism. Additionally, it is necessary to deploy defense exchanges, security dialogue, and other full-scale exchanges with China. This requires the wisdom to keep disadvantageous factors such as "the Perception of History Problem" strictly beneath the surface.

Finally, the most important thing of all is for Japan to position itself as a nation that is "attractive yet not to be taken lightly" in both soft and hard aspects. If Japan can lead the world in China's much-desired environmental protection and energy conservation technology, remain free, plentiful, clean, and livable, present a model of development that overcomes the problem of low birth rate and an aging population, and not only possess a strong Self-Defense Forces as well as a strong U.S.-Japan alliance but also the respect of the world, China will not easily be able to take a hostile stance. It is also true that the world will not turn its back on such a Japan. The best China strategy for Japan would be to create a model of development for when China has completed its rapid growth process.

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13

Russia's Policy toward China

Viacheslav Amirov

A decorative graphic at the bottom of the page consisting of several overlapping, wavy lines in various shades of gray and white, creating a sense of movement and depth.

Introduction (Assessment of General Background of Bilateral Relations)

During the last two decades, Russia's relations with China have obtained a new significance due to many political and economic reasons. Due to these reasons, Russia has made some changes in the range of its foreign partners.

Of course, Russia's main priority in foreign relations is the Commonwealth of Independent States (CIS). This is easy to explain, taking into account the history of the Russian empire and the Soviet Union, as well as the economic, political, cultural and emotional ties between Russia and other CIS members. That is why it has so far been difficult to call relations between Russia and most of the former Soviet republics as foreign.

The EU remains Russia's main economic partner, occupying first place among Russia's foreign trading partners as a group of nations.¹ Both sides have broad ties in many spheres of interaction far beyond simply economic matters. The Soviet Union/Russia has long-established and diversified relations with Europe that are based on common history, economic and political ties, cultural interaction, etc.

Russia has traditionally engaged the United States in order to pursue dialogue on the prohibition, limitation and reduction of weapons of mass destruction (nuclear, chemical and biological). Although, in other spheres relations between the two countries are quite limited, particularly if compared to relations between Russia

¹ Russian Customs Statistics, <http://www.customs.ru/index2.php?option=com_content&view=article&id=15604:-----2011--&catid=125:2011-02-04-16-01-54&Itemid=1976>.

and Europe, not to mention relations between Russia and the CIS.

As for Russia-China relations, their history is quite complicated and can influence current bilateral relations both positively and negatively depending on from which angle they are viewed. Moreover, some important factors are behind the fact that ties between the two countries have obtained a new substance.

First of all, relations between Russia and China have accumulated a new quality and new substance only during the last two decades. Development of economic ties started with the so-called shuttle trade between the two economies in the early 1990s. Since then they have reached the stage where China has now become the single most important trade partner of Russia, overtaking former leaders like Germany and some other European and CIS countries.

In 2011, Russia's trade with China reached US\$83.5 billion, US\$71.8 billion with Germany, US\$68.5 billion with the Netherlands, and US\$50.6 billion with Ukraine. Other trade partners of Russia were left far behind.²

In the 1990s, economic ties between Pacific Russia (the Russian Far East) and other parts of the country were largely disrupted. Under the Soviet Union, 75% of the regional gross product went to other parts of the country. During the 1990s that share came down significantly—to 20-25%.

Since the mid-1990s, 75% of goods produced in the region go to foreign countries—the main destination is the Asia Pacific region (APR). Following that trend, the rapid increase of trade with China caused some people and industries in the Russian Far East to undergo hardship. This was due to a collapse of domestic demand

² *Ibid.*

for many products of the regional industries and consequently led to a sharp decline in living standards in the region.

However, there are some examples of how trade ties with China helped both the Far Eastern economy and population to survive under the above-described circumstances. A supply of cheap Chinese consumer goods (food, clothes, etc.) somehow allowed for the population in Pacific Russia to make ends meet. Furthermore, China's demand for Russian-made military aircraft provided an opportunity for the regional aircraft industry, not only to survive but even to receive some impetus for further development.

In the political arena, China's initiative to launch the one-purpose Shanghai-5 grouping (to solve territorial issues between China and former Soviet republics) further developed into the Shanghai Cooperation Organization (SCO) and the "Treaty of Good-Neighborliness and Friendly Cooperation Between the Russian Federation and the Peoples' Republic of China." The treaty was signed by Vladimir Putin and Jiang Zemin on July 16, 2001, and has had a great significance in the establishment of a new type of relations between the two countries, relations that are now characterized as a "strategic partnership."

The term "strategic partnership" may have different meanings depending on the partners of the strategic partnership and the substance of their relations. But the Russia-China political dialogue has really become very intensive, and both countries are trying to coordinate their stances on many international issues.

The second factor that has had a great impact on Russia-China relations is the so-called rise of China, i.e. China's rapid economic growth and reaching the status of the second largest world economy by volume of GDP. This obviously has led to the increased military potential and political influence of China.

China's rapidly growing economic might represents both challenges and opportunities for Russia; or one could say it represents a challenge for Russia to use emerging opportunities.

The third factor is connected with the popular slogan that "Russia is moving East." During the 2007 APEC summit in Sydney, President Putin's offer to hold the forum summit in Russia in 2012 was approved. By selecting the city of Vladivostok as the location for the summit, the country's leadership, namely Putin, has finally decided to apply serious efforts (including spending a huge amount of money from the federal budget) to promote the economic development of the Russian Far East (Pacific Russia).

From all considerations, it is quite obvious that speeding up the economic development of Pacific Russia cannot be achieved without substantial expansion of its economic ties with neighboring countries, particularly those of Northeast Asia. In this respect, China has become the main target of this Russian government policy in order to ensure that the country's economy can be engaged in the process of economic integration in its neighboring sub-region.

This does not mean that economic ties with Japan and South Korea are forgotten or are being left aside. On the contrary, enhancing economic ties with these countries is extremely important for Russia in order to diversify its economic relations with Northeast Asia and to balance the predominant role of China in Russia's economic relations with its neighbors.

Russia is facing a dilemma—the country desperately needs to develop Pacific Russia in order to strengthen its hold on the region against any outside influence or territorial claims (especially from China), but at the same time achieving that goal would require comprehensive and large-scale cooperation with China.

For Russia, psychological issues still play a role in relations

with China. Russia still needs time to accommodate itself to a new reality: from losing its status of an elder brother, which Russia's predecessor (the USSR) held decades ago, into considerably lagging behind China in economic might. However, this new reality does not affect only bilateral relations. In the league of the most important players in world affairs, China's weight is overpassing that of Russia, both economically and politically.

Russia's perception of China continues to be biased; it is a combination of cooperation, concern, and distrust. This perception resembles (to some extent) the United States' approach towards China, engagement and containment (or hedging). The difference is that Russia has only one option (bearing in mind the differences between Russian, Chinese, and American economic might) in dealing with China—cautious cooperation, which under no circumstances excludes securing Russia's national interests.

Bilateral Economic Ties

While achieving relatively stable political relations with China, the importance of a "strategic partnership" status of relationship between the two countries should not be exaggerated. Russia is increasingly putting more and more emphasis on achieving a new quality of economic ties between the two countries, attempting to make them more diversified.

The obvious task is to go beyond only trade relations between the two countries by putting more and more emphasis on technological cooperation, encouraging investment flows between the two countries, and stimulating banking and financial ties to a

larger and more sophisticated scale.

At the very end of 2009, the Russian government approved the “Strategy for Socio-Economic Development of the Far East and the Baikal Region until 2025” in addition to the soon to be expired “Special Federal Program for Economic and Social development of the Far East and the Baikal region until 2013.”

During his May 2009 visit to the city of Khabarovsk, then Russian President Dmitry Medvedev made some key statements regarding the Russian leadership’s views on the country’s presence in the region.

He stressed that there it is no doubt that the Far East of the country is one of the key priorities in Russia’s economic development. There cannot be another opinion if Russia wants to preserve the united country. Russia intends to maximize its integration into the Asia Pacific region in various ways and institutions; the APR is no less important for Russia than Europe. The economic well-being of the RFE to a great extent will depend on the state of economic ties with APR partners, particularly with China, South Korea and Japan.³

The final decision to approve the “Strategy 2025” coincided with then Prime Minister Putin’s trip to the Far East where he symbolically launched the first stage of the East Siberia-Pacific Ocean (ESPO) oil pipeline from Russia’s newest and most promising oil fields in East Siberia to Skovorodino, a Russian town situated near Chinese border.

The first stage was designed with a capacity to pipe about 30 million tons of oil annually. This includes providing China with 15

3_ <[http://www.prime-tass.ru/news/show.asp?id=893863&ct=news](http://www.prime-tass.ru/news/show.asp?id=893863&ct=news;);
<http://www.kremlin.ru/appears/2009/05/21/1606_type63378_216612.shtml>.

million tons, which will initially be transferred by railway before the pipeline from Skovorodino to China is completed.⁴

The next important part of the huge ESPO project is a pipeline that has to reach the oil terminal and processing facilities to be built in the port of Kozmino on the Russia's Pacific coast.⁵ Due to this pipeline, Russia will avoid being completely dependent on the Chinese market for its oil supply.

However, while Russia is trying to diversify its economic ties with the countries of the APR, it is also applying additional efforts to secure new fields of economic cooperation with China and stresses the favorable political environment for further development of bilateral economic relations.

During his most recent visit to Russia in April 2012, Chinese Vice Premier Li Keqiang (designated to be next China's Premier) was received by all top figures of the Russian leadership. 27 commercial contracts were signed for US\$15 billion and the Russia Fund for Direct Investment and China's Investment Corporation agreed to establish a mutual Russia-China Investment Fund with initial capital of US\$4 billion.⁶

These figures do not sound impressive if one takes into account the potential of both economies or to compares them with the volumes of economic interaction between China and Japan, China and South Korea, China and the United States, and China and the EU. However, they are steps in the right direction and will further increase trade and investment flows between Russia and

4. <<http://www.strana.ru/doc.html?id=135583&cid=1>>.

5. *Vedomosti*, December 29, 2009.

6. <<http://www.1prime.ru/news/0/%7B5B502532-266B-43EC-9BFB-B03A2E68048F%7D.uif>>.

China, diversifying their economic ties.

During his meeting with Li Keqiang, Russia's then president-elect Vladimir Putin stressed in particular that an unprecedented high level of bilateral relations exists now between Russia and China, achieved by the mutual efforts of both countries.

Putin acknowledged that there may be some issues to be tackled between Russia and China, but both sides have learned to deal with them through compromise. He also pointed out that now Russia and China do not have "irritating problems" between them.⁷

Further steps to enhance economic cooperation between the two countries were taken during the first visit of the newly-elected President Putin to China after his return to the Kremlin. The visit coincided with the SCO summit held in Beijing in early June 2012.

During their negotiations, the leaders of the two countries agreed to increase bilateral trade from its current US\$83.5 billion to US\$100 billion in 2015 and US\$200 billion in 2020. By that time, Chinese investment in the Russian economy should reach at least US\$12 billion each year.⁸

While acknowledging that the targets for volume of trade between Russia and China are quite substantial, it should be noted that by 2020 China's trade with Japan, the EU, the United States, India and ASEAN grouping will be definitely much larger. By that time, Russia will presumably be behind Brazil, South Korea and maybe some other countries as China's trade partner.

Maybe the only way to make Russia–China economic ties of any comparable relevance to Chinese ties with its main economic partners is for Chinese annual investment in the Russian economy

7- April 27, 2012, <<http://actualcomment.ru/news/41553/>>.

8- <<http://russian.people.com.cn/95181/7836404.html>>.

to be much larger than the planned US\$12 billion.

It is quite clear that an important part of Russia-China economic relations should be *transborder cooperation*. Russia has made efforts to conclude various government agreements with China to improve the environment for business ties. The “Program of Cooperation between the Regions of the Far East and Eastern Siberia and the Northeast of the People’s Republic of China, 2009-2018” approved by both governments in 2009 represented an important step on the road of making the environment for these ties more favorable.⁹

Unfortunately, since then the Program has not received much publicity. If implemented, the Program could substantially improve conditions for trans-border economic cooperation between the two countries. For example, it could help in overcoming some infrastructural hurdles.

During President Putin’s visit to China in June 2012, it was agreed that the ministries of foreign affairs of the two countries have to apply additional efforts to implement the above-mentioned Program. In this respect, President Putin pointed out the special role of the recently established Russian Ministry for Development of the Far East.¹⁰

Russia is pursuing a policy of making the ruble a *regional reserve currency* for CIS countries at some stage in the future. It is particularly applied to the Custom Union and common economic space that Russia recently established with Kazakhstan and Belarus. However, in the future, the ruble’s role as a reserve cur-

9_ <www.mid.ru-24-11-2011>.

10_ <http://www.mid.ru/brp_4.nsf/newslines/6E186C65DB78F78244257A15005E0B0A-06-06-2012>.

rency may encompass other CIS members, mainly in Central Asia. This move means a partial restoration of the common economic market that the former Soviet republics had within the Soviet Union.

It is not (like the famous Beatles song) coming “back in the USSR,” but it represents an attempt, using old historic ties (political, economic, social and cultural) to establish a new pattern of close economic cooperation between the newly independent states.

Of course, these plans have come into competition with China’s desire to have a strong presence in the economies of Central Asian states. This competition has many chances to continue in future due to the differing strategic economic goals of Russia and China in Central Asia. However, cooperation cannot be ruled out as competition and cooperation are usually combined in the modern world of globalization. Furthermore, Central Asian states will enthusiastically try to use competition between the two major powers to get preferential treatment from both of them; though their capacities to play one major against another one are objectively quite limited.

Coming back to the issue of regional currencies, it deserves to be noted that Russia and China have started recently to promote their cooperation by using both the ruble and the renminbi in their trade and financial interactions. Both countries clearly intend to expand the role of the ruble and the renminbi in servicing their economic ties.

Another dimension of bilateral ties is cooperation in working out *new technologies*. Russia wants to have various technological alliances with China in order to encourage cooperation in inventing new products and technologies. Some recent examples include

joint ventures to design a new version of wide-body passenger aircraft, a new multi-purpose helicopter, expanding existing cooperation in nuclear energy, and in exploring outer space. Roughly speaking, through a synergy of bilateral efforts, Russia is responsible for providing new technology and China's main contribution is sufficient investments and an almost unlimited domestic market.

Of course, Russia does not want to put "all its eggs in the Chinese basket." Moscow would like to balance economic ties with China with developing economic relations with two other important partners in Northeast Asia: Japan and South Korea, Russia's second and third largest trading partners in Pacific Asia.

Taking into account Japan's economic might and technology potential, it could make Japan the most important economic partner for Russia in this part of the world after China, or possibly even equal to the new Asian giant. However, Japan has so far been reluctant to play such a role, though from time to time Tokyo pretends that it could be interested. But so far, even South Korea, with less economic capabilities than Japan, has been much more active than Japan in developing comprehensive economic ties with Russia.

After a stalemate in the 1990s, the volume of Russia-Japan bilateral trade has been on rise since 2003. This trend was shortly interrupted by the global financial crisis of 2008-2009. But in 2011 the volume of bilateral trade slightly surpassed the previous record reached in 2008. Japan continues to occupy second place (after China) among Russia's trading partners in the Asia Pacific region.

However, it is interesting to note that Japan has been lagging behind China and even South Korea in its pace of developing trade relations with Russia for the last twenty years.

In 1995, for example, Russia's trade with China and Japan was almost equal both in exports and imports. But between 1995

and 2011 Russia's exports to China have increased 16 times over and to Japan—only 4.6 times. Russia's imports from China during the same period have risen almost 56 times, and imports from Japan have risen 19 times. Russia's exports to South Korea have gone up almost 18 times, and imports from South Korea have risen 23 times over. In 2011 Russia's trade with China reached US\$83.5 billion, US\$29.7 billion with Japan, and US\$25 billion with South Korea.¹¹

Russia and China in Multilateral Organizations

The Shanghai Cooperation Organization (SCO)

It may be the most important organization where both countries are closely engaged with each other. The SCO has played a significant role in establishing relations between Russia and China (concerning the situation in former Soviet Central Asia) and newly emerged Central Asia states after the disintegration of the Soviet Union.

Russia and China play a key role in the SCO, but their approaches to the agenda of the SCO have already been quite different for some time. Russia wants the SCO to continue to play mainly a political role—to fight against terrorist activities, drug-trafficking and the like. China has no objections against those goals, but Beijing wants to add economic issues to the purely political agenda of the SCO and is persistently trying to convince Russia to do so.

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¹¹- 2011, Russian Custom Statistics, <http://www.customs.ru/index2.php?option=com_content&view=article&id=15604:-----2011--&catid=125:2011-02-04-16-01-54&Itemid=1976>.

But if this happens, the free trade area and further development of economic integration within the SCO would be more easily achievable, obviously with the leading role of China as the powerhouse of the regional economy. This prospect contradicts Russia's policy that aims at reestablishing a common economic space, which would include as many former Soviet republics as possible.

The first step towards that direction has been the recently launched Custom Union between Russia, Kazakhstan (the most important economy in Central Asia) and Belarus. This was followed by upgrading it to the Eurasian Economic Union with the possibility of expanding its membership.

That is why, in this respect, Russia's and China's intentions do not coincide. Regardless, there is common ground for Russia and China to cooperate in Central Asia in the economic field; both countries should be interested in implementing economic projects in the region that could improve standards of living and stabilize the socio-economic situation. This would help to prevent social unrest and to make the widespread expansion of radical Islam movements less likely.

Russia is also becoming more favorable towards expanding SCO membership, particularly in regards to India. India's membership will put more emphasis on the political agenda, moving the agenda away from economic issues such as free trade areas (or if there is a FTA in future it would be more balanced without the dominance of one country, China). This expansion of membership would help to counter-balance China's political influence in the SCO. Of course, China has a lot of reservations on India's membership, though their bilateral relations have been improved recently with rapidly growing trade and economic ties.

BRICS

Russia and China's engagement with the Goldman Sachs invented unworkable idea of BRIC (recently expanded to BRICS) deserves only a few words.

This structure is artificial in nature and does not add any substance to Russia-China bilateral relations. Russia's official position, as it is well-known, devotes to BRICS a great importance. However, this is quite strange, as Goldman Sachs's idea of BRIC was in fact designed to undermine Russia's status as a G-8 member.

The predecessor of BRIC was the idea of a famous Russian political figure, former Foreign Minister Yevgeny Primakov. He initiated the Russia-China-India trilateral meetings which are now held at least annually. The expansion of this idea to Brazil and later to South African Republic had no grounds.

Russia-China Military Cooperation

For a relatively long time, China has been the most important market for Russian arms exports. The situation has changed recently due to various reasons arising from the policies of both sides. Military-technical cooperation between the two countries obviously has experienced some difficulties and requires a new level of trust and technology exchanges. Russia and China are definitely searching ways to achieve this new level.

For example, when Chinese Vice Premier Li Keqiang was in Russia in April 2012, Russian Deputy Prime-Minister Dmitry Ragozin (who is responsible in the Russian government for the military-industrial complex) visited China at the invitation of Guo

Boxiong, Vice Chairman of the Central Military Commission of the Chinese Communist Party. He also had meetings with Xi Jinping (the Chinese leader-in waiting) and Dai Bingguo, State Councilor—the highest-ranking Chinese official who deals with foreign relations.¹² Of course, usually it is impossible to get any information about the substance of these kind of negotiations, but the very fact that they took place speaks for their importance.

In April 2012, talks in Moscow and Beijing coincided with a China-Russia joint naval exercise held in waters near Qingdao in the Yellow Sea from April 22 to April 27.¹³ This was an example of a new level of military cooperation between the two countries. Chinese official media even called the joint naval exercise groundbreaking.

According to statements from both sides, this kind of joint navy drill will take place regularly and will not be aimed at any third party, but will allow for improved coordination between the two navies.¹⁴ Recent developments in this sensitive area of bilateral relations give another sign that the Russian leadership has decided, despite the Sinophobia that exists within the Russian elite, to move towards closer relations with China.

In closing remarks after Russia-Chinese negotiations in June 2012, Chinese President Hu Jintao particularly stressed that both sides agreed to strengthen cooperation in the military field and to use all channels and platforms to upgrade cooperation between the two countries' armed forces to a new level.¹⁵

Among strategic issues that go beyond bilateral relations, be-

12- <<http://russian.people.com.cn/31521/7801367.html>>.

13- <<http://english.peopledaily.com.cn/102774/7802220.html>>.

14- <<http://english.peopledaily.com.cn/90786/7800245.html>>.

15- June 2012, Beijing, <<http://www.kremlin.ru/transcripts/15552>>.

coming important for exchanging views and for working out some harmonized approach, the U.S. development of the Ballistic Missile Defense (BMD) global system has been drawing recently more and more attention.

There are different assessments of the technological effectiveness of the BMD system, if and when it is deployed. But this system definitely has a political dimension—which leads to an issue of trust and mistrust between the major powers.

Currently Russia-U.S. disagreements are mainly focused on BMD deployment in Europe, but the problem is much wider in scope. It includes U.S. activities in the Asia Pacific region. In addition to Russia-U.S. disagreements on BMD deployment in Europe and possible counter-measures that the Russian side could take in the future, other issues are at hand. China's stances both on possible (though currently highly unlikely) Russia-U.S. agreement on BMD deployment in Europe and on development of the U.S. global system of BMD should be taken into account. It seems that this problem is becoming an important aspect of relations within the Russia-USA-China triangle.

Some prominent Russian experts on China even consider that as both Russia and China would need effective means to penetrate U.S. BMD systems (if they are deployed) it could encourage their cooperation. For example, it could lead to cooperation in developing heavy striking air force capabilities—both aircraft and their payload.¹⁶

¹⁶- See Vasily Kashin's assessment of related issues. *Vedomosti*, August 24, 2012.

Russia-China-U.S. triangle

An important matter of concern for Russia is the China-U.S. relationship that is becoming the most important bilateral relationship in the world. The substance of that concern for Russia is to not find itself on the sidelines of the China-U.S. dialogue on issues which are important for Russia's national interests. Enhancing relations with China is one important measure to deal with that concern. Two things should be mentioned in that regard.

Firstly, both President Obama and Secretary of State Hilary Clinton have stressed many times recently that the United States would play a larger role in shaping the Asia-Pacific region. Plans have been outlined to maintain and modernize the U.S. defense posture, strengthen relations with friends and allies, and reengage with regional organizations, including APEC, EAS, with particular emphasis on promoting regional economic integration through trade agreements such as the Trans-Pacific Partnership (TPP).

Secondly, so far Russia does not have a broad bilateral dialogue with the United States on trans-Pacific security (including economic and other issues going beyond the narrow meaning of "security"). At the same time, the U.S.-China Strategic and Economic Dialogue has been rapidly developing during recent years; now China and the U.S. have more than 60 various formats within this dialogue.

Regional Security

During then president Medvedev's visit to Beijing in October

2010, China expressed support for Russia's proposed idea to build a new regional security structure in the Asia-Pacific region. However, China declined to be a co-author of this move, despite Russia's attempt to present it as a joint initiative. China does not want to be tied in its foreign policy with initiatives introduced by other states.

The idea of the Russian initiative is to build-up a new comprehensive regional architecture of security and cooperation on the basis of an interconnected and interdependent world and on the notion that it is impossible to provide security for one state at the expense of others. It requests the peaceful resolution of conflicts, excluding any threats of the use of force and following other basic rules of international law.¹⁷

In principle the initiative provides a solid base for cooperation between Russia and China in strengthening regional security, which is facing many challenges—from the situation on the Korean Peninsula to new eruptions of territorial disputes.

Some Bilateral Problems

A “threat” of Chinese migration

There has been rising concern in Russia about Chinese immigration since shuttle trade between the two countries started in the 1990s and Russia became a much more open country compared to the Soviet Union. This concern was particularly prevalent in public perception in the southern areas of Pacific Russia bordering China

17- <http://www.mid.ru/brp_4.nsf/0/D8E7F804D6E48D1A4425795700280D74-29-11-2011>.

(Primorsky Krai, Khabarovsk Krai, Amur Oblast and some others).

The fear of a “Chinese peaceful invasion” was actively promoted by some Russian alarmists and was eagerly encouraged by the media and some “experts” in the West. Sometimes it was done quite deliberately to fuel negative Russian attitudes towards developing relations between Russia and China.

In fact, there initially was an inflow of Chinese migrants into Russia; they were and still are mainly engaged in trade activities and agriculture work. However, the main geographical direction of Chinese migration (in numbers) was not towards Pacific Russia but to Siberia and the European part of the country where economic potential and most of consumers for Chinese goods live.

The other important feature of Chinese migration into Russia was that most of the Chinese migrants intended to stay in Russia only for a few years, not permanently. They were to be replaced and their businesses were to be continued by relatives or acquaintances.

- Some ten years ago Russians visiting China and Chinese visiting Russia were roughly in equivalent numbers. In 2011, 844,000 Chinese visited Russia compared to 2,433,000 Russians who visited China (in all categories). This gap has been expanding in recent years—more and more Russians visit China as tourists, for business, and private purposes.¹⁸
- The Chinese presence in Vladivostok is now less than it was 10 years ago, according to Professor Victor Larin, a famous expert on China from Vladivostok. More and more Chinese prefer now to work in China, leaving cheap work places in Pacific Russia for

¹⁸ <http://www.gks.ru/bgd/regl/b12_11/IssWWW.exe/Stg/d1/10-12.htm>; <http://www.gks.ru/bgd/regl/b12_11/IssWWW.exe/Stg/d1/10-13.htm>.

guest-workers from former Central Asian republics of the former Soviet Union and North Korea. Larin considers fears that China could occupy the Eastern part of Russia a myth. For China, simply buying Russian oil, wood and minerals is a much more effective approach than invading Russian territories when living standards in China are improving much faster than in the Pacific Russia.¹⁹

- A new phenomenon in recent years is an increasing number of Russians that are taking up residence in China.²⁰

There are already some Russian permanent communities in big cities in China where Russians explore business opportunities within the Chinese economy, or provide new opportunities by developing Russia-China bilateral economic ties (trade, investment flows, tourism, etc.).

Hidden Territorial Issue

One of the so-called hidden problems remaining in bilateral relations between Russia and China is the border agreement concluded between Russia and China in October 2004 when President Putin visited Beijing.

Another three years were spent on negotiations on delimitation, and the final agreement was signed in July 2008. According to Chinese Foreign Minister Yang Jiechi, it marked “the end of de-

19- <<http://asiareport.ru/index.php/analytics/17970-dalnij-vostok-rf-okno-v-aziyu-ili-most-v-nikuda.html>>.

20- <<http://english.cntv.cn/program/china24/20110209/101705.shtml>>;
<http://www.slate.com/articles/news_and_politics/dispatches/features/2009/where_russia_meets_china/why_are_siberian_russians_drawn_to_china.html>.

marcation work of the 4,300-km Sino-Russian boundary.”²¹

Officially the matter is settled but psychologically it left the population of the Khabarovsk Krai with a feeling of injustice as public opinion of the Krai’s population and views of Krai authorities, including then governor of the Krai, on the matter were not taken into account.²²

Increasingly active political opposition in Russia has started recently to raise the question of why Putin gave such far territorial concessions to China in the 2004 Russia-China border agreement.

Some leaders of the opposition criticize Putin, saying that he made too many concessions to China. This is particularly true in the case of Bolshoy Ussuriysky Island (called Heixiazi Island in Chinese) facing the city of Khabarovsk. China obviously made (according to opinions of many Russians including some regional top official figures) excessive demands which led to dividing the island between Russia and China while moving the border between the two countries closer to the city of Khabarovsk.

Many people in Russia who were aware of the not much publicized border accord between the two countries did not accept it. In particular, people in Pacific Russia did not understand why China insisted on returning some islands near Khabarovsk and why Putin decided to give up those lands to China. On what grounds was this done?

The negotiations took more than 40 years and could continue longer; however it has never been explained to the public why Putin finally gave up the country’s territory in such a strategically important place.

²¹- <http://www.chinadaily.com.cn/china/2008-07/22/content_6865847.htm>.

²²- *Kommersant*, August 29, 2012.

The problem of demarcation of the border between the two countries was exacerbated by the recently reported dispute related to the 55-km piece of the Russia-China border in the Altai Mountains. China requested to move the border line into current Russian territory while obtaining another 17 km² of Russian territory in addition to 174 km² received from the 2004 and 2008 agreements mentioned above.²³

This hidden problem does not mean that Russia would challenge this agreement in the future if there is any substantial change of leadership in the country, but it could definitely influence Russia's approach to her relations with China.

China's New Assertiveness

Recently China has become more assertive in promoting its national interests, both by flexing its muscles in territorial disputes with Japan and ASEAN countries and with a strong reaction to the Russian Coast Guard firing at Chinese fishing boats which were engaged in illegal fishing in the Russian Exclusive Economic Zone. It remains a question for Russia how to react to the more assertive behavior of China, both in the immediate future and from the perspective of strategic planning.

²³- August 28, 2012, <<http://www.regnum.ru/news/polit/1560675.html>>.

Conclusion – Prospects for Development of Bilateral Relations

One of the key issues for Russia's assessment of bilateral relations is the policy of China's incoming leadership. Of course, the Russian top officials have already had many contacts with Xi Jinping and Li Keqiang, but it is nevertheless important to establish a relationship with key Chinese political figures in their new capacity.

Enhancement of the Russia-China strategic partnership, and development of their relations will depend on deepening trust between the two countries, along with strengthening the social base of relationships and interaction of bilateral relations with Russia's and China's participation in numerous multilateral formats.

China's rapid economic growth and rising military potential provoke strong concerns in some circles of the Russian elite and among the general public. These concerns include plausible fear of Russia's economy being turned into a resource-rich supplement to the Chinese economy and a threat from the Chinese military machine against Russian territory, particularly Pacific Russia.

The only way to overcome these fears is to have comprehensive economic ties between Russia and China. These could include cooperation in division of labor in machinery industries, increasing exports of added-value products (based on processing raw materials) from Russia to China beyond a simple exchange of Russia's raw materials for a wide range of Chinese industrial products—

consumer goods, materials (steel, etc.) and equipment and machinery.

It will also require strengthening the strategic partnership between the two countries, much more transparency of military build-up and planning, securing intellectual property rights of the Russian enterprises engaged in military exports (finished products and technology) to China, and greatly expanding social contacts between the people of the two countries.

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млрд – III увалов” PRIME Business News Agency. 2012. <<http://www.lprime.ru/news/0/%7B5B502532-266B-43EC-9BFB-B03A2E68048F%7D.uif>>.

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“10.13. ЧИСЛО ПОЕЗДОК РОССИЙСКИХ ГРАЖДАН ЗА ГРАНИЦУ.” 2011. <http://www.gks.ru/bgd/regl/b12_11/IssWWW.exe/Stg/d1/10-13.htm>.

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<<http://www.strana.ru/doc.html?id=135583&cid=1>>.

14

Australia's Strategy toward China

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* The author expresses sincere thanks to Dirk van der Kley for his research assistance in the writing of this chapter.



Introduction

Policy-makers in Canberra face similar challenges as their counterparts across Indo-Pacific Asia. They struggle to balance the nation's economic, political and security interests in managing relations with Beijing, on the one hand, and the United States, on the other hand. Though China continues to be viewed predominantly in economic terms, Australia's political leaders are increasingly worried about both the uncertainties related to China's growing military strength and responses by the United States and China's neighbors to these uncertainties. In speeches and published commentary by prominent Australians since the start of this decade, a recurring refrain has been the nation's unprecedented predicament: for the first time in Australian history, its most important economic partner is not a democracy with similar values, nor is it Australia's security guarantor or even an ally of its guarantor (Japan).

From the viewpoint of those living much closer to China than Australians, it could seem odd that balancing relations with Beijing and Washington amidst intensifying China-U.S. competition is perceived as such a challenge in Canberra. After all, there is a vast geographical distance between Australia and China; the 60-year old alliance between Australia and the United States is strong; and relations between China and Australia are not marred by the kind of historic baggage which continues to affect China's relations with several other countries in the region. While Australians did fight Chinese troops alongside South Koreans and Americans in the Korean War, Australians do not have territorial disputes with the Chinese, they have not experienced border clashes with the

Chinese nor have they had to contend with the threat of Beijing-backed Communist insurgencies, as have so many other countries in the region. But neither physical distance nor the relative lack of historic animosity is a consolation to Australian policymakers when they assess the unpredictable and constantly evolving geopolitical environment.

In part, Canberra's unease stems from a historic insecurity from the days when Australia was a British outpost. At the turn of the 20th century, the time of Australia's federation, the Yellow Peril concept was part of the Australian mindset, manifesting itself in politics through restrictions on immigration to help Australia protect its "British character."¹ The sparsely populated island-continent has always looked to a major power to guarantee its security.² Today, as relations between its major strategic ally, the United States, and paramount economic partner, China, show increasing signs of strain, policy-makers in Canberra worry about becoming caught up in a situation which would require painful choices if China-U.S. tensions escalate to conflict. China is crucial to Australia's continued economic prosperity. Australia's dependency on China is one of the world's highest and the highest among G-20 nations (see Table 1).³ This reliance heightens the concern of Australia one day be-

1. Brian Carroll, *From Barton to Fraser: Every Australian Prime Minister* (Melbourne: Cassell, 1978).

2. For more on Australia's sense of strategic insecurity see Mark Beeson and Kanishka Jayasuria, "The Politics of Asian Engagement: Ideas, Institutions and Academics," *Australian Journal of Politics and History*, Vol. 55, No. 3 (2009), pp 360-374; Rawdon Dalrymple, *Continental Drift: Australia's Search for Regional Identity* (England: Ashgate Publishing Limited, 2003).

3. Based on European Commission bilateral relations statistics which list merchandise trade exports to major trading partners as a percentage of total country exports.

coming a target of China's coercion, be it subtle or overt, or even being pressured by Beijing to take measures which would be deemed unacceptable. Furthermore, 21 percent of Australia's GDP is dependent on exports.⁴ The risk of disruption to sea lines of communication, for example in the South China Sea, is highly disconcerting to Australians.

Equally unsettling is the speed with which China's economic significance to Australia has grown. At the turn of the 21st century, Australia's exports to China constituted less than five percent of Australia's total exports.⁵ By 2010, over one-fifth of total Australian exports went to China.⁶ In 2009, China became Australia's largest trading partner, overtaking Japan, largely as a result of China's soaring demand for iron ore, coal and liquefied natural gas. In 2012 exports to China made up over a quarter of Australia's total exports.⁷

Moreover, China does not merely contribute to Australia's economy by purchasing resources. In 2011, Chinese tourists spent more money than visitors from any other country when they vis-

4- "Exports of Goods and Services (% of GDP)," World Bank (2011), <<http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>>.

5- Figure calculated from Australian Bureau of Statistics, "A Statistical Analysis of Australia's Exports: Appendix 1 and Appendix 2," Working Paper, No. 2001/10, paper presented by Ivan King to the Strategic Management for Exports Market Conference (Sydney, October 2001), <<http://www.abs.gov.au/Websitedbs/D3110122.NSF/4a255eef008309e44a255eef00061e57/6b943a97d355887fca256af3007ec3c3!OpenDocument>>.

6- "Trade at a Glance 2011," Australian Government Department of Foreign Affairs and Trade (October 2011), <<http://www.dfat.gov.au/publications/trade/trade-at-a-glance-2011.html>>.

7- Australian Bureau of Statistics, *Yearbook Australia, 1997– International Accounts and Trade* (1997); Australian Bureau of Statistics, *Yearbook Australia, 2008– International Accounts and Trade* (2008).

ited Australia⁸ and Chinese students contributed to financing Australian higher education more than any other group of foreign students.⁹ The stock of Chinese foreign direct investment is still small at 2.6 percent of total inward investment, but it is expected to grow in coming years. At present the United States, United Kingdom, Japan, and the Netherlands are Australia's largest investors (see Table 2).¹⁰ Societal links are also growing rapidly through immigration. China is now the largest source of new migrants to Australia,¹¹ with nearly 320,000 Australian residents born in the People's Republic of China (PRC) according to the 2011 census, an increase of 112,000 from 2006.¹²

This chapter seeks to shed light on Australia's strategy toward China. The next section will briefly describe high and low points in Australia's relations with China over the past decade. The following section will in more detail evaluate the implications of decisions

8- China is the third largest source of tourists in Australia (behind New Zealand and the United Kingdom). However, Chinese tourists have the largest total inbound economic value (TIEV), spending on average \$3.5 billion in Australia annually (around \$900 million more than visitors from the United Kingdom). See Tourism Research Australia, International visitors in Australia – March 2012 quarterly results of the international visitor survey, 6 June 2012.

9- Chinese international students receive approximately 20% of all student visas granted in Australia, the largest by volume, leading India (12%) and South Korea (5%). In terms of total international student enrollments in Australia, China accounts for more than one quarter (27%). See Australian Bureau of Statistics, *Australian Social Trends* (December 2011).

10- "5352.0 - International Investment Position, Australia: Supplementary Statistics, Calendar Year 2011, Table 2," Australian Bureau of Statistics (May 3, 2012), <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.0Calendar%20Year%202011?OpenDocument>>.

11- "Population flows 2010–11 at a Glance," Department of Immigration and Citizenship (May 2012), <<http://www.immi.gov.au/media/publications/statistics/popflows2010-11/pop-flows-at-a-glance.pdf>>.

12- Figures based on comparison of data in the 2006 and 2011 Australian census.

announced at the annual Australian-U.S. ministerial meeting (AUSMIN) in September 2011 and during U.S. President Barack Obama's visit to Australia six weeks later, a turning point in the relationship. Finally, chapter will end with an assessment of the Australian government's strategy toward China.

The Past Decade

Over the past decade relations between Australia and China have been jagged. A high point was Hu Jintao's address to Australia's Parliament on October 24, 2003, the day after George W. Bush. Hu is said to have been proud to be treated as an equal of the U.S. president. The effect of the trip on Hu was reportedly significant, according to a former Chinese diplomat, who later sought political asylum in Australia. During an address to a group of Chinese diplomats Hu "outlined a work programme designed to make Australia part of China's 'Great Border Area' or 'Grand Border Strategy' for obtaining both Australia's natural resources and its political compromise."¹³

Another high point in Australia-China ties was Kevin Rudd's defeat of John Howard in elections and ascent on December 3, 2007 to serve as Australia's 26th prime minister. There were initially high hopes in both Beijing and Canberra that the world's first Mandarin-speaking Western leader would inject new levels of understanding and trust into the relationship. But in reality Rudd's

¹³- David Uren, *The Kingdom and the Quarry: China, Australia, Fear and Greed* (Collingwood, Australia: Black Inc., 2012), pp 13-14.

two-and-a-half years as prime minister were marked by turbulence in Canberra's relations with Beijing. Though trade as well as the flow of tourists and students between the two countries continued to increase exponentially, political relations went into a "downward spiral" which, according to former Australian Ambassador to China Geoff Raby, began with Rudd's first trip to China in 2008, which included a public speech as Prime Minister where he offered the advice of a true friend – *zhengyou* – on human rights.¹⁴ This culminated in a series of incidents in 2009 which Raby describes as a collective *annus horribilus*,¹⁵ including the sentencing of a Rio Tinto mining executive to a 10-year prison sentence, Rudd's speech to mark the twentieth anniversary of the Tiananmen demonstrations in which he condemned ongoing repression in China,¹⁶ and pressure by Beijing on Canberra to deter a Uighur leader from visiting. The Rudd years were characterized by tough stances toward China, which he made his personal policy domain, and dashed the perhaps unrealistically high hopes for Australia-China relations when he entered office.¹⁷

In particular the 2009 Defence White Paper, which sought to outline Australia's response to the regions' changing power dynamics as a result of China's growing military power and in which Rudd's input was central, cast a shadow over Canberra's and Beijing's

14- Michael Sainsbury. "Kevin Rudd 'breached Chinese trust', says Geoff Raby," *The Australian* (June 4, 2012).

15- Geoff Raby, "Australia and China Forty Years On," *Meanjin Online* 2012. <<http://meanjin.com.au/articles/post/australia-and-china-forty-years-on/>>.

16- "Transcript of Speech Obtained through Hansard," Parliament of Australia, 20 04, <<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansardr%2F2009-06-04%2F0103%22>>.

17- Geoff Raby, "Australia and China Forty Years On."

political relations. Unsurprisingly, Australia's identification of China as a potential threat did not please Beijing. In particular Beijing was upset by the paper's assertion that "the pace, scope and structure of China's military modernization have the potential to give its neighbors cause for concern."¹⁸

In public, the Chinese government did not overtly display its displeasure after the White Paper became public. The Foreign Ministry spokesperson consistently skirted questions on the intentions of the paper, and instead highlighted China's peaceful rise and the defensive nature of Chinese military policies.¹⁹ According to Shi Yinhong of Renmin University of China, the low-key public response was to prevent "further ammunition for domestic debates within Australia."²⁰ Another factor could have been the desire on the part of the Chinese government to be cautious in anticipation of the Australian government's decision to approve or block China's biggest foreign investment bid, Chinalco's US\$19.5 billion (A\$26.6 billion) stake in Rio Tinto.²¹

Behind closed doors, Beijing's response was much more

18- Chun Zhan, "Rebuilding middle power leadership for Australia," *Australian Strategic Policy Institute* (September 21, 2009), <http://www.aspi.org.au/research/spf_article.aspx?aid=67>.

19- In routine press conferences held by the Ministry of Foreign Affairs of the People's Republic of China on May 5, 7 and 14, 2009, Ma Zhaoxu answered questions about the Defence White Paper with almost identical answers.

20- John Garnaut, Michelle Grattan and Anne Davies, "Military Build-up 'Risks New Asian Arms Race'," *The Age*, May 4, 2009, <<http://www.theage.com.au/national/military-buildup-risks-new-asian-arms-race-20090503-arew.html#ixzz26hbiCeH3>>.

21- Rio Tinto rejected the deal in June 2009, just days before Australian regulators were expected to set tough conditions for its approval. See Dana Cimilluca, Shai Oster and Amy Or, "Rio Tinto scuttles its deal with Chinalco," *Wall Street Journal Asia Edition*, June 5, 2009, <<http://online.wsj.com/article/SB124411140142684779.html>>.

assertive. U.S. diplomatic cables released by WikiLeaks revealed that White Paper lead author Michael Pezzullo was “dressed down” while giving a brief on the paper in Beijing, and that meetings with officials had generally been “frosty.”²² Chinese researchers were openly critical; for example Rear Admiral Yang Yi of the National Defence University said that Australia had developed a new variation of the “China threat theory,” which was “stupid” and “crazy.” He shared concerns with Shi Yinhong that this type of thinking could lead to re-armament by Japan, South Korea and Southeast Asia.²³

At least in the short-term, the impact of the 2009 Defence White Paper on the economic relationship was minimal; two-way trade and investment continued to grow.²⁴ But the White Paper ruined any possible aspirations among Chinese policy-makers to forge a different kind of relationship with Australia, as Hu Jintao had reportedly advocated in 2003. From Beijing’s viewpoint, the country which relied increasingly on China for its economic well-being had singled out China as a security threat. Strategic trust was in short supply.

Julia Gillard’s ascension to head of the Labor Party and Prime Minister in June 2010 solidified the spirit of the Defence White Paper. In relations with China she has maintained a steady focus on economic ties while taking steps to tighten military ties with the

22- Philip Dorling and Richard Baker, “China’s Fury at Defence Paper,” *The Sydney Morning Herald*, December 10, 2012, <<http://www.smh.com.au/national/chinas-fury-at-defence-paper-20101209-18rel.html>>.

23- Garnaut, *et al.*, “Military Build-up.”

24- Australia’s two way trade with China increased 24% to AUD105 billion from 2009 to 2010. See “Trade at a glance 2011,” Australian Government Department of Foreign Affairs and Trade, October 2011, <<http://www.dfat.gov.au/publications/trade/trade-at-a-glance-2011.html>>.

United States. The venue and content of the speeches Gillard made during visits to Washington and Beijing in March and April of 2011 reflect her approach. In Washington, Gillard addressed Congress with a rousing speech of mateship and alliance that included the lines:

You have an ally in Australia.
An ally for war and peace.
An ally for hardship and prosperity.
An ally for the 60 years past and Australia is an ally for all the years to come.²⁵

Conversely, Gillard's main address during her April 2011 visit to Beijing was made to the China Australia Economic Forum. Unsurprisingly, the speech was mostly about economic cooperation between the two countries.²⁶

Obama's Australia Visit in November 2011

However, it is not the 2009 Defence White Paper but rather Barack Obama's visit to Australia in November 2011 which most likely will be remembered as a watershed event in Australia's relations with China. The reasons are twofold. First, despite criticism from within the Chinese security community, the visit put Australia

²⁵- "Julia Gillard's speech to Congress," *The Sydney Morning Herald*, March 10, 2011, <<http://www.smh.com.au/world/julia-gillards-speech-to-congress-20110310-1boee.html>>.

²⁶- "Transcript of Julia Gillard's Speech to the Australia China Economic and Co-operation Trade Forum," Press Office of the Prime Minister of Australia, April 26, 2011. <<http://www.pm.gov.au/press-office/speech-australia-china-economic-and-co-operation-trade-forum-beijing>>.

on the radar screen of China's strategic planners in a way that the 2009 Defence White Paper did not. Second, Obama's visit spurred prominent Australians from both sides of the political spectrum and diverse sectors of society to question the Gillard government's foreign policy direction. This has propelled several opinion pieces and speeches over the future of the Australia-U.S. alliance and China's relevance to Australia. The debate is still nascent but can be expected to intensify in future years.

Before delving further in to these two implications of Obama's Australia visit, it is essential to point out how much China's geopolitical landscape changed between May 2009, when the most recent of Australia's defence white papers was published, and November 2011, when Obama stopped in Australia for two days on his way to the East Asia Summit (EAS) in Indonesia. In May 2009 China was riding high in diplomatic terms. A decade-long charm offensive in Southeast Asia was still ongoing and paying dividends; the new American president had emphasized cooperation and pledged to reach out to Beijing; relations with Japan were less volatile than usual following Hu Jintao's first visit to Japan in 2008 and with the relatively pro-China Yasuo Fukuda serving as prime minister;²⁷ and though the Korean Peninsula was tense following Pyongyang's ballistic missile test in April 2009, China's role in efforts to bring North Korea to the negotiating table were generally perceived as constructive.

The downward slide of China's diplomacy started in Copenhagen at the United Nations Climate Change Conference in December 2009 and hit rock bottom after Beijing refused to criticize

27- Richard Spencer, "China's President Hu Jintao Visits Japan," *The Telegraph* (May 6, 2008).

Pyongyang following a North Korean attack on the South Korean corvette *Cheonan* in March 2009.²⁸ Beijing's reliability as a responsible member of the international community was questioned not only in the region but globally too. Beijing's bilateral relations with Seoul plummeted and as of late 2012 had yet to recover to pre-Cheonan levels of good neighborly ties. The same applies to China-Japan ties following Beijing's thunderous accusations and temporary suspension of rare earth exports to Japan during the aftermath of the collision in October 2010 between a Chinese fishing trawler and Japanese coast guard vessel. Additionally, throughout 2010 tensions rose in the South China Sea as a result of what Beijing perceived as provocative actions by Vietnam and the Philippines to explore disputed waters for oil and gas deposits, and consequently, assertive actions by China's maritime law enforcement agencies to defend China's sovereignty claims. In the course of one year China's assertive behavior on several fronts alienated its neighbors and diminished much of the goodwill which Beijing had managed to build up in the previous two decades. From Canberra's viewpoint the risk of regional instability was on the rise because of intensified rivalry between both China and the United States and China and its neighbors.

In any assessment of China's reactions to Obama's visit to Australia it is also pertinent to bear in mind that the content of Obama's speech at the Australian parliament—not increased Australia-U.S. defense cooperation—was the overriding focal point of analysts in Beijing. Obama announced his “deliberate and strategic de-

²⁸ An investigation conducted by an international team of experts from South Korea, United States, United Kingdom, Canada, Australia, and Sweden concluded that *Cheonan* was sunk by a torpedo launched by a North Korean Yeono class miniature submarine.

cision” that the United States, as a Pacific power, will play a larger role in shaping the region by strengthening its capabilities and modernizing America’s defense posture across the Asia-Pacific.²⁹ Obama promised that reductions in defense spending will not affect the strong U.S. military presence in the region and the U.S. will retain its “unique ability to project power” with the support of its allies and friends. Though Obama did not use the term “pivot” in his Canberra speech, the U.S. “pivot” to Asia was elaborated on in statements by Secretary of State Hillary Clinton and Assistant Secretary of State Kurt Campbell.³⁰ A few months after Obama’s speech in Canberra, Campbell said that “our ticket to the big game in the Asia-Pacific region has always been our military. Not only do we have to reposition our capabilities more to the Asia-Pacific; we also have to recognize that over the past 10 years we have invested much more heavily in land-based capabilities and on-going operations than we have expeditionary and ‘blue water’ naval capabilities.”³¹

In China, the U.S. pivot to Asia was interpreted as aimed squarely at China.³² Obama’s Canberra speech emboldened those

29_ See “Text of Obama’s Speech to Parliament,” *The Sydney Morning Herald*, November 17, 2011, <<http://www.smh.com.au/national/text-of-obamas-speech-to-parliament-20111117-1nkew.html>>.

30_ See Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, November 2011, <http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century>; During an interview with Robert Kaplan, Kurt Campbell refers to the pivot, see “The Obama Administration’s Pivot to Asia,” *The Foreign Policy Initiative*, December 13, 2011, <<http://www.foreignpolicy.org/content/obama-administrations-pivot-asia>>.

31_ Kurt Campbell, “We have been over-invested in Iraq and Afghanistan,” *Dispatch Japan Blog*, February 11, 2012, <<http://www.dispatchjapan.com/blog/2012/02/kurt-campbell-we-have-been-over-invested-in-iraq-and-afghanistan.html>>.

32_ For a good overview of interpretations in China of the U.S. pivot, See “Shiwei Zhuanjia: Zhongguo Jueqi Xu Yanfang Zhanlue Shiwu [Ten Experts: China’s

Chinese strategists who have for some years warned of China's encirclement by hostile forces.³³ The United States, from Beijing's perspective, now openly seeks to slow down or even impede China's rise to its rightful role as the major power in the region. Additionally, Obama's speech in Australian Parliament drew ire in Beijing because he said that the U.S. will lead in Asia to promote democracy. From the perspective of Chinese Communist Party (CCP) leaders, Obama advocated regime change in China. Obama's exact words were: "Other models have been tried and they have failed—fascism and communism, rule by one man and rule by committee. And they failed for the same simple reason: They ignore the ultimate source of power and legitimacy—the will of the people."³⁴ The paramount goal of the CCP leadership is regime survival. Obama's speech confirmed Beijing's suspicions that the United States is committed to promote dissent in China in order to create instability that will lead to the demise of CCP rule. Obama even took a swipe at China's immense economic progress by stating

Rise Must Avoid Grave Strategic Errors]," *Huanqiu Online*, May 11, 2011, <<http://opinion.huanqiu.com/1152/2012-05/2713865.html>>. For a more specific rundown of the perception of the military component of the pivot, see Feng Zhu, "Meiguo"Yatai gongshi" Weihe Ruci Zhayan [Why is the US "Asia Pacific Offensive" So Conspicuous?]" *People's Daily Online*, December 8, 2011. Some Chinese foreign policy specialists believe the biggest threat of the pivot comes from non-military methods, see Shulong Chu, "Dongbeiya Zhanlue Xingshi Yu Zhongguo [The Strategic Situation in North East Asia and China]," *Xiandai Guoji Guanxi [Modern International Relations]*, No. 1 (2012), pp 20-21. Commentators who don't view the pivot as a threat generally still see it as a move designed with China in mind; see e.g. Jisi Wang, "Meiguo Shifou Jiang Yi Zhongguo Weidi [Does the U.S. See China as an Enemy?]" *Sina News Centre*, September 7, 2011. <<http://news.sina.com.cn/c/sd/2011-09-07/003223115889.shtml>>.

33- Feng Zhu, "Meiguo"Yatai gongshi" Weihe Ruci Zhayan [Why is the U.S. "Asia Pacific Offensive" So Conspicuous?]"

34- "Text of Obama's Speech."

that “prosperity without freedom is just another form of poverty.”³⁵

Australia’s Move onto China’s Radar Screen

Against this background, the announcement that Australia and United States had agreed to strengthen their countries’ military cooperation simply amplified Obama’s message in the minds of Chinese strategists that the United States plans to bolster its military presence in the region to counter China’s rise. Though the decision to station U.S. marines in Darwin received the most media attention and the “Darwin decision” will no doubt remain shorthand for enhanced Australia military cooperation, the Darwin-related component in the new Australia-U.S. agreement was secondary from Beijing’s viewpoint. The Chinese know that a mere 2,500 U.S. marines in Darwin will not substantively enhance U.S. military power in the region. Instead, Chinese strategic planners were struck by the symbolism of Obama choosing Australia to announce his new Asia-Pacific strategy and Prime Minister Gillard’s wholehearted endorsement of this strategy. Gillard mentioned China only once during Obama’s visit, while answering a specific question about China at their joint press conference.³⁶ Gillard did not elaborate on Australia’s independent perceptions of China, Australia’s

³⁵ *Ibid.*

³⁶ See Barack Obama and Prime Minister Gillard, “Remarks by President Obama and Prime Minister Gillard Australia in Joint Press Conference,” The White House, November 2011. Gillard did not mention China in her remarks welcoming Obama to Parliament, in her speech at the parliamentary dinner, at the announcement of Australia-United States force posture initiatives or during the speech to troops at the Robertson Barracks Darwin. Transcripts accessed from the Press Office of the Prime Minister of Australia.

largest trading partner and the country at which Obama's speech was directed.

Chinese analysts also noted other facets of Australian and American enhanced defense cooperation in addition to U.S. Marines being based in Darwin during the months when the climate is most suitable for them to train. The agreement allows the U.S. greater access to Australian bases, particularly airfields (for fighter refuelling, reconnaissance, and transport aircraft) and permits the U.S. to preposition materiel – fuel, ammunition and spare parts – in Australia.³⁷ Additionally, the Australian-administered Cocos Islands are being considered as a possible base for U.S. drone aircraft as is the use of Australian naval bases for U.S. maritime operations in the Indian Ocean.³⁸ In the words of one Australian commentator, the “decision to rotate marines through a Darwin facility is merely a first step in a broader and deeper military engagement under a US Global Force Posture Review and Australia's own reassessment of its defence deployments” (Australia's next Defence White Paper is due in 2013).³⁹

Already six weeks prior to Obama's visit at the annual

37- Phillip Coorey, “Obama to Send Marines to Darwin,” *The Sydney Morning Herald*, November 16, 2011, <<http://www.smh.com.au/national/obama-to-send-marines-to-darwin-20111116-1njd7.html>>; Barack Obama and Prime Minister Gillard, “Remarks by President Obama and Prime Minister Gillard Australia in Joint Press Conference,” The White House, November 2011; “Prime Minister Gillard and President Obama Announce Force Posture Initiatives,” Barack Obama and Prime Minister Gillard, “Remarks by President Obama and Prime Minister Gillard Australia in Joint Press Conference,” The White House, November 19, 2011.

38- Nick Brisley, “No Hedging in Canberra: The Australia-US Alliance in the ‘Asian Century,’” *Asia Pacific Bulletin*, Vol. 157, No. 3 (April 2012), <<http://www.eastwestcenter.org/sites/default/files/private/apb157.pdf>>.

39- Tony Walker, “Take it Slowly with the Obama Doctrine,” *Australian Financial Review*, November 19, 2011.

Australia-U.S. ministerial meeting in San Francisco (AUSMIN), Australian and American defense and foreign ministers used “exceptionally strong” language to spell out in no uncertain terms the countries’ unwavering commitment to the alliance.⁴⁰ The communique begins by stating that the “US-Australia alliance is an anchor of stability, security and prosperity in the world.” It states that both countries have a national interest in freedom of navigation, the maintenance of peace and stability, respect for international law, and unimpeded lawful commerce in the South China Sea. It also states that both countries “oppose the use of coercion or force to advance the claims of any party or interfere with legitimate economic activity.”⁴¹ As Rory Medcalf of the Lowy Institute notes, “opposing is an active posture. It means that one day words might need to be translated into action.”⁴²

The Chinese government’s public response to the new Australia-U.S. defense cooperation agreement was measured. When questioned about the agreement, the Ministry of Foreign Affairs spokesperson said, “Given the depressed state of the global economy, it may not be appropriate to intensify and expand military alliances. Whether or not it meets the interest of countries within this region or the wishes of the entire international community is a matter for discussion.”⁴³ The *Global Times* used tougher language,

40- Rory Medcalf, “AUSMIN Puts Icing on the Alliance Cake,” *Lowy Interpreter*, September 16, 2011. <<http://www.lowyinterpreter.org/post/2011/09/16/AUSMIN-Icing-on-the-alliance-cake.aspx>>.

41- “Australia-United States Ministerial Consultations (AUSMIN) 2011 Joint Communiqué,” Office of The Hon. H Kevin Rudd MP, September 15, 2011, <http://www.foreignminister.gov.au/releases/2011/kr_mr_110916b.html>.

42- Medcalf, “AUSMIN Puts Icing.”

43- “Foreign Ministry spokesperson Liu Weimin Holds Routine Press Conference,” Ministry of Foreign Affairs, PRC, November 16, 2011, <<http://www.fmprc.gov.cn>>

warning Australia of getting caught in the crossfire between China and the United States, adding: “Australia surely cannot play China for a fool. It is impossible for China to remain detached ... There is real worry in the Chinese society concerning Australia’s acceptance of an increased US military presence. Such psychology will influence the long-term development of the Australia-China relationship.”⁴⁴

The new defense agreement was not mentioned to three Australian ministers visiting Beijing in the months following Obama’s visit.⁴⁵ This could be due to the unwillingness of a sufficiently high-ranking Chinese foreign affairs official to immediately take responsibility for a suitable comment to be made to visiting Australian ministers while various parts of the Chinese bureaucracy needed time to agree on an appropriate response. This presumption is supported by a warning to Australia in *China Daily*, a newspaper intended for foreigners, not to bandwagon with the United States, published after the first U.S. Marines had landed in Darwin in April 2012. The piece also cited an old Chinese saying about “the person attempting to travel two roads at once will get nowhere.”⁴⁶ In May 2012 the Darwin decision was consequently raised in three high-level meetings during Bob Carr’s inaugural visit as Foreign Minister to Beijing, which he described as being dominated by discussions about Australia-U.S. military ties.⁴⁷ Similarly,

[/chn/pds/wjdt/fyrbt/t877838.htm](http://chn/pds/wjdt/fyrbt/t877838.htm)>.

44- “Australia Could be Caught in Sino-US Crossfire,” *Global Times*, November 16, 2011, <<http://www.globaltimes.cn/NEWS/tabid/99/ID/684097/Australia-could-be-caught-in-Sino-US-crossfire.aspx>>.

45- Linda Jakobson, “Bob Carr’s Chance to Rally China Interest,” *The Australian*, March 22, 2012.

46- Hui Wang, “Friendship is More Than Just Words,” *China Daily*, April 7, 2012.

47- Stephen McDonnell, “Carr’s China talks Dogged by US-Australia Worries,” *ABC News*, May 15, 2012, <<http://www.abc.net.au/news/2012-05-15/carr>>.

Defence Minister Stephen Smith was prodded about Australia's intentions during his visit in June.⁴⁸

In several meetings the author had in 2012 with Chinese officials and researchers working on foreign policy and security issues, it was evident that Australia's decision to tighten military cooperation with the United States had caught the attention of the strategic community in Beijing. While before the Obama visit it was difficult to engage Chinese security specialists in a conversation about Australia-China relations because ties were perceived solely through an economic lens, after Obama's Canberra speech most interlocutors were eager to discuss Australia's new strategic outlook.⁴⁹ They asked about Australia's strategic intentions in light of the U.S. pivot and the reasons for Australia's desire to tighten its alliance with the U.S. Australia is now one of many elements which Chinese policymakers and analysts pay attention to when they assess the geopolitical consequences for China of Washington's rebalancing strategy. The "Darwin decision" has beckoned Beijing's attention.

Criticism within Australia

Since the Obama visit, Prime Minister Gillard has steadfastly

china-talks-dogged-by-us-australia-worries/4011060>.

48_ Michael Sainsbury, "Chinese Grilling Has Stephen Smith on Defensive Over U.S. Ties," *The Australian*, June 7, 2012, <<http://www.theaustralian.com.au/national-affairs/chinese-grilling-has-smith-on-defensive-over-us-ties/story-fn59niix-1226386804255>>.

49_ Author's discussions with Chinese foreign and security policy specialists, including two vice-ministerial level officials in Beijing March, May 2012. See also Linda Jakobson. Bob Carr's chance to rally China interest.

clung to her stance that it is possible for Australia to have an ally in Washington and a friend in Beijing. She has repeatedly said that increased U.S. military training on Australian territory poses no threat to China.⁵⁰ Senior Cabinet ministers have echoed this statement. Another recurring statement by the Gillard government is that China is not the target of Washington's "rebalancing" policy, to use the term U.S. officials adopted in 2012 decided to use instead of "pivot."⁵¹

The challenge an Australian prime minister faces in trying to advance Australia's national interests at the same time as the world's only superpower is asserting its own national interests was aptly reflected in an Australian journalist's comments about the Obama visit's spin: "The Americans were happy to let their press believe the stationing of extra troops in Australia was about China, while Australian officials were desperate to say the opposite."⁵² American journalists were briefed in advance of Obama's visit about Washington's intention to use the expansion of the Darwin base as part of an effort to counter the rise of China. Australian govern-

50- See e.g. "Transcript of Press Conference," Bali. Press Office of the Prime Minister of Australia, November 19, 2011, <<http://www.pm.gov.au/press-office/transcript-press-conference-bali-0>>; "Gillard keen to Reassure China on US Presence," *The Sydney Morning Herald*, November 19, 2011, <<http://www.smh.com.au/national/gillard-keen-to-reassure-china-on-us-presence-20111119-1noaa.html#ixzz26hTqhroq>>.

51- The term 're-balance' has been preferred to 'pivot' since early 2012, see David Brewster, "'Asian pivot' is really an 'Asian re-balance,'" *Lowy Interpreter*, June 22, 2012, <<http://www.lowyinterpreter.org/post/2012/06/22/Asian-pivot-is-really-an-Asian-rebalance.aspx>>. Nevertheless, in September 2012 Kurt Campbell still referred to 'pivot'. See U.S. Department of State, "Testimony of Kurt M. Campbell before the Senate Foreign Relations Committee," Subcommittee on East Asian and Pacific Affairs, September 20, 2012. <<http://www.state.gov/p/eap/rls/rm/2012/09/197982.htm>>.

52- John Kerin, "Gillard Gets Worldly," *Australian Financial Review*, November 19, 2012.

ment officials in Canberra hinted at a a modest extension of training and joint exercises.

According to Gillard, the enhanced military cooperation between Australia and the U.S. “will see our alliance remain a substantial influence in a new century of regional change.” Few envisioned a Labor prime minister and Democratic president solidifying the 60-year old alliance. Veteran Australian commentator Paul Kelly described Gillard’s and Obama’s feat as a “historic recasting of the alliance”—to manage the dynamic changes in the Asian power balance, essentially the rise of China. The Labor government and the Liberal-National opposition are united in support of Obama’s use of Darwin as a “pivot point.”

However, since Obama’s visit to Australia influential figures from both sides of the political spectrum have voiced concern of Gillard’s unconditional embrace of Obama’s rebalancing strategy. Criticism was not only directed at Gillard’s deference in Obama’s presence, described by *The Sydney Morning Herald* political editor Michelle Grattan as reminiscent of a “schoolgirl out on her first date” and by former opposition leader Malcolm Turnbull as “doe-eyed fascination.” The very essence of decisions announced during the Obama visit was questioned by former prime ministers, former Cabinet ministers, former diplomats, retired military officers and respected commentators of Australian foreign policy.

One of the first attacks came from former Labor Prime Minister Paul Keating who said that Canberra was “verballed” by Obama in his speech reorienting U.S. foreign policy towards the Asia-Pacific in a bid by Washington to pull Australia into its “ruthless” strategy to contain Beijing.⁵³ Keating said Obama’s speech should not have been made in Australian Parliament. Former Labor leader Mark Latham’s criticism was equally biting, claiming

that Australians' "subservience to the Americans" had been confirmed.⁵⁴ Greens leader Bob Brown questioned whether Australia's interests are the same as the United States and emphasized the right of Australians to debate this issue.⁵⁵ The absence of debate before the decision to strengthen Australia-U.S. defense cooperation was a recurring complaint in assessments of Australia's decision to pursue closer defense cooperation with the United States.

Somewhat ironically, some of the most scornful remarks were made by Bob Carr, appointed foreign minister in March 2012 but who in late 2011 was a private citizen and former Premier of New South Wales:

When did we decide to favour America's most mistaken instincts?... Do we have as our goal a peaceful accommodation between the aspirations of China and the national interests of the US? Why did we allow the announcement about marines rotating in the Northern Territory to be made in association with the US President's strange speech attacking China? Who makes these foreign policy decisions and what discussion is there?⁵⁶

Former senior officers of the Australian Defence Force avoided direct criticism of the government's handling of the Obama visit and concentrated on future developments. They too warned of the risks of becoming too close to the United States. Peter Leahy, who

53- "Obama "verballed" us on Beijing, says Keating," *The Australian*, November 24, 2011.

54- Hamish McDonald, "The Cosy Ties Which May End Up Costing Us," *The Sydney Morning Herald*, December 2, 2012, <<http://www.smh.com.au/opinion/politics/the-cosy-ties-that-may-end-up-costing-us-20111202-1obfx.html#ixzz26yHAg1Tk>>.

55- Andrew Probyn, "China Syndrome: United States Wants Peaceful and Prosperous China," *The West Australian*, November 18, 2011.

56- Hamish McDonald, "The Cosy Ties Which May."

served as chief of the army from 2002 to 2008, wrote that Australia should maintain the ability to say no to the U.S. and separate itself from its actions though he conceded that “it is difficult to say no, even as a *friend*.”⁵⁷ Another former military officer, Lieutenant General John Sanderson opined that Australia’s future lay in building a proper strategic relationship with its Asian neighbours. He continued: “And if there is anything about this relationship with the Americans that impairs our ability to build on that relationship then we should have a much deeper strategic debate.”⁵⁸

One of the most vocal participants in this discussion is Hugh White, who deserves credit—regardless of whether one agrees with his views or not—for his relentless efforts to stir debate in Australia about the implications of the changing power balance in Asia. His 2010 essay asserts that Australian leaders assume that Asia will “be transformed economically over the next few decades, but remain unchanged strategically and politically” based on a presumption of uncontested U.S. military primacy.⁵⁹ White argues this scenario is unlikely and his 2012 book *The China Choice* lays out three options for the U.S. in Asia: it can compete with China, share power with China or concede leadership to China. White knows that in

57- Peter Leahy, “We Must Not Get Too Close to the U.S.,” *The Australian*, April 12, 2012, <<http://www.theaustralian.com.au/national-affairs/opinion/we-must-not-get-too-close-to-the-us/story-e6frgd0x-1226324255470>>. As of 2008 Leahy became Director of the National Security Institute at the University of Canberra.

58- Mark Dodd and Matthew Franklin, “General Peter Leahy Warns of U.S.-China Collision,” *The Australian*, April 12, 2012, <<http://www.theaustralian.com.au/national-affairs/defence/general-peter-leahy-warns-of-us-china-collision/story-e6frg8yo-1226324341958>>.

59- Hugh White, “Power Shift: Australia’s Future Between Washington and Beijing,” *Quarterly Essay*, No. 39 (2010), p 2. Hugh White is Professor of Strategic Studies at the Australian National University and a Visiting Fellow at the Lowy Institute for International Policy.

Australia (and elsewhere too) his conclusion that a power sharing arrangement is the best choice for the U.S. is controversial: “The domination of the western Pacific by a globally paramount Anglo-Saxon power has always been regarded by us as the necessary and sufficient condition for our security,” he says. “So for us to go to the United States and say: ‘Please now, don’t dominate Asia, but share power.’ That’s a very hard thing for Australians to say.”⁶⁰ Despite this, he believes it may not be in Australia’s interest to increase military cooperation with the U.S. White views efforts by the U.S. to bolster cooperation as an attempt to make Australia choose to support the U.S. maintain military hegemony in the Western Pacific and strategic hedging against China.⁶¹

The appointment in August 2012 of an Australian major general to deputy commander of the United States Army Pacific received scant attention in Australia. The Australian Department of Defence did not announce it though it is unprecedented and reflects a significant development.⁶² The appointment is a major step in further cementing cooperation between Australia and the U.S.

Australia’s China Strategy

On a strategic level, Australia and the United States are approaching the region’s geopolitical uncertainties in lock-step. Each

⁶⁰- Anthony Kuhn, “Are U.S. Troops in Australia a Hedge Against China?” *NPR*, May 16, 2012, <<http://www.npr.org/2012/05/16/152846362/u-s-forces-in-australia-draw-mixed-reaction>>.

⁶¹- *Ibid.*

⁶²- Hamish McDonald, “Silence over General’s Appointment Leaves Public in the Dark,” *The Sydney Morning Herald*, September 1, 2012.

sees the ANZUS alliance as key to its interests in the broadest possible sense. Though most Australian analysts are of the opinion that Australia is pursuing a hedging strategy against China's rising power by taking measures to strengthen the U.S. alliance, the Australian navy and cooperation with other Asian partners,⁶³ decisions taken by the Gillard government in 2011 contradict these views. A close examination of the 2011 AUSMIN Communique and the two new force posture initiatives agreed upon during Obama's Australia visit does not lead to a conclusion that Australia has adopted a hedging approach.

Nick Bisley of La Trobe University is one of the few Australians who has publicly stated that "Canberra is not hedging its bets about its strategic future."⁶⁴ According to Bisley, the AUSMIN communique "shows that Australia has made its mind up about its long term strategic policy. Australia has clearly chosen to commit itself to a vision of regional order that sees continued American military dominance as the key to peace and stability and shows little interest in alternative arrangements such as America sharing power or influence with China."⁶⁵

63- Rory Medcalf, "Grand Stakes: Australia's Future Between Two Giants," Tellis, A., Tanner, T., and Keough, J. (eds.), *Strategic Asia 2011-2012: Asia Responds to its Rising powers. China and India* (National Bureau of Asian Research, 2011), pp. 197, 219; Derek McDougall, "Responses to 'Rising China' in the East Asian Region: Soft Balancing with Accommodation," *Journal of Contemporary China*, Vol. 21, No. 73 (2011), pp 1-17; Professor Alan Dupont is quoted as saying Australia is 'hedging against increasing Chinese military power', see Peter Hartcher, "U.S. Marine Base for Darwin," *The Sydney Morning Herald*, November 10, 2011, <<http://www.smh.com.au/national/us-marine-base-for-darwin-20111110-1n9lk.html>>.

64- Nick Bisley, "No Hedging in Canberra: The Australia-US Alliance in the 'Asian Century'," *Asia Pacific Bulletin*, Vol. 157, No. 3 (April 2012), <<http://www.eastwestcenter.org/sites/default/files/private/apb157.pdf>>.

65- Nick Bisley, "Issues in Australian Foreign Policy, July - December 2011," *Australian Journal of Politics and History*, Vol. 58, Issue 2 (June 2012), pp. 269-270.

However, the Australian government can be expected to continue to do its utmost to be perceived as pursuing a hedging strategy against China's rise. Officially, Canberra will steadfastly reject any insinuation that Australia needs to make a choice between the United States and China because it is possible for Australia to simultaneously have an ally in Washington and a friend in Beijing. The prime minister, regardless of who wins the elections in 2013, will continue to make assurances that strenuous efforts are being made to engage China across the board, and deny that Beijing harbors suspicions toward Canberra. She or he will also emphasize Australia's concerted efforts to increase security cooperation with others in the region, especially South Korea, Japan, Indonesia and India. However, budgetary constraints will deter Canberra from *de facto* strengthening its military capabilities as outlined in the 2009 Defence White Paper.

Canberra's strategy toward China will encompass multiple strands simultaneously. Australia will continue to strengthen its engagement with China in the fields of trade, commerce, resources, education, tourism, culture, and science and technology. The government will encourage more people-to-people contacts. The Australian Armed Forces will pursue increased engagement with the People's Liberation Army in the form of joint humanitarian assistance and disaster relief exercises, ship visits, officer exchanges and consultations about strategic issues.

In the absence of strategic trust, the Australian government would benefit from a whole-hearted commitment by the Australian prime minister to build political trust with Beijing.⁶⁶ At present political ties are far less developed than economic ties or even defense

⁶⁶- Linda Jakobson, "Australia-China Ties: In Search of Political Trust," *Lowy Institute Policy Brief* (June 2012).

ties between the two countries. A first step would be to establish a high level dialogue mechanism which would compel the top leaders of both countries to meet regularly. Without political trust Canberra will find it increasingly difficult to resolve problems in the two countries' economic and societal relations, which inevitably emerge from time to time.

(Table 1) Merchandise exports of Asian Countries to China (2010, €million)⁶⁷

Country	Exports to China	Exports to all countries	Exports to China (%)	Foreign trade with China (% of total foreign trade)
Mongolia	1,731.9	2,115.7	81.9%	58.8%
North Korea	820.0	1,751.3	46.8%	55.4%
Tajikistan	335.5	899.3	37.3%	17.8%
Turkmenistan	722.4	2,547.7	28.4%	17.0%
Australia	40,223.9	154,356.9	26.1%	22.5%
South Korea	88,258.0	341,558.5	25.8%	21.8%
Laos	384.7	1,653.5	23.3%	17.9%
Kazakhstan	7,579.7	36,006.6	21.1%	26.1%
Japan	113,031.0	541,976.1	20.9%	21.8%
Uzbekistan	889.7	4,339.1	20.5%	17.3%
Brazil ⁶⁸	23,457.5	151,681.0	15.5%	14.9%
Myanmar	661.0	4,874.3	13.6%	28.9%
Malaysia	18,922.2	145,491.8	13.0%	13.1%
Philippines	4,307.0	37,601.6	11.5%	10.2%
Thailand	16,218.5	145,319.3	11.2%	12.4%
Singapore	27,576.8	256,503.5	10.8%	11.1%
Indonesia	11,825.3	115,455.9	10.2%	12.7%
Vietnam	5,537.2	51,384.3	10.8%	19.0%
India	13,123.4	166,642.7	7.9%	10.4%

67- The table is formulated using statistics provided by the European Commission on 2010 bilateral goods trade. Due to the incomplete nature of international trade in services statistics, especially in developing countries, only trade in goods is shown. The use of European Commission statistics means the data for the table comes from one source using a single currency for the same year.

68- Canada and Brazil are included in this table due to the similarities of the two countries' economic structure to Australia

Country	Exports to China	Exports to all countries	Exports to China (%)	Foreign trade with China (% of total foreign trade)
Brunei	434,9	6,216,0	7,0%	8,6%
Kyrgyzstan ⁶⁹	48,0	835,9	5,7%	55%
Russia	14,918,0	280,539,4	5,3%	10%
Canada	720,9	291,491,8	3,3%	7,4%
Nepal	7,7	588,0	1,3%	18,3%
Bangladesh	144,0	11,025,2	1,3%	11,7%
Cambodia	49,0	4,197,1	1,2%	12,6%

(Table 2) Stock of largest direct foreign investment sources in Australia (AUD million)⁷⁰

	2008	2009	2010	2011
1. United States	100,400 (25,33%)	100,271 (22,67%)	116,947 (24,58%)	122,379 (24,12%)
2. United Kingdom	59,565 (15,03%)	61,468 (13,89%)	54,402 (11,43%)	69,747 (13,75%)
3. Japan	36,677 (9,25%)	45,643 (10,31%)	51,103 (10,74%)	52,334 (10,31%)
4. Netherlands	19,188 (4,14%)	32,433 (7,33%)	30,199 (6,35%)	32,870 (6,48%)
5. Switzerland	19,521 (4,92%)	17,772 (4,02%)	20,903 (4,39%)	23,005 (4,53%)
6. Singapore	10,415 (2,63%)	16,512 (3,73%)	18,791 (3,95%)	19,966 (3,94%)
7. Canada	15,070 (3,80%)	19,148 (4,33%)	18,717 (3,93%)	17,326 (3,41%)
8. Germany	15,503 (3,91%)	18,113 (4,09%)	16,818 (3,54%)	14,333 (2,83%)
9. China	3,643 (0,92%)	9,058 (2,05%)	12,947 (2,72%)	13,354 (2,63%)
Total all countries	396,410	442,526	475,738	507,360

⁶⁹– Kyrgyzstan’s very high foreign trade with China, but low export reliance, is likely due to re-export of Chinese goods into other CIS countries, see Eli Keene, “Kyrgyzstan and the Customs Union,” *Carnegie Endowment for International Peace*, May 1, 2012, <<http://carnegieendowment.org/2012/05/01/kyrgyzstan-and-customs-union/>>.

⁷⁰– Australian Bureau of Statistics, *5352.0 - International Investment Position, Australia: Supplementary Statistics, Calendar Year 2011*, Table 2, 3, (May 2012). <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.0Calendar%20Year%202011?OpenDocument>>.

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15

*Taiwan's Strategy on New
Directions of Cross-strait
Relations*

Fu-Kuo Liu

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Introduction

Cross-strait relations dominated by decades of hostility and political controversy may have lately found a new hope for beginning the peace process. It is obvious that only when policy tendency reduces the level of hostility toward each other, can the prospect for cooperation be made possible between China and Taiwan. Peace could well be the best strategy of Taiwan. The existing regional structure, which has been gradually formed over the past few decades with the distinct nature of rivalry, has not been reviewed and updated in reflecting the current development in East Asia in general and in the Taiwan Strait in particular.

If the current euphoria growing in East Asia represents an optimistic and irreversible course, what does it mean for the region and regional structure? Since 2009, the new relationship between the United States and China and recently the U.S. shifting the course of its strategy toward Asia has implied a dual tendency of cooperation and competition in regional security as a whole. In the broader strategic landscape in Asia, relations among big powers are moving toward a more accommodated direction in general, although regional territorial disputes may continue to cause tensions. This will definitely have some impact on the issues of the Taiwan Strait. Thus, in the case of the Taiwan Strait, relations between China and Taiwan have been dramatically improved since May 2008. The Kuomintang (KMT) government restructured its strategic posture toward Mainland China soon after regaining power in May 2008. In view of the rise of China, President Ma Yin-jeou decided to take a pragmatic policy approach and has made a courageous attempt to seek developing formal links with Beijing. The policy realizes the

reality that Taiwan should well manage its relationship with China as a prerequisite for developing its comprehensive policy effort. Although, in the domestic context, President Ma has been continuously criticized and questioned for attempting to sell out Taiwan's sovereignty to China.

On the basis of pragmatism, In June 2008 Taiwan and China began to resume their regular talks and develop institutional links by trying not to deny each other's existence. Up to August 2012, many important issues have been brought to the negotiation table and the two sides have come up with eighteen agreements and two consensuses. But, on the strategic front, cross-strait agreements do not necessarily reflect real the political and security concerns that exist. However, the progress in the cross-strait relations has no doubt generated prospective momentum for a peaceful settlement. The structural change of the relationship across the strait sends out a strong message to the region. This paper is to examine how much this warming relationship across the strait would affect the existing regional power structure and Taiwan's strategic landscape. Reflecting recent reality and strategic shifts, the relations between the U.S. and China have to find good tune. From Taiwan's perspective, how would the new U.S.-China relationship be compatible with the U.S.-Taiwan relationship, especially in regards to security policy? What impact does the new relationship across the strait have on U.S.-Taiwan relations? All these directions show that Taiwan is carefully managing its China strategy for survival and prosperity. The key of the strategy is to turn tension into peace and would regenerate enough leeway for Taiwan.

Cross-strait Progress and Prospects

Since Ma Yin-jeou won the presidential election on March 22, 2008, the tension across the Taiwan Strait has been quickly alleviated and the relationship has turned into a hopeful interaction. Before his inauguration on May 20, President Ma took advantage of the existing KMT-CPC (Communist Party of China) Forum established in 2005 to communicate political messages with Beijing. Even if the clear process of the KMT-CPC platform has been kept away from public eyes, it has so far proven to be very useful and deliverable in terms of setting mainland policy agenda. The crucial factor of shifting the relationship is due to an ambiguous understanding on the “1992 consensus” shared between Beijing and the Ma Administration. Consequently, it immediately led to three different rounds of high level dialogues: first, the “Hsiao-Hu Meeting” in April 2008 (Vice-President-elect Vincent Siew and Hu Jintao) on the occasion of the Boao Forum for Asia, second, the “Wu-Hu Talk” in May (KMT Honorary Chairman Wu Bo-hsiung and CPC Chairman Hu Jintao), and third, the first “Chiang-Chen Talks” (resumption of Strait Exchange Foundation—Association for the Relations across the Taiwan Strait Dialogue, or SEF-ARATS dialogue) in June 2008. More importantly, it has since then led to a regular dialogue mechanism between China and Taiwan.

The April “Hsiao-Hu Meeting” was critical to both sides before the KMT took over the power in Taipei. It came exactly at an important historical juncture, when the leaders of the KMT and the CPC could communicate in person and briefly set a new tone for the future. It led to President Ma’s favorable inaugural speech on May 20, 2008. What is more important between Taipei and Beijing is to feel mutually reliable and accountable. In terms of cross-strait

relations, Ma Yin-jeou's efforts through the KMT-CPC channel have dramatically shifted Beijing's perception of Taipei. Over the last four years, eight rounds of the Chiang-Chen Talks have been successfully held, concluding with eighteen agreements and two consensuses. The progress and outcome show that cross-strait relations today are moving toward institutionalization and that the tension has been dramatically reduced.

The 18 agreements cover major up-to-date issues for the exchanges between China and Taiwan. The first talk held in June 2008 ended with two agreements on mainland tourists traveling to Taiwan and cross-strait charter flights.¹ The most important features resulted from the first two agreements were the resumption of the cross-strait talks and materialization of the three links. The second talk in Taipei produced four agreements on direct air transport, direct sea transport, postal cooperation and food safety.² The direct impacts of the agreements signed on November 2008 were to further facilitate people's contact across the strait. Based on mutual goodwill, the two sides signed the four agreements to allow complete take-off of the "big three links" (commerce, postal, and transportation). It is not only the direct effect of the three links, but also more significantly long term political commitment to the direct links across the strait. Since mid-December 2008, the charter flights that began in July 2008 have been shifted to regular flights.

1. "The MAC Affirms the Significance of the Resumption of Negotiations and the Signing of an Agreement between the SEF and the ARATS," Mainland Affairs Council -Press Release, No. 33, June 14, 2008, <<http://www.mac.gov.tw/english/index1-e.htm>>.

2. Minister Shin-Yuan Lai, "Outcome and Explanation of the 2nd 'Chiang-Chen Talks'," Mainland Affairs Council-Executive Yuan, November 7, 2008, <<http://www.mac.gov.tw/english/english/cc2/971107.pdf>>.

Among other issues, strengthening food sanitation and safety was discussed and agreed upon by bilateral cooperation. Although food safety issues were not originally on the negotiation agenda, they popped up when the case of poisonous milk powder spread and quickly became an issue in Taiwan's domestic politics during the summer of 2008. During the second Chiang-Chen Talk, planned issues and timely issues were brought up to the negotiation table. It clearly reflects that both sides wanted to help solve pragmatic problems which may potentially shake the fragile relationship.

The third talk concluded with three agreements: "Agreement on Joint Cross-Strait Crime-fighting and Mutual Judicial Assistance," "Cross-Strait Financial Cooperation Agreement," and "Supplementary Agreement on Cross-Strait Air Transport."³ The conclusion of the three agreements resulted from new demands on the ground. Joint crime-fighting and mutual judicial assistance marks a new step beyond purely commercial cooperation on the talks, as transborder crimes have sharply increased across the strait. After the third talk, direct flights have been increased from 108 to 270 flights a week and flight points in the mainland have also been increased from 21 to 26 destinations. Jointly coping with the global financial tsunami, the two sides defined the scope of cooperation to include financial supervision and management, currency management and other cooperation affairs. It is very significant that cross-strait cooperation is moving into the financial sector. It paved a solid ground for the two sides to further reach the "Memorandum of Understanding on the Cross-strait Currency Settlement" on 31 August 2012.⁴ The

³ "Third Chiang-Chen Talks Proceeds Smoothly and Produces Fruitful Results," Mainland Affairs Council-Press Release, No. 26, April 26, 2009, <<http://www.mac.gov.tw/english/english/news/09426.htm>>.

most salient progress of the bilateral negotiation was made with the conclusion of the Economic Cooperation Framework Agreement, ECFA on 30 June 2010. As it implies opening up the long process of cross-strait economic integration, domestic concerns and suspicions about the cross-strait progress were at a time critical to the success of President Ma's policy.

Furthermore, during the eighth round of the Chiang-Chen Talk, the two sides, reflecting on the external pressing economic situation reached two agreements: "Cross-Strait Investment Protection and Promotion Agreement" and "Cross-Strait Customs Cooperation Agreement" on August 9, 2012.⁵ It is important to note that after the 18th National Congress of the Communist Party of China (CPC 18th National Congress) has begun the process of leadership transformation, the positive progress indicates that the policy direction of furthering the cross-strait relations remains clear and firm. During the recent round of APEC Summit held in Vladivostok in September 2012, Taiwan's Special Envoy Lien Chan met with Chinese President Hu Jintao in a side meeting of the summit. The "Lien-Hu meeting" came out to suggest that the transition of Chinese leadership later the year would not affect the current course of cross-strait relations.⁶ Although the degree of mutual

4. "Taiwan, China Sign MOU on Currency Settlement (update)," *Central News Agency*, August 31, 2012, <http://www.taiwannews.com.tw/etn/news_content.php?id=2013186>; "Central Bank: MOU on Cross-Strait Currency Settlement Signed," *Kuomingtang Website*, August 31, 2012, <<http://www.kmt.org.tw/english/page.aspx?type=article &mnum=112&anum=11799>>.

5. "The Eighth Chiang-Chen Talks," Mainland Affairs Council, August 15, 2012, <<http://www.mac.gov.tw/ct.asp?xItem=102788&ctNode=7316&mp=181>>.

6. Kuan-tse Wang, "Lien-Hu Huei: Shi Ba Da Bu Yin Shian Lian An Guan Si [Lien-Hu Meeting: 18th Party Congress Would Not Affect the Cross-strait Relation]," *United Daily News*, September 13, 2012, <<http://udn.com/NEWS/MAINLAND/MAI1/7359905.shtml>>.

trust across the strait continues to be doubtful, the overall observation on the progress of cross-strait relations is very positive and encouraging. There are some positive notes to be looked at more closely:

- The scope of issues prepared for negotiation has been broadened and the way forward is carefully kept practical. This indicates that Taipei and Beijing are becoming more pragmatic and taking an incremental approach.
- Before the two sides can touch upon political issues, leaders of the two sides now focus on encouraging more interactions and trying to broaden the foundation of cooperation.
- The interactions across the strait have become institutionalized and regularized in three layers: a formal channel by the SEF-ARATS Talks, a political party channel by the KMT-CPC Economic Forum, and an official informal engagement in the process.
- The momentum of economic integration driven by the ECFA and its negotiation process has become obvious. With the ECFA alive, cross-strait cooperation is institutionalized.

Taiwan's Challenges

In December 2008 during the second Chiang-Chen Dialogue, street violence in Taipei against Chinese top negotiator, Chen Yulin, indicates that the most serious problem regarding the facilitation of cross-strait relations the Ma Administration faces is not derived from Beijing but more from its opponents in Taiwan. It also shows

that the warming relations across the Taiwan Strait have not yet gained the full support of all Taiwanese people. Even up to the 8th Chiang-Chen Talks, the DPP remains skeptical towards all the signed agreements and their follow-up progress, as it worries that Taiwan's economy is almost overwhelmed by China.⁷ Although much of the progress made by the two sides has been praised of by many, concerns prevailing in Taiwan and real issues on the ground are to be coped with carefully.

First, the current mainland policy of President Ma is still short of support by domestic consensus. Over the last four years or so, cross-strait development is trailing through a fragile political support on the Taiwan side. Now, everyone in Taiwan knows that the most difficult and vulnerable part of Ma's policy toward mainland China is a critical lack of domestic consensus. Every time after a new round of the Chiang-Chen Talks, the opposition party launches attacks against the government's position on issues negotiated and gesture expressed. The media criticizes the government for doing nothing to melt down the domestic tension between the government and the opposition. As a result, domestic disaccord with cross-strait relations is constraining the flexibility of Ma's policy.

The chaos within the Democratic Progressive Party (DPP) immediately after the loss of election in 2008 has plunged it into an abyss. The involvement of former President Chen Shui-bian in multiple scandals and corruption has further devastated the DPP's position and has badly undermined leadership of the DPP in the

7- Jessica Lin, "DPP Expresses Doubt about Upcoming Chiang-Chen Talks," *China Post*, August 9, 2012, <<http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2012/08/09/350382/DPP-expresses.htm>>.

society. Overall, it is not because the KMT is an energizing force for Taiwan, but because the DPP is completely losing momentum and direction. Except for its management, President Ma's policy has not been challenged seriously by the public. Besides, for better or worse, the opposition party is always suspicious of KMT's role in pushing a closer relationship with China. It seems that the Ma Administration is lagging far behind the KMT's momentum and the expectations of the public. Its mainland policy is pushed by the KMT's desire, not that of the administration. What President Ma should work to do is to integrate the policy line of the party and the administration, and try to narrow the expectation gap between the public and the policy.

Secondly, after Taipei decides to ease tension with Beijing, uncertainty on its national security and national defense rises. Currently, Taipei and Beijing are moving very fast to show conciliatory gestures to each other under the new political context. This can be considered only as a short term development, as the current political atmosphere in Taipei would not allow President Ma to go too fast on the cross-strait relations and any further closer to Beijing beyond the current stage. It seems that before both sides can really discuss serious political positions, both have already tried to make progress on everything. On the strategic front, it would be a risk for broader national security interests of Taipei if it does not redefine the security relationship across the strait clearly. Especially, how does Taiwan position itself in cross-strait relations vis-à-vis China? How should Taiwan define the relationship with China, as an enemy or a partner?

Thirdly, Taiwan's security has for decades relied very much on the United States. The strategic assumption of Taiwan then hinged on the U.S. commitment to defending Taiwan against a pos-

sible China military adventure. The warming relations across the strait may in the longer run imply a different security perception for Taiwan vis-à-vis China. Would that affect Taiwan's strategic preparation and the United States' commitment to Taiwan security? The key question is how President Ma balances cross-strait relations and U.S.-Taiwan relations. It may soon be that Taipei has to meet with a strategic dilemma in the light of developing a closer relationship with China. Since the KMT regained power in 2008, crucial questions on defense cooperation with the U.S., e.g. reshaping strategic posture, arms procurement, and defense cooperation, have not been moved any further as Taiwan would have expected. So far, there is no clear signal if the questions above shall be solved satisfactorily between the U.S. and Taiwan. How will Taiwan adapt strategic change in the region and revise its strategy toward the United States accordingly? In addition, the warming cross-strait relations do not, for the time being, bring about a new hope for reducing military threats from China. If China does not change its military deployment against Taiwan, Taipei and Beijing will soon face a tough challenge on how to manage good relations with each other and at the same time allow China to keep forces around Taiwan.

Fourthly, despite the fact that the frequency of cross-strait interactions has increased, it does not mean that mutual trust between Taiwan and China has reached a level of comfort. Indeed, mutual trust between them remains weak. For example, in August 2009 Taiwan rejected China's offer for disaster relief after the unprecedented scale of natural disaster caused by Typhoon Morako. Because mutual trust between them was limited and the opposition showed a great suspicion of the pace of the cross-strait relations, it would be a great political challenge for President Ma to invite the

Chinese People's Liberation Army to Taiwan. This is especially true after Kaohsiung City Mayor, Chen Ju, one of the leading DPP political figures, proposed to invite the Dalai Lama on a humanitarian visit after a serious flood in southern Taiwan. The KMT government approved the proposal, angering Beijing. At one point, Beijing was very angry about Taipei's decision to allow the Dalai Lama to be visit and this could hamper the fragile relations across the strait. Because there is no solid mutual trust and no direct dialogue mechanism in existence, it is understandable that Beijing was so upset about the incident.

At least, questions popped up in a time of urgency for the two to ponder what they should do together. For Taipei and Beijing, it may be time to think further about developing a crisis management mechanism. Before political settlement can be agreed upon later, the mechanism for crisis management would serve the best interests of both sides. Even up to the summer of 2012, during the crisis of Diaoyu Island incident, President Ma proposed the "East China Sea Peace initiative" with a hope to facilitate dialogue among all parties to ease away tension.⁸ Nevertheless, Taipei did not consult with Beijing in advance on the related matters. Although it once again shows that mutual trust between the two needs to be nurtured further, those incidents happen to be testing cases for the two sides. On the following development in the Diaoyu Islands, Beijing advocated that people from both sides of the strait are responsible for safeguarding the country's territorial sovereignty.⁹ However, po-

8- "President Ma Attends Activities Commemorating the 60th Anniversary of the Sino-Japanese Peace Treaty," Presidential Office of the ROC, August 5, 2012, <<http://english.president.gov.tw/Default.aspx?tabid=491&itemid=27898&rmid=2355>>.

9- "Cross-Strait Compatriots Voice Strong Indignation toward Japan's "Purchase" o

litical mutual trust is still weak across the strait, but external crises may bring about new stimulus for the two. In no way should China be considered as backing down from its original position on Taiwan.

Finally, Taiwan's role in regional security mechanisms should be encouraged by China. Taiwan's participation in any international organizations (including regional mechanisms) is considered highly significant for the Taiwanese. The new cross-strait relations developed have given a high hope for general people in Taiwan to believe that once its relationship with China can be well-developed, Taiwan's current awkward position in the international community will change. However, the concern on the Beijing side is whether further inclusion of Taiwan would lead the international community to generate momentum to further push for and result in an unacceptable outcome – the “two Chinas.” As the perception gap between Taiwan's public and Beijing's concern would not be solved in the short term, it could be a vulnerable part in cross-strait relations.

Taiwan's Strategy: Engagement and Management

The effort to make a new relationship across the Taiwan Strait by President Ma is praised very much by countries in the region. On the national security account, it is essential to Taiwan's survival and could reduce tensions with China. It would be an ideal way to assure national security. Unlike other neighboring countries, Taiwan

f Diaoyu Islands, Mainland Official,” *Xihuanet*, September 12, 2012, <http://news.xinhuanet.com/english/china/2012-09/12/c_131845375.htm>.

is very much shadowed by the effect of China's overall rise. The booming cross-strait relations bring both sides not only economic benefits, but also accelerate further political and social interactions. The new effort to re-engage with China and restructure the relationship may carry a profound implication for the region and domestic politics. Fundamentally, the new effort brings about change to Taiwan's strategic landscape, as it implies that the prolonged constraint by the hostility with China is about to be changed. As the rise of China today develops massive comprehensive national power, a strategy for peace and stability has become critical to national security policy.

However, it also raises tremendous apprehension at home, as many in Taiwan's society worry about the real intention of China and thus the future course of cross-strait relations. When the optimistic pace of cross-strait development evolves under the Ma Administration, the opposition is extremely apprehensive on two fronts. 1: All political credits on the cross-strait progress would be completely claimed and obtained by the KMT for policy achievement. It would be a disadvantage that the DPP does not have any role and clear contribution to the progress so far. 2: The main rationale of the DPP in Taiwan's politics has been seeking independence from China. Further cooperation with mainland China encouraged by the KMT government would only make its dream impossible to materialize. In 2008 and 2012, the DPP lost two consecutive presidential elections for the simple reason that voters did not trust the DPP to manage the future of the nation and the cross-strait relations. Public opinion in Taiwan shows that a hostile China policy and an ambiguous approach toward China do not work because people need assurances and steady progress for their future and investors need to have an accountables and predictable future.

At the beginning of his term, President Ma realized that the top priority for Taiwan would have to be to transform the tension in the Taiwan Strait. The first active strategy is to engage incrementally with China. He therefore encourages taking the action of engaging with China and regenerating momentum for the cross-strait talks. The decrease of hostility is proven to be effective. The positive note is resulted from the engagement approach.

Second, once both sides increasingly engage with each other more, the momentum for interactions is further accelerated. Taiwan is in a weaker position and always wants to make sure every step forward brings about a favorable prospect. It is also worrying about being drawn into the momentum of the large China market. In consideration of national security, Taiwan needs to manage the progress and pace of the cross-strait relations. Before the mutual trust between China and Taiwan reaches a comfortable level in cross-strait relations, it would be better to focus on managing the pace of cooperative relations.

When asked what effect the reducing of tension in the Taiwan Strait would mean to the region, Taiwan's role in the region becomes clearer. This is exactly the point showing the efforts of President Ma's strategy toward China. The effort of reducing tension does not have to go through military and other diplomatic means in the context of cross-strait relations. For Taiwan, how to manage the relationship with China is always a top priority and great challenge. Now, the democratization process in Taiwan shows that the public will also have to be considered as a part of national policy making toward China. Once the credit of cross-strait cooperation can be added on, President Ma's rapprochement policy in the Taiwan Strait would of course be widely recognized and supported at home. The prevailing positive effect on the cross-strait

progress would further encourage the government to work on more critical issue areas with China.

The key for President Ma is to engage actively with China and at the same time try hard to manage the pace of relations, so that it does not go too far and too quickly, allowing people in Taiwan to gradually adapt to the progress and benefit from the fruit of exchanges. His major principle of the mainland policy defines the nature of the bilateral relations based on equal status, which is a must in domestic politics. Beijing and Taipei do not share the same definition of the “one China” principle. By fully engaging with China, Ma has to keep it vague and flexible to link with Beijing’s definition that the “1992 Consensus” came up to be the useful glue to tie China with Taiwan. After suffering from tension in the Taiwan Strait during the DPP’s era, Beijing is so willing to work with the KMT to ease away tension. In his inauguration in May 2008, President Ma announced the three no’s principle: “no unification, no independence, and no use of force” and later re-emphasized the three no’s as the core structure of his mainland policy.¹⁰ Although the concept of the “three no’s” brings about a complication, it does deliver sufficient messages to all different audiences: domestic constituencies, Beijing authorities and the mainland people, and the U.S. Government. Many in different corners of the communities may not feel satisfied with such a reserved manner projecting the future course, but at least they could accept the orientation of stabilizing cross-strait relations. The impression in the region is at least, with the KMT in power, the region does not need to worry about tension reemerging in the Taiwan Strait. The KMT gives the

¹⁰- “New Three No’s for Peace and Cooperation across Taiwan Strait,” Presidential Office of ROC, May 31, 2011, <<http://english.president.gov.tw/Default.aspx?tabid=1124&ritemid=24497&rmid=3048>>.

region more confidence in managing the Taiwan Strait issues, as long as Beijing feels more comfortable with Taipei's policy approach.

The change in cross-strait relations has shown to the region that the policy approach taken by President Ma is not only changing the fundamental structure of the relations, but also opening up new room for Taiwan in the international community. Especially, when Taiwan gets along well with China, no one is ever troubled by political interference from Beijing. The current momentum in the Taiwan Strait would definitely help open new opportunities for Taiwan and shape a new hope for peace in the region. It is very important to realize that as long as cross-strait relations are improved, Taiwan's strategic interest is closely tied with regional common interest.

Strategy beyond Cross-strait Rapprochement

One of the most desirable goals shared by the majority of Taiwanese is to return to the international community with the status of a normal state. What the cross-strait rapprochement would bring about peace indicates a high hope of Taiwan for international participation and engagement. Based on mutual understanding, President Ma's "flexible diplomacy" and "diplomatic truce" may have from the outset of his first term gained merit for facilitating mutual trust between China and Taiwan in preventing from continuing diplomatic aggressiveness against each other. With increasing mutual understanding of the policy guidelines, both sides have progressed to open certain room for Taiwan, e.g. gaining observer status at the World Health Assembly.

It is clear for the Ma Administration that once relations with China can be regularized and tension can be reduced substantially, Taiwan would loom large in the international community. More international cooperation with Taiwan would become desirable for all related countries. Up to the current stage, many countries are however still wondering if there will be any troubles from Beijing, when they develop further cooperation with Taiwan. Lately, one of the critical issues is whether or not the effort to develop formal economic ties, i.e. signing free trade agreements with Taiwan would become an issue for them vis-à-vis China. Since Taiwan and China managed to sign the ECFA in June 2010 and led to a series of negotiations, other related economic partners have begun to find ways of approaching the possibility of free trade agreements with Taiwan. In reality, Taiwan's road entering into regional trading networks or mechanisms seems dependent on China's political will and its relations with China.

It is clear that the policy of the current government in Taipei is to actively engage with China. By engaging with China, Taiwan is gaining more than what appears on the surface. From a strategic perspective, this is exactly the point to which Taiwan's cross-strait strategy is referring. The 2012 "Lien-Hu meeting" came up with an encouraging proposition that China will be willing to study suitable ways to assist Taiwan in participating in the International Civil Aviation Organization.¹¹ The remarks by President Hu on ICAO have sent an encouraging message to cross-strait relations.

11- "Hu-lien Huei: Yien Tai Can Yu Guo Gi Min Han Zu Zhi [Hu-lien Meeting: Study on Taiwan's participation in ICAO]," *Wen Wei Po*, September 12, 2012. <<http://paper.wenweipo.com/2012/09/08/CH1209080002.htm>>.

Concluding Remarks

Since assuming the presidency, President Ma Ying-jeou has progressively shaped up a new relationship with Mainland China as the top priority of his new administration. Cross-strait relations have been transformed from a confrontational to conciliatory (or cooperative) manner. With the new relationship with China, Taiwan is now looking into a fundamental shift in its external relations with regional major powers, mainly the United States, Japan, and India. After successfully attending the World Health Assembly in May 2009, it shows that mutual trust between Taipei and Beijing continues to be improved. It would of course further open up a new opportunity for Taiwan's participation in the international community. The regional agenda of economic integration has been accelerated further by the impact of the recent global financial tsunami. While regional integration in East Asia has steadily taken shape, it has become a pressing issue for Taiwan to catch up with. Once the regional integration process is moving forward, its overall competitiveness will be weakened and its wellbeing will be at stake, if Taiwan cannot manage all the difficulties in joining the process. It is obvious that Taiwan would be able to gain ground by participating; the ball is in Beijing's court. Taiwan's participation in regional integration process directly relates to the future cross-strait progress and would have an impact on the tendency of Taiwan's public opinion toward the future relationship with China. As a result, it becomes an issue of regional security concern.

In realpolitik, Taiwan's chance lies in the degree of political conciliation with China. If cross-strait relations can be peacefully managed by Taipei and Beijing, a window of opportunity will be open for Taiwan in the international community. The key of Taiwan's

gateway to broader international participation and strengthening its national security is kept in the hands of Beijing. Taiwan should now work hard to strengthen its ties not only with China, but also with the rest of regional powers simultaneously. Even if Taiwan needs to pay more attention to the mainland policy, it does not mean that it should completely shift its policy focus on China at the expense of its relations with other major powers. After all, Taiwan has long been one of major regional security outposts.

Taiwan is for sure part of the East Asia community. To make Taiwan's contribution to the region, Taiwan needs to upgrade rather than diminish its presence and international efforts. It is always important to note that China is continuing its military buildup and that its strategic posture against Taiwan has so far not been adjusted according to the cross-strait momentum. The scope of cross-strait cooperation is skillfully maintained at the edge of the non-political arena. Political and security issues have not been touched at all and will become the next daunting task for Taiwan to break through. Although over the last four years or so, the Ma Administration has managed cross-strait relations relatively steadily and well, it has not met the expectations of the general public in Taiwan. Taiwan's society now remains fraught with anticipation and suspicion toward cross-strait cooperation.

As the world and the region are changing fast, the present strategy has not been able to go beyond the current level of development and could not envision the future goals and progresses. The Taiwanese people are uncertain about the future and think that the current strategy may have not been able to cope with the structural change effectively. It is always so difficult for Taiwan's decision makers to come up with a new strategy to be able to satisfy all audiences.

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16

India's Strategy toward China

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* The author thanks Eunice Ha for help in gathering materials.



The goal of India's strategy toward China has been consistent since the 1940s. That is, to cement a friendly and cooperative relationship with China as the basis of a resurgent Asia and a renewed flowering of Indic and Sinic civilizations in the post-colonial era. This goal has remained constant even in the face of clear differences of approach, actual conflicts of interest, and questionable success. Day-to-day policies followed by India have varied from time to time, in reaction to several changes in Chinese attitudes toward India and circumstances imposed by the prevailing domestic, regional and international context. With the exception of a short border war in 1962 the two countries have avoided open conflict and cooperated in some multilateral forums as well as bilaterally from time to time. This chapter surveys the period under review under the following headings: the Nehru years to 1962, the deep freeze and small steps to 1988, the thaw of the 1990s, and cooperation and competition in the early 21st century.

The Nehru Years to 1962

India's first Prime Minister, Jawaharlal Nehru, was the international relations expert of the Indian National Congress whose ideas on a desirable foreign policy for India were formulated before independence and implemented after it. His anti-imperialism and sympathy for the Chinese struggle against Japanese domination were expressed at the Brussels International Conference Against Imperialism in 1928 and by sending an Indian medical mission to help the Chinese army in 1938. Nehru's visit to Chiang Kai-shek at Chongqing in 1939 unfortunately was cut short by the outbreak of

the Second World War and Nehru's recall to India before he was able to meet leaders of the Chinese Communist Party (CCP) as planned. In his very first broadcast to the nation on free India's role in world affairs in September 1946, Nehru said, "China, that mighty country with a mighty past, our neighbor, has been our friend through the ages and that friendship will endure and grow."¹ His conviction that China and India were equally important to each other—though mutually ignorant—and bound to cooperate in the post-colonial era was not altered by the initial hostility toward what they called a 'bourgeois' Indian national movement expressed by the Soviet Union's leader Joseph Stalin and the CCP leader Mao Zedong. Burma(now Myanmar) and India were the first countries to formally recognize the People's Republic of China (PRC) and establish diplomatic relations with it in 1950. Nehru tried very hard, without success, to persuade American leaders that the PRC was more than an obedient appendage to communist Russia and should occupy China's seat in the United Nations instead of Taiwan. At home, Nehru overrode the qualms of his senior cabinet colleague, Vallabhbhai Patel, that the communist victories in China "cannot but be a matter of serious concern to us."²

Patel's fears were well founded. As the People's Liberation Army (PLA) occupied Xinjiang and Tibet with ambiguous legal status, the huge buffer zone east and north of the high Himalayas that lay between the political centers of Chinese and Indian empires from ancient to modern times traversed only by pilgrims and trad-

1- Jawaharlal Nehru, "Free India's Role in World Affairs," Surjit Mansingh (ed.), *Nehru's Foreign Policy: Fifty Years On* (New Delhi: Mosaic Press, 1998), p. 22.

2- R.K. Jain (ed.), "Letter of Deputy Premier Vallabhbhai Patel to Jawaharlal Nehru, November 3, 1949," *China South Asia Relations 1947-1980* (New Delhi: Radiant Publishers, 1981), p. 14.

ers was replaced by the tight military and political control of the PRC. Nehru's passive acceptance of China's occupation of Tibet in 1950 is still questioned. There were several reasons for it. Though Tibet had declared independence in 1911 when the Republic of China overthrew China's Qing Dynasty, no country was willing to publicly recognize that fact in 1949-50. Britain had used the feudal term "suzerainty" to describe thin ties between China and Tibet, but the PRC so insisted on "sovereignty" that others were compelled to use it as well. Nehru took China's promise of "national regional autonomy" and preservation of the Dalai Lama's supreme status in good faith and persuaded the 15-year-old Dalai Lama to sign a 17-point agreement with China in 1951 and return to Lhasa. Moreover, India lacked the military capability, as well as the political will, of intervening across the Himalayas and was not about to ask the United States to do so. After all, keeping away from the power struggles of Cold War groupings, or "nonalignment", was the cardinal principle of Nehru's foreign policy.

Mao was favorably impressed by India's practice of genuine neutrality through the course of the Korean War 1950-53, repeated efforts to get the PRC seated in the United Nations despite U.S. opposition, and India's sustained mediation on the prisoner-of-war issue that made an armistice eventually possible. Premier Zhou Enlai became China's good will emissary and his acclaimed exchanges of visits with Nehru in 1954 were said to usher in a period of brotherhood: "*Hindi-Chini bhai bhai*." They signed an agreement on trade between India and Tibet in April 1954, remembered best for India voluntarily relinquishing the special privileges it had enjoyed in Tibet since 1905 without recompense, and for a preamble spelling out the five principles of peaceful coexistence, or *Panchsheel*, as the basis of bilateral relations. India's strategy of obscuring security

problems by stressing cordiality and friendship with China became established. Nehru also presented Zhou as China's friendly face to the Asian and African leaders gathered at the Bandung Conference in 1955. Within a few years, however, brotherhood was overtaken by border disputes that came to dominate the India-China relationship. Not only did claims conflict, the approaches of the two governments to the boundary problem were in contrast.

India held that there always existed a customary and traditional northern boundary, "marked by the world's most impressive geographical features, and delimited for the major portion by agreements or treaties and controlled on its side by administrative jurisdiction" extended in pre-British and British India, including the 1914 McMahon Line in the eastern sector.³ India's boundaries were shown as fixed by a solid line on the 1954 Survey of India map and no renegotiation was deemed necessary. The PRC, on the other hand, had declared that it would need to negotiate new borders with all its neighbors on the basis of strategic needs and mutual agreement rather than inherited positions from past "imperialist" treaties. The two concepts of "historic borders" and "strategic borders" could not be reconciled, as the Officials Talks of 1960 demonstrated. Meanwhile, China constructed a road connecting Xinjiang and Tibet across the Aksai Chin that India claimed, and made military advances in Ladakh that India protested in diplomatic notes that were then published. Inflamed public opinion and parliamentary resolutions disallowed any flexibility by Nehru on the occasion of Zhou's 1960 visit. He is believed to have suggested a swapping agreement of China's claims in the western

3- C.V. Ranganathan and Vinod Khanna, *India and China: The Way Ahead After "Mao's China Wa"* (New Delhi: Har-Anand Publications, 2000), p. 29.

sector with India's claims in the eastern sector and settlement along the existing line of military control. India's efforts to reinforce its claims by what came to be called a "forward policy" were rendered ineffective by mismanagement in the Ministry of Defence, failures of intelligence on China's build up of border forces in the summer of 1962, and gross under-equipment of the armed forces.

The Sino-India border war of autumn 1962 generated much controversy and subsequent literature. Misperceptions on both sides must be faulted.⁴ Nehru remained convinced to the last moment that despite minor clashes of border patrols, China would never attack India in force; war between India and China was "unthinkable" to him. Mao believed that Nehru's 1959 extension of humanitarian asylum to the Dalai Lama and some followers escaping from a failed Tibetan revolt and massive Chinese repression was deliberate interference in China's domestic affairs. Mao judged India's friendship with and assistance from both the U.S. and the Soviet Union as a three-way plan to "encircle" China. More importantly, Mao faced internal problems because his "Great Leap Forward" had failed miserably, was engaged in a serious ideological and power struggle with Soviet leader Nikita Khrushchev, and resented Nehru's then high international prestige. Mao took charge of India policy, attacked Nehru personally in published articles, and ordered first a build-up of troops, then an attack across the McMahon Line on October 16, and then a cease-fire and withdrawal on November 21. Nehru's prestige was irretrievably damaged. What Sinologist Macfarquhar calls "Mao's India War"⁵ coincided in

4- See also Yaacov Vertzberger, *Misperceptions in Foreign Policymaking: The Sino-Indian Conflict, 1959-1962* (Boulder: Westview Press, 1984).

5- Roderick Macfarquhar, "Himalayan War, Caribbean Crisis," *The Origins of the*

time with the days when the Cold War nearly turned hot in the Cuban Missile Crisis. That development complicated matters but did not take away from the fact that the border war was a debacle for India and a tragedy for Nehru. He died in May 1964.

The Deep Freeze and Small Steps to 1988⁶

India-China relations were frozen in mutual hostility and suspicion after 1962. Events inside and outside the two countries prevented any change for years. China was convulsed in the Cultural Revolution for most of the decade and Indian diplomats, like others, were badly manhandled. Mao felt threatened by a possible Lin Bao coup. India lost two prime ministers to death in quick succession, suffered three years of drought, a military attack by Pakistan that it repulsed, and ethnic and Maoist type insurrections in the east—which received arms and training from China. Indira Gandhi consolidated her position as head of government only in 1969. Subtle signals of goodwill passing between her and Mao led nowhere as the international setting changed. The Sino-Soviet rift had become public in 1963 and led to serious armed clashes in 1968. The PRC tested nuclear weapons in 1964, also formed a strong alliance with Pakistan, and took its place in the United Nations General Assembly and Security Council (with veto power) in 1971. Chinese officials held secret talks with officials from the United States that

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Cultural Revolution, Vol. 3 (Oxford: Oxford University Press, 1997), p. 308 f.

⁶ For a detailed account of this period, see Surjit Mansingh and Steven L. Levine, “China and India: Moving beyond Confrontation,” *Problems of Communism* (March-June 1989), pp. 30-49.

led to President Richard Nixon's historic visit of rapprochement to China in February 1972. Meanwhile, East Pakistan revolted against Pakistan's military regime, and severe suppression there resulted in ten million refugees fleeing to India. The PRC and U.S. backed Pakistan so India took up a longstanding Soviet offer to sign a peace and friendship treaty and receive diplomatic and military assistance. The Indian Army intervened in Pakistan's civil war in December 1971, took surrender of the Pakistan army in the east wing, and ensured the independence of Bangladesh. India also moved to strengthen its security by testing a nuclear device in May 1974 and formally incorporating the Protectorate of Sikkim, a princely state, into the Indian Union.

It seemed as if the tense regional triangles of India-Pakistan-China and China-Soviet Union-India intersected with the global strategic triangle of the U.S.-China-Soviet Union to create a kind of quadrilateral diplomatic pugilism on recognition of Bangladesh and other issues. Normalization of India-China ties seemed difficult.

India had withdrawn its ambassador from China in 1961 but took the initiative in 1976 to restore relations at the ambassadorial level; China reciprocated. Mrs. Gandhi and her Congress Party lost the general elections of 1977 and a new government headed by Morarji Desai announced a foreign policy of "genuine nonalignment" necessitating dialogue with the U.S. and with China. Both Zhou and Mao died in 1976 and China's post-Mao leadership was quick to respond with a friendship delegation led by a senior former diplomat who invited India's new foreign minister, Atal Behari Vajpayee, to visit China. That visit took place in February 1979 and included a long and frank session with supreme leader Deng Xiaoping, airing all concerns and reiterating intentions of peace and goodwill on both sides. They agreed to reopen the ancient pil-

grimage route from India to the sacred sites of Kailash and Mansarovar in southwest Tibet.⁷ Unfortunately, positive outcomes of Vajpayee's visit were undercut by China's attack on Vietnam and insensitive parallels drawn by China's leaders with the punitive action taken against India in 1962.

The Soviet occupation of Afghanistan in December 1979 elicited different public responses from New Delhi and Beijing but spurred efforts in both to mend fences with each other. Deng Xiaoping's position in China was sufficiently strong for him to revive Zhou Enlai's package proposal on the boundary question and take a neutral position on the Kashmir dispute between Pakistan and India. Mrs. Gandhi returned to power in 1980 and wanted to enlarge India's small circle of friends. She sent senior officials on exploratory missions to China and tried to educate domestic political opinion on the need to improve relations with China. Border talks which had begun in December 1981 appeared to make progress but stalled in 1985, not only because China hardened its position but also because India vacillated too much and so lost possible opportunities of reaching settlement. Military clashes in the eastern sector advantaging India heightened tensions in 1986-87 at a time when discontent in Tibet with Chinese rule was once again making international headlines; China approached the U.S. to pressure India. Nevertheless, commercial and cultural ties were being established and showed promise of expansion as Deng's economic reforms in China bore fruit and India too took steps to open its economy. Indian Prime Minister Rajiv Gandhi's state visit to China in December 1988 finally broke the ice. It received extensive and

7. The author made this pilgrimage on foot in 1994; she was one of many thousands to do so over the years.

favorable publicity in both countries.

Deng warmly welcomed his “young friend” and Rajiv Gandhi dropped India’s precondition for a border settlement before expanding bilateral ties. They created a joint working group (JWG) on the boundary question with the aim of reaching a fair, reasonable and mutually acceptable solution. They signed agreements on cooperation in the fields of science and technology, civil aviation, direct telephonic linkages, as well as cultural and educational exchanges. However, the summit communiqué made no mention of the expected reopening of consulates, and while India reiterated recognition of Tibet as an “autonomous region of China” it did not withdraw permission for the Nobel Laureate Dalai Lama and his followers to continue to reside in India. In short, problems remained, but opportunities of overcoming them were opened in vindication of India’s strategy of friendly approach.

The Thaw of the 1990s

Developments both at home and abroad prompted India and China to use the openings made by Rajiv Gandhi’s visit to improve bilateral relations in the 1990s. India’s fiscal crisis and Rajiv Gandhi’s assassination in the middle of an election campaign brought a new Congress government to power led by the pragmatist P.V. Narasimha Rao in 1991. Within a year he announced important measures of economic liberalization, a “Look East” policy of political and commercial engagement with East Asia, and welcomed Chinese Premier Li Peng to New Delhi as a fillip to rapprochement. In China, the pro-democracy demonstrations of 1989 ended with the

June 4 massacre in Tiananmen Square, Beijing, and in other cities, by the PLA, which were condemned in the U.S. and other Western countries. Beijing made serious overtures for understanding to Asian states, including those of South Asia, with special attention paid to India that had been neglected in the past. The end of the Cold War and the dissolution of the Soviet Union completely altered the bipolar international context of bilateral relations and also removed an impediment within the Indian political system to a détente with China. And the first Gulf War of 1991 demonstrated the terrifying military power of the U.S. The question making the rounds everywhere was: had the world become “unipolar” under American hegemony or could new centers of power emerge? Whatever answers individuals offered, both New Delhi and Beijing saw advantage in cultivating each other, as well as Washington, and hoped to play important roles in shaping a future multipolar world.

India and China adopted two methods of trying to overcome past problems. One was to exchange high-level visits on a regular and reciprocal basis. The other was to make formal agreements on maintaining “peace and tranquility” along the Line of Actual Control in border regions. Indian President R. Venkataraman visited China in May 1992 and Chinese President Jiang Zemin visited India in November 1996, both presidents for the first time, while exchanges between prime ministers and other high officials continued.⁸ These official visits certainly reduced the risks of misperception on either side. Opportunities to learn each other’s concerns, such as India’s

⁸ A list of high-level exchange visits 1979-2002 is given in Waheguru Pal Singh Sidhu and Jing Dong Yuan, *China and India: Cooperation or Conflict?* (London: Lynne Rienner Publishers, Inc., 2003), p. 123.

worries about Pakistan and China's anxiety about Tibet, were expanded by establishing institutional links among the strategic community and military in each country, various Indian political parties with the CCP, as well as businessmen and journalists. Trade recommenced, and reached a level of two billion dollars by the end of the decade; border trade through specified passes was also reopened and had immediate beneficial effects on local inhabitants. Once the PRC lifted restrictions on foreign travel and listed India as a permissible destination, tourist traffic became possible. And there was a gradual increase in numbers of students and scholars exchanged. Notwithstanding the beneficial effects of such efforts to reduce mutual ignorance, the author stresses their limitations. Twenty years later, the number of Indians fluent in the Chinese language and knowledgeable about China is not large, and there are only a few centers of Chinese studies among Indian universities. The same can be said about Chinese expertise on India and centers of Indian studies in China's educational system.⁹ Tourists, too, number no more than a few hundred thousand and the media is sadly underrepresented. All this stands in contrast with the fascination for the U.S. and Europe in both China and India.

Significant steps were taken to reduce the risks of armed conflict in border regions. Even though there had been only two serious incidents since 1962—at Nathu La in 1967 and Sumdorong Chu/Walong in 1986-87—the alarming proximity of troops along parts of the Line of Actual Control (LAC) and the absence of mutual agreement on the alignment of the LAC were dangerous. The JWG avoided conceptualization of large territorial claims and took

⁹ See Minxin Pei, "Dangerous Misperceptions: Chinese Views of India," *7 India in Transition* (Philadelphia: CASI, University of Pennsylvania, May 2011).

a concrete approach to defining the LAC. It initiated some confidence building measures (CBMs) in 1992, including facilities for direct communications between commanders of border personnel, regular meetings to establish facts on the ground, and advance notice of proposed military maneuvers by either side. The “Agreement on Maintenance of Peace and Tranquility along the Line of Actual Control” was signed on the occasion of Rao’s visit to China in September 1993. It reaffirmed the CBMs in place, added military and technical personnel to the JWG to help mapping of actual positions, and postulated minimum levels of military forces on either side compatible with mutual and equal security and good neighborly relations. A further agreement on confidence building measures and exchanges of maps was signed in December 1996 when Jiang Zemin visited India with the goal of ultimately reaching mutual and cooperative security. The CBM process has been incremental but not transformative,¹⁰ and eight rounds of JWG meetings did not result in agreement on the LAC. Security dilemmas remained, waxing and waning in intensity with larger political and military developments.

Achievements of the 1990s made it possible for the leaders of India and China to recover quickly from the hiccup produced by India’s nuclear tests in May 1998 and explained in a confidential letter from Indian Prime Minister Vajpayee to U.S. President Bill Clinton—but leaked to the *New York Times* in Washington—by the threat to Indian security posed by close nuclear and military cooperation between China and Pakistan. Fence building commenced almost immediately in New Delhi and Beijing with official public

10- For an analysis of CBMs in the India-China relationship see W.P.S. Sidhu & Jing-dong Yuan, *op. cit.* Chapter 4, pp. 113-140.

statements that neither China nor India was a threat to the other. When Chinese Foreign Minister Tang Jiaxuan demanded of his Indian counterpart Jaswant Singh in July that since “India had tied the knot it had better untie it also” he got the response, “you actually need two hands to untie a knot. You give your hand and I will give mine. Together we will untie the knot.”¹¹ Normalization was complete within a year. China did not support Pakistan’s 1999 misadventure in Kargil, and like the U.S. urged Pakistan to withdraw its troops and respect the long-established Line of Control in Kashmir. The author ventures the opinion that India’s nuclear tests of 1998 followed by friendly overtures actually made a more meaningful relationship with China possible, as they had in the case of the U.S.¹²

Cooperation and Competition in the Early 21st Century

Three developments shape contemporary international affairs and impact directly or indirectly on India-China relations. One is the accelerating pace of globalization, intensified by digital technology and social media, interlinking peoples and economies to a greater degree than ever before, with varying effects.¹³ Another is the spectacular rise of China, followed more modestly by the rise

11- Jaswant Singh, *A Call to Honour* (New Delhi: Rupa & Co., 2006), p. 150.

12- Strobe Talbott, *Engaging India: Diplomacy, Democracy and the Bomb, A Memoir* (Washington DC: Brookings Institution Press, 2004). After several rounds of talks with Jaswant Singh, Strobe Talbott said that Washington “for the first time” had begun to understand India’s security concerns.

13- See James H. Mittelman, *Hyper-Conflict: Globalization and Insecurity* (Stanford: Stanford University Press, 2010).

of India. Every other important country, east and west, has endeavored to establish economic and “strategic” partnerships with both China and India. Some western commentators read the rise of China and India—often conflated as “Chindia”—as indicating a shift of power away from the long-dominant West to Asia, and are accordingly anxious.¹⁴ The third important development is international terrorism, demonstrated in attacks in the U.S. ascribed to Al Qaeda on September 11, 2001, and attacks in India ascribed to militant Islamic groups based in Pakistan, especially on November 26, 2008. The risks of terrorist attacks are worldwide now, as is the “War on Terror” first launched by the Bush Administration of the U.S. in 2001-02.

All three developments could enhance international cooperation, for many reasons. First, economic interdependence as a product of globalization means widespread vulnerability to individual failures, as seen in the worldwide recession following the 2008 financial crisis in the United States. Interdependence also means that one party cannot inflict grievous harm on a commercial partner without hurting itself equally badly, thus encouraging economic coordination. Secondly, because India and China do not ask for demolition of the existing global order but only for a larger voice in drafting fair and equitable rules for maintaining order, the shift in weight need not lead to the great power conflict marking earlier

¹⁴ See, for example C. Fred Bergsten, *et al.*, *China: The Balance Sheet: What the World Needs to Know Now About the Emerging Superpower* (New York: Public Affairs, 2006); David Scott, *‘The Chinese Century’? The Challenge to Global Order* (London: Palgrave Macmillan, 2008); Arvind Subramanian, *Eclipse: Living in the Shadow of China’s Economic Dominance* (Washington DC: Peterson Institute for International Economics, 2011); George J. Gilboy and Eric Heginbotham, *Chinese and Indian Strategic Behavior: Growing Power and Alarm* (Cambridge: Cambridge University Press, 2012).

clashes between prevailing hegemony and rising powers, as between Britain and Germany a century earlier. As present day contending powers possess and deploy nuclear weapons, armed conflict between them would be insane. And third, no one state is capable of combatting international terrorism on its own; cooperation in combatting it is imperative.

On the other hand, strategic experts tend to highlight rivalry between India and China and the possibility of conflicts in the Asia-Pacific region pitting China and the U.S. militarily against each other. Globalization sharpens inequality of gainers and losers both across and within countries, creating social tensions that can easily turn violent. Were China to externalize its domestic tensions and allow popular nationalism to rise to extremes, for example, the results would be unpredictable. Secondly, China's becoming the second largest economy in the world, and its acknowledged aspiration to equal or surpass the U.S. in comprehensive national power within a few decades, has allowed its leaders to be increasingly assertive in pressing its "core interests" on institutions of global governance as well as activating territorial claims on its neighbors, as in India and East Asia, thereby frightening them into defensive or hedging strategies that possibly could provoke conflict rather than prevent it. India's strategic community is debating this very issue¹⁵ so that while New Delhi quietly demands reciprocal respect for India's "core interests", it also persists with making friendly approaches to China while enlarging the scope of defense and diplo-

15. Raja Menon and Rajiv Kumar, *The Long View from Delhi: To Define the Indian Grand Strategy for Foreign Policy* (New Delhi: Academic Foundation, 2010), chapter 3; Sunil Khilnani, et al., *Nonalignment 2.0: A Foreign and Strategic Policy for India in the Twenty first Century* (New Delhi: Centre for Policy Research, 2012).

matic interaction with the U.S. as well as Australia, Indonesia, Japan, Singapore and Vietnam. And thirdly, Pakistan's identification as a haven for and trainer of terrorist groups complicates all international relationships in South Asia involving India, China, Russia and the U.S. Not surprisingly, India-China relations presently contain elements of both cooperation and competition and are shaped by the domestic situation in each country as well as their respective ties with other powers, notably the U.S.

India and China have opportunities to cooperate, or not, in international and regional organizations, non-governmental multilateral forums, and, of course, in bilateral dealings. Their efforts to maintain "peace and tranquility" along the LAC, operate CBMs in border regions, and greatly expand trade are commendable examples of bilateral cooperation. The frequency of high-level exchanges has increased and when Vajpayee visited China in 2003 the forum for clarifying alignment of the LAC was raised to the level of Special Representatives. Joint sports events, mountaineering expeditions, and celebration of festivals reinforce CBMs in reducing the risk of inadvertent confrontation. Chinese Premier Wen Jiabao's visit to India in April 2005 proved to be something of a love-fest in public declarations and resulted in important agreements too.¹⁶ One was to cooperate in the exploration and management of new energy resources in third countries, since both growing economies demanded increased supplies of energy. Another was to open a third land route for border trade at Nathu La, in Sikkim. Chinese recognition of India's sovereignty over Sikkim was clearly implied, though not spelled out. And agreement on "the po-

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¹⁶- See *Beijing Review*, Vol. 48, No. 14 (Beijing: Cypress Books, April 2005).

litical parameters and guiding principles for the settlement of the India-China boundary question” was significant. Articles two to seven spell out such principles as mutual respect, a package settlement covering all sectors, due consideration of each other’s security interests, historical evidence, well-defined geographical features, and due interests of their settled populations in border areas. These principles were explicitly reaffirmed in December 2010 after some years of apparent backtracking by China.

Trade and commerce are the most visible indications of bilateral cooperation in the first decade of the twenty first century after China became a member of the World Trade Organization (WTO) and the essential infrastructure of reliable banking channels, shipping lines, knowledgeable personnel and efficient telecommunications was in place. From a mere two billion dollars in 2000, India-China trade reached 24 billion dollars in 2006, 60 billion in 2010, and is expected to exceed 100 billion dollars by 2015. China became India’s largest trading partner with a comfortable surplus that Indians would like to correct. Joint ventures taking Indian investment to China in the pharmaceutical, information technology and financial services sectors and Chinese investment in India’s mining, manufacturing and infrastructure also increased in number with the creation of a Chief Executive Officers forum.¹⁷

India and China cooperate in Track II organizations such as the Bangladesh-China-India-Myanmar (BCIM) forum and the China-India-Russia Academic Trilateral Conference.¹⁸ BCIM is of

17- The process is well documented by Tarun Khanna, *Billions of Entrepreneurs: How China and India Are Reshaping Their Futures and Yours* (Boston: Harvard Business School Press, 2007).

18- Patricia Uberoi, “India-China Initiatives in Multilateral For a Two Case Studies,” *China Report*, Vol. 44, No. 3 (2008), pp. 307-318.

great importance because it aims to provide physical connectivity between the northeastern segment of the Indian subcontinent and the southwestern sector of China and Southeast Asia. Launched in 1998 as the Kunming Initiative, BCIM has sought joint development of ports such as Chittagong and Sittwe, a revival of inland water transport along the Brahmaputra River, reconstruction of the Stilwell Road connecting India to China across Burma during the Second World War, and building a road corridor along which a car rally was held in 2012 from Kunming to Kolkata via Mandalay and Dhaka. Key organizers of this initiative expect more exchanges at the commercial, cultural, intellectual and social levels to improve mutual understanding with the ultimate aim to establish “open, permeable and settled borders across which people, goods and services can move unhindered.”¹⁹ Another area crying out for cooperation is environmental conservation in the Himalayas. Scientific reports of receding Himalayan glaciers and rumors of Chinese plans to dam rivers originating in Tibet in order to divert their waters to mainland China threaten South and Southeast Asia with desertification. In October 2009, Indian Prime Minister Manmohan Singh called for cooperative studies of climate change and multi-lateral missions to sustain the Himalayan eco-system.

India and China took similar positions in UN Conferences on Climate Change, such as the one held in Copenhagen in 2009. They both opposed American and European proposals to impose mandatory restrictions on them, correctly arguing that the major responsibility for atmospheric degradation lay with the early industrializing developed world and that they would voluntarily undertake emissions control while pursuing national imperatives of

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 19- Eric Gonsalves, Opening Statement at BCIM 9, January 2011.

economic development. India and China also shared some similarities in the Doha round of trade talks that collapsed in 2008 as well as in terms of trade disputes within the WTO. As developing countries themselves, they sought to protect their own economic interests as those of the South as a whole in resisting Western pressures for premature market access, especially in the agricultural sector. In 1999, in the aftermath of the Asian financial crisis, U.S. President Bill Clinton brought together the finance ministers and governors of central banks of 19 countries and the European Union representing 90 per cent of the global GDP with the objective of devising regulations and coordinating policies to achieve economic stability and sustainable growth. Both China and India are members of this body, known as the G-20. Also, China and India demand a larger voice in the Bretton Woods institutions created after the Second World War, the World Bank and the International Monetary Fund, which are effectively controlled by the U.S. and its European allies. Some reforms were introduced in 2008 and 2010 but voting shares are still weighted and based on subscriptions to original funds. Thus, India's voting share in the IMF was only 1.9 percent of the total in 2011, China's was 3.7 percent, and the US share was 17 percent. A search for alternate institutions and mechanisms was inevitable. In March 2012 India hosted the fourth summit meeting of BRICS (Brazil, Russia, India, China and South Africa), a grouping of emerging economies. The Delhi summit set targets for increased trade among members, with transactions in local currencies, and decided to create a BRICS-led Development Bank that could supplement the World Bank and IMF.

Both India and China hold strong views on sovereignty and do not automatically support external (Western) military intervention or "regime change" under UN "responsibility to protect"

resolutions. But their positions are not identical, as seen from the speeches and votes of their representatives in the Security Council on Libya and Syria. And all international bodies concerned with global peace and security differ in status counts. China is one of the Five Permanent Members of the UN Security Council (P-5) and alone among them does not endorse the claims of India (or Japan) to become permanent members too. China has also vigorously opposed India's membership in the Nuclear Suppliers Group (NSG) that takes decisions by consensus, even though India's membership in the NSG was an implicit provision of the U.S.-India Civil Nuclear Cooperation Agreement that came into force in 2008. China had similarly opposed India's membership in the East Asia Summit established in 2005 by ASEAN, which overruled China's objections. In short, China-India cooperation in multilateral institutions is higher in rhetoric than in action, partly because they are not equals in power or status or willingness.

Rivalry between India and China is noticeable in their "shared neighborhood" of Asia and perhaps in Africa, where both are enlarging their diplomatic and economic relationships. Differences in economic and military power as well as national ambition make it an unequal competition.²⁰ India is one-third the size of China and its economy and international trade is also much smaller. China's military modernization with all that it implies in greatly increased military spending for procurements, domestic production at higher and higher levels, and high competence in cyber, missile, and space technologies, commenced more than a decade ago. India's

²⁰- Insightful but short comparisons of India and China are seen in Surjit Mansingh, "The Chindia Project," June 2010. <www.newnations.com/special-reports/chindiaproject.html>; Shyam Saran, "What India Needs to Know about China's Worldview," August 2012, <www.globalindiafoundation.org>.

military modernization has barely begun, and is impeded by complex procurement procedures, inadequate manufacturing capacity, and bureaucratic inertia.²¹ Nevertheless, China is perturbed by the U.S.-India strategic partnership initiated in 2005 and proceeding forward along a broad trajectory with bipartisan support in both countries. Intensification of China's territorial claims on India's Arunachal Pradesh and resort to petty humiliations followed consummation of the Indo-U.S. Civil Nuclear Cooperation Agreement and the unrelated upsurge of rebellion in Tibet in 2008. Clearly, China's fears of "encirclement" are aroused by the new Indo-U.S. relationship combined with India's special ties with Russia, some Southeast Asian countries such as Indonesia and Vietnam, as well as Taiwan, Japan and South Korea. India stood firm on its rights on visas and in Arunachal Pradesh and for the first time in 2010 omitted a conventional clause on "one China" in a joint communiqué; subsequent high-level meetings of Chinese and Indian officials are replete with assurances of mutual goodwill and cooperation.²² At the same time Indians express a high degree of anxiety about being "boxed in" by close and longstanding military links between China and Pakistan that have brought the PLA into Pakistan-controlled districts of Kashmir, as well as the growing Chinese presence in Bangladesh, Nepal and Sri Lanka, all near neighbors of India in South Asia. China's naval expansion into the Indian Ocean by way of port construction in Myanmar, Bangladesh, Sri Lanka, Pakistan, the Maldives and the Seychelles—the so-called "string of pearls"—heighten alarm.

21- See "Asia," *The Military Balance 2012* (London: IISS), chapter 6, <www.tanfonline.com/loi/tmib20>.

22- See <<http://www.in.chineseembassy.org>>.

In 2012, the clash of China's claims to sovereignty over islands in the South China Sea with other claimants that disrupted an ASEAN Summit, as well as ongoing brushes between China and Japan over claims to the Senkaku/Diaoyu Islands triggered a response from the United States. Washington declared a strategic "pivot" to Asia and Secretary of State Hilary Clinton embarked on another trip through Asia and the South Pacific. Perhaps to allay Chinese fears and American expectations, India's Chief of Naval Staff told a press conference on August 8, 2012, "from our perspective the primary areas of interest to us is from the Malacca Strait to the Persian Gulf in the west and the Cape of Good Hope in the south... the Pacific and South China Sea are of concern to us, but activation in those areas is not in the cards."²³ Perhaps reciprocating the sentiment of reassurance, Chinese Defense Minister Liang Guangli on the eve of his visit to India said in Sri Lanka, "Conducting friendly exchanges with South Asian nations are intended for maintaining regional security and stability and are not targeted at any third party."²⁴

In short, New Delhi and Beijing take pains to publicize their common interests in stability and minimize their differences. As is often said, the world is large enough for both countries to rise peacefully together. India's consistent goal and strategic approach is summed up in Prime Minister Manmohan Singh's speech at the East Asia Summit meeting in November 2011: "The resurgence of Asia is dependent on the evolution of a cooperative architecture in which all countries are equal participants. We will work with other countries towards this end."²⁵

²³- *The Hindu*, August 2012.

²⁴- *The Indian Express*, September 2012.

²⁵- November 2011, <meaindia.nic.in/archive>.

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17

China's Rise and the Korean Peninsula

- A Convergence of Interests for South Korea and Australia?

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This chapter examines the evolving security dynamics on the Korean Peninsula in the context of China's continued rise, with particular reference to the interests of South Korea and Australia. These two middle powers have a major stake in what happens in Northeast Asia generally, but the Korean Peninsula looms especially large as a potential site for geopolitical friction among the great powers and also possible future conflict. Of the two middle powers, South Korea for obvious reasons has the most at stake, but it is worth emphasizing that any serious destabilization on the peninsula could have major consequences for Australia's economic well-being given that over half the country's exports are destined for Northeast Asia. Moreover, Australia's security alliance with the United States means there is a very good chance it would be involved in any military operation against North Korea in the event of hostilities on the peninsula. Another key point in setting the context for this chapter is that South Korea and Australia have developed an increasingly close relationship politically and economically.¹ Both are like-minded middle powers that remain wary of China's rapid rise, but dependent in many respects for their prosperity on that rise continuing. They both have long-standing security alliances with the United States, but are mindful of the potential that Washington's relative influence in Asia is gradually shrinking. Against this backdrop, both countries appreciate that there are potential benefits associated with them cooperating closely on security and economic policy challenges in the region.

1. Rowan Callick, "Radical Progress Never Stops in High-Tech, High-Speed South Korea," *The Australian* (September 2012).

Asia's Rise, China's Rise

Asia's rise has been distinguished by significant shifts in power relativities that foreshadow potentially ground-breaking power transitions among the region's leading states in the 21st century. The potential gravity of these transitions needs to be placed in a global historical context. For most of the postwar era, it was unquestioned that North America and Europe would drive economic growth and prosperity globally and that, as a consequence, power would reside predominantly in these regions. However, by the 1980s it was clear that a shift was well underway. Despite the dramatic slowdown in Japan's economic growth in the late 1980s, China's meteoric rise in the wake of the Open Door policy being enunciated in 1978, and India's impressive growth rates, have provided a foundation for what has become a resurgence of Asia as the most dynamic economic region in the contemporary international system. Over the past two decades, Europe's gradual decline in economic terms has been in stark contrast to Asia's rapid economic rise. This was underscored by Asia's apparent resilience in the face of the 2008 global financial crisis and the subsequent threat to the Eurozone triggered by poor economic management among some European states.²

As Muthiah Alagappa has argued, during the 1970s, as the Cold War overlay in Asia began to decline in salience, "the transition from a subordinate to a region-dominant system" began to emerge as regional states themselves assumed greater responsibility

² It should be noted that the crisis in Europe has had adverse knock-on effects for Asian economies, including China. See Ambrose Evans-Pritchard, "China Fears Grow Over Europe Crisis," *The Telegraph* (UK, August 2012).

for their security and economic development.³ According to Alagappa, “If the rise of China, India and other countries continues, Asia may be on the verge of another transition—this time from region-dominant system to an international system in which Asia becomes the world’s core region, much as Europe was in the nineteenth and twentieth centuries.”⁴ Forecasts associated with “Asian Century” have never looked as irresistible as they do today when Europe confronts a profound economic crisis. This is despite internal weaknesses in China’s economy and the enormous challenges associated with equitably distributing wealth generated by economic growth across the country. And while we should exercise some skepticism about assumptions that a *uniform* shift of power from west to east of the international system is underway, Alagappa’s point about Asia having emerged as the world’s core region is compelling.

No subject has attracted more attention in recent times than the consequences of China’s rise in Asia, and the concomitant decline of the United States as the regional hegemon. There is no doubt that China is rising rapidly as an economic and military power in Asia and is poised to claim the mantle of the region’s newest great power. A key feature of China’s rise is the extent to which its economic success has become deeply interconnected with the economic fortunes of other states in Asia. Trade and investment with its neighbors has become the defining feature of this interdependence, but it is important to note the myriad areas of interaction China now has with other Asian states. One of the more

3- Muthiah Alagappa, “A Changing Asia: Prospects for War, Peace, Cooperation and Order,” *Political Science*, Vol. 63, No. 2 (2011), p. 157.

4- *Ibid.*

striking examples of this is the institutionalized relationship Beijing has with Japan and South Korea through the annual Trilateral Cooperation summit process, which was created in 2008 as an offshoot of the ASEAN Plus Three arrangements instituted in the late 1990s. The trilateral process between these countries involves regular meetings between heads of government, but it also involves dialogues between ministers and senior bureaucrats across a host of policy portfolios. Although shying away from vexed issues, including territorial disputes, the trilateral process has yielded important progress in developing closer relations in the economic, social, and environmental policy fields.⁵

In many respects, China's emerging great power status is a return to "business as usual" for Asia in terms of China's pre-20th century role in the region as the region's dominant state. As David Kang has argued, China's traditional preference for tributary relationships with its neighbors based on hierarchical order is well-established historically.⁶ Yet, there is significant disagreement over the type of great power China will become in the 21st century. This is not merely the complex debate over whether new great powers are status quo or revisionist.⁷ It goes to the heart of whether China

5- For details, see the White Paper released by the Chinese Ministry of Foreign Affairs, "Full Text: China-Japan-ROK Cooperation, 1999-2012," May 2012, <<http://www.fmprc.gov.cn/eng/wjdt/2649/t930436.htm>>. For the communiqué resulting from the 2012 trilateral meeting, see Ministry of Foreign Affairs of Japan, "The Fifth Trilateral Summit Meeting Among the People's Republic of China, the Republic of Korea, and Japan: Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership," *The Fifth Trilateral Summit Ministry of Foreign Affairs of Japan*, Beijing, May 13, 2012, <http://www.mofa.go.jp/region/asia-paci/jck/summit1205/joint_declaration_en.html>.

6- David Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007).

7- For recent discussion of this question from a new perspective, see Scott Kastner

will seek to dominate Asia through establishing a new *Pax Sinica* regional system of order or whether it will be content to operate within the regional order established by the United States after World War II. None of this is clear as yet, with the Chinese leadership reticent to convey any detailed vision they may have for a Chinese-led order. However, it is clear that China increasingly expects a degree of deference from regional states on territorial issues in particular, as its global power and influence continue to grow. Over the longer term, “although the Chinese do not openly advocate a position of pre-eminence in Asia, official sod hint at a desired end state in which the region is centred on Chinese power.”⁸ There appears to be something of a tension between the discourse, which emphasizes China’s preference for a “posthegemonic” global society where traditional power politics is redundant, and the shrill nationalism characteristic of Chinese territorial claims over various maritime zones in East Asia, most notably the South China Sea.⁹ What can be said with some certainty is that Beijing is presently unwilling to assume a leadership role in Asia, despite possessing the capabilities to do so. Chinese leaders may have ambition to displace the United States as the regional hegemon in Asia, but “in the short term, China seeks a gradual modification of *Pax Americana*, not a direct challenge to it.”¹⁰

and Phillip Saunders, “Is China a Status Quo or Revisionist State? Leadership Travel as an Empirical Indicator of Foreign Policy Priorities,” *International Studies Quarterly*, Vol. 56, No. 1 (2012), pp. 163-177.

- ⁸- Timothy Heath, “What Does China Want? Discerning the PRC’s National Strategy,” *Asian Security*, Vol. 8, No. 1 (2012), p. 60.
- ⁹- On the role of internal debate within China over foreign policy directions, see David Shambaugh, “Coping with a Conflicted China,” *The Washington Quarterly*, Vol. 34, No. 1 (2011), pp. 7-27.
- ¹⁰- Randall Schweller and Xiaoyu Pu, “After Unipolarity: China’s Visions of

An important element in any discussion of power transition in global or regional contexts is how it affects secondary powers. The classic division in the literature has been between Kenneth Waltz's argument that secondary powers bandwagon with the rising power¹¹ and Stephen Walt's claim that these same states will balance against the rising power, especially if they share an ideological affiliation with that power.¹² Robert Ross has argued that how secondary states respond to the rising power will depend very much on the question of geographical proximity. According to Ross, secondary powers located near the rising power will tend to accommodate the latter's policy preferences, while secondary powers located further away will be more inclined to balance against the rising power.¹³ This theoretical discussion has been supplemented by a range of case studies looking at how secondary powers in Asia have responded to China's rise. There has been growing interest particularly in how middle powers might seek to engage more effectively with Beijing by building coalitions with one another in an effort to balance China's influence, which has in turn led to new research programs examining how China itself distinguishes between more influential middle powers like Indonesia, South Korea, and Australia, and smaller powers in crafting its regional strategy.¹⁴

International Order in an Era of U.S. Decline," *International Security*, Vol. 36, No. 1 (2011), p. 53.

- 11- Kenneth Waltz, *Theory of International Politics* (New York: McGraw Hill, 1979).
- 12- Stephen Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), chapter two.
- 13- Robert Ross, "Balance of Power Politics and the Rise of China," *Security Studies*, Vol. 15, No. 3 (2006), pp. 355-395.
- 14- See Bruce Gilley and Andrew O'Neil, "Seeing China's Rise through the Middle Power Lens," unpublished paper, September 2012.

In terms of the theoretical predictions outlined here, the empirical analysis has been mixed. Most regional states, including those secondary powers with security alliances with the United States, have accommodated some Chinese preferences in their foreign policy behavior, but there is scant evidence that regional states have decided to bandwagon with China. There are, however, growing indications that secondary powers are balancing against China's rise by solidifying existing and establishing new security relations with Washington. The most high profile example of this was the positive response among most ASEAN states to the intervention by U.S. Secretary of State Hillary Clinton at the 2010 ARF meeting when she stated (in the presence of the Chinese foreign minister) that the United States regarded "unimpeded access" in the South China Sea as a core strategic objective.¹⁵ This balancing has also been evident in the behavior of missile powers. Australia, for instance, is showing signs of a more active balancing strategy against China by offering new basing options for American forces, while Vietnam has established a draft of new defense-related agreements with the United States that are transparently directed at constraining China's maritime freedom of movement in the region.¹⁶

The Obama Administration's high profile "pivot" towards Asia has been widely, and probably accurately, interpreted in Beijing as a

15- Daniel Kate and Nicole Gaouette, "Clinton Signals U.S. Role in China Territorial Disputes after ASEAN Talks," *Bloomberg*, July 23, 2010, <<http://www.bloomberg.com/news/2010-07-23/u-s-says-settling-south-china-sea-disputes-leading-diplomatic-priority-.html>>.

16- James Manicom and Andrew O'Neil, "Accommodation, Realignment, or Business as Usual? Australia's Response to a Rising China," *The Pacific Review*, Vol. 23, No. 1 (2010), pp. 23-44; Carlyle Thayer, *Southeast Asia: Patterns of Security Cooperation*, (Canberra: Australian Strategic Policy Institute, 2010), pp. 32-35.

signal that the United States is moving towards an active strategy to contain China's rise.¹⁷ At the very least, it can be seen as an endeavour to reassert and preserve America's relative power in Asia by limiting China's options for expanding its own power in the region. Washington has for some time been concerned about China's expanding "anti-access" and "area denial" capabilities that have the potential to make it more costly for the U.S. to insert its naval forces in littoral areas in East Asia. The concern on Washington's part is that Beijing may be able to deter the United States from intervening in maritime disputes by raising the potential for major losses of U.S. maritime assets in any conflict escalation. This was a key feature of the Pentagon's 2011 report to Congress on China's military modernization program, which referred to the PLA's "sustained effort to develop the capability to attack, at long ranges, military forces that might deploy or operate within the western Pacific."¹⁸ It is not surprising, therefore, that the most conspicuous element in the Obama Administration's Asia pivot has been bolstering the U.S. regional military presence to counterbalance China's naval modernization. This suggests that increasing tensions between China and the United States in the East Asian theater are very likely. Beijing's investment in military technologies that will raise the costs for the United States in specific maritime conflict scenarios, and

17- Bonnie Glaser, "U.S. Pivot to Asia Leaves China off Balance," *Comparative Connections*, January 2012, <http://ccsis.org/files/publication/1103qus_china.pdf>.

18- "Office of the Secretary of Defense," *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China* (Washington DC: Department of Defense, 2011), p. 28.

Washington's attempt to counter this investment in the context of a major domestic fiscal crisis, translates into strong potential for strategic tensions deepening in the years ahead. All of this has obvious implications for regional security dynamics, particularly as they relate to great power interactions.

Korean Peninsula Challenges

For China, the question of political control on the Korean Peninsula is more important than for any other external regional power. Sharing a 1,400 kilometer border with North Korea, China takes a very close interest in developments in that country. Despite its undoubted flaws in Beijing's eyes, the regime in Pyongyang continues to receive the indulgence, if not the fulsome support, of Chinese policy makers. China's provision of food aid and energy assistance is critical to North Korea's survival and Beijing has, on a number of occasions, been dismissive of American-led calls for China to place meaningful pressure on Pyongyang in response to its destabilizing behaviour in Northeast Asia. As one former ambassador to China has noted, the fact that such calls persist reflects "the consistent U.S. inability to understand the vital importance of the geographic region of North Korea to China's core security interests."¹⁹ China aims to preserve the regime in Pyongyang to avoid

¹⁹- Roy R. Stapleton, "Response to 'The Illogic of China's North Korea Policy,'" *Centre for Strategic and International Studies PacNet*, June 7, 2012, <<http://csis.org/publication/pacnet-32r-responses-pacnet-32r-illogic-chinas-north-korea>

possible alternatives that may be deleterious to China's national interests. However, there are some grounds to conclude that North Korea's at times erratic behaviour and Pyongyang's stubborn refusal to countenance serious economic reform has triggered consternation among Chinese policy makers.²⁰ Chinese elites still find it difficult to balance protecting the regime in Pyongyang with improving the bilateral relationship with South Korea, China's third largest trading partner after the United States and Japan.²¹ There seems to be something of a division between those in China who see North Korea as a "wayward little brother" in need of discipline and those who maintain that the fraternal link between China and the DPRK forged during the Korean War should be preserved. This should hardly come as a surprise given the wide range of perspectives among the domestic actors shaping Chinese foreign policy and the acknowledged differences on major policy questions between traditionalists located predominantly among the ranks of the PLA and reformers housed mainly within the Ministry of Foreign Affairs.²²

Whatever the nature of the debates behind closed doors among senior Chinese officials, North Korea continues to provide a

policy>, last accessed September 14, 2012.

- 20_ "Wikileaks Cables: China 'Frustrated' by North Korea," *BBC News Online*, November 30, 2010, <<http://www.bbc.co.uk/news/world-us-canada-11871641>>, last accessed September 14, 2012.
- 21_ "U.S.-China Trade Statistics and China's World Trade Statistics," U.S.-China Business Council, <<https://www.uschina.org/statistics/tradetable.html>>, last accessed September 14, 2012.
- 22_ For discussion, see Linda Jakobson and Dean Knox, "New Foreign Policy Actors in China," *SIPRI Policy Paper* (September 2010), pp. 4-16.

critical buffer state for China in its broader quest to ensure that its continental borders remain protected against threats. China's disregard of U.S.-led entreaties for it to place serious pressure on Pyongyang by using its leverage over energy supplies needs to be seen in this light. Indeed, China has very significant incentives *not* to place meaningful pressure on Pyongyang, a fact that policy makers in Washington, Seoul, and even Canberra are almost certainly fully aware of, despite their strong rhetoric. The collapse of, or even a concerted internal challenge to, the Kim Jong-un regime in Pyongyang would spell major trouble for strategic planners in Beijing. Close consideration of a Chinese military "stabilization" intervention would be on the cards to prevent a complete breakdown of authority in the North, and more specifically to pre-empt any cross-border influx of North Korean refugees. Also near the top of the list would be gaining control of Pyongyang's nuclear, missile, and chemical warfare assets. There is no evidence that China has discussed any such contingency plans, which the PLA has reportedly developed, with any other state.²³

Assuming that reunification was in serious prospect, the primary concern for Beijing would be to avoid the advent of a unified Korean government with hostile intentions towards Chinese interests. The stationing of American forces in any form on the Korean Peninsula would almost certainly be unacceptable to Beijing, and it is highly unlikely China would tolerate a unified Korea that was nuclear-armed. Whether Beijing could conceivably live with a unified Korean government that was *indifferent* to

²³- Bruce Bennett and Jennifer Lind, "The Collapse of North Korea: Military Missions and Requirements," *International Security*, Vol. 36, No. 2 (2011), pp. 85-86.

Chinese interests is more of an open question. Given China's traditional approach in dealing with its neighbours, and the highly tributary attributes of its historical relationship with Korea, it is likely that Beijing would settle for a unified Korean government that accommodated China's aspirations in Northeast Asia.²⁴ What the nature of Beijing's aspirations will be like if and when Korea reunifies is an open question. Even less certain is whether the Korean people themselves would be willing to accommodate China's aspirations in the region. Much would depend on how reunification was achieved, China's role in that process, and the sorts of relations a united Korea had with other great powers, particularly the United States.

In the contemporary context, the most important long-range concern for South Korean policy makers is China's role in relation to the future of North Korea and the potential for reunification on the peninsula. There had been something of a drift by South Korea towards China over the decade between 1998 and 2008, which was accentuated by occasionally significant ROK-U.S. tensions under the Bush administration and the Kim Dae-jung and Roh Moo-hyun governments, and an increasingly effective charm offensive by Beijing in East Asia.²⁵ Shared Confucian heritage, mutual grassroots antipathy towards Japan, and growing people-to-people links led some to claim that South Korea was drifting towards

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24_ Under China's tributary system, Korea is considered by observers to have been the model tributary state. The deep links of Confucianism and the fact that China was instrumental in the creation of the Choson tribal kingdom in what is now northern Korea in the 4th Century B.C. were key ingredients in binding Korea and China together from the 14th to the 19th Centuries. See Bruce Cumings, *Korea's Place in the Sun: a Modern History* (New York: W. W. Norton and Company, 2005), chapter one.

25_ For discussion, see David Kang, *China Rising*, chapter 5.

China's orbit in Asia. Yet, views of China among ordinary South Koreans and elites took a major battering in the wake of the *Cheonan* and Yeonpyeong attacks in 2010. China's refusal to explicitly condemn the attacks and its unwillingness to place serious pressure on Pyongyang to exercise restraint has dealt Sino-ROK relations a considerable blow. Some South Koreans believe that China has effectively divested itself of any responsibility for ensuring stability on the Korean Peninsula and that it is merely interested in propping up the Pyongyang regime to prolong the DPRK's strategic buffer role. Predictably, this generates resentment among South Koreans. However, at the same time, South Korea also realizes that it needs reasonably sound relations with China in the longer term if a reunification settlement is to be reached on the peninsula. China's apparent rising economic influence in North Korea, and the view that Beijing may have designs on peacefully colonizing the DPRK over time, has some in the South concerned about the future of ROK-China relations.²⁶ How China would react to a collapse of the North Korean regime, or serious destabilization in the DPRK is a great unknown in South Korea, but some see the existent potential for a Chinese attempt to dominate the peninsula over the longer term.

Australia is by no means a major player on the Korean Peninsula, but it does have a strong vested interest in what happens in this theater. The Australia-ROK economic relationship has reached unprecedented heights, with South Korea now Australia's fourth largest export destination and sixth largest two-way trading partner overall.²⁷ Like Australia, South Korea has sought to devel-

26- Sang-Hun Choe, "China Gains Influence in Korean Affairs as North and South Warily Seek Its Help," *The New York Times*, April 2010.

op a global middle power role. Both are founding members of the G20, and in Asia both countries are active players in all region-wide institutional arrangements, including APEC and the East Asia Summit. Like the ROK, Australia is engaged in almost all international institutions, has global ambitions underlying its broader foreign policy, but is still regionally focused in terms of its strategic policy and priorities. Shared security alliances with the United States reinforce the connection between Seoul and Canberra. Moreover, the future of North Korea, in particular the fate of its nuclear weapons inventory, is of considerable concern to Australian policy makers. Australia is already within range of China's ICBM forces, and the prospect of its northern territories potentially being within range of another Asian nuclear weapon state, thus raising the spectre of nuclear coercion, would be of concern to strategic policy makers. Extended deterrence guarantees from Washington against direct nuclear threats to Australian territory are credible, but it is worth pointing out that different U.S. administrations have historically exhibited varying levels of commitment to reassuring Australian governments that these guarantees would be fully operational across high level contingencies, a trend that still worries senior Australian strategists.²⁸

Dealing with China's rising strategic influence in Asia is a challenge for South Korea and Australia, and it is in the interest of both states to limit the future influence that China is able to wield on the Korean Peninsula. While Beijing's goals in this theater are

27- Department of Foreign Affairs and Trade, "Australia's Top 10 Two-way Trading Partners and Australia's Top 10 Exports, Goods and Services," August 2012. <http://www.dfat.gov.au/trade/focus/081201_top10_twoway_exports.html>.

28- See Andrew O'Neil, *Asia, the United States, and Extended Nuclear Deterrence: Atomic Umbrellas in the 21st Century* (Routledge, 2013), ch. 1.

not necessarily contradictory to those held by Seoul and Canberra, they are not especially complementary either. Views regarding the destabilizing impact of North Korea's provocative behavior are perhaps the most obvious example of a difference, but shaping the longer term environment towards Korean reunification is another. Australia, for its part, would be wary of any arrangement whereby a unified Korea was pressured to accommodate China. Greater Chinese strategic influence over the Korean Peninsula would not be in Australia's interests for two reasons. Firstly, any significant drift of Korean economic demand towards China (particularly for resource commodities) could see a downgrading of the large scale Australia-Korea trading relationship. Given its status near the apex of Australia's overall balance of trade, this could be potentially damaging for Australia's economic interests. Secondly, any accommodation of China by a reunified Korea would be perceived negatively by Australia because of what it signified about the role of middle powers in a regional order increasingly dominated by China. Like South Korea, Australia has placed greater emphasis on its security alliance with the United States as its economic dependence on China has deepened in the hope of avoiding a situation where Beijing is able to leverage economic relations for political purposes. Any change in behavior in this respect would set off alarm bells in Canberra. Thirdly, rising Chinese influence over the Korean Peninsula would by definition witness the declining influence of the United States. As one of America's most loyal allies in Asia, Australia would be disturbed by this strategic shift, however robust its bilateral economic relationship with China remained.

In conclusion, it is worth briefly considering the potential role of multilateral institutions in balancing China's influence on the Korean Peninsula in the *current* context. The academic text-

books tell us that for middle powers like South Korea and Australia, rules-based institutions provide the best option for constraining the influence of great powers.²⁹ It is perhaps no coincidence that one of more vocal supporters of Kevin Rudd's ill-fated "Asia Pacific Security Cooperation" initiative was Lee Myung-bak.³⁰ However, while it is true that multilateral institutions can potentially play a role in binding larger powers to lowest denominator outcomes in accordance with majority secondary state preferences, such an approach faces considerable obstacles in Northeast Asia. Stephen Haggard and Marcus Noland have outlined the concept of a Northeast Asia Peace and Security Mechanism, which would aim to formally integrate sub-regional states.³¹ Similarly, Nick Bisley argues that the Six Party Talks "have garnered sufficient political interest to make possible an ongoing multilateral mechanism to deal with security challenges in this relatively combustible region."³²

It is, however, highly doubtful that China (or any other state for that matter) envisages the Six Party Talks as a mechanism to address the future of the Korean Peninsula in any meaningful way. At no point during the 2003-2007 meetings of the Six Party Talks did

29- See the collection of essays in Andrew Fenton (ed.), *Niche Diplomacy: Middle Powers after the Cold War* (New York: St. Martin's Press, 1997).

30- Department of Foreign Affairs and Trade, "Joint Statement on Enhanced Global and Security Cooperation between Australia and the Republic of Korea by the Prime Minister of Australia, Kevin Rudd, and the President of the Republic of Korea, Lee Myung-bak, 5 March 2009," <http://www.dfat.gov.au/fta/akfta/090305_joint_statement.html>.

31- Stephen Haggard and Marcus Noland, "A Security and Peace Mechanism for Northeast Asia: The Economic Dimension," *The Pacific Review*, Vol. 22, No. 2 (2009), pp. 119-137. The authors concede that 'a more permanent multilateral structure is unlikely until the [North Korean] nuclear issue is resolved'.

32- Nick Bisley, *Building Asia's Security* (London: Routledge and IISS, 2010), p. 105.

those involved engage in serious dialogue about the future of the Korean Peninsula, despite optimism in some quarters that this topic would be on the agenda. It is not just that all parties have different, and in some cases quite conflicting, perspectives on how they want developments on the Korean Peninsula to unfold in the years ahead. It is also because the central players themselves see multilateral institutions as inhibiting, rather than maximizing, the potential to achieve their respective policy preferences. This includes China, the one country willing to shield North Korea from serious consequences flowing from Pyongyang's 2010 military provocations. There may be some prospect that South Korea, with the backing of Japan, could exploit the trilateral summit process with Tokyo and Beijing to forge a consensus on possible paths forward on the Korean Peninsula. But it is more likely that all players will prefer to maintain their current approach of engaging bilaterally with individual states, rather than seeking outcomes derived from consensus in multilateral forums.

More broadly, there is little evidence to suggest that the region's great powers are genuinely committed to building robust multilateral institutions to address future challenges on the Korean Peninsula. This is hardly surprising from a historical perspective and it validates a key strand of realist theory about great power behaviour in practice. But it also owes something to a particular mindset about hierarchy among Asian states. As David Kang has argued, the notion of an established hierarchy among regional states retains stronger appeal in Northeast Asia than arguably any other sub-region in the international system. Hierarchy among states has a well established tradition in Asia generally, and up until the nineteenth century, China was seen as "the dominant state and the peripheral states as secondary states or 'vassals'." This is in sharp con-

trast to the Western liberal tradition that stresses formal equality between states.³³ Residual elements of the tradition of hierarchy have dissipated to a much greater extent in Southeast Asia than in Northeast Asia where there is greater resistance among the major powers to subjecting themselves to the uncertainties of multilateral processes on an equal footing with countries they deem to be lesser powers. Finally, the principle of sovereignty remains highly prized among Northeast Asian states. Regional states tend to value traditional Westphalian notions of sovereignty more highly than their European counterparts. As a result, they have been generally more suspicious of multilateral forums with the (perceived) potential to dilute key aspects of their sovereign prerogative on important security issues.

Finally, is there scope for cooperation, and possibly coordination, between South Korea and Australia on Korean Peninsula issues? After all, both states would prefer a peaceful unification scenario and a post-unification scenario in which Korean autonomy was preserved. As argued, both countries remain wary of China's potential to exert strong influence over how the peninsula evolves in the future. Based on these points of convergence alone, there would seem to be grounds for close cooperation between Seoul and Canberra. However, we should be careful in assuming that the preferences of both countries on the Korean Peninsula will remain constant over time. For example, Australia would prefer to see a long term U.S. force presence in the region, even following unification. The emergence of a more potent brand of Korean nationalism in the event of unification would render the continued

33. David Kang, "Hierarchy in Asian International Relations: 1300-1900," *Asian Security*, Vol. 1, No. 1 (2005), pp. 54-55.

presence of foreign troops on the peninsula problematic at best. It is very likely that U.S. forces would be requested to leave, which would remove one of the key theater linchpins of America's broader strategic presence in Asia, something Australia is focused on preserving for as long as it can. The other issue is Korea's nuclear future. North Korea's possession of nuclear weapons, coupled with South Korea's leading role as a civil nuclear power, means that there is a real possibility a unified Korea will be nuclear-armed. The attraction of nuclear weapons for a unified Korea will be magnified if its leaders believe that the great powers will seek to coerce or pressure them. There are good grounds for this belief: much of Korean history is characterized by a small state being squeezed by larger powers. While Australia would empathize with Korea's circumstances, it would nevertheless strongly oppose Korea possessing nuclear weapons. Not only would such possession signify the emergence of a new nuclear weapon state—something Australian governments have opposed, irrespective of the attributes of the state itself, since the late 1960s—it could also generate proliferation pressures in the wider region.

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Freeman, Carla P. Ph.D. is Associate Research Professor in the China Studies program and Director of the Foreign Policy Institute at SAIS. She has written widely on Chinese domestic and foreign policy. Her professional experience has also included consulting, political risk analysis, and work on civil society and community development. She received her B.A. in history at Yale University and her M.A. and Ph.D. at Johns Hopkins University's School of Advanced International Studies (SAIS), writing her dissertation on the political economy of reform in China focused on its Northeast region. Her current project is a book-length study of China's efforts toward balancing its security and development goals. She is also in the process of editing volumes on China's policies toward North Korea and other territorial neighbors, China's interactions with other developing countries, and Chinese foreign affairs.

Gui, Yongtao is an Associate Professor at the School of International Studies, Peking University. He received his Ph.D. from Waseda University and Peking University in 2005 through a double-degree program. His research has focused on politics and international relations in East Asia. His recent publications include *Edwin O. Reischauer and the US Policy toward Japan* (2008); “China-Japan-US Relations and Northeast Asia’s Evolving Security Architecture,” Curtis, Kokubun and Wang (eds.). *Getting the Triangle Straight: Managing China-Japan-US Relations* (2010); “East Asian Community: Hope or Disappointment?” in *China International Strategy Review 2010*; and “Nationalism and the Historical Conceptions in Modern China, Japan and Korea,” *International Politics Quarterly* (2007).

Jakobson, Linda is the East Asia Program Director at the Lowy Institute. Before moving to Sydney in 2011 she lived and worked in China for 20 years and published six books about China and East Asian society. A Mandarin speaker, she has published extensively on China’s foreign and security policy, the Taiwan Strait, China’s energy security, and climate change and science & technology policies. Prior to joining the Lowy Institute, Jakobson served as Director of the China and Global Security Programme and Senior Researcher at the Stockholm International Peace Research Institute (SIPRI). From 1998 to 2009 she worked for the Finnish Institute of International Affairs. Jakobson was a Fellow at the Kennedy School of Government at Harvard University in 1990. The Finnish edition of her book, *A Million Truths: A Decade in China* (New York: M. Evans, 1998) won the Finnish Government Publication Award. Her SIPRI Policy Paper, “New Foreign Policy Actors in China” (co-authored with Dean Knox) was awarded an Alibi in 2010.

Kong, Bo is Assistant Professor of Energy, Resources and Environment (ERE) and Research Director of East Asian Energy and Environment at SAIS. He served a number of positions in the analytical community, including Visiting Scholar at the Institute for Global Dialogue in South Africa, Research Fellow at the

Center for Global Security of the Pacific Northwest National Laboratory in Seattle, Energy and Mining Associate at Ayrli Partners, and Research Associate at the Shanghai WTO Affairs Consultation Center. He is the author of *China's International Petroleum Policy* (2010) and *An Anatomy of China's Energy Insecurity and Strategies* (2005). His articles on energy issues have appeared in numerous journals including *China Security*, *Journal of Contemporary China*, and *Global Policy*. He earned a Ph.D. in China Studies and International Energy Policy from SAIS.

Kim, Dongsoo is currently Research Fellow at the Korea Institute for National Unification, Seoul, South Korea. He previously taught at the University of Southern Mississippi, Hattiesburg, MS and West Liberty University, West Liberty, WV in the United States. Dr. Kim received a Ph.D. in political science and international affairs from the University of Georgia. His research interests include, but are not limited to, international conflict, U.S. foreign policy, and U.S.-North Korea relations. His recent publications include "The Struggle between Security and Democracy: an Alternative Explanation of the Democratization of South Korea," *Pacific Focus*, Vol.25, No.1 (April 2010); and "Risk-Taking or Risk-Aversive: Understanding North Korea's Foreign Policy of Brinkmanship," (co-authored with Yongseok Choy), *Korea Observer*, Vol. 42, No. 3 (Autumn 2011).

Lee, Ki-Hyun is currently Research Fellow at the Korea Institute for National Unification, Seoul, South Korea. He received a Ph. D. in Political Science from Peking University. His publications include *A Unification Diplomacy Strategy for the Peaceful Unification of the two Koreas* (2012), *Democracy and China* (2012), "I want to be expropriated: The Politics of Minor Property Housing Land Development in Suburban China" (2012), "Chinese Agrarian Resistance and A New Mediation of State- Society Relationship" (2011), and "New Understanding of the Characteristics of Chinese State in Transition Period" (2010).

Lee, Wonhee is a research assistant at the U.S.-Korea Institute at SAIS (USKI). He obtained a B.A. in Chinese and a B.B.A. in International Economics and Law at Hankuk University of Foreign Studies (HUFS), Seoul. He is currently a candidate for an M.A. in International Relations with concentration in China Studies and International Economics at The Johns Hopkins University Paul H. Nitze School of Advanced Studies (SAIS). He is a recipient of the Starr Excellence in China Studies Fellowship, SAIS China Studies.

Liu, Fu-Kuo is currently Research Fellow, Research Division of American and European Studies at the Institute of International Relations, National Chengchi University, Taiwan. He is an adjunct professor at the International Doctoral Program in Asia Pacific Studies, College of Social Science, National Chengchi University. Additionally, he serves as the Executive Director of the Center for Security Studies, National Chengchi University. His research focuses on Asia Pacific security, Asian regionalism, peace process across the Taiwan Strait, U.S. strategy in Asia, the South China Sea issues, and Taiwan foreign and security policy. He received a Ph.D. in Politics from the University of Hull in the United Kingdom.

Mansingh, Surjit is teaching at the School of International Service at American University and was a visiting scholar at the Sigur Center for Asian Studies at The George Washington University. She lives in Bethesda, Maryland. Dr. Mansingh recently retired from her position of Professor of International Politics at the Jawaharlal Nehru University, New Delhi, where she specialized in the comparative analyses of foreign policies including China and India. She has taught at other universities in the U.S., India, and Europe and began her professional life as a member of the Indian Foreign Service. She is the author of many books and papers on foreign relations and Indian history. Dr. Mansingh took her B.A. (Hons) and M.A. in History at Delhi University, and her Ph.D. in International Studies from the American University, Washington D.C. For many years, her main research interest has

been the comparative study of India and China, especially the relations of each with the United States. A continuing research interest is in Indian foreign policy, recently facilitated by declassification of archives and private papers. Her recent publications include "Assessing Reorientation of India's Foreign Policy in a Globalized World," (*International Studies*, 2012); "India and China Today and Tomorrow," *The International Spectator: Italian Journal of International Affairs* (2011); *The A to Z of India: A Concise Encyclopedia of Indian History* (Lanham, 2010); and "Rising China and Emergent India in the 21st Century: Friends or Rivals?," *The Korean Journal of Defense Analysis* (Winter 2007).

Matsuda, Yasuhiro is Associate Professor at the Institute for Advanced Studies on Asia (Previously Institute of Oriental Culture) of the University of Tokyo. He spent sixteen years in the National Institute for Defense Studies, Japan Defense Agency/Ministry of Defense, as Assistant or Senior Research Fellow. In 2008, he moved to the Institute of Oriental Culture of the University of Tokyo. He received his Ph.D. from the Graduate School of Law at Keio University, in Tokyo. In the meantime, he has served as a visiting research fellow at the Consulate-General of Japan in Hong Kong (1994-96), Asia-Pacific Center for Security Studies or APCSS in Hawaii (2000), the Henry L. Stimson Center in Washington, DC (2000), Division of Strategic and International Studies, Taiwan Research Institute in Taipei (2001), US-Asia Institute in Washington, DC (2006), and Center for Japanese Studies, Fudan University in Shanghai (2007). He specializes in political and diplomatic history of Asia, politics and foreign relations in the PRC and Taiwan, and Cross-Strait Relations.

O'Neil, Andrew In addition to his role as Director of the Griffith Asia Institute, Andrew O'Neil is a Professor in the School of Government and International Relations. Prior to taking up his role at Griffith, he was Associate Professor and Associate Dean (Research) in the Faculty of Social Sciences at Flinders University. Before entering academia in 2000, Dr. O'Neil was an intelligence analyst with Australia's Department of Defence. As part of re-

search teams, Dr. O'Neil has received funding from the Australian Research Council, Australia's Defence Science and Technology Organisation, and the Australia-Japan Foundation. He is editor-in-chief of the *Australian Journal of International Affairs* and a Chief Investigator with the Centre of Excellence in Policing and Security.

Wang, Fei-Ling (Ph.D., University of Pennsylvania) is currently a professor of international affairs at the Georgia Institute of Technology and, in 2012-13, Minerva Chair at the U.S. Air Force Academy. He has taught at the U.S. Military Academy (West Point), guest-lectured in ten countries, and held visiting and adjunct positions in China, France, Italy, Korea, Japan, and Singapore. He is a member of the Council on Foreign Relations. Wang is the author of numerous articles, two-dozen book chapters, and six books of which the most recent ones are *Organizing through Division and Exclusion: China's Hukou System* and *China Rising: Power and Motivation in Chinese Foreign Policy* (co-editor). His articles have appeared in journals and newspapers such as *The China Quarterly*, *Christian Science Monitor*, *Harvard International Review*, *International Herald Tribune*, *Journal of Contemporary China*, *The New York Times*, *Pacific Affairs* and *The Washington Quarterly* as well as journals in China, France, Hong Kong, Italy, Korea and Singapore. Wang has had numerous research grants. He has been interviewed by media outlets such as Al Jazeera, AP, BBC, *Businessweek*, CNN, Radio China International, *The Financial Times*, *The New York Times*, *The South China Morning Post*, UPI, and Xinhua.

Yang, Yi Edward is Associate Professor of Political Science at James Madison University (JMU). A native of mainland China, Professor Yang received his bachelor's degree in diplomacy and international affairs from Foreign Affairs College in Beijing and his Ph.D. in political science from Texas A&M University. He has held visiting positions at San Diego State University, Northwood University, and China Foreign Affairs University. Professor Yang specializes in Chinese politics, foreign policy de-

cision-making, political psychology, and international political economy. His articles have appeared in several edited volumes and peer-reviewed scholarly journals including the *Journal of Conflict Resolution*, *International Studies Quarterly*, *Foreign Policy Analysis*, *Journal of Contemporary China*, and the *Chinese Journal of International Politics*. He currently serves on the Board of Directors of the Association of Chinese Political Studies (ACPS), a U.S. based nonprofit and nonpolitical organization that serves hundreds of China scholars around the globe. His recent publications include *The 'China Threat' through the Lens of US Print Media: 1992–2006*, *Journal of Contemporary China*, 2012 and “*Leadership Style, Decision Context, and the Poliheuristic Theory of Decision Making: An Experimental Analysis*,” *Journal of Conflict Resolution*, 2008.

연구총서

2010-01	북한 핵 보유 고수 전략의 도전과 대응	박형중 외	9,500원
2010-02	탈사회주의 경제이행 국가의 권력구조 유형과 개혁 경로: 포스트-김정일 체제에 대한 시사점	최진욱, 김진하	8,000원
2010-03	북한 개방화와 인권개선 방안연구	김국신, 김연수, 서보혁	7,000원
2010-04	북한의 체제위기와 사회갈등	조한범, 양문수, 조대엽	7,500원
2010-05	오바마 행정부 출범 이후 동북아전략 환경의 변화와 한국의 동북아 4국 통일외교전략	배정호 외	12,500원
2010-06	북한주민 인권의식 실태연구	이금순, 전현준	8,500원
2010-07	라진·선봉지역 물류분야 남북 협력방안 연구	김영윤, 추원서, 임을출	8,000원
2010-08	민족공동체 통일방안의 새로운 접근과 추진방안: 3대 공동체 통일구상 중심	박종철 외	11,500원
2010-09	통일한국의 정치체제	허문영 외	6,000원
2010-10	북한 핵에 대한 억지방향 연구	홍우택	5,000원
2010-11	북한의 포스트 김정일체제 전망	정영태 외	11,000원
2010-12	북한 주민의 의식과 정체성: 자아의 독립, 국가의 그늘, 욕망의 부상	조정아 외	17,000원
2010-13	북·중 경제관계와 남북경협에 대한 파급효과 비교분석	최수영	7,500원
2010-14	East Asian Community Building: Issue Areas and Perspectives of Regional Countries	김규륜 외	10,000원
2010-15(I)	1) 신아시아 외교와 새로운 평화의 모색 I	김규륜 외	13,000원
2010-15(II)	2) 신아시아 외교와 새로운 평화의 모색 II	김규륜 외	13,000원
2011-01	제2차 핵안보정상회의와 북한 핵문제	전성훈	14,500원
2011-02	북한군의 기강 해이에 관한 연구	이교덕 외	11,000원
2011-03	통일 진입과정에서의 북한 재건 방향	최진욱, 김진하	5,500원
2011-04	북한의 부문별 조직실태 및 조직문화 변화 종합연구	정영태	16,000원
2011-05	북한형사재판제도 연구: 특징과 실태	이규창, 정광진	8,000원
2011-06	북한주민의 삶의 질: 실태와 인식	김수암 외	12,000원
2011-07	한반도 평화와 북한 비핵화: 협력적 위협감축(CTR)의 적용방안	박종철 외	10,000원
2011-08	대북한 핵협상 전략구상방향	홍우택 외	6,000원
2011-09	중국의 부상에 대한 북한의 인식과 대응	허문영, 마민호	10,000원
2011-10	북한 핵의 국제정치와 한국의 대북 핵전략	배정호 외	11,000원
2011-11	평화통일을 위한 통일외교 전략	박영호 외	13,500원
2011-12(I)	1) 중국의 G2 부상과 한반도 평화통일 추진전략 제1부	황병덕 외	15,500원
2011-12(II)	2) 중국의 G2 부상과 한반도 평화통일 추진전략 제2부	황병덕 외	13,500원
2011-12(III)	3) 중국의 G2 부상과 한반도 평화통일 추진전략 제3부	황병덕 외	18,000원
2012-01	미국의 對韓 핵우산정책에 관한 연구	전성훈	14,000원
2012-02	북한부패와 인권의 상관성	김수암 외	11,000원

2012-03	보호책임(R2P) 이행에 관한 연구	이규창 외	11,000원
2012-04	EC/EU사례분석을 통한 남북 및 동북아공동체 추진방안: 유럽공동체 형성기를 중심으로	손기웅 외	14,000원
2012-05	김정은체제의 권력엘리트 연구	이교덕 외	13,000원
2012-06	독재정권의 성격과 정치변동: 북한 관련 시사점	박형중 외	11,000원
2012-07	북방삼각관계 변화와 지속: 북한의 균형화 전략을 중심으로	허문영, 유동원, 심승우	10,000원
2012-08	북한 핵문제의 전망과 대응책: 정책결정모델(Decision Making Model)을 이용한 전략 분석	홍우택	8,000원
2012-09	중국의 한반도 관련 정책연구기관 및 전문가 현황분석	전병곤, 양갑웅	6,000원
2012-10	2000년대 대북정책 평가와 정책대안: '동시병행 선순환 모델'의 원칙과 과제	박종철 외	12,500원
2012-11	리더십교체기의 동북아 4국의 국내정치 및 대외정책 변화와 한국의 통일외교 전략	배정호 외	11,500원
2012-12	김정은 정권의 정책전망: 정권 초기의 권력구조와 리더십에 대한 분석을 중심으로	최진욱, 한기범, 장용석	7,500원
2012-13	신정부 '국가전략 DMZ 평화적 이용'	손기웅 외	8,000원

학술회의총서

2010-01	이명박 정부 2년 대북정책 성과 및 향후 추진방향		8,000원
2010-02	독일 통일 20년과 한반도 통일비전		6,000원
2010-03	분단관리에서 통일대비로		5,500원
2010-04	독일 통일 20년과 한국의 통일대비		7,000원
2011-01	한반도 통일비전과 국제협력		4,000원
2011-02	북한인권 실상과 효율적 개입방안		8,500원
2012-01	The Outlook for the North Korean Situation & Prospects for U.S.-ROK Cooperation After the Death of Kim Jong-il		6,000원
2012-02	김정은 체제의 북한 인권문제와 국제협력		19,000원
2012-03	해외 이주·난민 지원제도의 시사점		12,000원

협동연구총서

2010-14-01	북한정보체계 실태조사(총괄보고서)	황병덕 외	12,000원
2010-14-02	북한정보체계 실태조사(上)	황병덕 외	14,000원
2010-14-03	북한정보체계 실태조사(下)	황병덕 외	13,000원
2010-15-01	이명박 정부 외교안보통일정책의 세부 실천방안 (총괄보고서)	여인곤 외	9,000원
2010-15-02	이명박 정부 외교안보통일정책의 추진환경 및 전략과 실천방안	박영호 외	9,500원
2010-15-03	이명박 정부 대북통일정책의 세부실천방안	허문영 외	7,000원
2010-15-04	이명박 정부 외교정책의 세부실천방안(1): 협력 네트워크 외교 분야	남궁영 외	7,500원
2010-15-05	이명박 정부 외교정책의 세부 실천방안(2): 포괄적 실리외교 분야	전재성 외	9,500원

2010-15-06	이명박 정부 안보정책의 세부 실천방안	이수훈 외	7,500원
2010-16-01	북한의 정상국가화 지원방안 연구(총괄보고서)	이교덕 외	7,000원
2010-16-02	북한의 정치부문 정상국가화 지원방안	전현준 외	7,500원
2010-16-03	북한 시장 진화에 관한 복잡계 시뮬레이션	조정아 외	14,000원
2010-16-04	북한의 정상국가화를 위한 국제사회의 지원방안	민병원 외	7,500원
2011-14-01	북한정보관리체계 개선방안(총괄보고서)	황병덕 외	14,500원
2011-14-02	북한정보관리체계 개선방안(상)	황병덕 외	13,000원
2011-14-03	북한정보관리체계 개선방안(중)	황병덕 외	12,000원
2011-14-04	북한정보관리체계 개선방안(하)	황병덕 외	13,500원
2011-15-01	북한 경제발전을 위한 국제협력 프로그램 연구: 국제사회의 경험 분석(총괄보고서)	임강택 외	11,000원
2011-15-02	부패의 개념과 실태 및 반부패 개혁	박형중 외	10,000원
2011-15-03	체제전환국의 시장-민주제도 건설 지원	박영호 외	13,000원
2011-15-04	국제사회의 개발지원전략과 협력체계 연구	장형수 외	9,500원
2011-15-05	수원국의 역량발전을 위한 개발협력전략과 사례연구	이종무 외	9,500원
2011-15-06	인프라 개발을 위한 국제협력 사례와 시사점	이상준 외	9,000원
2012-11-01	북한 경제발전을 위한 국제협력 프로그램 실행방안(총괄보고서)	임강택 외	11,000원
2012-11-02	북한 부패실태와 반부패 전략: 국제협력의 모색	박형중 외	10,000원
2012-11-03	북한 경제발전을 위한 국제협력체계 구축 및 개발지원전략 수립 방안	장형수 외	8,000원
2012-11-04	북한의 역량발전을 위한 국제협력 방안	이종무 외	8,000원
2012-11-05	북한의 인프라 개발을 위한 국제사회 협력 프로그램 추진방안	이상준 외	8,000원
2012-12-01	한반도 통일 공공외교 추진전략() - 공공외교의 이론적 조명과 한반도 주변4국의 對한국 통일 공공외교(총괄보고서)	황병덕 외	13,500원
2012-12-02	공공외교의 이론적 조명과 주변4국의 한반도통일 공공외교 분석틀	김규륜 외	8,500원
2012-12-03	미국의 對한국 통일 공공외교 실태	박영호 외	9,500원
2012-12-04	중국의 對한국 통일 공공외교 실태	이교덕 외	7,500원
2012-12-05	일본의 對한국 통일 공공외교 실태	이진원 외	8,000원
2012-12-06	러시아의 對한국 통일 공공외교 실태	여인곤 외	7,500원

논 총

<i>International Journal of Korean Unification Studies</i> , Vol. 19, No. 1 (2010)	10,000원
통일정책연구, 제19권 2호 (2010)	10,000원
<i>International Journal of Korean Unification Studies</i> , Vol. 19, No. 2 (2010)	10,000원
통일정책연구, 제20권 1호 (2011)	10,000원
<i>International Journal of Korean Unification Studies</i> , Vol. 20, No. 1 (2011)	10,000원
통일정책연구, 제20권 2호 (2011)	10,000원
<i>International Journal of Korean Unification Studies</i> , Vol. 20, No. 2 (2011)	10,000원
통일정책연구, 제21권 1호 (2012)	10,000원
<i>International Journal of Korean Unification Studies</i> , Vol. 21, No. 1 (2012)	10,000원
통일정책연구, 제21권 2호 (2012)	10,000원
<i>International Journal of Korean Unification Studies</i> , Vol. 21, No. 2 (2012)	10,000원

북한인권백서

북한인권백서 2010	박영호 외	10,000원
<i>White Paper on Human Rights in North Korea 2010</i>	박영호 외	20,000원
북한인권백서 2011	김국신 외	17,500원
<i>White Paper on Human Rights in North Korea 2011</i>	김국신 외	17,500원
북한인권백서 2012	김수암 외	19,500원
<i>White Paper on Human Rights in North Korea 2012</i>	손기웅 외	23,500원

기 타

2010	김정일 현지지도 동향 1994-2009		15,000원
2010	21세기 러시아의 국가전략과 한-러 전략적 동반자관계		10,500원
2010	Russian National Strategy and R.O.K.-Russian Strategic Partnership in the 21st Century		13,500원
2010	NPT 체제와 핵안보		13,000원
2010	Nuclear Security 2012: Challenges of Proliferation and Implication for the Korean Peninsula		15,000원
2010	통일 환경 평가(통일대계 연구 2010-01)	박종철 외	18,000원
2010	통일비전 개발(통일대계 연구 2010-02)	조민 외	12,000원
2010	독일의 평화통일과 통일독일 20년 발전상(통일대계 연구 2010-03)	황병덕 외	16,000원
2010	사회주의 체제전환 이후 발전상과 한반도통일-중국, 베트남 및 중동부 유럽 국가들의 사회주의 체제전환 중심(통일대계 연구 2010-04)	황병덕 외	15,000원
2010	전환기의 북한과 통일담론(통일대계 연구 2010-05)	배정호 편저	11,000원
2010	한반도 통일과 주변 4국(통일대계 연구 2010-06)	최진욱 편저	11,000원
2010	Korean Unification and the Neighboring Powers(통일대계 연구 2010-07)	최진욱 편저	13,000원
2011	통일대비를 위한 북한변화 전략(통일대계연구 2011-01-1)	박형중 외	17,000원
2011	북한변화를 위한 한-중 협력방안(통일대계연구 2011-01-2)	임강택 외	6,500원
2011	남북 친화력 확대 방안(통일대계연구 2011-02)	조민 외	6,000원
2011	통일대비를 위한 국내과제(통일대계연구 2011-03)	박종철 외	13,000원
2011	통일외교 과제와 전략(통일대계연구 2011-04)	최진욱 외	13,000원
2011	US-China Relations and Korean Unification(Grand Plan for Korean Unification 2011-05)	최진욱 편저	12,000원
2011	통일 비용·편익 연구의 새로운 접근: 포괄적 연구요소의 도입과 대안의 모색 (통일 비용·편익 종합연구 11-01)	김규륜 외	19,000원
2011	체제전환 비용·편익 사례연구(통일 비용·편익 종합연구 11-02)	조한범 외	10,500원
2011	통일 비용·편익 추계를 위한 북한 공식경제부문의 실태연구 (통일 비용·편익 종합연구 11-03)	임강택 외	9,500원
2011	2011년 통일예측시기구축	박영호, 김형기	8,000원
2011	한반도 통일과 동북아 4국의 입장과 역할	배정호 외	6,500원
2011	Korean Unification and the Positions and Roles of the Four Neighboring Powers	배정호 편	8,000원

2011	중국의 부상에 따른 동북아 전략환경의 변화와 한반도	배정호 편	12,000원
2011	2011 Unification Clock: When will We See a Unified Korea? Park Young-Ho, Kim Hyeong Ki		4,000원
2011	알기쉬운 통일교육 12주제	허문영 외	35,000원
2012	탈북자 관련 국제조약 및 법령	이규창 외	19,500원
2012	북한인권 이해의 새로운 지평	북한인권연구센터 편	20,500원
2012	알기쉬운 통일교육: 해외한인용	허문영 외	30,000원
2012	통일대비를 위한 대북통일정책 모색(통일대계연구 12-01)	박형중 외	15,000원
2012	통일한국에 대한 국제적 우려해소와 편익: 지역 및 주변국 차원 (통일대계연구 12-02)	박종철 외	14,000원
2012	Korean Unification and a New East Asian Order (Grand Plan for Korean Unification 12-03)	최진욱 편저	6,000원
2012	Korean Peninsula Division/Unification: From the International Perspective Kim Kyuryoon, Park Jae-Jeok		13,000원
2012	중국의 국내정치 및 대외정책과 주요 국가들의 대중국 전략	배정호, 구재희 편	22,000원
2012	China's Domestic Politics and Foreign Policies and Major Countries' Strategies toward China Bae Jung-Ho, Ku Jae H.		22,500원
2012	통일 비용·편익의 분석모형 구축(통일 비용·편익 종합연구 2012-1)	김규륜 외	11,500원

연례정세보고서

2010	통일환경 및 남북한 관계 전망: 2010~2011	7,000원
2011	통일환경 및 남북한 관계 전망: 2011~2012	6,000원

통일정세분석

비매품

2010-01	2010년 북한 신년 공동사실 분석	임강택 외
2010-02	북한 최고인민회의 제12기 제2차 회의 결과 분석	최수영
2010-03	김정일 방중과 중국의 전략외교	배정호, 박영호, 전병곤
2010-04	2010상반기 북한정세 분석 보고서	정영태, 이교덕, 최수영, 임순희, 조정아
2010-05	독일통일 20주년 조망: 독일통일이 한반도 통일에 주는 시사점	황병덕
2010-06	야로슬라블 한-러 정상회담 결과 분석	여인곤
2010-07	북한 3대 세습 후계구도 분석 및 정책변화 전망	김진하
2011-01	2011년 북한 신년 공동사실 분석	최진욱 외
2011-02	미·중 정상회담의 의미와 한국의 전략적 고려사항	배정호 외
2011-03	2011년 미·중 정상회담 평가: 동북아 및 한반도에의 함의	황병덕 외
2011-04	2009년 헌법 개정 이후 북한 노동법제 동향	이규창
2011-05	최근 북한 주민의 의식변화와 정책적 시사점	임순희
2011-06	최고인민회의 제12기 제4차 회의 결과 분석	임강택, 최진욱
2011-07	중동 민주화 혁명과 한반도 전략적 함의	배정호, 박영호, 박재석, 이기현
2011-08	북한의 여성권·아동권 관련 법 제정 동향	임순희, 김수암, 이규창
2011-09	상반기 북한정세 분석 보고서	최진욱 외
2012-01	2012년 북한 신년 공동사실 분석	최진욱 외

2012-02	북한의 아동교육권 실태와 관련 법령 제정 동향	임순희, 조정아, 이규창
2012-03	북한 미사일 발사에 대한 국제사회의 대응	배정호 외
2012-04	제4차 당대표자회와 제12기 제5차 최고인민회의 분석	박형중 외
2012-05	최근 국제사회의 북한인권 논의동향	이금순, 한동호

KINU정책연구시리즈

비매출

2010-01	한반도 녹색성장을 위한 남북한 산림협력 법제 개선방안 예비연구	이규창
2010-02	2010년 통일예측시계	박영호 외
2010-03	북한 경제개발계획 수립방안 연구: 베트남 사례를 중심으로	임강택 외
2010-04(III)	접경지역의 평화지대 조성을 통한 남북교류 활성화 방안(III): 정책제안	손기웅 외
2010-04(IV)	접경지역의 평화지대 조성을 통한 남북교류 활성화 방안(IV): 2010년 「코리아 접경포럼」 자료집	손기웅 외
2011-01	재스민혁명의 분석과 북한에 대한 시사점	박종철 외
2011-02	창지투(長吉圖) 선도구와 북한-나선특별시, 러시아 극동지역 간 경제협력 과제	림금숙
2011-03	6자회담과 남북관계: 전망과 대책	박종철 외
2011-04	보호책임(R2P)의 이론 및 실행, 그리고 한반도에의 함의: 리비아 및 코트디부아르 사태를 중심으로	조정현
2011-05	남북러 가스관 사업의 효과, 쟁점, 과제	이윤식
2011-06	DMZ 총람: 개요, 정치·군사적 현황	손기웅 외
2011-07	DMZ 평화적 이용의 국가적 의미	손기웅 외
2012-01	통일재원 마련 및 통일이지 결집 관련 국민의 인식	김규륜, 김형기
2012-02	2012년 상반기, 북한 정책동향 분석: 북한 매체의 논조를 중심으로	박형중 외
2012-03	러시아의 극동개발과 북한 노동자	이영형
2012-04	2012년 상반기, 북한 정책동향 분석: 북한 매체의 논조를 중심으로	박형중 외
2012-04(ㄷ)	러시아의 극동개발과 북한 노동자	이영형
2012-05	2012년 상반기, 북한 정책동향 분석: 북한 매체의 논조를 중심으로	박형중 외

북한인권: 국제사회 동향과 북한의 대응

비매출

2010	북한인권: 국제사회 동향과 북한의 대응, 제5권 1호	김국신, 김영윤, 전현준, 이금순, 이규창
2010	북한인권: 국제사회 동향과 북한의 대응, 제5권 2호	김국신, 전현준, 이금순, 이규창
2011	북한인권: 국제사회 동향과 북한의 대응, 제6권 1호	김수암, 전현준, 이규창
2011	북한인권: 국제사회 동향과 북한의 대응, 제6권 2호	김수암, 김국신, 이규창
2012	북한인권: 국제사회 동향과 북한의 대응, 제7권 1호	손기웅 외
2012	북한인권: 국제사회 동향과 북한의 대응, 제7권 2호	손기웅 외

Study Series

비매출

2010-01	Strategy for Encouraging North Korean Opening: Basic Direction and Sequential Tasks Choi Jin Wook, Lee Kyo Duk, Cho Jeong Ah, Lee Jin Yeong, Cha Moon Seok
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- 2010-02 Unification Clock: Predicting Korean Unification Park Young Ho
- 2011-01 A New Approach to the National Community Unification Formula
 Park Jong Chul, Hong Woo Taek, Lee Kyu Chang, Kim Philo,
 Chun Chae Sung, Cho Seong Ryoul, Hong Ihk Pyo, Hwang Sun Hye
- 2012-01 Study of Disciplinary Problems in the North Korean Army
 Lee Kyo Duk, Chung Kyu Sup
- 2012-02 The Quality of Life of North Korean: Current Status and Understanding
 Kim Soo-Am et al.
- 2012-03 Basic Reading on Korean Unification Huh Moon Young et al.

기 타

비매품

- 2010 2010 Unification Clock: When Will We see a Unified Korea Park Young Ho
- 2010 In Search of New Peace on the Korean Peninsula Kim Kyu-Ryoon

통일연구원 定期會員 가입 안내

통일연구원은 민족공동체 실현을 위한 국민 역량을 축적하고 통일환경 변화에 적극적 주도적으로 대응할 수 있도록 통일문제에 관한 제반 사항을 전문적, 체계적으로 연구하고 있습니다. 본원의 연구성과에 관심이 있는 분들에게 보다 많은 정보와 자료를 제공하고자 연간 회원제를 운영하고 있습니다.

연간 회원에게는 간행물을 우편으로 우송해 드리며 각종 학술회의에 참석할 수 있는 혜택을 드립니다.

1. 회원 구분

- 가) 학생회원: 대학 및 대학원생
- 나) 일반회원: 학계나 사회기관소속 연구종사자
- 다) 기관회원: 학술 및 연구단체 또는 도서관

2. 가입방법

- 가) 「회원 가입신청서」 작성
- 나) 신한은행 140-002-389681(예금주: 통일연구원)으로 계좌입금
- 다) 연회비: 학생회원 7만원, 일반회원 10만원, 기관회원 20만원

3. 회원 특전

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