

60<sup>th</sup> Anniversary Edition

# THE BEST OF FPRI'S ESSAYS ON ASIA

✦ 2005-2015 ✦



FOREIGN POLICY RESEARCH INSTITUTE



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# The Best of FPRI's Essays on Asia, 2005-2015

Asia Program

January 2016

FOREIGN POLICY RESEARCH INSTITUTE

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## About the Foreign Policy Research Institute

The Foreign Policy Research Institute was founded in Philadelphia in 1955 by Robert Strausz-Hupé on the premise that a nation must think before it acts. Thus, FPRI brings the insights of scholarship to bear on the development of policies that advance US national interests. Strausz-Hupé is credited with introducing “geopolitics” into the American vocabulary with the publication in 1942 of his book *Geopolitics: The Struggle for Space and Power*. Simply put, geopolitics offers a perspective on contemporary international affairs that is anchored in the study of history, geography and culture, or, as FPRI’s James Kurth has put it, in the study of the “realities and mentalities of the localities.” Strausz-Hupé embedded that perspective in FPRI and it remains today our method or, to use the contemporary lingo, our “brand.” With the world in such turmoil, that mission and method have never been more needed than they are today.

## About FPRI’s Asia Program

FPRI’s **Asia Program** promotes debate and analysis of important developments in Asia, with an emphasis on East Asia, including China and Taiwan. The program includes four interrelated initiatives: (1) [conferences](#), (2) [educational programs](#) for the public and teachers, and (3) [research and publication](#). We look forward to continued growth in the community of scholars, officials, and concerned public citizens who regularly participate and make vital contributions to our organized activities.

We have always focused on relations among China, Taiwan and the United States, but our program has always recognized the importance of events outside this triangle. As part of our regional studies, our program is also attentive to Japan, Korea, Southeast Asia, and South Asia

*The Best of FPRI’s Essays on Asia, 2005-2015*, which has been compiled in honor of FPRI’s 60<sup>th</sup> Anniversary, is part of a series being produced by each of FPRI’s research programs throughout 2015.

## FOREWORD

*By Jacques deLisle, Director of FPRI's Asia Program*

January 2016

In the sixty years since the founding of the Foreign Policy Research Institute, no region of the world has undergone greater transformation or posed more varied and complex challenges for the foreign policy of the United States than has Asia. In 1955, China was six years past its Civil War and Communist Revolution, still seemingly a durable ally for the U.S.'s Cold War rival, the Soviet Union. The reforms that would transform China into the world's most dynamic economy, a country deeply integrated with the outside world, and an aspiring superpower would not begin for another quarter-century. Japan was only beginning to emerge from wartime devastation, and there were few signs of the East Asian economic model that Japan would pioneer and other states in the region would later adapt with great success, reaching OECD levels of prosperity. Democratization in Korea, Taiwan, Indonesia, and elsewhere in the region would not occur for another three to four decades. India was still reeling from the trauma of partition, its now-consolidated democracy still in its infancy, and the economic reforms that would finally launch the subcontinental state on a path to rapid development were still decades away. The nations of Southeast Asia were newly independent or not yet independent, and the wars in Indochina still lay ahead. The region's most formidable international institution—ASEAN—would not be founded for a decade, and its pivotal role in regional affairs would take years more to emerge. A fraught and fragile peace had only recently been established on the divided Korean peninsula.

Within the past ten to fifteen years (the period that is the focus of this collection), changes in the region and the resulting issues for U.S. foreign policy have been less fundamental than during the entire post-1955 period, but they have been, nonetheless, dramatic for the states affected and challenging for Washington's policies. The selections collected here address major events and trends from these more recent times, grouping them into several thematic categories. The first, and largest, cluster of essays considers the most striking and defining development in Asia in the first part of the twenty-first century and its earlier roots: China's astounding rise as an economic and, in turn, military power, and the sometimes troubling consequences of China's rise for U.S. geostrategic interests, the security of American friends and allies in the region, and values that Washington's foreign policy tries—at least at times—to promote abroad. Essays in this part of the collection provide concise overviews of contemporary China's economy, politics and society, reflect on the failures and prospects of democratic change in China, and address China's national security posture and its implications for U.S. policy. A second section of the collection addresses aspects of a rising

China's relations—primarily security relations—with great powers in its region and beyond, including the U.S., Japan, Russia, and India. The final pair of essays in this second section offers examples of Chinese scholars' perspectives on China's relations with great powers (specifically, the U.S. and Japan).

The third group of essays samples from an area of special strength and focus within FPRI's Asia Program: Taiwan and cross-Strait relations. These selections probe the relationships among Taiwan's domestic democratic politics, Taiwan's relations with the Mainland, and U.S. strategic and values-based interests. The fourth section in this collection turns the focus to regional economic issues, ranging from the aftermath of the Asian Financial Crisis in the late 1990s to the 2015 forging of the U.S.-led Trans-Pacific Partnership agreement and the establishment of the China-led Asian Infrastructure Investment Bank. A fifth section offers a broad overview of regional security issues. A final section further underscores the importance of developments in Asia beyond the rise of China and its impact. Individual selections address India, Southeast Asia, and the Korean Peninsula, as well as a report from the FPRI Asia Program's 2015 annual conference, focusing on subnational and supranational challenges faced by states across the region and the challenges posed for U.S. policy.

The essays in this collection were selected to showcase FPRI writings on the major issues and patterns that have shaped international relations in Asia and U.S. foreign policy toward Asia. They are also meant to illustrate the variety of FPRI outputs, ranging from *Footnotes* that provide overviews of major issues and that can appeal to students as well as specialists and scholars, to *Enotes* that take up more narrow and timely topics in greater depth and with more academic rigor, to Asia Program conference reports that summarize the proceedings of annual gatherings of leading experts on a major topic in Asian affairs and foreign policy, and public remarks by Asia Program-affiliated scholars. The format does not permit inclusion of longer, more scholarly pieces published in *Orbis*, or examples of the many works that FPRI Asia Program scholars publish in non-FPRI venues. The collection consists primarily of work by the Asia Program's core group of most active Senior Fellows, along with examples of works by more occasional contributors.

We hope that this volume of selected essays will give the reader a sense of the range, breadth and quality of the commentary and analysis produced by FPRI's Asia Program. More important, we believe that the pieces collected here will provide insight and guidance to those interested in understanding the challenges of the moment and the underlying trends and enduring patterns that shape international relations in contemporary East Asia and U.S. policies toward the region.

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**PART 1: CHINA'S ASTOUNDING BUT TROUBLED AND  
TROUBLING RISE**

# CHINA'S ECONOMY: PROBLEMS AND PROSPECTS

*By Nicholas R. Lardy*

February 2007

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China's economy today is ten times larger than it was in 1978, and continues to grow at 10 percent per year. By contrast, since 1980, roughly the beginning of economic reform in China, up until 2005 yearend, the economy of Latin America as a whole grew 10 percent not per year, but cumulatively. And in comparison with 28 years of 9-10 percent annual growth in China, the growth of India's economy has accelerated to only 6 percent, and only since 1991. The result is that the Chinese economy is now three times that of India, and the gap is growing.

Two important dimensions of this growth are the emergence of a large middle class and a rising income gap. As an indicator of how a few people in China have become fabulously wealthy, in 2003, worldwide sales of Bentley automobiles were 200; 70 of them were sold in China at price of 2 million rmb, or 250 times average urban income. The U.S. equivalent would be if 200 people bought those cars at \$7.5 million each.

The urban-rural gap was large even in the Maoist era (Mao gave a lot of lip service to promoting the peasants' interests, but most of that era's policies actually favored urban dwellers). The gaps that have increased in the reform period of the last few decades are between the coastal areas and the inland. The coastal areas have done extremely well because of the growing importance of foreign trade; most foreign trade involves production and workers along a narrow strip along the coast, particularly Pearl River Delta and the Yangtze Delta, the area from Shanghai up the Yangtze River and a little bit in the northeast. These areas have been the major participants in international trade, with a big demand for labor, and incomes in those areas have gone up particularly rapidly.

More important is the growing gap between skilled and unskilled workers, even in the urban sector. During the Maoist era, there was a rigid wage structure. The difference between highly paid and relatively low-paid workers was modest. But in the reform period, this wage structure has become marketized, and for people with skills, whether managerial or

engineering or anything in short supply, the price has been bid up dramatically. The unskilled, entry-level wage, on the other hand, has been relatively flat. A lot of people have been able to move in from the countryside, so those wages have been slowly rising, but at nothing like the pace of wages for people with scarce skills.

At the beginning of the reform period China's inequality was substantially less than most countries one would compare it with--India or the East and Southeast Asian countries. Today its degree of income inequality is roughly the same as that in India and certain Latin American countries that are known for a high degree of income inequality.

## **SPECTACULAR GROWTH OF FOREIGN TRADE**

Another important aspect of China's reform period economic performance is its foreign trade. China is now the third-largest global trader. Its total foreign trade volume in 2005 was \$1.4 trillion. In 1978, when reform began, China's total trade was about \$20 billion and it was the 30th-largest global trader. In the first nine months of 2006 its foreign trade was up by an additional 25 percent. In 2007 China will overtake the U.S. in terms of exports, and in 2007 or 2008 China is expected to become the second-largest trading economy.

Another aspect of China's integration into the world economy is large inflows of foreign direct investment (FDI). Its ranking varies year to year, but China has recently ranked from first to third in this. Cumulative FDI into China is about \$650 billion, far more than into any other emerging market economy, some of which opened up to FDI decades before China. Of equal interest, remembering when CNOOC tried to buy Unocal in 2005, Chinese companies are starting to invest outward. The biggest and most notable successful transaction was Lenovo's purchase of IBM's PC business, which vaulted it into the very top ranks of global PC companies. More recently, China is making substantial investments in natural resources abroad, primarily in petroleum but also in iron ore and other minerals and metals that it is importing. It is investing substantial amounts, especially in Latin America, Africa, the Middle East, and some of the Central Asian republics.

In short, China's "global footprint" has expanded dramatically.

## **EXPLANATION OF CHINA'S PERFORMANCE**

First, in the economic domain, China has become predominantly a market-driven economy. This is a substantial change from where it was in 1976, when Mao died. Then, the only evidence of a market was a few vegetable markets. There were a few fruits available on the market in South China, but once you got anywhere north, you could buy no fruit, just local

products. There was no national distribution system. Most consumer goods were still rationed. Urban residents got grain coupons that allowed them to go to a state-controlled market and buy a fixed amount of grain. The coupons were distributed based on the number of household members. One needed coupons for vegetable oil, which was in scarce supply. There were almost no consumer durable goods available. One could buy only a bicycle, and even those were rationed. Even in the industrial sector, in transactions between firms, most goods were allocated through the planning process, with prices set by the State Price Commission in Beijing. That gave the bureaucracy a huge amount of power. Today, virtually everything in China is sold at a market-determined price. Of course, like any other market economy, the prices of utilities--electric power, water, etc.--are set by the regulators.

Second, the markets are very competitive. Having a market may do no good if there's only a single provider of a good or service. Most of the markets are extremely competitive. One reason is the openness of the Chinese economy, the fact that imports are very large relative to the size of the domestic economy. Even in industries with few suppliers, for most buyers, there's always the alternative of importing. So the openness of the Chinese economy has been a discipline on domestic prices, most of which have converged toward international prices as a consequence of the high levels of imports. The value of imports in 2005 was equal to 30 percent of GDP--a very big percent. In Japan, for example, imports equal about 10 percent of GDP; for the U.S., it's something like 17 percent.

Another aspect of openness that creates these competitive domestic markets goes back to FDI. One way to look at this is, how important are the foreign firms in any economy in terms of their contribution to output? In the large manufacturing sector, the foreign companies in China--the joint ventures, the wholly-foreign owned companies, etc.--produce roughly a third of the output. In the EU, where they have been promoting cross-border integration, capital flows, and mergers and acquisitions back to the 1950s, the average industrial output produced by foreign companies is 25 percent. So China is ahead of the EU in the importance of foreign companies producing domestically. For the U.S., the figure is about a fifth. Singapore is higher, but China's is a high share for a large, continental-sized economy.

China's openness means that over time, Chinese companies have had to compete successfully internationally. They are competing not only with imports, but also with foreign firms that have moved their operations to China.

A third growth factor is the high savings rate. In any economy, growth is ultimately determined by two factors: how much it invests and how efficient it is at investing. These govern the productivity gains you achieve over time. China has a very high investment rate. Not just households, but also companies and the government, save a lot. Adding these up, you

get the national savings rate, and China saves about 50 percent of what is produced, the highest of any country in the world. Its rate is almost twice that of India and several times the rate in the U.S. The great majority of these savings is invested; some is used to invest in foreign financial assets. So they are able to build their capital stock.

## **SUSTAINABILITY**

China has already grown more rapidly for a longer period of time than even its most successful East Asian predecessors. First Japan and then Korea and Taiwan grew extremely rapidly in the 1960s and '70s, but China has been growing as rapidly as any of those countries for nearly three decades.

China will increasingly be a market economy. The manufacturing sector is the largest part of the economy, but a large services sector is also being marketized. One thing driving that is that, under its 2001 commitment to come into the World Trade Organization, China agreed to open up its services sector. At the end of 2006, foreign banks were able to compete on an equal basis with domestic banks, and there was increased competition in insurance, securities, asset management, and tele-communications.

We should see more competition and further expansion of the role of international trade. Tariff levels are now extremely low—the average tariff in the Chinese tariff schedule is slightly under 10 percent, and China exempts so many of its imports from actually paying tariffs, much comes in duty free. Actual tariff collections relative to the value of imports are only 2 percent. That contribution of the external sector to competition in the domestic economy will continue, as will the savings rate until about 2015, when China's population is anticipated to begin to age fairly rapidly. If what has happened in most other economies happens there, many people who have been saving a lot will retire and spend down their savings, so even if the savings rate at every age stays the same, the national savings rate will fall.

## **IMPLICATIONS FOR THE U.S., ASIA, AND THE GLOBAL ECONOMY**

China is both a challenge and an opportunity for the world; on balance, the latter outweighs the former.

The challenge for the U.S. is how to deal with rising world economic powers like China and India. Huge pools of skilled labor that have not been participating in the global economy are now entering it. One reason the average wage of hourly workers in the U.S. has not risen over the last decade is the increasing competition in labor-intensive goods from China. Some of the most important products where China has had a profound effect on the global economy are

textiles (16 percent vs. 4.6 percent in 1980), apparel (23 percent vs. 4.0 percent in 1980), footwear (26 percent vs. 1.9 percent in 1980), and toys (27 percent vs. 2.3 percent in 1980). Much of this represents foreign firms that have moved their manufacturing to China. The global center of the toy industry in the 1960s-70s was Hong Kong, but the entire industry moved to China the minute China's economy opened. Shoes were largely made in Taiwan until the 1980s, when Taiwanese firms moved their factories to China. Prices have dropped as China's manufacture share has increased. Now it's not just toys and footwear, but also laptop computers, an interesting recent example. A handful of Taiwanese companies that dominated the manufacture of laptop computers started moving production to China in 2001. By the end of third quarter 2006, the last production line in Taiwan had closed. These Taiwanese companies produce 80 percent of global output of laptops. So right now, 80 percent of global output is made in China.

This yields downward price pressure. The same is true for apparel, which has seen downward wage pressure. This is the biggest challenge China's rise poses, and contributes to the rising U.S income inequality.

The opportunity is a market for our high value-added exports like semiconductors and Boeing airplanes. All the high value-added parts of the laptop, for instance, are produced outside of China. China is the world's largest importer of semiconductors and microprocessors--of the total global semiconductor output in 2005, about 60 percent were sold to China. Most of these go into cell phones, DVD players, laptops, etc. These products are then shipped back to Europe and the U.S. Hard disk drives, operating systems, even computer cases are typically imported into China.

China is an important export market for countries like Singapore, Malaysia, and Taiwan. It is the largest trading partner for virtually every country in the Asian region, and also a huge importer of agricultural products such as soybeans, giving countries like Brazil huge trade surpluses with China. Over the past five years China has contributed enormously to the demand for commodities. Its increased consumption of things like nickel, copper, and aluminum over the past five years accounts for 95-100 percent of increased global demand; for petroleum, it's 45 percent, for iron ore, 50 percent.

China is now the fourth largest U.S. export market. The U.S. sold to China in 2005 nine times more than in 1990. Meanwhile, in the second-fastest growing U.S. export market, Mexico, exports are only roughly quadruple what they were in 1990, despite NAFTA. Exports to Japan are up only 15 percent since 1990, and were lower in 2005 than they were in 1996.

The bottom line is that China has the potential to continue to grow for the next 5-10 years, with complicated implications. We need to enforce China's WTO commitments and enhance its role in those international bodies that promote cooperation in international economic policy issues.

# FROM MAO TO DENG AND BEYOND: THE FAT OF POLICY OSCILLATIONS IN THE QUEST FOR A “HARMONIOUS SOCIETY”

*by Melanie Manion*

February 2007

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Perhaps the phrase that best characterizes the Maoist era is “never forget class struggle.” By contrast, the mantra that the Communist Party has endorsed most recently, “harmonious society,” is distinctly unMaoist, even somewhat Confucian: It is a long way from class struggle to harmonious society. The easiest organizational framework for considering this span of political history is by leadership chronology: to define a Maoist and a post-Mao era. This is a crude but useful framework. Certainly, most of the Maoist era was characterized by the personal dominance of Mao over policy and politics and the ideological dominance of Mao Zedong Thought. The post-Mao era begins, not in 1976, with the death of Mao, but at the end of 1978, with the Party’s official rejection of Mao and Maoism.

## POLICY OSCILLATIONS

What this framework ignores are the significant policy oscillations within the Maoist era. More than anything else, that era is characterized by these policy oscillations from “left” to “right,” from “control” to “liberalization,” from the reach for a “communist utopia” to a more pragmatic focus on “economic growth.” Policy oscillations are major, usually sudden, shifts in economic and political orientation. Why were they so extreme? Are they different now from the Maoist era? If so, are the changes self-sustaining?

Mao’s successors have officially and publicly rejected most of the premises, strategies, and outcomes of Mao’s revolution, essentially declaring it a failure. They define their current quest mainly in pragmatic economic terms, rather than utopian ideological terms. They identify economic growth as the nation’s highest priority and the communist Party’s main assignment. To achieve economic growth, the party-state has largely retreated from thirty years of direct



administration of the economy. Openly acknowledging the superiority of the capitalist experience, Chinese reformers are promoting a “socialist market economy,” with a place for foreign investors, private entrepreneurs, and stock markets. More than anything else, Chinese leaders have staked their legitimacy on the performance of this new economy.

China has thoroughly abandoned the strictures of communist ideology, has experienced an awesome economic revolution, and is taking its place as an important world power. Yet, China has experienced no second political revolution. Today, it is a strong communist party-state. Chinese policymakers have promoted limited liberalization, sometimes as an antidote to corruption at the grassroots. While they have opened up political processes to more diversified inputs, they have also firmly suppressed organized challenges to the Party.

Moreover, despite the official rhetoric, a “harmonious society” seems to be an ever more distant goal. Meeting with President Bush in late 2005, Chinese President Hu Jintao frankly acknowledged that problems of political corruption, rural unrest, a growing wealth gap, and severe pollution consume nearly all his time.<sup>1</sup>

Some of these problems represent new policy challenges for Chinese leaders; others are not new, but their magnitude and impact have only recently been understood. The new and ongoing policy challenges arise very significantly from China’s economic successes in the past quarter-century. How will Chinese leaders address these new challenges: incrementally or boldly? What lessons have been learned from the past? In particular, is the pattern of extreme policy oscillations that characterized the Maoist era truly over? To begin with, why were policy oscillations so extreme? This question asks us to reflect on how power is organized.

## POLICYMAKING

First, in formal organization, there is a tremendous concentration of decisionmaking power at the top of the Chinese political system, in fewer than a dozen leaders on the Politburo Standing Committee. The Party is organized hierarchically and dominates governance in organizations and localities from top to bottom. In the Maoist era, Mao himself dominated decisionmaking: when other leaders and formal policymaking bodies decided in ways he did not support, Mao was able to invoke his cult of personality, control of the army, and historically “best guesses” to outmaneuver his colleagues, often with end-runs around formal organizations and procedures. This was evident in the rapid pace of agricultural collectivization after 1955, the radicalization of the Great Leap Forward after the Lushan Plenum in 1959, and destruction of the CCP in the Cultural Revolution.

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<sup>1</sup> Joseph Kahn, “In Candor From China, Efforts to Ease Anxiety,” *New York Times*, April 17, 2006.

This concentration of power produces a lack of open debate on policies and a smaller pool of ideas. Under Mao, his ideas could supersede all others. It is easier in such contexts to adopt extreme policies: there is less need to negotiate compromises. It is also easier to implement extreme policies when competition among ideas is smothered.

Today, power is no longer as concentrated as in the Maoist era or even under Deng Xiaoping in the post-Mao era. Economic power has been significantly decentralized. Politically, the cult of personality has been officially repudiated and collective leadership promoted. Neither Hu Jintao nor Wen Jiabao have the stature of a Mao or a Deng. In policymaking, central agencies rely on their own think tanks as well as research institutes outside the Party and government. Businesses, including foreign businesses, regularly lobby government departments about laws and regulations that affect their bottom line. There is greater transparency in policymaking. Of course, mass media openness has been severely curtailed in recent years, and this is unlikely to improve—at least until after the 17th Party Congress in fall 2007 or the Olympics in 2008. Still, the media is not the slavish Party instrument of the Maoist era.

This suggests that policy decisions will be more incremental than in the Maoist era: power is relatively less concentrated, debate is more open, and more players are involved in the debate. The impact of policy decisions made in Beijing are also likely to diminish in implementation due to greater decentralization of state power.

## **POLICY IMPLEMENTATION**

Secondly, Maoist-era policy implementation took the form of mass mobilization campaigns. Policy became a test of political correctness, especially in “leftist” periods. This campaign style leads to exaggerated responses at lower levels by officials and activists who seek to get along and ahead in the windows of rapid promotion opportunity provided by campaigns. This was perhaps most evident in the disastrous Great Leap Forward.

In campaigns, involvement is essentially obligatory. Officials and ordinary Chinese are expected to demonstrate their support for policy behaviorally. For officials, their performance is judged not by a constituency below of the mass public but by leaders above, who will determine their promotion. For ordinary Chinese, not only is it risky to be against policy, but it is risky to be passive.

The pressure to demonstrate political correctness when policy implementation is a campaign leads to “overfulfillment” of policy targets in the form of extreme responses.

Post-Mao leaders have explicitly and officially repudiated the Great Leap Forward, the Cultural Revolution, and the campaign style of implementation more generally. Indeed, post-Mao leaders have reason to fear unleashing mass emotions, as they no longer have the normative power to control them and a reliance on blunt coercive power is costly to regime legitimacy.

## CHANNELS OF MOBILITY

Finally, in the Maoist era, the CCP was the only viable channel of upward mobility. This includes not only explicitly political mobility but also getting along and ahead as an intellectual, as an enterprise manager, even as an ordinary worker. This was an additional incentive for demonstrating political correctness whenever the opportunity arises.

In recent decades, new paths of upward mobility have emerged. These include higher education in the West and the accumulation of personal wealth through private entrepreneurship. Indeed, these can also be paths upward in political careers: in recent years, CCP recruitment has favored intellectuals and private entrepreneurs.

## IMPLICATIONS

All this suggests that policy shifts in the future, as in recent decades, are likely to be less extreme and more incremental. If we think of policy as a pendulum, the range of movement in the post-Mao era is narrower than before. Not only is the range of movement of the policy pendulum narrower, but also the entire pendulum movement has shifted to the right—that is, away from “communist utopia” and within a range of policies that are all essentially pragmatically oriented toward economic growth. In the Maoist era, when confronted with ambiguity about policy signals from the center, the guiding principle for officials and ordinary Chinese was “better left than right,” that is, a “leftist” error is safer than a “rightist” one. In the post-Mao era, this is no longer a sensible calculus.

China today, relative to the Maoist era, is quite far away from the “leftist” utopian vision. It is firmly anchored in its focus on economic growth. Obviously, if the point of departure is the status quo and we accept the argument that future pendulum swings are likely to continue to be incremental, not extreme, then incremental movements left and right are possible.

Yet, it is difficult to imagine a movement very far toward a leftist utopian vision, despite the growing discontent over income inequality and official corruption. It is not difficult to imagine proactive and perhaps even bold policy responses to a less fearful and more confident society

by a less confident leadership than in the Maoist era. This is the core of today's mantra to "build a harmonious society." It is an era away from the Maoist mantra of "never forget class struggle."

# UNDERSTANDING CHINESE SOCIETY

*By Thomas B. Gold*

April 2011

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*[http://www.fpri.org/education/1103china\\_india/](http://www.fpri.org/education/1103china_india/)*

There is a curse attributed to an ancient Chinese philosopher which goes, “may you live in interesting times.” (I learned recently that this curse was likely made up by an unknown foreigner and not a Chinese after all.) Yet, as I prepared this presentation about Chinese society, I could not help keeping my eyes on the unfolding political events in the Middle East, and North Africa as well as post-earthquake/tsunami/nuclear disaster Japan, and asking questions at the very root of Sociology: what makes social order possible? How do societies hold together, if they do, in the face of inconceivable and unprecedented breaches of their accustomed ways of doing things? How do the leaders of these societies think about and try to plan for, to quote a popular business book, “Black Swans” – highly improbable events?

So I thought I would start this presentation on “understanding Chinese society” with an exercise of trying to put myself in the shoes of China’s leaders, who just completed two big political meetings—the National People’s Congress and Chinese People’s Political Consultative Conference—where they defined how they see themselves and the tasks ahead. They, too, were also observing and analyzing the turmoil in the Middle East, North Africa and Japan while keeping an eye on their own rapidly changing society.

What conceptual tools do China’s leaders draw on to understand their own society? I see three main components:

The first is the Chinese tradition, which is both this-worldly and practical. There are two streams of note. One is Confucianism which stresses the middle way, harmonious society, knowing one's role in society and performing it well, hierarchy, mobility through education and self-cultivation, and enlightened officials who also serve as moral exemplars. The other, harder, stream is Legalism, where the ruler relies on severe laws and harsh punishments to maintain power and order. There is no idea of an impersonal legal system or concept of everyone being equal before the law.

The second component is a Leninist one-party dictatorship. This is not just a typical military strong-man dictatorship, but is a system led by the Chinese Communist Party, (in theory) a disciplined, centralized and enlightened (through the study of Marx, Lenin, and Mao) vanguard committed to leading the masses to socialism and then communism.

Third, the leaders see China as a developing country with a large rural population, much of which is still poor and concerned with ensuring the basic necessities of life. In this view, "human rights" means food, shelter, clothing, a job and health care.

So putting this together, as China's leaders see it, theirs is a large, populous developing society without a tradition of Western-style democracy, but rather a population which requires and looks to a strong central authority to provide order, set an example, and take care of their basic needs.

As they look around the world, what do they see?

They see the former socialist bloc which experienced state and economic collapse, where the communist parties lost power. The parties lost legitimacy and were undermined by the rise of civil society from below, as well as contagion and interference from the West. They now see long-time dictatorships in the Middle East and North Africa being overthrown by mass movements (the "Jasmine Revolution") led by youth using the Internet and social networks. It is the twenty-first century version of the movements which brought down communism in Eastern Europe (and almost China) from 1989 to 1991.

What lessons do they draw from this? They cannot lose legitimacy; they cannot permit their people to organize outside Communist Party control, especially using the new tools of telecommunications. They must demonstrate the Party's commitment to modernization, an improving standard of living and effective leadership. Besides words, they need to keep the economy growing to provide jobs and incomes so people will be busy working and consuming to improve their material lives, and have no interest in—or time for—politics. They have to control the Internet and other sources of information about the turmoil going on outside. And

finally, they must not allow the growth of social forces outside Party control which might challenge its monopoly on political power.

At the March 2011 meeting of the National People's Congress, the chairman of the Standing Committee, Wu Bangguo, stated: "On the basis of China's conditions, we've made a solemn declaration that we'll not employ a system of multiple parties holding office in rotation." He ruled out the possibility of separating executive, legislative and judicial powers, adopting a bicameral or federal system. "If we waver, the achievements thus far in development will be lost and it is possible the country could sink into the abyss of internal disorder."

Outsiders do not often realize or fully appreciate that China is far from monolithic and, with the rapid economic development of the past 30 years, has become an increasingly complex and difficult society to manage.

There are many forms of inequality and diversity. To tick off a list:

- Geography: China is huge with a wide range of climate and topographical conditions.
- Natural Resource Endowment, especially as regards water (the North is dry, the South is wet) and the presence of valued minerals, many of which are deep in the interior regions.
- Levels of Development, particularly between the coastal areas and the interior.
- Urban, suburban and rural residence. The hukou system still provides advantages to those with official urban residence permits.
- Income and wealth as a result of the reforms. Much of this has derived from corruption. You see conspicuous consumption at the same time as beggars living on the streets, even in the frigid Beijing winters.
- Guanxi (connections) to powerful officials and families, as well as connections to the outside world.
- Links to modern technology, such as the Internet and cell phones.
- Real and virtual links to the outside world.
- Age: This is more than just a "generation gap," because of the dramatic lurches and shifts in development strategies since 1949. Different age cohorts have been raised with different sets of tools and expectations. People in their 50s and above expected the Communist Party to take care of them while younger groups have been raised to be entrepreneurial and take initiative. Many older people have had trouble adapting to the new society's norms and engaged in noisy protests in the early 2000s.

Many of these forms of inequality intersect, with ethnicity and gender being prime axes.

The Chinese government no longer tries to homogenize the population but to “harmonize” what it acknowledges are differing and legitimate interests. However, “harmony” has become code for old-fashioned suppression of perceived challenges, and, in popular cynical parlance, to “be harmonized” means to be subject to coercion. The leaders, especially with the events of early 2011, have become particularly concerned with order and not letting what outsiders see as minor protests spiral out of control.

Another important area of diversity in Chinese society is ethnicity. Officially, there are 56 ethnic groups, with the Han comprising 92 percent of the population. The other 55 groups vary widely by their numbers, standard of living, physical and cultural (such as language and religious) similarity to the Han, geographical location (such as remote areas or close to cities), whether or not they have cross-border brethren (such as ethnic groups in Central Asian countries as well as China; Mongols, Koreans, many of the groups in the Southern border regions); whether or not they are part of global diasporas (such as Koreans and Tibetans), and whether or not there is a strong separatist movement among them, in particular, the Tibetans and Uighurs who also enjoy a degree of international support.

March 2011 marked the fifty-second anniversary of the Tibetan uprising against Chinese rule and the flight of the fourteenth Dalai Lama to India, and the third anniversary of violent and violently suppressed demonstrations in Tibet against what many see as harsh Chinese rule. This also includes what is seen by some as a strategy by the Han to encourage Han migration into Tibet so that the Tibetans and their culture will be increasingly marginalized and rendered powerless. This happened in Inner Mongolia and is occurring in Xinjiang. The new Beijing-Lhasa railroad is seen by some as an instrument to speed up this process as well as to facilitate the extraction and removal of valuable resources from Tibet and the movement of troops in.

At the March 2011 meeting of the Tibetan parliament-in-exile in Dharamsala, India, the Dalai Lama announced that he would relinquish his political role while retaining his spiritual one. He planned to pass the political role to a new leader to be elected at the conference. He has tried to build effective institutions to survive after he has gone. He also declared that he might break with the traditional lengthy process of selecting a new Dalai Lama through reincarnation. The Chinese leadership said this was all a trick by the Dalai Lama to install someone while he is still alive to prevent Beijing from managing the succession, as it did in 1995 with the second most powerful figure of Tibetan Buddhism, the Panchen Lama. Bizarrely, the atheistic communist government has declared that the new Dalai Lama must be identified through traditional reincarnation, which they hope to manage.



There is a very active Tibetan diaspora, and the Dalai Lama, winner of the 1989 Nobel Peace Prize, is an internationally revered figure, which puts the Beijing leaders in a very difficult spot as they continue to condemn him.

Another notable minority nationality is the Uighurs, one of several Turkic Muslim groups in far west Xinjiang, the area of the Silk Road. They do not have a charismatic leader on the order of the Dalai Lama but there is a foreign-based independence movement. The Chinese have made efforts to connect this with fundamentalist Islamic terrorism, and some Uighurs were captured in Afghanistan and remanded to the U.S. prison in Guantanamo. There has been sporadic violence in Xinjiang as well, with July 2009 witnessing a particularly bloody episode.

Finally, turning to education, this has traditionally been seen as a route to upward mobility in China, with no barriers to students of any age who work diligently. From the dynasties through the present, China's education system has been based on rote memorization and regurgitation of approved texts. During the Cultural Revolution (1966-1976) the education system became a literal and figurative battleground, and intellectuals were violently persecuted. With the adoption of the Four Modernizations at the end of 1978 as the guiding strategy for development, education received new emphasis and investment as the third priority after agriculture and industry, but before national defense.

China now has nine years of compulsory free education. However, this has not yet become universal and there remain problems of funding, particularly in the rural areas where officials charge illegal fees. The system has become increasingly stratified, with key schools at every level offering superior facilities. The government has dramatically expanded higher education and many universities, and some high schools, have links and exchanges with institutions abroad and are beginning to offer programs in English to attract foreign degree-seeking students.

While education provides a channel for mobility, the same sorts of inequality found elsewhere also exist in China. Students from families possessing more wealth and income, are able to provide better nutrition and health care, an environment for study, tutors, extracurricular enrichment activities, access to the Internet, foreign contacts and even study abroad, which all serve to reinforce existing inequalities. None of this is unique to China.

While Chinese students score extremely high on standardized tests and are doing well enough to test into top universities abroad, there is great concern that the traditional pedagogy—stressing memorization and teaching to the test—is not producing the kind of innovative and creative graduates able to lead China's economy into the top ranks. There are now problems

of tightening labor markets even for college graduates in China. This has resulted in the so called “ant tribe” of job seekers. There are an estimated 100,000 of them in Beijing alone.

In conclusion, China is a diverse society characterized by increasing complexity and dynamic change. It is in the process of a difficult and dangerous transition with no clear end point or guidelines. The leadership watches the events unfolding in other countries with which they share many characteristics, and are concerned to maintain control and order, even if this attracts condemnation from abroad.

# WHAT'S HAPPENED TO DEMOCRACY IN CHINA?: ELECTIONS, LAW AND POLITICAL REFORM

## *Conference Report*

May 2010

*The following account is based on a panel discussion FPRI co-sponsored with the University of Pennsylvania Law School and the University of Pennsylvania Center for East Asian Studies in May 2009 and follow-up discussions among several of the panel participants in China in March 2010, supplemented by publicly available sources. Participants included Li Fan<sup>2</sup>, director of the World and China Institute, a Chinese NGO that focuses on elections and political reform, Jiang Shan, an independent candidate in the 2006 Shenzhen Local People's Congress elections, Qiu Jiajun, a researcher at the Election and People's Congress Study Center, Fudan University (China's only academic center dedicated to studying elections), and Zhou Meiyuan, a professional staff member in the Minhang District People's Congress, Shanghai, Amy Gadsden, FPRI Senior Fellow and Associate Dean and Executive Director of International Programs at the University of Pennsylvania Law School, and Jacques deLisle.*

## ELECTIONS WITH CHINESE CHARACTERISTICS

Since the beginning of the post-Mao Reform Era at the end of the 1970s, China has put in place, and revised, legal rules and practices for elections to People's Congresses, the representative organs in the Chinese state that exist in a tiered structure from sub-county to national levels.<sup>3</sup> Throughout the period, and despite some broad cross-national similarities and some fluctuations in Chinese practice, the PRC's system has consistently differed in fundamental ways from elections in the U.S. and other liberal democracies. Indeed, China's top leaders, including President and Chinese Communist Party General Secretary Hu Jintao and Premier Wen Jiabao, have declared that Western-style democracy is unsuited to China.

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<sup>2</sup> Some of the issues discussed here are also addressed in Li Fan, "Is Chinese Democracy Sustainable," *International Journal* (Spring 2006), pp. 359-370.

<sup>3</sup> Since the middle 1980s, China has also established a regime for elections at the village level in the countryside. While these village elections are for positions that do affect governance in rural areas, they are formally outside the state structure (being for posts that are formally below the most local level organs of government) and are beyond the scope of the matters addressed here. The principal law on village elections was adopted in a trial form in 1987, in a more permanent version in 1998, and has been undergoing an amendment process in parallel with that which produced the 2010 changes to the law on People's Congress elections that are a focus here.

Direct elections for representatives occur only at the county and township level People's Congresses. Indirect elections being the rule for the Provincial People's Congresses and the National People's Congress (NPC).

For the direct elections to the lower-level bodies, Chinese authorities stress near-universal participation—something which has long been a feature of elections in communist systems. Legally, all adult citizens are eligible voters, with the exception of those formally deprived of political rights (a sanction that is sometimes imposed as part of a criminal sentence) or judged psychologically unfit to vote. Prior to each election, the registration group within each election committee (the state organ that oversees all phases of the electoral process at each level) attempts to achieve compulsory registration, with the goal of signing up over 95% of eligible voters. Although official sources often declare success, the actual rates are usually much lower, with some informed assessments estimating between 40% and 50%.

Eligibility to run for deputy is in principle very broad, but in practice significantly narrower. In county and township People's Congress elections, any registered voter found mentally fit by the election committee is legally eligible to pursue candidacy. Ten or more voters have the right to nominate a candidate. In reality, voters' choices are much more constrained. Election committees often play significant roles as gatekeepers (as is illustrated by the county-level contests discussed below) and the Chinese Communist Party (CCP) Committee makes most nominations.

Procedures for delimiting electoral constituencies and conducting elections are complex and opaque. These features raise additional concerns about the degree of connection between electorates' preferences and electoral outcomes. Voters can be divided into constituencies based on many demographic factors—rural or urban residence, work unit, other living conditions, and so on. Districts also may be represented by one, two or three deputies. Chinese election rules include dozens of bases for delineating constituencies.

Voting and counting procedures have raised concerns among observers and critics as well. Voters can cast their ballots in person at fixed or mobile polling station or, for voters absent from their home districts, through a designated proxy. Use of a secret ballot has not been strictly required in practice, notwithstanding a longstanding mandate in the election law. Counting of ballots often occurs with little meaningful oversight and no independent review. After the votes are tallied, the election committee often announces only the winning candidates' names. Vote totals and percentages are not consistently disclosed.

This low level of transparency in elections and high degree of control by the CCP and election committees are among the indications that democratic reforms in China have remained

limited, even for very low-level organs, despite the universal implementation of direct elections for Local People's Congresses. A full assessment of the state of electoral reform, and its implications for democratic reform, requires more systematic scholarly and empirical research on the conduct of local People's Congress elections, as well as the indirect elections for Provincial People's Congress and NPC deputies and the selection of other government officials.

## **INDEPENDENT CANDIDATES: A GLASS HALF-FULL OR HALF-EMPTY?**

A hopeful, but mixed, development has been the efforts of independent candidates in recent Local People's Congress elections. Although such candidates often faced significant hardships and insuperable impediments and their efforts drew little media attention, the Local People's Congress elections in 2006-2007, and the foundations laid in earlier elections, were significant milestones that could point to further progress.

The first Local People's Congress elections conducted under the then-newly-in-force Election Law for the Local People's Congresses brought forth an unexpected surge of independent candidates, especially in constituencies that were based in universities and, in a few cases, factories. The most prominent among these candidates for the 1980 elections were inspired by, and embraced, ideas then circulating among the Democracy Wall-sparked pro-democracy movement. Amid untested and relatively liberal rules for candidate nominations and campaign activities and under procedural rules that held out the possibility of several rounds of run-off elections to yield a 50% share for winners, candidates taking heterodox stands made remarkable headway.

At Peking University, philosophy graduate student and free-speech advocate Hu Ping prevailed in an election where he and other independent student candidates (including Wang Juntao, later sentenced to a lengthy prison term for his role in the 1989 Tiananmen Movement) grappled over issues ranging from political reform proposals floated by Party insiders to radically democratizing alternatives that would have transformed the system. Similarly yeasty contests occurred at Hunan Teachers College in Changsha (where candidate Liang Heng later penned a political autobiography) and on other campuses and in industrial enterprises. Authorities denied Hu a seat and intervened earlier in the process to scuttle the electoral fortunes of Liang and like-minded candidates at his school and elsewhere. Such openness did not recur during the ensuing period.

An early breakthrough in the more recent period occurred in 1998, when Yao Lifa (who had run and lost, amid opposition from his state employers and local authorities, in 1987, 1990 and 1993) became the first independent candidate elected to a municipal-level People's Congress,

winning a seat in Qianjiang, Hubei. His victory and subsequent advocacy for local people's rights, questioning of government policies and pressing of pro-democracy agendas that ran counter to established Party policy attracted much attention across the province and beyond. When the next round of Local People's Congress elections was held in 2003, the number of independent candidates sharply increased. Nearly 100 ran in Shenzhen, Beijing and urban areas in Hubei. While most lost to CCP-nominated rivals, a small minority won.

The success of Yao Lifa in 1998 and the 2003 upsurge in independent candidates, and modest increase in victorious independent candidates, led to high expectations among some advocates and scholars that the 2006 election would bring further change, backed by purported central government support for ongoing democratic reforms in Local People's Congress elections. Although available data makes a precise count impossible, independent candidacies apparently did increase significantly for the 2006 round of elections. Many tens of thousands of independent candidates ran in both rural and urban elections around the country, from city districts in Beijing to the countryside in Shanxi and Chongqing.

Once again, however, independent candidates did not gain many seats. Local officials dimmed independent candidates' prospects through a variety of means. They used their considerable discretion to gerrymander constituencies in ways adverse to non-establishment candidates. They also kept independent candidates from appearing on ballots by invalidating their registrations or intimidating them and their nominators and supporters. The NPC and the CCP Propaganda Department adopted measures banning media reports on local elections and forbidding neutral and expert observers from actively monitoring elections. Many official pronouncements denounced the wave of independent candidacies, accusing the banned Falun Gong movement and other "hostile forces" of attempting to use the local elections to usurp Party control. In some cases, the authorities' control over proxy voting and mobile ballot boxes prompted charges of manipulation and fraud. In the end, only a handful of independent candidates were declared victors in the 2006 elections.

A few cases illustrate the nascent democratic potential and persisting severe limits of elections during this period. Lu Banglie, a peasant from Hubei province, had been drawn to politics when the local government continued to extract the then-heavy tax levies on farmers in his area in the wake of a severe, impoverishing drought. He soon became an ardent advocate for greater democracy at the village level (including that promised, but often not implemented, in laws and official policies), popular knowledge of legal rights, and transparency of local

finance—positions that reportedly prompted a severe beating at the instigation of local authorities.<sup>4</sup>

Lu was one of the few independent candidates who won in the 2003 elections, having been elected to the Zhijiang City People’s Congress. During his tenure, Lu became a prominent figure in the controversy over the internationally famous efforts by residents of Taishi village, Guangdong province, to oust—through petitions and escalating protests—a leader they complained was corrupt. In an incident that generated much coverage at home and abroad and a sharp dispute between the U.K’s Guardian newspaper and official Chinese media, a British journalist who traveled with Lu to Taishi reported that Lu was severely beaten by thugs, seemingly at the instigation of local authorities, and Chinese reports countered with claims that the violence had been greatly exaggerated and Lu’s and the reporter’s unlawful attempt to enter the area had triggered the confrontation.<sup>5</sup>

In the run-up to the 2006 elections, Lu also planned to popularize among his constituents knowledge of new, more poor-peasant national policies on rural affairs. The local authorities in Zhijiang appeared resolutely determined to prevent Lu’s reelection. Lu managed to raise roughly 7000 RMB for his reelection campaign, a respectable sum (a little over US\$1000) given his meager income. But the local Party reportedly spent nearly 1.5 million RMB opposing him. In addition, the local government offered inducements to voters, for example, promising them healthcare access, improved public works and other subsidies on the understood condition that they spurn Lu. There were also widespread reports of police and other official and quasi-official intimidation of voters; threats, beating and detention of the candidate himself; and a variety of efforts to impede Lu’s and voters’ access to one another. Unsurprisingly, Lu lost his bid for reelection.

Yao Lifa, who had lost his bid for reelection in 2003 in the face of what he and his supporters characterized as an unfair election and amid determined opposition from local authorities (and who had become a prominent advocate for democratic reform and publicly backed the Taishi villagers), ran again and lost again in 2006. In the 2006 campaign, he and his helpers and followers faced recurrent harassment and brief detentions by the police, a determination that Yao’s initial home constituency must be represented by a woman, scurrilous rumors about Yao that appeared to come from local officials and bans on campaign activities that the

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<sup>4</sup> Lu’s earlier career was not discussed at the panel and discussions that are recounted here. For an account of these issues, see Manfred Elfstrom, “The Saga of a Rural Reformer,” *China Elections and Governance* (March 10, 2005).

<sup>5</sup> See, for example, Jonathan Watts, “Chinese Activist Vows to Continue, Despite Beating,” *The Guardian*, October 12, 2005; Benjamin Joffe-Walt, “They Beat Him until He was Lifeless,” *The Guardian*, October 10, 2005; “The True Story about Taishi Village Incident,” *China Daily*, October 21, 2005; “Guardian Admits Taishi Reporting False,” *China Daily*, October 18, 2005.

candidate and his backers insisted conformed to the law. Yao also saw the 2006 book recounting his experiences as an independent member of the People's Congress banned shortly after publication.<sup>6</sup>

Another notable candidacy is that of Jiang Shan, an information technology professional who moved to Shenzhen, the city neighboring Hong Kong, in 1997. After purchasing an apartment in 2003, Jiang began to pay attention to property right issues. He realized how often the rights of residents were undermined by real estate and development companies in the rapidly changing city that had been a largely rural area in 1979 when central authorities designated it as one of China's initial four Special Economic Zones and launched its meteoric growth.

Beginning around 2003, residents in Jiang's part of Shenzhen tried several approaches to assert and restore their property rights, including organizing themselves into a residents' group, filing complaints with the government, hiring a lawyer to bring an administrative litigation suit, and appealing to the media. None of these efforts, some of which Jiang helped lead, succeeded. Against this background of frustration, Jiang decided to run as an independent candidate in the Shenzhen Municipal People's Congress elections. As Jiang saw it, the People's Congress had the power, at least in principle, to address the residents' problems: according to the PRC Constitution and a series of formally empowering revisions to the organic law for People's Congresses, the People's Congress at each level is superior to, and has the authority to supervise, the government and the courts—the state organs that had failed to provide residents with the redress they had sought.

Jiang began his campaign by trying to mobilize area residents through writing letters, sending text messages, distributing cards, and hanging banners. His efforts were met with formidable resistance from local authorities. His banners were taken down within a half hour. The district constituency lines were drawn to pit Jiang against the head of the Shenzhen Municipal Transportation Company, a state-linked enterprise with 4000 workers who were registered in the district and pressured to vote for their boss. Jiang was even rebuffed initially in his effort to register to vote. The purported lack of voting qualifications and other grounds were variously proffered to deny Jiang's quest for candidacy. Only after Jiang appealed to the local court did the election committee acknowledge that Jiang was qualified to run. On election day, his name did not appear on the ballot. Jiang thus depended on a write-in campaign for the votes (well short of what he needed to prevail) that he ultimately received.

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<sup>6</sup> Yao's 2006 campaign was not a focus of the panel discussion. It has been extensively covered in the media and is discussed, along with independent candidacies in 2003 and 2006 more generally, in He Junzhi, "Independent Candidates in China's Local People's Congresses," *Journal of Contemporary China*, vol. 19, no. 64 (2010) pp. 311-333.



Such cases illustrate some of the many ways local power holders can impede independent candidates, undermine the formal democratic promise of the Local People's Congress election laws, and sustain the fundamental features of the preexisting regime of elections with Chinese characteristics.

## THE ARC OF ELECTION LAW REFORM

The legal rules that govern local-level People's Congress elections in China have changed repeatedly, sometimes in ways that have increased the challenges facing independent candidates. Their reform in a more democratic direction has been and remains a necessary, but not sufficient, condition for democratic change. The PRC's first election law was put in place in 1954, five years after the founding of the new regime. A superseding law governing elections to People's Congresses was, along with an "organic" law defining the powers of the sub-national congresses, among the first seven basic laws of the Reform Era, adopted in July 1979. The election law has undergone five rounds of amendment, some in tandem with reforms to the organic law for the People's Congresses, the most recent at the March 2010 NPC meeting.

The first amendments, adopted in 1982, responded to the strikingly open and contested elections and successes of independent candidates in the 1980 round of elections. The revisions reduced the threshold for victory in run-off elections to 33% of votes cast, cutting back on the multiple-round elections and accompanying extended campaigns by independent candidates that could occur under a system that had required the victor to receive 50% of the votes cast in an election with at least 50% turnout. The changes also assigned to election committees the role of briefing voters on candidates and to nominating groups the role of introducing candidates to voters at group meetings—functions the candidates largely had taken into their own hands at open and often-raucous gatherings in 1980 under a provision that permitted the use of unspecified "various methods to publicize" candidates.

In 1986, a second set of amendments required larger groups for initial nomination of candidates, reduced the minimum number of candidates required (from 3/2 to 4/3 of the number of deputies to be elected), and eliminated primary elections in favor of giving the election committees the winnowing powers, to be exercised "on the basis of the opinions of the majority of voters." This change helped reduce the number of candidates (and especially non-establishment ones), which had remained high in elections conducted under the law, as revised in 1982.

In 1995, a third round of amendments adopted much more elaborate rules to determine the number of deputies in various People's Congresses and made modest adjustments to the rules governing run-off elections for Local People's Congresses. Paralleling the 1986 and 1995

revisions to the election laws, two rounds of extensive amendments to the organic laws for People's Congresses elaborated and arguably extended such bodies' powers to oversee government officials and courts, to conduct issue-focused investigations and to make laws suited to local conditions. They also clarified and enhanced the powers, and specified means for the selection, of chairmen and other top leaders within each People's Congress.

A fourth amendment package in 2004 reestablished a limited primary system, one in which, unlike under the system introduced in 1979, a primary would be conducted only if election committee-organized "discussion and consultation" among voter groups—a process in which authorities could play an influential role—failed to narrow the list. Another provision revisited the question of candidates' question-and-answer sessions with voters (which had been a target of the 1982 amendments to the original law). The new provision authorized such meetings, but largely at the discretion of the election committee, which "may" arrange them. The revised system contemplated group sessions with all candidates and did not allow candidates to campaign individually or to organize rallies or meetings on their own. Another change specifically declared invalid electoral victories obtained through bribery.

The fifth set of amendments, adopted in March 2010, were comparatively high-profile and wide-ranging. Primary among the issues addressed was inequality of representation in People's Congresses, especially severe underrepresentation of the electorate living in the countryside. This concern had been developing as a part of the reform agenda for several years. A foundation for change was laid in 2007, when the 17th National Congress of the CCP endorsed a call to move gradually to equalize representation of urban dwellers and rural residents. In late 2008 and early 2009, the NPC's Standing Committee included relevant revisions to the election law in its legislative plan. This agenda for reforming representation received a boost from the April 2009 National Human Rights Action Plan, which included among its many commitments improvement of democracy and citizens' civil and political rights, including citizens' "orderly" participation in political affairs, in part through revisions to the People's Congress election law that tracked some of the key amendments adopted in March 2010. In late 2009, the NPC Standing Committee deliberated on draft amendments, leading to adoption of the final version during the March 2010 NPC plenary session.

The 2010 amendments provide for equal representation of citizens, regardless of rural or urban status. This alters the "4:1" rule that previously had mandated constituencies for deputies representing rural residents be four times larger in population than constituencies for deputies representing urban residents.<sup>7</sup> In practice, the ratio in many areas was much higher.

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<sup>7</sup> The legislative provisions were more precise for representation in the NPC, with ratios falling from 8:1 in the original 1979 law to 4:1 with the 1995 amendments, with a parallel but less steep decline from less skewed baselines for Provincial People's Congresses.

Proportions as high as 40:1 had become common, and in some cases reached extremes of 100:1 or even 1000:1.

In addition to equalizing per capita representation of rural and urban residents, the amendments address other aspects of perceived underrepresentation with an expanded endorsement of a different type of departure from one-person one-vote norms. The revised law directs measures to assure appropriate (that is, generally higher) numbers of representatives who are members of groups with comparatively few deputies in all levels of People's Congresses. These groups include ethnic minorities, women, Chinese returned from overseas and members of other "social sectors" and "grassroots" groups (including especially the previously unaddressed categories of workers, farmers and intellectuals) and residents of some regions (specifically, thinly populated administrative units).

The 2010 amendments also address existing laws and practices that critics have seen as giving voters too few opportunities to see and question candidates face-to-face. The revised law replaces the former language permitting election committees to organize such meetings with affirmative calls for election committees to arrange such sessions and for candidates to participate in them.

A significant portion of the amendments add sections that formally clarify and seemingly pledge to regularize election committee's functions and responsibilities (such as determining electoral districts, registering voters, screening candidates, running elections, counting ballots and declaring winners) and to increase the accountability of these powerful and frequently criticized bodies (by placing them more clearly under the direction and control of People's Congresses' Standing Committees).

Another change addresses, and arguably mandates greater equality among, the roles of the Party and other institutions and groups in nominating candidates. The change limits each nominating group to a number of candidates no larger than the number of deputies to be elected in the constituency and imposes equal information disclosure requirements, and consequences for false disclosure, on all types of candidates.

Still other revisions concern protection of voters rights, including clearer and more detailed provisions that apparently promise easier access to voting opportunities, greater regularity of ballot-casting procedures, stronger rules for secret balloting, and sterner measures to supervise elections and prohibit and punish activities (including violence, corruption, bias and misinformation) that can subvert or disrupt elections.

## **DEVILISH DETAILS AND DIFFICULT IMPLEMENTATION**

Reformers, observers and critics point to shortcomings and uncertainties that remain in the election law that emerged from the 2010 amendment process and its likely consequences in practice. The equalization of rural and urban constituencies is not as significant a reform as it may appear. The revised law does not mandate immediate or highly specific change. Procedurally, it directs equalizing reforms to be undertaken prospectively by the Standing Committee of the People's Congress of the next higher level above each level at which each People's Congress elections occur. Substantively, the amended law provides that reforms be undertaken "in light of specific local circumstances."

As official sources themselves note, the mandate to equalize representation merely reflects the law catching up with demographic changes. The long-standing goal of assuring that urbanites enjoy majority representation no longer requires unbalanced constituency sizes. The officially sanctioned ratio of urban to rural deputies not falling below 1:1 can now be achieved through equal representation because China's population has moved from being nearly 90% rural in the early 1950s when a skewed ratio was first adopted to still nearly 80% rural when the Reform-Era election law was first adopted to a 70:30 ratio at the time of the 1995 amendments, to a current population distribution that is roughly half urban and half rural.

More fundamentally, more rural deputies will not necessarily mean more peasants, or reliable representatives of peasant interests, in People's Congresses. A large portion of deputies representing rural areas are now, and are likely to remain, local cadres and village officials who are long removed from ordinary peasant life and closely tied to higher levels of the Party and state. Roughly half of the representatives in county-level People's Congresses are cadres and three-quarters or more of all People's Congress deputies are CCP members. The rotten borough-correcting reforms are not expected to change radically this pattern or to trigger redress of the skewing of government-provided benefits to urban residents.

Moreover, the 2010 election law reforms did not tackle the problem that many tens of millions of people who remain formally rural residents, and thus could represent (as well as vote in) rural constituencies, are long-time urbanites. Those drafting the election law pointedly did not tackle this question, postponing it until legal and policy changes achieve further resolution of China's evolving and nettlesome hukou or "household registry" system. While the hukou no longer binds Chinese serf-like to their home localities, changing one's hukou remains sufficiently troublesome and, in various ways, costly that inconsistency between formal registration and residential reality is severe and widespread.

The efficacy and impact of amendments calling for more deputies drawn from the ranks of underrepresented groups are similarly problematic. Here as well, the substantive and

procedural commitments are loose, mandating gradual increases to reach “appropriate” numbers or leaving the details largely to the discretion of local People’s Congresses to adjust in light of “local circumstances.” With respect to some of the underrepresented groups, as with rural residents, formal categorization may not track social reality.

The provision for fixing what critics see as inadequate opportunities for in-person exchanges between voters and constituents does not unambiguously require, and thus is far from certain to produce, significant change. The earlier law had provided that election committees “can” or “may” (keyi) organize face-to-face meetings, something they did sparingly at best.

The provision on candidate-public meetings adopted in 2010 states that election committees “should” or, on a stronger reading, “shall” organize such meetings. The drafters here used a chronically murky Chinese term—yinggai—that cannot be fully translated as either “shall” or “should” and that has bedeviled legal translators and lawyers dealing with the many Chinese laws in which it appears. On any reading, the directive in the 2010 amendment is a relatively weak one (compared to, say, a mandate that election committees “must” arrange such meetings) and is correspondingly less likely to be followed by a sharp reduction in nonconforming behavior. Even the strongest reading of the revised article stops short of promising rights to relatively unfettered campaigning.

Other new rules concerning the roles of election committees at all stages from registration to vote counting and the rules on nominating candidates are potentially double-edged swords. They arguably reinforce the formidable authority of election committees and push Party committees and local authorities to be more effective and efficient in nominating candidates. Much the same can be said about a provision that purports to protect voters by mandating exposure, by the election committee, of candidates who provide “false” personal information. The revised law also remains disconcertingly ambiguous on important procedural issues, including qualification of voters, nomination of candidates, counting of ballots, resolution of electoral disputes, and voting by proxy. Of particular concern is the failure to adopt clearer rules on election procedures and stronger means for verifying adherence to proper procedures, leaving too many opportunities for manipulation. Some see these omissions as showing a continued lack of effective legal protections for citizens’ rights to vote and run for office.

In addition, provisions in the amended law that promise to improve elections face significant risk of unsatisfactory implementation. The phenomenon is widely acknowledged as a widespread and serious one for Chinese laws. Poor implementation is especially pronounced where a law threatens entrenched local power-holders, as some provisions in the revised election law can. Past implementation difficulties with the laws governing local People’s Congresses are tacitly acknowledged in the content of many of the procedural, institutional

and sanction-mandating components of the 2010 amendments and in authoritative official commentaries on the need for those amendments.

Finally, critics and observers also point to elements in post-amendment electoral law that, by design or in practice, will continue to restrict the openness and competitiveness of elections. These can help sustain a system in which deputies at all levels of People's Congresses are more likely to be unable or unfit to perform functions that many democratic systems expect of lawmakers and representatives. In this respect, the remarks by NPC Chairman Wu Bangguo and NPC Standing Committee Legislative Affairs Commission Deputy Director Li Fei seemed telling. At the NPC session that adopted the 2010 electoral law changes, and echoing broader rejections of foreign liberal-democratic models by other top leaders, Wang stressed that China would never “copy” Western-style democratic systems and Li pointedly criticized Western-style elections as “a game for the rich” that leads to dominance by a moneyed minority.

## NEEDS AND PROSPECTS FOR FURTHER REFORM

Although advocates for democratic reform generally see the fifth round of amendments to the People's Congress election law as a move in the right direction, they see it is a small and slow step in a long journey on which short, medium and long term objectives will require significant additional changes.

In the short term, better protection of Chinese citizens' political rights is the most immediate concern. Formal equalization of rural and urban representation and other 2010 reforms to the law on the books are positive and necessary changes. But a sensible near-term agenda would focus on full implementation of those promises and pursue further reforms to effectuate constitutional principles of equal franchise and to strengthen and clarify election procedures and election law enforcement—tasks that the 2010 reforms left undone.

In the medium-term, the size of People's Congresses needs to be limited if they are to function as effective deliberative bodies. The problem is most severe in the NPC, where the deputies number three thousand. In so large a body (and one that is so rarely in session), the legally weighty rights and responsibilities of individual deputies have little practical significance in lawmaking practices. Legislative work is inevitably left largely to the NPC Standing Committee and other NPC committees and staff, with much influence from institutions outside the NPC.

Although lower-level People's Congresses are less unwieldy bodies, they do share some of the same problematic traits. On this issue, provisions in the 2010 electoral law reforms raising the size limits for some local People's Congresses, and prior amendments to the organic law for

People's Congresses expanding the powers of standing committees, chairmen and vice chairmen, are causes for some concern.

In the long run, perhaps nothing less than a redefinition of basic principles and structures of Chinese election law will suffice to deliver citizens' democratic rights. Such reforms might include a government body that manages and supervises elections in a neutral way, election procedures that meet international standards for freedom and fairness, candidate selection mechanisms that facilitate genuinely competitive contests, and an independent judiciary to adjudicate claims of election law violations.

Prospects for such reforms depend partly on social pressures to undertake them. Demand among ordinary citizens for political participation has grown markedly in recent years, especially among young college-educated urbanites. This group, which has fielded an outsized share of the independent candidates in several rounds of Local People's Congress elections, can be expected to remain politically interested and active for decades. So far, the regime has shown little interest in reforming political institutions to accommodate this changing social landscape.

The channels for meaningful influence, accordingly, remain few and narrow. The CCP wields great influence but remains closed to many heterodox ideas. Direct elections, sometimes genuinely contested and contentious ones, are held for village and neighborhood committees, but the positions bring little influence and few opportunities for advancement to more significant political posts. Independent candidacies for Local People's Congress thus remain arguably the most meaningful institutionalized channel for autonomous political influence. Yet authorities have been resistant to seeing it flourish, as is reflected in the reaction to electoral wins by independent candidates such as Yao Lifa and Lu Banglie and the prospect of victories by others, such as Jiang Shan. Still, the Chinese regime remains adaptable and resilient. If political participation and social demand for such participation increasingly outstrips the capacity of existing political institutions, there is reason to hope that the official response will be stronger, more accommodating institutionalization rather than risky and possibly futile attempts to suppress social demands and stifle forces for change.

Ongoing developments portend growing demand for political participation and thus may brighten prospects for democratic reforms. After three decades of change unleashed by reformist economic policies and despite the absence of a robust top-down program of political reform, the relative power of state and society has been changing in China. Although the current alignment remains strongly tilted in favor of the state (and Party), the balance is shifting slowly but significantly. Although many proponents of a bigger society and smaller state understandably view the fate of independent candidates in the 2006 elections as

disheartening, the number of people seeking to run and the support they garnered against daunting odds and formidable pressures are promising signs of what may follow. So too is the emergent call to increase the share of People's Congress deputies who are lawyers and, thus, presumably or at least hopefully more skilled in making laws and more committed to rule of law values.

Beyond the local elections for representative bodies, there are other indicia of growing political participation and the rising power of society. Intraparty democracy—broadening the range of views represented within the CCP—has been limited in design and practice and partly cooptative, but it is a form of broadened representation of social interests in political institutions that wield power. Local level movements and reforms to improve the quality and transparency of governance are one example. Another is the emergence of local government budgeting processes that include sustained consultation with residents or public hearings or, at least, much greater transparency. Especially in more wealthy areas, this has come partly in response to a rising sense among citizens that the money in the budget is theirs, not the state's, and that too much of it is being spent wastefully or for the benefit of the well-connected or on low-priority projects. Still another example is the rise of the rights protection (*weiquan*) movement, spearheaded by public interest and public-spirited lawyers who bring cases to vindicate ordinary citizens' rights, often when those rights are imperiled by state action. Much farther down this path might lay movement toward full-fledged democratic elections.

Underpinning such changes and pressures for further change are several broader and likely enduring social and economic trends:

- (1) Groups that are already highly interested in autonomous political participation—including relatively young college-degree-holding city-dwellers—are growing comparatively rapidly as urbanization, post-secondary education and per capita incomes rise.
- (2) More broadly, as more Chinese own property, operate private enterprises and work in professional jobs, they will seek and expect ever-greater opportunities for political participation, including in the form of selecting People's Congress deputies, at least to the extent that such bodies come to wield real power over important matters such as government budgets. This general pattern has been common internationally, and there is little evidence that China will be a singular outlier.
- (3) Reform in China also has meant opening to influences from the outside world, including those relevant to political change. Global norms and pressures for democratization helped foster democratic reforms in Hong Kong and Taiwan and have brought greater pressure on China to accept the International Covenant on



Civil and Political Rights and international human rights more broadly, including democratic rights.

Such trends and forces favoring democratic change in China have not reached the threshold of triggering major systemic reform. How they will play out and how PRC authorities at various levels will respond to them remain unknown and, indeed, unknowable. Their connections to the current state of election laws and practices for Local People's Congresses are complicated and perhaps ambivalent. Such elections may be the tip of the iceberg of irresistible forces for democratic change or, less hopefully, the canary in the coal mine should PRC authorities opt for suppression over accommodation.

# IN CHINA: “A PEACEFUL DEMOCRATIC TRANSITION?”

*By Arthur Waldron*

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Nothing appears by accident in the *Global Times*, Beijing’s mass-circulation tabloid owned by the People’s Daily and run by the Communist Party. So I was astonished to read there, in an editorial feature this past March 9, the following sentence: “The West has never thought that China will have a ‘peaceful democratic transition,” [西方從未想過中國將有’ 和平的民主過度].

Even a year ago such words would have been grounds for firing or worse. Yet there they were; they had passed through layers of editors and censors, and their meaning was unmistakable.

How to explain them? I think this sentence is one of the now regular but inconspicuous clues scattered in the media as to where China’s new and energetic President Xi Jinping 習近平 (1953-) seeks to take his country.

The article appeared in response to a piece by an American China specialist long known for his highly favorable views of Chinese communism but now suddenly turned pessimistic, foreseeing chaos ahead [[David Shambaugh, “The Coming Chinese Crackup, Wall Street Journal, March 6](#)]. The essay seems deeply to have insulted the Chinese authorities.

Why? As the Chinese author sees it, by insisting that the his people cannot rule themselves, but instead require the strong hand of dictatorship, with chaos as the only alternative, the regime's most reliable American apologists are in fact suggesting that somehow, by nature or culture, the Chinese are simply unfit for or incapable of the sort of peaceful change that in 1994, for instance, saw Nelson Mandela (1918-2013) elected president in previously apartheid South Africa.

“No,” the newspaper is saying: “Americans, please realize that Chinese are not natural slaves and that we can and will change if necessary as many other countries have done.”

An unprecedentedly fierce attack on corruption even at the highest levels has so far been the hallmark of President Xi's administration: He has put one corrupt official after another behind bars—“tigers” they are called in Chinese, laohu 老虎. An example is Zhou Yongkang 周永康 (1942-), who among other things, is the controller of the whole national secret police and security apparatus. All have been so long in office as to have seemed permanent fixtures of the regime, having limitless power—and also fortunes, some in the billions of US dollars—at least partly secreted outside China.

Attacking such “tigers” head-on as Xi is doing is an enormous risk. He understands better than anyone that if they should somehow band together, they can easily topple him. Rumor has it that Xi has already survived six assassination attempts.

Nothing, however, unifies these “tigers” except individual greed. They have no ideology; if anything they are rivals. Furthermore, ordinary Chinese people are thrilled to see notorious criminal officials brought down. This writer's observation is that the general Chinese community has not been so interested in politics since the 1980s, before their dreams of democracy drowned in the blood of the June 4, 1989 Tiananmen massacre. That Xi is playing a very dangerous high-stakes game cannot be denied. If it breaks against him and he is deposed, then China will almost certainly face chaos and internal conflict.

Suppose Xi succeeds, however? Some of his statements about rule of law, following the constitution, and so forth suggest that at a minimum he is aiming to make China what the Germans call a Rechtsstaat—not a democracy, but a polity ruled fairly, by laws. That is certainly conceivable.

Like Mikhail Gorbachev (1931-) Xi perhaps also believes that Communism *can* work if purified. Should he reach the rule of law stage, however, he will discover that is not the case, as Gorbachev did. Without intending to, the last Soviet ruler built the legal and constitutional

fire-escape that allowed the Soviet people not to rebuild communism, but rather to file safely out before it collapsed on them. If things break his way, and the rule of the “tigers” is ended, Xi could well do the same for China.

Or even more. Perhaps it is as a signal of the ultimate goal that we should read that phrase, in an official communist newspaper, about China having “a peaceful democratic transition.” Certainly the words were printed intentionally and chosen to convey some meaning. What else, realistically, could that meaning be?

# CHINA'S XI JINPING: HAWK OR REFORMER?

*By June Teufel Dreyer*

December 1, 2013

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As the heir-apparent to succeed Hu Jintao as leader of the Chinese Communist Party (CCP) and state, there was much speculation on what policies he would pursue. Generally speaking, these fell into two broad categories, not necessarily mutually exclusive:

- Xi the liberal reformer
- Xi's good connections with the People's Liberation Army

With regard to the first, the media made much of his return visit to a farm in Iowa---he had been a junior official, albeit a rising star during his earlier visit in 1985. In the interim, his former hosts had moved to Florida, but returned specifically for the occasion. The couple enthusiastically recounted how impressed they had been with Xi's interest in Iowa's hog and cattle operations, and with the huge size of the area's corn and soybean fields. The *Washington Post* commented that "love is in the air,"<sup>8</sup> and a foreign policy specialist opined that the new leader showed a familiarity with the United States that stretched straight into the heartland.<sup>9</sup> Perhaps, they speculated, the hardships of Xi's life as a sent-down youth during the Cultural Revolution from 1969-1975 had helped shape these insights. Moreover, Xi had sent his daughter to study at Harvard. Surely this new leader, who cheerfully ate his breakfast with fork and spoon because his host had no chopsticks, would be the Western-oriented reformer that the U.S. had been anticipating ever since the "Eight Immortals" emerged from the ruins of the democracy movement of 1989.

As for the military, it was pointed out that although Xi had never seen active duty himself, he had military connections through those of his father, revolutionary leader Xi Zhongxun, and

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<sup>8</sup> William Wan, "Xi Jinping Visits Iowa, Where the Diplomatic Equivalent of Love is in the Air," *Washington Post*, February 15, 2012. [http://articles.washingtonpost.com/2012-02-15/world/35444345\\_1\\_sarah-lande-xi-asian-american](http://articles.washingtonpost.com/2012-02-15/world/35444345_1_sarah-lande-xi-asian-american).

<sup>9</sup> David Shorr of the Stanley Foundation, cited in David Pitt, "Why is China's Xi Jinping Going to Iowa?," *Christian Science Monitor*, February 15, 2012. <http://www.csmonitor.com/USA/Latest-News-Wires/2012/0215/Why-is-China-s-Xi-Jinping-going-to-Iowa>.

had served as personal secretary to then-secretary of defense Geng Biao. His wife, Peng Liyuan, holds the rank of major general in the People's Liberation Army (PLA), albeit as a result of her singing ability rather than combat service. Additionally, when the Xi family was rehabilitated after the Cultural Revolution, they moved back into the privileged enclave of Zhongnanhai, where Jinping socialized with other princelings who became high-ranking officers in the PLA. Since the party's top-ranking position of CCP General Secretary entails chairmanship of the party and state's Central Military Commission, it was believed that Xi would be able to utilize his military connections to ensure rapport with the PLA. The high command had initially regarded the first general secretary to lack military credentials, Jiang Zemin, with some skepticism. However, after increasing the number of billets for full generals, raising military pay, and a series of visits to military units in jungles and frigid borderlands, he managed to ingratiate himself with them thereafter, to the extent that the high command would have been happy to have Jiang stay beyond his normal term; Jiang's successor, Hu Jintao, never managed to achieve this degree of support.

The issue of civil-military connections in China has itself been a topic of speculation for some years. Deng Xiaoping's personally chosen successor, Hu Yaobang, was never appointed head of the CMC, presumably because the PLA objected to his lack of military service. A few years later, during the 1989 democracy demonstrations at Tiananmen and over a hundred other cities in the PRC, the military, or certain segments thereof, had been reluctant to move against the demonstrators, with officers declaring that the people's army should not be used against the people, even after the Politburo had declared martial law in Beijing. To the extent that they could be identified, these officers were purged during the conservative backlash that followed the demonstrations, and the entire army was not only required to take an oath of loyalty to the CCP but subjected to months of study sessions to internalize the message that the party's commands were to be obeyed unquestioningly. At least to external appearances, this seemed to have solved the problem: the party had reasserted its primacy over the gun.

Gradually, voices that were different in tone and nature emerged from military men.<sup>10</sup> One of the first and more prominent was the publication in 1999 of a book by two senior colonels entitled *Unrestricted Warfare*, carrying the imprimatur of the PLA's Literature and Arts Publishing House in Beijing.<sup>11</sup> The authors argued, albeit erroneously, that, since the rules of war had been devised by Western countries to benefit themselves and China had had no part in doing so, the PRC need not feel bound by them. Hence it could use whatever means were available to defeat the enemy, including terrorism and climate alternation, which would result in massive civilian casualties. Responding to foreign concern about what this meant for the

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<sup>10</sup> Although women comprise about ten percent of the PLA, all the dissonant voices so far have been male.

<sup>11</sup> Qiao Liang and Wang XIangsui, *Unrestricted Warfare* (Beijing: PLA Literature and Arts Publishing House, February 1999) English translation available at <http://cryptome.org/cuw.zip>

future direction of Chinese strategy, spokespersons replied that the authors spoke only for themselves.

This explanation became standard, even as it was noticed that more and more officers seemed to be speaking for themselves. American officers reported that their opposite numbers in the PLA had become increasingly outspoken in regional fora, even upstaging civilian leaders therein.<sup>12</sup> In an article published in the party-affiliated *Global Times*, and featured prominently in the Indian media, Major General Luo Yuan, then deputy secretary of the Academy of Military Sciences, called on the Chinese government to take a more aggressive line in its foreign policy as well as recover territory “looted by neighbors”, adding that the neighboring area was not peaceful, and that China faced “outside threats.” His article appeared just before then-premier Wen Jiabao’s 2010 visit to India, and was noticeably at variance with Wen’s words on the peaceful nature of Sino-Indian ties. A rear admiral, Yin Zhuo, stated that China should play an active role in the North Pole. Senior Colonel Liu Mingfu, a professor at the PLA’s National Defense University, published *The China Dream*, in which he argued that China should replace the United States as the world’s premier military power. Among his plans to implement the dream were multiple aircraft carriers and other advanced weapons. The book quickly became a best seller.

At the end of the year, London’s *Financial Times* reported that Beijing had recently silenced several military officers who had “raised hackles” earlier in the year with belligerent comments, citing U.S. Joint Chiefs of Staff head Admiral Mike Mullen’s comment that attention had “gone from curious about where China is headed to being concerned about it.”<sup>13</sup>

The above concern words only, albeit words that would result in dismissal of serving officers in most other militaries. In terms of deeds, there are other indications of possible divergent views as well. In 2004, a PLA submarine transited Japanese territorial waters submerged which, according to the PRC’s territorial sea statute, is forbidden in its own waters without express permission of the government.. Tokyo’s protest was initially met with silence. After five days, it received a formal apology: the submarine had “accidentally strayed...for technical reasons” while on routine maneuvers. A leading specialist in maritime law concluded that the naval leadership may have “been acting on its own initiative to make an independent point

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<sup>12</sup> Author’s conversations at PACOM, Honolulu, in February 2011. To be sure, civilian leaders also seemed to be taking a more hardline stance internationally, as evidenced by Xi Jinping’s comments in Mexico and Pyongyang in 2010 and then-foreign minister Yang Jiechi’s belligerent comments in an ASEAN forum and in negotiations with his Japanese counterpart, also in 2010.

<sup>13</sup> *Financial Times*, December 17, 2010.

with Japan, (and possibly to other organs of the PRC government as well.)<sup>14</sup> He considered the Chinese government's explanation implausible.<sup>15</sup>

In 2007, the destruction of a satellite by a ground-launched missile---a technological achievement that one might expect the PRC media to announce with great pride--- remained unreported until announced in the U.S. magazine *Aviation Week and Space Technology*. When asked about the test, the Chinese spokesperson replied that he knew nothing about it. Acknowledgement came only twelve days later, with few details proffered.<sup>16</sup> Precisely three years later, the PLA air force conducted the first test flight of a stealth fighter only hours before America's then-defense secretary Bob Gates was to meet with Party General Secretary Hu Jintao to smooth over tense relations ahead of Hu's planned trip to Washington. When Gates inquired why this was done, Hu replied that he had no knowledge of the test, thus reinforcing suspicions that elements within the PLA were trying to push their government in a more belligerent direction.<sup>17</sup>

There are other explanations for the events mentioned above. It has been pointed out that some of the people making bellicose statements are retired and others do not hold command positions. It is also possible that the civilian and military leaderships have orchestrated a good cop-bad cop routine in which the latter can argue to foreign negotiators that the other country should agree to its self-described reasonable conditions or face a harder-line from the group that would presumably succeed it in power.

Alternatively, there could be hard-line and softer line groups in both the civilian and military leaderships who are contending with each other for primacy in policy-making. Though scarcely the norm, softer-line PLA voices are occasionally heard. For example, Major General Liu Yazhou, writing in the Hong Kong magazine *Phoenix* stated that China's rise depends on adopting America's system of government rather than by challenging US presence off the PRC's eastern coast.<sup>18</sup> Liu opined that the alternative could be Soviet-style collapse. And, finally, although it hardly shows the Chinese leadership in a better light, Hu Jintao could have

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<sup>14</sup> Peter Dutton, "Scouting, Signaling, and Gatekeeping," (Newport, R.I.: *U.S. Naval War College China Maritime Studies*, No. 2, February 2009) pp. 15-16.

<sup>15</sup> *Ibid.*, p. 17.

<sup>16</sup> Stephanie C. Lieggi, "Space Arms Race: China's ASAT Test a Wake-up Call," *Center for Nonproliferation Studies*, January 24, 2007. <http://cns.miis.edu/stories/070124.htm>

<sup>17</sup> Jeremy Page and Julian Barnes, "China Showing Its Growing Might: Stealth Jet Upstages Gates, Hu," *Wall Street Journal*, January 12, 2011. <http://online.wsj.com/news/articles/SB10001424052748704428004576075042571461586>

<sup>18</sup> John Garnaut, "China Must Reform or Die," *Sydney Morning Herald*, Aug 12 2010 <http://www.smh.com.au/world/china-must-reform-or-die-20100811-11zxd.html>



been lying to Gates: he did have prior knowledge of the test. Certainly large numbers of ordinary Chinese did, judging from the hundreds of internet pictures showing the reviewing stand being constructed and crowds assembling at the test site.

Hence Xi Jinping's formal anointment to the Chinese party, state, and military offices was accompanied by much speculation about how he would handle civil-military relations. Certain of Xi's past statements might indicate that, contrary to the predictions of Western media that he would be a reformer, Xi leaned toward a harder line. Travelling to Pyongyang in 2008, Xi infuriated South Koreans by hailing Sino-North Korean cooperation in the 1950 Korean war as a glorious page in their history. While visiting Mexico in 2009, he spoke forcefully about "bored foreigners with full stomachs who have nothing better to do than point fingers at [China]." Apparently considered unfit for consumption, the speech was deleted from PRC websites and news reports.<sup>19</sup>

Immediately after the 18th Party Congress, Xi began a series of military inspection tours. By contrast, his predecessor had taken longer to do so, possibly being inhibited from doing so because his own predecessor, Jiang Zemin, held on to the office of Central Military Commission head for two more years. In any case, Xinhua reported that Xi visited the Guangzhou Military Theater and Guangzhou Military Region in December 2012, which included a well-publicized inspection of the South Sea Fleet's Haikou destroyer. In February 2013, Xi was reported in northwest China visiting an unnamed air force test training base in Lanzhou Military Region and an inspection of the Jiuquan Satellite Launch Center.

Xi had also directed specific attention to the widely known but sensitive topic of military corruption. Immediately after assuming office in November, he stressed the importance of "effectively strengthening anti-corruption army building," and called on senior military officials to take a firm stand against it.<sup>20</sup> Lest this be construed as empty ritualism, a month later the CMC issued ten regulations that included restricting military banquets, and barring CMC officials from staying in luxury rooms at civilian hotels while on inspection tours.<sup>21</sup> In a spring 2013 follow-up, high-level military cadres were forbidden to travel for sight-seeing, receive gifts, attend banquets or "meddle in sensitive army affairs."<sup>22</sup> Although there is no guarantee that these directives will be obeyed, the new CMC chair has made his intent unusually clear.

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<sup>19</sup> Malcolm Moore, "China's Next Leader in Hardline Rant," *The Telegraph* (London), February 16, 2009.

<http://www.telegraph.co.uk/news/worldnews/asia/china/4637039/Chinas-next-leader-in-hardline-rant.html>

<sup>20</sup> *Xinhua*, November 17, 2012.

<sup>21</sup> *Xinhua Wang*, December 21, 2012.

<sup>22</sup> *Xinhua Wang*, April 21, 2013.

Xi's speech at the March 2013 conference that formalized his appointment as the PRC's president proclaimed his commitment to the China dream, which he linked to the rejuvenation of the Chinese nation. The military newspaper reacted with fulsome praise, saying his words were "like seeing a ship's mast in the sea, like seeing the radiant sun rise in the east...[It is] the dogma of my belief, the cosmic truth...Belief is like water that carried the ship; belief is like wind that sustains the wings."<sup>23</sup> The extreme phraseology drew derisive comments from critics, with one pointing out that *Renmin Ribao*, the paper of the party's Central Committee, had a decade before ranked the concept of cosmic truth as one of ten characteristics of the evil cults that the PRC had banned. By contrast, Liu Mingfu expressed great pleasure in Xi's enunciation of the China dream. He, however, was more explicit than Xi in stating that rejuvenation meant being the premier global power.<sup>24</sup> When Xi visited with U.S. President Barack Obama at Sunnylands, however, he equated the Chinese dream with the American dream, thereby taking a different line than *Renmin Ribao*, which explicitly said that they were not the same. According to the paper, the goal of the Chinese people is to create prosperity for the entire nation while Americans focus only on individual wealth. And whereas Chinese depend solely on their own strength, Americans exploit the resources of other nations. This created further confusion, with netizens trading satirical comments on the dream including a clever cartoon that showed Xi sleeping, surrounded by an enormous crowd of citizens puzzling over what he was dreaming.

On the eve of the PLA's national day, Xi took another step in asserting his control over the military, appointing six new generals<sup>25</sup> and, a few days later, ten more.<sup>26</sup> Little doubt exists that Xi does control the military. Hence its actions presumably conform to his policies. Outspoken statements by military leaders continue: Rear Admiral Yang Yi stating, for example, that Japan must accept China's rising naval power.<sup>27</sup> Many of the more hawkish military figures like Dai Xu and Luo Yuan maintain blogs that have thousands of followers, though many of these may be reading for the entertainment value of the posts rather than because they espouse the writers' sentiments. General Liu Yazhou, who had previously called for reform, called for the development of innovative ways to guard against hostile Western

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<sup>23</sup> *Jiefang Junbao* cited in *Xinhua Wang* May 22, 2013. [http://news.xinhuanet.com/mil/2013-05/22/c\\_124744959.htm](http://news.xinhuanet.com/mil/2013-05/22/c_124744959.htm)

<sup>24</sup> *China Digital Times*

<sup>25</sup> *Want China Times*, August 1, 2013. <http://www.wantchinatimes.com/news/subclass-cnt.aspx?id=2013801000095&cid=1101&MainCatID=11>

<sup>26</sup> Minnie Chan, "Xi Promotes 10 More to General--Two in Hong Kong," *South China Morning Post* (Hong Kong), August 4, 2013.

<sup>27</sup> Yang Yi, "Japan Must Accept China's Rising Naval Power," *Huangqiu Ribao*, August 4 2013. [http://opinion.huangqiu.com/opinion\\_world/2013-08/4195066.html](http://opinion.huangqiu.com/opinion_world/2013-08/4195066.html)

forces whom, he wrote, are trying to use multiple new media sources to "overturn the party's rule."<sup>28</sup> In late 2013 an unabashedly militant and anti-US film appeared, produced by the National Defense University. After receiving much commentary in the foreign press, it was quickly withdrawn, though not before becoming widely available on youtube.<sup>29</sup> And a recently retired general warned that if Japan shot down a Chinese drone over islands controlled by Japan but whose sovereignty China contests, the result would be war.<sup>30</sup>

Speaking as private individuals though they may be, the posts may serve the leadership's interests in staking out positions that warn other countries against what may happen if they challenge the PRC's policies. Luo, for example, gained notoriety when he called for bathing Tokyo in blood, a position he later seemed to back away from. Still, Chinese demonstrators carried banners espousing the sentiment attributed to him, and extensively covered by Japanese media.

As for deeds, Xi assumed power, the PLA has proceeded in a measured way to assert its dominance over the East and South China seas. Patrol boats warn Vietnamese fishermen off from contested islands, and Manila has tacitly conceded control over the contested Scarborough Shoal area to Chinese ships. China has refused the Philippines' effort to take the dispute to the international tribunal that adjudicates such disputes, even though both parties are signatories to the convention giving it jurisdiction to do so. In July, Chinese warships passed through the Soya Strait between the northernmost island of Japan and Russia's Sakhalin for the first time,<sup>31</sup> and a few weeks later, in honor of the 86th anniversary of the PLA's founding, a PLAN fleet circumnavigated Japan as if marking its territory.<sup>32</sup> Chinese maritime surveillance ships sail more frequently around the contested islands off Japan. In September, the Japanese air force scrambled its fighter jets when a Chinese drone flew near the islands it contests with the PRC.<sup>33</sup>

China continues to expand its cyberwar capabilities, its ASAT development, and plans for additional aircraft carriers. On the domestic front, Xi has promulgated the seven nos, further

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<sup>28</sup> Minnie Chan, "Party Told to Innovate Online to Thwart West," *South China Morning Post* (October 16, 2013), p.6.

<sup>29</sup> [http://www.youtube.com/watch?v=M\\_8lSjcoSW8](http://www.youtube.com/watch?v=M_8lSjcoSW8)

<sup>30</sup> <http://www.bloomberg.com/news/2013-11-04/former-chinese-commander-warns-of-war-if-japan-shoots-down-drone.html>

<sup>31</sup> *Jiji Press* (Tokyo) July 14, 2013.

<sup>32</sup> *China Daily*, August 2, 2013.

<sup>33</sup> Unattributed article, *Kyodo /Japan Times*, "ASDF Sends Jets to Check Out Drone," Sep 9, 2013 <http://www.japantimes.co.jp/news/2013/09/09/national/chinese-bombers-prompt-japan-to-scramble-fighter-jets/#.UlgCDIPOTcw>

limiting free expression, and tightened censorship. Several outspoken university professors have lost their jobs. In all, his first year represents a disappointment for those who anticipated a more liberal regime, either domestically or in foreign policy.

TESTIMONY BEFORE THE U.S.-CHINA ECONOMY AND SECURITY  
REVIEW COMMISSION  
“CHINA’S NARRATIVES REGARDING NATIONAL SECURITY POLICY”

*By Gilbert Rozman*

March 10, 2011

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The Chinese narrative emerges most clearly from Chinese-language publications on the great powers, including the United States, and on challenges in East Asia, notably in 2010 those related to North Korean belligerence and regionalism involving both Northeast and Southeast Asia. It is part of an orchestrated, top-down expression of Chinese national identity. There are divergent views, but not direct contradictions.

The diversity in 2009 was greater than in 2010, suggesting that scholars sought to forestall the new narrative and its negative consequences. The drumbeat of a one-sided narrative reached its peak intensity in the fall of 2010. There was some sign it was waning afterwards. State Councilor Dai Bingguo in December restated an older narrative as if it still prevailed, but in early 2011 Dai’s remarks have not displaced the predominant narrative of 2010. Indeed, the mainstream narrative of 2010 is the culmination of earlier trends, not a sharp break from them, and it is likely to endure.

The narrative demonizes the United States. Compared to earlier Chinese writings, it places the entire responsibility on Washington for wrecking the Six-Party Talks and taking a cold war, ideological approach to North Korea. Allegedly, Washington found a willing partner in Seoul for this destabilizing behavior. Rather than criticizing the regime in Pyongyang for attacking and sinking the Cheonan or for shelling an island under the administration of South Korea,

Beijing puts the onus on Washington for its dangerous escalation of tensions, such as in military exercises in the Yellow Sea, supposedly directed against China. Seeking resumption of the Six-Party Talks, China seeks to transform them into a security framework to diminish the U.S. alliances.

Another target of Chinese criticism is the so-called U.S. “return” to Asia. It is treated as containment, directed against the natural course of regionalism. To appreciate the disappointment expressed at the new U.S. policy toward Asia, we must recognize the expectations that somehow had been growing about the United States pulling back from East Asia. Many writers treated ASEAN + 3 as if it was firmly on course to establish a true East Asian community, economically integrated while marginalizing outsider states and, in stages, adding political and cultural ties that draw ASEAN ever closer to China if not Japan and South Korea. U.S. entry into the East Asian Summit is widely criticized as a threat to regionalism, as is U.S. support for Southeast Asian states in the dispute over sovereignty in the South China Sea.

One feature of demonization is unqualified attacks on foreign leaders. President Barack Obama and Secretary of State Hillary Clinton are repeatedly criticized in the Chinese narrative. I have seen nothing like it in the treatment of prior U.S. leaders. President George W. Bush was treated better. In the case of Japanese leaders, Prime Minister Naoto Kan and Foreign Minister Seiji Maehara are treated with even more venom. Even when leaders seek to engage China more vigorously, as previous Prime Minister Yuichi Hatoyama did, the emphasis is placed on how far short they fall of what China requires. That is also the case for President Obama. Of all leaders, the one who has been treated as a villain the longest is President Lee Myung-bak of the Republic of Korea. The security narrative warns against the growing threat to China from the behavior of each of these leaders, who purportedly have cold war thinking.

The recent security narrative is the culmination of an emerging narrative since the 1980s. It is part of a broader reconstruction of national identity by China’s leaders. That identity has many dimensions, including a reinterpretation of history to favor China in all stages of the struggle against the United States and the West. Two main themes in 2010 that revealed the essence of the security narrative are treatment of the North Korean threat and assessments of challenges in maritime security.

### **The Transformation of China’s Security Narrative**

In 2007 and early 2008 Chinese proudly pointed to positive and improving relations with each of the great powers and to successful multilateralism in all directions. There was much talk

that Sino-U.S. relations were better than ever, as coordination extended even to the Taiwan issue. Memories of the 2003 “new thinking” toward Japan were revived in three successive summits with Japan, culminating in Hu Jintao’s trip to Japan in the spring of 2008. China had pride in hosting “successful” Six-Party Talks concerning the Korean peninsula, and optimism about the course of regionalism with ASEAN and through ASEAN + 3. Sino-South Korean relations were still forward-looking despite some distrust due to interpretations of ancient history. Many had the impression that China, if not a status quo power, was ready to act in accord with the U.S. appeal for it to be a “responsible stakeholder.” There was no outside impetus to anger China into changing direction. It came from within.

Was this the actual security narrative in those years? The answer is definitely not. There was a calculated duality to Chinese writings. The security narrative most prominent in 2010 already was visible in many publications. Critiques of U.S. hegemonism and alliances were widespread. Coverage of the Six-Party Talks often was tougher on the United States than on North Korea. Beneath the surface of feigned optimism about Sino-Japanese relations, criticism of Japan persisted. Vague wording on sensitive themes obscured China’s growing challenge to the status quo.

Has the Chinese narrative been intentionally deceptive? I think so, although serious research can easily uncover the contradictions. One source of deception is the role of internal circulation (*neibu*) publications for sensitive discussions that are to be kept from foreigners. Another factor is the Central Propaganda Department’s role in managing perceptions with an eye to enhancing China’s soft power and steering ties with designated states in a desired direction. Having closely followed Chinese works on the Korean peninsula, I am persuaded that the positions taken in 2010 that are at variance with earlier positions are a result of prior concealment of China’s attitudes.

A message may be delivered for particular short-term effect, as in the case of Dai Bingguo’s December statement, without explaining how it coexists with a clashing narrative. Chinese writings fall short of the standards of scholarship, which require analysis of changes or discrepancies on the Chinese side. This is a sign of censorship, which serves the purpose of propaganda and deception and has been tightening.

The assertive, at times belligerent, narrative of 2010 was connected to changes in foreign policy. Increasingly confident, China’s leaders revealed attitudes that had earlier been concealed. Military voices became more prominent. Some respected scholars wrote less or expressed themselves more indirectly without endorsing the new line. The new narrative was a combination of more forthright expression of the views hidden earlier due to the duality of messages and the *neibu* system, and of the logical extension of arguments that earlier were

tempered by Deng Xiaoping's clear advice to keep a low profile until China's comprehensive national power had risen.

### **The Broad National Identity Framework for China's Security Narrative**

The specifics of the Chinese narrative are easy to find. What is more interesting is to identify the driving forces of the narrative. I see them as the various dimensions of national identity, as constructed by China's leaders. The first force is ideology. After three decades of downplaying ideology, Chinese affirmed that ideology remains an important factor in national identity. First, as confidence in socialism rose in Party circles, particularly after the world financial crisis was blamed on capitalism, some sources revived claims that socialism will prevail over capitalism. Second, a sharp reversal occurred in assessments of imperial history; Confucianism emerged as the centerpiece in an ideologically tinged narrative about what has made China superior to other civilizations over thousands of years and will enable it to prevail again in the future. Finally, in contrast to the admiring tone of many writings on the West in the 1980s, the perennial theme of anti-imperialism and anti-hegemonism gained force with more intense attacks on Western civilization. To the extent that the new amalgam became unassailable, repeated in ever more declarative forms and not openly contradicted, an ideology, although not proclaimed as such, was reinstated.

Why does this matter for security? Chinese stress the importance of culture as one element of comprehensive national power. They attribute the collapse of the Soviet Union to ideological failure. Warning that Western culture is a threat to sovereignty, they regard ideology as a bulwark protecting the state. In turn, accusations against the United States, Japan, and South Korea center on their anti-communist and other cold war thinking that targets China. This outlook is behind the security threat to China, which was increasingly emphasized in recent publications. Pretending that foreign leaders are driven by ideology to contain China, Chinese hide the reality that it is their Communist Party leadership that is increasingly under ideological sway.

A second force is what I call the horizontal dimension of national identity or the way Chinese perceive the outside world. Showing little faith in the international system and rejecting U.S. relations as they have evolved over the past four decades, China only embraces regionalism to the extent that it confirms China's rise and revives sinocentrism. China is obsessed with great power relations in ostensible pursuit of multipolarity. Yet, as the others potential poles have lost significance in Chinese calculations, the bilateral gap with the United States has come clearly to the fore. By widening it and exposing the bankruptcy of U.S. claims to leadership, Chinese have sought to narrow the horizontal dimension to a two-way competition, marginalizing others. Delegitimizing the U.S. role undermines the international system and



creates a vacuum for China to fill as sources argue that the United States not only is not essential for security, it is now a source of instability. Many argue that U.S. financial leadership and the dollar are no longer necessary after their negative effect in the world financial crisis. East Asian states are pressed to choose between two poles.

Writings in China in 2009-10 were obsessed with the threat of U.S. interference in the natural course of closed East Asian regionalism. They attribute this involvement to three factors: 1) hegemonism, based on stereotypical cold war thinking about the U.S. right to be in control of not only the international community but also regions such as East Asia; 2) containment, rooted in refusal to accept any rising power as a challenger for regional leadership; and 3) cultural imperialism, centered on the belief that Western civilization must continue to have ascendancy and undermine other civilizations. The United States is accused of being behind Japan's rejection of ASEAN + 3 as the natural unit for the healthy growth of regionalism and the decision in ASEAN to support the expansion of the East Asian Summit. Both moves are deemed harmful to cooperation in East Asia and deliberate steps to deny China its anticipated leadership status. Chinese depict the U.S. stand as that of an outsider prepared to undermine long-term regional stability for selfish desire to maintain its own leadership even as conditions no longer are conducive to that. If most outside observers are focused on the clash between Chinese and U.S. hard power as a natural dispute over a rising power, they miss the clash centered on an identity gap.

Chinese point to an upsurge in warnings of a China threat, attributing it to failings in other countries. First, it is based on alarm over China's rising power, which has grown sharply since the financial crisis as the "China model" casts doubt on the future of capitalism and the West's venerated trio of democracy, freedom, and human rights. China's growing appeal endangers U.S. and other identities. Second, Western psychology is programmed through a history of colonialism to predicate the rise of a new power on wars, assuming that China will prove expansionist too. Third, China's relative weakness and passivity has emboldened Western states to press their warnings, which they soon will not dare to do. In this perspective, China is being demonized unjustly due to U.S. national identity, and it must respond.

Chinese analysis of identity gaps is essentially a propagandistic effort to steer states into its orbit while turning them against each other. Coverage of U.S.-Japan relations reveals this pattern. When Hatoyama took office, Chinese insisted that Japan's search for normal identity requires merging with Asia and insisting on equality with the United States and that the Futenma base dispute exposes a shaky alliance as U.S. influence declines. Absent in the discussion are what draws Japan to the United States and what makes it suspicious of China. Chinese sources generally cast choices in zero-sum terms. An East Asian community is contrasted to U.S. hegemonism, bringing equality and the end of cold war mentality. At a time

when Hatoyama was eager to foster an East Asian community and Barack Obama sought cooperation with China to address regional and global problems, China vilified the U.S.-Japan alliance, pretended that Obama's hegemonism was the same as earlier U.S. leadership demands, and put Japan on notice that it had to go much further in distancing itself from its ally in order to win Chinese trust. Missing an opportunity to find common ground on security and values necessary for community building, Chinese spokespersons left an impression of Chinese national identity unbent in the quest for regionalism and in the challenge of facing increasing global challenges. By depicting a U.S. trick to co-opt China into serving its interests and charging that the balance of power has changed in China's favor by 2010, they argue that the rivalry is intensifying and that increased U.S. dependence means China can take the lead.

### **The Narrative Regarding China's Past, Present, and Future Roles in East Asia**

Whereas in the Cultural Revolution China may have had the worst self-image of its own history of any major state, by 2010 it boasted what has likely become the most positive self-image. Whether its Confucian past, struggle against imperialism over a century, sinification of Marxism under Mao, astute reforms under Deng, or post cold war rise in the face of containment, this is now a history of success with only pro forma mention of mistakes of the Cultural Revolution or regret over the delayed resistance to the West and delayed borrowing of the essentials for modernization.

Reinterpretations of premodern history and the transition to 1949 parallel support for cold war Chinese policies and pointed resentment toward later containment of China. The combined narrative posits an idealized past interrupted by antagonistic forces that still stand in the way of a promising future. Instead of ambiguity about its Confucian past, hesitancy in praising much of the Mao era, and an upbeat approach to the post cold war era as positive for China's rise as relations with all of the great powers favored cooperation over competition, this recently altered narrative puts the stress on victimization and takes unbridled pride in all phases of China's history.

The villains of earlier Chinese history have largely been transformed into patriots, whether the Mongols and Manchus or the Nationalists under Chiang Kai-shek. Ambivalence about the nature of the Korean War has shifted to celebration with North Korea of this just conflict. Fixing primary blame on the Soviet Union for the continuation of the cold war during the second half of its existence has yielded to emphasizing U.S. cold war and anti-communist thinking that carried over to the post cold war period. Looking back, Chinese sources have simplified history into a struggle between a virtuous Chinese nation under all forms of rule and predatory Western and Japanese intrusions that humiliated and victimized the Chinese.

This historical narrative has acquired greater potency in recent years. The struggle is widely depicted as between Western and Eastern civilizations, the latter best represented by Chinese civilization. While China strove for harmony with ethnic minorities at home and developed a system of relations with nearby states based on mutual respect and non-interference in internal affairs, Western states were prone to expansionism and intent on imposing their own civilization. In this contrast there is no mention of the Enlightenment and humanist traditions that emerged in the West nor of blemishes in Chinese history. The national identity thrust is to widen the gap between two irreconcilable forces, not to find common ground. In the 1980s-90s there was much talk about the need to borrow from the West, but of late the notion of borrowing has been sharply narrowed. The rise of Asia with China at the center is now heralded as bringing non-Western traditions to the forefront and ending centuries of cultural imperialism among other evils. Loss of self-confidence as cultures were transformed under pressure from the West is seen as an insidious consequence of the world order that China insists on changing. The civilizational narrative is now deeply embedded in historical contrasts reaching far back in the past but also extending to today and claims for future world relations.

Plans for the future include East Asian regionalism, which after centuries of outside interference, excludes the Western powers and enables Eastern civilization under the leadership of China to thrive. The U.S. alliances will be gone, Taiwan will be part of China. The enormous economic clout of China will be used to reward countries that do not interfere in its sovereignty, as in criticism of human rights problems. Features of past sinocentrism will reemerge, stressing deference and benevolence.

### **The Korean Security Narrative**

North Korea is the litmus test of China's intentions and its narrative. Its response to the sinking of the Cheonan was to insist that the evidence was insufficient to blame North Korea. Yet, the narrative on the Korean peninsula is much more provocative than just passively withholding judgment. China has shifted from neutrality to clear preference for North Korea's position in opposition to those of the United States and South Korea. No longer is China a reluctant convener of the Six-Party Talks or a state attracted to South Korea but wary of isolating the North. Instead, it lambasts the end of Roh Moo-hyun's unconditional engagement of the North, pretends that U.S. policy is still uncompromising due to determination to use the North as a pretext to contain China, and advocates an entirely different direction for the Six-Party Talks. In 2010 the thrust of Chinese rhetoric was to take advantage of the North Korean threat to regional security without even, in print at least, warning the North against further acts of aggression. Only through such threats did it seem possible that South Korea would lose confidence in the U.S. alliance and the United States,

mired in conflict elsewhere, might out-source management of North Korea to China. Yet, unrealistic expectations abound in these superficial writings on the peninsula.

Korea is the prime example of the sinocentric imperial order, and in 2004 was more inclined than any other middle power to draw closer to China. Yet, China's security thinking and reconstruction of national identity to strengthen sovereignty at almost any cost sacrificed South Korean goodwill. Finding Lee Myung-bak insufficiently deferential and thinking that the United States is vulnerable to North Korea, China has cast doubt on its repeated insistence that it stands for peace and stability. In shaping the future of the peninsula, it stands instead for influence and regional transformation at the expense of the United States and its alliances. Sinocentrism is most blatant in the narrative about Korean issues. While in 2003-08 Sino-U.S. cooperation in the Six-Party Talks was considered the best evidence that the two countries could be partners in security, the best evidence in 2010 that China would be driven by hostility to hegemony came from its Korean narrative and policies.

Not only China's policy but its narrative about the Korean peninsula will continue to be a test of its readiness to cooperate to manage a dangerous situation. If China fails to reassure South Korea as well as Japan about its intentions in the region, then the narrative on the United States and the West is even more unlikely to be promising.

### **The Maritime Security Narrative**

Chinese coverage of tensions in the three seas to the east follows a similar pattern. It argues that these issues should be handled bilaterally without interference from the United States. While the incidents that elicited U.S. involvement in 2010 provoked states in the region to seek support from Washington, Beijing ignores the context in an attempt to blame Washington for finding pretexts to strengthen alliances, rally other states against China, and deepen containment. Maritime security was popular in writings of 2010 with little indication of dissenting voices. Treated as matters of sovereignty or core interests, maritime controversies are covered simplistically, even if they affect relations with most of China's neighbors.

The military voice is particularly strong on maritime matters. While scholars known for trying to find ways to bolster ties with neighbors, especially ASEAN, concentrate on other themes, writers who vehemently object to U.S. military exercises or moves to counter China and North Korea gravitate to the subject of tensions at sea. Having alarmed Japan and South Korea as well as Southeast Asian states in 2010, China may for a time tone down its rhetoric on maritime disputes. Yet, there is no backtracking in sight. While Taiwan has not been a major theme in the recent narrative, apart from U.S. arms sales, it is likely to reemerge and reinforce the assertive tone.

No less than the shift in tone toward the Korean peninsula, the change in attitude toward Southeast Asia occurred abruptly and likely with considerable forethought. Whereas in Northeast Asia there are multiple villains, ASEAN is generally targeted more obliquely, leaving only the United States as the true villain. Its hostility is seen as stretching broadly through the Indian Ocean, drawing in India and Australia. If ASEAN is still depicted as cooperative, other U.S. partners are directly targeted.

### **The Actors Who Shape China's Narrative**

Foreign observers gain most of their information from the writings of academic experts and through interviews with them and officials, many from the Foreign Ministry. These persons are expected to follow guidelines devised by others. When sensitive information is revealed, they may be arrested and sentenced to long terms in prison. The marginalization of the academic and diplomatic experts was never more apparent than in 2010. When their advice of many years was disregarded, they had no recourse to continue to make their old arguments in print. Those who most boldly persisted could easily get in trouble.

In contrast to the quieting of the experts, the year 2010 witnessed more outspoken remarks by military officers than ever before. If not the driver of the new policies on North Korea and maritime security, the People's Liberation Army and the Navy have emerged as its most ardent supporters. Economic interests do not appear to play a large role on security questions except energy. The policy debate in China has often been quite vigorous when leaders invite small groups of experts for timely input, but after decisions are taken about the overall narrative or foreign policies are set, the debate is stifled. Only a small leadership group is seen as acting in the interest of the state, whose identity is paramount, preventing those who may pursue other interests from undercutting the rapid build-up of comprehensive national power.

### **Overview**

Adopting a much more assertive posture, China was emboldened by new military advances and increased economic leverage. Relevant too was a growing sense of entitlement, rooted in a national identity narrative that had been submerged to a degree, but finally was bursting forth. Repudiating the "integrationist" notion of peaceful incorporation into the world order as yielding to the West as the center of the order, which would mean changing the values and also the ideology of China's political system, Chinese sought a new international order. In many publications the concept of "responsible stakeholder" was derided as a trick to get China to assist the United States in preserving an unjust international order. China is leaving no doubt that it is a revisionist power impatient to change not only the existing order, but also the way

the world perceives the recent centuries of Western ascendancy. Whether it focuses on the rise of the East vs. the West or of the South vs. the North—both are dichotomies found in Chinese writings--, a very different world order is anticipated.

We should be careful to distinguish China's narrative from its strategic thinking. In the three decades prior to 2009, strategic thinking was generally successful because China's leaders had a long time frame and recognized that China's national power needed to be increased incrementally. They spent a lot of energy drawing lessons from the collapse of the Soviet Union. Regular reassessments of strategic results and changing international relations have led to timely adjustments. Engagement with the United States and other powers remains the preferred means to realize China's rise and its strategic narrative. In 2011 following the Obama-Hu summit positive statements about the prospects of cooperation are common. However important it is to understand the Chinese narrative clearly, it is also essential to recognize where cooperation is possible to achieve U.S. strategic objectives. The Chinese side sees itself as more adept at balancing competition and cooperation and successful in its strategic thinking at least until 2010. Only flexibility based on clear awareness of its thinking is likely to produce an effective, long-term strategic response.

The danger of North Korean aggression against South Korea is the primary strategic issue in the near future that will test whether China's narrative is changing and how much it influences policies. There are signs that public opinion is not supportive of North Korea. Many in the academic community apparently do not subscribe to the 2010 narrative on that country. Although Russia continues to be deferential to China on Northeast Asian matters, its position is more critical of North Korea. Impatient belligerence by the North will lead to intense diplomatic discussions as well as sharp retaliatory measures, and China's interpretations will reveal whether Dai Bingguo's December 2010 article represents a return to the softer line that led to cooperation through 2008 or whether the narrative of 2010 is now unequivocally supported.

The Obama-Hu summit of late 2009 accompanied a shift toward a more negative view of the United States. Their summit 14 months later saw some adjustment in the other direction. Sino-U.S. relations matter; yet they do not drive China's narrative. In the year before the first of these summits the Chinese were already widening the national identity gap with the United States, and in the months after the January 2011 summit the essence of the narrative remained. It is not clear what U.S. moves within the realm of realistic possibility would lead China to narrow the gap. Instead, the possibility is growing that China's behavior and rhetoric will lead to a vicious cycle of a U.S. security narrative growing more critical of China and, in turn, China seizing on that and on U.S. policies to intensify its own rhetoric. Even without a cold

war in reality, clashing narratives reminiscent of the cold war may be difficult to avoid if China persists in the direction it has taken during the past few years.

## CHINA AND THE POLITICS OF OIL

*By Jacqueline N. Deal*

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China faces a dilemma. Today China imports more than 50 percent of its oil, and that figure is expected to rise to 75-80 percent in the coming decades. As many experts have noted, China does not seem to feel comfortable relying on the international system and the continued operation of energy markets to meet its needs.<sup>34</sup> To put this dilemma in context, let’s consider the history of great powers in the age of oil, then turn to China’s options for securing its imports, and conclude with some thoughts on the implications of Beijing’s choices for other states in Asia and for the United States. The analysis suggests that China is pursuing an indirect strategy designed to alter the geo-strategic map in China’s favor. To ensure stability along key oil routes, then, the United States may have to build up the defenses of friendly or allied states or, at least, encourage their cooperation.

China remains officially Marxist; so Chinese strategists might embrace a historical materialist account of the twentieth century. According to this account, oil played a decisive role in the series of clashes between great and rising powers that shaped the last hundred years. Oil first emerged as a critical resource in the period before World War I, when Great Britain’s empire was still preeminent, and Germany was the ambitious rising power. The fuel for the steam ships that traversed the British empire was coal, and neither Britain nor Germany was endowed with significant indigenous oil supplies. But from tanks to aircraft and submarines, the major military innovations in World War I relied on oil. During the war, Germany exploited access to Romanian oil, but once the fighting moved from static trench warfare to more fuel-intensive combined arms combat in the later stages of the conflict, both sides found their supplies stretched thin. One explanation for the outcome of World War I is that the United States’s delivery of American oil to the Entente powers afforded them a crucial edge.

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<sup>34</sup> Gabriel Collins et al., eds., *China’s Energy Strategy: The Impact on Beijing’s Maritime Policies* (Annapolis, MD: Naval Institute Press, 2008).



In the interwar period, a still-dominant Great Britain solidified its position as the most influential outside power in the oil-rich Middle East. But early German successes in World War II threatened to cut the United Kingdom off from these supplies. Meanwhile, Hitler's ill-fated decision to break the Molotov-Ribbentrop pact and march eastward in 1941 was based in part on the German war machine's thirst for Russian oil. In the Asia-Pacific region, the rising power Japan found itself dependent on the United States for 80 percent of its oil in the late 1930s. When Japan launched a series of attacks on Indochina in 1940-41, this triggered an embargo by the United States, Great Britain, and the Netherlands, the last of which accounted for most of the remaining 20 percent of Japan's oil, thanks to the Netherlands' position in the Dutch East Indies. The embargo led to the infamous Japanese strike on Pearl Harbor in December 1941 and the entry of the United States into World War II. The oil factor thus accounts for the composition of the two sides in the war, and the eventual victory of the allies, including oil-rich Russia, can be traced in part to their superior position relative to this critical resource.

After World War II, the United States eclipsed Britain as the liberal power with the most influence in the Middle East, in keeping with the solidification of its superpower status. During the Cold War, the Middle East was a key theater in the US-USSR competition, with both sides cultivating relations with oil-producing states and arming their regimes. Ultimately, the favorable resolution of the Cold War for the United States can be traced to American influence in Saudi Arabia. Washington persuaded the Saudis to expand supplies and thereby lower the price of oil in the 1980s, at a moment when the Soviet economy was particularly vulnerable, and dependent on oil revenue.

This materialist account of the rise and fall of great powers during the last century helps explain the anxiety of today's Chinese strategists. As a rising power dependent on imported oil, China might be said to have three options. First, China could trust that the free market in energy will continue to function. This would imply a belief that unlike Germany and Japan, China will not end up in a conflict that disrupts the operation of the market and involves the interdiction of its imports. Second, China might pursue the military capability necessary to project power and secure its global energy supply lines. The United States currently possesses a blue-water navy and long-range aircraft with refueling that allows it to police the seas and guarantee the operation of international markets. In pursuit of this second option, China's military, the People's Liberation Army (PLA), would acquire equivalent forces. A third option—call it the indirect approach<sup>35</sup>—would be for China to defend its overseas energy supplies by disrupting hostile alliances and replacing them with a network of well-armed friends or client states along key oil routes. This would raise the costs of imposing an embargo

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<sup>35</sup> Jacqueline Newmyer, "Oil, Arms, and Influence: The Indirect Strategy Behind Chinese Military Modernization," *Orbis* (Spring 2009).

or blockade on China. If Beijing could shape the international environment such that any power contemplating interdicting Chinese oil would have to think twice, then China would not need American-style power projection to secure its supplies.

The ruling Chinese Communist Party finds the first option, reliance on the market, unacceptable, judging from the writings of Chinese strategists, and the record of China's political and military behavior. The second option may be China's goal, but even the most optimistic analysts estimate that the PLA is a decade from being capable of American-style power projection. The third option has the virtue of being feasible now, and is consistent with the writings of both modern Western and ancient Chinese strategists.

As Toshi Yoshihara and James Holmes, among others, have pointed out, PLA “defense intellectuals” turn out to be close readers of Halford Mackinder and Alfred Thayer Mahan.<sup>36</sup> Mackinder and Mahan were writing on strategy at the turn of the twentieth century, a period when, like today, economic ties were linking disparate nations across the globe to an unprecedented degree, and new technologies were speeding the deployment of military forces across great distances. Mackinder developed a theory of continental power, based on the ability of a state to dominate the “Heartland,” i.e., the core of the Eurasian land mass. Mahan was a captain in the US Navy before becoming a historian, and his alternative theory of maritime power emphasized the role of a blue-water fleet with access to a network of far-flung coaling stations. Today's PLA authors on land and sea power seem to be influencing China's strategy in both directions. On land, China has pursued infrastructure routes, demographic access, and political and commercial relationships with bordering states from Russia and Southeast Asia into Central Asia. Current plans target a high-speed rail connection linking China to Europe. On the maritime flank, observers have noted China's acquisition of a series of access points—the so-called “String of Pearls”—at friendly ports from the South China Sea across the Indian Ocean to coasts in the Middle East and Africa.

What links China's adherence to Mackinder's template in the territorial west and a Mahanian script in the maritime east? Beyond the wisdom of these venerable Western writers from a previous era of “globalization,” a much older, indigenous vein of strategic thought is likely inspiring China's behavior today. Sun Tzu, the author of the renowned *Art of War*, lived and wrote in the Warring States period (from the early fifth century to the late third century BC) of ancient China. In addition to Sun Tzu's classic, other canonical Chinese works date to ancient China, and current PLA authors benefit from both these texts themselves and a sizeable library of commentaries on them, handed down throughout China's dynastic age. While Mao, as a Communist modernizer, publicly discouraged reference to works from China's “feudal” past,

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<sup>36</sup> Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and the Challenge to US Maritime Strategy* (Annapolis, MD: Naval Institute Press, 2010).

his successor Deng Xiaoping encouraged a renaissance in the study of China's strategic tradition.

We can surmise that the Warring States period proved such a fertile era for Chinese strategy because it featured a long-term competition among a handful of roughly equivalent states, vying to consolidate power over all of the modern-day Han core of China – from Liaoning province in the north (near Shenyang and the Korean border) to Jiangsu in the south (the environs of Shanghai), and as far west as Gansu province (east of Tibet and Xinjiang). A key tenet of Warring States strategic texts is the need to break up enemy alliances and build one's own network of well-disposed states. This can be accomplished via a range of means, from traditional diplomacy to darker methods involving the co-option of foreign elites or even the use of military force. Arguably, China's current policies both on its land borders and in the maritime domain owe something to this notion of creating a favorable geo-strategic environment. Not only has China been rapidly building up its own military, but also it has increasingly engaged in the transfer of arms to regional states.

Third parties have noticed China's efforts along these lines. As an example, Moscow monitors China's new relationships in Central Asia that have the potential to displace older Russian ties. Delhi has watched with some alarm as China builds up its presence from Central Asia and Pakistan to other Himalayan states that have traditionally been allies of India. The increasing deployments of the PLA Navy in the Indian Ocean also have the attention of Indian strategists, who see that ocean as India's natural area of influence. Some reactions are already visible. For instance, Indian diplomats appear to be competing with China for the allegiance of states such as Bangladesh and Nepal, and a similar logic drove India's relations with the military junta in Myanmar, even before the recent reforms.

The United States, meantime, faces the question of how best to support partners and, more generally, the cause of stability in the face of China's indirect strategy to alter the geo-strategic map in its favor. That is a subject for a whole different e-note, if not a book, but the options would seem to include encouraging relationships between traditional American friends and allies, such as India, Australia, and Japan. Additionally, the United States might pursue its own indirect strategy involving both diplomacy and military partnerships or arms transfers. The goal would be to increase the costs of any Chinese effort to change the status quo.

## **PART II A: CHINA'S RELATIONS WITH GREAT POWERS**

# CHINA'S MILITARY: WHAT'S NEW? AND WHAT'S NEXT?

*By June Teufel Dreyer*

September 2014

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## RECENT ACHIEVEMENTS

As the People's Liberation Army (PLA) enters 2015, it can take pride in several years of impressive accomplishments. These span the spectrum of combat capabilities, ranging from weapons upgrades, organizational changes, more sophisticated training exercises, and leadership.

### *Upgraded Weaponry*

In terms of weapons, the People's Liberation Army Navy (PLAN) launched the country's first aircraft carrier, the Liaoning, in 2013. In the following year, the Liaoning deployed out of territory for the first time. As if marking its territory, the carrier circumnavigated the Japanese archipelago and the Taiwan Strait before docking at Sanya, home of the nuclear submarine base of PLAN's South Sea Fleet. The navy has also recently deployed Jin-class ballistic missile nuclear submarines equipped with missiles whose estimated range is 7,400 kilometers, hence providing China with its first credible sea-based nuclear deterrent. The nuclear-powered attack submarine force has also expanded. The Chinese air force (PLAAF), the largest in Asia, has test-flown a stealthy fighter, the J-20, as well as a second next-generation fighter prototype that is similar in size to the American air force's F-35. The Second Artillery Force, PLASAF, which is the PLA's strategic missile arm, improved its already impressive ballistic missile capabilities. In August 2014, China's *Global Times* confirmed the existence of a new ICBM, the DF-41, which is capable of carrying multiple nuclear warheads as far as the United States.<sup>37</sup> A hypersonic missile has been tested. Designed to be launched from an ICBM, glides and maneuvers at speeds from five to ten times the speed of sound from near space to its targets, which are presumably U.S. missile defenses.<sup>38</sup> The Chinese success has been all the more striking in view of setbacks in American efforts to develop hypersonic weapons. An August

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<sup>37</sup> Agence France Presse, August 1, 2014.

<sup>38</sup> Bill Gertz, *Washington Free Beacon*, January 13, 2014.

2014 U.S. test launch failed four seconds after take-off from its Alaskan base.<sup>39</sup> Chinese generals continue to issue incendiary statements via social media, and even occasionally in official media,<sup>40</sup> though these may be intended more for domestic propaganda purposes than as statements of actual intent.

The PLA's cyberspying is sophisticated and worrisome to countries it targets. According to a detailed report issued by the private security investigation firm Mandiant, much of this is orchestrated by the PLA's cyberespionage arm, Unit 61398. Several PLA members have been indicted for allegedly stealing from American companies in the nuclear power, steel, and solar industries.<sup>41</sup> In September 2014, the Senate Armed Forces Committee released a heavily redacted report detailing the Chinese military's cyber penetration of U.S. transportation command contractors. The report warned that, should the United States find itself in armed conflict, attacks based on the information gleaned from cyberspying are expected to include denial of service, corruption of data and supply chains, sabotage activities by infiltrated traitors, and both kinetic and non-kinetic attacks at all levels from underwater to space. U.S. guns, missiles and bombs might not fire, or could be directed against American troops. Resupply, including food, water, ammunition, and fuel might not arrive when or where needed.<sup>42</sup>

### *Organizational Reforms*

Organizationally, soon after assuming the titles of president, party general secretary, and chair of the central military commission (CMC), Xi Jinping announced his intention to reorganize the military. This initiative included the establishment of five leading small groups for all aspects of military work. Among salient questions being addressed were how to right-size the PLA and how to eliminate military corruption. With regard to the former, a transition from military regional control to joint operations that has been suggested could result in significant reduction of redundancy in personnel at the top levels of the country's seven military regions. Additionally, in March 2013, four of the country's five maritime enforcement agencies were merged into the China Coast Guard under the aegis of the State Oceanic Administration, in order to eliminate overlap in command and functions. In November of the same year, Beijing announced that it intended to establish the country's first National Security Commission

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<sup>39</sup> <http://www.defensenews.com/article/20140825/DEFREG02/308250004/US-Army-s-Hypersonic-Missile-Fails-During-Test>

<sup>40</sup> <http://online.wsj.com/news/articles/SB10001424052702304211804577500521756902802> *Wall Street Journal* July 1, 2012.

<sup>41</sup> Serdar Yegulalp, *Infoworld Tech Watch*, May 19, 2014. <http://www.infoworld.com/article/2608241/cyber-crimeu-s--charges->

<sup>42</sup> Available at [http://www.armed-services.senate.gov/imo/media/doc/SASC\\_Cyberreport\\_091714.pdf](http://www.armed-services.senate.gov/imo/media/doc/SASC_Cyberreport_091714.pdf)

(NSC) to coordinate security policy formation and provide strong central leadership. According to the official *Renmin Ribao*,

...The current leading groups and their offices for foreign affairs, national security, and anti-terror work under the Party Central Committee are characterized by their non-official and provisional nature. It is difficult for them to trace, analyze, and coordinate routine affairs as the core organs for state security affairs. Also, they lack sufficient manpower and resources to respond to sudden contingencies and to formulate, coordinate, and supervise the implementation of national security strategies of comprehensive nature.<sup>43</sup>

In what was seen as a move to further consolidate his power, Xi Jinping was named head of the NSC. There have been persistent rumors that the Chinese Communist Party's control over the military has eroded, despite regular denials that this is the case.<sup>44</sup> These rumors received a degree of credence in 2007 when the Ministry of Foreign Affairs denied knowledge of the PLA's destroying a satellite in outer space after news thereof had appeared in a respected American defense magazine and been confirmed by the U.S. Department of Defense.<sup>45</sup> A second instance occurred four years later, when the J-20 was tested during U.S. Secretary of State Robert Gates' visit. Responding to Gates' query about what appeared to be a calculated insult, then-president Hu Jintao replied that he had had no prior knowledge of the test.<sup>46</sup> Although Xi Jinping has never been in active-duty service, he has better connections with the military than his predecessor and is regarded as more likely to be able to tighten control on the basis of these ties.

In addition to being named head of the NSC, another reform that seems aimed at increasing Xi's power as well as enabling the better use of PLA resources, has been the campaign against military corruption. Part of a campaign against corruption in all spheres, it has ensnared several high-ranking military officers in addition to a large number of lesser known figures. Among the most notable of the former was Politburo member and CMC vice-chair General Xu Caihou, who was accused of selling military ranks, an illegal but relatively common

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<sup>43</sup> *Renmin Ribao* (overseas edition), November 13, 2013.

<sup>44</sup> For example, then-deputy chief of the PLA's general staff General Xiong Guangkai told visiting Japanese politician Ozawa Ichirō "People way that the PLA are hawks and the civilian leadership are doves, but the PLA just obeys the government's orders." *Xinhua*, May 3, 1996.

<sup>45</sup> <http://www.telegraph.co.uk/news/worldnews/1539948/Chinese-missile-destroys-satellite-in-space.html>. January 19, 2007.

<sup>46</sup> <http://online.wsj.com/articles/SB10001424052748704428004576075042571461586>. January 12, 2011.

practice that netted General Xu many millions of dollars.<sup>47</sup> Deputy head of the PLA's General Logistics Department Lieutenant General Gu Junshan has been accused of profiting from the purchase and sale of military real estate. Four truckloads of goods, including a boat and a statue of Mao Zedong, were confiscated from his mansion.<sup>48</sup> General Guo Boxiong, another former CMC deputy chair who was under investigation, reportedly fled to evade arrest but was detained at customs. 39 Chinese netizens were arrested for spreading rumors that included photographs purporting to show the general dressed as a woman and wearing a wig.<sup>49</sup> Under Chinese law, spreading rumors is a crime whether or not the rumors are true.

### *Assertive Behavior*

Almost simultaneously with the establishment of the NSC, Beijing proclaimed the creation of an Air Defense Identification Zone (ADIZ) that encompasses areas contested with Japan and South Korea. Still more worrisome was the announcement that other ADIZ might follow. The intent of these organizational changes was to tighten control over the waters of the East China Sea and South China Sea, which the PRC contests with several other countries. An oil-drilling rig was set up in waters claimed by Vietnam, and Chinese naval vessels have blocked the Philippines from resupplying a ship Manila had grounded on a South China Sea shoal as a marker of its sovereignty. In May 2014, construction began on five contested reefs and shoals to create new islands that would allow the PRC to claim it has an exclusive economic zone of 200 nautical miles around each, as well as to allow the installation of surveillance equipment, including radars.<sup>50</sup> Chinese fishing boats regularly appear in the East China Sea waters around the Diaoyu/Senkaku islands, which are under Japanese jurisdiction but are claimed by China.

Japanese sources have stated that the Chinese navy is sending increasing numbers of civilian vessels, including members of maritime militias, into disputed waters and paying them rewards. Maritime militiamen in civilian ships reportedly also appeared around the oil rig in disputed South China Sea waters, complicating the efforts of Vietnamese coast guard ships to approach the area.<sup>51</sup> American reconnaissance planes are regularly harassed, the latest incident occurring in mid-August when a Chinese jet flew dangerously close to a P-8 Poseidon in international waters. Beijing replied to Washington's protest by saying that the practice

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<sup>47</sup> *New York Times*, July 1, 2014. [http://www.nytimes.com/2014/07/01/world/asia/china-moves-against-one-of-its-top-leaders.html?\\_r=0](http://www.nytimes.com/2014/07/01/world/asia/china-moves-against-one-of-its-top-leaders.html?_r=0)

<sup>48</sup> <http://english.caixin.com/2014-01-16/100630028.html>

<sup>49</sup> <http://www.theepochtimes.com/n3/816873-netizens-arrested-for-spreading-rumors-of-runaway-chinese-general/> July 28, 2014.

<sup>50</sup> [http://www.nytimes.com/2014/06/17/world/asia/spratly-archipelago-china-trying-to-bolster-its-claims-plants-islands-in-disputed-waters.html?\\_r=0](http://www.nytimes.com/2014/06/17/world/asia/spratly-archipelago-china-trying-to-bolster-its-claims-plants-islands-in-disputed-waters.html?_r=0) *New York Times*, May 18, 2014.

<sup>51</sup> <http://the-japan-news.com/news/article/0001561024>, September 12, 2014,



would continue as long as the U.S. flights did.<sup>52</sup> On the eve of Xi Jinping’s visit to New Delhi, the first by a Chinese president in eight years, a thousand PLA soldiers crossed the line of actual control (LAC) in a border area disputed by the two countries. They were accompanied by heavy construction equipment and workers who stated they had received orders to build a road that would intrude five kilometers into the LAC.<sup>53</sup> The aim would seem to be to move the LAC forward, to the disadvantage of India. In Africa, China has been accused of using a United Nations Peacekeeping Operation as a cover for sending its troops, in the form of a 700-man UN PKO force, to protect its oil workers and investments in South Sudan.<sup>54</sup>

The intent here may be what Russian Chief of the General Staff Valery Gerasimov has called non-linear warfare. Also sometimes referred to as hybrid warfare, it involves a range of overt and covert military, paramilitary, and civilian measures in a carefully integrated design, which in this case would be consolidation of the PRC’s territorial claims in areas it contests with its neighbors as well as the protection of assets in areas it does not contest.

### *Training Exercises*

In terms of training, recent exercises have built incrementally toward the goal of achieving full territory operational capabilities, meaning the ability of troops to rapidly maneuver over long distances outside of their regional boundaries while confronting an enemy force. In 2013 these cross-region exercises included maritime force projection and amphibious landings. Exercises also included a long-distance aerial attack. Most recently, “Stride-14” was billed as the first event in a four-year plan to evaluate all ground force combined arms brigades and specialized single-arm brigades. The precise use of quantitative data for evaluation was to be used to determine future reorganizations. According to official media, Stride-2014 had significantly raised the bar in training standards.<sup>55</sup>

## THE ROAD AHEAD

2015 will build on these accomplishments. The Liaoning is expected to add an operational air wing, and a second aircraft carrier, the first to be produced by China, is reportedly under construction. A deep-sea base at Qingdao, home of the North Sea Fleet, is being constructed to serve as home port for PLAN’s manned deep-sea submersible, the Jiaolong. Newer submarines

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<sup>52</sup> <http://www.reuters.com/article/2014/9/13/us-usa-china-surveillance-idUSKBN0H72KN20140913> Reuters, September 13, 2014,

<sup>53</sup> <http://www.dailyexcelsior.com> *Daily Excelsior* (Jammu), September 19, 2014.

<sup>54</sup> <https://ca.finance.yahoo.com/news/china-using-un-cover-sending-190109147.html> Reuters, September 17, 2014.

<sup>55</sup> *Xinhua*, August 7, 2014.

are expected to incorporate better quieting technologies as well as torpedoes and anti-ship cruise missiles. Research is being conducted on a hypersonic, scramjet-powered vehicle that can either take off independently or be launched from a bomber. Progress is to continue on efforts to make the PLA leaner and hence putatively more combat-effective, and generous resources are to be allocated to this endeavor.

Plans do not always come to fruition and obstacles must be overcome. It can be seen from the explanations given for the founding of the National Security Commission and the consolidation of the various maritime patrol units that the central government perceives serious problems of command, control, and coordination. Efforts to tighten control and streamline will inevitably meet resistance from entrenched interests. Bureaucracies that have traditionally exercised control within a certain sphere do not take kindly to having their prerogatives circumscribed and are adept at finding blocking strategies. With specific regard to China, this is epitomized in the saying “you [i.e. the central government] have a policy; I have a counterpolicy.”

There are hints of resistance to the small groups, with the head of one reporting, for example, that progress in the conduct of two surveys of military infrastructure and real estate had been “uneven,” as well as a comment from Xi Jinping that seems to indicate that local levels are resisting the leading group’s efforts: “No unit can speak objectively or discuss the conclusions.”<sup>56</sup> Several suicides and unexplained deaths that appear to be suicides have been reported, the latest being that Rear Admiral Jiang Zhonghua of the South Sea Fleet’s armament department had fallen to his death from a Zhejiang hotel.<sup>57</sup> What affect the purges will have on military morale and, more broadly, on Xi’s relations with the military, is not known. Nor is it a foregone conclusion that military corruption will markedly decrease. Many Chinese are cynical. Believing that most people in high positions, whether in the military, party, government, or commercial spheres, are corrupt, they tend to see those charged as no more guilty than those who have not been charged, but rather as collateral road kill in a high-level political power struggle.

In any case, there are recent indications that the impact of the anti-corruption campaign has gone too far and may be called off or at least severely curtailed. In the words of Hubei Party Secretary Li Hongzhong, the campaign has caused cadres to become “panicked and insecure, making being an official even more difficult than it already was” while others believe that “although the current anticorruption wind is ferocious, it is really only a gust—that the

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<sup>56</sup> Cited by James Mulvenon, “Groupthink? PLA Leading Small Groups and the Prospect for Real Reform and Change in the Chinese Military,” *China Leadership Monitor*, September 2014, p. 2.

<sup>57</sup> *Ming Pao*, September 5, 2014. The paper reported that the death had occurred on September 2.

campaign won't have a lasting impact, because there's too much focus on punishing corruption and not early enough on building a better government.”<sup>58</sup>

Another area in which hints that plans for better centralization have not come to fruition is in maritime surveillance. In order to enlist the help of coastal provinces in maritime surveillance, the Beijing government has had to provide more modern, seaworthy ships that can better withstand the waters further offshore, and which the provinces were not eager to bear the financial costs of. These enhancements to provincial-level units undermine the underlying premise for the 2013 centralization reform. Moreover, since different provinces have different rules and operating procedures, a delicate and difficult task of persuading local units to implement what is referred to as “guidance” from above will be required before standardization can be achieved.<sup>59</sup> While outright resistance is unlikely, negotiation and, failing that, feigned compliance are effective ways to modify or even vitiate the aims of any or all of these reform plans.

Nor do obstacles end with the human element. Bringing the Liaoning and its future sister ships to the level of Western carriers will require several years and sustained attention. Reportedly, two PLA pilots have already died while training on jets slated to operate from the Liaoning.<sup>60</sup> The Liaoning has a ski jump rather than a catapult launch, the latter being needed for heavier fighters. Military expert Richard Fisher predicts that future carriers will be larger and include these. According to naval analyst James Bussert, the Liaoning will also need to add shore-based maritime patrol aircraft such as the TU-154 anti-submarine planes and Shaanxi Y-8 airborne early warning and control aircraft as well, since they are within range of most carrier operation areas and add capabilities the Liaoning's aircraft do not have, including longer loiter time and range as well as several sensors, communications equipment, and weapons.<sup>61</sup> The carrier's logistics capability is limited due to lack of onboard delivery equipment such as provided by the U.S. navy's C-2 Greyhound.<sup>62</sup>

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<sup>58</sup> <http://blogs.wsj.com/chinarealtime/2014/09/19/is-it-just-a-matter-of-time-before-chinas-last-decent-housing-market-cracks-too/?mod=WSJBlog&mod=chinablog> September 19, 2011.

<sup>59</sup> Ryan Martinson, “Power to the Provinces: The Devolution of China's Maritime Rights Protection,” *China Brief*, Vol. 14, Issue 17, September 10, 2014.

<sup>60</sup> Official Chinese sources deny these reports. *Xinhua*, September 8, 2014.

<sup>61</sup> Cited in <http://www.defensenews.com/apps/pbcs.dll/afticle?AID=2104309070015>, September 7, 2014.

<sup>62</sup> According to data supplied by Northrop Grumman, the C-2 can deliver high priority needed equipment such as jet engines up to 10,000 pounds within a few hours, and can also carry passengers. It is equipped with litters for medical evacuation.  
<http://www.northropgrumman.com/Capabilities/C2AGreyhound/Pages/default.aspx>

The Chinese military is well aware of the deficiencies in its combat capabilities, and efforts to address them will continue. In the absence of some major, and highly unlikely, economic catastrophe, the double-digit increases that have characterized the defense budget since 1989 will go on, providing adequate funding for improvement and a continuation of the rapid progress of the past two decades. Provocative behavior in the East and South China seas and on the border with India is likely to continue.

These present great risks for both China and its neighbors. Japanese sources note that the young militiamen who are encouraged to enter the waters around the Senkaku-Diaoyu are inexperienced in weapons handling and steeped in anti-Japanese propaganda; hence they may be tempted to commit acts of foolish bravado.<sup>63</sup> Harassing U.S. reconnaissance planes in international waters and international flights that challenge China's contested ADIZ may have more severe consequences than the April 2001 incident that resulted in the death of a Chinese pilot and the crash landing of the American plane. Moreover, the most sophisticated training exercises cannot compensate for lack of actual combat experience. Officers, who have purchased their commissions through bribery, doubtless because they provide the holders with possibilities for financial gain, may not prove the most competent or motivated of commanders. In sum, the PLA faces 2015 as a work in progress with impressive achievements but structural difficulties that may constrain the pace of future improvements. The future, as always, is uncertain.

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<sup>63</sup> <http://the-japan-news.com/news/article/0001561024>, September 12, 2014

# THE ELEPHANT IN THE ROOM: SUMMITRY AND CHINA'S CHALLENGING RELATIONS WITH GREAT POWERS IN ASIA

*By Jacques deLisle*

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## REACHING THE SUMMIT?

A top Chinese leader arrives in the capital of Country X for his first visit in five years. The relationship between the countries is routinely described as one of the world's most important bilateral relationships and is so characterized by the visiting leader, who declares it to be a defining relationship for the twenty-first century world. Although little of substance is expected from the meetings between the visitor and his host-nation counterpart, the trip is widely seen as important for the symbolism and atmospherics of a long-standing, complex and recently—and especially in the last year or more—troubled relationship. On the eve of the visit, a senior Chinese foreign policy official notably called bilateral relations “very fragile.” Commentators on all sides point to a worrisome lack of mutual trust in the relationship, which the visit seeks to begin to repair.

The Chinese side wants to focus on economic issues and stresses the importance of trade openness. Beijing's delegation includes an entourage of businesses on a shopping spree, promises increased investment in the host country and agrees to reduce barriers in key service sectors. Those moves are understood partly as palliatives for Country X's concerns about a large bilateral trade deficit that many local assessments blame on China's manipulated, artificially low exchange rate and Chinese barriers to Country X's exports. The Chinese visitor's agenda of further liberalization faces resistance based on such currency concerns, fears that greater economic openness will expose local industry (especially in lower tech sectors) to ruinous Chinese competition, and complaints that China has not adequately opened its markets to imports and foreign competition despite Beijing's WTO-related pledges to do so. Underlying such concerns are Country X's worries about its own economic situation, prospects and policies (especially in the wake of the 2008 international economic crisis), and a mixture of envy and concern toward China's having seemingly escaped the global crisis relatively unscathed and, more broadly, having maintained for many years eye-popping growth rates that have often dwarfed Country X's. Mirroring such insecurities in Country X,

relatively nationalist voices in the Chinese media use the trip as an occasion to express near-contempt toward Country X's economic performance and, more fundamentally, its economic model.

For country X, a long list of political and security issues are on the agenda as well. They include complaints that China has been insufficiently cooperative on the anti-terrorism agenda that is a top priority for the host, and that Beijing has done too little to rein in a troublesome ally with nuclear arms that the host regards as a significant source of security threats, proliferation risks and terrorist threats. On some views, the legacy of military conflict, occurring decades ago and involving China and Country X on opposite sides, still casts a shadow over bilateral relations.

Country X's policymakers and pundits also worry about China's military modernization (especially of naval forces), and its cultivation of access to possible bases along the Indian Ocean and the threat this poses to the host state's interests in maritime Asia. Also among the sources of unease is the prospect that China's rising martial capacity and the leverage that comes from China's burgeoning economic relations (especially with Southeast Asia) may pose problems for the host state's often-strained but recently recovering ties with regional states. That concern is mitigated by these states' pursuit of hedging strategies toward China through enhanced security cooperation with Country X. Recent Chinese assertiveness on long-running territorial disputes along its periphery reinforces such hedging strategies, as well as the concerns about China's rise and aims that underlie them. Further complicating matters is China's very different take on the evolving regional security landscape: what others may describe as hedging against a more powerful China is a more threatening development according to Beijing, allegedly serving (or at least potentially serving) a Washington-led agenda to encircle China and check China's ascent as a great power. These issues all loom during the Chinese leader's meetings with his counterpart in Country X.

Familiar frictions related to differences in the two states' political systems and ideologies hang over the visit as well. Media commentaries in Country X point out the contrast between its own democratic system and China's authoritarian one. Although China is clearly unhappy with Country X's policies toward Tibet and the stature Country X accords the Dalai Lama, the host government accepts, and Country X's free media stress, the right of the local Tibetan community and its supporters to hold public protests during the Chinese leader's visit. The Chinese side responds to the political jabs coming from Country X with editorial blows at the arrogance of the host's claims to democratic superiority, official displeasure at what it sees as Country X's meddling on Tibet issues, and pointed resentment of Country X's refusal to heed Beijing's call not to attend the Nobel Peace Prize ceremony honoring Chinese dissident Liu Xiaobo. Even though both states face international criticism for being laggards on global

warming issues and impediments to climate change negotiations, complaints about Chinese actions that threaten significant environmental consequences are also on Country X's list of issues.

Prospects for progress are further clouded by political leadership questions. The Chinese leader is nearing the end of his term and China's characteristically long transition to his—and his fellow top leaders'—designated successors already looms. Perhaps more acute is the problem of Country X's leader's questionable political clout. Having secured an impressive electoral mandate for a term in office that began in 2009, his standing at home has waned amid a struggling economy and attacks—largely from a conservative opposition party but also from the left—in a polarized political setting. As if to underscore these difficulties, when the Chinese leader leaves town, revelations from Wikileaks create yet another mini-crisis for the major party that has backed the host's leader.

In the end, the meeting of top leaders produces the requisite joint statement on the strength and importance of the relationship, the areas of bilateral accord, and the commitments and ostensible progress made. Among observers, there is much agreement that the session did not exceed relatively low expectations for addressing the difficult and important issues in the bilateral relationship.

“Country X” could be the U.S., but it is India. The foregoing is not a foretelling of Chinese President Hu Jintao's mid-January 2011 state visit to Washington. It is, rather, an account of Chinese Premier Wen Jiabao's mid-December 2010 trip to New Delhi. To be a follower of U.S.-China relations and to be in New Delhi among Indian foreign policy and China specialists during Wen's visit is to experience a bit of *déjà vu* or, more precisely, something like *déjà-prévu*—a sense that one is witnessing a pre-enactment of events that one expects will recur soon.

## **FINDING THE RIGHT TRIANGLES?**

The parallels between the late 2010 Sino-Indian meeting of premiers and the early 2011 U.S.-China presidential summit—and the broader contexts of the two bilateral relationships—are striking and significant. As the background, agenda and no-better-than-modest accomplishments from Wen's India trip show, China has—and knows that it has—an India problem, much as China has—and knows that it has—a U.S. problem. For the lone superpower that China is rising to challenge in Asia and for the other great rising power in Asia, China's rapidly growing prowess has become a major source of concern. In both New Delhi and Washington, an ever-more-formidable PRC has become the biggest traditional security contingency for which their defense establishments must prepare (albeit in an era

when terrorism and other nonconventional security threats make very large claims on attention and resources).

Moreover, in the U.S. and India (and many other places as well), concern about the implications of China's fast-developing capacities has been compounded recently by rapidly deepening suspicions about Beijing's intent. Increasingly, the PRC has been willing to sacrifice the "soft power" that it seemingly had so assiduously cultivated through much of the last decade and to sideline the "charm offensive" it appeared to have so ardently pursued in its own region, much of the developing world and beyond. Beijing has downgraded those once-central elements of its foreign policy in favor of more assertive, even aggressive, stances. Although far from a full reversal of what had long been a mixed practice, the center of gravity in Chinese statements and actions has shifted toward less accommodation and cooperation on issues ranging from North Korea (including the Six Party Talks and the response to the sinking of the South Korean naval ship *Cheonan*), to disputed islands and waters in the South China Sea and East China Sea (including the incident over the Japanese seizure of a Chinese fishing boat and renewed tensions over the Diaoyu / Senkaku Islands), to U.S. military and naval reconnaissance operations in China's EEZ, to Washington's arms sales to Taiwan, to China's test of a stealth fighter during what had been cast as a breach-patching pre-summit visit to Beijing by the U.S. Secretary of Defense.

This pattern in China's handling of issues of great concern to the U.S. extends to issues of special importance to India. In the months and days before Wen's visit, China had become more assertive in its claims to Arunachal Pradesh (the Indian-governed territory that Beijing labels Southern Tibet), shifted to a more pro-Pakistan position on Jammu and Kashmir (by stepping up China's presence in what India describes as Pakistan-occupied Kashmir, denying a visa to the Indian general in charge of forces in the Indian-governed part of the disputed region, stapling—rather than following the ordinary practice of permanently affixing—Chinese visas to the passports of Indian nationals from the Indian-ruled contested area, and shortening the customarily referenced unsettled boundary between India and China so as to imply that the disputed territory could not be India's), and completing a major, militarily useful transportation link between the Chinese heartland and the portion of the PRC's Tibetan Autonomous Region abutting India (and doing so against the backdrop of a modest resurgence in Chinese sources of long-muted positive references to the 1962 Sino-Indian border war).

Beijing's forceful, even strident, stands in these relatively specific contexts have accompanied a more assertive and less clearly status quo-accepting element in Chinese foreign policy more broadly. In security affairs, this has entailed emphasis on force-projection and access-denial capabilities, more far-flung foreign naval base access (especially along the Indian Ocean) and



countering (and denouncing) perceived U.S.-led (and India-abetted) encirclement strategies that threaten a possibly expanding sphere of China's self-defined "core interests." On economic issues, it has included pointed criticisms of U.S. failures as causes of the global economic crisis, Wen-visit-linked barbs noting the great challenges of development still facing India (before it can hope to be China's peer), slow and limited Chinese responses to criticism from New Delhi, Washington and elsewhere of China's currency and trade practices, and claiming a central role in the G20 process for China, and thus for China's interests and agendas, alongside those of the U.S., India and other major economies.

These developments have spawned distrust and ill-will toward China. In many affected states, the response has been to rethink tendencies to accommodate or even bandwagon with Beijing. For almost all of them, the alternative has been to consider hedging or balancing strategies through increased alignment with the United States. Faced with a rising and worrisome China, small and medium powers in Asia lack other choices. The options are greater for regional great powers, specifically Japan and India. Japan, however, is behaving more like a lesser power amid: a widespread sense that Japan is in protracted relative decline; a half-century of a formal and formidable security alliance in which Japan has been junior partner to the United States; a lingering postwar discomfort in Asia of robust security roles for Japan; and a lack of domestic consensus on Japan's foreign policy roles that has become more pronounced with the switch in ruling parties, the return of short-lived premierships and the increased prominence of views that Japan should not or cannot aspire to play the roles expected of a great power.

India does not have many—or arguably any—of these features and thus is positioned, with its growing material resources and its ongoing reassessment of its foreign policy interests, to act as a more conventional great power in the region. This makes China's India problem more akin to China's America problem. Recent moves in Indian foreign policy parallel the U.S.'s regional policy. Evocative of the Obama administration's declarations that the U.S. is "back" in Asia and accompanying diplomatic and security efforts, India has pursued a "look East" policy (including prime ministerial visits to regional democracies Japan and South Korea), explored security cooperation with Vietnam, cultivated closer ties with other regional states, and paid special attention to U.S.-India ties, while continuing to insist that relations with China remain nearly uniquely important (and, indeed, are of global strategic significance).

Both the U.S. problem and the India problem are, in their current forms, relatively new challenges for Reform-Era China's foreign policy. For the first decades of the post-Mao period, China could not—and, following Deng Xiaoping's anciently rooted imperative of taoguang yanghui (literally, hide brightness and nourish obscurity or, as commonly rendered, bide time while building capacity), should not—aspire to be a regional rival to the United States or a challenger to a largely U.S.-created status quo. According to a view in recent

Chinese commentaries, the Global Economic Crisis accelerated the timetable for China's ascension, shortening it from five or ten years to one or two.

On the other hand, India was not until recently a state that Chinese foreign policy planners had to—or appeared to—take seriously as a regional great power. India's China-like growth rates and, more recently, efforts to leverage its strength through improved ties with other Asian states and the United States have altered the regional environment facing Beijing. That simultaneously troubled relations with India and the U.S. are new and serious worries for Beijing is suggested by characterizations of Wen Jiabao's pomp-laden and fence-mending trip to New Delhi as a highly important venture and a bid to secure a foreign policy legacy for Wen. Much the same is true for the soon-following state visit by Hu Jintao to Washington. The U.S. summit is no less a legacy issue for Hu (whose term in office coincides with Wen's). Chinese media accounts and analysts' assessments have cast this as an especially important summit, calling it a "bridge" to future relations, stressing the importance of the issues to be addressed and noting the significance of the flurry of reciprocal high-level visits preceding the summit. Given the limited prospects for progress on the many issues vexing bilateral relations, such expansive and expectation-raising language is not without risk and thus further suggests a relatively high level of concern in Beijing.

To the extent that China's India problem and China's America problem go beyond coexistence to coalescence, the challenges for PRC foreign policy intensify. Given the parallels in New Delhi's and Washington's concerns about Beijing's agenda and actions, it is tempting to foresee ongoing, qualitative increases in India-U.S. cooperation. A more sweeping analogy has begun to seem plausible to some: a U.S.-China-India triangle might come to resemble the U.S.-Soviet Union-China triangle from the later decades of the Cold War. In some respects, a U.S.-India coalition to check China would seem to be more promising than did the U.S.-China collaboration to counter the USSR on the eve of its emergence. After all, independent India and the PRC have never had the ideological or strategic alliance that China's communist leaders and the Soviet Union maintained (despite strains) from before the Chinese Revolution through the first years of the People's Republic. Unlike the U.S. and China in the 1970s (and since), the U.S. and India share fundamental political values and many specific aims and issues in their relationships with the third member of the triangle. Power inequalities among the members (and especially the relative weakness of the third party) did not preclude the U.S.-USSR-PRC triangle and are not obviously qualitatively worse in a U.S.-China-India structure.

Intriguing—even enticing—as the idea of a new strategic triangle for Asia might be, several significant differences warn against pressing the analogy very far. To be sure, India worries about China's military build-up, its cultivation (and construction) of Indian Ocean naval facilities for possible use by the PRC's navy, its construction of infrastructure that will make it

easier for troops to reach the China-India border, and its long-standing, staunch and recently reaffirmed and expanded backing of India's congenital nemesis and China's "all weather friend," Pakistan. Beijing's shift to a less neutral or open-ended position on questions of sovereignty over territory concurrently claimed by China and India and by Pakistan and India rankles in New Delhi and recalls more bellicose times in bilateral relations. India's pointed dropping of the previously routine reference to a "one China" policy in the joint statement during Wen's visit was a tit-for-tat response. China's refusal in the joint statement to call clearly for swift justice, and point a finger at Pakistan, concerning 26/11 (as the November 26, 2008, terrorist attacks in Mumbai are known in India) confirmed for Indian critics that China did not, or would not, take sufficiently seriously India's fundamental concerns about Pakistan-based terrorism. Still, despite these areas of significant discord, China does not pose—and is not seen as posing—the direct, severe threat to India's national security, or regime survival, that China's leaders perceived from the Soviet Union in the years preceding—and following—U.S.-China rapprochement. Few things can match the efficacy of a sense of mortal peril as motivation to seek cooperation with a threatening state's archrival.

So too, U.S. relations with China do not entail the kind of Manichean struggle over the future of a divided world that defined much of Washington's and Moscow's approaches to one another during the Cold War. To be sure, there are sources of concern and potential conflict in: Beijing's support for North Korea and other problematic regimes; its renewed assertiveness on territorial disputes along China's periphery; its rapidly growing capacity—and emerging determination—to impede or deter U.S. military and reconnaissance activities in its neighborhood and to project force further afield; and its accretion of economic influence that could be used to political and strategic ends (albeit not without considerable cost to China's interests). It would take much exaggeration—or grand projections from recent trends—to suggest that the security-related issues in U.S.-China relations resemble those in U.S.-Soviet relations during much of the postwar era.

A U.S.-India alignment is not as promising as it may initially seem. True, a U.S.-India entente would not need to bridge the cavernous ideological gap that divided the U.S. and China in the early 1970s, or even the smaller one that persists between the U.S. and the PRC today. But common commitments to liberalism, democracy and human rights do not mean an easy alignment of perspectives between Washington and New Delhi. Once-defining principles of nonalignment still linger in Indian foreign policy thinking, supplemented by the ideal—often compelling for great or rising powers—of an independent foreign policy. On some environment, trade, finance and other issues, India's positions more closely track those of fellow developing countries (including, on some questions, China) than they do those of the United States. Washington has not quickly or easily overcome its former coolness toward India, with its roots in India's former long-term closeness to the Soviet Union and India's

Nehruist/socialist ideology (which resonated to some extent with ties to Moscow). Indian wariness toward the U.S. has been sustained by long-standing and ongoing U.S. support for Pakistan.

Moreover, Indian Prime Minister Manmohan Singh, U.S. President Barack Obama and their foreign policy aides (and likely their successors) are not Richard Nixon and Henry Kissinger or Mao Zedong and Zhou Enlai. For reasons of political skill, inclination or circumstances at home and abroad, they will not so set aside issues of ideology, values and the like in favor of balance of power and realpolitik. Indian foreign policy analysts question India's capacity to manage successfully the complex diplomacy of a prospective new strategic triangle. They variously point to: signs of poor preparation and inadequate priority-setting for India's agenda during Wen's visit; a tendency for shrill, simplistic and often hard-line voices to dominate the public debate—important for foreign policymaking in democratic India—on China policy; a relative dearth of China expertise in policy circles; and risks of failure due to Indian foreign policymakers' overconfidence in their own skills and their country's clout.

But the most decisive disanalogies between U.S.-China-India relations today and the Cold War strategic triangle stem from the positive and dense ties between the U.S. and China and between China and India that had no parallel in the thin and hostile relations between the U.S. and the USSR and between China and the Soviet Union. During an era of high international economic interdependence, U.S.-PRC trade and investment relations are among the very largest globally—with China ranking as the U.S.'s second largest, and the U.S. ranking as China's largest, trading partner in goods, and the U.S. being among China's top sources of foreign investment and China among the U.S.'s largest creditors. China-India economic connections have been developing rapidly from low baselines, with trade having grown from less than \$2 billion at the beginning of the decade to over \$60 billion now and with China having become India's biggest trading partner. Their expansion and deepening was a focus of Wen's visit, including announcements of a goal of \$100 billion in bilateral trade by 2015 (a figure consistent with recent trends), \$16 billion in business deals, and plans to expand Chinese investment and economic activity in India, particularly in the fast-growing area of infrastructure construction. Such patterns contrast sharply with the low and often near-zero levels of economic engagement between the U.S. and USSR and between the USSR and the PRC during an earlier era. Although they also spawn conflicts, the large and growing economic linkages between the U.S. and China and between India and China have created national interests and powerful domestic political constituencies that favor good relations and weigh against strongly adversarial stances toward China in Washington and New Delhi. Such economic considerations are likely all the more central at this moment, when India has an economist prime minister and the U.S. has a president whose political fortunes hinge on improvement in a recently dismal national economy.

In the bilateral relationship more broadly, the U.S. policy sometimes described as “conengagement” includes a large dose of engagement alongside the modest if growing and more Cold War-reminiscent elements of containment. Through building economic ties, supporting China’s integration into international organizations and the international order, and forging myriad channels of influence through educational, business, NGO and social connections, the U.S. has sought to further China’s transformation into a more benign and liberal system. Although Beijing chafes at such U.S. aims and endeavors as “peaceful evolution,” Reform-Era China has moved notably (although far from fully) in the direction envisaged by proponents of engagement. Despite its complaints about American plots and their nefarious effects, the Chinese regime has found it worthwhile to tolerate, and even welcome, many of the activities that create entry points for ideas and ideals from the U.S. and other parts of the liberal-democratic and rule-of-law world.

Although differences in, and over, contrasting political system types are sharp in Sino-Indian relations, they are more muted than in contemporary U.S.-China relations and they pale in intensity and impact when compared to Sino-Soviet clashes. Indian sources take understandable pride in their country’s recently successful pursuit of economic development with democracy, and they pointedly note China’s failure to match India’s achievements on the latter front. Unsurprisingly, Chinese sources take umbrage at what they see as India’s democratic arrogance and condescend toward the modesty—when measured by contemporary Chinese standards—of India’s economic accomplishments. Thus, a nationalist commentary in the PRC media cautioned India not to “get drunk” on the “red wine” of democracy that it shares with the West and to tend instead to the onerous work still to be done on economic development. Beijing resented and called, futilely, for the muzzling of critical Indian media coverage on China (and especially on Tibet issues) in connection with Wen’s trip to New Delhi. India, predictably, had little patience with these Chinese views. In the words of India’s foreign secretary, China simply would have to get used to the “noisy” nature of Indian democracy.

Despite such exchanges, there is a good deal of mutual tolerance and even elements of shared Asian pride and solidarity. Chinese and, in some cases, Indian statements amid and around Wen’s trip spoke of: a new “Asian century” in which China and India would play large international roles; India and China’s common features as large developing countries that are heirs to great ancient civilizations poised for new glory; their co-membership and common interests in the BRIC or BRICS group (Brazil, Russia, India and China, plus South Africa); and their history of two thousand years of mutual exchange, sixty years of diplomatic relations, and nearly six decades of joint commitment to the Five Principles of Peaceful Coexistence/Panchsheel in international relations. Wen’s visit also heralded an expansion of

institutional frameworks for interaction and cooperation, some reminiscent of familiar features in U.S.-PRC relations. These do or will include regular meetings between foreign ministers, a prime ministerial hotline, a Strategic Economic Dialogue, and a CEO's forum. Although Wen's call for the "dragon and elephant to tango" overshoots and the purported quest for a "strategic consensus" with India remains elusive, contemporary India-China ties contrast sharply with Sino-Soviet relations from the era of reciprocal charges of communist apostasy and competing (if uneven) efforts to export rival versions of socialism. Tellingly, one hears little today about a "third way" derived from the Indian development experience, and despite China's growing pride and confidence, official and orthodox Chinese sources have been notably reticent in pushing the so-called "Beijing Consensus" or an exportable "Chinese model."

## INDIA AND U.S. CHINA POLICY

A new strategic alignment among the U.S., India and China that would parallel the former triangle among the U.S., China and the USSR is likely unachievable and undesirable. It does not follow, however, that the U.S. cannot, or should not, pursue closer cooperation with India and do so partly in furtherance of U.S. policies that respond to China's rising power and assertiveness. The U.S.'s and India's shared liberal, democratic and rule of law values, broadly compatible foreign policy interests, and extensively overlapping agendas in relations with China provide relatively sturdy and likely enduring foundations on which to build. The George W. Bush and Barack Obama administrations have taken sensible and substantial steps here, including reciprocal state visits, a defense framework agreement, a civilian nuclear cooperation accord, and support for India's integration in international nuclear regulatory regimes and permanent membership on the United Nations Security Council.

Consolidating and extending these gains will require sustained effort and attention. Although the focus on fellow democracies in Obama's Asia trip and his characterization of U.S.-India relations as a "defining partnership" were well-received, much of the significance of such gestures for India was their contribution to assuaging concerns that the U.S. administration regarded relations with other Asian states as secondary to the central, if troubled, U.S.-PRC relationship. Such sensitivities in New Delhi (and other Asian capitals) will remain chronic challenges for Washington so long as ideas of U.S.-China bipolarity (or the more farfetched "G2" duopoly) remain prominently in play and unfortunate incidents (such as U.S. airport security officers' intrusive pat-down of India's ambassador) can roil still-delicate relations.

U.S. policy also will have to contend with Chinese efforts to discourage a stronger U.S.-India side of the triangle. These tactics likely will include: complaining about U.S. efforts to enlist India as one of many followers in its attempt to impede China's rise; stressing areas where

India and China have commonalities of identity or policy interests not shared by the United States; and generally playing up the less zero-sum aspects of Sino-Indian relations (as Beijing has done with its repeated refrain that China and India are “partners not rivals” in a world where there is “enough space” for both to develop and “enough areas” where the two can cooperate). Fortunately for the U.S., such moves from Beijing face limits that flow from relatively intractable conflicts between Chinese and Indian national interests, the PRC’s worse-than-the-U.S.’s positions (from India’s perspective) on the crucial and overlapping issues of Pakistan, terrorism, territory, and Security Council membership, and China’s seeming inability to resist unleashing its newly assertive and acerbic rhetoric occasionally in India’s direction.

Finally, to counter such Chinese gambits, the U.S. also can invoke another contrast—one that China ostensibly accepts—between contemporary U.S.-China-India relations and the former U.S.-USSR-PRC relationships. The former are much less of a zero-sum game, as Beijing acknowledges in its routine invocations of interdependence and “win-win” foreign policies and in its statements around Wen’s New Delhi trip that the connection between China-India relations and U.S.-India relations is positive, or at worst neutral. Insisting on this aspect of fundamental dissimilarity to the strategic triangle of an earlier era can, ironically, help cultivate in U.S.-India ties assets to support the U.S.’s complex policies toward a difficult and rising China that are in some—but far from all—respects reminiscent of those the U.S. once derived from U.S.-China ties to support U.S. policies toward a powerful and intractable Soviet Union.

# THE SINO-JAPANESE CLASH: WHAT IS BEHIND IT?

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As observers struggle to predict the future of East Asia, they face a familiar choice among three schools of thought -- realist theorists, who foresee the danger of conflict over the balance of power; liberal theorists, who have argued for economic integration resulting in shared values; and constructivist theorists, who focus on national identities and how they shape perceptions of gaps between countries. Given the way relations between China and Japan have evolved in the past five years, it is easy to conclude that realist theory has bested liberal theory. In May 2008 President Hu Jintao's visit to Japan led many to exclaim that the thaw begun when Prime Minister Abe Shinzo traveled to China in October 2006 had blossomed into a full flowering of relations. There was talk that "hot economics" is conducive to "warm politics" as the exchange of trust-building summits continued. Looking back, we see that liberal assumptions about the goodwill generated by economic integration have lost credibility. Yet, relying on realist assumptions may lead to erroneous predictions without considering a recent surge in the intensity of national identities, which may support constructivist views.

It has been well understood that "cold culture," such as the impact of visits by the Japanese prime minister to the Yasukuni Shrine is an independent force in relations between China and Japan. In the exchange of visits by Prime Minister Fukuda Yasuo in December 2007 to China, including the birthplace of Confucius at Qufu, followed by Hu Jintao's trip to Japan, especially to Nara, where Japanese civilization took shape, much attention was given to narrowing the cultural gap. Yet, with the rise of the territorial dispute over the Senkaku/Diaoyu islands and Japan's continued caution in 2009-12 in raising sensitive historical issues, the focus shifted to realism as the explanation for deteriorating relations. That argument still commands wide attention even if national identity themes are increasingly difficult to overlook. As these bilateral relations cooled in 2010, went into a deep freeze in 2012, and even threaten to impact Sino-U.S. relations in 2013, we should look more closely at what is driving this clash. Being able to distinguish between realist and identity factors is needed in order to choose appropriate responses to what is now a volatile situation.



The case for realism focuses on China but also covers Japan. Since the 1980s it has been widely assumed that China turned decisively to realism under the leadership of Deng Xiaoping, the supreme pragmatist. Maoist ideology was set aside. Economic growth became an obsession. Deng left a legacy of putting aside thorny problems, among them the territorial dispute with Japan. As comprehensive national power grew, China would have the economic clout and, as its double-digit expansion of the People's Liberation Army (PLA) budget demonstrated, the military might to alter the status quo. According to this realist argument, the PLA navy has grown to the point it can and does challenge the Japanese military presence in the East China Sea. Gaining control of the waters around the Diaoyu islands and treating them in the same way China treats its claims to disputed islands in the South China Sea would give breathing space to China's naval power. Eventually, the challenge would extend to the U.S. Pacific Fleet. A rising power is, thus, establishing its sphere of control. It is using the growing economic dependency of other states to pressure them to agree.

The rise of realism in Japan is also unmistakable. Abe Shinzo has capitalized on it, charging that the three-year tenure of the Democratic Party of Japan (DPJ) damaged relations with the United States, and insisting that he deserves credit for rebuilding these ties as the most critical step in resisting military threats from China and North Korea. In his first months as prime minister, Abe appeared to jettison the LDP party platform used in the late 2012 elections to the Lower House of the Diet, recalling his pragmatism toward China in 2006-07 despite beliefs that were expected to take him to Yasukuni. Along with rejuvenating economic growth, Abe's policies mainly center on national security. Given postwar Japan's legacy of pacifism and the slowness with which the military budget has grown since Japan's bubble burst, Abe's tone is a real departure.

The United States is undeniably a force for realism in the Asia-Pacific. Prioritizing the threat from North Korea and striving to expand military exchanges with China in order to prevent an arms race and destabilization from a lack of transparency, U.S. leaders have encouraged Japan to expand its military and to strengthen the alliance. One step sought by U.S. officials is for Japan and South Korea to cooperate militarily and to exchange intelligence. To make the case against North Korean aggression and also to send a message to China, they highlight the realist nature of responses to threatening behavior. Yet, they have found themselves increasingly forced to take into account statements and actions that defy realist logic. Since he became party secretary, Xi Jinping and China's media have framed disputes, especially with Japan, in constructivist terms, while Abe has shown his true stripes with comments that hark back to the revisionist thinking for which he is well known. A case can be made for national identities trumping realism in each state, fueling a national identity gap.

A national identity gap arises when one or both countries in a bilateral relationship conceive of the other country as highly significant for what makes their own country distinctive. This normally means blaming the other country for humiliation, while seeking national pride by proving that weakness toward that country is no longer tolerable. Given Japan's imperialist aggression toward China to 1945, it is an ideal target for widening the national identity gap when China's leaders decide that this is desirable. Many in Japan's political elite have long struggled to arouse the Japanese public to take pride in Japan's history leading to 1945. A wider identity gap with China conveniently serves that purpose, even if it begins as a response to what is being done by China to confront or demonize Japan. The gap is huge and growing.

Ever since the Tokyo Tribunal of 1947, members of Japan's political elite have been obsessed with the goal of reversing the verdict on the war. On April 24, 2013 Abe apparently denied this was a war of aggression (*shinryaku*) when he answered a question before the Upper House of the Diet that the concept could be viewed differently depending on which side you are on, repeating a view with which he has long been associated. Whether he uses the term "beautiful Japan" or "normal Japan," the implication is that only by revisiting the negative judgment that was drawn by "victors' justice" will Japanese recover their pride. The current dispute with China, it appears, is perceived as an opportunity by Abe to revise the constitution, rethink history, and reconstruct national identity in Japan. Compromising on the territorial dispute, even to the degree of acknowledging a dispute exists, would undermine these goals. Abe's professed warmth to the United States fits a realist interpretation, but his questioning of the San Francisco Peace Treaty stems from a revisionist worldview. His early caution in arousing South Korea over the "comfort women" issue and "Takekushima Day" suggested that realism was his priority, but in a series of snubs, including sending much of his cabinet to the Yasukuni Shrine, which caused Park Geun-hye to cancel a trip by her foreign minister to Japan, he proved that he views South Korea primarily through the lens of reshaping Japan's national identity. Under U.S. pressure, however, he shows restraint, as in recent acknowledgment that the Abe cabinet would stick with the 1995 Murayama statement, a genuine apology.

Compromise on the territorial dispute with Japan also is problematic for Xi Jinping's national identity agenda. Expectations have been raised by a litany of claims about how China must, at last, confront the humiliation it has faced. Since 2009, criticism of Japan has broadened to the point of demonization, leaving little room for finding common ground. Consolidating power from the end of 2012, Xi has made the "China dream" his primary theme, insisting that China's rejuvenation is under way without any hint of the importance of reassuring neighbors and building trust, as Hu Jintao had stressed with the theme "peaceful development." Linking today's Japan to the militaristic Japan that brutally invaded China serves Xi's agenda. As in the case of Abe, the hidden target is the United States, whose threat is much more serious to

the national identity of greatest concern. If Abe's historical obsession is to reverse the verdict that was reached from 1945, Xi's obsession, arguably, is to reverse the verdict on the history of communism that was reached around the world in 1989. As Chinese sources in early May were raising new questions about whether Okinawa (the Ryukyu islands) belongs to Japan, the historical case against Japan was intensifying.

Xi Jinping and Abe Shinzo feed off each other. To the extent that each is vilified in the other country, it serves the national identity agenda of both sides. Realist theory has no explanation for what is happening. Indeed, relying on it alone would mislead one into thinking that U.S. policy should simply stand firmly behind Japan. Narrowing the focus to one prominent theme of national identity—Japan's revisionist approach to history—would also have misleading consequences, as if realism does not matter and China is not driven by a national identity obsession of its own with dangerous potential. On other dimensions of national identity, Japan is a partner in pursuit of the principles for which the United States stands. In contrast, China since 2008 in numerous policy decisions and rhetoric that is splashed across its media and the bulk of academic publications is posing a serious challenge to the values to which most of the international community subscribes. In these circumstances, there is a need for the new Obama administration team to devise a multi-layered response, recognizing China's challenge as more threatening.

The first priority to impress on both China and Japan is the need for calm, avoiding moves that not only might lead to a military confrontation in the East China Sea but also could arouse emotions on the other side of the sea. Given wariness across East Asia about being forced to choose between the United States and China, Washington should position itself as a calming influence. The second priority is to intensify engagement with China while avoiding moves that might give it a chance to drive a wedge between Japan and the United States. Without any idealism about China's behavior, its willingness to cooperate in stabilizing the region should be repeatedly tested, notably with North Korea in the forefront, as in May 2013 moves by Chinese banks to suspend business with North Korea. The third priority, which has been rising in urgency when Sino-U.S. talks are not proceeding well and China is showing little regard for calming tensions, is to strengthen the U.S. alliance system while striving to forge an Asia-Pacific community, including the Trans-Pacific Partnership (TPP). This is more than an FTA since it sets standards for business conduct at a time when China is using economic leverage and even commercial cyber war in ways that undermine the security of other states. The fourth priority, given North Korea's recent threats to use force backed by nuclear weapons and China's increasing willingness to use military pressure to address territorial disputes, is to prepare more seriously for conflict than the United States has previously.

The lessons to be drawn from the widening Sino-Japanese rift extend beyond policy makers to analysts looking for a theoretical framework. As much as some tinker with realism, seeking to make it fit the developments in East Asia, and others grasp for a revival of liberalism, as if the past several years is just an aberration, there is no way to make sense of what is transpiring without constructivism. Moreover, that general rubric requires specification. National identity studies are making headway in differentiating various dimensions of identity and reassessing bilateral relations in terms of national identity gaps, such as the one between China and Japan that has been widening sharply in recent years. Without appreciating the identity aims of Xi Jinping and Abe Shintaro as well as those governing with them, a realist perspective would be misleading. The Senkaku/Diaoyu dispute is not driven, as some argue, by natural resources, and is much more than a clash over control of critical maritime routes, as many realists conclude. It is a test of two national identities in the process of being reshaped by leaders with far-reaching ambitions. China and Japan stand in the way of the other country's leader's national identity obsessions. In the background is the United States, not just as the critical force in the realist struggle between them, but also as the ultimate test for reconstructing the national identity of each country. Given the goodwill that most Japanese have to the United States as opposed to the susceptibility of China's political elite to demonization of the United States, efforts to calm Abe's identity quest can be kept low-key, in contrast to the need to challenge Xi's growing obsession.

# THE RUSSIAN FAR EAST AND CHINA: THOUGHTS ON THE CROSS-BORDER INTEGRATION

*By Rensselaer Lee*

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## Introduction

*“The Far East and Baikal are a strategic bridgehead of Russia, ensuring her military-political and economic influence in the Asia-Pacific region. The federal government and regions of the Russian Federation should jointly make huge efforts to give this region the dynamism that will permit it to be an effective and worthy region of Russia....” Viktor Ishayev, then-governor of Khabarovsk Krai, May 2003<sup>64</sup>*

Developing Russia’s economically- and demographically-challenged Far East (RFE) has been a top priority for Moscow in recent years, consuming a significant and increasing share of state resources. Yet Moscow expects that much of the impetus for growth of this depressed region to come, not from within, but from closer integration with the relatively fast-paced economies of the Asia-Pacific region. For a variety of reasons – geographical proximity, economic imperatives, and close-fitting strategic ties – Moscow has assigned China a central role in its modernizing strategy, hoping to “catch the wind from China’s rise in the sail of our economy,” as Vladimir Putin put it recently.<sup>65</sup>

Policy decisions in Moscow and Beijing have linked the development of the RFE and the adjoining Transbaikal region to the rejuvenation of the decrepit Soviet-built industrial base in northeast China – decisions that seemingly subordinate the economic future of the RFE to the requirements of China’s industrial planners. Moscow evidently believes that closer integration with China will advance its geopolitical as well as its economic objectives in the East, which include establishing its credentials as a credible Asia-Pacific power. Yet this strategy could yield in opposite result. As integration with China proceeds apace, the RFE and Transbaikal

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<sup>64</sup> Cited in Dr Mark A. Smith “The Russian Far East: Drift from the Centre?” Conflict Studies Research Centre, September 2003, p. 3.

<sup>65</sup> “Cold Climate”, *The Economist*, August 31, 2013.

over time may become more a part of Asia’s periphery than Russia’s periphery, and Russia could lose a measure of real sovereignty over these regions.

This paper will briefly address three main questions. First, how far has cross-border integration progressed between Russia’s Far East territory and China? Second, what appear to be likely future trends in integration? Third, what policy issues do deepening Sino-Russian economic ties in the East present for Western countries and for the United States in particular? Three dimensions of integration will be emphasized: the RFE’s foreign trade patterns, China’s investment in the RFE, and land use by Chinese nationals in the RFE’s border provinces.

## TRADE

The RFE’s foreign trade turnover as a whole is not excessively weighted toward China. Its three major partners – China, South Korea, and Japan – have had roughly equivalent shares, hovering close to 25 percent over the years observed (2011 through the first half of 2013). At the same time, different provinces exhibit vastly different degrees of trade dependence on the PRC, ranging from nine percent in Magadan to 99 percent in the Jewish Autonomous Oblast (JAO). Unsurprisingly, China accounts for the dominant share of trade with the four provinces that adjoin the Sino-Soviet border (Amur, JAO, Khabarovsk, and Primorye). On the other hand, the five Northern provinces (Chukotka, Kamchatka, Magadan, Sakha-Yakutia, and Sakhalin), which are relatively distant from China, boast a geographical variety of top-ranking partners: South Korea, United States, the United Kingdom, and (of all places) Belgium. (Different percentages associated with the RFE’s foreign trade patterns are shown in Table 1.)

*Table 1: RFE Provinces: Trade with China and Others*

	Trade with China as Percent of Total Trade (2012)	Principal Trade Partners Percent (2012)	Trade with China as a Percent of GRP (2011)
Amur	90	China (90)	8.5
Chukotka	20	USA (33)	1.7
JAO	99	China (99)	5.0

Kamchatka	33	ROK (42)	6.8
Khabarovsk	43	China (43)	4.9
Magadan	9	UK (24)	1.5
Primorye	50	China (50)	23.0
Sakha-Yakutia	13	Belgium (46)	2.7
Sakhalin	13	ROK (41)	9.4
All RFE	28	ROK (28)	10.3

SOURCE: Goskomstat: *Regions of Russia*, various years

Trade dependency also can be analyzed as a ratio of a province’s foreign trade to its Gross Regional Product (GRP). Here a somewhat different (and partially misleading) pattern emerges. As one might expect, commercial ties with China are essentially irrelevant to the economies of Chukotka, Magadan, and Sakha-Yakutia, but vitally important to those of Primorye and Khabarovsk – provinces that together account for more than half the RFE’s population. (See Table 1) The relatively high dependence figure for Sakhalin – even though China is far from being its principal trade partner – is attributable to the fact that foreign trade accounts for 90 percent of that province’s entire economy, thus highlighting the significance of China’s share. On the other hand, the ratios for the JAO and Amur seem unrealistically low, given China’s dominant trade position in these provinces. One possible explanation relates to the so-called “suitcase trade” – a form of “legal” smuggling in which individual Russians (sometimes organized in gangs) travel to China, multiple times, carrying back goods purchased there, literally in suitcases, and declaring the merchandise as personal effects. Because customs statistics don’t adequately capture the extent of this “gray market” activity, the actual value of cross-border trade may be substantially higher than the official recorded value, as much as two to three times higher, according to one careful estimate.<sup>66</sup>

Furthermore, recent improvements or planned improvements in trans-border infrastructure will likely accelerate the growth of RFE-China trade. Last year, for example, a new pontoon bridge linking the Amur capital city of Blagoveshchensk and the neighboring Heilongjiang city of Heihe was put into operation (the cities face each other across an 800 meter stretch of the Amur River). Earlier this year, Russian authorities decided to reopen the Makhhalino Railway border crossing in Primorye, which will facilitate freight traffic between China’s Jilin province and the southern Primorye ports of Zarubino and Poset. A similar expansion of commerce can be expected from a planned (2014) construction of a new railway bridge, again across the Amur, which will connect the JAO town of Nizhneleninskoye with Tongjiang in Heilongjiang.

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<sup>66</sup> Natalia Ryzhova “Peculiarities of Transmigrant Adaptation in the ‘Twin Cities’ of Blagoveshchensk and Heihe,” Blagoveshchensk, Amur State University, 2009, p. 9.

Such developments will further cement relations across the border, strengthening the underpinnings of the Sino-Russian strategic partnership generally.

## INVESTMENT

Though a serious trading partner for the RFE, China is not yet a serious investor in the region. Indeed, from an investment standpoint, Asia-Pacific integration has barely begun. According to Russia's Interregional Association of Far East and Zabaikalye (a repository of official data for the regions) about two-thirds of the \$24 billion investment in the RFE Transbaikal (98 percent of which went to the RFE) in the two years 2011-2012, originated from a handful of Eurozone countries. Nearly all of that was channeled to mineral exploitation projects in two provinces: Sakhalin (oil and gas) and Sakha-Yakutia (diamonds and gold). Asian countries (mostly Japan and India) accounted for just 13 percent (\$3 billion), and China's share (\$288 million) came to just slightly more than one percent of the total. About \$4 billion of investment were attributed to two tax haven countries, Cyprus and the Bahamas; this could increase the Asia-Pacific share somewhat, but the Cyprus portion reflects mostly Russian "round-tripping" (reinvestment at home from money stashed offshore) and the Bahamas-identified funds could have originated anywhere. In any event, whatever investment was routed through these jurisdictions does not alter the essential European character of this aspect of economic integration.

Of China's \$288 million capital investment in the RFE Transbaikal, just \$107 million or a little more than one-third was dedicated to the RFE (most of the rest was directed to Zabaikalkrai Krai, possibly for mining projects there). Roughly three-quarters of the Chinese investment in the RFE flowed to the four border provinces – no surprise here – and among these, Primorye was the favored destination. See Table 2.

China's weak investment footprint in the RFE reflects its conservative choices of projects – typically small-scale, low-risk, and quick-profit ventures in spheres such as wholesale and retail trade, services, low-level woodworking, and construction. China's foreign economic strategy in the main, of course, is focused on acquiring resources vital to its industrial growth; yet China has generally been content to purchase the materials it needs rather than investing in the Russian companies that produce them. This strategy, though, could be changing. In early 2013 two metal concerns secured a 38 percent equity stake in a Russian iron ore company (IRC) with mines in Amur province for \$238 million – more than China's entire investment in the RFE-Transbaikal in 2011-2012. And in October, a joint Russian-Chinese investment fund acquired a 42 percent share of the Khabarovsk-based Russian Forest Products Group, a leading forestry-holding company in the Russia's Far East. Such ventures represent departures



from the general pattern of Chinese business investment in the Far East, but could represent harbingers of deepening economic cooperation and trans-border relations generally.

*Table 2: Chinese Investments in the REF-Transbaikal by Province, 2011-2012, In Millions of Dollars*

RFE	2011	2012
Amur	20.2	7.2
Chukotka	N/A	N/A
JAO	4.7	2.9
Kamchatka	1.0	2.0
Khabarovsk	1.5	2.5
Magadan	0.2	0.4
Primorye	31.5	14.8
Sakha-Yakutia	N/A	N/A
Sakhalin	8.4	1.5
<b>Zabaikalye</b>		
Buryatia	1.1	6.8
Zabaikalkrai	100.2	80.9
All RFE-Transbaikal	168.9	119.0

SOURCE: Interregional Association of Far East and Zabaikalye

A distinctively different kind of stimulus to cross-border integration will derive from projected Chinese (albeit Hong Kong Chinese) investments in Russia-based gaming operations. Projects announced and agreed on this year will focus on a newly-established gambling-hotel-entertainment zone in Primorski krai, near the Vladivostok airport. One group of investors, Hong Kong-listed casino operator NagaGroup, will spend \$350 million to build a casino resort complex in the zone featuring 100 gaming tables, 500 slots, 1,000 hotel rooms, as well as assorted bars and restaurants. A second group, comprised of Macao tycoon Lawrence Ho's Melco international and two Russian partners will invest \$630 million in a two-stage project to build its own complex in the zone; adding an additional 235 tables, 1,300 slots, and 720 hotel rooms to the overall total. These properties would represent a second Macao of sorts, taking advantage of Primorye's proximity to northeast China, and the putative gambling hunger of its millions of residents. The governor of Primorye Vladimir Mikliuchevsky ecstatically predicts that the new casinos will attract four million tourists a year, further linking the economic fortunes of his province to the coat tails of its powerful and populous neighbor.<sup>67</sup>

<sup>67</sup> "Primorye Raskrutili," *Zolotoi Rog* (Vladivostok), September 17, 2013, p. 23.

## LAND USE

Another significant measure of cross-border integration relates to Russia's policy of leasing vast tracts of land to Asian nationals, mainly Chinese, in the RFE's border provinces. With the state's blessing, Chinese agro-business and individual Chinese farmers engage in comprehensive land use schemes along the border, bringing in tens of thousands of Chinese laborers to actually work the land. Typically, property is leased on three to ten year contracts, and used to grow crops – soybeans, vegetables, grains, and fruits – for export back to China and/or sale within the internal RFE market. According to one frequently cited estimate, Chinese have leased some 426,000 hectares in Khabarovsk and the JAO, extensions encompassing nine percent of the JAO's arable land. A higher estimate puts the total at 850,000 hectares<sup>68</sup> overall in the RFE. However, no reliable statistical information exists on the amount of land already rented to Chinese concerns. This is because the latter often employ subterfuges that circumvent local authorities and record-keeping (such as subleasing land unofficially from Russian lessees who “forget” to declare this kind of income on their tax returns). In other words, there is a spontaneous aspect to these land acquisitions, which raises disturbing questions about Russia's ability to control Chinese migration in border areas.

The economic rationale for this practice is rudimentary – an exchange of surplus land for surplus labor across contiguous territories. Russia also rents land to other Asian migrants, mostly Korean and Japanese, but the primary exchange linkage is with northeast China. On the Russian side, post-Soviet economic traumas – vastly reduced financial support for agriculture, combined with massive out-migration from the RFE (more than 20 percent since 1989, and almost 10 percent since 2000) – have idled millions of hectares of the RFE's potentially productive land. On the Chinese side, high population density, environmental degradations, urbanization, and shortages of water have seriously constricted opportunities in agriculture, pressuring many rural dwellers to set their sights on land north of the border.

The labor force the Chinese migrants provide has helped to sustain agricultural production in the RFE at a critical time in its history. Chinese farmers are said to obtain higher-than-average yields from their plots (though they are sometimes accused of using toxic chemicals that deplete the soil.) That's the economic good news. The political downside is that migrants could eventually acquire a permanent foothold in the RFE, seek preferential rights from Russian administrators of the borderlands, and even lobby for a special relationship of some kind with the provinces of their Chinese homeland (a *reconquista* scenario familiar to observers of US-Mexican border dynamics). Moscow seems partly aware of these risks; for

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<sup>68</sup> Paul Goble, “Beijing Renting Foreign Border Area for Chinese Farmers,” *Window on Eurasia*, June 1, 2010 and Andrew E. Kramer, “China's Hunger Fuels Exports in Remote Russia,” *The New York Times*, June 9, 2010.

example Prime Minister Medvedev warned last year without mentioning China specifically that “the objective of defending our Far Eastern territory from an excessive expansion of citizens from neighboring countries remains” and also urged avoiding “negative manifestations” such as creation of “foreign citizen enclaves.”<sup>69</sup> Yet Russian officials are dangling the prospect of leasing millions more hectares of RFE cropland to Asian agribusiness interests, so economic considerations remain paramount.<sup>70</sup>

## POLICY ISSUES

Cross-border integration is official policy in Moscow and Beijing. China’s industrial planning for its northeast has oriented its industries toward the processing of raw materials from the RFE and Transbaikal, while Russia evidently hopes that tapping Chinese capital, investment, and markets to develop its natural resource base will secure the future prosperity of these economically failing regions. The common policy of the partners was enshrined in a “Program of Cooperation” signed by then-Presidents Hu Jintao and Dmitri Medvedev in 2009 that explicitly linked the development of the RFE-Transbaikal to that of China’s northeastern provinces.

The Program featured a list of 168 joint projects extending over all the RFE-Transbaikal provinces, and the 3 Manchurian projects (Heilongjiang, Jilin, and Liaoning). Those on the Russian side demonstrated a clear resource-harvesting focus: mining, minerals development, forest harvesting, agriculture, water, power generation and transmission, and the like. By contrast, the Chinese projects mostly emphasized creation of a balanced and diversified manufacturing complex, aimed at producing a broad range of finished goods for end-customers. The Program also proposed improvements in infrastructure along the countries’ mutual border, the better to facilitate the flow of Russian raw materials to northeast China’s factories.<sup>71</sup> To some Russian observers, this linkage scheme equated to putting some 45 percent of Russia’s territory (the RFE plus Transbaikal) in the position of a resource colony or appendage to a metropolitan China. Moscow has acknowledged these concerns to some extent (“We are not entirely satisfied with the emerging trade structure” Putin told the Valdai Discussion Club in 2012)<sup>72</sup> and Russian officials have pressed China to invest in higher value added or “deep processing” industries on Russian territory, but with little success so far.

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<sup>69</sup> “Russia Fears Chinese Immigration Threatens Its Far East,” *Agence France Presse*, August 10, 2012.

<sup>70</sup> “Russia offers to lease land in the far east to APEC countries,” *Russia and India Report (Indus)* January 30, 2012.

<sup>71</sup> *Program of Cooperation between the Far East and Eastern Siberia of the Russian Federation and the Northeast of the People’s Republic of China, 2009 to 2018*, pp. 13-25.

<sup>72</sup> “Vladimir Putin on Foreign Policy: Russia and the Changing World,” *Valdai Discussion Club*, February 27, 2012.

Implementation of the Hu-Medvedev program has been slow; in fact, none of the 94 projects mentioned on the Russian side appear to have been completed to date though several were approved in 2010. But last October, the Ministry of Development of the Far East and China's State Development Bank signed a cooperation agreement under which the Bank would provide up to \$5 billion to finance projects within the scope of the Hu-Medvedev agreement and Russia's plan for development of the RFE-Transbaikal until 2025.<sup>73</sup> The communique announcing the agreement emphasized infrastructure development – ports, roads, railways, bridges, and so forth – as well as “technologically- and environmentally-friendly” production, the latter probably a sop to Russian desires for more advanced-processing enterprises. But the underlying shape and rationale of the 2009 plan are not likely to change significantly; because China has no real interest in helping Russia move up the value added chain and because the RFE's integration with China under the current terms of trade is relatively well-entrenched.

The pro-China orientation of Russia's Far East development strategy is controversial and poses some risks to the Russian state. Moscow certainly is not planning to surrender its Far Eastern territories to China, but the balance of Moscow's decisions coupled with reality on the ground – the long common border and China's ascendant role in East Asia – all suggest that China's economic influence in the RFE-Transbaikal will grow significantly in years to come, potentially diluting Russia's sovereignty over these strategically vital regions. China's rivalry with the United States in the western Pacific will doubtless further this dynamic, as it seeks enlarged access to land-based raw materials to counter US maritime threats.

At the same time, Russia's democratic partners on the Pacific Rim and in the EU also have interests in the RFE, especially in its northern provinces, and are not anxious to see the resources and markets of that vital region drift irrevocably into China's economic orbit. The arguments presented in this paper suggest a clear division between the non-border provinces that depend heavily on the West for trade, capital, managerial expertise and technology (especially offshore drilling technology) and the southern border provinces where trade with China, Chinese land entrepreneurship, and Chinese migration, already represent vital components of the economic landscape. Yet this is not a particularly stable balance, since China's economic planners target the rich mineral resources of the north also. (The list of projects in the Hu-Medvedev program clearly shows this.) To counter China's growing influence, Western countries need to invest more comprehensively in the RFE, both north and south, taking advantage of China's still relatively weak investment profile in the region. To this end, the interested players might consider a coordinated investment strategy, perhaps a

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<sup>73</sup> Ministry of Development of the Far East, “Agreement Signed on Cooperation Between the Ministry of Development of the Far East and State Development Bank of China,” Khabarovsk, August 16, 2013.

consortium of some kind, to pool resources, share risks, engage with relevant Russian authorities, and promote development efforts.

Finally, the United States and Russia's Far East are neighbors across the Pacific, just 58 miles apart at their closest continental points. As such, America and Russia share an objective common interest in preventing domination of the RFE – including indirect soft-power domination – by any outside power, and China is now the power in question. (For America, the Russian Far East offers the convenience of a gigantic strategic buffer between an increasingly aggressive China and the North American continent.) Russia's current alignment with China, tailored to its geopolitical ambitions in the Asia-Pacific, naturally tends to obscure this reality; and America, for its part, doesn't yet take Russia seriously as a Pacific partner, economically or strategically. Yet America's highly-touted "pivot" to Asia, could modify these calculations. Washington is assembling an informal coalition of Asian nations, apparently to contain China, and could eventually decide to bring Russia into the fold, at least at the margins. A more inclusive US security policy in the Pacific should benefit the RFE, inspiring greater confidence among foreign developers (non-Chinese ones) to invest in long-term projects there, thus advancing Moscow's own modernization objectives in the region. Whether these potential synergies will be perceived as such in Moscow and Washington remains to be seen.

# AMERICA AND THE WORLD AT THE DAWN OF A NEW CENTURY

*By Walter A. McDougall*

December 1999

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Several people, including our host Ron Naples, whose burden it was to introduce this lecture, have asked me what exactly I meant to discuss this evening inasmuch as my title was hopelessly vague. That, I confess, was by design, so as to leave me free to say pretty much whatever was on my mind, come November 10, about U.S. foreign relations at the turn of the century. And it seemed to me that I could take any of three approaches. I might, for instance, choose to look backward, reviewing the evolution of American diplomacy and suggesting what lessons to draw from it. That approach would have put me on safe ground, but I rejected it because to talk history would just give you all an excuse not to read my latest book.

Alternatively, I could have chosen to look ahead and prophesy regarding the dire global trends that may shape world politics in the future. But that, I realized, would only send you home gloomy, your heads filled with nightmarish visions of failed states, famines, ethnic violence, financial meltdowns, rogue states with nuclear weapons, terrorism on American soil, an angry Russia, a threatening China, and a unified Europe becoming a competitor, rather than partner, of the United States. It is even possible that the United States will cease to exist as we know it over the next century, either because Mexican immigrants reconquer the Southwest, or because American society fragments into hostile ethnic and special interest groups, or because of some unforeseen breakdown in our constitutional government. Conversely, the U.S. may cease to exist as we know it by merging into some larger entity, for instance a Trans-Atlantic Free Trade Association uniting the European Union and North America. In that case, Ambassador Strausz-Hupe's vision of America's destiny as transcending itself in the cause of global federalism would be realized, although I leave it to you to decide whether or not that would be a dream or nightmare come true.

Thirdly, I could have taken this centennial as an occasion to mix history and futurology by recalling the many predictions made around the year 1900. Pessimists, such as H.G. Wells,

Jules Verne, and German socialist August Bebel, foresaw a 20th century tortured by world wars made all the more hellish by modern technology. At the same time optimists, such as Andrew Carnegie and Norman Angell, foresaw a 20th century in which war would become progressively obsolete through the workings of free trade and democracy. Call it ironic or in the logic of things, but when the century was done, both camps were right! Now, with the year 2000 approaching, we have again been teased by contradictory prognostications about the world of the 21st century. Francis Fukuyama has pronounced an end to ideological conflict and predicted the gradual but nonetheless certain triumph of democracy and free markets. But Robert Kaplan has warned of two 21st century worlds--a zone of peace and wealth and a zone of chaos and despair-- that cannot coexist for long. Samuel Huntington, the realist, believes that the bipolar Cold War world is being replaced by a clash among civilizations, with the Islamic and Chinese those most likely to cross swords with the West. The U.S. Commission on National Security in the 21st Century, which just last month published the first installment of its New World Coming project, outlined four possible futures for the world: first, the Democratic Peace, in which national sovereignty survives, but the major powers cooperate to secure peace and free trade, and eventually bring Russia and China into the club; second, Globalization Triumphant, in which national sovereignty erodes, and multilateral institutions and above all multinational corporations lead the world to greater and more equal prosperity, but also to a more uniform and commercial McDonald's/Disney/Microsoft culture; third, Protectionist Nationalism, in which cooperation and free trade break down and the Great Powers compete for military and commercial power in a poorer and more dangerous world; and finally, Mayhem triggered by a global depression, environmental disaster, or ethnic violence, a world characterized by wars, refugee floods, and terrorism.

Such speculations are fun, but what good are they? Our leaders cannot craft policy on the basis that the future will pretty much resemble the past, because then any new challenge will come as a shock for which we are ill- prepared. But to assume that the future is bound to be wild and unpredictable is also no use, because even the sole superpower cannot prepare for every conceivable disaster.

And that is why I rejected all three of the above approaches, and decided instead to speak of mundane things: not mundane in the sense of boring or trivial, but in its true sense of worldly, hear-and-now, real. Henry Kissinger's precept holds that the most any statesman can aim for is to build the foundation for a generation of peace, anticipating the most likely challenges that world affairs may present over the next 20 or 25 years, and what America can do to meet them. That task may suggest some laundry list of problems and goals, and indeed, Joseph Nye of the Kennedy School recently prepared A, B, and C lists of national interests and goals for the future. But with compliments to Nye, whom I esteem, I think the best way to prepare for a mysterious future is to stress, not our ends or even our means, but our assets. That is because

the strength and flexibility of our foreign policy assets will determine America's ability to employ various means in pursuit of multiple goals, adjust to unanticipated threats and challenges, and— not least — lead other nations to adjust to them, too.

Today, at the end of America's second century in foreign affairs, it may appear that little agreement exists about the nature of the post-Cold War international system and what America's role in it ought to be. We see Republicans, who were bold interventionists so long as the Soviet Union existed, criticizing President Clinton's diplomacy as opportunistic, unrealistic, inconsistent, or simply incompetent. The Administration, in turn, accuses anyone who resists its foreign initiatives of that wickedest of heresies: isolationism. In truth, however, the leaders of both parties and most foreign policy experts display a surprising consensus in favor of continued American leadership in pursuit of similar goals. To be sure, there is much disagreement over priorities and tactics in a given case such as Kosovo or the Test Ban Treaty. But I think almost everyone, even Patrick Buchanan and Madeleine Albright, would agree on the following four basic goals of American foreign policy: (1) security for the territory, citizens, and property of the United States, and security for those other nations whose welfare directly affects our own; (2) stability in as much of the world as possible, because the more stable our environment, the more we can anticipate possible breakdowns and the less we will be called upon to fix; (3) an open, transparent, and fair system of trade, both to increase our prosperity and to increase the stake that all nations have in security and stability; and (4) the promotion of respect for those inalienable rights with which, Americans believe, all human beings have been endowed by their Creator, not only because it is just, but because the more governments respect their own people's rights, the more likely they are to respect those of others.

Rather, the debates we hear are less over goals than over the best means to pursue them and the priority to be given to each whenever two or more goals seem to clash. Should we rank human rights in China above or below commercial interests--and should we define the word should in moral or practical terms? Should we occupy the Balkans, police the Persian Gulf, and support Taiwan because of the moral and commercial stakes involved there, or are those gratuitous entanglements that spread our military too thin, manufacture enemies, and thus harm our security? Should the U.S. take the lead in trying to abolish nuclear weapons through treaties, sanctions, and controls, or is preserving our nuclear arsenal the best way to deter implacable adversaries who covet weapons of mass destruction?

Those are serious questions and I do not mean to discount them. Indeed, I say in my book that the contradictions and tensions in 20th-century American statecraft are the product of the many strategies we have adopted, sometimes simultaneously, in hopes of influencing the world, from Teddy Roosevelt's Progressive imperialism and Wilson's international law and



organization, to containment, foreign aid, and human rights. But just as most Americans agree on our basic goals, so, too, I believe, they can reach rough accords on priorities and means so long as they are effectively led by the President and Congress, and so long as the policies in place appear to work. Philosophical hand-wringing does not occur except in the absence of leadership, success, or most likely both. That is why I believe the real sources of contention today arise from a profound uneasiness with a foreign policy agenda that reduces our military power even as it expands our commitments and diverts our power into such hopeless (or at least perpetual) exercises as the creation ex nihilo of tolerant multicultural democracies in the Balkans. What is more, the outbreak of partisan ill-will, centered on the President himself, has aggravated the situation because the politicians, whether in attack or defense, have taken to invoking false historical analogies. These historical myths must be cleared away before a constructive debate can commence over how the United States should conduct itself abroad in an unprecedented era--an era which, by definition, has no past analogs.

The first myth is based on a reading of history that posits America's diplomatic default mode (if you will) to be isolationism. To be sure, Woodrow Wilson tried to reinvent U.S. diplomacy as liberal internationalism, but his rejection only proved how stubborn our isolation was. It took Pearl Harbor to shock Americans out of their illusions, permitting FDR during the war, and Truman in the late 1940s, to invoke the lessons of Versailles, Munich, and Pearl Harbor, and persuade Americans to take up global leadership and global responsibilities. According to this reading what would risk World War III was not getting involved in the world, but trying to avoid getting involved. And this simple history served well throughout the Cold War. But it has a worrisome corollary today, because if totalitarian threats were what pushed America into a leadership role, then it follows that the disappearance of such threats might induce America to fall back into an isolationist mood. But those who see every vote in the Senate on U.N. dues or African trade pacts as proof of creeping isolationism are just spinning the straw in a straw man. As Fareed Zakaria of the journal *Foreign Affairs*, H. W. Brands in the *Wall Street Journal*, and I myself in *Orbis* have written, American internationalism long predates World War II, isolationism of the 1930s head-in-the-sand variety was the exception, not the rule, and in any case Americans today know that they have never had it so good as during the past fifty years, so why rock the boat by resigning their membership in international clubs? Polls show that the public is keenly aware of the stake it has in global stability and prosperity, and that so-called isolationism is just not an option.

The other prevalent myth, by contrast, teaches that the deepest wellspring of U.S. foreign policy was not isolationism, but militant idealism as proclaimed in the Declaration of Independence, the Monroe Doctrine, and the Open Door policy. According to this liberal myth Wilsonianism is best understood, not as a repudiation of past isolationism, but as the culmination of American congenital idealism. Jumping ahead to the Cold War, the Soviet

threat thus appears not as the main motive for American leadership of the Western alliance, but as the main barrier to American leadership of the whole world! Hence, the ebullient corollary of this reading of history is that today, with the Soviets gone, America is finally free to enlarge without limits the spheres of democracy, markets, and human rights.

Accordingly, Secretaries of State Christopher and Albright have urged that the Atlantic Alliance go out of area, devote itself to ethnic conflicts, peacekeeping and state- building, and pursue a worldwide political, economic, and humanitarian agenda. In 1999, President Clinton promised a Marshall Plan for the Balkans, to help its people build multiethnic democracies, uphold human rights, open borders to people and trade, and make war unthinkable. The Secretary General of NATO now names Macedonia and Albania pivotal for European security— something that wasn't even true during the Cold War, and which echoes the domino theory that inspired the Vietnam War. Prime Minister Tony Blair celebrates Kosovo as the first battle of the humanitarian war, and Clinton proclaimed a doctrine as universal as Truman's when he promised, "if somebody comes after innocent civilians and tries to kill them en masse because of their race, ethnic background, or religion, and it's within our power to stop it, we will stop it."

But turning the Balkans into a NATO laboratory for multicultural experiments is only the tip of the iceberg. In its 1999 report on *The Future of Transatlantic Relations*, the Council on Foreign Relations called for "a global U.S.-European partnership" to:

- manage the Asian economic crisis and overhaul the world's financial architecture.
- dismantle Russia's nuclear weapons and promote Russian democracy.
- suppress all Balkan conflicts and keep it that way.
- forge a single transatlantic market with open investment and trade.
- preserve Turkey's pro-Western orientation.
- broaden NATO strategy to include the whole Middle East, and present a united front toward Iran, Iraq, and the Arab-Israeli peace process.
- make Europe abandon its purely commercial orientation toward Asia and help the U.S. manage conflicts among China, Japan, Korea, India, and Pakistan.
- make a larger American, and much larger European, defense effort in order to modernize and project military force worldwide.
- and, finally, forge common stances toward weapons of mass destruction, terrorism, the environment, drugs, health, crime, and human rights.

Those are all laudable goals, to be sure, but together they verge on utopianism. First, any effort to arrogate to the Western alliance the roles of world policeman, nanny, and civics instructor will be denounced by other countries as neo-imperialism. Second, such a rapid

expansion of missions will multiply points of discord within the alliance, and thus weaken cooperation even on matters the allies do agree on. Third, such a global agenda in the absence of genuine burden-sharing by Europe and Japan may erode the American will to sacrifice for the commonweal. And fourth, it risks causing collateral damage — from the destruction of Serbia’s civilian economy to relations with Beijing and Moscow— that far outweighs whatever ephemeral good it may do. Let’s see now: a domino theory that makes almost anything into a vital interest of national security; reliance on massive firepower that destroys the village in order to save it, but is still too little, too late to topple the enemy leaders much less save their victims; erosion of the foreign policy consensus in Congress; alienation of our allies, and strained relations with Russia and China. No wonder that some critics have charged that our post-Cold War policy-makers, many of whom were opponents of the Vietnam War, seem bent on repeating its errors.

Well ... if talk of a new isolationism is paranoid, but the hyper-Wilsonian agenda is self-defeating, where do we look for answers to our original question: how should Americans prepare for the most likely challenges facing them in the next generation?

First, by getting their history right, which in my judgment shows that Americans are by nature neither ostriches nor angels: they are control freaks. And that is not meant pejoratively. What nation would not want to control its own destiny and environment if it had the power to do so? And thanks to fundamental facts of geography and demography Americans have from the start possessed the potential, as Alexander Hamilton wrote in the Federalist Papers, to dictate the terms of their relationship with the Old World. Thus, during the first American century in foreign affairs, say from Washington’s Farewell Address in 1796 to the election of McKinley in 1896, U.S. foreign policy was designed to prevent the outside world from perturbing the unique experiment that was America. The country was not isolationist— it had constant and intense dealings with the outside world, and could never have grown so rapidly without the immigrants, trade, capital, and technology it absorbed from abroad. But the U.S. did remain wisely aloof from Europe’s alliances, wars, and imperialism, thereby leaving itself free to control events in the Americas and the Pacific.

But starting in 1898, U.S. diplomacy changed in response to the growing stake America had in foreign markets, in response to the surge of revolution, first in Cuba and Mexico, then in China, Russia, and around the world, in response to World War I, which threatened to rend the fabric of civilization itself, and finally in response to America’s own power, which had increased to the point that the U.S. might hope to control events, not only over here, but over there. So Republicans and Democrats, from TR and Wilson to Charles Evans Hughes, Herbert Hoover and FDR, Truman, Eisenhower, and Kennedy presided over an ongoing search for ways to employ American power to control events overseas. Why? Because Americans were

imperialistic? Altruistic? Realistic? Idealistic? No, although we have been all of those things at one time or another during the 20th century. The root cause was our need to manage seemingly out-of-control events that were happening far away, but could have damaging consequences at home and undermine that most basic of American rights: the right to control our own fate, the right to build America as we see fit without interference from any damned furriners. In that sense, Lyndon Johnson was right about one thing at least, when he said American foreign policy is always rooted in domestic policy.

Throughout the 19th century, the best way to control our own fate was to keep America off-limits to the games played by the Great Powers elsewhere. But in the 20th century it seemed that the best way to control our own fate was to go overseas, end wars, crush or support revolutions, lower trade barriers, promote our own values, and fashion institutions under our leadership. American tactics differed radically as we lurched from Progressive imperialism to Wilsonianism, to the business-oriented approach of the Republicans in the '20s, to the United Nations and dollar-backed financial system established by FDR, to Truman's and Eisenhower's containment, nuclear deterrence, and CIA, to Kennedy's foreign aid, counter-insurgency, and state-building in the Third World. But all were driven by an urge to control.

And that is why the British upper classes resent us, French Gaullists have contempt for us, Germans and Japanese are sullen toward us, Muslim fundamentalists call us Satan, Chinese accuse us of seeking hegemony, Indians call us hypocrites, and the Russians wish they knew our secret. We have exercised control, more or less, over them and played a big role in shaping their histories. They have had far less control over us, and when they succeed for a time in disturbing us, they generally pay a terrible price.

What is the lesson of this? That we should stop trying to control our environment because other nations resent our intrusions? Of course not. They would resent the U.S. just as much if we turned inward and did not intervene when crises occurred. Our power exists, and we affect events elsewhere by refusing to use it as much as if we assert it. What is more, the U.S. has every right to throw its weight and influence around when its clearly defined and enunciated national interests are being threatened or trampled upon. But nothing is so damaging to a great nation as overbearance, overextension, and overkill, especially in the pursuit of alleged interests that are not clearly defined and enunciated, or are not really being threatened or trampled upon. For by attempting to control everything you eventually lose the power to control anything, because you will squander the capital, the assets that endow you with power in the first place.

And that is what leads me to conclude that the best way to prescribe an approach to U.S. foreign policy in the unpredictable era to come is not to draft A, B, and C lists of our various

goals and interests — we all pretty much agree on what a perfect world would look like— but to concentrate instead on the assets that make any sound foreign policy possible. Here, then, is an A list of conditions that make everything else possible.

- (1) A strong U.S. economy subject only to mild recessions and modest inflation.
- (2) A robust military boasting technological superiority, a full complement of well-trained and well-rested personnel enjoying high morale, able to project force worldwide, and sufficient to fight and win at least one regional war while supporting (but not dominating) U.N. peacekeeping; in short, a military designed to deter or defeat major threats to the U.S. and its allies, but only to assist in operations other than war.
- (3) Presidential leadership, which is to say a commander-in- chief with an ambitious, consistent, and prudent vision of America’s role in the world, skilled at communicating that vision to the public and foreign leaders, and self-confident and patriotic enough not to mortgage U.S. foreign policy to a political, much less personal, agenda.
- (4) A bipartisan internationalist consensus in Congress, which should not be difficult for a strong president to revive, but which is easily dissipated by an executive that is too arrogant, insecure, or distracted to give Congress the attention and consultation it needs.
- (5) Sturdy regional alliances, because not even the United States can do everything that needs to be done by itself— but alliances, like Congress, require care and feeding, and nothing harms alliances more than taking them for granted, invoking them only when crisis erupts, asking them to do too little (as if their members really had few interests in common), or insisting they do too much (as if their members shared everything in common).
- (6) Engagement to promote balances of power in Europe, the Middle East, and Asia, which means American efforts to help manage relations among Russia, China, Japan, India, Iran, Iraq and their neighbors, because the prevention of war among the big powers is the most moral task the U.S. can undertake, and because we can scarcely hope for peaceful solutions to future crises over Korea, Taiwan, Central Asia, the Caucasus, or Eastern Europe if Washington is not even on speaking terms with Beijing, Moscow, Delhi, or Tehran.
- (7) Finally — and this may surprise you— the U.S. must wield the asset of strong Pan-American institutions including a broader and deeper NAFTA and Organization of American States, because the most predictable and direct challenges are liable to stem from the invasion of the U.S. by illegal immigrants and drugs on our southern tier, or by the prospect of civil strife tearing Colombia, Mexico, and the lands in between, to shreds.

Note that nowhere on that A list does human rights appear, or free trade, or public opinion. As to public opinion, it is clay, made to be shaped by presidential leadership backed by Congress. As to human rights and free trade, they are goals that cannot be advanced in the absence of the seven assets on the A list.

Just remove any of them— one by one— and try to imagine progress toward our four goals of security, stability, free trade, and human rights. You can't do it. A U.S. economy in reverse, a weak or demoralized military, a floundering president, a divided, partisan Congress, a crack-up of our alliances, a Europe or Asia gripped by wars cold or hot, with China or Russia checking U.S. diplomacy at every turn, or an America fixated on its own ethnic tensions and relations with the Hispanic world: if only one or two of these conditions exist, then America's sermons and sanctions will suffice to control very little abroad.

It is on this questions of assets, therefore, that the realist and idealist positions ought to converge, and a new bipartisanship ought to emerge. Without ideals the United States of America would be just another selfish empire, standing for nothing and bound to decay. But without leadership, power, and unity America would become a ridiculous caricature of itself.

Mark Twain, ever the cynic, said statesmanship was a matter of getting the formalities right, and never mind the moralities. Edmund Burke expressed a similar principle when he defined statesmanship as “a disposition to preserve and ability to improve.” But the most telling observation, perhaps, is that of historian Arnold Toynbee: great empires, he wrote, do not die by murder, but suicide. And the moment of greatest danger is their moment of greatest strength, for it is then that complacency and hubris infect the body politic, squander its strength, and mock its virtues.

To be sure, we cannot know just what challenges will arise. But no nation in history has possessed more foreknowledge of how it needs to prepare, or more resources with which to prepare. We need only exercise the wisdom and will to prepare. And if, this time, we do it, then we may finally put to rest Winston Churchill's dictum to the effect that Americans always do the right thing, but not until they have tried all the alternatives!

## **PART II B: CHINESE PERSPECTIVES ON GREAT POWER RELATIONS**

## AFTER A SUCCESSFUL SUMMIT, BOTH THE UNITED STATES AND CHINA NEED DOMESTIC CONSENSUS ON BILATERAL RELATIONS

*By Da Wei*

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After a series of disturbances in the year following the summit between China's President Hu Jintao and United States President Barak Obama in Beijing in November 2009, the U.S.-China relationship needed help. It was imperative for the two presidents both to show strong support for a positive relationship and to send clear messages to reassure each other about the future direction of bilateral relations. By this criterion, President Hu's January 2011 state visit to Washington was a success. The two presidents made very clear that their two governments seek stable and cooperative China-U.S. relations and are determined not to choose a "New Cold War" or "Cold War Lite." This is the outcome that U.S.-China relations needed, and the two presidents achieved it. Still, securing a durable and stable bilateral relationship requires more than this—and more than can be accomplished at summits.

As usual, some observers in both countries will say that there is "nothing new" from this state visit. Critics in the United States may argue that the summit confirmed that China will not change its policies on the currency exchange rate, human rights, China's military modernization, North Korea and climate change. Chinese critics may assert a lack of change in U.S. positions, citing news reports that the United States is planning for another round of arms sales to Taiwan and concluding that the summit did nothing to show that the United States would cease its efforts to "contain" China.

Such criticisms are wrong in two respects. First, they fail to appreciate what the summit accomplished. The two countries need to avoid a "new Cold War" or relations that are "warm economically, cool politically." Both in East Asia and globally, it is not in the interests of China, the United States or others for China and the United States to regard each other as enemies or rivals. The Washington summit has helped to reduce the likelihood of this undesirable outcome.

Second, critics' expectations for the summit were too high. Such excessively high expectations, and the disappointments that can follow them, are a recurring problem. They



characterized the Obama administration's early approach to China policy. Although it rejected the idea publicly, the Obama administration did have a kind of "G2 mindset" during its first year, apparently believing that China and the United States could and would cooperate to handle a range of international issues. Thus, the United States postponed some decisions that it knew China would not like, such as arms sales to Taiwan. In return, Washington expected China to cooperate with the United States to address regional and global issues such as climate change, North Korea and Iran—largely on Washington's preferred terms. When China refused to do so and the Obama administration decided to sell weapons to Taiwan and meet with the Dalai Lama at the White House, both sides became disappointed and frustrated with the state of bilateral relations. The lesson we can draw from this and other cycles of ups and downs of China-U.S. relations during the first two years of the Obama administration is that both countries need to be realistic about the relationship.

Overly high expectations preceded Hu's state visit as well. Zbigniew Brzezinski and Henry Kissinger, two former National Security Advisers who helped to break the ice of a China-U.S. Cold War and normalize bilateral relations in the 1970s, wrote articles in the *New York Times* and the *Washington Post*, on the eve of the summit that called for redefining the bilateral relationship and for finding new "big concept" (on the scale of the anti-Soviet agenda that once shaped U.S. foreign policy and U.S. China policy) to frame U.S.-China relations for next 30 years. The two long-time enthusiastic supporters of cooperative U.S.-China relations are accomplished strategists who continue to think in terms of big ideas. But such "big things" likely are not feasible now and surely cannot be achieved at a summit. The ship of U.S.-China relations has become too big and complex to be steered by a mere framework, concept, definition or joint communiqué. The bilateral relationship now deeply links two highly complex and very different countries. Their relations cover a very wide range of issues. No summit can resolve, or even address, all the issues in the bilateral relationship or recast its basis or character.

Events a week before Hu's state visit illustrate the complex nature of the bilateral relationship and a key challenge for its future. United States Secretary of Defense Robert Gates was in Beijing for an important pre-summit meeting on the day the U.S. naval ship, the USS Carl Vinson, arrived in Busan, Korea. The question, prominent in the Chinese media on that morning, was, "Has the Carl Vinson come to show American muscle while Secretary Gates is in Beijing?" In the afternoon, the news of the test-flight of China's J-20 aircraft was the headline. U.S. and Western media raised the question, "With the test of this stealth fighter, is China showing its muscle to Secretary Gates while he is visiting Beijing?"

We do not know the full story behind the Carl Vinson's voyage and the J-20 test, but the events of January 11 are revealing. Gates's pre-summit trip reflects the good will of the two

countries to improve and develop political relations. But the day's events, and the reactions to them, also showed the underlying tension in bilateral security relations. We witnessed the eagerness of the leadership in both countries for cooperative relations, but we also saw deep-rooted suspicions among the media, average people and some foreign policy circles in both countries.

To some extent the pattern reflects the basic character of U.S.-China relations. The United States and China are interdependent and have strong bases for cooperation in many areas, but they also have conflicting interests and clashing aims in some other areas. Part of the issue lies elsewhere, in sometimes-uninformed— and often-varied—popular attitudes in both countries, and in the two countries' highly pluralistic foreign policy communities. Various government agencies, the military forces, local governments, big corporations, the media, netizens and others all are different groups that have different interests and concerns and that affect foreign policymaking in both countries. The pluralism in the U.S. foreign policymaking process is generally well understood, but as a relatively new phenomenon, pluralism in China's foreign policy community needs to be understood by both American and Chinese decision makers and analysts.

The United States and China need to address the challenges to bilateral relations posed by this pluralism, as well as by excessively high expectations about what can be accomplished in bilateral relations. The two leaderships need to build domestic consensus among different foreign policy actors in their own countries. That consensus should include realism and restraint in bilateral relations. Policy-relevant groups in both countries need to accept that the future of a country, either the U.S. or China, depends on its own circumstances and efforts, rather than those of the other country. The future sustainable development of China depends on China, not on the United States. It is equally important to recognize that, for now, the future of the U.S.'s international supremacy depends on Americans themselves, rather than on Chinese. The United States does not have the capability to contain China, and it, therefore, needs to drop aspects of its current policy towards China that are containment rather than engagement. Chinese observers need to distinguish between containment and mere hedging in the China policy of the United States (and other countries). In the current global context in which interdependence has grown so dramatically, China has no capability to achieve a “coercive rise.” The mainstream in China understands very well—and others need to accept—that China's “peaceful development” is not only a slogan, but the only possible choice. American analysts—and public opinion—need to distinguish between the “peaceful rise” that will come from the growth of Chinese power, and the history of Germany's and Japan's “unpeaceful rise.”

The two presidents achieved all that they could reasonably have hoped for in Washington. But that is not enough. The two governments need to invest more political capital in maintaining and improving the relationship. Each government needs to educate its public and domestic actors who influence foreign policy. Done right, this can shape a domestic consensus in each country concerning policy toward the other. On that basis, China and the United States can build a cooperative bilateral relationship that is more sustainable and stable.

# CHINA'S "PEACEFUL RISE," "HARMONIOUS" FOREIGN RELATIONS, AND LEGAL CONFRONTATIONS – AND LESSONS FROM THE SINO-JAPANESE DISPUTE OVER THE EAST CHINA SEA

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China's rise naturally raises concern among its neighbors about Beijing's agenda. China has emphasized that its "rise" will be "peaceful," but China also will seek to remove impediments to its rise, in part by invoking existing international rules, and shaping new international rules, to serve its interests. As a result, there will be more "legal confrontations" between China and other states. Such legal disputes are contentious but peaceful, compatible with China's ideal of a "harmonious world" and agenda of peaceful rise, and preferable to less law-governed alternatives. China's approach to territorial disputes during the last twenty years and recent developments in the Sino-Japanese dispute over the East China Sea, including a "principled consensus" between the parties in 2008, illustrate the virtues and potential—as well as the limits—of China's reliance on international law to address a chronic source of friction and instability in China's foreign relations.

## *China's Numerous, Long-Running Territorial Disputes*

China's long land borders, numerous neighbors and long, complicated and sometimes crisis-ridden history of relations with adjacent states have generated border disputes. These have sometimes brought crisis and violence, including several armed conflicts from the 1960s to the 1980s. Especially since the 1990s, China and its continental neighbors have worked hard to reach boundary agreements, successfully settling most of the long-standing disputes with formal treaties. For example, China and Vietnam reached a comprehensive land boundary agreement in December 1999. China and Russia reached an agreement concerning the western part of the border in September 1994. With respect to the more contentious eastern part of their border, the two powers reached an initial agreement in May 1991, a supplementary agreement in October 2004, and a supplementary protocol in July 2008, which is said to be a final settlement of the 4300 kilometer frontier. China and India are engaged in ongoing talks to address China's last unsettled land boundary.

Maritime boundary issues, in contrast, have only recently emerged on China's foreign relations agenda, and there has been little progress in settling most of them. China has overlapping maritime territorial claims with three countries in the East China Sea and five countries in the South China Sea. The only formal delimitation agreement so far has been reached with Vietnam (the Beibu Gulf Delimitation Agreement, December 12, 2000, and entered into force on June 30, 2004) and addresses only part of the two states' maritime boundary. In 2002, China and ASEAN agreed on a Code of Conduct for the South China Sea—a relatively informal declaration that did not resolve territorial claims or rights to exploit resources. In 2005, China and North Korea concluded a Joint Development Agreement -- China's first joint development agreement, but the text of the agreement has not yet been made available to public. On June 18, 2008, China and Japan reached a "Principled Consensus on the East China Sea Issue," but the accord was followed immediately by sharp discrepancies in the parties' interpretations of the document, and an apparent stalling of the process for negotiating the further measures required to implement the Consensus.

### *China's Policy Goals and the Relevance of International Law*

What lessons can be drawn from Chinese practice in the past twenty years in dealing with boundary issues? First, China sees boundary stability as vital for creating a harmonious international (and, specifically, regional) environment that is essential for China's agenda of a *peaceful* rise (and peaceful development). In Chinese diplomatic and foreign policymaking circles, references to *weiwēn*—maintaining stability—are common. This policy goal is evident in Chinese efforts during the past 20 years to address disputed land boundaries. In handling those issues, China discarded the "naturalist" position which holds that territory is divine and sovereign issues (including boundary issues) is non-negotiable<sup>74</sup>. Most strikingly, China moved beyond two centuries of intermittent bloodshed over competing claims to territorial sovereignty on the Sino-Russian border to a conventional international legal agreement delimiting the two states' territories.

Second, the policy of peaceful *rise* requires China to develop a more comprehensive and global perspective in defining its national interests. Here, the focus is not on *weiwēn* (maintaining stability) but on *weiquan* (upholding rights). China's territorial interests increasingly include traditionally slighted ones, such as hydrocarbon resources in the continental shelf and national security interests in a more extended offshore maritime area. Although such newly emphasized concerns can reduce China's focus on nettlesome maritime boundary issues, they also can pose challenges because China is rather new to these questions and has not fully assessed and

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<sup>74</sup> Jacques deLisle, "Sovereignty Resumed: China's Conception of Law for Hong Kong, and Its Implications for SAR and US-PRC Relations", *Harvard Asia Quarterly*, Summer 1998, p.23.

articulated its interests. Still, it does seem clear that the rights China seeks to uphold are those generally accepted in the existing international order, particularly those defined by the law of the sea.

It is therefore unsurprising that China increasingly turns to international law as a policy instrument in these areas. China repeatedly highlights the importance of international law in addressing maritime issues. This is not mere lip-service; it has a foundation in serious policy considerations and Chinese approaches to foreign policy.

International legal rules and institutions, including the WTO, have been beneficial to China's national interests throughout the period of reform and opening to the outside world that began three decades ago. Even amid significant uncertainty about the future trajectory of world order, international law still promises to provide means to protect and advance China's national interests, especially as China assumes a greater role in making international law (as has been occurring, for example, in international negotiations to address climate change).

Using international law to address disputed boundaries serves China's high priority goal of maintaining domestic stability. China's modern history—including the May Fourth Movement that reacted against the Versailles Treaty's acceptance of Japanese colonial encroachment on China and that gave birth to modern Chinese nationalism and, in turn, the Chinese Revolution—teaches the danger of domestic turmoil and threats to the regime that can come from failed diplomatic efforts to address highly sensitive territorial issues in China. Although understandable in light of the historical context, the political and diplomatic compromises that characterized the U.S.-China Joint Communiqués similarly failed to resolve fully crucial international legal issues and thus sowed seeds of future conflicts. Giving territorial settlements a clear basis in international law makes them easier to accept for Chinese public opinion (which is expressed today in newly strident nationalist tones via the Internet), and therefore helps prevent such agreements from triggering political crisis. A firm international legal basis also facilitates other parties' acceptance and implementation of territorial accords with China, smoothing ratification by their legislatures and other steps required by other states' constitutional structures. This in turn promotes regional stability, which is in China's interest.

China has grown more confident in relying on international law. This new confidence reflects China's growing power. China's previously suspicious attitude toward international law was based on the belief not that international law was unreasonable but that it was unreliable because China lacked national power. As one Chinese international law scholar has characterized this view, "if there is right without might, the right will not prevail."<sup>75</sup> In addition

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<sup>75</sup> Li Zhaojie, "Legacy of Modern Chinese History: Its Relevance to the Chinese Perspective of the Contemporary International Legal Order", *Singapore Journal of International and Comparative Law* (2001), p.317.

to acquiring more of the requisite “might,” elites in China have gained international experience and perspectives and are thus more likely to perceive international law in more than a narrowly instrumentalist way. They increasingly understand the normativity of international law and thus feel less alienated from the initially Western partly law-based approach to foreign policy.

Nevertheless, even under current conditions and against the backdrop of a broader Chinese tradition of pragmatism in foreign affairs, there are still some significant obstacles to China’s employing international law in foreign policymaking. For example, China’s lack of a strong legal culture and tradition domestically can make it less likely that foreign policy makers will give full consideration to international law in pursuing international dispute settlement. Traditionally in Chinese society, people were discouraged from going to court and invoking law to solve their problems because the “win or lose” result of a judicial proceeding could be devastating to a party’s reputation. Instead, norms and practices favored informal conciliation outside courts, with “saving face” and ending overt conflict being primary concerns, sometimes at the cost of setting aside or papering over the issues in dispute. When aspects of this tradition carry into foreign policy, it can encourage the view that it is not important to have a basis in international law for China’s positions. In maritime and territorial issues, the well-known Chinese policy of “setting aside disputes and undertaking joint-development” may illustrate this problem although the policy also can be defended as reflecting strategic thinking and calculations about what serves China’s national interests.

Another factor impeding China’s effective use of international law in foreign policy is China’s still-insufficient study of international law. Although China’s leaders have called for enhanced study of international law since the late 1970s,<sup>76</sup> Reform-era China started from a comparatively low baseline. It trails other big powers that have strong traditions in the study of international law and ample well-trained international lawyers. While it is uncertain how large a role international law will play in various aspects of China’s foreign policy, there are signs of significant growth. One example is the recent establishment of the Department of Boundary and Ocean Affairs, which is located in the Chinese Foreign Ministry, staffed from the Ministry’s Department of Treaties and Law, and reflects enhancement of international law as a consideration in managing maritime boundary and territorial issues.

On balance, international law has come to be seen as a more important and necessary means for China to achieve its foreign policy ends, even though obstacles and uncertainty persist. Moreover, China’s turn to international law has been uneven, and unsurprisingly so. International law is more likely to be an appealing instrument for China where the other party

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<sup>76</sup> The Chinese leader Deng Xiaoping in 1979 issued a simple but important instruction “we should also strengthen our study of international law.” As a result, Chinese Society of International Law was founded in February 1980.

to a dispute is a near-peer in political, economic and military power (as is the case, for example, with Japan), or where the other parties are significantly less powerful than China (as is the case, for example, with the ASEAN countries). In the first type of case, international law is useful because there is comparatively little room for one party to prevail through simple pressure or manipulation. In the second context, using international law can help to reassure weaker parties worried about China's rise. Beijing's recent approach to the East China Sea dispute with Japan illustrates the first pattern.

### *International Law and the Sino-Japanese Dispute over the East China Sea*

China and Japan assert overlapping claims to the East China Sea (ECS). The territorial dispute involves two questions, neither one easy. The first is sovereignty over the Diaoyu Islands (the Senkaku Islands in Japanese). The second is title to the continental shelf and maritime delimitation in an area where the maximum distance between the east (Japan) and west (China) coasts is less than the 400 nautical miles needed to give each country the full 200 nautical mile zone in which coastal states ordinarily enjoy exclusive rights over economic resources and activities.

On the issue of sovereignty over the Diaoyu/Senkaku Islands, each side has made arguments grounding its positions in international law. The strengths and defects of those arguments have been examined extensively elsewhere and will not be revisited here. In addition, China has long proposed "setting aside the [sovereignty] dispute and pursuing joint-development" of the resources adjacent to the islands. In contrast, Japan simply denies that there is a credible dispute over the islands and refuses to discuss the issue in diplomatic talks.

On the question of legal claims to the continental shelf, the relevant history begins with an international agreement to which China was not a party: the 1974 Japan-ROK Joint Development Agreement (provisional agreement) concerning the northern part of the ECS. China protested the agreement because it threatened to infringe China's rights and interest in the ECS continental shelf. Notwithstanding the Chinese protest, Japan and South Korea explored three shelf sites for energy resources between 1980 and 1986. Those explorations failed to find any economically viable fields. China began feasibility studies in the 1980s, and in the 1990s explored and developed four groups of oil and gas fields to the Chinese side of the geometrical median line of the ECS (which was the line Japan asserted for delimitation). China's moves drew no diplomatic protest from Japan. Indeed, in the late 1990s, a project to construct pipelines to Shanghai from some of the fields received financial aid from Japan, directly through its Export-Import Bank and indirectly through Japan's contributions to the Asian Development Bank. The Sino-Japanese dispute did not emerge until a May 2004 Japanese news report on China's development of the Chunxiao oil and gas fields publicized



the field's production and its location only several miles west of the median line and Japan's claimed zone.

In addressing this dispute, both sides have relied extensively on international law, and specifically on the law of the sea and its rules on the continental shelf. Both have invoked especially Article 76(1) of the 1982 Law of the Sea Convention, to which the two countries are parties, which provides:

The continental shelf of a coastal State comprises the sea-bed and subsoil of the submarine areas that extend beyond its territorial sea throughout the *natural prolongation* of its land territory to the outer edge of the continental margin, or to *a distance of 200 nautical miles* from the baselines from which the breadth of the territorial sea is measured where the outer edge of the continental margin does not extend up to that distance. China has argued for application of the "natural prolongation" principle in the treaty and under the preexisting customary international legal rule articulated by the International Court of Justice in the famous 1969 *North Sea Continental Shelf Case*. On this view, China's portion of the ECS continental shelf includes its natural prolongation to the Okinawa Trough, where the 2000-meter-deep trough marks the geologic end of the shelf and, thus, the area under Chinese title.

Japan's legal arguments have been more complex and in some respects inconsistent. Japan has invoked the "200 nautical miles" portion of Article 76(1), rejecting the possibility of a claim based on natural prolongation beyond 200 nautical miles. On this view, the continental shelf in this area (which is narrower than 400 nautical miles) legally must be divided at the median (equidistance) line between the two states' coasts. At the same time, Japan also has argued that the "baseline" from which the 200 nautical mile zone should be measured is not Japan's main coast but, rather, the coast of the Ryukyu Islands (Liuqiu in Chinese), which would trump China's claim based on natural prolongation for a significant portion of the ECS continental shelf. Finally, Japan also has argued that the Okinawa Trough is a mere dent in the continental shelf, not its endpoint. This position—which invokes a factually flawed application of the natural prolongation argument and thereby rejects the 200 mile zone and equidistance principles—was Japan's central argument when negotiating with the Republic of Korea for their 1974 provisional joint-development agreement.

Against the backdrop of this largely legal confrontation, China and Japan engaged in eleven rounds of consultations from October 2004 to November 2007. Finally, after the exchange of visits of leaders resumed in the post-Koizumi era, the two countries issued Joint Communiqués calling for cooperation in making the ECS a "sea of peace, cooperation and friendship." With this top-level political commitment to maintaining stability in bilateral relations, the foreign

ministries of the two countries concurrently released a “Principled Consensus on the East China Sea Issue” on June 18, 2008.

The “Principled Consensus” is the product of the two sides’ disputing in strikingly international legal terms, but it did not augur a legal resolution of their dispute. The Consensus is by nature an interim arrangement “in the transitional period prior to delimitation” as stipulated in the Law of the Sea Convention, Article 83, paragraph 3. According to that same article, this kind of arrangement is not to prejudice the legal positions of the parties (as the first part of the Consensus also states). The substantive provisions in the Consensus are: first, a small block, sitting astride the median line, is marked for joint development; second, the Chunxiao field, already initially developed by China, is to be open to “cooperative exploitation” pursuant to a clause stating, “Chinese enterprises welcome the participation of Japanese legal persons in the development of the existing oil and gas field in Chunxiao in accordance with the relevant laws of China.”

Almost immediately, the “Principled Consensus” ran into trouble that seemed to cast doubt on the utility of an international legal approach to the dispute. Formally, the document had an uncertain status, having appeared as a pair of concurrent press releases, lacking signatures and a date, and thus inviting much doubt and speculation about its stature.

Soon after the Consensus was released, the two countries fell to quarrelling about its meaning, adopting sharply contradictory interpretations of its two substantive provisions. On the Chinese side, the Deputy Minister of Foreign Affairs (within a week after the Consensus was announced) and the Minister himself (a few days later) explained: that China never recognized the so-called “median line” that defined the joint development zone; that there was no issue of drawing any “median line”; and that the agreement on cooperative exploitation of the Chunxiao field meant that Japan accepted Chinese jurisdiction and recognized China’s sovereign rights over the field. Japan’s Chief Cabinet Secretary and Foreign Minister publicly rejected the Chinese interpretations.

### *The Utility of Legal Confrontation*

Thus, it may seem that the fate of the Principled Consensus casts doubt on the usefulness of framing a political (and economic) dispute as a legal confrontation. But such a pessimistic conclusion is too simple or, at least, premature. The Consensus and the broader turn to international law can contribute to stability in China-Japan relations and regional stability more generally, provided that two further, interrelated conditions are satisfied.

First, the Consensus (and other measures) must reflect the legitimate—and legal—national interests of the both parties. Second, in implementing and moving beyond the initial

Consensus, China and Japan must adhere to two overarching international legal principles: good faith and reciprocity. Good faith is especially important because the Consensus includes merely interim measures “in the transitional period prior to delimitation” and thus contemplates further negotiations in which each side will seek to advance its interests within an ongoing legal confrontation. During this process, reciprocity is also vital to maintain stability and to sustain negotiations toward a final settlement that takes adequate account of both sides’ good faith legal claims and legitimate interests.

On these issues, the evidence so far is mixed. China’s claim, based on the principle of natural prolongation, has sufficient legal foundation that it clears the threshold of a good faith claim. Under the doctrine of “inter-temporal law” (which holds that the applicable international law is the law as it stood at the time when the claimant purports to have acquired a right, in this case to ownership of portions of the ECS shelf), the relevant legal principle arguably is the “old” customary rule of natural prolongation, not the more “mixed” principles of Article 76(1) of the 1982 Law of the Sea Treaty. Alternatively, China’s claim to the ECS is a plausible reading of Article 76(1) of the Treaty. Moreover, China’s position is further reinforced by principles of estoppel, which could bar elements of Japan’s competing claims on the ground that Japan has accepted the so-called median line (which stops short of 200 nautical miles from Japan’s coast) and that Japan has accepted and indeed supported China’s development of the Chunxiao field, which China has claimed is in its portion of the ECS.

On the other hand, Japan’s invocation of the 200 nautical mile principle also has sufficient legal plausibility to meet a “good faith” standard. Post-Law of the Sea Treaty state practice and judicial decisions offer some support for the view that the natural prolongation principle is subject to interpretation and limitation under Article 76(1).

If each party accepts that other’s position reflects a good faith legal argument, this can increase the likelihood that the two sides can lower the temperature of their conflict while also setting aside the fine points of their contending legal claims and moving forward with provisional arrangements for joint development. To some extent, the “joint development block” provision in the Consensus offers a concrete example of what can be achieved consistent with the principles of good faith amid unresolved, but legally framed and cabined, conflicts. The joint development arrangement does not accept the median line as the legal boundary and thus sets aside the core legal issue. At the same time, the joint development zone remains within the geographic area each side claims as its own under legal analyses consistent with good faith principles.

The Consensus fares less well in satisfying the norm of reciprocity, especially Japanese reciprocity toward China. The Consensus’s interim arrangement, if made permanent, would be fully consistent with Japan’s preferred principles of a 200 nautical mile limit, with

equidistance in the context of seas less than 400 nautical miles wide. Yet, the Consensus is heedless of China's, as well as Japan's, claim to the Diaoyu (Senkaku) Islands and the rights to the adjacent ECS and continental shelf that sovereignty over the islands could bring. The Consensus also gives no place to China's natural prolongation-based claim to a wider swath of the ECS shelf or its claim to the Chunxiao field, where China had already begun to explore and invest. It would be a significant step for reciprocity and, in turn, stability in bilateral relations if Japan were to go beyond the language of the Consensus and acknowledge China's sovereign rights over Chunxiao—even if the operative regime remained the “cooperative exploitation” envisaged in the Consensus. Unfortunately, Japan's post-Consensus interpretations of the Consensus indicate that this is highly unlikely.

Overall, the China-Japan Principled Consensus on the East China Sea Issue is an example of how legal rules and arguments, when animated by political prudence, can help to contain and manage conflict, and foster more harmonious relations between China and a similarly powerful neighbor. To be sure, the Consensus remains limited and flawed. It is only a “first step,” after which the two sides “will continue to conduct consultations in the future.” It helped contain and define, but also left open, legal questions that quickly became the focus of new, if more bounded, disputes. The Consensus's potential is undermined by its failure to provide greater reciprocity.

Nonetheless, the common ground that the Consensus defined, the good faith legal arguments to which the parties mostly limited themselves, and the commitments the Consensus embodied to continuing to address a significant dispute in largely legal and cooperative terms are hopeful signs. The Consensus, and the broader effort it represents to embed or frame bilateral disputes as legal confrontations, promises to help the two parties to find firmer footholds in climbing out of the troubled waters of the East China Sea. Beyond that, it strengthens international law's potential to help an increasingly competent and confident China and its expanding international partners to stabilize their relations while they grapple with complex disputes.

## **PART III: TAIWAN AND CROSS-STRAIT RELATIONS**

## WHAT EVERY AMERICAN NEEDS TO KNOW ABOUT TAIWAN

*By Shelley Rigger*

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About a month and a half ago, a college student in Taiwan ran away from home because, as he told a reporter later, “There’s only negative news on TV, and I do not believe Taiwan is such a bad place.” He’d been watching television throughout his adolescence and all he ever saw on TV were footage of conflict and political upheaval. He was constantly told that Taiwan is a polarized society fighting for survival between the advocates of unification with China, which the opponents believed would be the end of Taiwan society as a self-contained, self-governing place with cultural, societal, and political integrity, and on the other hand the independence camp, which wants to tear Taiwan away from mainland China even at the risk of sparking a catastrophic war that would destroy both sides. This is the way his society was presented to him in the mass media.

In the last year or so, the big emphasis in the Taiwan media has been on suicides and murder-suicides that have been caused by economic misery. Of course, the economic misery is hypothesized as a consequence of this political polarization. So this kid said, this is not the country I think I live in. But I need to test this proposition, to test my knowledge. So he ran away from home, took only a small backpack, no money, and said “I want to circle the island relying totally on the kindness of strangers.” Nine days later he arrived back home having been transported, fed, housed, all the way around Taiwan from top to bottom, down one side and up the other. He concluded, “The most rewarding part of my trip was breaking down stereotypes and experiencing my nation’s pure and passionate heart.” I felt very akin to him, because I too have experienced Taiwan’s pure and passionate heart many times and find it in confusing juxtaposition to the *superficial* tension and polarization that I experience when I look directly at Taiwan politics. So I thought the experience of this young man was a good one

for illustrating how even for Taiwanese, the way Taiwan looks on CNN and Taiwanese TV is really confusing and upsetting.

Another side of Taiwan is exemplified by Taipei 101, which is 101 stories tall. People argue about Taipei 101, as they always do about skyscrapers, is it a good idea, is it necessary, is it beautiful, does it look like a bunch of Chinese take-out containers? I personally think it's a beautiful building. But what is really striking is its isolation. It's twice as tall and then some as the next highest building in the city, which is a couple miles away. It towers over everything around it. Some of these buildings used to seem tall, like the WTC and the Fareast Plaza Hotel. Now they're tiny compared to Taipei 101, which symbolizes a couple of things about Taiwan to me.

First, it symbolizes the incredible ambition of the Taiwanese economy and society. The fact that it could be built in Taiwan shows you that it's not just ambition, that Taiwan really is capable of incredible feats of technological and economic performance. This is an expensive building to build, it's an expensive building to lease out with tenants, it is a technological marvel because Taiwan is on the rim of fire, it's in an earthquake zone. There are regular earthquakes in Taipei, you probably remember the one 11/21/99. This building has a huge sphere suspended at the top that is able to move to compensate for motion in an earthquake or high wind. So it's a technological marvel, an economic amazement. But it's also completely alone in the same way that Taiwan is isolated, not economically, but politically and increasingly in other ways from the things around it, from the nations and places that surround it. So this building too towers above, represents something wonderful but is ultimately disconnected from the city around it.

Taiwan was first mapped for Europeans by Portuguese explorers, who called it the Ila Formosa, the beautiful island. It is a beautiful island, with high mountains throughout the center, but it also has a broad coastal plane and fine beaches in some places. It's 244 miles from north to south, 94 miles at the widest east-west point. It's slightly smaller than the states of Delaware and Maryland put together, but has a population of 23 million. It is a very crowded place, especially because the whole central mountain chain is largely uninhabitable. The highest mountain, Jade mountain, is over 13,000 feet. There are a lot of mountains that approach that altitude. So it is not a very hospitable place over most of its land area. So those 23 million people are basically concentrated on this western coastal plain between the city of Kaohsiung in the south and the city of Taipei in the north. So it is an extremely densely populated country. And at the closest point, it's 95 miles from the PRC.

From the end of the 1500s until 1895, Chinese who needed to get out of Fujian Province, the neighboring province, drifted to Taiwan. Some came to fish its waters and sailed back and

forth, some came to farm the coastal plain, some to hide their pirate ships from the Chinese authorities. It was an outpost. And while it was in theory recognized off-and-on as part of the Chinese empire, it was very loosely incorporated into the Chinese empire until the 1800s, when it became a province of China for about 10 years. So the settlers of Taiwan are nearly all Chinese in origin. Nearly everyone who lives in Taiwan, 97-98 percent, are descendants of these Chinese who drifted over at various times for various reasons. There's a small population of aboriginal people whose ancestors drifted to Taiwan from South Pacific islands, but they are a very small percentage.

So until 1895 Taiwan was a marginal part of the Chinese world. Then China experienced an important change beginning in the late 19th century and continuing through 1911. This period of turmoil, the revolutionary period, included the fall of the Qing dynasty and in 1912 the founding of the ROC under the spiritual guidance of Dr. Sun Yat-sen. So in mainland China, from 1912 to 1945, you had this effort to build a republic, a state with at least the aspiration of becoming democratic in the Chinese mainland. And this is a crucial period for the development of Chinese nationalism; the idea of China as a modern nation really flowered in mainland China during these decades.

But for Taiwan during those same decades, actually beginning in 1895 and continuing to 1945, but including the whole Republican period, Taiwan was pulled away from the Chinese world and grafted onto a different empire, the empire of Japan. In 1895 the Japanese and Chinese armies fought a war that started in Korea and at ended to everyone's amazement – in a Japanese victory. One of the spoils they demanded for their victory was Taiwan. The Qing dynasty relinquished Taiwan to the empire of Japan. From 1895, as long as Japan was able to concentrate on its imperial holdings before it began to concentrate on homeland defense in the 1940s, Taiwan was the pearl of the Japanese empire. The idea of Taiwan was that it would be the place where the Japanese empire would demonstrate to the Western world that Japan was as good as anybody at colonizing and developing these so-called virgin territories of the world, these “backward” places that Europeans were colonizing. Thus, two of the major public buildings in Taiwan are the Taipei Guest House and the Presidential Office, both examples of Japanese colonial architecture. The guest house was the Japanese governor's residence and the presidential office, which is used today, was the Japanese colonial governor general's office building.

For fifty years, then, Taiwan, which had been peripheral to the Chinese empire but connected to China, was disconnected and cut away from that root, part of a very different political and cultural tradition.



In 1945 the situation changed again, because Japan was defeated in World War II and Taiwan was returned to China. In 1945 the government of China was the ROC, the government set up under the ideas of Sun Yat-sen and at that time governed by the Nationalist or KMT party under the leadership of Chiang Kai-shek. The Nationalist ROC inherited Taiwan from the empire of Japan. Initially, the transfer of power looked like it was going to go well, because many Taiwanese still thought of themselves as ethnically Chinese. They were enthusiastic at the thought of being returned to the nation and culture that they thought of as their motherland. But there were many tensions between the Chinese who moved in from the mainland to administer Taiwan and the people who had been living there, many of whose families had lived there for centuries.

These tensions built up until in February 1947 there was an uprising by local Taiwanese, who wanted not so much to expel the ROC as to impress upon the ROC government that Taiwanese wanted and deserved better treatment than they were getting. This rebellion was crushed with great violence by the ROC, which set in motion an undercurrent of tension and resentment between the people we call the native Taiwanese, or just Taiwanese, those whose families came before the Japanese imperial period, and the newcomer mainlanders, who came between 1945 and the next big event, 1949. In 1949, as you know, the armies of the Communist Party defeated the Nationalist army and expelled the ROC from mainland China. Rather than surrendering and disappearing from the face of the earth, the ROC moved its capital of government to Taiwan, where they found refuge and began planning how they would return to mainland China and recover it someday. They wanted to reestablish ROC democratic rule under the constitution built on the principles of Sun Yat-sen, in mainland China.

Meanwhile, the communists were still waiting to finish the job of exterminating the ROC. From the 1950s to the 1980s, Taiwan was an odd mixture of an uneasy political situation under the leadership of Chiang Kaishek. On the one hand, there was a considerable amount of political repression and dissatisfaction through the 1950s-70s. But at the same time there was an amazing economic miracle in Taiwan. In the 18th through the beginning of the 20th century, Taiwan's GDP per capita was not only below Japan's and Western Europe's, but actually below the world average. There's a major spike during the Japanese colonial period, but a really astonishing spike after 1950, when the economic development policies of the ROC government in Taiwan began to have amazingly fruitful results for Taiwan's economy. So by the late 1980s Taiwan had surpassed the world, China, and was converging with Japan and Western Europe.

The 1980s-90s were a period of rapid political change in Taiwan. There are many reasons for this. One was the international derecognition of the ROC that accelerated in the early 1970s.

After President Nixon visited China, in very short order many countries began to establish relations with the PRC and break relations with the ROC on Taiwan. Taiwan left the UN in 1972, so it became very isolated internationally. It lost its status as “the good China” and became the China that we can no longer recognize because the PRC is big, it’s important, it’s real, it’s not going anywhere. Taiwan had to figure out what to do with itself when it could no longer command the role of free China in a world where “free China” would always be preferred above “Red China.” One of the responses to that tension was democratization. Both President Chiang Ching-kuo, Chiang Kaishek’s son, who succeeded him, and his successor, President [Lee Teng-hui](#), recognized that democratization was one of the ways to build legitimacy for Taiwan inside Taiwan and internationally. So they undertook this period of democratization. The proliferation of elections has been both the major propeller and the major symptom of Taiwan’s democratic transition.

There were elections before 1983, but only in 1983 did these begin to be really competitive, with multiple parties or quasi-parties competing for real power in meaningful political offices. There are a lot of these elections, and in a very short span of time Taiwan’s government has been completely reconstituted on the basis of fully elected representatives of the Taiwanese people.

But along with the rise of democracy in Taiwan has come an increasing sense of Taiwan as its own place. Along with democratization came the increasing feeling among Taiwanese people that Taiwan should be Taiwan: “We don’t really need China. We’re not going to reestablish the ROC in China, the PRC is here to stay, and that’s fine. We value what we have here, we don’t need to be part of the big China in order to realize our destiny as a society.” Through the 1980s and 90s in particular, although this started even earlier, there was a great deal of enthusiasm for Taiwanese culture, for doing things that emphasized the uniqueness and individual nature of Taiwan society. This is seen in the attention given to the goddess Mazu, the patron goddess of Taiwan (who is widely worshipped in southern/southeastern mainland China as well). The most popular folk cult in Taiwan is the Mazu cult. Also, in 2005 it was decided that 2006 would be the year of the puppet theater in Taiwan, the puppet theater being the prototypical Taiwanese art form.

Becoming Taiwanese, beginning to have this feeling that we are Taiwanese, not Chinese, or that we are Taiwanese and Chinese but we don’t need to be part of the Chinese nation-state in order to feel sufficient and complete, is driven by a number of factors. First, beginning in the mid-1990s, China began to press more strongly the idea that Taiwan would have to return to the motherland. Until 1979 forcible liberation of Taiwan was the goal. After 1979, China’s policy goal changed to peaceful unification, but the idea has always been that Taiwan would

go in under the PRC as some kind of special region like Hong Kong but as a part of the PRC state.

In 1995, after President Lee visited Cornell University, where he had received his Ph.D., China ratcheted up the hostility of its rhetoric substantially and in fact moved from hostile rhetoric to military action aimed at intimidating Taiwan. One of the consequences of that has been to create a backlash in Taiwan, where more and more Taiwanese say “Why should we think about becoming part of China if they think of us as a military target?” This backlash has diminished the support and enthusiasm within Taiwan for bringing these two places together. A lot of Taiwanese have taken the attitude that if this is how they feel about us, let’s just forget it.

Most Taiwanese believe that only people in Taiwan should be given the privilege of determining the fate of Taiwan and its people. So they don’t necessarily have hostility toward the PRC, they just think “we are a political community of our own and so we should make our decisions.” However, there is very little enthusiasm in Taiwan for independence, for just making all of this explicit and saying “From now on we will have nothing to do with China. We’re going to take the China out of our name.” The official name of Taiwan is still the ROC, and the year in Taiwan is still calculated as the year of the republic. They call themselves Taiwan and ROC interchangeably, and many Taiwanese still say ROC as a reflex.

The idea of taking China out of the name and becoming the ROT, which I advise against for other reasons, is not popular in Taiwan. Despite the fact there’s not a lot of enthusiasm for unification, there’s also not a lot of enthusiasm for independence. Looking at polls taken from the 1960s through mid-2003, one sees that the percentage of Taiwanese who say “I am Taiwanese only” never reaches 50 percent. So about 5 percent would say “I am Chinese only,” the rest, approximately an equal proportion but slightly higher in most surveys, would say “I am both Chinese and Taiwanese.” From late 1996 until around the time the current president, Chen Shui-bian, was elected in 2000, there was a very steep increase in the percentage calling themselves Taiwanese. It has leveled off since then, but it’s leveled off at a high number. Support for independence has not increased significantly—it was 15 percent in 1996, compared to about 18-19 percent in 2003. So people can change their identity, but not their attitude toward independence and unification. Thus the idea that for people to think of themselves as Taiwanese means that they must demand an independent Taiwanese state that cuts itself off from China is not consistent with the actual public opinion in Taiwan. Most people just want to keep things the way they are, to go on being the ROC on Taiwan, not have unification, at least not until China changes a lot, but not to have independence either. They’re fairly content with the status quo. This creates numerous contradictions.

One of these is Taiwan's international political isolation. In one mid-1990s cartoon, while Taiwan was trying to get into APEC, South Korea says "Check with Beijing to see if there's a spare seat." Anything Taiwan wants to do in the international community has to be approved by China. Increasingly over the past ten years, China has not allowed Taiwan to do anything in the international community: participate in the WHO, certainly not the UN. The last thing Taiwan got into, possibly the last it ever will, was the WTO. That was negotiated so that both Taiwan and the PRC could enter together.

Perhaps one reason Taiwan was admitted to the WTO, although not to WHO or cultural/political organizations, is that despite its political isolation internationally, which is completely orchestrated by the PRC, Taiwan has an important global economic presence in many industries, particularly in high-tech. Much of the manufacturing or assembly process of high-tech products is carried out by Taiwanese-invested companies in mainland China. But the really good stuff, the R&D, the design, and in many cases the core high-tech components and manufactured in Taiwan, exported to the PRC, where they are assembled into a notebook computer, and then reexported. So they say "Made in China" on them but they could not be made in China without Taiwanese know-how, technology, and capital.

The contradictions for Taiwan, then, include international political isolation vs. a strong global economic presence, also the appearance of political conflict and polarization, which may be masking what the student discussed above discovered, that there is a huge silent majority in Taiwan that is not interested in conflict with anybody, not with China and not with other Taiwanese. But because the political elite continues to have this visceral conflict within itself, most Taiwanese are increasingly withdrawing from political engagement and just trying to focus on things like career and family.

The last contradiction is the rising sense of Taiwanese identity discussed earlier, which seems to be in sharp contradiction to the fact that Taiwan's economy is increasingly tied to and intertwined with the mainland economy. Taiwan is probably the largest single source of FDI in mainland China. Forty percent of Taiwan's exports go to mainland China, and they are nearly all either components or equipment for manufacturing. The Taiwanese have probably \$150 billion invested in the PRC. So it's a very deep and extensive relationship. UBC Coffee, for example, was once the hip chain in Taiwan, then it went downhill and was overtaken by chains like Starbucks. So UBC moved to the mainland, where it is considered very classy. There are now three special schools for the children of Taiwanese businesspeople working in China.

Is Taiwan headed for disaster, given all these trends and contradictions? Ted Galen Carpenter's *America's Coming War with China: A Collision Course over Taiwan* (Palgrave,

2006) begins, middles, and ends with the idea that Taiwan is going to declare independence and that the U.S. is going to be drawn into a war with China, because that's what Taiwan is going to do. I would say that this is a completely wrong interpretation of the realities of Taiwan society and public opinion. In fact, the only reason we might encounter a crisis in the Taiwan strait would be if Beijing decided that it could no longer wait for the trend of economic integration and the softening of hostilities built up as a result of civil war and decades of conflict to work their magic. If Beijing decides that it can't wait for those things and tries to compel Taiwan to accept unification before Taiwan is ready, then we could have problems. But the PRC isn't likely to do that because of the costs to it of doing so and because the trend to seek formal independence and change the name of ROC has already peaked. The PRC can increasingly see that on the other side of that hill, the prospects for some kind of accommodation between these two sides are actually looking better.

## WHY TAIWAN MATTERS

*By June Teufel Dreyer*

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The current state of U.S.-Taiwan relations leaves much to be desired. A recent analysis describes the island's narrowing options, tracing a trajectory toward absorption by China. Given a continuation of current trends, it is difficult to disagree with this conclusion. It is my belief that U.S. actions bear a large measure of responsibility for this drift, and that for two major reasons—first, to ensure its national security and maintain regional peace; and second, to remain true to its own founding beliefs, the United States must make efforts to reverse this drift.

With regard to the first of these factors, the Chinese military has been a focus of my research efforts for the past several decades. In this capacity, I regularly read military journals from the People's Republic of China (PRC) dealing with defense matters. The militant tone of the articles contained therein is striking, as is the way Chinese strategists view Taiwan—not as an end in itself, a *terra irredenta* that must be possessed, but as a stepping stone for reaching China's larger goals of controlling the regional sea lanes and beyond. Chinese analysts concentrate on the importance of Taiwan to the PRC's strategic future. The inability of the People's Liberation Army (PLA) to break out of the first island chain into the Pacific without first taking Taiwan is standard commentary in Chinese journals. This chain is visualized as an arc running south from the Japanese archipelago to the Philippines, with some strategists projecting its trajectory all the way past the Indonesian archipelago to the British-administered Indian Ocean base at Diego Garcia that is frequently used by U.S. military planes.

Another supposition that is noticeable in the journals is that the PLA navy can attain decisive command of the seas by projecting power eastward from Taiwan. One commentator states that Taiwan is currently a shackle but that, if possessed by the PRC, would be the key to the open ocean. Since the island occupies the mid-section of the first island chain, PRC strategists reason, its capture would cut the chain in two. Chinese fleet and naval aviation units could use Taiwan as a major base. Sea and air combat radii from bases on the island would reach the flanks of Japan and the Philippines. Another analyst visualizes China and Taiwan as forming

a T-shaped battlefield position able to defend the PRC against semi-encirclement while at the same time facilitating the Chinese military's breakout from the second island chain that stretches from the Japanese archipelago south to the Marshall and Bonin islands, including the U.S. base at Guam.<sup>77</sup>

Taiwan faces a strategic dilemma: it is principally dependent on China for its economic prosperity while it must principally rely on the United States for its security. The latter is confirmed by the Taiwan Relations Act (TRA) of 1979 and by the six assurances given to Taiwan by President Ronald Reagan in 1982.<sup>78</sup> Meanwhile, a series of “accidents” committed to print and “misstatements” by high-ranking US officials—sometimes corrected and sometimes not—have caused Taiwanese to worry about whether Washington intends to keep its promises.

In 2003, for example, the Department of Defense published a book entitled “Taiwan, Province of China.” I am told, but have not seen, that a more recent edition does not mention this. In any case, one must wonder how this happened in the first place. A year later, Secretary of State Colin Powell stated that “There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy.” This was clearly a violation of the six assurances. After a firestorm of criticism, administration spokespersons explained that a jet-lagged Powell had misspoken, that there had been no change in policy, and that the six assurances remained in force. Powell himself appeared to back away from the comments, but never actually retracted them, saying only that “the term of art is to have a peaceful resolution of the problem.”<sup>79</sup>

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<sup>77</sup>These journals are not in current circulation though are available, untranslated, through the extremely expensive subscription service CNIK (China National Infrastructure Knowledge) online data base. An excellent summary of the articles cited above appears in Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and the Challenge to U.S. Maritime Strategy* (Annapolis, Maryland, 2011:Naval Institute Press.

<sup>78</sup> The six assurances are 1. The United States will not set a date for termination of arms sales to Taiwan. 2. The United States will not alter the terms of the [Taiwan Relations Act](#) 3. The United States will not consult with China in advance before making decisions about U.S. arms sales to Taiwan. 4. The United States will not mediate between Taiwan and China. 5. the United States will not alter its position about the sovereignty of Taiwan which is that the question is one to be decided peacefully by the Chinese themselves, and will not pressure Taiwan to enter into negotiations with China. 6. The United States will not formally recognize Chinese sovereignty over Taiwan.

<sup>79</sup> CNBC, October 27, 2004.

Most recently, Secretary of Defense Robert Gates spoke of taking Chinese sensitivities into account when deciding what weapons to sell Taiwan.<sup>80</sup> Apart from the patent absurdity of allowing one's partner's only enemy the privilege of deciding what weapons one will sell to one's partner, Gates's statement is a clear violation of the Taiwan Relations Act's explicit instructions that the determinants of Taiwan's need for weapons is the sole purview of congress and the administration,<sup>81</sup> as well as of the third of the six assurances. Decisions on weapons sales to Taiwan drag on and, when finally decided, may be of obsolescent versions of the items desired rather than state-of-the art equipment. In tandem with the large increments in the PLA's budget over the past three decades and the stunning improvements in its weaponry that have accompanied them, American actions have eroded the defensive balance of power across the Strait that the TRA obligates the US to maintain. The delay in making a decision on the sale of F- 16 C/Ds is a case in point. Although capable fighters, the F-16 C/Ds would quickly be overwhelmed by the PLA Air Force's indigenously-produced and comparably equipped J-10B and J-11 B fighter variants.<sup>82</sup> Yet the U.S. has still not agreed to the sale. Concerns about the PRC's objections not only contradict the law but are ill-founded: China has made clear again and again that it objects to *all* U.S. arms sales to Taiwan.

To add to Taiwan's anxiety over official waffling and misstatements, a U.S. journal typically described as influential has run articles advocating that the United States, by various means, abandon the island.<sup>83</sup> The journal has published no articles articulating a different point of view, leaving Taiwanese to wonder if its parent organization, widely regarded as reflecting official thinking, is heralding a change of government policy or whether that organization is simply biased in favor of the PRC. If Taiwan is to be abandoned, they reason, perhaps it would be preferable to seek accommodation with the PRC rather than resist its blandishments and risk being coerced into compliance through military force.

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<sup>80</sup> "We have tried to thread the needle pretty carefully in terms of Taiwan's defensive capabilities, but at the same time being aware of China's sensitivities."  
<http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4830>

<sup>81</sup> "The President and the Congress shall determine the nature and quantity of such defense articles and services based *solely* upon their judgment of the needs of Taiwan." Taiwan Relations Act, Section 3 (b). Italics added

<sup>82</sup> According to PLA Air Force expert Richard D. Fisher, the US has the option to equip the new F-16s to a "4<sup>th</sup> generation plus" level of capability, the most notable feature being an active electronically scanned array (AESA) radar. The J-10B has AESA radar and is expected to enter production this year. The J-11B is now being produced in three variants with a Chinese-built turbofan—a major significant accomplishment for the PRC's aerospace sector. They could produce 70 of both these fighters in about 3 years. Had we sold Taiwan the new F-16s in 2006 when the request was first made; they would be arriving at about the same time as the PLA's new fighters, and thus would have maintained a technical parity that would have aided deterrence. The Chinese air force already has numerous Su-27s and Su-30s which are superior to the F-16 fighters.

<sup>83</sup> Bruce, Gilley, "Not So Dire Straits: How the Finlandization of Taiwan Benefits U.S. Security," *Foreign Policy*, January/February 2010, pp. 44-60; Charles Glaser "Will China's rise Lead to War? Why Realism Does Not Mean Pessimism," *Foreign Policy*, March/April 2011, pp. 80-91.



This brings us to the second factor that should determine U.S. policy toward Taiwan: the need to remain true to our own principles. To abandon a democratic country to an authoritarian government with an abysmal human rights record is a repudiation of all that the United States stands for. Moreover, this country was founded on the principle of the right to self-determination, as stated in our declaration of independence. The right to self-determination was part of President Woodrow Wilson's Fourteen Points, and was most recently articulated by President Barack Obama on his visit to the Middle East.<sup>84</sup> The same principle is integral to the philosophy of Dr. Sun Yat-sen, who is acknowledged by both sides of the Taiwan Strait as the father of the Chinese republic. The right to referendum is explicitly mentioned in the constitution of the Republic of China. Yet, after the PRC in the 2004-2008 period expressed strong opposition to Taiwan holding a referendum on any topic, even on issues unrelated to the island's political status, the U.S. administration did so as well. It was thus violating its own commitment to self-determination by denying it to other people in order to appease Beijing. Even as the Kuomintang (KMT) government was defying its own constitution to please Beijing.<sup>85</sup>

During People's Liberation Army Chief of Staff Chen Bingde's recent visit to Washington, he was believed to have raised the issue of modifying or eliminating entirely the Taiwan Relations Act. Almost certainly he was told no. I wonder, however, if the general's concern was unnecessary: both the TRA and the six assurances have been ignored by the past several administrations, which simply repeat the mantra about peaceful resolution while their actions nudge Taiwan into an ever closer relationship with China.

These admonitions to peaceful resolution of differences come athwart the Beijing government's absolute refusal to consider meaningful talks except on grounds that give the PRC what it wants. Hence Washington's advice to peacefully resolve differences sends a clear signal to the Taiwan people that they must settle their differences on Beijing's terms. In its zeal to improve relations with China, the administration of President Ma Ying-jeou has sought to avoid taking actions that will antagonize Beijing. Many, if not most of these, have come at the cost of erosions in Taiwan's sovereignty. A number of them are subtle, such as the opening of air routes between the two countries. Direct flights between the two are undoubtedly a convenience to travelers and to commerce. But the Chinese side turned down the Taiwan

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<sup>84</sup> William Dobson, "The Two Words Obama Didn't Mention," Washington Post, May 19, 2011, [http://www.washingtonpost.com/blogs/post-partisan/post/the-two-words-obama-didnt-mention/2011/05/19/AFeSfM7G\\_blog.htm](http://www.washingtonpost.com/blogs/post-partisan/post/the-two-words-obama-didnt-mention/2011/05/19/AFeSfM7G_blog.htm)

<sup>85</sup> Bowing to pressure for a referendum just before an election, the KMT-controlled Legislative Yuan passed a referendum law with so many restrictions as to make the possibility of any initiative passing close to impossible.

side's request for flights on lucrative routes like Taipei to Shanghai while agreeing to less traveled destinations like Taipei to Nanchang and Hefei as well as northward routes that pass through PRC air space control zones only, thus emphasizing the domestic character of the routes. And where was the United States when the World Health Organization, acceding to the PRC's request, instructed its members to refer to "Taiwan, province of China"?

There have also been negative repercussions for Taiwan's rule of law. A semi-serious joke circulating in Taiwan states that the country has a bipartisan policy: the KMT and the Chinese Communist Party. As soon as the Ma administration took office, it began to prosecute a large number of office-holders under the previous administration for alleged financial misdeeds. The procedures used were often irregular, leading to a number of protest letters from foreign human rights groups, academics, and public figures. Among the distinguished signatories was the professor at Harvard Law School who had served as Ma's mentor when he was a student there. People have also been arrested for peacefully picketing for the right to a referendum, despite its legality under the constitution. One consequence of the Ma administration's encouragement of Chinese media to buy into Taiwan media has been a diminution in freedom of the press. The independent Paris-based organization Reporters Without Borders downgraded Taiwan from 36<sup>th</sup> place in 2008, when Ma assumed office, to 59<sup>th</sup> in 2009, specifically mentioning that "the new ruling party in Taiwan has tried to interfere in state and privately-owned media."<sup>86</sup> Most recently, the organization queried the Taiwan government as to why its television satellite operator, Chunghua Telecom, has refused to continue relaying the signal of New Tang Dynasty Asia Pacific, which broadcasts program critical of China.<sup>87</sup>

Taiwanese concerns are reinforced when administration spokespersons regularly express uncritical praise for the progress that has been made in cross-Strait relations without mentioning the erosion of democracy and freedom on the island.

Ladies and gentlemen, the author of the study mentioned in the opening paragraph of this testimony appears to accept the drift toward Taiwan's absorption as inevitable, and advises that, given Japan's role as the linchpin of the U.S. security presence in the Asia-Pacific, Washington will have to work harder to reassure wary Japanese, as well as other U.S. allies and associates, of the U.S. resolve and ability to hedge against a rising China.<sup>88</sup> I would argue that, if the United States is to keep nudging Taiwan toward absorption with China, there can be no credible reassurances, and that now is the time to halt a drift that is dangerous not only

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<sup>86</sup> <http://en.rsf.org/press-freedom-index-2009,1001.html>. It rose to 48<sup>th</sup> a year later, apparently because of a deterioration in other countries' media rather than an improvement in Taiwan's.

<sup>87</sup> [http://en.rsf.org/spip.php?page=imprimir\\_articulo&id\\_article=40343](http://en.rsf.org/spip.php?page=imprimir_articulo&id_article=40343)

<sup>88</sup> Robert Sutter, "Taiwan's Future: Narrowing Straits," *NBR Analysis*, National Bureau of Asian Research, Seattle Washington, May 2011, p. 22.

to the security of the Taiwanese but to the United States' interests in the region and to the credibility of the global alliance system.

As a start toward reversing this drift, I would suggest

- the immediate sale of the F-16 C/Ds
- initiation of a complete review of the cross-Strait military balance to assess Taiwan's legitimate defense needs, exclusive of the PRC's desires.
- removal of the restrictions on contacts between high-ranking American and Taiwanese officials and in the places they can be held
- a strong affirmation of the right of the people of Taiwan to determine their own political future, free from pressure by external forces

# TAIWAN UNDER PRESIDENT MA YING-JEOU

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## I. A HORSE OF A DIFFERENT COLOR? DEMOCRACY AND DISTRUST IN TAIWAN

Following a seventeen-point victory in Taiwan's presidential election on 22 March, 2008, Ma Ying-jeou took office on 20 May with an inaugural address that reiterated his priorities: reconciliation in Taiwan's politics, repairing ties with Washington, and improving cross-Strait relations. Achieving these goals requires overcoming the distrust that has come to pervade Taiwan's politics and external relations, especially during the second term of Ma's predecessor, Chen Shui-bian. Most of the relevant actors seem to recognize how costly mutual mistrust had become, and so the new president has striking opportunities, but also daunting challenges, on these fronts.

In his inaugural address, Ma pledged a political environment that is pluralistic and "fosters political reconciliation." He promised to rebuild political trust and seek cooperation among all parties. Ma's electoral mandate and standing within the KMT as the man who led his party back to power gave him political resources to pursue his commitment to rebuild trust. Still, bringing his party in line will not be easy. Since the KMT won a supermajority in the legislature in January, its legislators have already showed signs of independence. And despite its inclusive elements, Ma's inaugural address contained much that could seem to confirm DPP fears, such as its pledges to build on post-election momentum to move quickly on cross-Strait engagement.

The presidential campaign revealed, and worsened, KMT or "Blue" distrust of the "Green" DPP. Many in the KMT feared that the DPP could steal the election with "dirty tricks" [*aobo*], by affecting voters' preferences or turnout. In the campaign's final days, four KMT legislators undertook an ad hoc investigation of rumors that the DPP campaign was using space on which it was not paying proper rent. When their uninvited site visit brought a telegenic confrontation and a political windfall to the Hsieh campaign, some KMT sources suspected a DPP trap.

With Ma facing accusations that he held a US green card (a measure, in his critics' view, of Ma's incomplete loyalty to Taiwan), KMT distrust toward the DPP extended to the United States' complicated role in Taiwan's politics. Distrust also extended to policy. According to one common KMT charge, Hsieh was a false moderate on cross-Strait issues, who would continue Chen's "pro-independence" or "anti-China" agenda - thus continuing to imperil cross-Strait stability and harm Taiwan's economy. These attacks cut deeper in a contest marked by mutual accusations that the other side's victory would threaten vital national interests.

Ma's boldest early gesture to rebuild trust faced a frosty reception in some KMT quarters. He named as head of the Mainland Affairs Council Lai Hsing-yuan, a former legislator from the Taiwan Solidarity Union (a party founded by former President Lee Teng-hui, allied with the DPP and associated with strongly pro-independence positions). Notwithstanding Lai's assurances that she agreed with Ma's principles on relations with China, some in the KMT denounced the appointment. (Ma rebuffed calls to drop Lai.)

An issue that potentially could be as costly for Ma is the issue of whether to pardon Chen, who faces prosecution on corruption charges. Many in the KMT still regard Chen as an illegitimately elected president and are outraged at corruption they see reaching the president and his close aides and relatives. They distrust Ma for not having joined in publicly rejecting Chen's 2004 reelection. Ma has emphasized "clean politics," but he himself had to fight corruption charges brought against him during Chen's presidency. Moreover, there may not be much support from within the DPP for pardon, as many seek to distance themselves from the scandals that tainted the later Chen years.

### **It's not easy being green**

Ma's rhetoric of reconciliation reflects his recognition of the problem he faces with many of the 40 percent of Taiwanese voters who generally vote Green, and post-election developments within the DPP have been modestly encouraging. Hsieh, vice presidential candidate Su Tseng-chang, and other prominent DPP leaders accepted defeat gracefully, and it appears that the loss has made the party recognize the imperative to put its own house in order and move toward the political middle. However, for the DPP as for the KMT, the 2008 election brought forth familiar fear and anger about procedural improprieties or unfair advantages benefiting the other party. DPP complaints focused on the KMT's perceived advantage in financial resources and the organizational resources that come with control of key government institutions.

Much suspicion and alarm on the DPP side focused on policies that a Ma administration would pursue. Continuing well after the election, Green sources - including Lee and Chen -

attacked Ma's support of the "1992 Consensus," under which Taipei and Beijing agreed that there was "one China" but each held to its own interpretation, and significant contingents within the DPP and among the Greens more broadly take a dim view of Ma's commitment to reducing political distrust.

### Seeing red and turning teal

Ma's challenges extend beyond issues with relatively ardent members of the Green or Blue camps. They include securing the support and trust of median, moderate voters, many of whom have grown alienated from Taiwan's politics. Although many factors account for the KMT's electoral successes, a significant component appears to have been popular sentiment that was more against Chen, the DPP, and recent "politics as usual" than it was pro-KMT. Taiwanese blamed the DPP for a struggling economy (in comparison to Taiwan's high baselines), and the stalemated cross-Strait relations that marked Chen's years in office as impeding greater economic integration with the mainland, which is widely seen to be a key to economic recovery. Public weariness and resentment of divisive politics seem to have been another primarily anti-DPP phenomenon.

Ma engaged the issue of divisive politics, especially identity politics and loyalty-questioning. Throughout the campaign and in his inaugural address, Ma acknowledged the well-known fact that he was born in Hong Kong to a "mainlander" [*waishengren*] rather than a "Taiwanese" family. He stressed his ties to and love for Taiwan and, most vitally, his quest for a Taiwanese identity that was neither narrowly ethnically based nor defined in opposition to a Chinese identity.

Ma, the Harvard-trained lawyer and former justice minister, also spoke of the Constitution in ways that departed markedly from Chen's controversial approach. Chen had sought a new constitution and constitutional amendments that sought to make the document more purely Taiwanese, that implied an assertive position on Taiwan's state-like international status and that might someday include a change in the national name from Republic of China to Taiwan. In contrast, Ma stressed the constitutional process for a smooth transfer of power after a democratic election, in rejoinder to Chen's quickly dropped suggestion that he might not cede power to a successor who held a US green card. In his inaugural, Ma declared that "respecting the Constitution is more important than amending it" and characterized the constitution as providing a "framework" for maintaining the cross-Strait status quo. On substantive policy, these positions moved toward the middle of Taiwan's Blue-to-Green political spectrum. This could both appeal to the median voter and assuage the fears of "light Green" constituents.

Ma's stated positions on key policy issues are generally much less "Blue" than those recently put forward by the KMT. Presidents and aspiring presidents from the KMT had not offered such strong statements of identification with Taiwan, rather than the ROC. On cross-Strait issues, they had not explicitly pushed the possibility of unification with the mainland so far off into the indefinite future - a future that is non-negotiably beyond Ma's first and probably second terms, and that includes both a democratic PRC and democratic approval from the people of Taiwan. They had not made safeguarding the island's separate "sovereignty" so core a principle of foreign policy.

Other positions in the Ma repertoire fit more easily with the recent KMT playbook: moving quickly to advance cross-Strait economic relations, resuming cross-Strait negotiations under the framework of the 1992 Consensus, eschewing movements toward formal independence, seeking expanded international participation but being willing to do so under names other than Taiwan, and repairing frayed ties with Washington.

### **Assets in trust**

More than one might expect for a president who won in a landslide and whose party holds a supermajority in the legislature and local governments, Ma and his administration have reason to focus on securing support and trust within the KMT, across Taiwan's partisan political divide and among disaffected and ambivalent constituencies.

Looking ahead, Ma and the KMT face a DPP that might either wither into a permanent minority party, or alternatively, it could move toward the middle, compete effectively for the many voters with malleable loyalties or doubts about KMT cross-Strait or economic policies, pounce on KMT errors and vices, and appeal to voters' unease with single-party rule. Because of Taiwan's KMT-dominated authoritarian past, that concern has continuing resonance, as Ma recognized when he noted in his inaugural that "absolute power corrupts absolutely." Such fears could again surpass voters' frustration with the gridlock produced by divided government during the Chen years. If such a DPP recovery occurs, the KMT will need to compete for voters' support and trust in a manner familiar from its recent past.

## **II. CHANGING HORSES IN THE MIDDLE OF THE STRAIT? TAIWAN'S EXTERNAL RELATIONS**

Abroad, Ma has aims for which support and trust at home will be vital assets. Ma's agenda and Beijing's initial response point to an evolving relationship. Given the central role cross-Strait relations have played in Taiwan's politics, it will be important for Ma and his negotiators to engage their interlocutors across the Strait from a position of strength rooted in

domestic support; with room to maneuver at home and innovate abroad; and with the ability to invoke credibly a Taiwanese consensus for Taiwan's autonomous status.

### **Washington: Sighs of relief...and signs of complacency**

In the US, Ma's election mostly brought sighs of relief that the unnerving gambits and rocky exchanges that characterized Taipei-Washington relations in recent years would cease. A partial inventory of points of friction would include Lee's 1999 characterization of ROC-PRC relations as "state to state"; Chen's 2002 assertion that there was "one country on each side of the Strait"; his subsequent moves that appeared to try to "change the status quo" (as President Bush characterized them); his pursuit of a new constitution; his 2006 evisceration of Lee's Guidelines for National Unification and National Unification Council; and his decision to hold referenda on cross-Strait relations and national defense issues in 2004 and, most controversially, UN membership under the name Taiwan in 2008.

Bringing to power for the first time a candidate from the "pro-independence" DPP, Chen's election had raised significant concerns in the US - ones serious enough that Chen's 2000 inaugural speech was vetted in Washington and its Four Noes and One Not, according to many accounts, were added partly to ease American apprehensions. At the end of Chen's second term, US observers worried openly whether Chen might pull a "May surprise," taking one last stab at asserting more formal state-like status for Taiwan.

Washington expected nothing of the kind from Ma, given his positions on cross-Strait and status issues (which included his own "Three Noes"—no independence, no unification, and no use of force), his moderate manner, smooth style, fluent English, and his avowed goal to repair the damage caused by Chen's "diplomatic adventurism." The US offered warm and high-level congratulations to Ma on his election, and reports indicated that Washington had not sought to vet Ma's inaugural address.

US expectations of moving beyond the Chen era were strengthened by several post-election steps toward improving ties between Beijing and Taipei. These included mutual affirmation of the 1992 Consensus as a foundational principle for talks; an informal conversation between PRC President Hu and Taiwan's then-vice president-elect Vincent Siew at China's Baoao Forum on economic development; a meeting between Hu and former KMT leader Lien Chan that reprised their breakthrough 2005 meeting; and a post-inaugural visit to the PRC by KMT chairman Wu Poh-hsiung. Such developments were welcomed in the U.S. as portending that cross-Strait relations will be conducted in a more bilateral fashion, allowing Washington to reduce its difficult and costly role of identifying and trying to rein in whichever side was at fault in chronic cross-Strait crises.



However, the silver cloud could have a dark lining. The principal dangers stem from complacency. For those in US policy circles who are most suspicious of China's rise, any welcoming of Ma's expected cross-Strait rapprochement reflects a dangerously sanguine view of dealing with Beijing. From this perspective, Ma may wittingly sell Taiwan out or inadvertently give away too much, with results that will be harmful to the US and potentially ruinous for Taiwan.

Among the wider swath in US policy circles that believes that more cooperative cross-Strait relations are likely to be in the US's interest, the risks stem from associating the problems in Taiwan-US relations too firmly with Chen, and thus having unduly high expectations about how smoothly cross-Strait relations will go under Ma.

This type of complacency and the Bush administration's lame-duck phase make it less likely that the US will take steps that may be in its own interest to shore up Ma and Taiwan as they enter an uncharted phase in relations with Beijing. Wary of China's possible reaction, Washington rebuffed Ma's expressed interest in a pre-inauguration visit, and the long-pending sales of F-16s to Taiwan are all but certain not to be consummated on Bush's watch. This will leave the issue for the next administration, which will not want to take the plane sales up as an early matter of business—Beijing's presumed negative reaction will be stronger when the new US president has not yet demonstrated the *bona fides* of his commitment to good US-China relations and when it might hope to extract a compensating concession.

### **Beijing: Getting what you wish for and needing to follow through**

For Beijing, Ma's election looks like a gratifying confirmation of China's evolving strategy toward Taiwan and its progress in learning how to deal with Taiwan's elections. Angered by President Lee's Cornell University reunion speech asserting Taiwan's international status, the PRC addressed Taiwan's first fully democratic presidential election in 1996 with missile tests in the Strait. In 2000, Premier Zhu Rongji cautioned ROC voters not to support Chen and Beijing issued a "White Paper" on the Taiwan question with several warnings. In 2004, largely sat on the sidelines but made clear its preference for the KMT's Lien Chan and its unwillingness to deal with Chen.

By the time of the 2008 campaign, China under Hu had consolidated a revised approach to Taiwan, often characterized as one of preventing independence (or secession) rather than seeking to advance unification (or reunification). The PRC's Anti-Secession Law in 2005 that again threatened the use of force under already-familiar conditions also embodied Beijing's revised Taiwan strategy. It reflected Beijing's long-term acquiescence in a status quo of

Taiwan's *de facto* independence, if Taipei did not claim *de jure* independence. In this context, as the 2008 elections approached, PRC authorities sought to make clear that voting KMT would open up possibilities for progress in cross-Strait relations that many Taiwanese wanted. And for the first time (albeit for reasons that went far beyond Beijing's improved tactics), the PRC's preferred candidate.

Now, if China does not achieve significant, prompt progress in cross-Strait relations, Hu's strategy will be vulnerable, and Taiwanese voters may desert the KMT for the DPP, in which case the PRC's strategic interests in improved cross-Strait ties will suffer.

The initial signs from Beijing are promising. The April 2008 Hu-Lien meeting symbolically and explicitly reaffirmed their April 2005 joint statement of principles on cross-Strait relations and confirmed that those principles will have a place in Ma's cross-Strait policy. KMT Chairman Wu's May meeting with Hu raised party-to-party links to the highest formal level of the PRC era and prompted another affirmation from Hu of the 2005 Hu-Lien joint statement, the 1992 Consensus and Beijing's willingness to discuss Taiwan's participation in international activities. There has been significant movement toward reviving dialogue between Taiwan's quasi-official Straits Exchange Foundation and its PRC counterpart, the Association for Relations Across the Taiwan Straits (ARATS), which had been suspended after Lee's 1999 "state-to-state" remarks. Notably, Beijing named as ARATS chairman Jia Qinglin the government's main "united front" body.

Beijing appeared poised to make early progress on relatively uncontroversial issues, beginning with weekend cross-Strait charter flights (the first step toward normalized transportation links) and increased tourism from the mainland. Ma wrote a 4 July start date for these developments into his inaugural address. Although both sides expect that deadline to be met, this sets a problematic precedent should the next round of accords prove harder to achieve. Harvesting the low-hanging fruit first makes sense, especially in light of the need to build mutual confidence and momentum. Still, seeking quick advances on easy issues may create overly optimistic expectations.

If Beijing's Taiwan agenda runs into difficulties, it may also have to adjust to different responses from Washington than it came to expect during the Chen years. Assuming that Ma hews to the approach he has laid out and assuming no radical alterations to U.S. policy by the next president, the sources of cross-Strait friction post-Chen are less likely to appear to Washington as the ROC's doing. Washington will therefore be less likely to come to Beijing's assistance in checking a Taiwan leader's initiatives. While the PRC surely will welcome the end of what it saw as Chen's reckless provocations, the more mixed responses that will probably come from Washington will complicate China's relations with the US and across the Strait.

Taipei is at greater risk than Washington of having high expectations disappointed. China may not be prepared to deliver enough to Taiwan, or fully appreciate the limits to what the Ma administration will or can deliver. It remains unclear to observers - and perhaps uncertain to participants - how much the PRC's Taiwan policymakers still expect economic integration to lead to political accommodation, and how prepared they are for the severity of the difficulties that may vex negotiations.

Although China's cross-Strait strategy is decided at the highest levels (the contemporary approach is widely seen as bearing Hu's imprint), China's Taiwan policymaking process is not monolithic. There are signs that proponents of relatively anti-accommodationist views (typically associated with the Foreign Ministry or the PLA) remain reluctant to give Taiwan very much, even if nothing less will suffice to sustain progress in cross-Strait relations. If more moderate, Taiwan-accommodating elements can minimize the impact of such views, they still face the problem that China's cross-Strait policymaking is ponderous and inertial. Even top leaders must grapple with disparate views and multiple institutions, and avoid "losing Taiwan" (or even committing a grave error in Taiwan policy), Beijing's cross-Strait policy does not adapt nimbly. Opportunities can be missed and necessary steps not taken.<sup>1</sup> China's Taiwan policymakers also may not fully comprehend how much Ma and his KMT differ in outlook and agenda from their predecessors or how different a domestic political landscape they face.

### **Taiwan: A different KMT... and democratic accountability**

Ma is not Lien. The constraints imposed on any ROC president by citizen preferences in Taiwan today are different from those of a decade or more ago, when Beijing last seriously engaged in cross-Strait negotiations.

To be sure, Ma has made strong, credible commitments to deeper engagement with the PRC and warmer cross-Strait relations. Ma also endorsed, much more than his predecessor, the "Chineseness" of Taiwan, and closely linked his promise to reenergize Taiwan's economy to improved cross-Strait ties. At the same time, Ma has bound himself no less firmly to positions that limit how far Taiwan will go in pursuing closer ties with Beijing. Candidate Ma had some harsh words for the PRC, of which his sharpest rebukes involved issues with implications for Taiwan's international status. He condemned the PRC's response to unrest in Tibet, even raising the possibility of an Olympic boycott. Ma's point, as he explained it, was that Taiwan was not like Tibet and therefore could not become similarly subject to the Chinese state's repressive measures. Ma denounced PRC Premier Wen's assertion that matters affecting Taiwan's future were for China to decide. To the contrary, Ma insisted, any change in the

status quo required the democratic support of the people of Taiwan. For Ma, Taiwan's successful democracy limits the possible terms of cross-Strait accommodation: democracy defines Taiwan, distinguishes it from the PRC, enhances its international stature, and can influence political change on the mainland.

Ma routinely refers to "Taiwan" as well as the "ROC" as relevant entities, and regularly speaks of safeguarding his nation's sovereignty and seeking international dignity, as well as the other two of his "three yeses" (prosperity and security). In his inaugural, Ma proposed mutual "respect" between the PRC and ROC in international organizations and activities, and declared that an end to Taiwan's international isolation was a condition for cross-Strait relations to "move forward with confidence."

Negotiating with Beijing to address the question of Taiwan's international space is one of the items on the Hu-Lien 2005 joint statement that seems to have most salience for the Ma administration. Ma's call in his inaugural address for a "diplomatic truce" to end the financially costly competition with Beijing for the handful of small-state governments that do or might extend diplomatic recognition to Taipei is more a pragmatic reassessment than a change of preferences. Ma cast the shift as part of his broader agenda of using "flexible methods" to secure and expand Taiwan's place in the international community. Although the party and its leader clearly had no love for their March 2008 referendum calling for UN representation of Taiwan under more "flexible" nomenclature, which was adopted as an electoral tactic to counter the DPP's similarly tactical referendum on UN membership under the name "Taiwan," UN representation for Taiwan remains an enduring goal.

In Taiwanese politics, Ma's statements trumpeting his love for and loyalty to Taiwan resonate strongly with commitments at least to maintain the status quo of Taiwan's de facto independence. They also inescapably evoke the "New Taiwanese" idea, which transcends ethnicity, is based in a political community, and was crafted by Lee, a hero of pro-independence Taiwanese and in whose administration Ma held senior posts. It would be too flip to discount these positions as election-year politicking. Some of the statements were politically costly or at least politically risky, at home or across the Strait. Close observers of Ma describe a man who developed stronger feelings for and connections with the Taiwanese people, and a deeper personal identification with Taiwan, over the course of a long, island-wide campaign.

In any event, Ma was elected by, and is accountable to, a Taiwanese electorate that wants to preserve the cross-Strait status quo, that strongly identifies itself as Taiwanese, and that favors robust international status for Taiwan. Ma and the KMT won the 2008 presidential and legislative elections by appealing to median Taiwanese voters who hold such views. In dealing

with Beijing, Ma and his administration will remain accountable to Taiwan's electorate. The much-battered DPP, even under relatively moderate new leader Tsai Ing-wen, is poised to exploit its perceived advantages and credibility on Taiwan sovereignty issues if Ma's strategy seems to get too little or give away too much. As Ma tellingly put it on the eve of his inauguration, although he came to office with great optimism about prospects for engaging the PRC, he still felt as if he were "treading on thin ice and standing upon the edge of an abyss."

# IT'S OLD VERSUS NEW IN TAIWAN'S PRESIDENTIAL AND LEGISLATIVE ELECTIONS

*By Shelley Rigger*

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With just under four months to go, Taiwan's election season is well underway. On January 16, voters will choose a new president and legislature. While aspects of this year's elections are unprecedented, there are also echoes of a presidential election 15 years ago.

The biggest news is Democratic Progressive Party (DPP) candidate Tsai Ying-wen's wide lead in the polls. In the past, the DPP has struggled to win more than 45% of the vote in national elections (its two presidential victories were squeakers – Chen Shui-bian won with 39% of the vote in a three-way race in 2000 and with 50.1% in 2004), but polls taken so far this year suggest Tsai will break that barrier with ease.

Another novel development is that both major parties have nominated female candidates. The DPP's Tsai is a Western-trained lawyer whose past experience includes working as a trade negotiator and heading Taiwan's cabinet-level Mainland Affairs Council as well as serving in the legislature. She sought the presidency unsuccessfully four years ago and has spent much of her time since building support among DPP activists, leaders, and office-holders and assembling a grassroots machine to mobilize votes in January.

The other major-party contender is Hung Hsiu-chu, a former teacher and long-time legislator from Taiwan's current ruling party, the Kuomintang (KMT) or Nationalist Party. Hung is a bit of an accidental candidate. She joined the race when other leading KMT figures who were widely expected to run were hesitating; many observers believe her goal was to pull others into the race. Instead, the party's heavy-hitters stayed out, and when the KMT held its nominating convention in July, it confirmed Hung as the nominee. Although Hung should benefit from the KMT's vast political networks and hefty war chest, her positions – especially regarding relations with the PRC – put her well outside the mainstream of Taiwan's electorate, while her fiery personality (her nickname is “Little Hot Pepper”) contrasts with Tsai's lawyerly

demeanor. (Her calm, deliberate style helps explain Tsai's culinary nickname, kongxin cai, which is a leafy vegetable whose name is a homophone for "empty hearted-Tsai.")

Just when it seemed Taiwan was destined to elect its first female president, it blew a blast from the past: perennial candidate James Soong (Soong Chu-yu). On August 8, Soong announced he would join the race; if he wins, Taiwan will have to wait at least another four years to inaugurate its first Madame President.

This is Soong's third try at the presidential office – fourth if you count his 2004 vice presidential run. In 2000, Soong's independent bid opened a space for the DPP's Chen Shui-bian to end the KMT's 55-year political stranglehold. Soong broke with the party in which he had built his political career after it nominated his rival, Lien Chan. He finished well ahead of Lien, but Chen edged him out by two percentage points. In 2004 Soong agreed to run on the KMT ticket as Lien's vice presidential running mate, but the two fell a few thousand votes short of replacing Chen. Running on the Peoples First Party (PFP) ticket in 2012, Soong won less than 3 percent of the vote.

The question for this year is which of those previous attempts, if any, will serve as a model. At the moment, polls suggest Soong is ahead of Hung. If that's the case, and given the weakness of Hung's campaign, the 2000 scenario is looking more and more likely: a conservative split between Soong and Hung opening the door for a DPP victory. The biggest difference with 2000 is that unlike Chen Shui-bian, Tsai might well win even without a split in the conservative camp. She is currently polling above Hung and Soong's combined shares. Nonetheless, with 25 percent of voters still undecided there is room for the race to tighten. Shortly after Soong entered the race Hung suspended her campaign, prompting speculation that she might drop out. While Hung returned to the campaign trail after a few days, her muddled candidacy has left her party in a tough position. Several KMT legislative candidates have either dropped out of their races or switched parties to avoid being dragged down by Hung's flailing campaign.

Tsai's strong lead in the presidential polling has shifted attention to the legislative contests and raised questions about how a change in legislative leadership might affect Taiwan's domestic and foreign policies as well as its developing democracy.

In 2008 Taiwan held legislative elections under newly-implemented rules that combine 73 single-member districts with 34 seats determined by party-based proportional voting, as well as 6 seats reserved for the island's Aboriginal peoples. In 2008 and 2012, first-past-the-post voting favored the KMT, which currently holds 65 of the 113 seats. Even in a year where the DPP enjoys a huge lead in the presidential race, structural factors – including provisions that

guarantee representation for two small KMT-dominated districts as well as the staunchly pro-KMT Aboriginal constituencies – will make it hard for the Democratic Progressives to pick up the 17 seats they need for outright majority.

The composition of the legislature will make a huge difference in what Tsai is able to do if she becomes president. If the KMT retains a majority (or is able to cobble together a veto coalition with independents and PFP members), Tsai could find herself facing an obstructionist legislature bent on taking revenge on the DPP, which has managed to deny the current president – the KMT’s Ma Ying-jeou – several important victories.

If the DPP wins a majority of legislative seats, Tsai will face with both opportunities and threats. She will have the institutional resources to govern, but the electorate is hoping for solutions to some very intractable problems. Tsai is campaigning on a promise to turn around Taiwan’s tough economic circumstances, in part by easing the pressure on the island’s beleaguered middle class. Even with a legislative majority behind her, she will be hard-pressed to deliver solutions to complex distributional problems that confront developed economies around the world – not to mention successfully managing a touchy relationship with mainland China. With a DPP majority in the legislature, Tsai will have no one to blame if her efforts fall short of expectations.

Another possibility is that the DPP may come close to a majority, but not quite make it. In that case, Tsai and her party will be forced to govern by coalition – very likely on an issue-by-issue basis. A number of small parties are contesting legislative seats, and most of them could find common cause with the DPP on at least some issues. Even Soong’s PFP has voiced positions on economic issues that overlap with the DPP’s. But issue-by-issue negotiations are a hard way to govern, so the DPP is doing everything it can to maximize its seat share.

Ironically, if the KMT loses its majority, one of the long-standing sources of frustration for the party leadership may be alleviated – just in time to benefit a new president. For the past seven years, Ma Ying-jeou has been forced to share power with the legislative speaker, a KMT politician named Wang Jin-pyng. Wang has exerted extraordinary control over the legislature. Very little happens there without his say-so, and he has never allowed the body to be used as a rubber stamp for the government, even when the KMT had a supermajority. Instead, Wang has cultivated a system of inter-party negotiation that guarantees any party with three or more seats a role in the process.

Although small parties appreciate being included in the process, many in the KMT criticize Wang’s approach for slowing the legislative process and preventing the democratically-elected majority from implementing its initiatives. In 2013 the Ma administration’s frustration boiled



over: during a brief trip abroad, Wang found himself facing influence-peddling accusations. A few days later he was expelled from the party – a move that, had it stuck, would have deprived him of his legislative seat and the speaker’s chair. Wang fought back, and the courts ruled that he could not be expelled. Bad blood left over from that incident is part of the reason for the chaos in the KMT this year.

If the KMT loses its majority, Wang will lose his role as speaker, and a new speaker – especially one chosen from a hung parliament – is unlikely to enjoy the level of power and autonomy he accumulated over his many years as speaker. The likely result will be to shift power toward the presidential office, especially if the DPP winds up presiding over a unified government. That may well be a positive change, because legislative-executive gridlock has prevented Taiwan from taking action on important policy matters.

In short, these elections could bring a shake-up in Taiwan’s political landscape that goes far beyond a turn-over of executive power. Stay tuned!

**PART IV: ECONOMIC INTEGRATION AND ITS  
CONSEQUENCES IN EA**

# THE ASIAN MIRACLE, THE ASIAN CONTAGION & THE U.S.A.

*By Theodore Friend*

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The distress in the Asian economies may be bottoming out. The APEC meeting of 21 Pacific Rim nations has been held, and gone flat. Time now to look at economico-political matters in a way that configures phenomena before and beyond recent waves and troughs. Think from present incoherence toward future community.

## **I. On Miracle and Debacle**

(a) Hello, Vasco da Gama. Before the year 1998 expires, let's remember Vasco da Gama. 500 years ago he set sail, and succeeded where Cristoforo Colombo had failed, in discovering a new sea route from Europe around Africa to India, thence to Southeast Asia and China. We annually celebrate Christopher's error. We ought to recognize a Vasco da Gama moment: the half millennium since North Atlantic powers began inexorably to tangle with South and East Asian ones. We have been connected ever since. Now it is timely to imagine Pacific community, rather than the economic torpor of President Clinton's visit to Japan and Korea, or the exchange of barbs for pique launched by Vice President Gore and Secretary Albright with their Malaysian hosts. The news, as usual, is not inspiring. We need some history.

(b) The European Miracle. Any Asian miracle we have recently seen, or may see again, is derivative in part from the European miracle signified by the date 1498. Europe was able to project power through national competition with the materials they had in focus: military and nautical technology, and organizational concepts; management of time, space and resources. Europe put together a Roman alphabet and Arabic numerals and an empirico-scientific mode of thinking that carried it around the world.

China had printing and gunpowder and hydraulic engineering and imperial organization before or better than Europe and excellent ships, too. They sent Admiral Cheng Ho around India to Africa before Vasco da Gama. But he never discovered Europe. Why is there no Cheng Ho age in North Atlantic history? Because his motive was different from Vasco da Gama's. He was loading up his ships with curiosities for his emperor's court, such as "auspicious giraffes"

from Africa. Sailing an ark of exotic tribute is not the same as exploring paths for capitalistic trade and investment.

The European miracle that exploded all over the world was a military-political-financial mode of organization, which once took the form of sovereign imperialism over other lands and peoples. We are the biggest and best organized descendant of that outburst. We grew first by revolution away from Europe; then by reinventing corporations, government and society to productive and creative ends. How should we now understand and reconceive relations with modern East Asia?

## II. The East Asian Miracle

(a) The Economic Phenomena. In 1993 the World Bank published a book entitled: “The East Asian Miracle.” The story was an apparently compelling one, of eight nations — Japan, Korea, Hong Kong, Singapore, Taiwan; Indonesia, Malaysia, Thailand. China, a ninth nation, was included by reference as having the same high growth rates, but excluded from analysis because of its non-comparable structure of economy. Since 1960 these countries had grown faster than all other regions of the world: more than twice as fast as the rest of East Asia, three times as fast as Latin America and South Asia, and twenty-five times faster than sub-Saharan Africa. And to strike home: more than twice as fast as the OECD economies, or the United States.

This was being achieved, furthermore, with declining income inequality and reduced poverty — in contrast to terrible and growing inequities in Latin America and elsewhere.

How was it being done? By “getting the basics right.” High domestic financial savings sustained high investment levels. Agriculture declined in relative importance while improving in productivity. Population growth rates declined more rapidly than anywhere else. Education policies focused on primary and secondary schools, generating rapid increases in labor force skills. All these economies were open to foreign ideas and technology. In most, the government practiced strategies of selective industry promotion. In Northeast Asia especially, the World Bank concluded that government interventions “resulted in higher and more equal growth than would otherwise have occurred.”

(b) Asian Values and American Delinquencies. Exaggerations of this story told us we would eventually be left in the dust. The case for “Asian values” also boomed and peaked around the same time.[1] “Study hard and obey your parents,” a Korean dictum, may suggest the spirit involved. Asians were confident they knew the way, and some began to suggest that the West was lost. Singapore got tired of our sniggering about their fines for leaving chewing gum on

the streets, and asked us about ourselves (reasonably, I would say): Why are Americans not stamping out the sale of crack on our streets? The Prime Minister of Malaysia liked to remind us that in one generation our rate of violent crime had quadrupled, single parent families had tripled, and our number of state and federal prisoners had also tripled. East Asia was newly conscious of its own rich cultural, philosophical and social legacy. We were sometimes diagnosed as a drop-out, pill-popping, family-scrapping, obese society; victims of affluence and trash culture, symbolizing the survival of the fattest.

Perhaps some of these critiques should have been taken to heart. We could do a lot more to strengthen our society through family, school, and church, with a lot less emphasis on material accumulation and empty leisure. In any case, the stock market index, up or down, is the moral measure of no society, Atlantic or Pacific.

### III. The Asian Disease and Its Contagion

Less than a year and a half ago, the healthy Asian economic picture began rapidly to change. The unravelling of the Thai baht in mid-July 1997 triggered currency erosions and stock market crashes through most of the heralded eight nations. “Triggered,” because most of them were vulnerable through their own policies. The impact was severe. An approximate averaging of all these Asian economies suggests that an Asian asset worth 100 dollars in June 1997 was worth 25 dollars by September 1998. That loss of 75% compares with the US stock market crash of 1929 to 1932, when the S&P index decreased 87% (calculations by Charles Wolf, Jr., of RAND). Of this rapid and serious depreciation, the good news may be that most phenomena have now bottomed out. The sad news is that most of Asia is in a depression, which may yet affect the USA more than it has thus far.

For social texture, a few words about the worst case, Indonesia; the nastiest, Malaysia; the best case, Taiwan; and the biggest, Japan. Then a little guesswork about China — the greatest unknown.

(a) Indonesia. Indonesia, with a population of over 200 million, is the fourth largest country in the world. Of Muslim nations, largest of all, and maybe gentlest in its forms of Islam. But everything has come apart. First a major drought, then the rest. A year ago, I said to an Indonesian who worked in Jakarta for the World Bank, “The forests are in flame, the currency is burning up, and the stock market is melting down.” She added before I could draw breath, “And the people are on fire.” Only smoldering then, but her foresight was accurate.

Inflation has gone on to hit 80% in the first nine months of this year. Unemployment is perhaps 20 million and underemployment at least another 20 million. The poverty rate, which

was once jiggered down to 11% (using a dollar a day income as the basis for the calculation), has now ballooned up to half the population, one hundred million people. Malnutrition and dysentery are increasing. Yet hospitals report fewer patients because of higher costs. Diabetes and dialysis patients are at high risk. Those who can't afford imported medicine are saying goodbye to their doctors. Old tubing is being rewashed for use in transfusions. The educational system, which has a structural dropout rate of three million students a year, now has an additional loss of three and a half million children a year for financial reasons. Valiant national and international programs have been defined, trying to sandbag the high seas.

In March this year, Soeharto — the “Father of Development” — engineered his seventh five-year term. In mid-May it ended after riot, rape, arson and murder at the nerve center, Jakarta. His surrogate son and VP, Habibie, is now in his place. The Parliament, mostly Soeharto and Habibie's appointments, has just met in special session to pass twelve reform decrees. In the streets twenty thousand student protestors sustaining the reform mood faced thirty thousand army and police, augmented by a huge number of “volunteer civilian guards,” many of them jobless, enlisted for three meals and a dollar a day. The result was more riots, with sixteen dead and hundreds injured. Will Indonesia next May have, as passed by Parliament, its first free national election in 44 years? Can it establish an irreversible democratic momentum? Or will it revert to authoritarianism?

Any answer must be aware of what the official economists did not see, or grossly underweighed, in Indonesia's “economic miracle”:

- Environmental mismanagement and waste which, if analyzed as cost, might have cut Indonesia's alleged growth by a third or more.
- Trader psychology in most of Indonesia's investors, which led to extremely short-term vision, and high debt to equity ratios—probably at least three to one in listed companies before the crash, and incalculably high in unlisted ones. Nearly 90% of listed companies are now insolvent.
- The problems of overexpanded business compounded by overextended borrowing and underregulated banking. World Bank praise of the 1988 bank reforms as immensely successful would be laughable if they had not been disastrous.
- An inverted pyramid of accumulation of wealth in Soeharto family, cronies, and associates. This did not make its way into Gini coefficients, which showed relative equity in national distribution of income. But it deeply penetrated the consciousness of the Indonesian people.

- Armed forces which had lost their professional focus by becoming involved in politics, bureaucracy, and corporations; an army which was in factional paralysis during the worst moments of rioting in May.
- A repressed popular consciousness that until now could not take shape in deliberate political will, but only in frustration, racial and religious tension, and outbreaks of violence.
- Decades of deliberate suppression of institution building. In post-1989 terms, with regard to pluralism or civil society, Indonesia is closer to Romania or Bulgaria than to Czechs, Poles, or Hungarians.

Indonesia, in short, has been mismanaged, repressed, exploited, and stifled in multiple ways. The human and natural resources that exist there are extraordinarily rich, and can over time generate a vibrant nation. The preconditions, however, are several: the operations of an open society, symbolized and beginning with free elections next May; chastened, disciplined, and regulated business and banking; a professionally focused armed forces with one mission (there being no external enemy), and that is public security; a decently paid civil service with one mission, public service; a thorough investigation of the recent pseudo-royal family's sources of wealth, ensuring redistribution where appropriate to public means and ends, and the stripping of neo-feudal values from Indonesian leadership style.

Is this too much to ask? Not for a proud people capable of a great nation. Is this too much to expect in a short time? Yes. Give it a long time, then. Start counting now. The best sign — completely overlooked by our media — is that the four leaders most interested in these ideas met together for the first time in early November and issued a joint declaration. If their followers prevail among the dozens of new parties registering, and over Golkar, the Suharto succession party, then the chances are good for democratic coalition government, European style.

(b) Malaysia. Kuala Lumpur has the world's tallest building, the Petronas Towers. But it also symbolizes a giant credit bubble. Malaysia's declines in stock market and in currency units are second only to Indonesia's. Still, its percentage of non-performing loans may be only half of Indonesia's, and its net debt to equity ratio is actually a little better than Singapore's. But in a new and unpleasant way Malaysia is politically terrorized by its own Prime Minister, Dr. Mahathir.

When his early statements on the financial crisis sent the Malaysian markets down three times, Mahathir's Deputy Prime Minister and Finance Minister, Anwar Ibrahim, persuaded him to keep quiet for a while. Anwar is a liberal capitalist and internationalist who, in New York last spring, quoted, precisely and with effect, Shakespeare, T.S. Eliot, and Joseph Schumpeter.

Perhaps he could have sustained such a style, even with a boss whose vision has been directed bifocally to Mecca and to Tokyo.

But Anwar recently made the mistake of challenging Mahathir, seventeen years in power, for the party leadership. Mahathir had him jailed. Anwar is now under trial for ten counts of corruption in office and sodomy. I asked a friend, twice a cabinet minister in Singapore, how many counts he believed susceptible to conviction. None on corruption, he replied, because they could backlash to the government. One or two on sodomy, perhaps. Why, if secret police evidence on that dates back four or five years, has Mahathir kept in office a man he now declares unfit as a sodomite? The answer, obviously, has to do with a raw power struggle — as attested by photographs of Anwar being led to court with a blackened eye. This injury was not given to him by his wife; she is an ophthalmologist.

Mahathir has decided to run his own country his own way, and has imposed strict controls on currency and stock market. Whether this man, who blamed George Soros and international Jewry for his country's financial troubles, can prevail in semi-isolation, remains to be seen. Mahathir is not identical with Malaysia. Conjecture has strongly arisen whether he is worthy of continued power.

(c) Taiwan. Not everything is going to hell in Asia. Taiwan has had steadily positive GDP growth and is on track for nearly 5% in '98, while every other capitalist economy in the region, even Singapore, is headed for negative figures (Indonesia nearly 20%). Other Taiwanese data are strong too: high foreign exchange reserves, low foreign debts, the strongest debt to equity ratio in the region except for Hong Kong, and the lowest percentage of non-performing loans. These factors may be attributed to policy memories of hyper-inflation from printing money in the late 1940s to finance the civil war against Mao Zedong and the Communists. That only accelerated defeat. Taiwan has been fiscally conservative, and avoids cheap foreign currency loans for speculative projects. The head of their Council for Economic Planning and Development says, "Capital is like blood. If you use too much of it, it will cost you your life." [2] That's a more educational image than the grim one heard in Indonesia: "In banking, as in surgery, bleeding must eventually stop."

Taiwan has put together engineering training, a national technology research lab and hard work of talented people to become a quiet giant in the world computer markets. They manufacture more than half the monitors and motherboards, and almost all of the world's scanners. Their State Minister for Technology, Yang Shih-chien, says proudly that Taiwan has become almost transparent with Silicon Valley in information, human and material flow. This gives a new and broader meaning to transparency: open cooperation, lack of corporate vanity, profitable labor in obscurity, in Taiwan's case selling three-quarters of their electronic



production under someone else's brand name — often American. For most of the region, however, transparency is needed in its most limited meaning: clear and trustworthy data for policy, transaction, and audit. Some who resist deride it as “occidental nudity.” They need, however, to save their skins by changing their ball costumes and masks for plainclothes.

(d) Japan. Much of Asia, not to mention our own beltway bureaucrats, wants Japan to be the locomotive to pull all the Asian economies up the hill.

The 200 billion dollar plan recently announced holds out some hope. But 800 such billions has already been spent in the last several years without changing political culture, domestic cross-purposes, and hidden drag. Two sets of figures help understanding. (1) Since the Japanese bubble burst after 1990, their total loss of value is the equivalent of 8 trillion US dollars in land and 4 trillion USD in stocks, or 12 trillion dollars in all. This, inflation adjusted, is equivalent to all Japan's financial and material losses (excluding human losses) in World War II. (2) Take presently admitted non-performing loans of Japanese banks — add something for non-declared or out of sight — and then multiply proportionately in relation to the US savings and loan crisis of the late '80s at its worst moment. This arithmetic suggests that the Japanese bank debt crisis, per capita, is five times as great as our S&L crisis. The United States eventually worked out of it, except for 120+ lawsuits still pending, and the political heritage called “Whitewater,” an alleged misuse of Resolution Trust Corporation funds. The Resolution Trust process generally worked well in the USA, but may come out differently when filtered through other cultures.

The editor of a Japanese equivalent of the Wall Street Journal published several months ago a brave series of articles on truths and shenanigans in the Japanese financial scene. His wife answered the doorbell one morning to be greeted by a gentleman with a revolver, who suggested that her husband publish no more such things. That editor is now working in another country. And the Japanese locomotive is still in the roundhouse.

(e) China. China is non-comparable, but inescapably must be reckoned with. After the various big and little Asian economic dragons have had their successes turn sour, is China the giant dragon who will prevail after, over, and above all? Or is China a colossal panda living on bamboo shoots that are rapidly disappearing?

The very fact that China is driving by policy for continued 8% growth may be dangerous. Stimulate domestic investment and demand? They're doing it. But overhaul state industries and banks? They're not doing it. Solving the political problem of growing unemployment (including a migrant population estimated at one hundred million or more) may advance the same crunches that other Asian economies are already in. Tremendous excess capacity,

declining return on assets, non-performing loans, big property bubbles. Debt- equity ratios in Chinese state enterprises, once low, now approach 6 to 1, higher even than Korea.[3] I am less in awe of China's projected economic power than in intuitive fear of its structural weaknesses.

#### **IV. Theodicy and the Next Millennium**

Some present phenomena in the Asian crisis go beyond folly to greed and fear, pride and terror. The word evil is out of fashion, but I think it is healthy to recognize its dimensions in human affairs. We are soon to enter a new millennium, which will contain its own quotient of terror and pride, of fear and greed. My wife and I have a journalist son who says that one needs theodicy to cope with these things. I didn't know what theodicy meant. Something to do with The Iliad? "No, Dad. Not The Odyssey. T-h-e-o-d-i-c-y. The explanation of the divine attributes of God that allow the existence of physical and moral evil." Each reader might develop his/her own theodicy, assisted if necessary by pastor, rabbi, priest or imam. I fall back on the teaching that an all-wise and generous God gives us both freedom and grace. Our actions, and repentance of sin, dispose us to be saved or damned. Charles Kindleberger's "A History of Financial Crises" reminds us that the New York crash of '87 was not reflected in Tokyo, nor was the Tokyo crash of '90 repeated in New York. Panics are not automatically contagious internationally. But he also reminds us of the nearly bottomless fund of human vanity, appetite, mania, and stupidity. Long Term Capital Management, the Greenwich (Connecticut) hedge fund, and Long Term Capital Bank, the Tokyo mammoth, were both opaque until disastrous. A full and modern theodicy might include a theory of transparency that fairly binds souls to systems.

#### **V. Community, Freedom, and Responsibility**

Power issues, I realize, will not be softened, let alone dispatched, by moral theory. But there is comfort nonetheless in a historical lesson of which a five-time ambassador reminds us: "the dispersion of power to semi- independent centers is philosophically the wisest, and operationally the most effective, government in place. With the least commotion and fanfare, this system has ensured the fabulous prosperity and high degree of civil contentment of our people." That's Robert Strausz-Hupe about American federalism, and its application in our foreign policy to the Marshall Plan and NATO.[4]

I dare apply the same federalistic thought in the century ahead, and across the other ocean, the one approached by Vasco da Gama. There, in the last thirty years, the Southeast Asian powers have nurtured ASEAN into being. It has functioned well to buffer regional hostilities. We should encourage its development without interference. Meanwhile, in a broader context, with our voice in ARF (ASEAN Regional Forum) and our continued hand in APEC (Asia Pacific

Economic Cooperation) we may help ensure something grander, the slow emergence of a Pacific Community. Given the variety of cultures and numbers of people involved, that would be a vaster achievement than such Atlantic Community as exists. We might further the same end by attempting to elicit a new power-political center of gravity: recognize Japanese sloth and Chinese growth and diminish the mutual suspicion of these great nations by initiating policy dialogues with them on Asian security. Start with economic issues; move slowly to political and military matters.

I return to transparency, an essence of democratic faith. Because there is evil in human affairs, government should be conducted in the sunlight. Full information freely debated is a major guarantee of democracy. Such openness is increasingly desired by the Asian societies I have mentioned — as shown by Indonesian students demonstrating at risk, again; and Malaysian citizens daring to do so for Anwar Ibrahim. We must league ourselves with the elements of reason behind such forces and such voices. In containing as we can our own fears and greeds, our own prides and terrors, in expressing our own better nature, we will help advance the best energies of our neighbors all around the rim of the Pacific.

In the century just ending, James Madison has prevailed over Karl Marx. We must now hope and work that a world wired ever tighter electronically will be one in which petty self-interest yields, in the end, to creative common sense. Booms and busts are repetitive; they are the punctuation of capitalist history. After a bold exclamation point, an inverted question mark has appeared in Asia and elsewhere. In the long run, however, what matters is the history of freedom — how we define it, what we do with it, how we balance it with responsibility.

# WHY WE NEED THE TRANS-PACIFIC PARTNERSHIP AND HOW TO GET IT RIGHT

*By William Krist*

May 2015

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The United States and 11 other countries are negotiating an enormous trade agreement, the Trans-Pacific Partnership (TPP), which will have a major impact on the world economy and help shape the future rules governing international trade. These negotiations began in earnest in 2008 among the United States, Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore and Vietnam. Subsequently, they have expanded to include Canada, Japan and Mexico. Today, they are arguably the most important trade negotiations since the World Trade Organization went into effect in 1995.

Success in these negotiations is significant for both U.S. commercial and foreign policy interests. It is important to conclude these negotiations in 2015, however, because the agreement will need to gain Congressional approval to go into effect. In 2016, all members of the House and one-third of the Senate will be up for election, and many members of Congress will be under substantial pressure to oppose further opening the U.S. markets. Because of these political concerns, trade negotiators always have sought to conclude agreements in non-election years.

The Trans-Pacific Partnership agreement would build on current international trade rules contained in the World Trade Organization (WTO); however, it would go far beyond these trade commitments in many respects. First, all of the 12 countries would eliminate trade barriers almost completely among themselves, with just a few product exceptions. In contrast, under the WTO, countries maintain some tariffs which on particular products can be very high.

Additionally, the agreement would cover several new areas that are not addressed currently in any significant way under WTO trade rules. One important new area would be rules on how state-owned enterprises may operate in global competition without having an unfair trade advantage over market oriented firms. A second new area relates to digital commerce; some countries require that data centers be located in their geographic area and impose restrictions on the free flow of data across borders. TPP negotiators are hoping to develop rules of the road for digital commerce.

A third new area relates to regulations. Different regulations among countries governing such areas as product safety or the environment often represent a bigger barrier to trade than formal trade restrictions—even where the differing regulations achieve the same objectives. The United States is seeking greater transparency in the regulatory process with an opportunity for the TPP partners to comment on proposed regulations.

The TPP negotiations appear to be reaching their end game, although there are difficult issues still to be resolved. One of the most difficult areas is agriculture, where several participating countries maintain substantial import protections. For example, Malaysia has a 40 percent tariff on poultry; the United States and Canada protect their dairy markets and America maintains a high tariff on sugar imports.

Japan is the key to successful negotiations on agriculture. The country has astronomically high tariffs on rice, as well as high barriers to imports of wheat, pork, beef, sugar and dairy. Japan's agricultural sector is very inefficient; for example, rice is grown on small plots of land and is extremely labor intensive. Prime Minister Shinzō Abe wants to restructure Japan's economy to restart economic growth. Reducing barriers to agricultural products could be a major feature of this initiative. If Abe agrees to reduce agricultural trade barriers, while simultaneously implementing domestic reforms, many workers could shift from producing high cost agricultural products to producing goods that would compete in world markets. Were Japan to open its agricultural market, it would make it far easier for the United States and Canada to reduce their barriers on dairy, sugar and other products. This, in turn, would give Vietnam, Malaysia, and others more flexibility to reduce their barriers.

Of course, other market access issues are also important. For example, the U.S. auto industry is demanding real access to the Japanese market, which is currently protected by a number of non-tariff barriers and an artificially undervalued currency. And the Vietnamese are demanding improved access to the U.S. textile and apparel markets, if they are to proceed in opening their market and moving from a state-controlled economy to a more market-driven one.

## The Importance of the Trans-Pacific Partnership Negotiations

Successfully concluding the Trans-Pacific Partnership would be very significant for the United States for both commercial and foreign policy reasons. The 12 countries negotiating the TPP agreement have a combined gross domestic product of \$27.9 trillion dollars and a total population of some 800 million (see Table 1). In terms of wealth, the 12 countries range from \$67,525 per capita income for Australia down to just \$1,755 per capita for Vietnam.



A summit with leaders of the member states of the Trans-Pacific Strategic Economic Partnership Agreement (TPP). Pictured, from left, are Naoto Kan (Japan), Nguyễn Minh Triết (Vietnam), Julia Gillard (Australia), Sebastián Piñera (Chile), Lee Hsien Loong (Singapore), Barack Obama (United States), John Key (New Zealand), Hassanal Bolkiah (Brunei), Alan García (Peru), and Muhyiddin Yassin (Malaysia).

The United States already has free trade agreements (FTAs) with six of the TPP countries (Australia, Canada, Chile, Mexico, Peru and Singapore); however, some of these agreements were negotiated some time ago (e.g., the North American Free Trade Agreement with Mexico and Canada, which went into effect in 1994). The TPP agreement would update these existing FTAs by extending market openings and making some improvements in the rules.

However, we do not have agreements with five of the countries (Brunei, Japan, Malaysia, New Zealand and Vietnam). These countries have a combined GDP of more than \$6 trillion. Japan, the world's third largest economy, of course, is far and away the most important of these five, but both Malaysia and Vietnam are likely to be significant markets in the future.

A study based on an econometric model by the Petersen Institute estimates that “world income would rise by \$295 billion per year on the TPP track, including by \$78 billion per year for the

United States.”<sup>89</sup> While this model is based on a number of assumptions, some of which may prove to be incorrect, the conclusion appears to be accurate: the TPP will have a substantial impact if it is successfully negotiated and implemented.

**Table 1 Twelve Countries Negotiating TTP**

<u>Country</u>	<u>GDP (Billions \$)</u>	<u>Population (Millions)</u>	<u>GDP Per Capita</u>
Australia	1,534.4	22.7	\$67,525
Brunei	16.9	0.4	\$41,127
Canada	1,821.4	34.8	\$52,409
Chile	266.3	17.5	\$15,246
Japan	5,954.5	127.6	\$46,679
Malaysia	305.3	29.2	\$10,440
Mexico	1,186.5	120.8	\$ 9,818
New Zealand	171.5	4.4	\$38,678
Peru	192.6	30	\$ 6,424
Singapore	286.9	5.3	\$54,007
United States	16,163.2	313.9	\$51,496
Vietnam	155.8	88.8	\$ 1,755

World Bank, World Development Indicators, 2012,  
<http://databank.worldbank.org/data/home.aspx>.

If the TPP negotiations are not successful, the United States could face severe negative consequences. There is an extremely important alternative trade negotiation to the TPP: the agreement being negotiated between the ten countries of the Association of Southeast Asian Nations<sup>90</sup> (ASEAN) with China, Australia, India, Japan, Korea and New Zealand, known as the Regional Comprehensive Economic Partnership (RCEP). These negotiations are not as far along as the TPP and they are not as ambitious, but nonetheless they would have a far-reaching impact.

China is also negotiating a trilateral free trade agreement with South Korea and Japan and a bilateral free trade agreement with Australia. If the TPP falters, both the RCEP and China’s negotiations for free trade agreements likely will accelerate and gain new prominence. The

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<sup>89</sup> Peter A. Petri, Michael G. Plummer and Fan Zhai, “The Trans-Pacific Partnership and Asia-Pacific Integration: A Quantitative Assessment,” White Paper Series, p. ix, [www.eastwestcenter.org/...and-asia-pacific-integration-quantitative](http://www.eastwestcenter.org/...and-asia-pacific-integration-quantitative).

<sup>90</sup> The ten members of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

result would be that U.S. exporters would face a substantial competitive disadvantage in the Asian market.

In addition to the negative commercial impact, U.S. foreign policy would also suffer. In announcing the “Asian pivot” in 2011, then-Secretary of State Hillary Clinton outlined six key elements. These included: “strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights.”<sup>91</sup>

Concluding the TPP is central to U.S. credibility in achieving these goals. If the TPP negotiations fail, China would lie at the center of Asian-Pacific trade and the United States essentially would be relegated to the sidelines. To get to closure and to have an agreement that can be a template for 21<sup>st</sup> century trade agreements, three important changes are needed to the model reportedly being advocated by the U.S. First, the Investor-State Dispute Settlement rules must be clarified to prevent abusive suits. Secondly, the rules to protect the intellectual property of pharmaceuticals must be carefully calibrated to not unduly burden consumers while still providing incentives to develop new drugs. And thirdly, negotiators must include provisions to prevent currency manipulation for the purpose of gaining an unfair commercial advantage.

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<sup>91</sup> Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, Oct. 11, 2011, <http://foreignpolicy.com/2011/10/11/americas-pacific-century/>.



# CHINA’S “WIN-WIN” DEVELOPMENT BARGAIN: CHINA, THE ASIAN INFRASTRUCTURE INVESTMENT BANK, AND THE INTERNATIONAL ORDER

*By Felix K. Chang*

June 2015

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Fifty-seven countries, led by China, will launch the Asian Infrastructure Investment Bank (AIIB) on June 29 in Beijing. As its name suggests, the bank will provide financing for infrastructure development across Asia. Two months ago, Chinese President Xi Jinping trumpeted China’s role in the creation of the AIIB as well as other development initiatives at the Asian-African Conference in Indonesia. There, he explained to the delegates from over a hundred developing countries how China’s development initiatives would benefit both China and their countries, a win-win proposition.

But those initiatives may also serve another purpose: to help China create a more Sino-centric international order. By providing loans for new infrastructure projects that tie developing countries more closely to it, China could reshape their economic interests and gain greater influence over how they see the world. As one Central Asian analyst once summed up: “China doesn’t only buy loyalty with documents, but with money given at a low percentage.”<sup>92</sup>

## **Economic Motivations**

At the Asian-African Conference, many developing country representatives were keen to learn about the sorts of economic development assistance that they might expect from China. Xi did not disappoint. He promised that China would actively participate in many of their regional economic development forums. More specifically, Xi offered Chinese help “with the building of high-speed rail, expressway and regional aviation networks and facilitating the industrialization process in Asia and Africa.” Plus, “by the end of this year, China will extend zero-tariff treatment to 97 percent of tax items from all the least developed countries having diplomatic ties with China.” But his remarks on China’s major infrastructure-financing initiatives probably drew the most attention. He underlined China’s contribution of \$50 billion

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<sup>92</sup> “Riches in the near abroad,” *Economist*, Jan. 28, 2010.

to the AIIB and \$40 billion to the Silk Road Fund. Both funding vehicles will play important roles in the development of China's "Silk Road Economic Belt" and "21st Century Maritime Silk Road" (together known as the "One Belt, One Road" initiative) over the years ahead.<sup>93</sup>

No doubt China will profit too. Chinese construction firms will likely be hired to build many of the proposed infrastructure projects. Improving transportation links between China and developing countries (as well as inside them) will also reduce the friction to trade. That will benefit Chinese industry, which has long relied on natural resources from these countries. Ultimately such economic engagement would help China "realize the Chinese dream of great national rejuvenation."<sup>94</sup>

### Political Undertones

Xi's speech also drew a sharp contrast between China's approach to development assistance and that of the West. Whereas Western assistance often comes with conditions on recipient countries for political or economic change, "China would continue to provide assistance to developing countries without... conditions," he said. That was part and parcel of China's view of state-to-state relations, countries should deal with each other on the basis of "mutual respect and equality." Twice, Xi referred to China's "five principles of peaceful coexistence," the most important of which is mutual non-interference in each other's internal affairs.<sup>95</sup>

Most developing countries, including those in Southeast Asia, have long been sympathetic to the concept of non-interference. It was even enshrined as one of ASEAN's founding principles in 1967. At the time, many Southeast Asian countries were concerned about the encroachment of Soviet or Chinese communism, not to mention each other. But after the Cold War, they faced new pressure from the West, which made much of its development assistance conditional on their adoption of its notions of good governance. That has kept the concept of non-interference fresh in the minds of the region's countries. Exacerbating their frustration with the Western approach, the West has often pressured Southeast Asian countries precisely when they were at their most vulnerable. They well remember the harsh conditions that the International Monetary Fund foisted on them during the darkest days of the Asian Financial Crisis in 1997–1998.

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<sup>93</sup> Xi Jinping, President of the People's Republic of China, remarks, Asian-African Conference, Jakarta, Indonesia, Apr. 22, 2015.

<sup>94</sup> *Ibid.* As Xi defines, the Chinese dream of national rejuvenation entails "completing the building of a moderately prosperous society in all respects when the Communist Party of China celebrates its centenary in 2021 and having a prosperous, strong, democratic, culturally advanced and harmonious country when the People's Republic celebrates its centenary in 2049."

<sup>95</sup> *Ibid.*

China has a different approach. The AIIB and China's Silk Road Fund are unlikely to attach many conditions to their investments. Such competition may serve to push Western-led organizations like the Asian Development Bank and World Bank to eventually loosen their investment criteria. In that respect, China could soon alter the landscape of international development assistance.

While developing countries might embrace some aspects of China's approach, like non-interference, they are wary of others. Developing countries remain committed to the idea of equality in the international family of countries. But in a Sino-centric international order, there is a hierarchy. Chinese economic largesse comes with the expectation that smaller countries should defer to China's interests. Chinese Foreign Minister Yang Jiechi made that clear at a meeting of ASEAN foreign ministers in 2011. Irritated by criticism of China's pursuit of its interests in the South China Sea, he mocked his Vietnamese hosts and quipped, "China is a big country and other countries are small countries, and that's just a fact."<sup>96</sup>

Some smaller countries, like Cambodia, that have become reliant on Chinese developmental assistance have also become more compliant with China's views. For example, Cambodia's position on the South China Sea dispute has hewed closely to that of China. When Cambodia's fellow ASEAN countries, the Philippines and Vietnam, sought to use their organization to put more pressure on China to negotiate multilaterally, Cambodia balked. Cambodia's Foreign Affairs Secretary of State Soeung Rathchavy dismissed their effort as impractical. "ASEAN can't settle this dispute," he said and then downplayed China's detractors as "countries which have made noises."<sup>97</sup>

China has sought to repeat its success in Cambodia with other countries across Southeast Asia. By building more roads and railways and encouraging commerce over them, China can begin to bind the region's interests more tightly to its own. Its latest effort has been in Thailand, whose relations with the United States worsened in the aftermath of Thailand's 2014 military coup. China has pledged to help finance a new railway to link Kunming and Bangkok.<sup>98</sup> More development initiatives such as this may help to drive progress toward a more Sino-centric international order.

### **Will China's Development Bargain Succeed?**

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<sup>96</sup> Joshua Kurlantzick, "The Belligerents," *New Republic*, Jan. 27, 2011.

<sup>97</sup> Prak Chan Thul, "Cambodia says ASEAN should stay out of South China Sea fracas," Reuters, May 7, 2015.

<sup>98</sup> Masaaki Kameda, "Abe, Thai junta leader agree to cooperate on railway development, special economic zone," *Japan Times*, Feb. 9, 2015.

Over the last decade, Chinese-funded economic development projects have proliferated. Most have been driven by high-level political calculation rather than rigorous due diligence. But just because China's development assistance comes without strings does not mean it will succeed. Needless to say, history is littered with disappointing economic development schemes. One such project was the construction of Pakistan's transshipment port at Gwadar. Underwritten by Chinese loans, the facility has stood largely idle since it opened in 2007, hardly a resounding success. Now China intends to pour \$1.6 billion more into it. Beijing envisions the port as the southern outlet of its China-Pakistan Economic Corridor. But unless the new funds can make the region around the port safer, trade through it will likely remain a trickle.

On a larger scale, the China Development Bank (CDB) has lent Venezuela about \$50 billion since 2007. The money has helped to support the regime of Hugo Chávez and his successor, Nicolás Maduro. In exchange for its infrastructure loans, China expected an ever increasing flow of Venezuelan oil. But that flow has not met expectations. In October 2014, the CDB agreed to allow Venezuela to deliver less than the minimum daily amount of oil that it originally promised China. Certainly, Chinese loans have garnered a lot of goodwill from the Venezuela's Chavista government, but they have not delivered greater development for Venezuela or an economic return for the CDB. Still, in January 2015, Venezuela announced that China plans to provide it with \$20 billion more in development loans.<sup>99</sup>

Ultimately China's largesse is not limitless. China's bargain will work only if it can demonstrate that stronger economic integration through its "One Belt, One Road" scheme can deliver prosperity to all. If China succeeds, that will have profound political effects. It may allow foreign governments to stay in power longer than they would have otherwise. It would enable China to capture even more of the world's trade and thereby give China a greater say over its conduct. Increased economic integration means that more countries of the world many find their economic destinies intertwined with that of China, drawing them closer to China's view of international order and further from those of the West.

For the moment, its record of economic growth gives China the benefit of the doubt that it can expand the economic pie for all. But those are risky laurels to rest on, judging by China's worsening economic climate. Despite cutting its interest rates three times and its reserve requirement ratio for banks five times in the last half year, China has barely stabilized its economy. Some economists argue that "stimulus alone cannot solve China's economic challenges and would be unlikely to have the desired effect on investment, given weak

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<sup>99</sup> Marianna Parraga and Daniel Bases, "Venezuela may have missed \$24 billion in oil revenue in 2014," Reuters, Apr. 24, 2015; Alexandra Ulmer, Corina Pons, and Eyanir Chinae, "Venezuela says China to invest over \$20 billion, mum on loans," Reuters, Jan. 7, 2015.

demand.”<sup>100</sup> Meanwhile, Chinese officials fear that “the mountain of debt from the rapid expansion of credit over the past few years is weighing on efforts to pick up [China’s] economy.”<sup>101</sup>

Either way, it is becoming harder for China to sustain growth even at a more modest pace. Already Chinese imports of natural resources from developing countries have slowed. If China cannot revive its own economy, its trade with them will slow further and perhaps make much of their newly built infrastructure redundant. That would end up saddling those countries with more debt and the AIIB with bad loans.

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<sup>100</sup> Pete Sweeney, “China June factory activity shows signs of stabilization,” Reuters, Jun. 23, 2015.

<sup>101</sup> Lingling Wei, “China Cuts Interest Rates as Economic Growth Slows,” *Wall Street Journal*, May 12, 2015.

**PART V: REGIONAL SECURITY**

# REGIONAL SECURITY IN EAST ASIA: AN FPRI CONFERENCE REPORT

## *Conference Report*

January 2011

*“Regional Security in East Asia: Sustaining Stability, Coping with Conflict, Building Cooperation?” was the topic of the Foreign Policy Research Institute’s annual Asia Program conference, held in cooperation with the Reserve Officers Association on November 1 in Washington, D.C.<sup>102</sup>. Participants included: Richard Bush (Senior Fellow and Director of the Center for Northeast Asian Policy Studies at the Brookings Institution), Victor Cha (Professor of Government and Director of Asian Studies at Georgetown University and Korea Chair at the Center for Strategic and International Studies), Jacques deLisle (Director of the Asia Program at FPRI and Professor of Law and Political Science at the University of Pennsylvania), Aaron Friedberg (Professor of Politics and International Affairs at Princeton University), Bonnie Glaser (Senior Fellow in China Studies at the Center for Strategic and International Studies), Paul Goldstein (FPRI Senior Fellow), Kyung Hoon Leem (Professor of Political Science and International Relations at Seoul National University), T.J. Pempel (Professor of Political Science, University of California at Berkeley), Gilbert Rozman (FPRI Senior Fellow and Professor of Sociology at Princeton University), Richard Samuels (Professor of Political Science and Director of the Center for International Studies at MIT) and Vincent Wei-cheng Wang (Professor of Political Science, University of Richmond). Articles based on several of the presentations at the conference will appear in the Spring 2011 issue of Orbis.*

## CHINA’S HOLLOW MULTILATERALISM AND WEAK REGIONAL MULTILATERAL SECURITY MECHANISMS

Gilbert Rozman argued that multilateral mechanisms for addressing security issues in East Asia are weak and that a key reason is the hollowness of China’s ostensible and much-touted commitment to multilateralism. This is especially troubling when the region faces major security challenges and regional relations (and China’s approach to them) appear to be moving from “economics in command” to “security in command.”

Panelists agreed that the Six Party Talks on North Korea and the emergent East Asia Summit were the most significant examples of multilateral regional security arrangements. Rozman argued that the Six Party Talks were important for understanding contemporary great power relations in the region and that they demonstrated the thinness of multilateralism in regional security and China’s approach to it. Panelists also agreed that earlier hopes had been dashed

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<sup>102</sup> Two passages in brackets update the report to include developments since the conference was held.

that the talks might lead to dismantling North Korea's nuclear weapons program—something that had never been a priority for Beijing. Prospects for more modest progress faded as it became clear that China was unwilling to bring much pressure to bear on North Korea beyond agreeing to modest sanctions. Tellingly, Beijing recently recast its relations with Pyongyang in a more positive light, defended the legitimacy of the Korean War. It has also blamed Washington and Pyongyang roughly equally for the crisis on the Korean peninsula. China's goals in supporting restarting the talks are not to seek multilateral pursuit of solutions to a dangerous regional problem but rather to: increase its own influence with an ever-more-dependent North Korea; improve North Korea's security and thus Pyongyang's negotiating position and prospects for advancing China's interests in a future process of Korean reunification; marginalize South Korea's role in regional security; and reshape regional security consistent with Beijing's preferences, including a shrunken U.S. role and weakened alliance system. Glaser largely concurred and added that China always has seen the Six Party Talks as a means to forestall U.S. military action against North Korea. He noted also that the Six Party Talks now might be the principal regional arena in which China will be more proactive, possibly pursuing the regional security-reshaping ends Rozman described.

The East Asia Summit (EAS) offered the most promising, but still only limited and nascent, hope for multilateral approaches to regional security. Rozman noted that its virtues included engagement of the great extraregional powers (the United States, India and Russia), regional middle powers (Indonesia, Australia and others) and the usual leader of regional multilateral cooperation, The Association of Southeast Asian Nations (ASEAN). Secretary of State Hillary Clinton's praise for the organization as a means to address nuclear proliferation, maritime security and climate change was a promising sign. Especially amid renewed, more multilaterally oriented U.S. engagement in the region, the EAS could play a constructive role in peacefully integrating a rising China. This might include providing an institutional means for counterbalancing China's growing power and assertiveness. But prospects remain far from bright. Rozman cautioned that the EAS might not move beyond a façade of multilateralism fronting an organizational vacuum. A robust role for the EAS would require China to be much more accepting of EAS-centered multilateralism than Beijing has so far indicated it is likely to be, especially in a period when China sees itself—and largely has made itself—more isolated in regional security affairs. A strong EAS would also require coordination within ASEAN, whose members have diverse security interests and security relations with the United States. Glaser pointed out that potential flashpoints in regional security (which are in EAS non-member areas) are likely to be addressed by other means: any renewed tensions in the Taiwan Strait by the key interested powers the United States, Japan and China; and an unsmooth power transition in North Korea by the other five parties to the Six Party Talks, provided that they can overcome China's resistance to cooperative planning for dangerous contingencies of political collapse in an economically destitute country with nuclear weapons.



Rozman argued that the once seemingly promising trilateral relationship among China, Japan and South Korea has foundered. Although hopes for deepening trilateral economic ties, including a free trade arrangement, remain, prospects on the security side have dimmed. Beijing enjoyed much leverage with Seoul based on South Korea's economic dependence on China. China received much of what it could reasonably have hoped for on territorial and other issues. Beijing benefited from new leaders in Seoul and Tokyo, who were relatively favorably disposed toward China and ideas of an East Asian community. China nonetheless has grown frustrated with what it sees as insufficient concessions from the other parties, re-strengthening of Japan's and Korea's security ties with the United States (partly in response to China's growing power and assertiveness), and increasingly negative views in China toward South Korea and Japan (especially with the fading of short-term Premier Hatoyama's initial pursuit of a more Asia-centered foreign policy). Beijing has taken a hard line toward Korea and cast Japan increasingly as a partner in U.S. "hegemonic" efforts to contain China. China's unwillingness to be tougher on North Korea over the sinking of the South Korean naval ship Cheonan and China's strengthening signals that it rejects the status quo for the disputed Diaoyu / Senkaku Islands portend friction and little cooperation over security issues among the three powers.

Other multilateral structures for addressing regional security are unpromising, not least because of China's positions. Glaser noted that the George W. Bush-era attempt to use Asia-Pacific Economic Cooperation (APEC) to address proliferation and terrorism was ill-fated. Designed to promote trade liberalization, APEC could not be adapted easily to security issues. Additionally, China opposes any organization in which Taiwan is a member playing a role on security issues. As Glaser also noted, ASEAN-China engagement has not brought multilateral security cooperation. The 2002 agreement to resolve South China Sea disputes peacefully and to adopt a binding code of conduct among interested parties has not come to fruition. Partly reflecting China's preferences, most disputes continue to be addressed bilaterally. In the South China Sea and in the East China Sea as well, long-standing territorial disputes have again become foci of naval confrontation rather than multilateral processes. Rozman characterized the Shanghai Cooperation Organization (SCO) as another example of sham Chinese multilateralism. With China seeing the SCO as a means for managing Russia's role in the region and Moscow being hesitant about multilateralism, the organization holds little promise as a locus for multilateral approaches to regional security.

Rozman argued that "national identity" and, specifically, a deep-seated Sinocentrism offers the most powerful explanation for China's crabbed or Potemkin-like approach to multilateral security arrangements. China's lack of support for meaningful multilateralism is linked to a broader set of attitudes that reject purportedly universal values, seek to delegitimize U.S. roles

and U.S.-backed values in the region and see East Asia as a China-centered “China plus” group. These perspectives were evident in China’s top-leader-in-waiting Xi Jinping’s assertion that the Korean War was defensive and justified, China’s snubbing of the Japanese prime minister and characterization of the Japanese seizure of a Chinese fishing boat in disputed waters as the latest installment in a long history of Japanese perfidy toward China. He also denounced the Nobel Peace Prize for Chinese dissident Liu Xiaobo as part of a Western plot to undermine China. DeLisle added that Sinocentrism also might be discerned in Beijing’s approaches to the Six Party Talks, China-Japan-Korea trilateralism and the partly ASEAN-centered East Asia Summit. In these areas, China’s view of itself as the rightfully central and dominant player is consistent with its sense of its historical role vis-à-vis former peripheral regions, vassal states or purportedly Chinese territory and with lingering resentments over Japanese colonial depredations.

Glaser and deLisle saw Rozman’s second explanation—China’s sense of its growing hard power and its rise in power relative to the United States—as an equally or almost equally significant factor in understanding China’s stances on regional security multilateralism. Glaser pointed to: China’s military modernization, especially the navy’s acquisition of greater capacities to deny U.S. forces access to the China-adjacent region and to project force to more distant areas; and China’s increasing assertiveness in challenging and warning against U.S. surveillance operations in China’s Exclusive Economic Zone or naval presence in the Yellow Sea. Such moves are part of China’s moving beyond the first part of Deng Xiaoping’s foreign policy dictum to keep a low profile or “bide one’s time and hide one’s capabilities” to the further admonition, stressed by Hu Jintao, to “actively accomplish something.” This portends a less defensive and more assertive role, including in regional multilateral security fora such as the Six Party Talks and the EAS. DeLisle argued that China’s approach to such fora was evocative of the hard power politics of the Cold War: where NATO was characterized as a means for keeping Germany down, the United States in and the Union of Soviet Socialist Republics (USSR) out, China seemed to approach China-Japan-Korea trilateral relations as a way of keeping the formidable U.S.-Japan-Korea alignment down, the Six Party Talks as a means of keeping North Korea in existence and China in a pivotal role in peninsula affairs, and the EAS as a mechanism that should not be allowed to undermine Beijing’s efforts to keep the U.S. and other extraregional powers out of central roles in regional affairs. Beijing’s striking abandonment of its prior pursuit of “soft power” and a “charm offensive” is also consistent with a “rising hard power” account in which China sees such rhetorical efforts as increasingly futile or decreasingly necessary.

Rozman added that Chinese assessments of trends in relative power balances show a growing Chinese pride and confidence that underpin China’s more assertive stances on regional security and toward the United States. DeLisle largely agreed but added that a seemingly

significant strand in Chinese assessments suggested ambivalence and uncertainty about Chinese power in absolute and relative terms: triumphalist confidence in China's growth rates and weathering the global financial crisis coexist with declarations that China remains a developing country beset with threats to stability and growth; disdain for the perceived shortcomings of democracy abroad and touting of a Chinese model of authoritarian development stand alongside recurrent internal debates about whether China needs more democracy and near-paranoia about Western plots to "keep China down" or to achieve China's "peaceful evolution" into a regime more to the West's liking; and Beijing's demands for a place at the table as a regime-shaping great power clash with demurrals that China is not yet ready to shoulder burdens of leadership in the international system. Glaser argued that hedging behavior by regional states wary of China's rise and China's perception (reinforced by Secretary Clinton's speech in Hanoi) that the U.S. is refocusing its security thinking on East Asia as it begins to wind down its operations in Iraq and Afghanistan are significant developments that offset somewhat the self-confidence born of China's rising hard power.

DeLisle added that, despite the current nadir, China's approach to regional security multilateralism might follow an "N-curve": a relatively weak, newly internationally engaged China lacked the confidence to engage in multilateral processes and preferred bilateral ones in which it could avoid being outnumbered or outmaneuvered; later in the Reform Era, a more powerful, internationally experienced and self-confident China saw tactical and rhetorical advantages in some aspects of multilateralism; more recently, a still-more-powerful, confident-bordering-on arrogant but still-insecure and umbrage-taking China has turned against meaningful multilateralism. Yet a future, more-fully-risen China might be effectively pressured, and willing, to take on more responsible, regional security-supporting roles in which multilateralism may prove more appealing.

Glaser and other participants noted that understanding and predicting Chinese approaches to regional security and multilateralism were further complicated by: the opacity and weak institutionalization of Chinese foreign policymaking; the presence of conflicting views among established policy-influencing groups; the emergence of new and more varied sources of influence (including public opinion) on Chinese policy; and the persisting ability and willingness of top leaders to intervene decisively when they see policies heading in wrong directions.

## **THE UNITED STATES IN EAST ASIA: COPING WITH THE CHALLENGE OF A RISING CHINA**

Aaron Friedberg argued that U.S.-China relations shape security relations throughout Asia and include elements of cooperation, competition and rivalry. Areas of conflict and competition result largely not from misperception or policy mistakes but from the familiar dynamics of

power politics (competition and potential conflict typically arise between a previously dominant power and a fast-rising one) and ideological differences (despite the waning of communism in China, the U.S. distrusts an illiberal and undemocratic regime and China is wary of a “crusading” liberal-democratic superpower). Areas of cooperation stem from shared interests rooted in the benefits of economic interdependence and the costs of any serious U.S.-China conflict. As China’s power and assertiveness have grown, however, some prior areas of cooperation have become sources of friction, including the economic relationship, where trade and currency issues rankle, and the Six Party Talks, where the two countries have had fundamentally different priorities.

For two decades, U.S. policy has rightly addressed this long-mixed, and recently negative-trending, relationship with a relatively stable if not consciously designed mixed strategy of “conengagement.” On the engagement side, the United States has sought to tame a rising China into being a responsible stakeholder, member of major international organizations, and a generally status quo-supporting actor that does not foment instability. The United States further has sought—with varying degrees of openness and in the face of fluctuating levels of Chinese umbrage—to transform China, encouraging its gradual evolution toward a more liberal order, spurred by the economic development that economic engagement fosters and following the path of South Korea and Taiwan. The containment or balancing side was slower to emerge, becoming clearer after the 1995-1996 crisis in the Taiwan Strait. To this end, the United States has sought to: maintain adequate military capacity in East Asia, shifting resources from other theaters; maintain and reinforce existing alliances in the region, including with South Korea and Japan; and build quasi-alliance relationships with other regional states, ranging from Singapore to India, that share U.S. concerns about China’s rise.

This basic strategy has not changed under Barack Obama. Early on, the new administration sought to: shift emphasis somewhat from balancing toward engagement; broaden the agenda to issues on which cooperation seemed more feasible (such as the global economic crisis or climate change) while downplaying areas of friction (such as human rights); deepening and widening bilateral engagement to the point where some mistakenly foresaw a U.S.-China “G2” emerging at the expense of U.S. relations with allies and quasi-allies such as Japan and India; and promoting mutual reassurance. Such moves did not signal fundamental changes in policy and soon ran into setbacks. Bilateral tensions rose over China’s unwillingness to press North Korea on nuclear weapons or the sinking of a South Korean naval ship, the Chinese navy’s harassment of the unarmed U.S. naval surveillance ship *Impeccable*, U.S. arms sales to Taiwan, China’s declaration that the South China Sea was part of its “core interests,” and China’s confrontation with Japan over the detention of a Chinese ship in disputed waters. Hopes for cooperation on climate change and currency issues fizzled. China continued its rapid and opaque military build-up, including acquisition of anti-access capacities, anti-ship

ballistic missiles, a submarine base and force-projection capability. The tone of Chinese diplomacy toward the United States and others became strikingly arrogant.

Explanations for the increased assertiveness of Chinese policy might include relatively random fluctuations or the more troubling possibility that Chinese leaders are taking a hard line at a time of impending political succession because it is a winning political strategy at home. More likely, the shift reflects a more fundamental change in Beijing's assessment of the relative power of the United States and China. Beijing perceives the United States in at least relative decline, mired in Iraq and Afghanistan, beset by economic flaws revealed in the Global Financial Crisis, and led by a president whom Chinese analysts suspect lacks resolve and a clear vision. This perception of U.S. decline coupled with China's rise has underpinned Chinese assessments that have moved from predictions of the end of unipolarity to the advent of a new bipolar order. Although not free of insecurity, China has a growing sense that it is becoming the predominant, agenda-setting regional power. Although still understanding the benefits of avoiding confrontation with the United States and the need to continue to develop "comprehensive national power" (which depends on a favorable environment for international economic engagement), Chinese strategy shows signs of moving beyond Deng Xiaoping's dictum to hide one's strength and bide one's time. The growing interest in China in touting a Chinese model of authoritarian politics and market economics is one manifestation of this change in attitude.

The Obama administration's recent responses have been appropriate, retaining the basic policy of conengagement but shifting back toward the balancing side through such moves as: Secretary Clinton's assertion of U.S. interests and will concerning the South China Sea; a presidential visit to the region that focused on democratic states, not China; and ongoing moves to take advantage of many regional states' growing impulses to balance or hedge against China.

Although bilateral relations have remained stable, strengthening regional security, there could be trouble ahead. First, China might overreach, provoking the more containment-oriented reaction from the United States and others that China seeks to avoid. China may underestimate the resolve of the United States and its allies and thus may fail to pull back from overly aggressive behavior. Second, domestic politics in both countries could bring problems: virulent popular nationalism or a more assertive People's Liberation Army could lead to more aggressive Chinese policies; and U.S. economic difficulties might fuel anti-China sentiment that goes beyond sensible policies to address the challenges China poses as an economic competitor. Third, the U.S. and its allies could "underbalance," spending too few resources and making weak commitments to strategic cooperation. Several factors make this a real possibility: an appropriate response is burdensome at a time of constrained resources and is

politically difficult to achieve; other states in the region will not act without the United States taking the lead; China will seek to deter necessary moves by arguing—as it has to significant effect in the past—that they would be destabilizing; and the United States has been slow to recognize the existence and significance of China’s development of asymmetrical military capabilities and the wrenching changes in U.S. strategy and defense spending that it will require. Although China has good tactical reasons for trying to walk back its recently more assertive, even aggressive, gestures, it faces limited prospects for success given the increased recognition abroad of China’s much-increased capability.

## **JAPAN’S DIFFICULT QUEST, AMBIVALENT AIRS AND SHIFTING ROLES IN REGIONAL SECURITY**

Japan’s influence has waned and its agenda had become more complicated and ambivalent in regional security affairs in recent years. T.J. Pempel argued that the Cold War era had been a “sweet spot” for Japan. Largely recovered from the economic and international political consequences of its role in World War II, Japan had enjoyed: a flourishing economy that was strongly linked to the United States but also influential in Asia as a leading provider of development assistance and a key foreign investor whose contribution led to region-wide economic development that was vital to winning the Cold War in East Asia; a close security relationship with the United States that provided a security umbrella and space to focus on economic development and, at the same time, improving relations with regional states, as reflected in the normalization of Japan-South Korea relations and Japan-China relations; and membership and active participation in the postwar order’s vast range of rapidly proliferating multilateral institutions. In Japan’s foreign policy, there was a relatively easy balance and little tension between regional multilateralism and U.S.-Japan bilateralism, economic and security elements, and identification with the West and engagement with Asia.

With the end of the Cold War, the bursting of the Japanese economic bubble in the early 1990s and the rise of China as an economic and military power, this happy situation ended. Pempel, Richard Samuels and Paul Goldstein pointed to several factors that contributed to this change. First, the economic foundations for Japan’s international roles deteriorated markedly as Japan entered its sluggish “lost decade,” China’s economic clout grew exponentially, Japan’s share of world GDP sank back to 1970 levels, and Japan’s shrinking share of world trade reoriented sharply from the United States toward China and other East Asian economies. In the Asian Financial Crisis of 1997-1998, Japan took a leading role in backing the Asian Monetary Fund (AMF), as a regional multilateral response, but Japanese efforts faced opposition from the United States, the International Monetary Fund (IMF) and others who favored a more universal, less region-focused approach and were wary of the AMF as a vehicle for parochial Japanese agendas. Japan’s ongoing efforts to support emergent regional, primarily economic

arrangements (ranging from the Chiang Mai Initiative on currency stability to free trade agreements to various “ASEAN plus” structures to the EAS) are increasingly in tension with Japan’s long-standing support for universal and trans-Pacific fora. Moreover, most such arrangements accord China a more central and influential role than Japan’s. Partly, this reflects decline in Japan’s relative capacity that seems likely to continue in the wake of the global economic crisis that began in 2008 and continues to reshape the international economic landscape. But it also reflects rising Chinese assertiveness (particularly in matters of regional economic integration) and Japanese ambivalence toward regionalism (which has led to Japan “punching below its economic weight”).

Second, shifts in U.S. foreign policy agendas after 9/11 and China’s rapid rise as a regional power have unsettled the prior balance between economic and security issues in Japan’s foreign policy. Under Prime Minister Junichiro Koizumi, security policy (which consistently had been less multilateralist than foreign economic policy) assumed greater prominence. It included closer alignment with Washington’s agenda, including expanded overseas roles for the Japanese Self-Defense Forces in support of U.S. efforts in Iraq and Afghanistan. It also included sharpened confrontation with North Korea and prime ministerial visits to the Yasukuni Shrine that prompted criticism, especially from China and Korea, of resurgent Japanese nationalism and denial of war guilt. Prime Minister Shinzō Abe embraced the notion of a “beautiful Japan,” which critics in Asia derided as another embrace of a distasteful Japanese nationalism. Prime Minister Taro Aso followed Abe with calls for an “arc of freedom and prosperity” that affirmed Japan’s alliance with liberal and democratic values shared by the United States, Australia, India, and others in the region, but that Beijing read as part of a U.S.-led effort to contain China. The coming to power of governments led by the Democratic Party of Japan, ending the nearly uninterrupted postwar hegemony of the Liberal Democratic Party, brought additional instability on security policy. Prime Minister Hatoyama’s push for more Asia-centered policies and tensions between Washington and Tokyo over the U.S. military air base at Futenma on Okinawa brought expectations of serious deterioration in bilateral security relations. After the end of Hatoyama’s brief tenure, China’s confrontational approach to Japan’s seizure of a Chinese fishing vessel in contested waters and Beijing’s hardened line on the long-festering issue of sovereignty over the Senkaku / Diaoyu Islands (and the U.S.’s clarification of its support for Japan and the status quo), fears of a downward trajectory in U.S.-Japan security ties abated.

Richard Samuels argued that some of the seeming uncertainty in Japan’s approach to security policy stemmed from taking “values” too seriously, relative to “interests,” in analyses of Japanese foreign policy. The former often were little more than cover for the latter. For example, the “arc of freedom and prosperity” excluded China, as made sense from the perspective of either values or interests, but it also pointedly excluded South Korea, which

made little sense in terms of values but more in terms of interests. So too, principled commitments to multilateralism could not be expected to matter much when they did not align well with assessments of national interest. Pempel largely agreed but argued that effective multilateral security institutions still could have an impact, reshaping preferences and even the interests of participants.

Samuels identified another source of apparent instability in Japan's security policy: the impact of domestic politics. This included an unresolved debate about fundamental issues in national security policy. It also included heavy pressure to make the issue of Japanese nationals abducted to North Korea the top priority for Japan in the Six Party Talks—a move that undermined multilateral cooperation on the most dangerous regional security issue by putting Tokyo out of step with Washington, Seoul and Moscow. Goldstein added that the domestic politics of Japan's security policy is further complicated by: the outsized impact of Japanese perceptions of shifts in Washington's view of the relative importance of Japan and China (and of good relations with either state); and the relative inexperience of the Democratic Party of Japan as a ruling party and the Liberal Democratic Party as an opposition party.

Third, the persisting crisis on the Korean Peninsula and China's growing power and assertiveness have disturbed the prior balance in Japan's alignment with the West and focus on the East Asian region. The North Korea problem and Japan's troubled engagement with the Six Party Talks have made Japan-Korea relations loom larger in Japanese foreign policy, with Pyongyang's harping on Japan's colonial "plunder" and abuse resonating with the South Korean public and Prime Minister Kan's steps to align Japan more closely with South Korea through apologizing for Japanese colonial behavior and strongly and promptly backing Seoul on the Cheonan Incident. China's rise has meant that Japanese security policy assessments have increasingly focused on a future Asian order in which a worrisome China is the equal or near-equal of the United States. China's assertive positions on territorial disputes, its apparent willingness to use its economic clout to political ends (including by threatening suspension of vital rare earth exports and harassment of Japanese businessmen), and Beijing's demoting of soft power among its foreign policy tools have heightened such concerns. As Samuels characterized it, Japan is engaged in the tricky process of crafting a "Goldilocks strategy"—trying to find an optimal (not equal) distance between China and the United States. This requires hedging against a complex set of risks, including: U.S. decline or retrenchment of its military commitments in the region; Japanese entanglement in costly U.S. adventures abroad that do not serve Japanese interests; and anti-Japanese Chinese initiatives aggravated by Chinese perceptions of revanchist or unrepentant Japanese nationalism or Japanese collaboration in an American plot to hinder China's rise. It also requires adjustments to Japan's economic and military policies to implement such a strategy effectively.



As Goldstein noted, Japan's choices are made more complicated by the still-uncertain implications of the U.S.'s shift, accelerated under Obama, from an Atlantic to an Asia-Pacific-focused security policy. Japanese support for potentially fruitful new and old multilateral security institutions is unclear. There is significant risk that Japan will opt, unwisely, to become a more inward looking, less internationally engaged power. It is also possible that Japan, perceiving rising threats from China and North Korea and uncertain commitments from the United States, could develop its own nuclear force. And there is hope that the United States and Japan will again find ways to reinvigorate their alliance and new areas for cooperation (including regional economic development and nontraditional security issues) despite difficult adjustments that this may require on both sides.

### **TAIWAN: FROM REGIONAL SECURITY FLASHPOINT TO BRIGHT SPOT TO WHAT?**

Cross-Strait relations have receded as a regional security issue in the two and half years following Ma Ying-jeou's assumption of the presidency in Taiwan. Nonetheless, Richard Bush argued, Taiwan remains an important issue because: any change in the cross-Strait status quo or new crises in Taiwan-Mainland relations would have great impact on regional security policies, particularly in Tokyo, Beijing and Washington; and China's handling of the Taiwan issue will tell us much about how China will behave as a great power in East Asia. Vincent Wang questioned the latter assertion, noting that recently improved cross-Strait ties contrasted strikingly with China's deteriorating relations with most Asian states, and that the conventional wisdom from the earlier period of bad cross-Strait relations and good China-East Asia relations had been that Beijing's Taiwan policy, suffused with issues of sovereignty, was *sui generis* and said little about China's broader foreign policy.

Bush contrasted the current positive cross-Strait situation with the decade and a half of souring relations that preceded Ma's coming to office. During that period, rapidly growing economic interdependence failed to produce progress toward political reconciliation. Mutual distrust dominated. Fearing that Beijing was trying to constrain Taipei's options and leave no alternative to unification negotiations on terms favorable to China, Taiwan pushed back by asserting claims to sovereignty and seeking to expand its international space. Worried that Taipei was moving toward permanent or *de jure* independence, Beijing increased its military capability and sought to isolate Taiwan diplomatically. This spiral deepened from the latter part of Lee Teng-hui's presidency through the final years of Chen Shui-bian's administration. In the closing years of the period, incidents over referenda on issues related to Taiwan's international status, China's adoption of an anti-secession law and other issues prompted serious concern in Washington that Taipei and Beijing would ignore its calls for restraint and stumble into a conflict that could entrap the United States in a military clash with China.

After Ma took office, the security risks quickly receded as Taipei and Beijing undertook systematic efforts to improve relations. Key steps have included more than a dozen cross-strait agreements, primarily on economic issues and including the signal Economic Cooperation Framework Agreement (ECFA) that lays the foundation for a free trade area-like arrangement and deeper economic integration. Both sides have wisely been cautious in moving from economic matters to political and security issues. Beijing understands that Taiwanese do not yet support pursuit of accords on those issues. Beijing believes long-term trends are in its favor and, in the near term, it does not want to undermine Ma's chances for victory over a less appealing challenger in 2012 by pressing for accommodations that would be unpopular with Taiwan voters. Both sides have eschewed setting preconditions for political negotiations that the other side would find unacceptable. The two sides have worked within the flexible framework of the so-called 1992 Consensus and principles of "mutual non-denial" and have embraced a de facto diplomatic truce (foregoing the former practice of poaching each other's diplomatic partners). This has been good news for regional peace and stability and thus for Washington, which has welcomed the relief from the headaches tense cross-strait relations caused in the pre-2008 period.

Still, Bush argued, a sustained virtuous circle was not assured. Beijing has been cautious, even grudging, in acceding to Taiwan's quest for greater international space, undermining the goodwill that Beijing has sought to cultivate among Taiwanese. Wang and Bush agreed that Beijing may reject the vaguely defined 1992 Consensus (which has served well in addressing economic issues) as the basis for addressing political and security issues. Beijing may insist instead on the precondition of a "One China Principle" (or a "one China" reading of the 1992 Consensus) that Taiwan has been unwilling to accept and that is narrower than the "One China, respective interpretations" that has been more palatable for Taipei. China's ongoing acquisition of military capacity to coerce Taiwan pushes Taipei into a closer security alignment with Washington, which fosters distrust in Beijing.

Bush described five scenarios for the future: First, the recent trend of stabilization and building mutual trust (without resolving fundamental disputes) may continue. This possibility is positive for regional security and the United States, creating a low likelihood of cross-strait crises and U.S. entanglement. Wang cautioned that too-smooth relations might weaken Taiwan's hand and imperil a currently desirable status quo, in part because it would lend force to Beijing's argument that Taiwan should not seek, and the United States should not offer, major arms sales amid low and falling cross-strait tensions.

Second, progress in cross-strait relations might stall. Economic interdependence would continue to deepen but there would be no movement toward accommodation on political and security issues. China might resort to unilateral pressures on Taiwan. Taiwanese leaders and

public opinion might return to a “Taiwan first” posture. This prospect is not necessarily bad for regional security and U.S. interests. It allows for continuity in U.S. policy and does not require a return to the difficult, pre-2008 “dual deterrence” policy. On the other hand, Wang argued, if Beijing attempts to use its enhanced economic leverage to political ends, the recent advances in economic relations could become a source of conflict in Taiwan and cross-Strait relations. DeLisle added that the positive tone in cross-Strait relations might depend on continued progress, which becomes more difficult as the focus shifts from “easy” and “economic” issues to “difficult” and “political” ones. Stalling of progress risked deterioration from current baselines.

Third, and less likely, the opposition Democratic Progressive Party might return to power. Although stopping short of Chen Shui-bian’s crisis-producing moves, a DPP-led government could engage in symbolic gestures that resurrect Beijing’s fears of creeping Taiwan independence. This scenario poses greater challenges, making it difficult for the United States to play a stabilizing role by maintaining good relations with both sides. And the U.S.’s pre-2008 ability to influence China will have waned with China’s waxing power and assertiveness. Wang countered that a DPP that could win in 2012 might well bring to power a government that differs little from Ma’s in concrete cross-Strait policies (although it likely would insist all options—from independence to unification—remain open as ultimate solutions). [This prospect has gained credibility after the late November elections for mayors of five major Taiwanese municipalities: the DPP won more votes (although fewer seats) than the KMT, and DPP chairperson Tsai Ing-wen, who has been pressing a moderate line on cross-Strait issues, consolidated her position as party leader and frontrunner for the 2012 presidential nomination.] If the DPP wins the 2012 presidential vote but China maintains its prior distrust of the DPP, the United States will face more difficult and complex policy choices.

Fourth, and unlikely, cross-Strait relations might move toward resolution of fundamental political issues through some formal arrangement of unification. If this means unification on accommodating terms for Taiwan, it would be a positive signal about China’s behavior as a major power and a positive development for regional security. If unification were to take a different path and result in stationing Chinese military forces on Taiwan, the shift in regional security alignments would create uncertainty, would be adverse to U.S. interests and would require big adjustments in U.S. security policy. Wang and deLisle noted a significant impediment to peaceful unification on whatever substantive terms: most of the existing models for a formal resolution of sovereignty questions have been unacceptable to one or both sides.

Fifth, and also not likely, Beijing could lose patience with Taiwan’s preference for the status quo and use coercive means to compel Taiwan to accept an outcome favored by Beijing. This likely would bring a regional security crisis, would indicate the failure of U.S. efforts to

encourage China's emergence as a constructive participant in the regional and international order, and would pose difficult challenges to the U.S. as the perennial provider of regional security public goods and a relatively weakened power confronting a rising and aggressive China. The risks for regional security under this scenario are greater still if China underestimates the United States'—or Taiwan's—capacity and resolve to defend the status quo.

Bush concluded that the relative likelihood of each scenario depends not only on relatively clear trends and enduring influences but also on several less predictable factors, including: how quickly China accumulates power that could be used to pressure Taiwan and upset recently stabilized cross-strait relations; how China chooses to use its growing power and influence; whether the United States has the will and maintains the capacity to continue to supply security public goods in the region; and whether Taiwan can overcome unfavorable demographic, economic, social and budgetary trends to invest in strengthening its economic, military, diplomatic and psychological resources to address the multifaceted challenges posed by China. Wang noted that U.S. policy has seemed “passive” and “on auto pilot” during the Ma-era and that deepening cross-strait economic relations mean that U.S. economic influence with Taipei is declining. Bush responded that the Obama administration had hoped to play a more active role, including by promoting liberalization of U.S.-Taiwan economic relations, but that competing demands and political opposition had limited its ability to do so.

## **KOREAN UNIFICATION, NOT NORTH KOREAN REFORM, AS THE PATH TO REGIONAL SECURITY?**

Victor Cha argued that prospects for change in North Korea and, thus, reduction in threats to regional security, lay more in rising prospects for Korean unification than in scant hopes for reform inside North Korea. Cha identified several factors that have made unification a more salient idea than at any time in the last decade. First, Kim Jong Il's failing health and his youngest son's and designated heir's uncertain grip on succession mean greater risk of political instability in North Korea that could bring discontinuous change, including reunification.

Second, it has become clear that the Six Party Talks and other diplomatic efforts will not produce denuclearization and reduction of the regional security threat posed by Pyongyang's weapons program. North Korea's rebuffing of the Obama administration's outreach efforts, recurrent missile tests and nuclear tests, the sinking of the South Korean naval ship Cheonan [and the North Korean shelling of a South Korean village on Yeonpyeong Island] have made clear that the path to denuclearization lies through unification not negotiation.

Third, the current and likely future leadership in Pyongyang is incapable of reform, making regime collapse a more likely scenario and unification a more likely route to meaningful change. Despite his greater exposure to the West and notwithstanding assurances from official media that Kim Jong Un is a “brilliant genius” who is “wise beyond his years” and blessed with “high tech twenty-first century knowledge,” he is unlikely to be a successful reformer. The regime is fatally dependent for legitimacy on ideology and, specifically, a neo-Juche ideology that: emphasizes the military and leans heavily on the accomplishment of North Korea’s becoming a nuclear power; and blames poor economic performance on past experiments with economic reform. Reform would risk collapse because it requires opening up and relaxing the political controls that have kept the regime in power. That is a risk the leadership has been unwilling to take. Even if a new top leader in Pyongyang were to seek reform, he likely would face resistance from a military and bureaucratic elite that is even more cut off from the outside world than was the case in earlier generations. This elite likely has become even more wary of reform with the collapse of Soviet-style regimes in Europe and Asia and the near loss-of-control by the Chinese regime amid the Tiananmen protests.

Fourth, the North Korean regime has become heavily dependent on Chinese support, material and political-diplomatic. For now, Beijing seems content to play this role, but its patience will not be unlimited. Factors likely limiting Beijing’s indulgence include: frustration with Pyongyang’s unwillingness to pursue Chinese-style economic reforms that could make North Korea more viable; and the rising diplomatic costs to China of being seen as, first, responsible for a regime that engages in reckless and provocative acts and, second, an impediment to the possibly growing and internationally appealing prospect of Korean unification.

Finally, thinking about how unification might occur has shifted to scenarios that are more palatable and feasible in the eyes of key parties, including South Korea, the United States and Japan. During the Cold War, the imagined mode of reunification was conquest, requiring a use of force that most would see as unacceptably costly and risky today. After the Cold War, the principal model was unification by absorption, but the difficulties of German reunification and the reduced economic circumstances South Korea faced after the Asian Financial Crisis made that prospect unthinkable hard and expensive. Thereafter, the prevalent view in South Korea was that unification was best postponed and pursued very gradually through policies that could slowly narrow the gap between the two Koreas. (This thinking underlay the Sunshine policy.)

More recent discourse about unification is fundamentally different, Cha argued. First, it is pragmatic, reflecting not an ideology of subverting or transforming the North Korean regime but rather soberly addressing the real possibility of instability in the North and the inadequacy of negotiations with an independent North Korea as means for addressing a serious security threat. Second, South Korea’s approach to unification is now more open, transparent and

internationalist. What had once been walled off as an intra-Korean problem is increasingly treated as one in which the outside world, and its material and political resources, have legitimate and productive roles to play. Third, unification is increasingly premised not on power but on the power of liberal and democratic ideas and their taking hold in North Korea. To the extent that this occurs, it will lay a foundation for successful reunification under a South Korean-style regime. Fourth, reunification is increasingly conceived as being about opportunities, not threats. Properly prepared for, unification is a highly positive sum game for Korea, East Asia and beyond and, thus, an outcome for which it is worth bearing costs and risks. Although little has been done so far to achieve it, such sound preparation is essential because, Cha cautioned, if and when unification comes, it is likely to come suddenly.

Kyung Hoon Leem was more skeptical about the prospects for unification on the peninsula. Although agreeing that reforms were unlikely in what he characterized an extreme case of a “neo-traditionalist” regime, Leem argued that this conclusion implied that regime collapse (due to internal or external factors) was the most likely route to unification. We understand little about when and why such regimes collapse, and the leadership in North Korea has derived from the collapse of other Leninist regimes a determination to avoid such a fate and likely some lessons about how to do so. Moreover, Russia’s and, more importantly, China’s opposition to a unified Korea governed by a U.S.-allied regime in Seoul remains significant. Russia and, more importantly, China are thus likely to support continuation of the Kim dynasty or a post-Kim North Korean leadership that leans ever more heavily on Beijing. As China rises in power and sees its interests and preferences in the region as adverse to those of the United States, formidable Chinese moves to stave off unification can be expected.

# A SALUTATION TO ARMS: ASIA’S MILITARY BUILDUP, ITS REASONS, AND ITS IMPLICATIONS

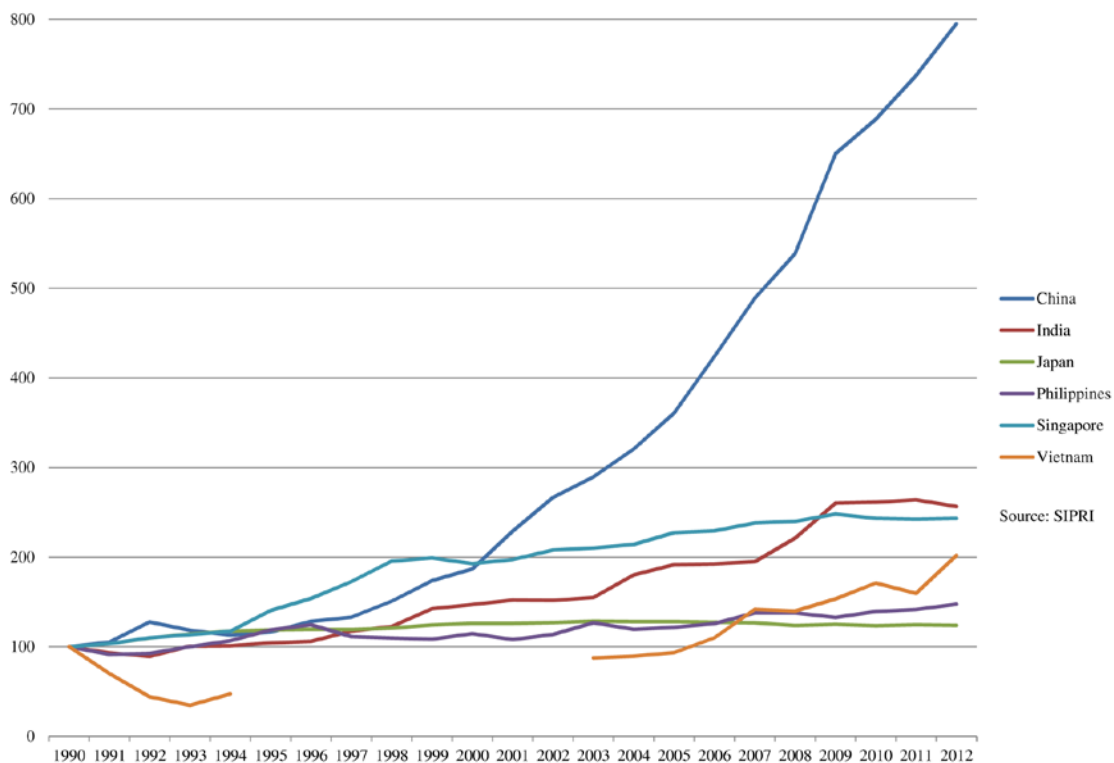
By *Felix K. Chang*

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This year, Asian defense spending will surpass that of Europe for the first time in over half a millennium. A steep drop in European military expenditures after the Cold War, a concurrent and steady rise in Chinese expenditures, and a recent sharp increase in defense spending across the rest of Asia rapidly closed the gap between the two continents. Reasons vary for Asia’s military buildup and many, whether right or wrong, have begun to darkly speculate about its implications for the region. But one thing seems certain: Asia’s military buildup is no flash in the pan; it is likely to endure.

**Asia's Military Expenditures Index, 1990–2012**



For the most part, China played down its increased military expenditures throughout the 1990s. But its defense spending was never as low as it claimed, nor probably as wisely spent. At the start of the decade, much of China’s military budget was devoted to preparations for

national mobilization and maintaining large standing conventional forces. But within a few years, China began to reallocate that budget, shifting resources from ground forces and pouring them into its navy and air force. Chinese ground forces were subjected to a series of deep cuts that demobilized over a million troops; the army shrank from over 120 division equivalents to fewer than 60 more heavily mechanized division equivalents by the end of the decade.<sup>103</sup> Just as significantly, the process also freed up resources that fueled the research, development, and acquisition of new weapon systems.

Chinese shipyards produced small batches of progressively more capable warships at first, and then far more rapidly a decade later. Although the navy did purchase destroyers and submarines from Russia, their numbers, in retrospect, were small, especially after China began serial production of its own modern surface combatant and submarine classes and ultimately refurbished and re-commissioned a former Soviet aircraft carrier, the *Liaoning*, in 2012. It may yet build a further two of its own in the coming years.<sup>104</sup> The Chinese navy even constructed a major new naval base at the southern tip of Hainan Island that includes an underground tunnel for nuclear attack and ballistic missile submarines. Over that same period, China's air force began to transform itself, steadily replacing its older fighters with more modern Russian Su-27SK and Su-30MKK fighters and indigenously-built J-10 and J-11 fighters. To create its new fleet, China heavily invested in not only reverse engineering Russian designs, but also laying the groundwork for a domestic aerospace industry that could develop its own next-generation fighters. Meanwhile, the air force also acquired the kinds of aircraft that it would need on an "informationized" battlefield, such as A-50 and Y-8W airborne early warning and control (AEW&C) aircraft and H-6U aerial refueling tankers. China excelled in missile and rocket technology too. Its conventional forces received new air-to-air missiles and their first undersea-launched anti-ship cruise missiles; its strategic forces rolled out not only newer ballistic missiles, but also those potentially accurate enough to target a ship at sea (if paired with an oceanic surveillance system with sufficient fidelity). And

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<sup>103</sup> Division equivalents include only airborne, armored, and infantry formations; three independent brigades or regiments are counted as a division equivalent. Fourteen infantry divisions were merged into the People's Armed Police.

<sup>104</sup> A second aircraft carrier might be under construction at Jiangnan Group's Changxing Island shipyard near Shanghai. James Hardy, "Images suggest China's first carrier under construction," *Jane's Defence Weekly*, Aug. 2, 2013.



fearing American dominance of space, China put into orbit its own military satellites as well as designed and tested anti-satellite missiles, first in 2007 and then possibly again in early 2013.<sup>105</sup>

However, as formidable as China's defense industry has become, it does have its shortcomings. Even as Chinese shipyards launch new warship classes, many of them are powered with Ukrainian gas turbine engines and protected by Russian air search radars. And though China's Chengdu Aircraft Design Institute and Shenyang Aircraft Corporation surprised many observers with the unveiling of stealthy next-generation fighters, the J-20 and J-31, most of the country's upgraded fighter fleet is still propelled by Russian and Ukrainian-designed and manufactured turbofan engines. Indeed, with all the advances its defense industry has made, some observers were surprised to learn that China was in negotiations with Russia to buy as many as 48 of its new Su-35 fighters.<sup>106</sup>

Certainly China has not been alone in modernizing its armed forces. Many other Asian countries also did so, beginning in the early 1990s. But almost all soon fell afoul of some economic woes. As Japan's economy struggled through the first of its two "lost decades," the Japanese self-defense forces managed to maintain its force structure—benefitting only from the largess Tokyo bestowed on its aerospace and shipbuilding firms, which turned out a small but steady stream of F-2 fighters and new warships. India's military fared far worse. For much of the 1990s, it saw its strength sapped conducting counterinsurgency operations in Kashmir and its budget shrivel from high inflation and a weak currency that ate away at its foreign purchasing power (a situation repeating today). As a result, Indian troops would fight the Kargil War in 2002 with largely outdated equipment. Finally, when the Asian Financial Crisis struck South Korea and much of Southeast Asia in 1997–1998, it severely dented their military modernization ambitions. Thailand, for example, had aspired to become an Asian naval power. Early in the 1990s, Bangkok even funded the new construction of East Asia's first aircraft carrier, the *Chakri Naruebet*, commissioned in 1996. But soon after the crisis, the

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<sup>105</sup> Andrea Shalal-Esa, "U.S. sees China launch as test of anti-satellite muscle: source," Reuters, May 15, 2013; Richard D. Fisher, Jr., "China's Aviation Sector: Building Toward World Class Capabilities," testimony for the U.S.-China Economic and Security Review Commission Hearing on *China's Emergent Military Aerospace and Commercial Aviation Capabilities*, May 20, 2010; Duncan Lennox, "More details emerge of Chinese ASAT technology," *Jane's Defence Weekly*, Jan. 31, 2007; John Wilson Lewis and Xue Litai, *Imagined Enemies: China Prepares for Uncertain War* (Stanford, CA: Stanford University Press, 2006), pp. 230-241.

<sup>106</sup> "Su35: Moscow to Shed Tears for the Second Time," *Kanwa Defense Review*, Jul. 30, 2013; Reuben F. Johnson, "Airshow China: Russian engine makers face quandary over potential Chinese sale," *Jane's Defence Weekly*, Nov. 15, 2012; Reuben F. Johnson, "China continues to test J-20 engine and airframe," *Jane's Defence Weekly*, May 24, 2012; Reuben F. Johnson, "Russia confirms Chinese request for Su-35s, S-400 systems," *Jane's Defence Weekly*, Mar. 1, 2012; "China's J-20: future rival for air dominance?" International Institute for Strategic Studies *Strategic Comment* 17:4, Feb. 2011; Reuben F. Johnson, "Russian industry skeptical about China's 'fifth-gen' fighter," *Jane's Defence Weekly*, Jan. 7, 2011; Jeremy Page, "A Chinese Stealth Challenge," *Wall Street Journal*, Jan. 4, 2011.

ship idled at port, sailing for only one day a month as funds to maintain it and its complement of Harrier jets declined (as did the number of operational jets). A similar fate befell Malaysia's modern F/A-18 and MiG-29 fighters. With high maintenance costs, they rarely flew and their combat readiness suffered.<sup>107</sup>

When the economic clouds over Asia finally lifted in the first decade of the new century, many countries in the region were slow to resume their military upgrade programs. The first to do so was India. But its biggest challenge turned out to be its own bureaucracy; even though funds were allocated to modernize its military's equipment and organization, a significant portion was never spent, while other monies were wasted. While many point to India's fifty-year old Arjun tank program as the paragon of such inefficiency, more practically worrying was the 27-year wait the army had to endure to receive any new artillery. Still, India has had success in upgrading its bases along the disputed border with China and in the Bay of Bengal and, after several cost overruns, putting into service a refurbished Soviet aircraft carrier, the *Vikramaditya*, as well as a new Akula-class nuclear attack submarine. Also recovering from its debt crisis by mid-decade, South Korea revitalized its military modernization plans. Since then, it has procured new tanks, armored fighting vehicles, Aegis-equipped destroyers, and six Type 214 submarines.<sup>108</sup>

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<sup>107</sup> "With Agent 220 Million, No Agent 110 Million," *Kuala Lumpur Security Review*, Jun. 8, 2010; Wassana Nanuam, "Thai Navy Chief Reveals Lack of Cash Hindering Arms Maintenance, Sub Deal," FBIS-EAS-2001-0513, *Bangkok Post*, May, 13, 2001; David Saw, "Funding Crisis Threatens To Submerge Navy," *Defense Daily International*, Sep. 15, 2000.

<sup>108</sup> Rahul Bedi, "Defending Delhi, running the budgetary obstacle course," *Jane's Defence Weekly*, Mar. 9, 2012; Mrityunjay Mazumdar and James Hardy, "India rolls out reactivated airstrip in Arunachal Pradesh," *Jane's Defence Weekly*, Nov. 29, 2011; Rahul Bedi, "Indian army laments continuing weapon delays," *Jane's Defence Weekly*, Sep. 21, 2010; Rahul Bedi, "Indian Navy to build two new bases and upgrade defences of island territories," *Jane's Defence Weekly*, Apr. 16, 2010; Manu Pubby, "Probe stalls upgrade, Army to get new guns," *Indian Express*, Jun. 24, 2009, <http://www.indianexpress.com/story-print/480429>.

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**Asia's Navies, 1995–2015**


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	China				India				Japan			
	Ships	Tonnage	Subs	Tonnage	Ships	Tonnage	Subs	Tonnage	Ships	Tonnage	Subs	Tonnage
1995	52	127,355	56	130,636	40	123,584	19	49,320	62	214,150	16	44,006
2000	60	158,270	64	153,765	40	114,159	18	47,645	54	242,400	16	48,125
2005	67	194,531	61	149,270	47	144,162	16	43,570	54	275,272	16	51,443
2010	78	257,361	56	169,621	46	148,344	16	43,570	52	298,813	16	56,220
2015*	91	389,920	69	226,521	56	255,524	17	46,623	54	370,093	17	63,716

	Philippines				Singapore				Vietnam			
	Ships	Tonnage	Subs	Tonnage	Ships	Tonnage	Subs	Tonnage	Ships	Tonnage	Subs	Tonnage
1995	1	1,776	0	0	6	3,630	0	0	9	12,535	0	0
2000	4	4,101	0	0	6	3,630	1	1,229	10	10,623	2	224
2005	4	4,101	0	0	6	3,630	4	4,916	12	11,673	2	224
2010	4	4,101	0	0	12	23,136	4	4,916	14	10,244	2	224
2015*	6	10,807	0	0	12	23,136	6	8,168	16	14,512	5	9,599

**Notes:**

\* These include the completion of currently ordered serial production by 2015 and continuation of normal retirement patterns.

**Sources:**

*The Military Balance* 1995–2013 eds.; *Jane's Fighting Ships* 1995–2013 eds.; and author's estimates.

By and large, most other Asian countries accelerated their military modernization programs only within the last few years. Vietnam turned to its former Russian patrons to acquire new sophisticated air defense systems, Su-30MK2 fighters, and, most impressively, an order for six Kilo-class submarines. It also requested Russian assistance to restore its (and former American) naval base at Da Nang. Indonesia also began large-scale modernization in 2012 with multiple orders of combat vehicles, three South Korean-built Type 209 submarines, a small number of Su-30MK2 fighters, and a much bigger number of transport and training aircraft. But possibly the most dramatic turnabout occurred in the Philippines, which had allowed the parts of its armed forces designed for external defense to decline to near non-existence. That changed in 2011, when Manila procured two retired American high-endurance cutters and began discussions with Japan for ten small patrol boats. Since then, the Philippine government has scoured the world for military hardware, recently negotiating for a dozen South Korean fighters and even considering two Italian guided-missile frigates.<sup>109</sup>

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<sup>109</sup> Alexis Romero, "DND approves terms for acquisition of 12 fighter jets," *Philippine Star*, Jul. 11, 2013, <http://www.philstar.com/headlines/2013/07/11/964112/dnd-approves-terms-acquisition-12-fighter-jets>; "Philippines to buy 2 frigates from Italy," *Agence France-Presse*, Jul. 3, 2013.

Among the latest countries to accelerate its military buildup is Japan. While Japan has continued its measured shipbuilding program that averages one new attack submarine and one new surface combatant each year, that pace may increase in the coming years. Already, it is replacing its older combat ships with far more powerful ones. Its two 1970s-era Shirane-class destroyers, carrying three helicopters apiece, will be replaced by two new 22DDH-class “helicopter destroyers”—each of which will nominally embark about a dozen helicopters—even though their size and displacement more closely resemble those of American Wasp-class amphibious assault ships, which are capable of operating V/STOL combat aircraft and up to 40 helicopters. The first 22DDH-class destroyer, the *Izumo*, was launched in August 2013. And given the victory of Japanese Prime Minister Shinzō Abe’s coalition in Japan’s upper house elections one month earlier, it is possible that he will push through new measures to speed the procurement of warships and coast guard vessels, although the recent depreciation of the Japanese yen may force him to extend the purchase of American combat aircraft.<sup>110</sup>

Asia’s Air Forces, 1995–2015

	China**				India**				Japan			
	≤3G Fighters	≥4G Fighters	AEW&C Tankers		≤3G Fighters	≥4G Fighters	AEW&C Tankers		≤3G Fighters	≥4G Fighters	AEW&C Tankers	
1995	5,500	26	0	0	743	102	0	0	160	165	10	0
2000	3,138	125	0	6	649	117	0	6	110	160	14	0
2005	1,513	334	2	13	608	172	0	6	110	200	14	0
2010	1,098	507	9	13	463	182	1	6	65	245	14	4
2015*	864	913	9	13	455	322	5	6	60	240	17	4

	Philippines				Singapore**				Vietnam			
	≤3G Fighters	≥4G Fighters	AEW&C Tankers		≤3G Fighters	≥4G Fighters	AEW&C Tankers		≤3G Fighters	≥4G Fighters	AEW&C Tankers	
1995	11	0	0	0	106	7	4	0	190	0	0	0
2000	11	0	0	0	87	49	4	2	177	12	0	0
2005	11	0	0	0	53	62	4	9	193	16	0	0
2010	0	0	0	0	51	62	4	9	193	16	0	0
2015*	0	12	0	0	43	84	4	9	63	34	0	0

Key:

≤3G Fighters = third (or earlier) generation fighters; ≥4G Fighters = fourth (or later) generation fighters; AEW&C = airborne early warning and control aircraft; Tankers = aerial refueling aircraft

Notes:

\* These include the completion of currently ordered serial production by 2015 and continuation of normal retirement patterns.

\*\* China includes naval air force, but excludes four Y-8J AEW and three Y-8T command and control aircraft; India includes naval air force; Singapore includes four dual-use aerial refueling and transport KC-130 aircraft.

Sources:

*The Military Balance* 1995–2013 eds.; *Jane’s All the World’s Aircraft* 1995–2013 eds.; *Jane’s World Air Forces* 2005–2013 eds.; and author’s estimates.

Apart from China, only Singapore has steadily devoted resources to upgrading all three branches of its armed forces since the 1990s. As a result, the island nation has been able to

<sup>110</sup> Yuka Hayashi, “As Tensions Rise, Pacifist Japan Marches Into a Military Revival,” *Wall Street Journal*, Jul. 18, 2013; Paul Kallender-Umezu, “Japan Might Delay F-35 Purchases,” *Defense News*, Jun. 10, 2013.

transform its once provincial defensive forces into a modern military with substantial power projection capabilities, including not only attack submarines, but ones with advanced air-independent propulsion and not only F-15SG and F-16C/D fighters, but ones backed by several networked AEW&C and aerial refueling aircraft. Today, Singapore is already preparing itself to receive delivery of the second of its follow-on Archer-class submarines and will likely be the second Asian country, after Japan, to acquire the American F-35 Joint Strike Fighter.

## REASONS FOR ASIA'S MILITARY BUILDUP

Naturally, the reasons behind Asia's military buildup are varied and often intertwined. A number have less to do with strategic considerations than domestic ones. One reason concerns domestic political calculations. In countries where militaries have intervened in politics, civilian politicians sometimes use larger defense budgets to buy military quiescence. Past studies of Asian civil-military relations have revealed that this may have been the case in countries like Indonesia and Thailand. Another reason deals with military expenditures that are directed to support favored domestic companies or industries or provide local employment. Of course, that is likely to be true to some degree in any country with a sizable defense industry, like India, Japan, and Singapore. Japan's regular orders for warships and submarines may have reflected its hope to maintain the country's shipbuilding base as much as its desire to improve the country's security, especially after commercial ship orders largely migrated to lower-cost China and South Korea. A third (and somewhat counterintuitive) reason is a growing appreciation among national leaders of how military power can contribute to humanitarian relief efforts. When the 2004 Indian Ocean tsunami devastated the province of Aceh in Indonesia, the Indonesian military could do little to help but watch as American and Australian troops came ashore from offshore ships to deliver aid and search for victims. Humbled by the event, Indonesia has since set aside more of its military budget for transport ships and aircraft.<sup>111</sup>

Even so, strategic considerations related to changes in the geopolitical environment have played the biggest role in Asia's military buildup in the years after the Cold War and particularly over the last decade. As early as 1991, many Chinese leaders—after witnessing the undeniable success of American arms and organization during the Persian Gulf Conflict—realized that they needed to modernize their armed forces. But institutional interests made

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<sup>111</sup> Aurel Croissant, David Kuehn, and Philip Lorenz, *Breaking With the Past?: Civil-Military Relations in the Emerging Democracies of East Asia* (Honolulu: East-West Center, 2012), pp. 14-15, 17-18, 34-41; Paul W. Chambers, "Thailand on the Brink: Resurgent Military, Eroded Democracy," *Asian Survey* 50:5 (2010), pp. 835-58; "Seeking a modern role," *Economist*, Mar. 20, 2012; "Old soldiers, old habits," *Economist*, Sep. 21, 2006; Terence Lee, seminar, "The Armed Forces and Regime Maintenance: Explaining the Role of the Military in 1973 and 1992 Thailand, and 1998 Indonesia," Institute of Southeast Asian Studies, Feb. 10, 2006.

progress slow; it was not until after Beijing's failure to deter American intervention in its attempt to intimidate Taiwan with ballistic missile tests in 1995 and 1996 did China's military transformation resume in earnest. China's leadership was finally convinced that its traditionally mainland-bound forces were inadequate to counter American naval and air strength in the western Pacific Ocean and that only a comprehensive military modernization could hope to keep American forces at arms' length as well as prevent other countries from either impinging on its "core interests"—including its territorial claims in the East and South China Seas and on the Himalayan frontier—or geopolitically encircling China.<sup>112</sup>

Unfortunately, China's accelerated military modernization created a security dilemma for its Asian neighbors. As China became more militarily powerful, other Asian countries saw their relative security decline. Unsurprisingly, India was quick to act, given its historic suspicion of China—its enemy during the 1962 Sino-Indian border conflict and an ally of its long-time adversary, Pakistan. And over the course of the 2000s, New Delhi also grew concerned over China's rapid development of dual-use civil-military infrastructure—airports, railways, and roads—in Tibet and its growing commercial interests in the Indian Ocean. No stranger to encirclement schemes, Indian security experts saw China developing a "string of pearls" across the Indian Ocean that could one day encircle India. And so, even as China often benchmarks itself against the United States, India came to benchmark its military capabilities against those of China and has found itself wanting. Indeed, Indian fears of China's growing ability to rush massive reinforcements to their disputed border in Arunachal Pradesh has led India to station six mountain division (including two newly-raised ones) there to face only three Chinese mountain brigades on the other side. In 2013, India even decided "in principal" to fund a new "strike" corps, to give its frontline units a better offensive capacity.<sup>113</sup>

In recent years, many other Asian countries have begun to similarly react to China's military buildup, though they had earlier welcomed China's rise, because it had brought them economic benefits. Between the late 1990s and the first half decade of the new century, Beijing's diplomatic "charm offensive" raised the hopes of many Southeast Asians, who were pleased with China's seeming willingness to accept their preference to prioritize economic development over political conflict and consider the region's multilateral norms. But as China's confidence grew with its economic influence and military strength, Beijing began to assert the primacy of its interests in its disputes with Southeast Asia. Rather than embrace multilateral dialogue, China seemed to increasingly sideline Southeast Asian concerns and pursue its aims either alone or through only bilateral negotiations. That has been true of

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<sup>112</sup> Gerald Segal, "East Asia and the 'Constraint' of China," *International Security* 20:4 (1996), pp. 107-135.

<sup>113</sup> Rahul Bedi, "Indian Finance Ministry approves 90,000-strong mountain strike corps," *Jane's Defence Weekly*, May 29, 2013.

China's recent approaches to conflicts over both its use of the Mekong River and (more famously) its maritime borders in the South China Sea.<sup>114</sup>

In late 2007, Beijing raised the status of the administrative authority governing the Paracel and Spratly Islands to that of a “county-level city” in Hainan province. Then, it listed its South China Sea claims among its “core interests”—those over which it is willing to fight. Sensing the start of a slippery slope, several Southeast Asian countries publicly confronted China about its assertiveness at the 17th ASEAN Regional Forum in 2010. China was incensed by the rebuff. Thereafter Chinese patrol vessels have occasionally harassed oil exploration ships from the Philippines and Vietnam—the militarily weakest disputants in the South China Sea—by cutting the cables towing their ships’ seismic equipment. In 2012, China further fired tensions when it built structures on Philippine-claimed Amy Douglas Reef and triggered a months-long maritime standoff. As a result, despite the willingness of many Southeast Asian countries to give China the benefit of the doubt that its military buildup was part of a “peaceful rise” or narrowly directed against its wayward province of Taiwan, they now view China with far more circumspection and their own military buildups with greater urgency.

As similar series of events occurred over the Japanese-controlled Senkaku (Diaoyu) Islands in the East China Sea. Starting in 2010, Chinese and Japanese patrol boats have confronted one another in the waters surrounding the islands. Then, after a risky move that Tokyo thought would calm tensions badly misfired, Beijing stepped up its maritime patrols in the area and allowed its citizens to vent their anger against Japanese commercial interests in China. On the other hand, more Japanese have conceded the need to boost their defense preparations, despite their generally pacifist sentiments. As a result, Tokyo has deployed an additional squadron of F-15J fighters to Okinawa and maintained around-the-clock coast guard patrols near the disputed islands. But such sustained demands placed on Japan’s self-defense forces and coast guard have begun to strain their equipment, prompting the need for newer and more capable aircraft and ships.<sup>115</sup>

Some have now suggested that Asia’s military buildup might point to the existence of one or more arms races—situations where conflicting interests or mutual fears cause competitive increases in arms between two states or coalition of states. So far that is not the case, at least not in the literal sense, if for no other reason no Asian state or coalition of states can afford to directly compete with China’s pace and scale of military modernization, barring a downturn in the Chinese economy. Rather than an arms race, much of Asia’s military buildup can be

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<sup>114</sup> Felix K. Chang, “The Lower Mekong Initiative and U.S. Foreign Policy in Southeast Asia: Energy, Environment, and Power” *Orbis* 57:2 (2013), pp. 282-299.

<sup>115</sup> Kosuke Takahashi and James Hardy, “UAVs, marines, BMD top Japanese MoD’s policy recommendations,” *Jane’s Defence Weekly*, Jul. 30, 2013.

characterized as an arms catch-up. As Asian countries abandoned their purely bandwagon policies toward China, they have scrambled to strengthen their relative military power—partly through their own military modernizations and partly through closer ties with external powers—to hedge against China’s rise. No doubt that is also why Asian countries, like India, Japan, the Philippines, and Vietnam, whose interests seemed so disparate in the past have become so keen on economic and security cooperation today.

## IMPLICATIONS OF ASIA’S MILITARY BUILDUP

The primary concern of many of those who follow Asia’s military buildup is that the increased level of armaments will likely lead to conflict, whether through miscalculation or design. In addition, they could argue that the possibility for miscalculation is made all the more likely because of the overlapping military catch-up efforts—China’s attempt to catch-up to the United States, India’s to China, Japan’s to China, and the rest of Asia’s to China—which creates a complex situation where the actual, functioning balance of power is difficult to ascertain.

Even so, sometimes overlooked are countervailing factors that could lessen the possibility of conflict. First, though Asian countries are rearming in response to China’s increased defense spending and more assertive behavior, they would prefer not to see China as an adversary and hope that it could continue to be a source of economic vitality for the region. Indeed, all Asian countries, even China, have underlined the benign nature of their intentions. Second, all the countries of Asia share common interests that bind them as states, such as promoting economic growth, deterring terrorism, and foiling transnational crime. And third, as history has demonstrated, military expansion can also result in agreements to limit arms, especially as they become more costly to accrue. It was just such a concern that led the world’s five leading naval powers to agree to a naval arms limitation treaty at the Washington Conference in 1921–1922.<sup>116</sup>

But if economic benefits and common interests are insufficient to allay qualms over the intentions of possible rivals—as often is the case—and Asia’s military buildup continues, then those countries playing catch up with China would be well advised to do so through the acquisition of new military technologies. Rather than try to match Chinese forces in terms of absolute numbers of aircraft and ships, they could attempt an asymmetric approach with new technologies against which China has fewer defenses. Much like China’s attempt to thwart American carrier battle groups with conventionally-armed ballistic missiles, Asian countries

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<sup>116</sup> Paul Kennedy, *The Rise and Fall of British Naval Mastery* (London: Macmillan, 1983), p. 274; Roger Dingman, *Power in the Pacific: The Origins of Naval Arms Limitation, 1914-1922* (Chicago: University of Chicago Press, 1976).



could emphasize some combination of new technology and tactics that can compensate for smaller quantities. Such systems could include supersonic land-based cruise missiles (and radar systems that support them), stealthy attack submarines, armed unmanned aerial vehicles, or even long-range standoff weapons launched from unconventional platforms, like the P-8A maritime patrol aircraft. Doing so would enable Asian countries to more quickly approach parity with China, regardless of the current gap in conventional military power, and bring greater security and stability to the region.

For the United States, Asia's military buildup can be seen as a source of both concern and comfort. Naturally, China's continued military expansion and benchmarking against American capabilities are troubling, though not yet alarming, unless the United States curtails its own military modernization efforts. But China's growing power has created new tensions in the dynamics of America's bilateral security arrangements across the region. On the one hand, if American security guarantees are too firm, then its security partners could embroil the United States in an unwanted conflict. On the other hand, if American security guarantees are too weak, then its security partners could decide that their interests might be better served by currying favor with China. So far, that is not the case. China's new arms and recent maritime assertiveness have led many Asian countries to seriously invest in their own defenses for the first time since the Cold War. And to the extent that these countries are friendly to the United States, Washington can take some cheer from the fact that for now others are willing to share more of the balancing burden in Asia.

In any case, it is far from certain that Asia's military buildup will inexorably lead to crisis or war. What matters in the end is not the region's quantity of armaments, but rather the region's perceptions of power and intentions. At the moment, those of China concern many Asian countries. Yet if they, along with the United States, collectively gather enough power to persuade China to temper its provocative behavior, then their military buildup will have contributed to the region's security and stability. Conversely, if China's military power continues to grow relative to that of its neighbors, then one can expect more confrontations to come—no matter the quantities of arms amassed.

# CONTESTED TERRAIN: CHINA'S PERIPHERY AND INTERNATIONAL RELATIONS IN ASIA

## *Conference Report*

March 2012

*“Contested Terrain: China’s Periphery and International Relations in Asia” was the topic of the Foreign Policy Research Institute’s annual Asia Program conference, held in cooperation with the Reserve Officers Association on November 4, 2011, in Washington, D.C. Participants included: Richard Bush (Senior Fellow and Director of the Center for Northeast Asian Policy Studies, Brookings Institution), Allen Carlson (Associate Professor of Government, Cornell University), Michael Davis (Professor of Law, University of Hong Kong), Jacques deLisle, John W. Garver (Professor, Sam Nunn School of International Affairs, Georgia Institute of Technology), Michael Green (Japan Chair, Center for Strategic and International Studies and Associate Professor of International Relations, Georgetown University), Scott Kastner (Associate Professor of Government and Politics, University of Maryland), Gilbert Rozman, (FPRI Senior Fellow and Musgrave Professor of Sociology, Princeton University), Sheila Smith (Senior Fellow for Japan Studies, Council on Foreign Relations), Ashley Tellis (Senior Associate, South Asia Program, Carnegie Endowment for International Peace), and Arthur Waldron (FPRI Senior Fellow and Lauder Professor of International Relations, University of Pennsylvania).*

*Articles based on several of the presentations at the conference will appear in the Summer 2012 issue of Orbis. For other FPRI essays by Jacques deLisle, visit: <http://www.fpri.org/byauthor.html#delisle>*

## **A U.S. GRAND STRATEGY FOR ASIA AND CHINA’S PERIPHERY**

Michael Green examined United States policy toward the region along China’s continental and maritime periphery, outlining an American grand strategy that addresses China, the other states in the region and the complex and sometimes troubled relationships between China and its neighbors. Green reviewed three models for a regional order. First, U.S.-led unipolarity is the model the U.S. pursued in the early part of the 1990s, but it is not viable today. The approach produced significant resistance at the time, ranging from soft counterbalancing by regional states to more full-blown blowback, especially in the aftermath of the Asian Financial Crisis when the U.S. supported a Washington Consensus-style approach and regional actors responded with the Chiang Mai initiative, ASEAN-plus-3 and other measures to reduce U.S. influence. Green suggested that there are potentially lessons here for a rising China.

Second, a return to Sinocentric unipolarity. Evocative of the old tribute system, this holds some appeal for China, but it too is not feasible. The idea that China could be a benign regional hegemon was reflected in the Jiang Zemin-era notion of China's peaceful rise and the Hu Jintao-era ideas of peaceful development and a harmonious world. The model also fits with China's self-image as a stalwart proponent of non-interference in other states' internal affairs (in contrast with the U.S.'s approach) and its reliance on economic ties as the foundation of its regional relations. Despite its economic prowess, China is no longer the center of its world. Instead, China is enmeshed in an international economic system in which supply chains are truly global and capital flows in Asia are more extra-regional than intra-regional. Moreover, the states along China's periphery are averse to a new Sinocentric order. Their modern nationalism rejects quasi-tributary relations. Some remember a bitter history of China's use of force. Some have unresolved territorial disputes with China. Many distrust Beijing's agenda for the future.

Third, a bipolar order steered by a U.S.-China condominium. This model is reflected in talk of a "G-2" and, more broadly, the long-standing U.S. policy of engagement with China that seeks to socialize China, making it into a normal power that can be incorporated into something resembling a concert of powers. This approach seemed to offer a means for the U.S. to accommodate a rising China, much as Washington had sought—initially and often unsuccessfully—to handle rising powers in the twentieth century. But U.S. policy, especially notably in recent years, has also included significant elements of hedging and balancing a rising China. Examples include George W. Bush's opening to India and the Barack Obama administration's toughened stance on South China Sea issues. A G-2-type arrangement also would require that China be willing to share major international responsibilities, which Beijing has not been prepared to do. It also ill-fits with Asia's generally multipolar structure (given India's rise and Japan's persistence as major powers) and with a rich tradition of U.S. thought on strategic relations in Asia, which has tended to be multipolar and to emphasize alliances and influence along the Asian rimland as a means to manage continental powers in Asia.

Green urged a fourth approach to guide U.S. strategy toward China and the region along China's periphery—one that engages and seeks to shape China, pays attention to the region as a whole, does not overplay the U.S.'s limited hand with Asian states, appreciates the security dilemma the U.S. faces with China, understands the importance of multiple resources, emphasizes positive values, and recognizes multipolarity and the virtues of multilateralism. In terms of resources, the U.S. should attend to: the military balance of power (which has been made more difficult by impending budget cuts and deeper concerns triggered by the 2011 federal budget impasse, but which has been potentially partly redressed by the wisely

increased—although badly presented—reemphasis on/pivot to East Asia in U.S. defense policy); the economic balance of power (which depends on the U.S. improving its own economy and supporting an open international economic order); and an ideational balance of power (which is an area of relative U.S. strength, vis-à-vis China, given China’s relatively weak soft power). In terms of “positive values,” the U.S. should emphasize promotion of economic cooperation, good governance, human rights, free and fair elections and the like. If the U.S. treads too heavily here, it risks pushback from regional states that are generally closer to Beijing than to Washington in their views about “interference” in other states’ “internal affairs.”

U.S. multilateralism and emphasis on multipolarity will hardly assuage China’s concerns about what China sees as a U.S. containment strategy, but they are better for U.S. goals than a perception that Washington pursues unipolar dominance. A multipolar perspective fits with the mixture of cooperation and competition that will characterize U.S. relations with China generally and in the context of complicated relations along China’s periphery. It also will support the U.S.’s understanding that getting Asia policy right and getting China policy right are interdependent goals. It can underpin appropriate policies of complex, multifaceted and multi-layered engagement with China’s neighbors. Examples of this complexity include the coexistence of APEC, the East Asian Summit, the pursuit of the Trans-Pacific Partnership, and U.S.-regional state bilateral and “minilateral” engagement. Multilateralism and an emphasis on multipolarity also would be consistent with policies that addresses effectively the complexity and diversity of regional actors’ political orders (ranging from consolidated democracies, to transitional states, to authoritarian regimes, to peoples who lack their own governments but seek greater autonomy), their agendas in relations with the U.S. (ranging from Japan’s interest in a strong U.S. presence to several Southeast Asian states’ pursuit of “just enough” U.S. involvement), and their formal relations with the United States (ranging from treaty allies such as Japan, Korea and Australia, to others with long-standing or recently strengthening but less formal ties, to until-recently-pariah states such as Burma, to ethnic groups such as Tibetans and Uighurs that straddle China’s borders).

## **TROUBLED WATERS: CHINA AND ITS MARITIME PERIPHERY—JAPAN, THE SOUTH CHINA SEA STATES AND THE ROLE OF THE UNITED STATES**

Sheila Smith focused on the September 2010 incident involving a Chinese fishing trawler and two Japan Coast Guard vessels in disputed waters as a significant and revealing moment in the troubled relations between Japan and China, particularly over their maritime boundary, during a period of rising Chinese power. The incident, which began when the Chinese ship refused an order to stop for inspection and led to a collision and Japan’s taking the Chinese captain and crew into custody, illustrated broader risks and problems. First, the tension

quickly escalated because it was entwined with the two states' rival claims to the Senkaku / Diaoyutai Islands, near which the initial encounter occurred. Japan initially treated the matter as a question of domestic law enforcement, charging the Chinese captain with obstructing Japanese officers in performing their duties in Japanese territory. China's contrary view about rights over the area fueled a sharp escalation of the dispute, including detention of Japanese citizens for allegedly entering a restricted zone in China, and suspension of exports of rare earth (vital for Japan's electronics industries). The U.S. signaled its support for Japan, with Secretary of State Hillary Clinton offering assurances that the bilateral security treaty extended to the Senkaku Islands and nearby waters. With the international crisis intensifying, Japanese prosecutors dropped the case, citing its diplomatic impact.

The incident occurred against the backdrop of long-troubled relations over the East China Sea. In the early Postwar decades, disagreement over fishing rights had been a relatively minor source of friction. Disputes over oil and gas resources emerged as an issue in the 1970s and sharpened as the UN Convention on the Law of the Sea (UNCLOS) established a firmer basis for claims to the economic resources around islands that are territories of a particular state, and established new processes for maritime boundary delimitation. Tensions escalated in the 1990s and 2000s over the disputed maritime border as anti-Japanese nationalism surged in China and China intensified its exploration of, and claims to, offshore oil and gas resources. With the broader relationship chilled by the dispute over Prime Minister Koizumi's visits to the Yasukuni Shrine (honoring Japanese war dead, including some war criminals from the Second World War), Prime Minister Abe sought to improve bilateral relations, and made a cooperative approach to the East China Sea a centerpiece of this effort. In 2006, China and Japan agreed to pursue cooperative development of hydrocarbon resources in the area. But such progress has proved fragile. The September 2010 confrontation involving the Chinese fishing trawler was the most recent among many developments that have fostered or reflected Japan's growing security concerns about a rising China. Others include the 2004 mobilization of the Japanese naval self-defense force in response to a Chinese submarine's entering waters near Japan, the prominence of "southwest" and Taiwan contingencies—along with the North Korea threat—in Japan's post-Cold War force posture decisions, and moves in 2011 to increase surveillance directed largely at Chinese naval activities in the seas between the two countries.

The handling of the fishing boat case seriously damaged the Japanese public's confidence in the government's ability to cope with foreign policy challenges, particularly those stemming from an ascendant China. The government faced criticism for backing down and releasing the Chinese captain, for failing to release a video showing the Chinese ship's provocative behavior and, worse yet, for considering punishment of the coast guard officer who publicly released

the embargoed video. Nationalist sentiments in Japan, colliding with rising nationalism in China, make it more likely that future incidents could bring tit-for-tat reactions.

The incident showed a heightened tendency toward sharper confrontation in bilateral relations. It showed a fraying of prior commitments to setting aside the territorial dispute over the Senkakus in the interest of broader economic and regional relations. It showed a tougher, more assertive Chinese reaction to Japanese behavior that, in the past, had brought a more muted response. With no subsequent measures to improve crisis management mechanisms and a trend toward denser interactions between a Japan Maritime Self-Defense Force focused on China-related contingencies and a Chinese People's Liberation Army Navy venturing more frequently beyond coastal waters and seemingly increasingly interested in testing Japan, the potential for escalation from incident to crisis is troublingly high. Smith noted four scenarios for a possible clash: a reprise of the September 2010 incident, with a small encounter with a civilian vessel devolving into a larger confrontation; a miscalculation at sea arising from the increased contacts between the two navies, leading to escalation; a confrontation rooted outside the bilateral relationship, such as a crisis over the Taiwan Strait or North Korea, which would involve the United States as well; or (least likely but potentially most devastating for Japan), a Chinese move to occupy Japanese-claimed islands in the East China Sea.

Japan's preferred approach to managing potential maritime conflicts with China is three-fold: continuing to place primary emphasis on bilateral diplomacy; supporting the ASEAN Regional Forum and other regional mechanisms as loci of norm-creation and dispute resolution; and relying on the U.S.-Japan alliance to help manage Japan-China relations, including through a U.S.-Japan security relationship interpreted as extending to the Senkaku area.

Gilbert Rozman, along with other participants, argued that Japan's disabilities in dealing with China go beyond those discussed by Smith. They include: the entrenchment in China's foreign policy of the view that U.S.-Japan ties are not just about protecting Japan's interests but are part of a broad plot to encircle and contain China; the potential impact on regional audiences of a Chinese narrative that emphasizes Asian commonalities and differences between Asia (including Japan as part of Confucian East Asia) and the U.S.-led West; China's tendency to be less accommodating and compromising in periods when it thinks itself relatively strong; Japan's deep inability—rooted in such varied sources as ambivalence about national identity, bureaucratic divisions (between defense and foreign affairs) and the historical burden of Japan's actions during the Second World War and the resulting constitutional and political restrictions on Japan's military roles—to formulate a strong, big-picture approach to asserting Japan's interests; and Japan's seemingly waning political and economic power in an era of protracted and recurring economic crises, the impact of the tsunami and nuclear crisis, the transition to Democratic Party of Japan rule, and revolving-door premierships.

Jacques deLisle examined disputes over the South China Sea, which involve high-stakes issues for China, including economics (fish, hydrocarbon resources and trade routes for manufactured exports and raw material imports) and security (sea lanes of communication, friction-prone interactions with the U.S. navy, and chronic tension—and occasional confrontations and skirmishes—with regional states, especially Vietnam and the Philippines). There has been a tendency to over-predict China’s stance on the South China Sea—and territorial disputes generally and even foreign relations as a whole—from statements and actions concerning the South China Sea that have been merely: short-term trends toward conflict or cooperation, high-profile but fleeting crises, false rumors of Chinese actions at sea, unconfirmed statements by senior officials, intemperate newspaper editorials, or accommodating policy positions cherry-picked by analysts from more ambiguous contexts. Still, China’s approach to the South China Sea has traits typical of its approach to international law and international relations, including: unclarity, mixed pro-status quo and revisionist positions, and overall consistency with China’s near-term interests.

DeLisle identified three types of claims. First, China claims the zone within a “9-dash line” that appears on Chinese maps and encloses a vast U-shaped area extending to near the coastlines of the other states that enclose the sea. This claim: originated in the pre-PRC era; invokes a long history of discovery, control and international treaties; and is echoed in PRC laws (including provisions asserting that UNCLOS leaves China’s “historic rights” unaffected) and official statements about China’s sovereign or territorial waters. This claim is radical in terms of geography and legal rights, and it relies on a strained reading of history and the international law of “historic” claims. Because historic rights are case-specific, however, the claim does not commit China to radical positions more broadly. Although the “Chinese waters” claim holds a shrinking place in Chinese arguments, Beijing tellingly has not been willing to repudiate it.

Second, China asserts “indisputable” sovereignty over all land formations within the 9-dash line and rights over adjacent waters granted by the international law of the sea. The claim is set forth in official and quasi-official statements, Chinese laws, and PRC submissions in the UNCLOS process. China’s claim faces three difficulties. China invokes a history of discovery, occupation and exercises of sovereignty which, respectively, rely upon: the principle of inter-temporal law (which holds that now-repudiated law applies to determine the legality of actions taken when the old rule reigned)—a doctrine China criticizes in other contexts; and weak factual foundations, given the thinness of Chinese occupation, and the shallowness, incompleteness, intermittence and rejection by other states of China’s exercises of sovereignty. China claims as islands (or lesser land forms) entitled to law-of-the-sea rights over waters many land features that fall short of relevant international legal criteria or that get less weight

that China assigns them in delimiting maritime boundaries. China claims a scope of authority over waters abutting “its” islands that go well beyond the universally accepted rights to regulate economic exploitation and marine scientific research within a 200-nautical-mile Exclusive Economic Zone. On China’s account (which is at odds with the U.S.’s and is in key respects revisionist of international law), EEZ rights include rights to require other states not to act in ways that: constitute espionage (which China classifies as regulable “research”); disobey Chinese laws (not just international law); or show a lack of “due regard” for China’s rights or an absence of “peaceful purposes” (both restrictions that China defines vaguely and potentially broadly).

Third, China asserts—that other states have additional obligations—ones not based primarily on the law of the sea—not to engage in acts that threaten China’s national security or core interests. China has developed this claim in the context of disputes with the U.S. over incidents at sea and in the air off China’s shores and U.S. joint naval exercises with regional states. Although Beijing frequently insists that it accepts principles of free navigation and overflight, this has offered the U.S. insufficient reassurance, especially in light of: China’s expansive definition of its rights as a coastal state; the coexistence of national security-based claims with China’s other two principal claims to the waters off its coast; Chinese forces’ shadowing, harassing or even colliding with U.S. vessels; and rising U.S. concerns about Chinese naval power’s expanding reach or tightening grip in the region. Secretary of State Clinton’s statement at the ASEAN Regional Forum is illustrative of the broader and growing assertion of a U.S. “national interest” that includes freedom of navigation and access to Asia’s maritime commons and respect for international law in the South China Sea.

China’s bundle of claims—and the ways it has pressed them—may serve China’s interests, at least for now. First, multiple, co-existing claims allow China to avoid: inadvertently conceding a potentially strong claim in a context of disputed facts and uncertain and evolving legal rules; and making clear to rival states a potentially revisionist agenda that China might pursue more effectively as its power and influence grow. Second, China’s rigid, assertive stance on the principle of sovereignty or other strong rights over the South China Sea area coexists with a willingness (which waxes and wanes) to be flexible in practice (by “setting aside” sovereignty questions and pursuing “cooperative development” and so on). Although this makes China look truculent and retrograde, it also preserves claims while reducing the need to press them in practice and thus risk undesirable conflict. It also may create political space with hardliners at home to pursue innovative, practical and peace-preserving approaches abroad. Third, China’s aversion to multilateralism (most of the time) and “internationalization” in South China Sea issues plays to China’s strengths. As the region’s greatest power, China can benefit from engaging regional states individually. As a rising power, it can benefit from tactics that delay comprehensive solutions. As a state seeking to



become the dominant regional power and perhaps contemplating a Chinese Monroe Doctrine, China can resist a robust U.S. role by casting the issues as primarily bilateral (or trilateral) territorial disputes and by resisting “internationalization” and involvement of “outsiders.”

Richard Bush commented that China’s approach to the South China Sea issues should be seen as an example of “legal warfare” which, along with “media warfare” and “psychological warfare,” are part of an expanding arsenal identified by Chinese analysts in service of a national security policy that looks well beyond conventional military means and of which Sun Zi might be proud. China’s broad claims concerning the South China Sea should also be understood as part of its efforts to expand its defense perimeter and to preserve or build a strategic buffer—goals that China pursues along its periphery more generally. Finally, the ambiguity of China’s legal claims and the reluctance to drop any line of argument likely reflects the diverse views and interests—and unresolved policy conflicts—among actors that matter in shaping Chinese policy, including: the PLA Navy, other defense-related and civilian agencies with maritime responsibilities, the foreign ministry, state-linked natural resource-development companies, nationalists among the netizens and the broader population, and so on. Bush also noted that China seems to have made progress in addressing the command and control problems that have contributed to military incidents with the U.S. at sea. Scott Kastner considered ways in which China’s apparent approach might hurt Chinese interests or at least involve complicated trade-offs among Chinese interests and among the actors who shape Chinese policy. For example, China’s intransigence on principled claims of sovereignty, its strong pushback against a U.S. role, and its unwillingness to opt clearly for particular positions on legal issues at least threaten to preclude potentially viable compromises and to raise suspicions abroad about China’s agenda.

## **DRAWING A LINE SOMEWHERE?: CHINA’S APPROACH TO SOUTH ASIA, TIBET AND THE QUESTION OF LAND FRONTIERS...AND COMPARISONS TO TAIWAN / HONG KONG**

John Garver characterized relations with India as the weak and troublesome spot in China’s generally successful engagement with the region along its southern periphery. With most of its South Asian neighbors and near-neighbors, China has pursued friendly cooperation across multiple dimensions, often invoking its venerable “Five Principles of Peaceful Coexistence” (which China and India jointly created). Economically, China has closed the gap or surpassed India in importance as a trade partner for many regional states. Even with traditionally closely India-linked Nepal, China’s economic aid has increased and trade has risen sharply, beginning to close the gap with Nepal-India trade. In political relations, China has made gains through its policy of pursuing dialogue and regional cooperation to build mutual understanding and trust. Nepal is a striking example: inclusion of Maoist/communist former

rebels in Nepal's post-monarchical polity has marked an increase in Chinese, and a decline in Indian, influence. In military affairs, China has stressed that military-to-military relations are part of normal state-to-state relations. It has thus portrayed its ties to Pakistan as unremarkable and has broken India's hold as Nepal's exclusive supplier of military assistance and arms. More broadly, China has pressed in South Asia its general views that sovereign independent states have foreign policy autonomy, that states should base their relations on mutual interests, and that third parties (especially extra-regional states such as the United States) should stay out of bilateral relations.

The biggest problem for this Chinese approach to South Asia has been China's neighbor and fellow Asian rising great power, India. India is the one state in the region with which China shares a still-disputed border. India views China's rise as threatening and encircling. Troubling developments for India include: China's overtures toward Nepal; secure Chinese control over, and ongoing sinicization of, Tibet and the construction of infrastructure giving China, and the PLA, easier access to areas near the Tibet-India border; China's advances in the Indian Ocean, including an anti-piracy role for the PLA navy in the Gulf of Aden and investments in militarily useful port facilities in Sri Lanka and Pakistan; the continuing close security, economic and other ties with India's principal adversary (and China's "all weather friend"), Pakistan; and China's warming ties with Myanmar (and associated investment in infrastructure to facilitate exploitation of natural resources). Although only a minority of Indian analysts discerns an anti-India plot in China's South Asia strategy and behavior, most see China's rising power and influence as a problem for India. And the stinging legacy of India's defeat in the 1962 border war with China lingers and colors Indian attitudes. An India concerned about China's South Asia agenda has significant means of responding, including its still-formidable leverage and influence with most South Asian states, and its potential to cooperate with extraregional powers such as the United States, Japan and Indonesia.

Although not seeing India on its own as a major threat, China has been concerned about India's distrust toward China and has responded with a variety of tactics to reduce the risk that India will mobilize resources, and cooperate with others (especially the U.S. since 2000), to impede China's regional agenda. China portrays India's fears as groundless, rooted in misperception or New Delhi's listening to theories peddled by those in the West who seek to gin up a China threat. Beijing also has sought to offer reassurance to New Delhi. It has enunciated goals of rapprochement. It has issued statements, particularly at summits, that China and India are not rivals or mutual threats but are partners which can rise simultaneously and which can cooperate on issues such as South-South relations, climate change, reshaping the international economic and political orders and promoting principles of non-intervention. Such reassurance has been undercut by China's accusing India of a "lack of sincerity" when India defended nuclear tests in 1998 as a response to China, when India

entered a defense cooperation agreement with the U.S. in 2006, and when India's stance on the disputed India-Pakistan border prompted a year-and-a-half diplomatic offensive from Beijing and media talk of war. Finally, China also has tried to be cautious and keep a low profile, in keeping with Deng Xiaoping's foreign policy dictum *taoguang yanghui* (literally, "hide brightness, cultivate obscurity"). The most striking examples have involved Pakistan. Beijing has insisted that its partnership with Pakistan is not meant to balance India. Beijing has rebuffed Pakistan's pursuit of more robust political and economic partnerships and highly visible symbolic enhancements of bilateral ties, including Pakistan's offers to become a "trade and energy corridor" for China, Pakistan's calls for a non-U.S.-centric South Asian security order, and Pakistan's proposal for a PLA navy presence at Gwadar.

China also has refrained from pushing against a U.S. presence in the Indian Ocean and South Asia. Although somewhat ambivalent, China has recognized the advantages of a strong U.S. role. Without the U.S., Pakistan would become more economically and politically dependent on China and more problematic for Chinese foreign policy. India would be more resistant to China's taking on the role Beijing has coveted, and the U.S. has supported, in the Gulf of Aden anti-piracy mission. And Afghanistan could become an unwanted responsibility for China (rather than the economic opportunity it has become since the U.S. toppled the Taliban). China's restraint also reflects its confidence that the region is headed toward a multipolar order in the wake of China's ongoing rise and the U.S.'s corresponding relative decline.

Ashley Tellis commented, first, that China has a full-fledged strategy toward India (and not the mere attitude of indifference asserted by some Western observers of China—though not Garver). India is a second-rank concern for China (far behind the U.S.), but is still important. China's efforts to appear relatively indifferent to India, coupled with its pursuit of relations with countries along India's periphery, have served China's geostrategic interests. Second, China's cultivation of ties with other South Asian states has been made possible partly by India's choices. India acquiesced partly because of its weakness and the rise of globalization, but also partly because China's ties (except in the case of Pakistan) are often compatible with India's interests. India has largely given up on a South Asian order of Indian hegemony in favor of one that tolerates regional states' ties with extraregional states, including the United States and China. Third, China's gains with South Asian states reflect those states' interests and choices. Bordering India, having few ties with one another, and long in India's shadow, they see China's overtures as creating opportunities to play China and India off against one another. (Here again, Pakistan, with its hostile relationship to China and large and long-standing ties to China is the exception).

Fourth, China and India are likely to become maritime rivals, with the rivalry centered on the Indian Ocean. China's rising naval power (assuming it continues) and China's interests in the

sea lanes of communication that run across the Indian Ocean to the Middle East and Africa portend a Chinese challenge to Indian dominance in the area. India is already focusing on cooperating with other states to balance China as a maritime power (and the strength China has gained through cooperation with Indian Ocean states)—an agenda aided by littoral Asian states’ fears of incorporation in a Chinese-dominated regional order. The U.S. is the key extraregional power and Japan an incipient partner for India in such a balancing strategy. Fifth, the nature of China-India relations depends significantly on the United States. If the U.S. continues to insist—as it should—on global primacy, then the China-India relationship is a subordinate rivalry. If not, it would become a more primary and potentially dangerous one and India would face the prospect of other states’ seeing no alternative to bandwagoning with China.

Gilbert Rozman was skeptical about the long-term viability of a generally positive China-India relationship. China sees India, like Japan, as part of a U.S.-led effort to contain China and China’s relatively accommodating stance toward a large U.S. role in the region for the time being stems in part from an underlying belief that the U.S. is in long-term decline. Pending the long-term shift in regional power in China’s favor, the U.S. opposition to the development of great power-centered “spheres of influence” is compatible with China’s aims and interests in South Asia. Partly because of internal divisions and national identity issues, India (like Japan) has not formulated a strong response to China’s rise. In this context, China’s pan-Asian and anti-Western narrative might gain some traction with India and its neighbors, but it has not done so yet in what remains a relationship with a low level of cooperation.

Allen Carlson argued that much of the conventional account of China’s approach to disputes along its periphery tends to draw relatively sharp distinctions between Beijing’s stance on maritime and land border issues, or between its aggressive stance in international affairs (including territorial disputes with some neighboring states) and insecurity at home (including perceived threats of separatism in Tibet and Xinjiang). Such dichotomies—as well as the widely held view that China has become uniformly more combative about territorial issues in recent years—risk overlooking an emerging pluralism with potentially significant policy implications. In recent Chinese policy-relevant scholarly analyses of how to control and govern inland border regions, Carlson discerned three divergent perspectives. These perspectives have emerged in a complex and evolving context: long-term implementation of Reform-Era economic policies that have pursued development and integration of those regions; longstanding removal of external security threats in those regions; a growing sense of China’s capacity to shape its external environment; and rising unrest in Tibet and Xinjiang that has raised doubt about past policies and brought a new emphasis on maintaining stability.

The three lines of thinking, so far most evident in academic writing, differ over how, not whether, to pursue goals of safeguarding Chinese sovereignty and maintaining national unity. The first approach, associated with “frontier studies,” looks to China’s late imperial past as a source of wisdom about how to govern China’s unruly inland border areas. It finds much that parallels contemporary PRC policy, including allowing significant political autonomy and accommodating differences among minority peoples and the Han majority. It also suggests that Beijing’s current policies might be improved by putting less emphasis on borders and sovereignty (a concept increasingly under assault in Western scholarly analyses as well) and focusing more on questions of governance and flexibility in governance of frontier areas. A second line of thinking—“border security studies”—is more critical of existing policy, engages contemporary foreign arguments about the tensions between a still-Westphalian international order and the powerful forces of globalization, and emphasizes the new theme of “non-traditional security” issues and their relevance to China’s restive frontier areas. It calls for a more fundamental shift away from stressing sovereignty and military threats toward understanding more thoroughly the cultural and other factors that contribute to a weak and possibly weakening sense of Chinese national identity among the non-Han people in these regions and, in turn, to threats—primarily of a nontraditional security type—to the Chinese regime’s ability to govern and control them. A third perspective, greatly influenced by Western “culturalist” studies that have remained outside mainstream Chinese thinking, is still more at odds with existing policies. It argues that Chinese approaches to governing frontier regions had been most successful in the imperial past, and will be most successful in the future, when they “culturalize” rather than “politicize” relations with ethnic minority groups along Han China’s periphery. Casting such groups as minority “nationalities” linked to distinct geographic areas with associated political structures—a policy the PRC inherited from the ill-fated Soviet Union—has been a mistake. Treating them instead as ethnic-cultural groups to be addressed through policies on inter-ethnic relations—something more akin to approaches found in India and the United States—is a more promising route to the goals of promoting national identity and preserving national unity and social stability.

These emerging lines of analysis and policy prescription have not yet had much impact on regime policy and they are not likely to do so in the immediate future. Yet, they should not be discounted because their proponents share the Chinese regime’s fundamental goals of unity and stability and because their prescriptions seek to address problems that existing policies increasingly fail to solve—a shortcoming made starkly evident with the resurgence of ethnic unrest and violence in Tibet in 2008 and Xinjiang in 2009.

Richard Bush, Scott Kastner and other participants agreed that the emergence of diverse and critical policy-relevant views on Tibet, Xinjiang and border issues was an interesting development that might prove significant. They underscored, however, the limited current

and uncertain future impact of this thinking on policy. They argued that the practical meaning of these views depended on unknown or unexplored contextual factors. To what extent do members of the top elite who shape policy take one or more of the new strands of thinking seriously? How do views about these approaches vary across institutions that have significant roles in making and implementing policies toward Tibet, Xinjiang and border regions: the People's Liberation Army, the People's Armed Police, the Ministry of State Security, the Party's United Front Work Department, the many entities handling economic development policy for inland areas, the religious affairs overseers in the Party and state, and so on? What is the impact on, and interaction with, broad trends and shifts in Chinese foreign policy, particularly China's relations with the Shanghai Cooperation Organization states which border these Chinese inland frontier regions? Are the proponents of new policy thinking sufficiently attuned to the changing economic, political, migration and other situations on the ground in Xinjiang and Tibet, such that policymakers will see such theorists' views as relevant to the day-to-day choices they must make? Some commentators also worried that China might in the end see the Soviet collapse as teaching a lesson that Moscow was too soft and that repression (rather than the prescriptions offered or implied by China's new "border" thinking) was Beijing's best strategy. This could become more likely if China's sense of being confronted by a U.S.-led containment effort continues to grow.

Michael Davis examined China's policies toward Tibet from the perspective of international human rights and autonomy. Though Tibet has long been a disputed area along China's frontier, acquiescence by other states to China's sovereign claims has severely limited prospects for Tibetan independence, though such claims lurk in the background of the Sino-Tibetan dispute. This reality has meant that international laws and norms concerning majority or indigenous rights of autonomy—rather than the laws and norms of statehood and sovereignty—have been the focus of international concerns about Tibet. The March 2008 uprising in Tibet, the Chinese government's reaction and foreign governments' reaction to Beijing's actions clearly reaffirmed this fundamental pattern. China reiterated that sovereignty over Tibet and other peripheral territory is a "core interest," that efforts to "split" China are unacceptable, and that the Dalai Lama's 2008 proposed Memorandum on Genuine Autonomy for the Tibetan People is an unacceptable bid for "covert independence" despite its apparent consistency with the Chinese constitution's provisions on autonomy for minority nationalities (as well as the UN Declaration on the Rights of Indigenous Peoples, which the PRC had supported in the UN General Assembly).

The Chinese government's response to the pre-Olympics unrest continued longstanding PRC positions, including: a historical claim that Tibet has been an "inseparable" part of China since ancient times (a contention that is at odds with evidence of Sino-Tibetan diplomatic relations over several dynasties prior to Chinese occupation during the late Qing era, and with

Tibet's de facto independence between the 1911 Chinese Revolution and the 1950 occupation by the PRC's PLA); and an assertion that Tibetan rights to autonomy are no greater than those of any other "national minority" in the PRC (a stance that ignores the PRC's unique 17-point treaty-like agreement with Tibet and China's earlier practice in international agreements and statements acknowledging that Tibet enjoyed a special level of autonomy). The PRC's restrictive positions on Tibetan autonomy also reflect long-established practices, including: a constitutional and statutory regime for "national minority" regions that is much less flexible and expansive than the one for special administrative regions such as Hong Kong and Macao; a political and governmental structure for Tibetan (and other) "autonomous regions" that has replicated broader national political structures, given positions of real authority to non-Tibetans and replaced traditional indigenous political structures that PRC rule had destroyed; and drives for "patriotic education," economic development (which has fueled Han immigration), repression of dissent, and destruction of traditional Tibetan culture (particularly during the Cultural Revolution in the 1960s).

Davis invoked international legal standards—especially those addressing the self-determination of peoples and grounded in the UN Charter and the principal UN Human Rights Covenants and articulated in the 2007 UN Declaration on the Rights of Indigenous Peoples—as means to promote more meaningful autonomy for Tibet. Tibetans' claims to robust international legal protection of their rights to autonomy stem from their rights having been "internationalized" through, first, recognition in international agreements or similar arrangements (such as the 17-point accord) and, second, China's denial of Tibetans' rights to self-determination and autonomy. (Especially for indigenous peoples, denial of autonomy or equality becomes a basis for international legal rights claims, including possibly a right to a separate state as the means for implementing rights to self-determination). Davis argued that there should be legal and political space for the Chinese government to adopt a more accommodating approach to Tibetan autonomy. Such an approach is consistent with China's constitutional provisions on minority autonomy regions, and it could engage a moderate, influential interlocutor on the Tibetan side (the Dalai Lama and others behind the Memorandum on Genuine Autonomy). It also offers important benefits to Beijing. It promises—more than would costly, harsher repression—greater stability in a restless border region. It can reduce the fear of chaos in frontier regions that has become a key impediment to broader, necessary political reforms in China as a whole. And it can ameliorate other states' concerns that China's policies toward Tibet (and Xinjiang) portend an increasingly powerful China's aggressive stance in international affairs.

Arthur Waldron was more pessimistic about the prospects for progress toward greater Tibetan autonomy. He argued that China's historical claims are even weaker—and thus more aggressive—than Davis's account indicated. He cited the Washington Conference of 1921-1922

and the ambiguity of the territorial provisions in the Republic of China constitution as additional evidence of the frailty and vagueness of Chinese claims that Tibet is part of China and internationally accepted as such. He noted that India had in earlier times imposed something of a check, given India's awareness of its strategic vulnerability to a China that fully dominated Tibet and China's claims to Indian regions that Beijing dubs "South Tibet." But this deterrent has faded and could fade further given the relative power shifts between China and India. Moreover, China is acutely aware of the risks that Tibet might break away, much as previously Chinese-ruled Mongolia and Taiwan have done and as the non-Russian republics of the former Soviet Union did. Such fears have prompted policies of Han-in-settlement and broader efforts to "sinicize" China's border regions. Western expectations that China will soon moderate its approach are unduly sanguine. China's recent stance on the South China Sea indicates the geographic expansion of China's strong assertion of sovereignty. Given other states' acquiescence in Chinese claims to Tibet, there is a risk that an overconfident China will be imprudently aggressive along one of its unresolved maritime or inland borders. This could bring confrontation that could escalate into full-blown conflict.

Jacques deLisle characterized Davis as depicting pervasive, comprehensive and seemingly entrenched PRC checks on Tibetan autonomy. These include: a negotiation process that avoided internationalization and rejected anything approaching equality of the parties; political limits on the substantive content of "autonomy laws" (which require approval at the highest level); institutional structures (replication, extension and control of the PRC's Leninist Party-state structure in the Tibetan areas and the fragmentation of ethnic Tibetans across several provincial units); ideological and cultural indoctrination (eroding Tibetan culture); demographic transformation (Han in-settlement and subsequent claims to legitimate coercion to protect Han residents from Tibetan violence), and willingness to use great force (especially in 1959, 1989 and 2008). From the regime's perspective, Tibet presents a "perfect storm" likely to draw especially strong responses: elements of separatism (which may grow as the current Dalai Lama fades); cross-border linkages (to the government in exile in India); ethno-religious—rather than merely secular, politically liberal—agendas (which, in Beijing's experience, means more zealous, even suicidal, resistance); and support from the global community (which—from governments to NGOs to celebrities—views Tibetans as a clearly distinct "people" with an appealing culture and values). Although, as Davis points out, intransigence is costly to China, the international costs Beijing perceives may be declining now that China has: lost much of its recently accrued soft power; driven neighbors into seemingly enduring hedging strategies; and grown in confidence that its power gives it latitude to define and protect its core interests.

DeLisle also compared Tibet (and Xinjiang) to Taiwan and Hong Kong—other regions of complicated and disputed sovereignty. For all of them, China asserts empirically untenable



historical claims of the region's Chineseness since ancient times and denies the effect or relevance of actions that formally or in practice separated such territory entirely from Chinese control or gave it great autonomy for very long periods. In terms of the law of self-determination of peoples emphasized by Davis, Tibet and Xinjiang are stronger cases than are ethnically and culturally Chinese Hong Kong and Taiwan. Yet, in terms of political fact, Hong Kong and, much more so, Taiwan have much more autonomy. This contrast may illustrate that it is better to have international political fact than international law on one's side. But it also shows that the more fundamental principle of international law is not the rights of peoples but the proscription on using force to destroy the autonomy of states and near-state entities.

Finally, Tibet-Taiwan-Hong Kong comparisons offer a cautionary tale about international-law-as-formal-agreements and a more hopeful perspective on international-law-as-customary-norms. The treaty-like agreement between the Chinese central government and Tibet has not protected Tibetan autonomy. The treaty between the U.K. and the PRC was a more full-bodied international accord among equals and has done much more for autonomy in Hong Kong, even though the Hong Kong Joint Declaration's promises are limited, their implementation imperfect and the risk of erosion of pledged autonomy real. Therein lies a warning, well-understood in Taiwan, about the risks Taipei will face if and when it negotiates accords for cross-Strait political relations. On the other hand, much of Tibet's limited leverage for autonomy stems from "norms" and "values" factors: principles of self-determination for ethnic minorities; suffering PRC-inflicted violations of core civil and political human rights; the increasingly democratic character of the Tibetan government in exile; and rule of law values (albeit in the weak form of demanding China live up to its own laws). As is well understood in Taiwan and to a significant degree in Hong Kong, securing international support—and the protection (albeit limited) for autonomy it brings—depends on embracing and embodying values such as a distinct "people-like" identity (for Taiwanese although much less so for Hong Kong residents), democracy, human rights, the rule of law, and so on.

**PART VI: ASIAN POWERS AND CHALLENGES BEYOND  
GREATER CHINA**

# THE STORY OF INDIAN DEMOCRACY

By *Sumit Ganguly*

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[http://www.fpri.org/education/1103china\\_india/](http://www.fpri.org/education/1103china_india/)

If you examine the panoply of former British colonies, the case of India is exceptional for its liberal and democratic institutions. The vast majority of British colonies either did not emerge as democratic states or quickly succumbed to the temptations of authoritarian rule. Consider states such as Kenya in East Africa, Malaysia, or even Sri Lanka, which remains nominally a democratic state but, in reality, has become an ethnocracy, privileging the majority community. India’s twin, Pakistan, has undergone long periods of military rule and has not seen democratic consolidation even when brief democratic openings have appeared.

Even today, the military in Pakistan remains *primus inter pares*, or first among equals. When President Asif Ali Zardari visits Washington, D.C., directly behind him is General Ashfaq Kiyani, the chief of staff of the army. This is something that would never happen in India. When Prime Minister Manmohan Singh visits, he does not bring a military entourage with him, because he does not need the military’s consent to govern. The differences between Pakistan and India could not be more striking, and, yet, both of these countries emerged from the same colonial experience.

My principal focus here is on how liberal and democratic institutions emerged, specifically, in India. In the mid-nineteenth century, under the growing influence of British colonialism, the British government formally took charge of India. This government displaced the British East India Company, which had steadily expanded its influence and its ability to govern between 1757 and 1857. But in 1857, there was a significant uprising against British rule. British colonial historians have referred to this as the Great Indian Mutiny, and Indian Nationalist historians refer to this as the First War of Independence. I prefer to call this an insurrection or an uprising in a purely descriptive form, without necessarily taking a position on either side. In

any case, this uprising was brutally suppressed with, for example, the principal leaders' bodies being shot out through cannon barrels—an effective way of killing someone—and also *pour decourager les autres*, to discourage the others. Once you see someone being shot out of a cannon barrel with a significant amount of gunpowder behind him or her, that tends to have a salutary effect on others thinking about an uprising. Contrary to popular accounts, which suggest that the uprising occurred with the introduction of the Pattern 1853 Enfield rifle, which required soldiers to tear off the end of a cartridge before ramming it down the bore, (the cartridge in question, greased with the entrails either of pigs or cows and so equally repugnant to both Hindu and Muslim soldiers) that rifle was not the root cause of the Mutiny even if it might have been the catalyst for it. The underlying structural reason for the uprising against British rule was the penetration of India by British mores, customs, beliefs, and cultural practices, which were all seen as an assault on Indian cultural life. This was part of the transformation that had been taking place in India for well over 100 years. It was a social revolt more than anything else. It had been simmering for some time, and all that was needed was a catalyst. As McGeorge Bundy once said about Vietnam, when a major American base was attacked at a place called Pleiku, he said “Pleikus are like streetcars.” There’s another one coming. In a markedly similar fashion, the Enfield cartridge was like a streetcar. If it wasn’t the cartridge, something else would have triggered that revolutionary upsurge against British—the rule of the East India Company—because of the collective grievances that had built up over a century, because of the high-handedness of the company, and the social and cultural transformation that had taken place.

In the wake of 1857, the British formally took over the rule of India. Queen Victoria promised not to tamper with local customs, practices and religious beliefs and generally to be a good steward of her Indian subjects. Despite this, by the late nineteenth century, the historical record shows the emergence of Indian nationalism. Undoubtedly the ideas which infused this insipient Indian nationalism were quintessentially drawn from the Western World. There was some Nationalist claptrap that perpetuated the myth of an ancestral village level democracy in India, and these ideas ultimately came to the fore. However, there is little evidence for that. There might have been this ancestral notion of consensus in a village and the like, but that is not where the origins of *modern* Indian democracy lie. Rather these origins, contrary to the claims of Indian Nationalists, lie in the traditions of British liberalism.

These liberal ideas were quintessentially British and European. However, it is the genius of the Indian Nationalists that they seized upon these ideas and then *implanted* them in the Indian soil. This was not something that the British bequeathed on India. This nineteenth century emergence of Indian nationalism was very different from that which ultimately brought India independence in 1947. The Indian nationalism of the late nineteenth century, which was given a voice when the Indian National Congress was formed in 1885, was elitist, upper middle

class, anglicized, and sought only incremental changes. The idea that India would be independent of British rule was simply beyond the pale. All they wanted was some notion of representative government. These demands were incremental, evolutionary and limited—reflecting the class, and the much anglicized character of the early Nationalist movement.

## WILSON'S CALL FOR SELF-DETERMINATION

In the early twentieth century, in part because of Woodrow Wilson's call for the self-determination of peoples, the Indians received the mistaken impression that Wilson was referring to the subcontinent instead of Central Europe. Indian Nationalists got a considerable boost from this, only to be terribly disappointed by the very incremental, conservative changes that the British made in 1919. Slight forms of representation were allowed, but only very propertied males were allowed to have representation in the various parts of British India. (Even though after 1857 the British basically extended their sway over all of India, some monarchs were allowed to remain as titular heads of their states. They didn't wield any effective power, and could be dismissed with a wave if the British resident so chose. But there were these 562 monarchs, and some of them ruled over areas slightly larger than a postage stamp. They were allowed to do essentially what they wanted, except that the British controlled three critical areas—defense, foreign affairs and communications. They also recognized the British as what was called the paramount power in India, through the Doctrine of Paramountcy. As it happened, these nominally independent kingdoms would pose an interesting challenge at the time of national independence and partition in 1947.)

In the 1920s and early 1930s, under the Congress party, the Indian National Congress, which had been formed in 1885, came under the tutelage of one of the most remarkable men of the twentieth century: Mohandas K. Gandhi. Most people think of Gandhi as a saintly individual. They also think of his personal quirks. What is relevant, however, is Gandhi's genius in transforming this elitist, anglicized, upper middle class organization into a mass-based political party. Gandhi recognized that the only way to oust the British was to mobilize all of India's population. In this, he drew upon Henry David Thoreau and his idea of civil disobedience. Gandhi recognized that if he used civil disobedience, he could paralyze the British, because the British were interested in social control, not in genocide. They did not want to wipe out the Indians, but rather to keep the Indians in their place.

Gandhi's contribution to civil disobedience, which came back, ironically, to the United States in Dr. Martin Luther King's actions, is that it must be done in a non-violent fashion and with a willingness to suffer the consequences. In this way, Gandhi became an exemplar of the importance of the *rule of law*. That is, if you break the law, you must suffer the consequences, however unjust you might deem that law to be. He decided in 1931 to break a simple law, the

so-called “Salt Law.” Most people know about the breaking of the Salt Law, but this act contained a deeper significance. Salt is something you have to use; it doesn’t matter if you’re a peasant or a plutocrat. The Salt Law fell disproportionately on the backs of the poor Indian peasants, and thereby Gandhi managed to mobilize the peasantry, to give them an understanding that this was an unjust law and must be broken. But he was also prepared, along with his carefully chosen followers, to face police batons and go to prison. In this fashion, Gandhi helped the peasantry understand the power of civil disobedience; how to stand up against an unjust law, and the necessity to do so. This in part explains India’s political culture after independence. The agitational politics that one sees in India—the strikes, the demonstrations, the public unrest, that so characterizes Indian life, in many ways has a direct lineage back to Gandhi. This is the idea that you have a right to go out into the public sphere and protest, even though the police unfortunately remain very colonial in their mentality, and still beat people to a pulp with batons. Nevertheless, people brave this routinely in India, and none more than the Indian poor.

## CONGRESS PARTY TRANSFORMS

The larger point is that in the 1930s, the Congress party underwent a fundamental transformation, and for 1/16th of a rupee, the unit of currency—it was not a decimalized currency at that time—one could join the Congress party. People joined Congress in droves, thereby transforming the very character of the party. By the 1940s, the Congress had become a fascinating organization. It was a microcosm of India. There were staunch socialists in Congress at one end, and diehard free marketers at the other. There were those within Congress who firmly believed that India should be a federal polity, and others, like Jawaharlal Nehru, Gandhi’s chosen successor, who feared that an overly federated polity might serve as the basis for incipient secessionism, and thereby preferred a much stronger center. Some in Congress were passionately committed to the Stalinist model of economic development—the forced-draft industrialization—and others who absolutely opposed any notion of planning.

One of the great advantages of this diverse Congress was that its members were forced to negotiate, to debate, to argue and above all to learn the art of compromise. Consequently, when independence came, when Parliamentary institutions were created under the Constitution of 1950, they were more than well-versed in the art of debate and compromise. It became deeply imbedded in Indian political culture that you would live to fight another day, because that’s the nature of democracy. You may lose this election; you gird your loins again, and come back and enter the arena.

The great failure of the Congress, which led to the partition and creation of the state of Pakistan, was that while the Congress did succeed in convincing significant portions of the

Muslim population (about 20 percent of the population prior to independence) that their rights would be guaranteed in an independent future India, it could not convince all Muslims. Congress had to make important compromises, because it depended on local wielders of power to deliver the vote. Thus, despite its professed commitment to a secular political order, it nodded and winked when electoral needs proved to be compelling. This is what the Muslim League, the party that brought Pakistan into being, focused upon. The League said, in effect, “Look! Even when the British are here, they’re making compromises at the local levels. Imagine how much worse things will be when the British leave, when this neutral power is removed.” Of course, the British were anything but neutral, but that’s how Jinnah, the leader of the Muslim League, characterized the British—that a neutral, moderating power would be gone, and Indian Muslims would be left to the tender mercies of Hindu Nationalists.

Congress emerged after independence as virtually a mini-parliament, with habits of debate, argument and negotiation. India managed to forge a democratic constitution by 1950, and it drew heavily from the American Constitution, the Irish Constitution, and, of course, from British Common Law. If there is a supreme irony in the drafting of this Constitution, it is that the principal drafter, Bhimrao Ambedkar, was an untouchable. He held a doctorate in law from Columbia University and proved well-suited for the task. The Constitution created a bicameral legislature, an independent judiciary, a federated state with significant powers located at the National Center. And in 1952, you have the spectacle of the world’s largest election. While many things haven’t worked out in India, the national election held every five years works well. It is the world’s largest exercise of democracy.

Unfortunately, over the last couple of decades, the Indian Election Commission had become the bane of every Indian politician. It was a somnolent body, but one individual managed to revive this institution, and chose to implement existing laws. As a consequence, the election commission, far from being a poodle, has become a doberman. And politicians live in abject dread of it. In addition, the election commission now is armed with all manner of technology. Electronic ballot boxes, which are uniform across the nation, even if they have to be delivered by donkey to some parts of Rajasthan in the Western desert, or by elephant to extreme parts of Northeastern India, where even a jeep cannot go. This latter area is home to a hermit who refuses to come out of a forest. So a polling officer has to be sent to him so he can cast his ballot. This is not an apocryphal story. It has been written up in the *Journal of Democracy*, published by the National Endowment for Democracy. Because of this exercise of adult franchise, at municipal, local and national levels, we are witnessing what a friend, Christophe Jaffrelot, who is one of France’s leading political scientists working on contemporary India, calls “India’s silent revolution.” We are witnessing a revolution through the ballot box, where the poor and the dispossessed have come to understand the power of the ballot.

## THE POWER OF THE VOTE

Steven Weisman, former Washington Post's bureau chief in New Delhi in the late 1970s, tells the following story. Indira Gandhi, India's Prime Minister from 1966-1977 and 1980-1984, often declared a state of emergency to save her political career. She then called elections because her sycophants told her that "Madame, everybody loves you." The poor turned out in droves, however, and essentially put her out on her ear. Weisman covered this election. He traveled about 50-60 miles outside of New Delhi to a dusty little village in Uttar Pradesh, one of India's most benighted states, with 120 million people now (larger than France and Britain combined). There he met a wizened old man, who was barely literate. This man said to Weisman, "I want you to write this down. The lady told me to shut up. I've told her who has to shut up."

This story epitomizes the power of the ballot—that the poor in India may have little else. They are maltreated by the police. Often they cannot approach the bench because they lack resources. Class privileges lead people to treat them as subhuman. But when they step into that booth, they recognize that they wield the power to throw out rascals and bring in new leadership. This is why Indian elections are so powerfully contested now, because you can no longer predict how the poor are going to vote.

Indeed, in the last couple of elections, highly sophisticated pollsters engaged in what is called the "fallacy of composition." They polled people in urban areas, and said, "Oh, there's going to be a landslide victory of the Bharatiya Janata Party." However, nobody polled the rural poor. When they did, the poor who dread anybody coming from the urban areas routinely dissemble. They tell the pollsters what they want to hear, and consequently draw a completely invalid picture. Only in the post-election polls do we understand how people actually voted.

An organization in New Delhi called the "Center for the Study of Developing Societies," now gives us a kind of an electoral map. This map shows that, unlike in the United States, where the middle class vote is disproportionately high, in India it's exactly the opposite. It is the poor who are voting in droves. The middle class says, "Life is pretty good. Why bother voting? What difference does it make?" Whereas for the poor; it does make a difference. It makes a difference whether you're going to get a strip of road built or whether a schoolhouse will be constructed. Consequently, they use the power of the ballot to punish incumbent governments.



# THE REBALANCE TO SOUTHEAST ASIA

*By Marvin C. Ott and Julia Allen*

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The “Pivot” toward East Asia (subsequently rebranded as the “Rebalance”) was first articulated by Secretary of State Clinton in an October 2011 article. Yet the implications and significance of what was a broad strategic commitment has remained largely unappreciated by the Congress, the media, and the public. This is decidedly less true inside the Pentagon and at the U.S. Pacific Command where the magnitude and peril of America’s new undertaking is far better understood. Within American security circles it is also understood that the real focus of the Rebalance is Southeast Asia. That is where China has already altered the territorial status quo and it is where U.S. and Chinese military deployments are most likely to confront one another.

The strategic situation, in a word, is this. China has enjoyed a spectacular rebirth as a major economic and military power – on a scale relative to the rest of the region not seen since the height of the Ming Dynasty in the 15<sup>th</sup> century. It has become increasingly clear that China intends to employ its new capabilities to establish a regional preeminence over Southeast Asia that includes control of the maritime reaches of the South China Sea. That semi-enclosed sea is transited by the busiest commercial sea lanes on the planet – waterways that carry oil and other commodities vital to Japan and the Republic of Korea. Those same Sea Lanes of Communication (SLOCs) are used almost daily by the U.S. Seventh Fleet as it deploys through its AOR – from bases in Northeast Asia through Southeast Asia and on to the Indian Ocean.

A Chinese ambition to “own” the South China Sea and to exercise a kind of policy veto over the decisions of Southeast Asian governments has profound implications for U.S. national interests, but it does not necessarily predetermine U.S. policy. It is entirely possible to imagine a U.S. strategic choice to acquiesce to China’s broad regional ambitions in return for some specific understandings, particularly regarding freedom of transit through the South China Sea. This, in fact, is what President Xi may have had in mind when he touted a “new kind of great power relationship” when he met with President Obama at Sunnylands. Under this formulation the U.S. would recognize that the era of American strategic preeminence in East

Asia was over and a new era of Chinese dominance had dawned. Washington would make a wise decision to give way – and the peace and prosperity of the region would be preserved and enhanced. The South China Sea would be occupied and administered by Chinese authorities, both civil and military, while the Mekong River System was brought under operational Chinese control by a series of mega dams built on its headwaters in southern China.

But Washington did not play its assigned part. U.S. officials soon stopped referring to the “New Model” and, more importantly, embraced the Pivot/Rebalance and in so doing committed the U.S. to a strategy designed to contest and frustrate Chinese ambitions, particularly in the South China Sea. At the July 2010 meeting of Foreign Ministers representing the 26 governments comprising the ASEAN Regional Forum, Secretary Clinton formally declared a U.S. commitment to the South China Sea SLOCs as a “global commons” (belonging to no single country) and to a multilateral diplomatic process to address overlapping territorial claims by several nations in the South China Sea. On the face of it, both propositions were quite anodyne, but they provoked an incendiary reaction from the Chinese Foreign Minister – because they directly challenged China’s view that the South China Sea is an integral part of China and other claims (by Vietnam, Malaysia, Brunei, and the Philippines) have no standing. As a spokesman for the Ministry of Defense put it in the aftermath of the ARF – China has “indisputable sovereignty” over the South China Sea.

And China has moved rapidly and with singular determination to validate its claims with the actual occupation of territory. Land features in the South China Sea formerly controlled by Vietnam and the Philippines have been seized and occupied by China. A number of Chinese military facilities (airfields and ports) on reefs and atolls have been built or are under construction; the South China Sea is being prepared as a battle space. Already the entire northern tier of the South China Sea has been brought under effective Chinese control –and that is not going to change.

The “mission” then, of the Rebalance is a daunting one – to stymie China’s further territorial expansion and frustrate Beijing’s determination to reduce the independent states of Southeast Asia Chinese vassals – privileged vassals in many respects but vassals nonetheless. This must be accomplished in the teeth of a very rapid buildup of Chinese maritime military power and a fierce determination to restore China’s historic primacy in the region. So far the Rebalance has produced statements, agreements, and some modest redeployment of military assets – but nothing that has actually impeded China’s expanding control of Southeast Asia’s maritime domain. Something more – much more—needs to be done. There is a growing consensus among U.S. security strategists that the success or failure of the rebalance will depend heavily on the degree of regional buy-in to the strategy. The opportunity is there because China’s activities have generated a growing reaction – both fear and alarm – in Southeast Asian

capitals. For these governments the Rebalance offers the only viable means of resisting China's demand for primacy. For the U.S., regional support offers the only plausible means of sustaining an effective Rebalance strategy over time.

As a consequence of World War II in the Pacific and an early Cold War response to the communist challenge, the U.S. signed formal defense agreements not only with Japan and the Republic of Korea, but also with Australia, the Philippines, and Thailand. In each case the U.S. supplied a public good – security – in return for access and support. The result was a security system often characterized as “hub and spoke.” This configuration has remained essentially in place to this day – with the important caveat that major military bases operated by the U.S. in Thailand and the Philippines during the Cold War became inoperative or irrelevant by the early 1990s. Yet at the same time a process of organic elaboration has added several additional components and layers of complexity – creating the exquisitely intricate environment in which the Rebalance must now play out.

### **US-Thai Relations: A Mixed Bag**

In the context of the Vietnam War, Thailand's alliance with the U.S. was intimate and highly operational with Thai airfields hosting U.S. heavy bombers attacking North Vietnam on a regular basis. But the signing of the Paris Accords ending America's Indochina wars plus the Nixon Doctrine signaling a strategic withdrawal from Southeast Asia left Bangkok feeling abandoned and exposed next to a triumphant Hanoi – and embittered by American perfidy. The U.S.-Thai alliance did not end, but it entered a period of severe neglect. Efforts over the last decade to breathe new life into the Alliance were hamstrung by the political paralysis in Bangkok as “Red Shirts” and “Yellow Shirts” faced off in a prolonged contest for control of the government. The political contest has been punctuated by periodic military coups which trigger restrictions in U.S. law curtailing military assistance – and in turn generate resentment in the Thai military further degrading the climate in bilateral security cooperation. Nevertheless, the alliance remains legally/formally intact and both capitals continue to view it as serving an important strategic function. Despite the latest coup (2014) the U.S. has continued to support Thailand's hosting of the annual Cobra Gold multinational military exercise. But so long as the Rebalance has a South China Sea focus, Thailand, a non-littoral, non-claimant state, will remain at the periphery of U.S. strategy. Thailand is also more intrinsically comfortable with growing Chinese influence than any other country in the region.

### **The US and Australia: The Closest of Allies**

Australia is another matter entirely. Formal defense ties rest on the ANZUS Treaty (1951) which originally included New Zealand as a full partner. From a U.S. strategic perspective

Australia has the disadvantage of location; it's a very long way from almost anything else. But Australia has the advantage of modern capabilities – military, technology, and intelligence. Given its relatively small population and economy, Australia must carefully prioritize its defense expenditures. But in a number of niche areas the Aussies are world class. More important, Australia has demonstrated the will and capacity to interact effectively with highly advanced elements/counterparts in the U.S. armed forces. Equally impressive, from an American perspective, Australian governments, both Labor and Conservative, have invested in the alliance by committing Australian equipment and personnel as expeditionary forces fighting along-side the U.S. in its multiple far-flung military campaigns including Korea, Vietnam, Afghanistan, and Iraq. Add to this, two more factors. Australian leaders decided long ago to rely heavily on procurements of advanced American equipment (e.g., F-35 Joint Strike Fighter) thereby making the armed forces of the two countries highly interoperable. Finally, there is a longstanding, intimate intelligence relationship that includes both shared information and analysis and shared facilities, as well. All this adds up to a strategic relationship that is as close as any the U.S. has anywhere. Anyone who has watched U.S. and Australian military personnel interact will have been impressed how easy and comfortable that relationship is.

### **The US and the Philippines: An Alliance Revived**

The Philippines defense relationship with the U.S. has had a far more volatile history. It was born out of American colonial rule and the decision to grant the Philippines independence (fulfilling a prior commitment) in 1947. There was also a special legacy out of World War II; Filipino resistance units fought alongside U.S. commandos and later regular forces against Japan's occupation of the archipelago. This legacy forged a close bond between the two armed forces – unusual for a former colony and its former master. Philippines independence came on the cusp of the Cold War and, very soon, the Korean War. The Philippines, itself, faced a serious domestic Communist (Hukbalahap) insurgency. In 1951 the two countries signed a Mutual Security Treaty (MST) that committed the U.S. to the defense of the Philippines in return for leases allowing the U.S. to build and utilize a large number of military facilities, including major bases at Subic Bay Naval Station and Clark Air Force Base. These played an important support role in the U.S. military effort in both Korea and Vietnam. With the end of the Cold War, political support for the bases waned in both Manila and Washington and the leases that authorized them were allowed to lapse at the beginning of the 1990s. For the next two decades the treaty obligations remained on the books but were treated as something close to a dead letter as neither country saw a compelling shared security

threat.<sup>117</sup> That all changed in 2012 when Chinese maritime forces drove Filipino fishermen away from some of their traditional fishing grounds in the South China Sea and seized land features the Philippines views as its own. President Benigno Aquino staked out a position of protest and resistance regarding Chinese actions and moved to revivify the alliance with the U.S. In April 2014 following a visit to Manila by President Obama, the two governments signed an Enhanced Defense Cooperation Agreement (EDCA) that provides for the renewed rotation of U.S. military forces, ships, aircraft and equipment through the Philippines, including Clark and Subic. However, Washington has not acceded to a long-standing Philippines request to subsume Manila's territorial claims in the South China Sea under the MST. There is one important caveat; the MST does cover Philippines ships and aircraft if attacked while on/over the high seas (read South China Sea). This creates multiple obvious scenarios that might draw U.S. and Chinese maritime forces into a confrontation.

### **Singapore: A De Facto Ally**

In terms of strategic geography, Singapore is the opposite of Australia – a tiny speck of land but an absolutely central location. When the U.S. seemed about to lose its defense presence in the Philippines, Singapore, fearing a strategic vacuum in Southeast Asia, moved to anchor U.S. power by providing the Pentagon with such facilities (including an aircraft carrier pier) as its limited land area would permit. An acute sense of vulnerability has bred a decision-making elite obsessed with national security. Embodied in its founder and first Prime Minister, the late Lee Kuan Yew, the Singaporeans have become Southeast Asia's preeminent strategists – convinced Singapore's survival depends on always being smarter and thinking further ahead than anyone else in the neighborhood. This mindset has led them to cultivate close defense ties with the U.S. – the only country with the capacity to underwrite regional stability and security – and to act as a brake on Chinese ambitions. Singapore's declared strategic priority is to facilitate a continued, robust, American military presence in maritime Southeast Asia.

A series of agreements beginning with a 1990 MOU allow use of Singapore's facilities for naval repairs and port visits (including aircraft carriers) and air force rotational deployments. The principal logistics agent for the 7<sup>th</sup> Fleet, Commander, Logistics Group Western Pacific, moved from Subic to Singapore in 1992. A Defense Cooperation Agreement authorizes annual strategic policy dialogues among senior officials as well as joint exercises. In 2013 the U.S. Navy deployed its first advanced Littoral Combat Ship to Singapore – to be followed by three more for rotational basing by 2018. Not surprisingly, Singapore has long been Washington's preferred interlocutor on all things strategic in the region. For all practical purposes,

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<sup>117</sup> A partial exception to this generalization occurred after 9/11 when the Bush Administration declared that a jihadist threat in the southern Philippines constituted a "second front" in the Global War on Terror. As a result U.S. military trainers and civil affairs units were sent to advise and assist the Philippines army.

Singapore has become a de facto ally without a formal agreement to that effect. But Singapore, with its primarily ethnic Chinese population, has also maintained close proprietary ties with China – and Singapore’s leaders have been liberal with their advice to both Beijing and Washington.

### **Vietnam’s Paramount Security Concern: China**

The military logic of the Rebalance argues for an expansion and diversification of U.S. defense cooperation with other Southeast Asian countries beyond this core group. The most interesting, and potentially consequential, of these is Vietnam. Vietnam occupies a unique strategic position given its shared land and sea borders with China (and three millennia of close interaction between the Viet and Han peoples) – and its recent history of a decade-long war with the U.S. But the historical record also includes a still more recent (1979) brief, bloody border war with China in which the PLA sent thirty army divisions across the border to punish Hanoi for its invasion and occupation of Cambodia. For the Vietnamese this simply validated that China had been, and always would be, Vietnam’s paramount security concern. Hanoi has not forgotten or forgiven China’s 1974 seizure of the Paracels archipelago in the South China Sea – seen by Vietnam as an integral part of its sovereign territory.

It took two decades after the end of the Vietnam War, but by the mid-1990s the first formal steps toward building a military-to-military relationship between the U.S. and Vietnam had begun. As China’s military power and assertiveness grew, Hanoi had only one plausible partner to provide a counterweight and even a modicum of protection – America. In the twenty years since those first, highly choreographed, interactions, military to military relations have grown at a controlled but steady pace. U.S. naval ship visits to Vietnam have become regular events. In June 2012 Secretary of Defense Panetta visited Cam Ranh Bay aboard a U.S. Naval Supply ship and hosted a delegation of senior Vietnamese military officers. Recently, in response to Vietnamese lobbying, the U.S. partially relaxed restrictions on the sale of lethal weaponry to Vietnam. There are clear indications that Washington is also prepared to assist Vietnam with its Coast Guard and with “maritime domain awareness” (coastal radars, communications systems, and reconnaissance aircraft). The pace and depth of cooperation is carefully calibrated in both capitals with several constraints in mind. The U.S. continues to look for “demonstrable progress on human rights” while Vietnam’s Party leadership sees U.S. pressure for political reform as a threat to its rule. Also, Vietnam must constantly gauge China’s reaction to signs of warmth between the Pentagon and Vietnam’s Ministry of Defense. Both defense establishments have clearly indicated their desire for closer ties – but how far and how fast remains a matter of careful calculation. There is one other unspoken factor in U.S. thinking. Vietnam is the one country in Southeast Asia that U.S. defense officials believe will, if pressed hard enough by China, actually fight.

## Malaysia: Close Economic Ties with China, Close Security Ties with the US

Malaysia and Indonesia both fall into a category of friendly, non-allies with modest but growing defense ties with the U.S. – while both cultivate friendly ties with China including some degree of military-to-military cooperation. Malaysia has been notable for the fact that security ties (defense and intelligence) were maintained undisturbed through the long period of political/diplomatic discord coinciding with the tenure of Prime Minister Mahathir (1981-2003). The political climate has warmed considerably since Prime Minister Najib Razak took office in 2010 – and with it the potential for increased defense cooperation. Malaysian receptivity has grown as Chinese naval/maritime forces have begun to appear in waters at the extreme southern end of the South China Sea very near Malaysia. At Kuala Lumpur’s request the U.S. has provided support to Malaysian plans for new naval base at Bintulu on the South China Sea. The Malaysian Defense Minister declared that his country was “keen to draw on the U.S. Marine Corps’ expertise and [has] been in discussions with the U.S. over support, training, and expertise exchange.”<sup>118</sup> Malaysia has also allowed U.S. reconnaissance aircraft to conduct unpublicized patrols over the South China Sea from a Malaysian naval base on Labuan Island. A “senior level strategic dialogue” has become an annual feature of U.S.-Malaysian defense interaction. Planners in the Pentagon see significant upside potential in U.S.-Malaysian defense relations – but again the possible pace and scope remain very much uncertain. An important constraint derives from Malaysia’s deep economic ties with China and the degree that the Malaysian political elite are vested in that relationship. In April 2014 President Obama became the first U.S. President to visit Malaysia in forty-eight years.

## Indonesia: Growing Unease with China, Growing Security Ties with the US

Indonesia, the largest and most important country in Southeast Asia, has never had a close security partnership with the U.S. In the Sukarno era (1949-1965) relations became overtly hostile as the Indonesian leader strengthened his ties with the Indonesian Communist Party and with China. With the overthrow of Sukarno and the advent of a Western-oriented “New Order” government under President Suharto political, economic, and diplomatic ties greatly improved. But the Indonesian armed forces nurtured an abiding suspicion of the U.S. military rooted in CIA paramilitary support for a 1950’s era anti-communist secessionist movement centered outside Java. The Indonesian army’s long record of brutality in East Timor, much of it witnessed by the international media, and its subsequent suppression of anti-Suharto student protests in Jakarta all left it (in American eyes) with a deeply stained human rights record. Congressionally generated sanctions heavily restricted U.S. military interaction with

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<sup>118</sup> Dzirhan Mahadzir, “Malaysia to establish marine corps, naval base close to James Shoal,” *Jane’s Navy International* (October 16, 2013). Defence Minister Hishammuddin is highly regarded in the Pentagon.

Indonesian counterparts. The fall of Suharto, the remarkable emergence of a functioning Indonesian democracy, and shared counterterrorism concerns following 9/11 all chipped away at the restrictions on military-to-military cooperation. Critical disaster relief provided by the U.S. Navy in response to the epic 2008 tsunami plus growing Indonesian unease regarding China's expansionist activities in the South China Sea have set the stage for a closer Indonesian-U.S. security relationship than has ever existed. The two militaries conduct annual consultations at the senior officer level and since 2010 have participated in joint military exercises.<sup>119</sup> Washington has lifted the ban on lethal weapons sales – to include Apache attack helicopters expected to enter into service in Indonesia in 2016. Later this year President Jokowi will visit the White House. That visit could well provide an occasion for additional “deliverables” in defense cooperation.

### **Myanmar's Turn toward Democracy**

Myanmar (Burma) and the U.S. began a period of deep estrangement following student demonstrations against the ruling military junta (1988) and the junta's abrogation of the results of an election (1990) in which the political opposition led by Aung San Suu Kyi had triumphed. The U.S. and Europe responded with stringent sanctions that drove Myanmar into deep dependence on China for economic, diplomatic, and military support. But with elections in 2011, Myanmar began an unexpected turn toward democracy and civilian rule. Aung San Suu Kyi was released and allowed to resume political activities. Full diplomatic relations between Washington and Naypyidaw were restored; most sanctions were suspended and both Secretary Clinton and President Obama visited Myanmar. Despite these developments, military-to-military relations remain tightly constrained. U.S. cooperation with Myanmar's military has included allowing observers during the last two Cobra Gold exercises, and exchanges and workshops regarding human rights and civilian control of the military. Last year Secretary of Defense Hagel invited Myanmar to send a representative to the first meeting of ASEAN defense ministers held in the U.S.

Despite this modest level of activity the upside potential for military-to-military relations is intriguing. It is clear that Myanmar's senior military leaders are anxious to reduce their dependence on China. It is also clear that they regard the U.S. military as the global gold standard – and therefore highly attractive. But none of this will produce significant tangible results unless Myanmar's military can markedly improve its record concerning human rights and violent suppression of minority ethnic groups – while demonstrating a convincing commitment to continued consolidation of democracy and civilian rule.

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<sup>119</sup> Any experienced observer of these interactions will be struck by how much warmer relations are between the two militaries compared to the 1980s and 1990s.



## The Significance of the US-Southeast Asia Strategic Alignment

What does this diverse, protean, collection of alliances, partnerships, arrangements, and facilities add up to strategically? In the context of the rebalance they constitute a significant but indeterminate asset. They offer real facilities and infrastructure support (notably Singapore, the Philippines, and Australia). Allied commitments suggest some tangible operational support in the case of certain military contingencies.<sup>120</sup> The *potential* for additional limited access to other facilities exists in the case of Vietnam and possibly Malaysia and/or Indonesia. All this, in turn, conveys a degree of diplomatic/political/symbolic support – that the U.S. is not operating alone or without friends as it tries to make the rebalance strategically effective. This, in turn, rests on a shared perception that U.S. and Southeast Asian strategic interests align. This is the bedrock of the Rebalance.

At the end of the day, the Rebalance can only be effective – and sustained over time – if it empowers countries in the region to stand up to China. That, in turn, will require that the U.S. demonstrate both the will and the capability – militarily – to deter China’s further territorial expansion. It will also require that Southeast Asian governments adopt the Rebalance as their own and work with the U.S. to build the capacity to make it strategically viable.

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<sup>120</sup> In a related development, the governments of Japan and the U.S. have agreed to updated “Defense Guidelines” that will greatly facilitate cooperation between the two militaries in real contingencies.

## UNDERSTANDING NORTH KOREA

*By Kongdan Oh*

March 2013

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When the third son of dying leader Kim Jong-il was designated as the successor of his ailing father in December 2011, the media asked me to comment on the young (28 or 29) Kim's inclination to reform North Korea's politics and economy. Journalists pointed out that Kim Jong-un had received several years of education in Switzerland, where he could savor prosperity and freedom. Moreover, as a relatively young leader, he might favor new ways of doing things. He might, in short, reveal himself to be a reformer. Interestingly, this is what many people said about Kim Jong-il when he took over after his father's death. The reformation of North Korea would make a great story for the media, but most of life is humdrum and repetitive rather than newsworthy and so I did not expect anything new from the young Kim. My favorite cautionary example was the dictatorship of Bashar al-Assad of Syria, whose four years of post-graduate school in London failed to turn him into a political reformer when he took over from his father.

Not long after Kim Jong-un came to power, he was frequently seen in public with a woman who turned out to be his wife. Again I was asked if this was a sign of change. Kim's father, who had at least one wife and numerous mistresses, never appeared in public with any of them, and North Koreans knew better than to ask whether their leader was married. Once again we can turn to Assad, whose wife was raised and educated in England but has not had an appreciable influence on the political attitudes of her husband.

I have been studying North Korea for over three decades. Back in the year 2000 I co-authored a book with my research partner, Ralph Hassig, titled *North Korea through the Looking Glass*. The title was meant to suggest that North Korea is just the opposite of what Westerners are familiar with. Most of the book was written during the period when Kim Jong-il seemed to have abdicated leadership and abandoned the North Korean people to suffering and famine—a dramatic change from the days when his father (assisted by Kim Jong-il) kept a firm grip on the lives of his people. Optimists saw the younger Kim's abdication of power as a possible harbinger of political, economic, and social change. Yet, we were not convinced that

Kim had adopted any kind of new thinking. Rather, we believed the North Korean press when it quoted Kim as saying, “Expect no change from me.”

Over a decade later, North Korea’s newest leader has taken firm control from the outset. He has purged those whose loyalty he questions. He has strengthened control over the border with China to reduce the flow of North Korean defectors. Although it was rumored that he favored some modest rural reforms, he has failed to announce or implement them. And most discouragingly, he has devoted most of his attention to preparing his people psychologically for another Korean War. Against the express wishes of the Chinese, who provide most of the economic support for the North Korean people, Kim has sided with the army and moved ahead with missile and nuclear development. Toward South Korea, the United States, and Japan, the North Korean regime has issued increasingly harsh threats of impending war.

South Korea’s new president, Mrs. Park Guen-Hye, has offered to implement a trust-building process with North Korea, and her unification minister has said that South Korea is willing to resume humanitarian aid to the North. In the United States, critics of the Obama administration have likewise suggested that a softer approach to North Korea might pay dividends. This strain of optimism is to be found at the beginning of every new administration, but in my opinion it is not the case that previous administrations have missed something. They have tried and become discouraged. Unlike his father, who back in 1994 at least pretended to be willing to make accommodations with the international community when it came to North Korea’s nuclear weapons program, Kim Jong-un has spurned offers of reconciliation and is staking North Korea’s future on Chinese willingness to support his regime, despite the obvious dissatisfaction of the Chinese.

It would seem that Kim Jong-un can only be moved by the wrath of his people or by strong pressure from the Chinese. No one else has leverage over him. China voted for the most recent UN resolution on additional sanctions against North Korea following Pyongyang’s third nuclear test, but whether the Chinese leadership will back up their sanction vote with action remains to be seen. In the past they have spectacularly failed to do so, fearing regional instability more than possible nuclear proliferation.

During my visit to China in November 2012, young Chinese intellectuals and party cadres expressed to me their unhappiness with the Kim regime, although they know better than to directly contradict official Chinese policy. “The ‘First Fat,’ Kim Il-sung, was sort of a comrade to us, fighting against the colonial Japanese. The ‘Second Fat,’ his son Kim Jong-il, was disliked by most Chinese but we continued to support North Korea. Now this ‘Third Fat,’ Kim Jong-un, seems to be the worst of the lot.” China’s new leadership may continue with its traditional “noninterference policy” for a while, but the young Chinese elites have

already lost patience with their troublesome neighbor, a fact that Kim Jong-un and his supporters must surely be aware of.

## INSIDE THE TWO NORTH KOREAS

North Korea today is not one republic but two: A “Pyongyang Republic” and a “Republic of Everyone Else.” The distinction is both geographical and political. The capital city Pyongyang is clean, orderly, and modestly prosperous. Pyongyangites, most of them Party members, dress better than they used to, buy food at restaurants and street-side stalls, and talk on their cell phones. Foreign visitors, expecting to see a land of starving people, are impressed. The regime has the power to make the city—or the most visible parts of the city—to its own specifications. After all, there is no private enterprise to interfere with government plans. Kim Jong-un and the top elites live even better than the other citizens of Pyongyang. No matter how many economic sanctions are placed on North Korea, there always seems to be enough money to support the political elites, with plenty left over for nuclear weapons and missiles.

Outside Pyongyang, North Korea is a different world. In 2009 Ralph and I wrote *The Hidden People of North Korea*. These are the people we were talking about. In Pyongyang, the main streets are as wide as parking lots. Outside the city, most roads are unpaved. Vehicles are few and far between (even visitors to Pyongyang can see that). Trains creep along twisted tracks. Although North Koreans have more freedom to travel than they used to (not officially but unofficially), they mostly hitchhike to get to their destinations. Travelers pay bribes of homemade wine and cigarettes to get rides on military trucks, or they simply trudge along the side of the road. People are thinner and much more poorly dressed than they are in Pyongyang. They are also hungrier and sicker. Only local party leaders and the black-market entrepreneurs who bribe them are pear-shaped; everyone else is banana shaped.

## HOW CAN THE KIM REGIME BE MOVED?

The United States has long appealed to China to put more pressure on North Korea to stop its nuclear and missile programs and initiate economic reforms. The Chinese have by and large resisted this appeal and instead repeatedly called on “all parties” to remain calm and work out their differences in the Six Party Talks, hosted by China but not convened since 2008. For that matter, neither the United States nor South Korea officially favors any sort of political revolution in North Korea, preferring to wait until something causes the regime to change its own mind.

If China cannot be moved, and neither the United States nor South Korea is willing to do more than call on the Kim regime to reform, can 23 million North Koreans take their fate into their

own hands? Since the famine of 1995-1998, when the government stopped providing food to most of its citizens, they have pursued a bottom-up economic revolution and now survive for the most part by their own means, even though these means are mostly illegal. Not having the wherewithal to care for its people, the Kim regime has acquiesced to this revolution, although it occasionally cracks down on private enterprise and continues to insist that socialism is the only acceptable economic system.

Interpreting the regime's acquiescence to private enterprise as a softening of its views, some politicians, political pundits, and analysts in the United States argue that our government should initiate high-level talks with the Kim regime, agree to North Korean demands to sign a peace treaty replacing the 1953 Armistice Agreement, and normalize diplomatic relations with the government in Pyongyang. These actions would satisfy some, but hardly all, of the demands North Korea has made on the United States. In my opinion, the United States tried its best to reach an agreement in 1994 but the effort ultimately failed. Part of the fault lay with the United States, which, as a democracy, was unable to fulfill all of the obligations that the Clinton White House had made. Much of the fault lay with North Korea, which arguably had no intention of actually giving up its nuclear weapons, but rather was playing the United States for all it could get. Regardless of how blame for the agreement's ultimate failure is allocated, the failure itself exemplifies the theme of our *Looking Glass* book: that the two countries are on opposite sides of most issues and can no more meet in the middle than a person can pass through a looking glass—except in a dream.

Almost everyone who tries to deal with North Korea, politically, economically, or socially, comes to realize that this is an almost impossible country to deal with. There is an obvious reason for North Korea's recalcitrance: only by keeping itself separate from the modern world can the regime hope to perpetuate itself generation after generation. People often forget that the regime has been a great success, even though the country is a basket case. The first two Kims lived lives of luxury (after the elder Kim established himself as leader) and died natural deaths. The third Kim presumably believes he can do no better than follow in their footsteps. He and his supporters have little reason to change their policies because they do not suffer from international sanctions or their ruinous economic policies.

So what about the 23 million citizens of North Korea who are not living a life of luxury? Do they have the will and the means to change their condition? Human beings are highly adaptable. The North Korean people have learned how to make their own living, even if for most of them it is not a very good living. They live in constant fear of punishment; most of them endure a measure of hunger and sickness. But this has always been the case. They have never had political power, and the few who have tried to resist the regime have been quickly

arrested and put away in prison camps. Hope is the last word in the people's dictionary. For them, the scope for change is their immediate economic environment, nothing more.

Koreans living in both halves of the peninsula are a hardy and resourceful people. South Korea in the 1950s was in many respects not that much different from North Korea. Both countries were dictatorships and both were poor (North Korea actually got an economic jump on South Korea in the 50s and 60s). In the 1960s, under the authoritarian president Park Chung-hee (the father of the current president), South Korea experienced an economic revolution—instituted by the government rather than the people. Only in the 1980s did the government gradually relinquish its authoritarian powers and move toward full democracy, which arrived in the early 1990s after years of popular demonstrations. Arguably the key difference between political fates of the two Koreas was that the United States had a large military presence in South Korea and successive Korean governments recognized their dependence on the Americans. This presence, and South Korea's desire to join the international community, constrained the South Korean presidents in their use of force against protesting citizens.

The United States has no presence in North Korea. Kim Jong-un's only constraints are the fear that the Chinese might someday pull the plug on his economy, and the fear that his hard-line military might turn against him. As a far away force, is there anything the United States *can* do to help the North Korean people stand up for themselves against their government? In the final pages of our *Hidden People* book we suggested that the only way North Korea would change is if its ordinary citizens took it upon themselves to bring about change, and we recommended that foreigners do everything in their power to provide the North Korean people with information about their government and the outside world to empower themselves. The United States has extended very modest assistance to North Korean defectors who have devoted their lives to transmitting information back to their comrades in the North. But beyond that the United States, with its hands full in the Middle East, has been unwilling to go.

The Obama administration's official policy toward North Korea is "strategic patience." The virtue of this policy is that it does not stir up any hornet nests. The weakness is that it fails to control the situation. Rather than working to remove the Kim dynasty, which judging by its own words and history is unlikely to change, the United States (and South Korea) bolster their defenses so that if the Kim regime *should* act on its threats of war, the allies can win the war as quickly as possible. As for the North Korean people, they are on their own.

# FALLOUT FROM THE SUMMIT: THE CONSEQUENCES OF KOREAN DÉTENTE

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The unexpectedly upbeat tenor of the Korean summit meeting is prompting analysts to consider the possibility of unexpected strategic challenges for the United States in East Asia. Although it seems unlikely that either a comfortable peace settlement or swift reunification of the two Koreas is in the cards, the prospect of detente on the peninsula in itself would be a change of major proportions. For five decades, the prospect of war in Korea and the threat the North posed have served as cornerstones on which US Asia military policy was built. The need to deal with this perceived threat outlasted Sino-American rapprochement, the end of the Cold War, and the demise of the bipolar Soviet-American rivalry. Indeed, the dangers that North Korea continued to represent some four decades after the end of the Korean War became the key to important elements of US strategic policy in post-Cold War East Asia, including the revision of the US-Japan alliance, the determination that the US would seek the early deployment of theater and national ballistic missile defenses, and the belief that engagement with China was strategically as well as economically wise because Beijing could help manage tensions and proliferation risks on the Korean peninsula. If the recent summit is a precursor to detente breaking out in Korea, it seems reasonable to believe that jiggling this strategic cornerstone will have important effects on the Asian strategic landscape.

Although one might be tempted to think of German reunification and the end of the Cold War in Europe as a logical comparison to an unfolding rapprochement in Korea, neither detente nor possible unification in Korea are likely to have similarly benign consequences for American interests. On the contrary, it is suggested below that the end of the “Korean contingency,” though welcome for many obvious reasons, will also greatly complicate security policy in Asia because it will eliminate what had been a convenient opportunity for the US to embrace “dual-use” policies. By this, I refer to measures that are explicitly justified on the

basis of immediate needs arising from concerns about Korea, but that also serve as a hedge against implicit concerns about the long-term challenges some believe a more powerful China may pose. The fading of the Korean contingency will clarify strategic purposes and choices in ways that raise difficult problems for East Asian security, especially insofar as it seems likely to aggravate China's foreign relations with the US and its allies. Below, I consider the possible consequences in just two important issue areas — the US military role in Northeast Asia and plans for deploying missile defenses.

### **The U.S. Military Role in Northeast Asia**

Although the half-century military standoff on the peninsula made Korea a dangerous flashpoint in Asia, the status quo has in recent years also served as a lubricant somewhat easing the friction that emerged in China's post-Cold War relations with other major states. Despite the collapse of the Soviet threat, the persistence of the Korean contingency enabled the US to justify concentrating the lion's share of its 100,000-strong regional deployment in Northeast Asia and especially to explain the need to update its security treaty with Japan. Policymakers in Washington and Tokyo had become worried that stringent limits on Japan's logistical support for US military action on the peninsula, while technically defensible based on the existing terms of the security treaty, would be politically indefensible and could jeopardize American support for the alliance. Thus, although Beijing openly worried that the real motivation for the changes was a trumped up China threat, the overriding reason for initiating the revision of the US-Japan security relationship was in fact growing concern about the possibility of renewed conflict in Korea and a desire to avoid the "checkbook diplomacy" to which Japan had limited itself during the Gulf War. Original intentions notwithstanding, however, China's concerns were not fanciful. As the US-Japanese negotiations about the revised guidelines proceeded during the mid-1990s, rising tensions in the Taiwan Strait effectively broadened the implications of new language about allied cooperation to deal with instability that might develop in "surrounding areas of the Far East." With the new guidelines announced in the wake of the 1995–1996 Taiwan Strait confrontation, and with Japan subsequently refusing decisively to foreclose its options by geographically circumscribing acceptable theaters of operation, China correctly noted that the new guidelines might be understood to apply to Taiwan and not just Korea. Yet, as long as the Korean contingency remained the top planning priority for US forces in Northeast Asia, China, Japan, and the US were able to uneasily paper over their differences of interpretation: Tokyo and Washington formally adhered to their "one-China" positions on the Taiwan dispute while Beijing largely limited its reaction to cautionary rhetoric about the folly of attempting to contain a nonexistent China threat. Realities on the Korean peninsula, in short, provided the US and Japan with a convenient and reasonably convincing counter to China's allegations about the broader purposes of their new security guidelines. Rapprochement on the Korean peninsula



will eliminate this line of argument and require the US and its allies, including Japan, to offer new justifications for their post-Cold War military postures.

The initial focus, however will not be on Japan, but on the future of US forces in Korea itself. As many have noted, the long-standing reason for more than 35,000 US troops stationed and training in Korea will evaporate once the South no longer fears attack from the North. Under such transformed circumstances it will also be hard to argue that the large American deployment in Korea is essential to the broader US goal of preserving East Asian peace and stability. Given its proximity to the even larger US deployment in Japan, how much military value do the American forces on the Korean peninsula add? US interests in East Asian peace and stability would seem to be adequately served by its major presence in Japan complemented by solid US treaty ties not just with Korea, but also with other allies to the south (Australia, the Philippines, Thailand) and agreements that have improved US military (especially naval) access in other states throughout the region. What distinctive purpose would be served by continuing to maintain the concentration of US forces in Korea? Absent the North Korean threat, the obvious answer will have to be that there is some other potential threat to the peninsula serious enough to require this hedge. In a post-Soviet world, the only logical candidate will be China.

Peace on the peninsula would not only require a new rationale for continuing the major US presence there in ways that entail an uncomfortable clarification of US concerns about China, it will likely have a similar effect on the updated US-Japan alliance. Bilateral alliances are healthiest when a common adversary provides the rationale for joint planning and burden sharing. During the Cold War, few in Japan (other than an ever-shrinking leftist minority) had qualms about viewing the Soviet Union as the principal adversary against which they were allied with the US. After the Cold War, North Korea served as both the new principal adversary and also as a politically palatable proxy for maintaining the health of a military alliance that could also be relevant for dealing with other future threats that are now left unspecified. But if Korean reconciliation robs the alliance of its presently useful unifying foe, debate about the central purpose of the most important American bilateral relationship in Asia seems inevitable. Can Washington and Tokyo sustain the present healthy security ties simply by advocating a shared interest in “peace and stability?” Probably. Can such a debate unfold without questions about what threats to peace and stability could arise that require the joint action of the world's two most powerful advanced industrial states? Probably not. China's easily anticipated concern that it is the unstated threat informing Japanese-American planning will complicate the already delicate relationship between Beijing and each of the allies. And Japan's sensitivity to China's reaction, as well as the lack of a domestic political consensus about "the China threat" (unlike the erstwhile Soviet and North Korean threats), will also pose new challenges for sustaining cooperation between Tokyo and Washington.

## Missile Defenses

In the immediate aftermath of the Soviet collapse, Pentagon planners lamented the lack of enemies to justify military modernization — in the words of one US Secretary of Defense, they were down to the likes of Cuba and North Korea. As it turned out, the Pentagon's concerns were overdrawn. North Korea played the role of enemy better than anyone could have expected. Despite their country's severe domestic weaknesses in the 1990s, the Pyongyang regime dedicated itself to developing a ballistic missile and nuclear weapons capability that quickly alarmed the US and its allies in East Asia. Emerging on the heels of the SCUD vs. Patriot experience in the Gulf War, North Korea's efforts provided an unexpected but decisive boost to the revived American argument in favor of deploying ballistic missile defenses. Moreover, it provided just the right sort of boost — justification for deploying a limited defense that could deal with the primitive, small-scale arsenals of “rogue states” (now renamed “states of concern”), but not one effective enough to degrade the retaliatory capability of major powers. An array of critics (arms control experts, some US allies, and the Russians and Chinese) questioned the legality, feasibility, and desirability of the proposed TMD and NMD systems. But North Korea had proved to be an excellent salesman for missile defenses. Recurrent suspicious behavior at alleged nuclear weapons development sites punctuated by missile tests that were just successful enough to arouse strong concern that Pyongyang might one day get it right, helped build momentum in the US for plans to deploy national and theater missile defenses as soon as was possible. In the course of the 1990s, the North's opaque nuclear program and its all too transparent ballistic missile tests also nurtured support within Japan for cooperation with the US on TMD development, overwhelming earlier reluctance based not just on the effort's high cost but also worries about China's clearly expressed objections. Beijing consistently rejected the argument that the Americans and Japanese were actually going to incur the expense of missile defenses just to deal with the strategically puny North Koreans. It viewed limited TMD and NMD as merely a first step towards a larger program designed to neutralize China's missile arsenal, the outgunned PRC's only military ace in the hole.

Nevertheless, although China did not hesitate to make its point about missile defenses, as long as Pyongyang's opaque capabilities and intentions worried others, Beijing, Washington, and Tokyo could at least argue about the scope and purpose of the allies' plans. Should the North Korean missile threat subside, the rationale for NMD, and especially TMD, will have to change. The North's late 1999 promise not to test more long-range missiles, its deft handling of the inter-Korean summit, followed by its announced moratorium on further missile testing have set in motion forces that will become stronger if peace actually takes root on the peninsula. American supporters of NMD may be able to point to “states of concern” beyond

North Korea that justify deployment. Not so America's Northeast Asian allies. In particular, the end of a pressing North Korean missile threat will shake the recently formed Japanese consensus about shouldering its share of the economic burden and tolerating the diplomatic friction with China that cooperation with the US on TMD entails. Although Tokyo may well decide that the health of the alliance requires it to live up to its current TMD commitment, supporters of this position will find it a tougher sell without the looming fear of improved Taepo Dongs crossing the Sea of Japan. The idea of redefining the purpose of TMD as a counter to a potential China threat is almost certainly a non-starter in Japan (and is also unlikely to find strong support in Seoul). More likely, without the unifying immediacy of the North Korean threat, the sort of ambivalence that prevails in Southeast Asia about cooperating with the US in strategic ventures that implicitly target China (like TMD) will spread to Northeast Asia as well. Yet the US might reasonably argue that TMD is essential protection for American forces and their dependents if they are to be put in harm's way by regional alliance commitments. What happens if the US interest in protecting its personnel clashes with its ally's interest in maintaining good relations with China? The question suggests the sort of hard spadework that will have to be done to prevent TMD from becoming a deeply divisive matter for the US and its staunchest Northeast Asian ally if peace breaks out in Korea. The task will be especially daunting since the US interests are mixed, too. As long as Washington values its working relationship with China, it will not be easy to undertake military initiatives that amount to dealing with it as an enemy. Diplomatic legerdemain to reassure Beijing about the purposes of TMD may be attempted, but as with reassurances to Moscow about the benign nature of NATO's eastward expansion, such efforts are unlikely to convince even the least suspicious leaders in China.

The complications of Korean detente for US missile defense policy could be even more far-reaching than just suggested. If a clear China focus means that Japanese (and Korean) support for TMD wanes while American support remains strong, the only soulmate for the US on this issue in east Asia may be Taiwan. How would an American government (especially its congressional wing) respond to a situation in which others balk at participation in US missile defense deployments, while Taiwan becomes a eager suitor? The answer almost certainly depends on the overall state of Sino-American and cross-strait relations at the time. But the potentially serious consequences of a US decision to cooperate with Taiwan on missile defense are clear and arise from conflicting Sino-American perceptions about what this decision would signify. Americans, with Taipei's supporters in Congress taking the lead, would likely see cooperation with Taiwan on TMD as a logical and appropriate response to the growing Chinese missile capability across the Taiwan Strait, a response consistent with the spirit of the Taiwan Relations Act of 1979. In contrast, China would likely see such cooperation as a direct challenge to its national interests, one that defied the spirit of a series of Sino- American executive understandings, solidified the currently informal military ties between Taipei and

Washington, reduced Taiwan's willingness to negotiate a reconciliation, and perhaps emboldened those on the island who would prefer to move toward independence. Thus, unlike present TMD plans in which one can at least envision a strategic architecture that would be focused on North Korea, but could be reoriented and even relocated to other parts of the Far East, TMD based on or around Taiwan promises the near certainty of a major Sino-American crisis.

Ripple effects from Korean detente for the larger US interest in missile defenses may be felt as well. If TMD is deprived of its Korean rationale, the Russian willingness to explore a compromise that includes its suggested boost-phase defense ringing the peninsula will lose its appeal, at least in East Asia. In that case, any possibility of Russia serving as an intermediary to win Beijing's acceptance for a very limited missile defense plan would be gone. An American decision to move forward with TMD and NMD over Russian and Chinese objections will then entail greater risks, including the risk of closer Sino-Russian cooperation on defense-defying strategic missile technologies.

The central thread running through these projected effects of detente in Korea is the way it may reshape the East Asian strategic landscape by forcing actors to rethink their common and conflicting interests, especially when it comes to the future of relations with China. Korean detente would, in fact, be the third major shock of this sort since the late 1980s. China's heavy-handed suppression of domestic political dissent in June 1989 was the first shock, tarnishing the PRC's generally positive image in the West and shaking the self-confidence of the leaders in Beijing about the benign nature of the international setting in which they hoped to pursue national modernization. Shortly afterward, the end of the Cold War and the collapse of the Soviet Union provided a second, arguably more important shock, decisively undermining the earlier willingness of China and its strategic partners to overlook many bilateral differences for the sake of preserving their counter-Soviet alignment. These first two shocks made for an uneasy period of adjustment in China's foreign relations during the early post-Cold War years. Peace in Korea promises to administer yet another shock. Even if its effects are less dramatic than those of the first two and, one can hope, less dire than the sort depicted above, it is certain to be an event that will require policy adjustments from all concerned about East Asian security. Among the many challenges a Korean peace would pose, three stand out: (1) US defense planners, long focused on the Korean peninsula as the major contingency in East Asia, will have to adopt a more genuinely regional rather than subregional focus; (2) The US-Japan alliance, having recently adjusted to the collapse of the Soviet threat in Asia, will face new pressures to redefine its purpose; and (3) The US will have to decide how explicit and vigorous a role it wants to play in counterbalancing China.

# BLURRING BORDERS: NATIONAL, SUBNATIONAL, AND REGIONAL ORDERS IN EAST ASIA

## *Conference Report*

July 2015

*On June 1, 2015, FPRI's Asia Program, in partnership with the Asia Program and the Kissinger Institute of the Woodrow Wilson International Center for Scholars, convened a full-day conference on "Blurring Borders: National, Subnational, and Regional Orders in East Asia." Participants included Richard Bush, Brookings Institution; Felix Chang, FPRI (moderator); Robert Daly, Woodrow Wilson Center (moderator); Jacques deLisle, FPRI and University of Pennsylvania; Dru Gladney, Pacific Basin Institute and Pomona College; Shihoko Goto, Woodrow Wilson Center (moderator); Christine Kim, Georgetown University; Satu Limaye, East-West Center; Mike Mochizuki, George Washington University; J. Stapleton Roy, Woodrow Wilson Center; Gilbert Rozman, Princeton University and FPRI; Sheila Smith, Council on Foreign Relations; and Robert Sutter, George Washington University.*

In the conference's keynote address, Ambassador **J. Stapleton Roy** highlighted the challenges to the United States and the US-backed regional order in East Asia posed by several developments: the great and growing importance of East Asia, in terms of population size, economic scale, and military power; the emergence of new regional organizations—in many of which the US does not participate (such as the Asian Infrastructure Investment Bank, and BRICS-related bodies); and changes in China since Xi Jinping came to power as a bold leader combining Deng Xiaoping-style pragmatism, Mao-like ideology, a commitment to market economics, and a foreign policy that seeks a leadership role for China. The question for the US is whether it will adapt effectively or become mired in attempts to preserve a not fully sustainable status quo.

Among the significant issues the U.S faces is the more muscular foreign policy that China has adopted under Xi. Signs of this include Xi's proposed "new type of great power relations," Beijing's shift to a "proactive foreign policy" and efforts to build up a "China brand," as well as China's approach to territorial disputes in the South and East China Seas. China seeks a role in Asia that is equal to or greater than that of the United States, and it has the ability to contest the US's long-standing role in defining the regional order. But this does not mean that China has the intention or the ability to drive the US out of the region.

If Pax Americana were to end in the East Asia-Pacific region, it is uncertain how and whether a new stable order can be crafted in a region marked by great disparities in power, especially

between China and its neighbors. There will not be a Pax Sinica in which China's dominance approaches that which the US has enjoyed. China cannot rebuild the late imperial tribute system because the world order is and will continue to be based on a Westphalian system of independent, sovereign states. China's still-limited resources and neighboring states' fears that China, given its sense of grievance in foreign relations, will engage in "score settling" are factors that further limit China's role in a regional security order. Modern weapons make it more risky for states to resort to military force.

As China continues to rise, we are more likely to see a multipolar world with several powerful players. In this environment, the US must reconsider its accustomed legalistic-moralistic approach to foreign policy that was suited to a postwar bipolar world, and its reliance on alliances based on shared ideology and traditional power resources that continued into the post-Cold War world. The US also needs to bring to bear the resources—both its own and those of its allies and partners—necessary to underpin a stable regional order.

It would be both unwise and wrong for the US to try to inhibit China's rise, not least because China's growth does much to drive the region's prosperity. Instead, the US should increase incentives for China to behave as a responsible stakeholder in the region and to forego the more seriously status quo-challenging ideas that are present in some, but not all, Chinese analyses of regional security. To advance that agenda, the US should: support solidarity among ASEAN countries to limit China's ability to pursue policies that sow division among member states over issues such as the South China Sea; maintain a strong American presence in the region to give confidence to U.S. allies; underpin an otherwise hard-to-sustain security commitment with a balanced role that includes a robust economic component, including the TPP; and support regional institutions and legal principles—including those that emerged in response to the 1997-98 Asian Financial Crisis—that can deter China (as well the US and others) from irresponsible behavior. For the US, the challenges in pursuing this course lie partly in domestic politics. Opposition in Congress and political polarization have limited the US's ability to mobilize necessary resources, and to support adaptation of key existing institutions such as the World Bank and International Monetary Fund. Washington has not been able to offer bold measures to match China's AIIB, "one belt, one road" and other initiatives from Beijing.

The US should cooperate with other states to reinforce the rule of law in maritime zones and, in turn, a more stable and less conflict-prone order in East Asia. The US's ability in this area would be enhanced by ratifying the UN Convention on the Law of the Sea and by supporting regional efforts to craft legal rules that move beyond the Declaration of Conduct for the South China Sea. The US could benefit from engaging and repackaging attractive or unobjectionable ideas offered by China, such as Xi Jinping's proposal at a recent Work Conference that China

should “promote peaceful resolution of differences and disputes between countries through dialogue and consultation, and oppose the willful use or threat of force.” The US and China both would be well-served by not exaggerating their differences and being more creative in pursuing common interests and helping to sustain the great success story that East Asia has been in recent decades.

### **Sovereignty, Identity and Culture: Subnational Issues and Challenges**

Panelists assessed the intertwined questions of identity, sovereignty and culture in four diverse examples of “subnational” contexts: Okinawa in Japan, the Muslim Uyghurs in the Xinjiang Autonomous Region, the Hong Kong Special Administrative Region (both in China), and the recently heated politics of China’s claims that the ancient Korean kingdom of Goguryeo was part of the Chinese empire.

**Mike Mochizuki** assessed the lasting effects of Okinawa’s complex history, which has included periods of separate rule, dual subordination to China and Japan, full Japanese sovereignty, and renewed ambiguity after the Second World War when China initially sought to reassert its claims to the Ryukyu Islands, followed by a protracted period of US occupation until the reversion agreement that restored Japanese control in 1972. This history has given Okinawans a persisting sense of a separate identity despite integration into Japan through vigorous assimilation efforts and nationalist education beginning after Japan annexed Okinawa in the late 19<sup>th</sup> century.

In terms of Albert Hirschman’s classic framework of “exit, voice, and loyalty,” Okinawans have not pursued or had much prospect for “exit” from Japan. A postwar independence movement gained little traction beyond academic circles, activists, and a minority of Okinawans. Most Okinawans today wish to remain a part of Japan. As this suggests, Okinawans have been loyal to Japan, but they also had demonstrated relatively high loyalty toward patron powers in earlier times, including under Ming China’s tributary system, and later under dual Chinese-Japanese rule.

Okinawans’ preferred mode has been “voice.” But this voice has been too little heard and heeded despite its distinctive content and potential contribution to addressing troublesome issues in the East Asia. Within Japan, Okinawans are particularly concerned with avoiding serious conflict between Japan and China because Okinawans would be at the front line in any major confrontation. More than Japan as a whole, Okinawans have the potential to take the lead in addressing the “history” problem between Japan and its neighbors, in part because Okinawans have had their own experiences—and discontents—under both Japanese and Chinese rule. Ignoring Okinawans’ views on the issue of US bases in Okinawa brings risks for

US-Japan security relations and the US's security role in the region. Okinawans' often-expressed opposition to construction of a facility at Henoko to replace the controversial base at Futenma is too often dismissed as a "not in my backyard" protest. But it is a nodal issue in US-Japan security relations. Pushing forward despite Okinawans' opposition ultimately could threaten the US military's access to more important bases in Okinawa and the rest of Japan.

**Dru Gladney** examined China's challenges in dealing with the Muslim Uyghur minority that lives primarily in the Xinjiang Autonomous Region. Chinese rule over the Uyghurs is an example of China's effort to integrate non-Han areas, primarily to the West of the Chinese heartland, in a modern nation-state (rather than merely subject them to imperial rule). Historically, these areas were only intermittently under China's control—notably, under the non-Han Yuan and Qing dynasties. During the PRC era, Xinjiang and the West have only relatively recently become major foci of regime policies and concerns. The economic reforms that have defined the post-Mao reform era began on the east coast and spread toward Xinjiang only during the Jiang Zemin years. Post-9/11 concerns about terrorism and a fast-growing China's need for oil and other energy resources increased Xinjiang's importance to the PRC. But only under Xi Jinping has the region been recast as a key factor in China's development and foreign policies, including through the "one belt, one road" initiative, the Iron Silk Road proposal (for international rail links traversing the West Asian region), and China's broader quest for a larger role in Eurasia.

China's "nationalities" (*minzu*) policy has been the principal tool for integrating and governing the Uyghurs and the other fifty-four officially designated national minority groups—ten of which are Muslim. The term was borrowed in the early twentieth century from the Japanese attempt to translate the German idea of *volk*, and the basic policies—adopted in the PRC's early years—were modeled on Soviet policy from the Stalin era. Beijing's policies toward the region have not prevented the emergence of a "Xinjiang problem." As national economic interests and investment in Xinjiang have grown, the regime's policies have at times been marked by ambivalence between adopting a "silo" approach that brings few linkages to the local economy, and pursuing deeper integration of Xinjiang amid massive in-migration by Han Chinese. After 9/11, terrorism has become a significant problem, in the eyes of the central government and also in reality. Several significant attacks have occurred in recent years, including notorious ones outside Xinjiang, such as a vehicle driven into a crowd at Tiananmen in central Beijing in 2013 and a knife attack at the train station in Kunming in 2014.

Radicalized Uyghurs returning from the Middle East and growing religious conservatism among unemployed and disenfranchised young Uyghur men portend more difficulties and indicate the inadequacy of the regime's traditional "carrot and stick" policies. Al-Qaeda, ISIS



and similar groups, however, hold limited appeal to Uyghurs, who seek primarily to preserve their culture and secure independence or autonomy for their homeland, not jihad or a new caliphate.

China thus has strong reasons to revise its nationalities policy, particularly in regions such as Xinjiang, Tibet, and Mongolia, where distinct identities persist. China's policies have had some positive effects, including providing resources that have raised living standards. But significant adjustments are needed—especially to policies that foster in-migration of Han Chinese (who are now 40% of Xinjiang's population), undertake investments that contribute little to the local economy, or one-sidedly emphasize repression over accommodation. If such changes are not forthcoming, Beijing risks greater violence and Islamic radicalization in Xinjiang.

Jacques deLisle turned to another special region in China—the Hong Kong Special Administrative Region—and the significance for Hong Kong's "one country, two systems" model of recent disputes over democratic reform. The controversy erupted after Beijing's announcement in August 2014 that Hong Kong voters' exercise of universal suffrage in the 2017 Chief Executive election—which Beijing had promised in a 2007 interpretation of Hong Kong's Basic Law that had rejected an earlier push from Hong Kong for more rapid democratization—would be limited to a choice among two or three candidates chosen by a committee of mostly "pro-Beijing" and "pro-business" elites similar to the one that had selected previous chief executives. Beijing rejected Hong Kong democrats' calls for a process that would give voters a wider choice of candidates. Students and others took to the streets. A heavy-handed reaction by the Hong Kong government (including police use of pepper spray, which students repelled with umbrellas that gave their movement its name) and vituperative condemnation by Beijing built public sympathy for the movement in Hong Kong. But popular support waned as citizens became frustrated with the effect of protesters' encampments on traffic and commerce, violent clashes occurred at the protest sites, and it became obvious that the protesters' demands were futile. Beijing made clear that it would not revise its August 2014 dictum, and the pan-democrats in Hong Kong's legislature secured the one-third of the votes necessary to block the government's legislation to implement Beijing's plan. The near-term result is the retention of the prior method for selecting the next Chief Executive. The broader issue is the implications for Hong Kong's autonomy and democratic development.

The Umbrella Movement—like other efforts to advance democracy in Hong Kong—did not signal separatism or a challenge to the basic "federalism plus" arrangements embodied in the Sino-British Joint Declaration that returned Hong Kong to China and the Basic Law that China adopted as a mini-constitution for the SAR. The Umbrella Movement raises the prospect—far from a certainty—that Hong Kong politics has changed, especially through an

enduring politicization of a younger generation. If so, it will alter Beijing's options for governing Hong Kong. Although in these respects possibly new, the Umbrella Movement is the latest installment in a long-running conflict between Hong Kong democrats, on one side, and Beijing and its Hong Kong allies, on the other side, over the basic terms of governance in the SAR: Beijing's ultimately discretionary choices as the SAR's sovereign, or conformity to universal principles of democracy and human rights.

Given the Umbrella Movement's limited aims and uncertain legacy, Beijing's harsh and strong reaction to the movement is striking. Several explanations might be plausible, none of them good for the prospect of Beijing's accommodating calls for greater democracy in Hong Kong. First, Beijing may have listened to poor advice from the local government and business leaders, who had self-interested reasons for opposing the pro-democratization forces' goals and who have long pressed the view that Hong Kong is an economic and not a political city. Second, Beijing may have understood the issues but was unconcerned about consequences. International pressure and local discontent were insufficient to dissuade the central authorities from intransigence. Third, Beijing feared a "democratic contagion" spreading from Hong Kong and did not want ordinary Chinese and the PRC's restive minorities to ask why they too could not have the democracy that protesters sought, or to conclude that massive street protests were a means to achieve it. Fourth, Beijing invoked, perhaps disingenuously, the specter of a challenge to China's sovereignty—in the form alleging that foreign "black hands" were behind the movement. Fifth, the view from Beijing may be simply that Hong Kongers had gotten away for too long with thinking of themselves as too special. Having been granted so much that was denied to other Chinese, they were not going to be indulged in their disruptive demands for still more.

Beijing's reaction to the Umbrella Movement is potentially costly to its broader agenda, including deepening distrust of Beijing's approach to political issues in cross-Strait relations and reinforcing perceptions in East Asia that China is heavy-handed and troublingly assertive.

**Christine Kim** assessed the controversy that began in the 2000s between South Korea and China over the history of Goguryeo, an ancient kingdom that straddled the northern part of the Korean peninsula and parts of northeast China. When Chinese official sources, including the Foreign Ministry, began to press the argument that Goguryeo was an ethnically Korean part of China's empire, South Koreans reacted strongly. South Korea's account of its own history has more often stressed the kingdom of Silla, which was based in the home region of many South Korean leaders, and which had unified the peninsula and thus resonates with contemporary Korean aspirations for national reunification. But Goguryeo has been a significant part of the national narrative as well, emphasized by Park Chung-hee and a symbol of national pride and military prowess.

China's efforts to cast Goguryeo as Chinese did more than stir up yet another "history question" in East Asian regional relations. They also raised concerns in South Korea that China's claims about ancient Goguryeo reflected contemporary China's hegemonic ambitions. Concerns and debates intensified in South Korea about the risks of the nation's high level of economic dependence on China, and polls showed a precipitous decline in views of China, with the PRC dropping from being the most favorably regarded foreign state to only 6% of South Koreans having a positive image of China.

The controversy over Goguryeo has not had a deep and lasting impact on bilateral relations, however. Although no accord has been reached over these nettlesome history issues, economic relations, tourist visits, and cultural exchanges have continued relatively unimpeded. Bilateral relations have warmed under South Korea's President Park Geun-hye. Nonetheless, the prospects for renewed friction are real. Korean nationalism is a significant force. Although it has been much less volatile toward China than toward Japan, the Goguryeo incident shows that it can turn toward China. The risks of this are enhanced by other concerns in South Korea about the bilateral relationship, including over the vulnerabilities that come from asymmetrical economic interdependence, China's threat to erode South Korea's advantage in high technology, and concerns about whether South Korea's institutional infrastructure is adequate to manage the risks of political frictions with China, and, more fundamentally, to sustain a robust democracy at home in the face of powerful nationalist sentiments that were on display in the controversy with China over Goguryeo.

### **Regional Architectures: Multistate Alignments and Institutions**

The second panel turned to supranational issues, including signs of an emerging bipolar order in East Asia, the prospects for regional security architecture that can help in addressing long-running problems, and the challenges and possible opportunities facing the region's most prominent multilateral organization, the Association of Southeast Asian Nations (ASEAN). Panelists also addressed the roles and interests of the United States in these regional issues.

**Gilbert Rozman** argued that there are strong signs of an emerging bipolar order in the region. This has the potential to lead to a new Cold War although the US and China have kept open the possibility of cooperation on vital issues such as climate change, Iran, and, perhaps, currently more friction-producing issues such as North Korea and the South China Sea. China and Russia are the first and second most important powers on one side of the bipolar order, and the US and Japan are the first and second most important powers on the other. Emblematic of the larger pattern are two recent summits—between Xi and Putin and between Obama and Abe—and two economic initiatives—the US-led Trans-Pacific Partnership and the

PRC's Eurasia-focused "One Belt, One Road" initiative. China and Russia have been upgrading their military cooperation through arms sales, joint exercises and agreements to cooperate on a range of strategic areas. The US and Japan have drawn closer together in security affairs over issues such as freedom of navigation and the disputes between China and Japan over the Diaoyu / Senkaku Islands. China's "One Belt, One Road" policy appeared to conflict with Russia's support for a Eurasian Economic Community, but the two countries insist that they will be closely aligned.

The long-delayed but now-accelerating TPP promises closer economic integration between the US and Japan as the group's two largest economies.

More than economics and high politics are driving this pattern. History and national identity matter as well. China and Russia share a common view of the Second World War that has woven the history of the war deeply into their respective senses of nationalism and national identity, underpinned a commitment to limiting Japan's roles and powers, and entailed a rejection of the universal, generally liberal-democratic values that the US and Japan (and, increasingly, others in the region as well) have embraced in the postwar era.

The move toward bipolarity involves frustrations for lesser powers—that is, the powers lesser than the US and China. Russia and Japan each had sought to assert their national identities, widen their diplomatic horizons, and pursue their own agendas. But relations between Russia and Japan have deteriorated and each has fallen into the role of junior partner to a greater power, while more loudly insisting on pride in its distinct civilization. For middle and small powers, options have become more narrowly limited. South Korea's middle-power activism has proved abortive. A period of good relations with both the US and China and promotion of a Northeast Asia Peace and Cooperation Initiative has been followed by troubled relations with Russia and China and tightening alliance with the United States. ASEAN faces serious challenges to its effectiveness as its members divide among themselves over issues—including maritime claims—that are foci of friction between the US and China. For second- and third-tier powers in the region, it is proving increasingly difficult to act without damaging relations with either the US or China.

The greatest driving force behind these trends has been a rising and more assertive China, and this has intensified under Xi Jinping. In grappling with the challenges that growing bipolarity in the region presents, analysts—and US policymakers—need to pay more attention to national identity than international relations theory typically does. National identity is a major factor in China's behavior and in the alignment between Russia and China.

**Richard Bush** assessed the prospects for building successful security architecture in the region, which he defined as institutions that are created as, or become, agents for solving the region's security and related problems, specifically four significant and persisting ones. In the case of North Korea's nuclear weapons program, such architecture has not been and, in the near term at least, is unlikely to be built. The Six-Party Talks have not been successful in solving the problem, which remains ultimately a bilateral US-North Korea issue with little hope for a bilateral resolution. With the US not offering what North Korea demands, bilateral talks hold little potential to resolve the core issues. The relevant task increasingly has become to contain the consequences of North Korea's program rather than to create an institutional framework capable of achieving denuclearization.

Prospects for regional security architecture are limited for the South China Sea disputes. China's quest for strategic depth in the East China Sea and the South China Sea conflicts with the US's intention to maintain its traditional role as guarantor of regional security, as well as a robust economic and diplomatic presence in the region. The ways China has asserted its territorial claims, nationalist sentiments in China and several rival claimant states, and concerns about energy security have increased friction among China and US friends and allies in the region. The significant and widely recognized risk of confrontation between the military and law-enforcement forces of China and its neighbors creates heightened incentives to build institutions for cooperation and conflict-avoidance. So does the need for multilateral coordination to keep open the sea lanes.

Potentially promising mechanisms have proven weak, however. The UN Convention on the Law of the Sea might provide a framework of relevant rules, but its principles are increasingly contested among China, the US and other states in the region. The ASEAN-driven Declaration of Conduct for the South China Sea often has been violated and has failed to ripen into a long-anticipated and more binding Code of Conduct. Some recent initiatives could portend progress, including the US's and China's pursuit of a bilateral accord on conduct for the operations of their air forces in the region, or Taiwan President Ma Ying-jeou's "peace initiative."

Taiwan presents different challenges for regional security architecture. Beijing prefers to address cross-Strait issues as a bilateral and, in principle, domestic matter, and seeks to minimize the US's role. Taiwan seeks ties with the US to strengthen its hand with the PRC. Addressing cross-Strait issues is further complicated by Taiwan's internal divisions over issues of Mainland policy, national identity, and how to handle the fraught conceptual question of the "Republic of China." Such internal political disagreements are unlikely to abate as Taiwan enters its presidential election season.

Given Beijing's positions on Taiwan's international participation, states that are engaged in regional architecture projects are reluctant to bring in Taiwan absent Beijing's rarely forthcoming assent. Such exclusion is costly to region security, however, because Taiwan not only has a major stake in issues such as disease control, natural disasters, and other non-traditional security concerns (as well as economic affairs) but also has resources and experience to help in addressing those issues.

No regional security architecture is likely to help address the conflict in Hong Kong over the procedures for selecting the Chief Executive or the broader question of democratization in Hong Kong. The issues at stake are internationally important and are significant concerns for US policy. But Beijing regards Hong Kong as an unquestionably internal matter and has claimed that the US was a "black hand" behind the Umbrella Movement. Prospects for a swift and amicable resolution are poor, given Beijing's rejection of calls to revise the proposed electoral rules, and the transformation that Hong Kong has undergone since its 1997 reversion to China, including a rising sense of a distinct identity (especially among the young), and a strong desire for its own politics (alongside close economic ties with the Mainland).

**Satu Limaye** identified six dynamics in Southeast Asia, assessed their implications for the region's institutional order, and considered the issues posed for US policy. First, Southeast Asia's post-colonial states are still engaged in processes of nation-building and state-building at home while also pursuing regional integration. Second, as new leaders have come to power (especially in Southeast Asia's Communist states), the foundation for regional coherence that founding-generation leaders once provided has faded. Third, Southeast Asia's high economic growth has become increasingly dependent on integration with a global supply chain that ties the region to Northeast Asia. The region's external economic links may transform further with the US-led TPP and the PRC-led Regional Comprehensive Economic Partnership. Fourth, the balance of power within Southeast Asia has been shifting, with the relative rise of Vietnam and the increased involvement of extra-regional powers. Fifth, Southeast Asia is becoming more "internationalized" as India, Japan, South Korea, Australia and others have engaged more intensively with the region. Sixth, new economic, political, and military arrangements that link various regional states unevenly with China, the US and other outside powers have tested the coherence and unity of ASEAN, pulling member states into closer alignment with different extraregional powers.

In this context, regional architecture generally—and ASEAN specifically—face several challenges. First, Southeast Asian leaders are likely to give priority to domestic state-building over commitments to strengthening ASEAN as an institutional structure. Second, a core ASEAN principle of not intruding on member states' sovereignty persists and limits ASEAN's potential as a multilateral organization. Assertions of ASEAN's centrality are less effective as

the organization's cohesion weakens and member states turn to outside powers to balance one another. Third, this outreach to powers outside Southeast Asia has drawn ASEAN members into those states' often zero-sum disputes along Asia's long littoral. This in turn has fostered friction among ASEAN states. Finally, the changing modes of outside powers' engagement with the region are threatening to turn "internationalization" from a source of relatively free public goods for Southeast Asian states into an invitation to outside powers to see the region as a platform or arena for conflicts among themselves. The result is to increase Southeast Asia's "strategic exposure."

These developments mean that US policies must address several issues. First, the TPP will initially include some, but not all, ASEAN states. The US will have to develop ways to engage the for-now non-participating states and find ways to address development gaps. Second, the US faces mounting difficulties in crafting its approach to the South China Sea disputes as they become more of a US-China bipolar issue, divide ASEAN states among themselves, and leave ASEAN with a less clear role. Third, the US faces complex and uncertain choices over how much weight to give ASEAN institutions, other regional bodies, and individual nation-states in pursuing its "pivot" or "rebalance" to Asia and other policy aims in the region. Fourth, the US's support for using the East Asia Summit to address major issues has sharpened questions over the EAS's identity—whether it is another "ASEAN-plus" body or a more fully open, Trans-Pacific organization. Finally, US policy must cope with Southeast Asian states' ambivalence about how much to invest in global, rather than regional, issues and how much to accept the US's agenda or to press more strongly for their own, distinctive agendas.

### **Major Powers and Interstate Relations: Japan, China and the US's "Rebalancing"**

The final panel focused on relations among the major states that still largely define international relations in East Asia: the United States, China, and Japan.

**Robert Sutter** addressed several factors affecting international relations in East Asia and several strategic advantages that the US enjoys in the region. The regional distribution of power has been shifting, primarily because of China's rise. Economies in East Asia are becoming even more globalized. Multilateral links are growing in a region that has had weak international institutions. Security threats from North Korea and terrorism persist. The US's engagement in the region has fluctuated between highly involved and troublingly withdrawn. Although East Asia largely welcomed Washington's move away from the unilateralism of the George W. Bush administration, Obama has been seen as an unreliable (albeit more collaborative) partner.

When it does engage in the region, the US has several strengths that can help advance its policy goals. First, the US is—and is recognized in the region as being—an irreplaceable provider of the public good of regional security on which East Asian states depend for their prosperity and stability. “Rebalancing” seeks to reaffirm the US’s commitment to this role. Second, the US remains a major market for the products of the region’s significantly export-dependent economies. Although intra-regional trade has flourished, exports to the US and EU (as well as Japan) remain important and, especially in China, much of the export sector consists of foreign-invested firms, many with ties to or based in the US. With East Asian regimes’ political legitimacy still significantly dependent on economic growth, this economic element of US engagement remains a crucial foundation for US influence. The TPP is a significant step forward for US interests and influence on this front. Third, the US provides vital cooperation with and support for military and intelligence organs of allied and friendly states in the region. This makes the US a singularly valuable and valued partner. Fourth, the US enjoys significant non-governmental power. US NGOs have established good relations and reputations in the region. Many citizens from Asia have lived, studied, and worked in the United States, and have often had very positive experiences. Success stories of Asian immigrants and Asian Americans further enhance the US’s stature in the region.

Overall, the US’s rebalancing policy has been welcomed in East Asia despite continued skepticism about whether the US will be willing and able to sustain its commitments, even as support in the US for a policy of reassurance toward China has been waning. It is in the US’s interest to see the development of stronger, more capable states among its friends and allies in the region.

China is in a much weaker position to pursue its agenda, so much so that it has not succeeded, or pushed very hard, to do so despite opportunities seemingly presented by the US’s distraction in the Middle East and resulting disengagement from East Asia. Beijing’s assertive behavior, both before and since Xi Jinping came to power, has given China a bad reputation among its neighbors. Notwithstanding high levels of economic interdependence, China and its neighbors have growing differences over political and strategic issues, including the maritime disputes in the East and South China Seas.

**Robert Daly** added that there is much frustration in China over China’s lack of discursive power in international relations and its inability to equal the US in presenting its agenda. In think tanks and elsewhere in China, there is a tendency to see the shadow of US power everywhere, while their counterparts in the US increasingly see the shadow of China.

**Sheila Smith** considered Japan’s challenges in handling geostrategic change in Asia, especially issues related to China’s rise. New issues have been added to older ones to yield a daunting



list of problems in bilateral relations: the Japanese Premier's visits to the Yasukuni shrine and the Second World War-rooted "history" questions more broadly; maritime and territorial disputes in the East China Sea, and the spike in tensions surrounding the 2010 ramming of a Japanese coast guard ship by a Chinese fishing vessel in waters near the Senkaku / Diaoyu islands and the stand-off at sea that followed the Japanese government's 2012 nationalization of privately owned land in the islands; and concern in Japan about imports from China of unsafe food, which became a proxy for broader worries about economic dependence on, and vulnerability to, China.

Although the downward trend in relations between China and Japan has worsened in the last few years, the current round of difficulties began at least a decade ago. Japan's traditional framework for handling relations has failed in the face of new frictions with China and changing domestic politics. Consumer groups are increasingly worried about dangerous imported food. The previously pro-China business community has grown frustrated with experiences in, and rivalry from, China. Popular opinion more broadly has turned sour on China. These constituencies have joined with longer-standing nationalist animosity toward China.

Public doubts about the government's capacity to conduct effective diplomacy have further opened the door to rising nationalism in Japan. But this nationalism differs from common perceptions. Anti-Chinese nationalism in Japan can be intense, but it is not generally widespread and is often focused on particular issues. Anti-Korean nationalism in Japan has surged over history issues but is tempered by generational shifts. Contemporary nationalism in Northeast Asia more generally is not about responding to Western imperialism, but rather is about reexamining the Post-Second World War settlement.

In this context, US policy faces challenges, opportunities and limits. The US must reassure its ally Japan, in part to reduce the risk of conflict between Japan and China in a period of troubled relations between the two. The US should continue to seek regional norms and practices on trade and maritime security (and other matters) that support the US's rebalancing policy, take its allies' interests into account, and positively engage China where possible. In addressing the "history questions" that have long roiled regional relations and that are transforming amid current revisiting of the postwar settlement, the US should seek, modestly, to facilitate tension-reducing discourse through non-governmental channels, including scholarship by historians in the region. Obama's rebalancing policy sought to shift focus from the Middle East to Asia, in keeping with the US's national interests. But that did not resolve tensions between "alliance-centric" and "China-centric" perspectives in the US's Asia policy circles, and advancing US interests increasingly requires getting both types of policies right.

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