CHINA'S EMERGENCE AS A GREAT POWER

The preeminent geopolitical factor in Asia for the next several decades would appear to be the emergence of China as a great power. In most discussions of the region's future, this assertion is all but taken for granted, although some observers have dissented. Those who accept this assertion can point to the following realities and trends.

Economic Growth

First and most fundamentally, China has enjoyed rapid and sustained economic growth since 1978, when Deng Xiaoping initiated the current era of economic reform. Indeed, before the Asian economic crisis erupted in 1997, this growth was so rapid that some analysts, using optimistic but not unrealistic assumptions, predicted that China's GNP—evaluated in terms of purchasing-power parity—would surpass that of the United States by 2006. Yet while China

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1This appendix draws on Khalilzad et al. (1999) and on project contributions by Jonathan D. Pollack.

2See Charles Wolf, Jr., K. C. Yeh, Anil Bamezai, Donald P. Henry, and Michael Kennedy, *Long-Term Economic and Military Trends 1994–2015: The United States and Asia*, Santa Monica: RAND, MR-627-OSD, 1995, p. 9. Although more recent work by most of these authors reduces Chinese GNP estimates slightly, it does not contradict the earlier prediction that, under the "stable growth scenario," Chinese GNP will
has escaped the immediate brunt of the region’s financial crisis, the Asian economic slump has exposed and highlighted some weaknesses in the Chinese economy as well as in the “Asian model” of economic development in general.

Despite large “pump-priming” efforts by the government over the past several years, the Chinese growth rate has been slowing down. According to some measures, prices have been falling as well, which suggests the existence of excess productive capacity. China also faces serious economic challenges not only with respect to its state-owned enterprises (SOEs), many of which have been losing money as they encounter increased competition from the private sector and from imports, but also with regard to its banking sector, which is burdened with the large nonperforming loans that are required to keep many of the SOEs afloat. Thus, the key question for the immediate future is whether the private sector can grow fast enough to absorb those workers who would inevitably be laid off in the course of restructuring China’s SOEs and reforming its banks. This reform process is likely to be accelerated when China is admitted to the WTO, thereby bringing matters to a head more quickly.

China’s economic prospects for the next decades thus depend largely on whether its leadership has the political will to back economic reforms that are in the short run likely to lead to the bankruptcy of some SOEs or, alternatively, whether China will opt instead for a Japanese-style policy of putting off hard decisions. In the first two decades of economic reform, the Chinese leadership exhibited a talent for “muddling through”—i.e., for implementing enough reform to keep the economy moving forward while for the most part avoiding major shocks to the political system. However, the urban inflation of the late 1980s, which was closely linked to the public dissatisfaction underlying the 1989 Tiananmen protests, offered one instance in which the leadership’s ability to strike this balance was sorely tested and ultimately found lacking. Whether China’s leadership will prove capable of juggling these competing economic and

social/political requirements remains an open question. This analysis proceeds on the assumption that it will, but it must be recognized that China’s economic prognosis may be less optimistic than it now appears.³

Technological Modernization

China’s economic reform program of the past 20 years has included rapid if selective technological modernization. Nevertheless, China’s level of technological sophistication is likely to prove a more significant obstacle to its achievement of great-power status than its overall economic development. Starting as it has from a very low level, China’s technological progress—while relatively rapid in some areas—has a long way to go.

In eight of nine technologies deemed critical for military purposes,⁴ Chinese production capabilities have been found to be significant yet limited. The exception is biotechnology, with respect to which China has good basic research but poor production capability.⁵ Although China has access to “all but the most advanced dual-use technologies” and is able to assemble many high-tech products, it remains largely dependent on imported high-tech equipment. Nevertheless, current capabilities . . . reflect a significant improvement over the past two decades. When China’s economic reform program began in the late 1970s, Chinese industrial technology was universally obsolescent. Now, while China is hardly a high-tech powerhouse, some sectors are relatively modern.⁶

The key question for the future is the extent to which China will be able to develop a technological base sufficient to support advanced weapon production. Although China purchases some advanced

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³The analysts cited above believe that even in a less optimistic “disrupted growth scenario,” China’s GDP will increase by about 50 percent between 1999 and 2015. See Wolf et al. (2000), pp. 34–39.

⁴The nine areas are microelectronics, computers, telecommunications equipment, manufacturing, nuclear power, biotechnology, chemicals, aviation, and space.


weapon systems on the international market, primarily from Russia, Chinese leaders are unlikely to remain content to base their military power entirely on imported equipment. Indeed, on two occasions—in 1960 and 1989—China suffered an abrupt cutoff of foreign arms transfers from the Soviet Union and the West. Thus, putting aside questions of national prestige, China will not want to remain dependent on foreign suppliers in the future.

A RAND assessment of China’s future technological capability insofar as it affects the country’s military potential asserted that

China’s prospects for technological progress are moderate. . . . By many measures China’s potential for technological progress looks comparable to that of South Korea or Taiwan in the 1970s. In terms such as absolute numbers of scientists and engineers or total spending on R&D, however, China already vastly surpasses smaller countries like South Korea or Taiwan. Thus, average technological levels in China in 2020 are likely to be comparable to those of South Korea or Taiwan today, but China’s greater size suggests that the number of areas in which China possesses state-of-the-art capabilities will be larger than is currently true in those countries.7

It was thus concluded that

[w]hile China can expect to make significant technological progress in coming years, it is impossible that China will catch up to, much less “leapfrog,” the United States . . . for the foreseeable future. By many measures, China’s prospects . . . appear comparable to those of Taiwan or South Korea in the 1970s. . . . Thus, it seems likely that, by 2020, average technological levels in China will be roughly comparable to those in Taiwan and South Korea. There may be a difference, however, due to China’s scale. . . . [South Korea and Taiwan] have become very competitive in particular technological niches. If China follows a similar development path, its huge size . . . means that the number of these niches will be far greater. Thus, while China will on average still be significantly behind the United States . . . technologically, its technological capabilities could be very competitive in a significant number of areas by 2020.8

7Ibid.
8Ibid. (italics added).
Depending on the strategic insight with which China chooses these niches and the competence with which the relevant R&D is conducted, China could build a technological base sufficient for the development of a military force that could pose some severe challenges to the United States. To be sure, such a military force would not be the equal of that of the United States and might not be designed to defeat U.S. forces in an all-out battle—but by exploiting various asymmetric strategies, it could be used to further Chinese political interests in Asia, even against some U.S. opposition.9

Military Modernization

Previous RAND research has dealt with Chinese military modernization in detail10 and has concluded that by 2015 China could emerge as a *multidimensional, regional competitor* to the United States—i.e., as a military power that, while not a peer of the United States, could nonetheless assert itself in its immediate region so as to thwart U.S. political-military objectives. In particular, it has been asserted that China could credibly:

- exercise sea denial with respect to the seas contiguous to China;
- contest aerospace superiority in a sustained way in areas contiguous to China’s borders;
- threaten U.S. operation locations in East Asia with a variety of long-range strike assets;
- challenge U.S. information dominance; and
- pose a strategic nuclear threat to the United States.11

Of course it is by no means a foregone conclusion that the Chinese military will reach this level of capability within the second decade of the 21st century. Aside from the caveats expressed in the preceding sections concerning China’s economic and technological develop-

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9 For a discussion of how China might decide to fight U.S. military forces even while recognizing their overall military superiority to the forces available to China, see Burles and Shulsky (2000).
10 See Khalilzad et al. (1999), Chapter Three.
11 This list is taken from Khalilzad et al. (1999), pp. 59–60.
ment, China would probably have to significantly increase its defense spending, continue to trade quantity for quality, and ensure that the PLA opens itself to doctrinal, operational, and tactical innovation in order to do so. Assuming that its economy continues to grow, however, China would not find it difficult to increase defense spending to a sufficient extent to meet this objective; indeed, merely keeping defense spending constant as a percentage of GNP would in all likelihood suffice. In recent years, real defense spending in China has been growing faster than GDP, although it is unclear whether this trend represents a policy shift or a confluence of other factors (e.g., the unexpectedly rapid drop in inflation and “compensation” to the PLA for relinquishing its control of many business enterprises to other governmental entities).}

12 Nationalism and Geopolitical Ambition

Finally, the argument for China’s growing strategic importance also rests on the country’s strong sense of nationalism and geopolitical ambition, which could bring it into conflict both with its neighbors and with the United States. Although these variables are not the only determinants of Chinese national security policy, they do tend to dis-

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12 Estimating the size of China’s defense budget is a notoriously difficult and contentious problem. Although the official budget figures certainly understate spending, it is unclear what if any meaning should be attributed to the year-over-year changes. Assuming for the moment that such comparisons are meaningful, we note that the official defense budget (in nominal RMB) rose 12.5 percent, 11.9 percent, 12.7 percent, and 12.7 percent in 1997, 1998, 1999, and 2000. Given that inflation was low or nonexistent in those years (the GDP deflator is calculated at 1.0 percent for 1997; 1998 and 1999 saw consumer price decreases of 0.8 percent and 1.3 percent, after which deflation gave way to price stability in the first quarter of 2000), it is clear that these increases surpass GDP growth (8.8 percent, 7.8 percent, and 7.2 percent for 1997, 1998 and 1999). These calculations are based on several sources. The official defense budget for 1996 and 1997 was taken from *China Statistical Yearbook*, Beijing: China Statistical Publishing House, 1998, p. 276. The official defense-budget increase for 1998 is taken from *The Military Balance 1998/99*, London: International Institute for Strategic Studies, October 1998, p. 178. The official defense-budget increase for 1999 is from “Senior Officer Says Defense Budget Remains at ‘Low Level,’” FTS19990308000024, reprinted from Xinhua, March 8, 1999. The 2000 official defense-budget increase is from “China Military Budget Up 12.7% for 2000” (2000). The real GDP growth and deflator for 1997 are taken and calculated from *China Statistical Yearbook* (1998), pp. 55 and 58. The real growth for 1998 and 1999 and the data on consumer prices are taken from *Country Report: China and Mongolia*, London: Economist Intelligence Unit, 1999, p. 6, and 2000, pp. 6 and 7.
tnguish China from other countries—most notably Japan—that are more content with the international status quo and that no longer harbor major ambitions beyond the enhancement of their security and prosperity within the current international order.13

Figuring prominently in this context is the fact that China claims possession of territories that it does not currently control—most notably Taiwan but also the South China Sea. In 1972, China agreed to shelve the Taiwan issue in the interests of forming a quasi-alliance with the United States against the Soviet Union. By the late 1980s, however, the ground had shifted. In 1972, the U.S. “acknowledgment” that Chinese on both sides of the Taiwan Strait agreed that there is only one China was for the most part accurate, at least with respect to the leaderships on both sides of the strait. This assertion became less accurate, however, as the leadership of Taiwan’s ruling party, the Kuomintang (KMT), passed into the hands of native Taiwanese rather than mainlanders who had fled the Communist takeover in 1949—and it grew even less valid with the victory of the Democratic Progressive Party (DPP) in 2000. Thus, China faced the possibility that an indefinite delay in recovering Taiwan could lead to a consolidation of the island’s de facto independence in ways that would make eventual unification difficult if not impossible.

China’s response to this situation has been bifurcated. On the one hand, it has sought to entice Taiwan by offering seemingly favorable terms for reunification under the rubric of “one country, two systems”.14 On the other, it has been willing to engage in saber rattling efforts to warn Taiwan against seeking an enhanced international standing.

As cited in Chapter Two, China has similarly been willing to use military force to assert its claims in the South China Sea.15 Until 1995, many believed that China would use force only against Vietnam, as it

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13For a thorough discussion of the determinants of Chinese national security behavior, see Khalilzad et al. (1999), Chapter Two, on which this section draws heavily.
14This formula was initially proposed by Deng Xiaoping in the late 1970s, when the PRC may have believed that the U.S. derecognition of the Republic of China offered a favorable opportunity for reunification.
15The South China Sea issue is discussed in greater detail in the last section of this appendix.
had done in 1974 and 1988. In February 1995, however, China stationed armed vessels at—and built permanent structures on—Mischief Reef, an islet claimed by and relatively close to the Philippines. Yet, in general, China has attempted to defer questions of sovereignty with respect to the South China Sea while promoting the idea of bilateral “joint development” of the region’s resources. Such a stance is intended to preserve China’s claims while deferring any decisive confrontation, presumably until such time as China is in a better position to vindicate its claims against its rivals.

Despite this relative moderation in terms of policy (at least compared to the past nationalism of other rising powers, such as Germany from the 1860s to World War II), some observers have noted a rising tide of nationalist sentiment among Chinese officials, particularly in the PLA, as well as among some segments of the public.16 This has no doubt been fueled by China’s economic dynamism and by its successful reincorporation of Hong Kong. The sense that China has finally found the right formula for modernization and that it is not condemned to weakness, backwardness, and national humiliation has in all likelihood fed the idea that China can indeed become a great power.

More broadly, China regards the current system—in which the United States, as the only “superpower,” often acts in a “hegemonic” manner—as inherently unsatisfactory. At the beginning of the 1990s, many Chinese observers predicted that the predominance of the United States would erode, allowing for the emergence of a multipolar international system. To some extent, this claim was based on the notion that Japan and Germany were outperforming the United States economically, in part because the United States was “overextended” by virtue of its higher defense burden and global security commitments. However, this view of the fragility of the U.S.

16 In a review of a Chinese book that claimed that China would “become the leading power in the world by the third decade of the next century,” John W. Garver notes that “[t]his book is representative of recent nationalist tracts designed to fan and profit from patriotic ardour in contemporary China” and that “[t]here is a profitable market in China today for books that contain forceful and proud patriotic rhetoric— they are popular with the reading public.” Garver then expresses his “hunch” that the book “does reflect the thinking of at least some Chinese officials.” Interestingly, the book was banned shortly after it appeared. See John W. Garver, “China as Number One,” China Journal, No. 39, January 1998, pp. 61–66.
position was subsequently belied by world events, and Chinese analysts have thus come to view the shift to multipolarity as a longer-term proposition.

In the long run, Chinese policy retains the ostensible objective of replacing the current “unipolar” system with a multipolar one in which China will be one of several relatively equal great powers. Thus, in 1996–1997, when Sino-U.S. relations grew strained, the Chinese successfully incorporated statements favoring “multipolarity” into the communiqués of President Jiang Zemin’s summit meetings with President Boris Yeltsin of Russia and Jacques Chirac of France. More generally, China appeared to be strengthening its contacts with Western European nations in order to broaden its options for economic and technological development.

There is substantial debate about the significance of such high-level strategic assessments to China’s national security policy in the post–Cold War period. Nevertheless, the very existence of such assessments highlights Chinese reservations about the current international system as well as China’s desire to be able to do something about that system.

Does China Matter?

In late 1999 the noted scholar Gerald Segal argued that China’s geopolitical significance has been greatly exaggerated. Segal maintained that

until China is cut down to size in Western imaginations and treated more like a Brazil or an India, the West stands little chance of sustaining a coherent and long-term policy toward it.

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18 The question of importance of multipolarity for Chinese national security policy is discussed in Khalilzad et al. (1999), pp. 10–11.

According to Segal, the importance many attribute to China is due not to the underlying realities but to China’s ability to disguise them:

China is a second-rank middle power that has mastered the art of diplomatic theater: it has us willingly suspending our disbelief in its strength.20

This critique challenges the more commonly accepted view of China’s importance along three different dimensions: economic, military, and political.

Economic Significance. China’s economic importance may be questioned in light of the recent slowdown in its growth rate and in view of the Asian growth model’s typical drawbacks, which China too is experiencing. These include poor allocation of capital, excessive debt, overcapacity, and political interference in decisions more properly left to the market (“crony capitalism”). In particular, China may be facing a massive crisis in its banking system as it tries to clean up bank balance sheets by transferring bad loans to newly created entities similar to the Resolution Trust Corporation (RTC) created in the United States to handle the savings-and-loan problem.

Although China is still a relatively minor participant in world trade,21 the important question is whether this will remain so in the future. There is no doubt, as Segal claims, that China faces major economic challenges, but it is also true that during the two decades of the economic reform period, China’s leadership has proven itself quite adept at innovating and maneuvering so as to preserve the economy’s forward momentum. Hence, it is likely that China will continue to become a more important factor in the world economy. In addition, continued growth would provide the basis for a more powerful military force. Thus, while economic failure could derail China’s emergence as a great power, it seems prudent to assume that China will continue its upward trajectory, albeit at a slower pace.

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21For example, China was the 9th-largest merchandise exporter in 1998 (representing 3.4 percent of total global exports) and the 11th-largest importer (2.5 percent). With respect to trade in commercial services, China’s ranks and percentages were 15th/1.8 percent (for exports) and 11th/2.2 percent (for imports). World Trade Organization press release, April 16, 1999, available at http://www.wto.org/intltrad/internal.htm.
Military Strength. Militarily, Segal similarly notes that

China is a second-rate military power—not first-rate, because it is far from capable of taking on America, but not as third-rate as most of its Asian neighbors.\(^{22}\)

Such a “static” comparison does not, however, get to the heart of the matter, which is whether China could use its admittedly inferior military power to achieve a significant geopolitical objective even in the face of U.S. opposition. On the most important potential conflict, Segal—using the Kosovo conflict of 1999 as a guide—thinks not:

If the Taiwanese have as much will to resist as did the Serbs, China will not be able to easily cow Taiwan.\(^{23}\)

Although China would in this scenario have less advanced weapons to bring to bear than did the United States and NATO, this comparison is inapposite. In fact, many of the more sophisticated aspects of U.S. systems were employed precisely to increase the accuracy of bombing attacks—i.e., to limit collateral damage to civilian targets. An attack that used less sophisticated weaponry and that was less constrained by political factors could thus do much more civilian damage and thereby have a greater political effect on the target’s will to resist. In addition, Taiwan, as an island, could perhaps be subjected to a more effective economic blockade than was Serbia given that the latter could engage in widespread smuggling across its land borders with less hostile neighbors. Thus, despite its “second-rate” character, the Chinese military is and will likely continue to be a major geopolitical factor.

Political Factors. Politically, Segal correctly notes that China no longer exerts the attraction that it did when it could put forward Maoism as an ideological model. It is also true that China’s emphasis on sovereignty and on maintaining its freedom of action implies that for a large country it is relatively bereft of allies or friends. Nevertheless, China is by no means isolated; indeed, one could argue that it has never been less isolated. In recent years, for example, it

\(^{22}\)Segal (1999), p. 29.
\(^{23}\)Ibid.
has improved its relations with Russia; formed a close relationship with the three bordering Central Asia states (Kazakhstan, Kyrgyzstan, and Tajikistan); reinvigorated its ties to North Korea; and increased its influence in Burma.

More generally, China has championed the cause of multipolarity as an antidote to what it sees as excessive U.S. influence in the international system. However seriously this is intended to be taken, it provides China with a possible way to bid for international influence and allies. Realist international theory suggests that a possible if not probable outcome of the current “unipolar” situation would lie in the development of an anti-U.S. coalition. If this is the case, China is one of the most likely candidates to lead such a coalition.

TRENDS IN CHINESE POLICY

Beijing’s strategic deliberations and military modernization goals reflect continued internal debate about current and future strategy toward the United States. Although there appears to be a working consensus underlying current Chinese policy, the priority of defense modernization relative to other policy goals remains a potentially contentious issue for the longer term. Estimates of current and future U.S. defense capabilities are at the core of this internal debate. Having anticipated diminishing American power and influence relative to other major powers, the Chinese now confront increasingly robust U.S. capabilities and a growing trend toward U.S. unilateralism, which some deem a potential direct threat to vital Chinese interests.

Thus, American strategic dominance remains an inescapable fact of life for Chinese defense planners, with American military power

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continuing to advance the frontiers of military innovation. For the Chinese, the operative question is whether and how to diminish this singular U.S. advantage. Some military planners believe that this requires a more credible Chinese ability to counter U.S. power projection capabilities. A Taiwan scenario represents the preeminent Chinese concern, although it seems unlikely that a credible denial capability will be realized at any time soon. Some strategic observers argue that China could rely on exploiting contradictions and rivalries between the United States and its major allies in order to inhibit U.S. political-military response options in a future international crisis.26 Most seem convinced, however, that China must ultimately be able to raise the perceived costs and risks to U.S. forces deployed close to Chinese territory. Enhancing such capabilities seems likely to remain among the primary factors shaping China’s military modernization strategy in the coming decade. Few see options for a “quick fix” to the country’s potential military vulnerabilities.27

Some Chinese observers believe that the U.S. regional presence (especially under conditions of an augmented U.S.-Japan alliance) infringes on China’s “strategic space.” The primary objection to the future U.S. security role may be less to the forward deployment of U.S. power per se and more (given Washington’s open encouragement of an enhanced Japanese security role) to the possibility that China could be faced in the future with a regional security system that would sharply limit if not exclude Chinese influence. Some Chinese strategists, for example, characterize a transformed U.S.-Japan relationship as a bilateral version of NATO enlargement; they see the logic of the alliance as moving well beyond the confines of a bilateral relationship focused on the defense of Japan.28

27Mark A. Stokes, China’s Strategic Modernization: Implications for the United States, Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, September 1999.
Given the regional implications of the enhanced U.S.-Japan alliance, officials in Beijing are seeking common cause with other Asian states wary of a greatly strengthened Japanese security role. The Chinese also likely view enhanced political and economic relations with neighboring states as a cost-effective means to mitigate some of the potential strategic consequences of an expanded U.S.-Japan alliance framework.

On the other hand, a U.S.-led security coalition also helps maintain Japan’s nonnuclear status by undercutting the arguments of those Japanese who distrust the durability of the alliance with the United States. This poses a dilemma for Chinese security planners. China’s repeated advocacy of multipolarity is intended to promote the dilution of U.S. predominance. As discussed in Chapter Two, however, the logic of multipolarity would encourage a major power like Japan to assert its policy independence and would imply that both Japan and India could emerge as autonomous great powers in Asia. China’s longer-term view of the U.S.-Japan alliance may depend on whether such collaboration is seen as maintaining Japanese subordination to the United States or as facilitating the growth of an independent Japanese military capability. In this context, the key question would be whether the United States was constraining Japanese political-military capabilities or providing Japan with military protection and political cover to augment its indigenous strength and assert its own interests.

An alternative approach to China’s national strategy emphasizes China’s longer-term economic potential and advancement. This view retains few illusions about China’s ability to compete credibly with American military power, and its proponents see little reason to attempt it. A more effective long-term strategy would enmesh China (especially the dynamic coastal regions) financially, commercially, and technologically both with the United States and with Beijing’s East Asian neighbors. As a consequence, coercive options would presumably lose much of their potential relevance both for China and for its potential rivals in Northeast Asia.

This alternative strategy, although muted at times of heightened nationalism and increased suspicions about U.S. strategic intentions toward China, may yet emerge as a more credible policy option in Beijing. Despite China’s distinct displeasure with U.S. interventions
abroad (most recently in Kosovo), most Chinese strategists believe it is neither feasible to rapidly accelerate military modernization nor necessary to mobilize a political coalition to oppose the exercise of American power.29

The Chinese remain sobered and perhaps somewhat frustrated by American global dominance and by the prospect of increased U.S. unilateralism. Absent a direct U.S. threat to core Chinese strategic interests, however, few see major gains in an overt challenge to American power. This calculation might change at some point in the future, but it is likely to do so only when China believes it possesses the economic and technological wherewithal to contest American regional strategic predominance—and only if U.S. actions are deemed a direct threat to China’s vital national security interests. Thus, even a more fully developed China would not automatically result in a heightened challenge to the United States; it could depend as much or more on perceived challenges posed by U.S. military power to Chinese vital interests.

U.S. involvement in a major crisis in the Taiwan Strait undoubtedly ranks uppermost among Chinese strategic anxieties. Despite the rapid growth of economic ties and people-to-people relations between China and Taiwan, Beijing has been unable to forestall the island’s democratization and its increased political identity apart from the mainland.30 In the aftermath of China’s March 1996 ballistic missile tests near Taiwan’s major ports, the United States enhanced military relations with Taiwan to include increased arms sales and more regular exchanges with Taiwanese defense officials. These military ties could also lead to heightened collaboration on missile defense (for example, provision of early warning radars) that could under some circumstances renew more direct U.S. defense linkages with Taiwan. The Chinese, however, repeatedly insist that any overt


declaration of independence by Taiwan would automatically trigger Chinese military actions. Beijing is not specific about its strategic, operational, or tactical objectives should it use force against Taiwan, but major SRBM attacks would likely be a primary component of any military campaign directed against the island.

The Chinese also recognize, however, that the United States is almost certain to respond to an unprovoked attack on Taiwan, thereby fulfilling U.S. security obligations to the island under the Taiwan Relations Act. American deployment of two carrier battle groups east of Taiwan during China’s live-fire exercises and missile tests imparted to Beijing the risks of undertaking major military actions. The Chinese also recognize that a major attack against Taiwan would likely lead to renewed repolarization in East Asia and to a huge setback in China’s plans for economic development. Thus, China’s “lessons learned” from the 1996 crisis appear to inhibit outright Chinese coercion against the island in the near term while spurring accelerated Chinese efforts to secure the capacity to preempt or preclude U.S. involvement in a Taiwan contingency over the longer run.

Beijing therefore continues to pursue a multipronged strategy toward Taiwan, combining elements of political pressure with heightened military preparations to warn Taipei about the possible consequences of overt moves toward independence. As one Chinese military analyst has concluded, “[T]he strategy we should pursue is one of sustained high-intensity deterrence or pressure combined with political or diplomatic efforts . . . . [W]e are going to have to endeavor to keep . . . deterrence believable while doing all possible to draw our bows without shooting and keeping the pressure on without fighting, to keep the danger and huge cost of large scale military conflict between mainland China and Taiwan and between China and the United States within limits that we can commonly stand.”

The Chinese thus recognize that they cannot exclude significant U.S. reactions to any use of force against Taiwan, underscoring the latent possibilities of an even larger and far riskier U.S.-China crisis. While not a guarantee of Chinese restraint, it induces a large element of sobriety into Chinese military strategy toward Taiwan.

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POLITICAL-MILITARY IMPLICATIONS FOR THE UNITED STATES\textsuperscript{32}

Assuming that China does prove increasingly pivotal to the long-term balance of power in Asia, it is crucial to assess the various political-military challenges the country could pose to the United States. The discussion in this section proceeds from the most concrete to the most speculative; its purpose is not to predict future Chinese behavior but to facilitate consideration of the implications of China’s emergence as a great power for the U.S. armed forces in general and the USAF in particular.

Vindicating Claims to Territory or Territorial Waters

Like any other state, the People’s Republic of China can be expected to use force to maintain its territorial integrity. Unlike most contemporary states, however, the PRC claims as rightfully belonging to it territories that it does not physically control. Of these territories, the most important by far is Taiwan.

Taiwan. As discussed previously, China explicitly reserves the right to use force to vindicate its claim to Taiwan. This could come either in response to some action by Taiwan or others that threatens to make eventual reunification less likely or even impossible (such as a Taiwanese declaration of independence) or at China’s own initiative should it decide that the underlying political, social, and economic trends are unfavorable to peaceful reunification and are unlikely to be reversed.

Whatever China’s political motivation, Chinese military action could entail a wide variety of more immediate objectives. In order of increasing seriousness, Chinese military operations could encompass:

\begin{itemize}
  \item saber rattling for political effect;
  \item harassment designed to cause minor cost or inconvenience for political effect (e.g., interfering with shipping or air routes or causing detours or delays);
\end{itemize}

\textsuperscript{32}This section draws heavily on Khalilzad et al. (1999), pp. 27–36.
The occupation of Taiwan would seem to lie beyond China’s current military capabilities even if the United States were not to become involved. However, some of the other operations cited above would seem to be well within the realm of possibility, although their utility would depend heavily on political factors—specifically on Taiwanese domestic political unity and strength of will—as well as on the nature and extent of any support Taiwan received from the international community in general and the United States in particular.

South China Sea and the Spratly Islands. China claims (as do Taiwan and Vietnam) all the islands, reefs, and rocks in the Spratly Islands that lie above sea level. Malaysia, the Philippines, and Brunei also have overlapping claims on many of these islands. In addition, China claims (as does Taiwan) almost the entire South China Sea, including areas that other nations consider parts of their continental shelves. The area is important for several reasons. For one, it is thought to contain significant oil and natural gas deposits, although estimates of the size of these deposits have varied widely; some Chinese authors also emphasize its potential importance as a fishing area. In addition, crucial sea routes between the Middle East and

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33For example, although Taiwan occupies Itu Aba (Taiping) Island in the South China Sea, it is not clear whether the PRC would have any interest in taking that island. Politically, removing this symbol of Taiwan’s “Chineseness” would seem unwise. On the other hand, Itu Aba is the largest island in the Spratlys, and the ROC has soldiers stationed there; hence, the PRC might be motivated to take it by virtue of its potential usefulness as a military base. See Mark J. Valencia, *China and the South China Sea Disputes*, Oxford: Oxford University Press for the International Institute for Strategic Studies, Adelphi Paper No. 298, 1995, pp. 6 and 39.

34Shlapak et al. (2000).

35Valencia (1995), p. 10, gives a range of 1 to 17.7 billion tons (approximately 7 to 125 billion barrels).
East Asia pass through the area; hence, any interference with freedom of navigation would have important economic repercussions.

Each of the claimants in this area except Brunei has taken some action (e.g., occupying an island) to assert its claims. In addition, various clashes have occurred over the years, most notably in 1974, when the Chinese evicted South Vietnamese forces from some of the Paracel Islands, and in 1988, when the Chinese drove Vietnamese troops away from Johnson Reef in the Spratlys. In 1995, the Chinese established some permanent structures on Mischief Reef, which is also claimed by the Philippines. In the future, China may again use force to vindicate its claim to the South China Sea and its islands.

**Other Territorial Claims.** China claims (as does Taiwan) eight uninhabited islands (known in Chinese as Diaoyu and in Japanese as Senkaku) located about 100 miles north of Taiwan that are currently controlled by Japan. The area may contain some oil, and the islands’ location could also be strategically significant as part of the “first island chain” that separates China from the open areas of the Pacific Ocean.36

Over the years, a number of minor incidents have taken place in which activist groups of the claimant countries have taken action to assert their countries’ claims. China has acted in a restrained manner in the course of these incidents. Were China to deem it advantageous to raise tensions with Japan, however, it might well use force with respect to these islands.37 While the United States does not take a position with respect to these claims,38 it could not ignore any Chinese attempt to exert military pressure against its Japanese ally.

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38The United States controlled these islands after World War II but returned them to de facto Japanese control at the time of the reversion of Okinawa (1971). In a press conference on April 9, 1999, U.S. Ambassador to Japan Thomas Foley stated that the United States does not take a position in the territorial dispute concerning the islands but that the islands are “part of Japanese-administered territory.” He ducked a
China does not formally recognize the McMahon Line separating northeastern India from Tibet, claiming that the Tibetan officials who agreed to that line in 1914 were not authorized to do so. Instead, Chinese maps show the boundary along the foot of the hills some 50 miles to the south, thereby claiming some 35,000 square miles of territory currently ruled by India as part of the Northeast Frontier Agency (NEFA). In September 1993, China and India agreed to "maintain peace and tranquillity" along the existing line of control. However, they still disagree in principle about the status of the McMahon Line.

On December 30, 1999, China and Vietnam signed a treaty on their land border, bringing to an end a dispute that had figured prominently in China's justification of its invasion of Vietnam in 1979. However, disagreement over the maritime boundary in the Gulf of Tonkin and the South China Sea remains unresolved.

To Deal with a Separatist Threat

China faces a series of threats to its territorial integrity from separatist movements in its non-Han-dominated areas, particularly Tibet, Xinjiang, and Inner Mongolia. For geopolitical or ethnic/religious reasons, support for these separatist movements could come from the regions' neighbors—i.e., India, the Central Asian states (primarily Kazakhstan and Kyrgyzstan), and Mongolia.

In the past, China has accused India of supporting Tibetan resistance to Chinese rule (for example, by providing sanctuary for the Dalai Lama following the 1959 revolt). There has also been serious Uighur opposition in Xinjiang that in recent years resulted in a series of violent actions. China has obtained pledges of "good behavior" on the part of the neighboring Central Asian states, which have valued cooperation with China above ethnic or religious solidarity with the

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Uighurs. With the exception of Kyrgyzstan, whose president was a democratically minded dissident during Soviet times, most of these states are ruled by Soviet-era apparatchiki. If future governments were headed by leaders who take their countries' Muslim and/or national identities more seriously, however, they might be willing to run some risks vis-à-vis China. If separatist activity were to become more serious and if neighboring states were to become important bases of support, then China could threaten the use of force to deter those states from supporting separatism and/or to disrupt or destroy separatist bases on the territory of neighboring states.

Finally, there is an ethnic affinity between the Mongolians who live in China (in Inner Mongolia) and those who populate independent Mongolia. In the context of a general loosening of political controls by Beijing, there could be agitation for greater autonomy by the Mongol population of Inner Mongolia, which would raise the question of support from their brethren across the border.

To Prevent the Emergence of a New Threat to China

With Gorbachev’s rise to power in the Soviet Union, the PRC entered a new and unprecedented situation in which it believed that it no longer faced a mortal foreign threat to its existence either from the United States or from the Soviet Union. Looking forward, however, China must consider whether a new threat might not emerge, perhaps from Japan or India. If so, is it conceivable that China might use force to prevent or deflect a potential opponent from posing a serious threat? Although the United States would be compelled to react to the use of force against its Japanese ally, any U.S. involvement in a Sino-Indian dispute would depend on the circumstances at the time.

Present-day Japan presents the anomalous case of an “economic superpower” that remains a subordinate factor on the world political-military stage. Nevertheless, the Chinese remain intensely suspicious of Japanese intentions, reacting strongly to even minor shifts in Japanese policy or practice that might presage a stronger world

41See Burles (1999), p. 56.
role.\textsuperscript{42} China might resort to the threat or use of force against Japan in a situation in which the U.S.-Japan alliance had broken down in some fashion or had for some reason been transformed into an alliance of equals, and Japan appeared poised to radically break with its past policies and adopt a much more active political-military role.\textsuperscript{43} China might believe that it could use force in such a way as to humiliate and discredit those Japanese who favored a more militarist course while alarming and energizing their opponents, thereby averting the threatened change in Japan's behavior. Alternatively, China might seek to secure the disputed islands before Japan became militarily strong enough to contest them.\textsuperscript{44}

Of course, China would need to carefully assess the risk that any such threat or use of force might prove counterproductive by stimulating rather than restraining Japanese nationalism and rearmament. The key point would be not so much what military objective China sought to obtain by its use of force as the anticipated political effect of the incident on internal Japanese opinion and politics. The characteristics of such a use of force—especially the emphasis on achieving surprise and producing a major psychological shock—would be consistent with past Chinese uses of force.

India, by contrast, is an economically, militarily, and, generally speaking, technologically weaker power than China. Nevertheless, it has been an active political-military player in South Asia that, as its nuclear test program makes clear, is intent on increasing its military capabilities to deal with China on more equal terms. At least some Chinese observers have questioned whether India has fully accepted the incorporation of Tibet into China.\textsuperscript{45} More generally, in the af-


\textsuperscript{43}This assumes that the U.S.-Japan alliance had broken down in some fashion or had for some reason been transformed into an alliance of equals.

\textsuperscript{44}Christensen (1996), p. 44, asserts that if it appeared that the U.S.-Japan security relationship were foundering, there would be a "widening consensus among Chinese analysts that China should quickly build up its military power and settle various sovereignty disputes in the \textit{East} and South China seas, by force, if necessary" (italics added).

\textsuperscript{45}The five nuclear test explosions have laid bare the lies and schemes of the Indian authorities. China has never invaded India, but India has occupied Chinese territory.
termath of the 1998 nuclear tests, Chinese military writers accused India of seeking hegemony in South Asia as well as “great-power status in the international community.” For example, China might feel compelled to react militarily in the event of a future Indo-Pakistani war, especially if it appeared that India was on the verge of a major victory. The border dispute could provide the justification to act, much as border tensions and incidents provided the pretext for the Chinese invasion of Vietnam in 1979; the real motive had to do with Vietnam’s attempt to gain “regional hegemony” by invading Cambodia and installing a friendly government in Phnom Penh.

To Protect Ethnic Chinese Populations

The PRC has not used force to protect the ethnic Chinese population in neighboring countries. The Chinese complained about the mistreatment of ethnic Chinese in Vietnam in the late 1970s, but the real motive for the Chinese invasion of 1979 must be sought elsewhere: The Chinese remained allied to the Khmer Rouge rulers of Cambodia, who treated Chinese residents of Cambodia far worse than did the Vietnamese. The PRC did not go beyond expressing its concern to help Chinese victims of anti-Communist massacres in Indonesia in 1965 (although, given the distance involved, there was probably little it could do had it wished to). Similarly, China did not go beyond a protest expressing its concern to help protect the Chinese merchants who were the primary victims of the Indonesian riots caused by the economic crisis of 1997–1998.

India has taken advantage of the Tibetan issue to interfere in China’s internal affairs.” Quote from Dong Guozheng, “Hegemonist Ambition Is Completely Exposed,” Jiefangjun Bao (PLA Daily), May 19, 1998, p. 5, reprinted in FBIS-CHI-98-140. Prior to the PRC military occupation of Tibet in 1950, Tibet had, while recognizing formal Chinese “suzerainty,” enjoyed varying degrees of autonomy relative to the central government. In addition, Great Britain, when it ruled India, had maintained quasi-diplomatic direct contacts with Tibetan authorities; upon gaining independence in 1947, India retained the last British representative in Lhasa, Tibet, as its own representative there. See Neville Maxwell, India’s China War, New York: Random House, 1970, p. 68.

This pattern of restraint could, however, change in the future. First, the PRC regime may depend even more heavily on nationalism as a source of its legitimacy; this may make it more difficult to ignore the fate of fellow ethnic Chinese in neighboring countries. Second, the process of opening up the Chinese economy has resulted in increased ties between China and the overseas Chinese, who have become important sources of investment, trading opportunities, and expertise. As the idea of “Greater China” (the mainland, Hong Kong, Taiwan, and the overseas Chinese in Southeast Asia) becomes more important in economic terms, the PRC may have a greater interest in defending ethnic Chinese elsewhere in the region.

To Protect Chinese Business Interests

The Chinese have begun to invest in oil production and transportation facilities in Central Asia as an important means of satisfying their growing need for energy. This may create a large economic interest in those neighboring countries, which the Chinese may be willing to protect by force if necessary.

To Secure Deference from Regional States

As China becomes economically and militarily stronger, it will seek to be treated with greater deference by its less powerful neighbors. In particular, China will hope to influence the closeness of the relationship that neighboring countries enjoy with external powers, especially the United States.

China might thus seek a role in a regional state’s decisions concerning U.S. military bases or other forms of military access to its territory. For example, the issue of whether U.S. troops would continue to be based on the Korean peninsula after the country was unified could lead to a crisis and to a potential threat or use of force by China. Similarly, U.S. basing in Vietnam—if such an eventuality is conceivable—might be seen by China as particularly threatening.

CONCLUSION

None of the possibilities discussed in this chapter is carved in stone. For many reasons, China may not emerge as a great power in the
next two decades—and if it does, it remains unclear what kind of great power it will be. The processes of reform and globalization that have facilitated China’s rise may well soften its nationalism and restrain or dilute its geopolitical ambitions. Whether the Communist Party will be able to maintain its monopoly of political power or whether it will be forced to accommodate to a more democratic and pluralistic form of rule is among the major uncertainties that cloud our view of China’s future.

Nonetheless, China will be a central focus of political-military deliberations and actions in Asia over the next decades. In the accompanying appendices, we examine how the nations of Northeast, Southeast and South Asia view China; where concerns about China fit in their overall geopolitical outlook; and how these views might affect their interest in engaging in political-military cooperation both with the United States in general and with the USAF in particular.