In China’s Shadow

Regional Perspectives on Chinese Foreign Policy and Military Development
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In China's Shadow
Regional Perspectives on Chinese Foreign Policy and Military Development

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PREFACE

The chapters in this volume are revised versions of papers originally prepared for a conference on "Chinese Security Policy and the Future of Asia," held in Honolulu, Hawaii between June 25-28, 1996. The conference was undertaken jointly by the Chinese Council for Advanced Policy Studies (CAPS), based in Taipei, Taiwan, Republic of China, and the RAND Center for Asia-Pacific Policy in Santa Monica.

The principal objective of the conference was to present and compare perspectives on the reemergence of China as a major power, as viewed from the vantage point of different countries and regions affected by China’s foreign policy and military development. The authors of the papers were asked to address the following four questions:

1. How does China fit in the overall security environment (both present and future), as viewed from the perspective of the country or region addressed by the author?
2. What are the principal sources of political-diplomatic tension between China and the country or region under review, and how might these change as a consequence of China’s future military development?
3. How would each author characterize prevailing opinion in the given country or region with respect to the directions and capabilities of China’s efforts at military modernization?
4. What specific strategies (political, security, or economic) are available to each country and region in dealing with China’s emergent power and military role?

The intention of the conference organizers was to encourage the paper writers to focus more on emergent trends and possibilities, rather than to present narratives of past events. Although a number of papers reconstructed the history of various national policies toward China, this discussion helped establish the prevailing political and security context within which different countries and regions were evaluating their strategic alternatives. The goal of the conference was not to reach a consensus position on China’s future, but to highlight the array of national perspectives and policy options available to various states and regions. The results of the deliberations among the paper writers, discussants, and other conference attendees are reflected in this volume. The papers included in this collection capture the spectrum of opinions at the conference, including a spirited debate over three days of discussion. By common consent, however, the results of these deliberations were not identified with any of the conference participants, thereby allowing unconstrained debate among those in attendance.
ACKNOWLEDGMENTS

This volume was very much a collaborative endeavor between the RAND Center for Asia-Pacific Policy (CAPP) and the Chinese Center for Advanced Policy Studies (CAPS). Jonathan Pollack and Michael Swaine, representing RAND, jointly proposed a conference on the national strategies of China's neighbors toward the growth of Chinese power. Richard Yang and Andrew Yang of CAPS gave ample encouragement for this undertaking. RAND is most grateful to CAPS for its generous support that enabled the convening of a highly diverse group of specialists to assess these issues. Supplemental support for the final publication was provided by the International Security and Defense Policy Center of RAND's National Defense Research Institute. The editors greatly appreciate the forbearance of various contributors in awaiting publication of the final volume; the results are a credit to their individual and collective efforts.

A particular debt of gratitude is owed James Mulvenon. He was integral to the organization of the conference, performed superbly as conference rapporteur, and--perhaps most critically--was of inestimable help in converting conference papers produced in every format imaginable into a common template. His long hours of diligent work were crucial to completion of this project.
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ASIAN-PACIFIC RESPONSES TO A RISING CHINA

Jonathan D. Pollack

CHINA: THE STRATEGIC CHALLENGE

To numerous observers, China's political, economic, and military evolution will largely define the future contours of security and strategy in the Asia-Pacific region. At one level, this belief reflects the inescapable realities of China's size, geographic location, past history, and inherent power potential. But China's rapid economic growth of the past two decades, the pattern of China's military acquisitions during the 1990s, and Beijing's political-military strategies toward Taiwan and in the South China Sea place these concerns in a more consequential light. Unlike previous decades, when internal preoccupations and military vulnerabilities frequently compelled China to react to pressures from beyond its borders, Beijing's leaders seem increasingly intent upon shaping their longer-term national security environment and in augmenting the country's military power. Though China's military capabilities should not be exaggerated, their enhancement and the strategic purposes they are designed to serve will help define—either for good or for ill—the security environment of Asia and the Pacific in the next century.

The scope and scale of China's modernization and strategic ambitions have spawned a burgeoning literature on the implications of China's reemergence as a major power. There is an understandable tendency to characterize China's political-military development in somewhat portentous terms. To many international relations scholars, China seems the classic rising power dissatisfied with the extant distribution of power and intent on altering its place in it. As a consequence, whether and how China can be accommodated to the existing international order assumes undeniable salience, especially among analysts seeking to identify a new strategic pattern for the post-Cold War world. American strategic predominance following the collapse of Soviet power and the intermittently strident debate within the United States and China on the potential for a longer-term Sino-American strategic rivalry have lent additional momentum to such assessments.

This volume, however, avoids any focus on a presumptive U.S.-Chinese strategic competition, or on U.S. strategic options in relation to the growth of Chinese power. It instead concentrates on the policy dilemmas of the international actors most immediately and profoundly affected by Chinese power--i.e., China's neighbors. Those in geographic or strategic proximity to China must define practicable policies toward Beijing that simultaneously enhance Chinese incentives to pursue collaboration with their neighbors, while preserving options to protect national security should constructive, stable relations prove elusive or unattainable. Though U.S. policy assumes ample significance in the calculations of different regional actors (especially those who confront major asymmetries in power relations with Beijing), indigenous factors tend to define the prevailing options and contours of policy debate in relation to China. Each actor must define a set of strategic alternatives toward China that reflect: (1) its assessment of Chinese power; (2) how each evaluates the balance between China's internal and external policy preoccupations; (3) how each defines the optimal mix of
policies toward its larger neighbor; and (4) the power each seeks to hold in reserve should Chinese capabilities prove overtly menacing to its national security.

As the contributions to this volume indicate, however, there is no single preferred strategy being pursued by China’s neighbors. All face inescapable policy dilemmas in relation to China—dilemmas that parallel (albeit in very different terms) those confronted by the United States in its relations with Beijing. All recognize the major uncertainties associated with China’s military modernization, as well as with the evolution of the Chinese political and economic system in coming decades. At the same time, none want concerns about the longer run to constrain nearer-term opportunities (especially in the economic arena) that will also influence Chinese incentives to pursue collaboration with neighboring states. All view the growth of Chinese military power with wariness, even if Beijing’s present military-technical capabilities do not yet pose a comprehensive or compelling threat to regional security.

This said, there is ample and understandable variability in how different actors view the challenge of Chinese power. Each hopes to define more predictable parameters within which relations with China can be structured, hoping thereby to diminish potential vulnerabilities and uncertainties. These parameters are clearly presumed to require a mix of policies, lest individual states find themselves severely disadvantaged in a future crisis, or if Chinese behavior should become more threatening as its military capabilities grow. Few, however, even remotely entertain the possibility of symmetrical ties with China, though for autonomous major powers (notably, Russia and India) any pronounced imbalance in power is deemed unacceptable over the longer run. Thus, with the exception of Hong Kong, where China again exercises sovereignty, all recognize the necessity of maintaining sufficient military capabilities to inhibit, or at least caution, China from pursuing highly coercive strategies.

China’s neighbors, therefore, follow a strategic maxim not unlike one frequently put forward by Beijing: they hope for the best, but prepare for the worst. All have sought to place their bilateral relations with China (whether government to government or in the economic arena) on a more practicable, normalized basis. All hope to see China more fully enmeshed in multilateral institutions that are increasingly prevalent within Asia and the Pacific, thereby providing Beijing with clear incentives and opportunities to curb the unilateral exercise of its power. None seek to provoke China’s leaders, nor do any (with the exception of Hong Kong, which is sui generis) wish a relationship that is overtly deferential or unduly interdependent, given China’s sheer size and strategic weight. But each must tailor its China policies in relation to its particular political and security circumstances and needs. This overall mix of countervailing capabilities does not represent a strategic solution for long-term relations with China. But maintaining an array of capabilities and policy instruments is deemed prudent, realistic, and sustainable in addressing an uncertain future.

MILITARY MODERNIZATION: THE REGIONAL CONTEXT

Major uncertainties and security concerns are evident in characterizations of present realities as well as over the longer term. As discussed at length in Bates Gill’s contribution, the present dynamics of military competition in the Asia-Pacific region have been somewhat exaggerated in recent strategic assessments. Undeniably, the scope and scale of military modernization across the region has accelerated in the 1990s, reflecting both the increased availability of advanced weaponry, and its relative affordability, given rapid economic growth in numerous states. By the same token, the
financial upheavals evident first in Southeast Asia in the summer of 1997 and subsequently spreading to Korea seem almost certain to slow the pace of military modernization programs during the remainder of the 1990s, and perhaps beyond the year 2000. Though the financial crisis and major currency fluctuations were not incorporated in the analyses of the authors, the aftermath of such upheavals—assuming that defense acquisitions slow appreciably—undermines arguments that security uncertainties per se ensure continued momentum in regional defense programs.

However, with the possible exception of the military balance between China and Taiwan, assertions of a regional arms race seem overstated. The underlying dynamics of regional weapons acquisition are highly varied, and by no means exclusively driven by the "China factor." Numerous states are now in the gestational stages of acquiring and integrating more sophisticated military hardware into their weapons inventories; by its very nature, this will be a protracted, uneven process, perhaps ameliorating some of the possible political and strategic effects.

Characterizations of military acquisition programs (especially those associated with China) that focus exclusively on specific technical comparisons may nonetheless obscure their potential purposes and national security consequences. Even as defense planners must undertake contingency planning on the basis of available capabilities, few voice particular concern about scenarios entailing the extensive use of force. Chinese power projection capabilities, for example, are at present only in their nascent stages of development, and are counterbalanced by Beijing’s political accommodation with its neighbors and its growing integration with the regional economy. But threat perceptions and policy responses are very much dependent on context, circumstance, and relative power balances.

ASEAN AND CHINA: THE SMALLER STATE DILEMMA

The identification of ambitious military modernization goals by China’s national security elite, and the absence of regionwide security norms and understandings to regulate potential rivalries, tend to generate particular anxieties among smaller states. As discussed in Derek da Cunha's essay, the ASEAN powers confront inherent asymmetries between their own capabilities and those of China. It is less that the ASEAN member states expect to be subject to a highly coercive Chinese strategy, though some defense planners express such concerns. Rather, the very fact of China’s size—and the absolute and relative increase of its capabilities that its economic growth permits—alters strategic realities and power perceptions.

In da Cunha’s view, these dynamics confer strategic advantage to China that ASEAN has no practicable means to counteract. In the final analysis, ASEAN hopes for two outcomes: first, that Beijing’s enlightened self interest (especially related to increasing economic integration with Southeast Asia) will dictate restraint in China’s external strategies; and second, that American security linkages in the region will remain sufficiently credible to induce circumspect political-military behavior on the part of Beijing. ASEAN also hopes to foster increased levels of defense collaboration and political cohesion, though these efforts have yet to bear much fruit. But da Cunha voices pessimism that the more benign policy assumptions of some Southeast Asian states will be validated, especially as China begins to accumulate increased levels of military strength, in particular with respect to maritime capabilities.
AMERICA'S MAJOR ALLIES

The strategic perspectives among America's most important regional allies—Japan, South Korea, and Australia—are necessarily somewhat divergent from those of ASEAN. Though the United States maintains formal treaty commitments with two ASEAN member states (i.e., Thailand and the Philippines), its primary security ties within the Asia-Pacific region are focused on Tokyo, Seoul, and Canberra. U.S. security commitments and defense collaboration with all three countries (and the still substantial in-country military deployments of U.S. forces in Northeast Asia) necessarily define the strategic challenge of China in a different way for these states.

The View from Tokyo

The perspectives of America's primary allies also vary. In Japan, there is substantial if still understated wariness about the implications of China's enhanced military capabilities and its longer-term role as a major power. Satoshi Morimoto's essay reflects elements of the long prevalent evaluation of Chinese military capabilities among Japanese analysts. For example, Japanese strategists have focused far more attention on the possibilities of social and economic instability in China, rather than deeming China a military threat; there is a parallel belief that the Chinese remain acutely focused on the potential vulnerabilities in lightly populated border regions. Moreover, as Morimoto notes, China as a predominantly land-based power does not yet possess the military reach to pose an appreciable challenge to Japanese security.

But periodic tensions over disputed territorial claims in the East China Sea; China's military exercises opposite Taiwan in 1995 and 1996; the enhancement of China's nuclear weapons inventory; and deeply-rooted Chinese animosities over Japan's wartime behavior lend a more unsettled, and potentially problematic, forecast in future Sino-Japanese relations. A series of high profile policy pronouncements in recent years—the promulgation of Japan's revised National Defense Program Outline in November 1995, the U.S.-Japan Joint Declaration on Security issued by President Clinton and Prime Minister Hashimoto in April 1996, and the completion of the review of the U.S.-Japan Defense Guidelines in September 1997—spoke to the inchoate regional uncertainties attending the collapse of the Soviet Union, the rise of Chinese power, and the potential for growing instability on the Korean peninsula, with Japan seeking added assurance from the United States in all three domains.

Even as both Tokyo and Washington have sought to dampen Chinese suspicions that these alliance enhancements were prompted by concerns about China, the timing and context of these policy reviews are beyond dispute. Thus, the Japanese have deemed it prudent to preserve a longer-run option to augment their alliance relations with the United States. Such an option does not presume an adversarial relationship with China, but it is seen as a principal means to quietly caution leaders in Beijing. A reinforced alliance also leaves the door open to a more "power-oriented" strategic concept in Sino-Japanese relations, should future circumstances warrant it. It seems no surprise that Beijing continues to discredit such a concept—either by sharp public attacks on its purported anti-Chinese bias, or by signals of reasonability and flexibility that will presumably diminish or deflate support in Japan for a more wary, "hedged" view of China's future regional role.
The View from Seoul

The calculations of the Republic of Korea contrast with those of Japan. As analyzed by Taeho Kim, the indeterminacy of the Korean security equation--i.e., the highly unsettled prospects of the embattled North Korean regime, even as it still poses a direct military threat to the South--has kept ROK security planners focused more on extant security concerns, rather than any presumptive challenge from a more powerful and assertive China. Indeed, the South’s pursuit of Nordpolitik since the mid-1980s had an explicit security rationale: normalized relations with Moscow and Beijing would both give the ROK added visibility and stature in international politics, and it would sharply diminish the incentives of Pyongyang’s erstwhile allies to treat Seoul as an adversary, or to leave their security commitments to the North undiminished.

The events of the past decade have amply vindicated South Korean strategy toward Beijing. China has emerged as one of the ROK’s principal trading partners in a very short period of time, and Pyongyang no longer has an exclusive or even primary claim on Beijing’s political and security commitments on the peninsula. These demonstrable security benefits, and the fact that China’s maritime strategies directed toward Taiwan and the South China Sea have been the primary factors generating security concern within the region, have enabled Seoul to adopt a fairly relaxed stance toward China’s current military development.

But the salience of China in the ROK’s security calculations could be heightened under two conditions--first, should China appreciably augment its political, economic, and even military support in order to sustain North Korea as a separate political system, and second, the prevailing security alignments in Northeast Asia should a “Seoul centered” reunification of Korea occur at some future point. Thus, a North Korean systemic crisis or the outcome of the unification process could reconfigure China’s political and security equities pertaining to the ROK. None of this implies that China will necessarily reemerge as an overt security threat to Korea in the future. Indeed, as Kim asserts, the longer-term ROK strategic calculus presumes that a unified Korea--even one still allied with the United States--will be able to achieve a sustainable modus vivendi with Beijing, even as Chinese power continues to grow.

Korean strategists therefore calculate that China’s primary security concerns—both over the near term and over the longer run—will be focused principally on other geographic locales and states, thereby helping insulate the peninsula from an overt Chinese security challenge. Korean incentives for a productive, non-antagonistic Sino-American relationship are also self-evident. The true tests of such crucial strategic assumptions will depend on geopolitical outcomes that are as yet impossible to predict, including the relative robustness and predominant security orientation of a unified Korea. Pending such developments, prevailing opinion within the ROK sees every reason to cultivate closer relations with China and to conciliate Chinese political interests (for example, with respect to the China-Taiwan relationship), provided these do not entail a serious cost to Korea.

The View from Canberra

Australia, though more geographically removed from China than either Korea or Japan, also deems China pivotal to its long-term interests. As discussed by Stuart Harris, China was much more of a threat to regional stability and security in the 1950s and 1960s, when Beijing was identified as a revolutionary state intent on undermining
the then very fragile political, social, and economic order of Southeast Asia. With China pursuing internal reform and normalcy in its external relations during the 1970s and 1980s, the center of gravity in Australian strategic debate shifted decisively, with clear incentives for Canberra to pursue an engagement strategy toward Beijing. Indeed, the shifts in Australian policy toward China were launched earlier and more definitively than the changes in U.S. policy. However, Harris also highlights continued divisions of Australian opinion, with liberal reformist and realist schools of thought arriving at different policy prescriptions. To a certain degree, Canberra has sought to retain both options, while avoiding definitive policy declarations or actions.

The trend toward a prudent strategic course has been amply reinforced under the new Australian government. In foreign policy and defense reviews published during 1997, Canberra emphasized the primacy of Northeast Asia in its regional security calculations. However, given Australia’s preponderant maritime interests, any sharp demarcation between Southeast and Northeast Asia was deemed both artificial and imprudent. The continued challenge for Australian security policy was to ensure Australia’s defense and to contribute to security in the larger regional environment. This presupposed continued planning and military acquisitions for various contingencies, while ensuring enhanced linkages with neighboring states to preclude destabilizing imbalances of power or longer-term insecurity in the Asia-Pacific strategic environment.

Such measures did not obligate Australia to identify a specific threat—including any prospective challenge posed by Chinese power, given the modest level of Beijing’s capabilities at present. Thus, the need to accommodate a more powerful Chinese state to the regional order was deemed an essential Australian policy priority, but this also required undiminished national defense efforts by Canberra. Australia therefore expects to continue to “walk on two legs”: purposeful engagement of China, and parallel measures to enhance regional security collaboration, should optimistic estimates about the regional future and China’s role in it not be vindicated.

STRATEGIC PERCEPTIONS OF THE CONTINENTAL POWERS

As China’s continental rivals of long standing, Russia and India approach their respective relations with China mindful both of past and future. The essays by Evgeniy Bazhanov and Sujit Dutta nonetheless impart the substantial differences between the two cases.

The View from Moscow

Russia’s relations with China have an integrity of their own, but they also reflect the shifting contours of internal debate over Moscow’s external policy priorities as a whole. Despite the evidence of multiple voices in Russian internal politics and foreign policy, Bazhanov argues that prevailing leadership opinion has gravitated toward a more comprehensive relationship with China. The logic is political and economic as well as strategic. China has reemerged as an important, and potentially pivotal, market for Russian industrial and defense technology. The scale of China’s development requirements in areas where Russia enjoys comparative advantage (e.g., the energy sector) seems all but certain to generate much closer technical and infrastructural linkages in coming decades. Shared incentives to reduce pressures for military deployments in long-contested border areas are also self-evident, with protracted negotiations ultimately
having yielded negotiated agreements. U.S. global predominance provides the operative leitmotif for many of these developments, as well. Both Moscow and Beijing seek means to balance U.S. strength, but without foregoing policy opportunities with the United States.

More than any other factor, however, the resumption of weapons sales and military technology transfer to China after a more than three decade hiatus attests to the profound shifts in Russian strategic perceptions of China. Though cross pressures and internal differences continue to be evident (including but not limited to differences between the beleaguered Russian defense industries and much more wary uniformed personnel), this has not precluded China emerging in the 1990s as Russia's largest purchaser of military hardware and associated technologies. As Bazhanov notes, prevailing opinion in Moscow judges the scope and scale of these transactions (in particular the long lead times for assimilation of new generations of equipment) as unlikely to perturb the regional military balance—or at least not to the disadvantage of near to mid-term Russian interests.

It remains to be seen whether over the longer run Russian policymakers will deem the complementarities between Russian and Chinese needs—especially in weapons transactions—in full accord with Moscow's interests. In the shorter run, however, Russian incentives argue for a far more relaxed perception of China. Should the technological asymmetries between the two countries narrow appreciably, or should Chinese demographic pressures and economic growth begin to impinge significantly on Russian regional interests, different policy judgments might become evident. Under prevailing conditions, however, Russian strategists deem the benefits substantial and the risks manageable.

The View from New Delhi

Indian analysts of China, though acknowledging some reasons for guarded optimism, offer a far less benign forecast than rendered by their Russian counterparts. As described by Dutta, Indian strategists continue to feel keenly the power and status asymmetries between their country and China. While he concede that China's conventional military capabilities do not at present pose a major threat to Indian security, the totality and trajectory of Chinese power—i.e., its standing as a nuclear weapons state, the size of its military establishment, Beijing's determination to modernize its defense capabilities in the context of sustained, rapid economic growth, its "special relationship" with Pakistan, and its membership on the U.N. Security Council—confer ample political and strategic advantage to China in both a bilateral and regional context.

As Dutta acknowledges, however, South Asia is not a primary strategic priority for China. But this does not make the region inconsequential to Chinese interests. At the same time, however, Indian strategists recognize that the Chinese have undertaken significant steps to accommodate to regional interests, including measurable improvements in Sino-Indian relations. Parallel Chinese and Indian concerns to ensure internal stability and further economic growth also appear to give both states (not unlike China and Russia) shared incentives to reduce areas of friction and potential confrontation.

However, Dutta further asserts that China's reemergence as a major power unavoidably impinges on Indian security. He sees little alternative but for India to
pursue multiple, and potentially contradictory paths in relation to China: bilateral initiatives with Beijing, including additional confidence and security building measures (CSBMs); an enhancement of the full spectrum of India’s military capabilities, including its nuclear option and its missile programs; an upgrading of Indo-U.S. relations; and achieving greater strategic coherence within South Asia, with Indian power at the core of such a regional system. Such a comprehensive strategy, he asserts, will provide India the wherewithal to ultimately achieve a more equitable, balanced relationship not only with China, but also in India’s relations with other major powers. Such beliefs seem broadly held in Indian strategic circles, but their long-term viability and sustainability have yet to be tested. In the final analysis, whether and how India and China achieve a mutually satisfactory set of strategic understandings remains very much unresolved, reflecting rival convictions and conceptions about their respective roles in the global and regional balance in the next century.

ONE CHINA, MULTIPLE SYSTEMS

For reasons reflecting history, size, and geographic proximity to China, Hong Kong and Taiwan have defined their strategies toward Beijing in very different terms than large states such as India or Russia. As political-economic systems and Sinitic cultures inescapably linked to China, both have had to assess their policy options within a narrower range of possibilities. Beyond these commonalities, however, the cases of Hong Kong and Taiwan diverge.

Hong Kong: The Implications of Reversion

As a territorial unit returning to Chinese sovereignty—the terms of which were negotiated by Great Britain, rather than by local authorities—Hong Kong hopes for political and strategic understandings with Beijing that provide for a maximal degree of self-governance. However, in view of China’s need to underscore its sovereignty over the territory, this has necessarily entailed the presence of Chinese military units in Hong Kong.

As discussed by Tai Ming Cheung, the complex bargains associated with the reversion of Hong Kong to Chinese sovereignty constitute important tests at a number of levels: of Beijing’s readiness to permit Hong Kong the promised “high degree of autonomy;” as a posited example of the flexible arrangements that could apply to Taiwan’s longer-term relationship within the mainland; and of the viability of financial and commercial arrangements between Hong Kong and the central government, especially the conduct of companies owned and operated by major interests in Beijing, including those controlled by military interests. The larger political and economic dynamics associated with the dynamism of the Pearl River delta also loom. As Cheung notes, these issues underlie China’s inexorable shift toward a more maritime, commercial outlook, of which Hong Kong’s reversion is an integral part. Thus, while Hong Kong’s relationship to Beijing will not entail major strategic or operational consequences in terms of Chinese military deployments, it will attest to the continued transition in political and economic relationships between China and East Asia, and to the capacity of the central authorities to effect new policies skillfully and non-disruptively. These outcomes will thus shape larger perceptions of Chinese power and policy throughout the region.
Taiwan: The Looming Test

However, the largest tests of China's emergent national security role will continue to focus on the relationship between China and Taiwan, in particular the political and strategic consequences of any potential use of force in a future crisis between Beijing and Taipei. Since U.S. derecognition of the Republic of China in January 1979, military tensions in the Taiwan Strait have remained at very low levels, reflecting Taiwan's substantial national defense efforts, the robust U.S. military supply relationship with Taiwan, U.S. commitments under the Taiwan Relations Act, and Chinese political-military restraint. The military exercises conducted by Chinese ground, air, naval, and missile units during 1995 and 1996, therefore, raised troubling implications for the longer run.

As analyzed by Andrew Yang, the exercises can be interpreted in numerous ways: as an overt effort to influence the outcome of Taiwan's presidential election; as an early test of China's ability to employ its more robust military capabilities; as an indicator of the willingness of the People's Liberation Army (PLA) leadership to exploit its military power for larger policy goals; as a political and symbolic demonstration of China's unwillingness to tolerate overt moves by Taipei toward formal independence; or as an early precursor of China's ultimate readiness (as its military capabilities mature) to apply maximal military pressure against Taiwan. Yang concludes that the events of 1995-1996 are best viewed as a political rather than military crisis, but the implications are nonetheless sobering. On the one hand, he argues, Taiwan must sustain major efforts to reduce areas of potential military vulnerability. But he believes that the absence of agreed-upon restraints in the conduct of the two sides leaves open the possibility for serious misperception and miscalculation in the future, with all the potential consequences that could flow from the use of force.

Gary Klintworth also acknowledges these concerns, focusing on the centrality of various potential "Taiwan scenarios" as the principal Chinese defense planning priorities in the years to come. Although he remains skeptical that the PLA will anytime soon develop the capabilities, operational concepts, and warfighting knowhow to mount a direct attack against Taiwan, he views a blockade option as a somewhat more practicable if still risky prospect. In Klintworth's judgment, a more viable possibility over the mid-term would be to employ China's shorter range ballistic missiles in precision strikes against targets on Taiwan, thereby seeking to compel Taipei into negotiations. Though he notes a range of variables that will influence this equation—notably, the scale of Russian arms sales to China, the rate of Taiwan's own defense modernization, future U.S. arms sales to Taipei, and the possibility of renewed U.S. support for Taiwan in a major crisis—the activation of Chinese military options would imply a very different regional security environment, that could very easily lead many of China's neighbors to reassess their longer-term strategies toward Beijing.

In the final analysis, therefore, China's relationship with the region will be event driven, though very much shaped by different judgments on China's longer-term military capabilities and intentions, and how these are likely to impinge on the interests of various actors. It seems no surprise, therefore, that even as China's neighbors seem intent on pursuing constructive, mutually beneficial courses of action with Beijing, none see these as an outright guarantee of well-being and stability over the longer run. Crafting the appropriate mix of national policies toward China seems certain to remain the preoccupation of all those whose security will be shaped by China's power, with prudence dictating that neither benign nor malign options be deemed inevitable.
1. CHINESE MILITARY MODERNIZATION AND ARMS PROLIFERATION IN THE ASIA-PACIFIC

Bates Gill

INTRODUCTION

Since China in the early 1990s more openly and fully sought to modernize its armed forces, very little has appeared in the official literature which explicitly links China's military modernization to arms acquisitions decisions by other Asia-Pacific actors. Indeed, few countries make explicit reference to others' acquisitions as a justification for their own programs. With the obvious exception of Taiwan, and, more recently the Philippines, addressing China's growing power remains largely a taboo subject among Beijing's neighbors. This sensitivity may be diminishing in the region, but it is not a yet a topic for open discussion.

Despite the lack of such open attention on the part of other Asian governments, this paper identifies and analyzes the linkages between Chinese military modernization and the build-up of military capabilities in the Asia-Pacific.\(^1\) Four issues seem paramount in this context:

- What factors shape the relationship between China's defense acquisitions and arms build-ups underway elsewhere in the Asia-Pacific region?

- How do Beijing's political-diplomatic relationships with its neighbors affect arms acquisitions in the region?

- In what ways is China's military modernization influencing arms acquisitions by other powers?

- What responses in the region might be warranted to deal with these developments?

Four principal findings emerge from this analysis:

- The "China factor" is one among a number of factors -- and for most Asia-Pacific actors, not the primary factor -- driving military modernization in the region.

- At a time of increased uncertainty in the regional security environment, actions taken by China -- and especially actions in the South China Sea and against Taiwan -- increasingly affect arms procurement decisions for many of China's neighbors.

- The dimensions of Chinese military modernization of greatest concern to regional strategists are its emerging maritime-oriented security priorities, the steady enhancement of military operational capabilities, and foreign weapons and weapons technology acquisitions. But Chinese indigenous
defense production and conventional exports do not significantly affect regional build-ups.

- A combination of strengthened alliances and defense cooperation, bolstering of defenses for those potentially most vulnerable to Chinese provocation, and continued political and economic engagement of China will together diminish perceptions in China and among regional actors that enhanced weapons acquisitions are the best means to counter prospective security threats.

REGIONAL CONTEXT

The regional context provides a number of potential explanations for the current arms modernization drive in the Asia-Pacific. However, it is difficult to draw a direct correlation between Chinese behavior and the arms build-up in the region. Beijing has taken actions which might be interpreted as provoking regional build-ups, but it has also taken actions which can be interpreted as building confidence and reducing the prospects for arms build-ups. In the end, the "China factor" is just one of many factors — and for most Asia-Pacific actors, not the primary factor — driving military modernization in the region. That said, however, provocative Chinese actions, taken in an atmosphere of strategic uncertainty and under the conditions of a "buyer's market" in armaments, will provide even greater justification for arms procurement decisions, quite possibly stimulating a longer-term arms acquisition dynamic.

Modernization plans

Much media, industry, and academic attention has centered on the notion that an "arms race" is unfolding in the Asia-Pacific, but these reports overstate the causes and effects of defense trade and production trends in the region. More recent analyses have critically examined these assessments, and suggest that the dynamics of the contemporary arms trade in the Asia-Pacific are shaped by complex economic, technological, doctrinal, political, and military factors which may have little to do with the security dilemma normally associated with arms races.

For example, Tables 1, 2, and 3 indicate that the volume of arms imports and licensed production of conventional weapons in the Asia-Pacific experienced a general decline or remained steady for most of the past decade, but there has been a rapid increase since 1994. This recent increase contrasts with a downward trend in arms imports worldwide, accounting for the steadily increasing share of the global market attributable to arms imports in the Asia-Pacific region, which reached more than 43 per cent in 1995, as shown in Table 1. A limited number of defense markets — notably, China, Malaysia, and South Korea, and Taiwan — largely account for these increases.

The region's military modernization efforts can be usefully traced to three sources which are briefly sketched below: political-security concerns; techno-industrial concerns; and economic concerns.
Table 1. Asia-Pacific Recipients of Major Conventional Weapons, 1991-95

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Source: SIPRI arms trade database, May 1996. SIPRI arms transfer data are an index which indicates trends in deliveries of major conventional weapons. SIPRI arms trade statistics do not reflect purchase prices and are not comparable with economic statistics such as national accounts or foreign trade statistics. Sources and methods used in development of SIPRI arms trade figures are explained in the SIPRI Yearbook (Oxford University Press: Oxford, annual) and in Sources and Methods for SIPRI Research on Military Expenditure, Arms Transfers and Arms Production, SIPRI Fact Sheet, January 1995. Number in parentheses notes global ranking according to 1991-95 aggregate figure. Figures are SIPRI trend indicator values expressed in US$ millions at constant (1990) values. Totals are rounded.

Table 2. Arms Imports and Licensed Production in Eight Major East Asian Recipients, 1986-95

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Source: SIPRI arms trade database, May 1996. Figures are SIPRI trend indicator values expressed in US$ millions at constant (1990) values. Totals are rounded. The eight recipients for this table are: China, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, and Thailand.
Table 3. Number of Major Conventional Weapons Systems Imported By or Produced Under License in the Asia-Pacific, 1984-95

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<sup>a</sup> Includes fighters, ground-attack and close-support aircraft.
<sup>b</sup> Includes airborne early-warning (AEW) aircraft, electronic-intelligence (ELINT) aircraft, bombers, reconnaissance and surveillance aircraft, and light aircraft.
<sup>c</sup> Includes landing craft, survey ships and other support ships.
<sup>d</sup> Includes scout cars, armored recovery vehicles, armored artillery vehicles and bridge layers.
<sup>e</sup> Includes mortars and anti-aircraft artillery systems.
Political-security factors

Concerns in the political-security area are having an indisputable impact on the arms trade in the Asia-Pacific. These concerns can be divided into doctrinal issues, modernization issues, and perceptions of insecurity. First, militaries throughout the region -- including those of China and most Southeast Asian nations -- have begun to shift the focus of their security concerns to external rather than internal threats. Under these conditions, the Asia-Pacific, a region with long coastlines, numerous offshore islands and several island chains, will naturally gravitate to acquisitions for air and sea surveillance and coastal defense. This procurement will include equipment to combat piracy, to protect offshore resources and territorial claims, and to maintain open and safe shipping lanes. Such a change in defense strategy will require extensive procurement from suppliers outside the region.

Second, even before the end of the Cold War, but especially since the late 1980s, militaries in the region have recognized the need to modernize their national defense capabilities. This has required that regional militaries undergo a significant modernization effort, often through foreign procurement. In many cases, modernization has become a necessity. For example, as of 1992, approximately 84 per cent of the region’s combat aircraft were based on pre-1966 designs. For Cambodia, China, South Korea, Laos, Myanmar, the Philippines and Taiwan, approximately 90 per cent or more of their combat aircraft were of pre-1966 design. As of 1992, the Philippines’ largest naval vessels -- two frigates, ten corvettes and eight landing ships -- were of World War II vintage and in 1995 its air force consisted of perhaps a half dozen aging F-5 fighters; Myanmar’s four largest ships were World War II corvettes; most of Thailand’s frigates were built in the 1970s and some date back to the 1950s; Indonesia’s frigate fleet dates to the 1970s and before; and the bulk of China’s destroyer and frigate fleets are between 20 and 30 years old. All of Taiwan’s destroyers, frigates and corvettes were of World War II vintage in 1992, and South Korea’s fleet of destroyers was nearly 50 years old in 1994. (However, the older ships in the Taiwanese and South Korean fleets have been extensively modernized.)

Third, less optimistic perceptions of security in the region resulting from the shifts of the post-Cold War regional order may also be driving the demand side of the arms trade equation. The perception that Russia and the United States will exercise diminished influence leads to the belief that other large powers in the region will become more assertive, or that smaller local powers will exert themselves more forcefully. For some regional rivalries -- such as between Taiwan and China, between Japan and North Korea, between North and South Korea, or among the claimants to islands in the South China Sea -- tensions may rise when there is a perceived loss of a reliable "balancer," or if the guarantees of a powerful patron lose their credibility. Sensing such uncertainty, countries will upgrade their defense capabilities. As Mohamed Jawhar, Deputy Director General of Malaysia’s Institute of Strategic and International Studies, notes, "One cannot discount the fact that we do look at our neighbors as we plan our military modernization. So in that sense, one could label it an arms race, but the term is tremendously misleading."

Techno-industrial factors

For the Asia-Pacific, the trade in conventional weapons also affords opportunities to enhance national defense industrial bases. This is true for both recipients and
suppliers in the region. Indigenous defense industries are increasingly perceived in the region as a critical strategic asset. Weapons and weapons technology transfers are increasingly viewed as a means to develop national techno-industrial bases; this policy is advocated at the very highest levels of policymaking in numerous states. Even in a country such as Japan, which is forbidden by law to export arms, there is a concern to preserve and enhance its defense industrial base for both military and civilian purposes.

Suppliers of military items and technologies in the Asia-Pacific share concerns similar to those among major suppliers about the importance of arms exports for sustaining the national defense industrial base. China's defense industries, for example, are in crisis, and need to find export markets for simple survival, let alone much-needed modernization of the country's defense-industrial base. Turning to the market and converting the industries to civilian production may partially address the larger problem of industrial survival. But such efforts will do little to modernize defense industrial plants. Export-led modernization of China's defense industry will be difficult, but will remain a principal factor explaining China's future efforts to export its military hardware. Other producers of advanced weapons -- notably, Singapore, South Korea and Taiwan -- will also need to rely on exports if they wish to modernize their defense industrial capacities. For example, in 1994 the then defense minister of Republic of China, Sun Chen, characterized the development of the Indigenous Defense Fighter (IDF) in the following terms:

It would not be economically efficient to produce only enough IDF fighters for our own use. To reduce the R&D costs and to make full use of resources in the ROC's aerospace industry, the Ministry of Defense will consider external sales of the plane as long as such sales benefit the ROC diplomatically and politically and cause no undesirable after effects.\textsuperscript{8}

Economic factors

Under current international arms trade market conditions, recipients in the Asia-Pacific find themselves in a buyers market, and in a position to gain certain economic advantages by engaging in arms transactions sooner rather than later. With increasingly diverse sources of arms and arms technologies to choose from, it is possible to keep the cost of new equipment down by playing eager suppliers off one another, while at the same time gaining economic benefits through offsets or favorable purchasing terms. Offsets often provide employment and training for skilled labor while also assisting in the development of the national industrial base (discussed below). Furthermore, in a buyer's market, the terms of trade are often in favor of the recipients in the Asia-Pacific. Witness the Chinese receipt of its first batch of Russian Su-27s and the Malaysian deal for Russian MiG-29s: in both cases, the buyers were able to pay for a significant part of the deal in barter goods.

CHINESE BEHAVIOR: SOURCE OF REASSURANCE AND OF CONCERN

As noted above, the more fluid and less certain security environment, including the actions of a major regional power such as China, are very likely to have a major effect on the arms procurement decisions of regional states. The Chinese are not oblivious to this phenomenon, even as they insist their military development threatens none of their neighbors. On the one hand, China has taken confidence-building steps which might help restrain regional arms procurement. However, in recent years, and
especially since 1995, China has also taken measures which have increasingly become a source of concern to others. Both phenomena warrant fuller discussion.

Sources of Reassurance

Since the mid-1980s, China has taken a number of steps which appear conducive to regional restraint in arms procurement. By the late 1980s, for example, the People’s Liberation Army (PLA) has reduced its manpower levels by some 25 per cent, from approximately 4.2 million in 1987 to approximately 3.2 million in 1990. In early 1996, reports indicated that an additional 15 per cent reduction -- another 500,000 troops -- was under serious consideration.9 The latter reductions were formally disclosed in CCP General-Secretary Jiang Zemin’s political report to the Fifteenth Party Congress in September 1997.

China has also taken a number of steps intended to reduce border tensions with various neighbors. Agreements between China and Russia since the early 1990s have demarcated most of the Sino-Russian border. Beijing and Moscow also agreed not to target strategic nuclear weapons or use them first against one another, and initiate a series of military confidence-building measures, including troop withdrawals and reductions on both sides of their shared border. Some 95 percent of the 4,355 kilometer Sino-Russian border has been agreed upon, with these demarcations advanced and ratified in visits to China by Russian President Boris Yeltsin in April 1996 and November 1997.10 Additional meetings between senior leaders further strengthened what the two sides often term their “strategic partnership”, and included agreements on border troop reductions and further cooperation in the trade, cultural, and military-technical spheres.

The Shanghai Accord signed on 26 April 1996 by China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, pledged all five parties to a series of security assurances: not to attack one another nor carry out exercises hostile to one another; to limit the size, scope and number of military exercises in border regions shared by the parties; to give prior notification of planned military within border regions; and increased military consultations and exchange of military observers among the parties.11 In addition to these important agreements, China and India and China and Vietnam have also made progress on demarcating and demilitarizing their land borders.12 In early May 1996, China also participated in drafting proposed confidence-building measures -- including advance notification on military exercises and exchange of observers at military exercises--within the ASEAN Regional Forum (ARF) Senior Officials Meeting, measures which were endorsed at the ARF meeting in Jakarta in July 1996.13

With regard to its claims in the South China, China has also taken some encouraging steps. In August and October 1995, China reached bilateral accords with the Philippines and Malaysia, respectively, intended to defuse potential disputes.14 China also announced on 15 May 1996 its accession to the United Nations Convention on the Law of the Sea. This decision brought a mixed reaction from observers. Some expressed concern that Chinese claims published as part of its accession to the treaty showed a continued intention to seek territorial rights to the southernmost reaches of the South China Sea; others noted that in acceding to the treaty, China in effect had agreed to the possibility of international arbitration for which the treaty provides. It remains to be seen how and whether China will reconcile the positive and negative reactions to its decisions. In any event, China’s moves prompted one prominent observer to note in May 1996, “On the two issues considered critical by Southeast Asia, China’s claims in the
South China Sea and the lack of transparency in its military affairs, Beijing has started to move positively.\textsuperscript{15}

With specific reference to arms proliferation activities, China released in November 1995 a 34-page publication intended to clarify its position on arms control and disarmament. Far from a true "white paper", the document revealed little in terms of new information, but at least reflected an effort by China to respond to calls for more "openness" on military-related issues.\textsuperscript{16} Similarly, following two embarrassing discoveries by foreign customs and law enforcement agencies -- one involving the attempted smuggling of some 2000 Chinese-made automatic rifles to the U.S.; the other involving the discovery at Hong Kong's Kaitak airport of two Chinese training bombs bound for Israel -- the Chinese on 25 May 1996 announced its intention to implement new export control legislation and regulations.\textsuperscript{17} This was followed in the summer of 1996 by an agreement in principle between Washington and Beijing to discuss possible cooperation on national export controls. In addition, China's 15-year effort to "convert" its defense industries, though not an economic success, when combined with overall economic restructuring of the Deng era, has diminished the size and scale of the country's defense industrial base. This in turn has hampered China's ability to provide weapons systems either to the PLA or to prospective clients abroad. Tables 4 and 5 indicate the decline in Chinese defense production for the PLA, and the decline in exports abroad since the late-1980s.

Table 4. Volume of Chinese Arms Exports, 1986–95

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Source: SIPRI arms transfer database, 1996. SIPRI trend indicator values, expressed in constant 1990 US$ millions. SIPRI arms transfer data are an index which indicate trends in deliveries of major conventional weapons. SIPRI arms trade statistics do not reflect purchase prices and are not comparable with economic statistics such as national accounts or foreign trade statistics. Sources and methods used in development of SIPRI arms trade figures are explained in the SIPRI Yearbook (Oxford University Press: Oxford, annual) and in Sources and Methods for SIPRI Research on Military Expenditure, Arms Transfers and Arms Production, SIPRI Fact Sheet, January 1995.

Sources of concern

In spite of these somewhat encouraging developments, China has also taken actions which stimulate perceptions of a "China threat" in parts of the Asia-Pacific. Many of the other contributions to this volume provide greater detail on bilateral tensions between China and its neighbors. The brief discussion below will touch upon those issues where political-diplomatic tensions seem to most clearly affect regional arms procurement decisions. Three warrant particular emphasis: shifts in strategic outlook; territorial claims; and differences in world view between China and many of its neighbors.
First, China has for nearly 15 years undertaken a significant shift in its strategic view, which has driven changes in doctrine, tactics, training, procurement, and deployment of its military forces. The details of these changes are given excellent treatment elsewhere, but the following principal features characterize China's emerging strategic view:

- With economic modernization as the number one priority of China's grand strategy, an increased concern with the stability and protection of coastal, offshore, and sea-based material resources, communications routes and trade access;

- A shift from land-based, protracted "People's War" concepts, to embrace a more flexible, modernized capability to respond to limited conflicts along China's periphery;

- A growing recognition that likely threats and security concerns to China will emanate from China's southeast and east (the Korean peninsula, Japan, Taiwan, Hong Kong, South China Sea, Vietnam, and the U.S. presence in the Pacific);

- A shift of procurement and logistics priorities to reflect these new concepts, with a focus on maritime assets.

As a consequence of these shifting security concerns, China has expanded its political and military presence to the east and southeast, and made clear its intention to maintain and increase its influence in these directions in the years ahead.

Second, Chinese territorial claims raise a more immediate concern among China's neighbors. The two most critical areas of territorial concern are the South China Sea and Taiwan. The 1982 United Nations Convention on the Law of the Sea (UNCLOS), which went into effect for those ratifying the treaty beginning in November 1994, has left more questions unanswered than resolved, especially with regard to overlapping "exclusive economic zones" (i.e., offshore areas of jurisdiction which extend 370 kilometers from national shorelines) which the treaty grants. Although the treaty is intended to serve as a means to delineate national claims, it does not adequately address the problem of overlapping jurisdictions. At the same time, its language provides the justification for calls among the region's navies to beef up patrol, reconnaissance, and sea denial capabilities.

For China and its neighbors, this problem is most acute in the South China Sea. According to a number of analysts, the foundation for future conflict lies in the potential for energy resources in the South China Sea and the growing demand by China and its South China Sea neighbors for new sources of energy in the years ahead. In addition, a growing sense of "assertive nationalism" in China underlies Beijing's often-tough stance on its South China Sea claims. With its 1992 Law on Territorial Waters and Contiguous Zones, China formally staked claims to the South China Sea which make it akin to an enclosed sea under international law. Further in according to UNCLOS in May 1996, China underlined its claims to the entire South China Sea. But China backs up its legal claims with armed muscle. Chinese military actions -- in 1974 and 1988 against Vietnam, and again in early 1995 against Philippine claims -- further exacerbate the
situation, and leave neighbors wondering about China’s intentions to resolve differences peacefully.

China’s assertion of its sovereignty over Taiwan, its continued refusal to rule out the use of force in relations between the mainland and Taiwan, and its highly provocative campaign of military intimidation directed against Taiwan in 1995 and early 1996 are another source of concern for many of China’s neighbors. In taking such a belligerent approach to its relations with Taiwan, and contributing to raising cross-strait tensions to their highest levels in nearly 40 years, China damaged its reputation in the region. Some in the region -- especially Japan -- perceived these actions as belligerent and worrisome. More than any other action by the Chinese in the past 15 years, the military exercises directed against Taiwan in 1995 and 1996 are likely to have a direct impact upon future arms procurement decisions within the region.

Differing political outlooks

Finally, China retains a domestic and world view that is in many respects at odds with internal and external trends increasingly evident in the Asia-Pacific. These trends include economic and political interdependence and multilateralism on the international scene and political pluralism and democracy within various states. China remains a non-status quo, dissatisfied power, determined to make up for its lost prestige and pride of place owing to the so-called "century of shame and humiliation." Influential policy circles in Beijing view much of the international community with suspicion -- particularly those which are West-leaning -- and who are supposedly opposed to China's rise. More broadly, China remains uncertain and insecure about its relationship to the global community. Blame for Chinese ills -- from internal unrest to socioeconomic difficulties -- is often traced to "foreign elements" and "plots" to divide China and undermine its aspirations. Even if these characterizations are intended primarily for domestic political effect, they do exert a significant impact on regional perceptions, as well.

Counterpoised to these stark characterizations, however, official Chinese policy statements on regional security seem highly sanguine. Citing the principal destabilizing factors in the region as "the Korean peninsula, South China Sea, regional arms proliferation, and the complex relationship among regional powers", one Chinese analyst dismisses these as "historical remnants" and concludes: "All parties concerned are willing to find a peaceful solution. In the long run, the existing disputes will not pose major threats to the region’s stability." In a speech published after the Mischief Reef incident of early 1995, Chinese President Jiang Zemin noted, "China and the countries of ASEAN also share extensive consensus on the maintenance of regional security and stability and have conducted fruitful cooperation in the peaceful settlement of some regional hot spot issues."

REGIONAL ARMS BUILDUPS

China’s contribution to defense build-ups in the Asia-Pacific can be seen in three ways: (1) China’s exports to the region; (2) China’s own arms acquisition process; (3) regional arms acquisition programs made in response to Chinese actions. Owing largely to the decline in and the generally poor quality of Chinese exports to the region, the latter two areas -- and especially Chinese arms acquisitions from foreign sources -- have had the most significant effect on the regional arms build-up.
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* Approximately one-half of the land systems shown were exported.

China's acquisitions²¹

Table 5 notes the steady decline in domestic production in China. This decline is attributable to several factors: reductions in forces; a drop in procurement orders by the PLA; a reluctance by the PLA to purchase indigenously developed and produced systems; financial constraints; technological difficulties; and an ongoing process of downsizing, decentralization, and "conversion" within the defense production sector.²²

Despite this general characterization, many observers point to potential concerns posed by some of China's newer weapon systems. Of China's domestically-produced weapons, perhaps of most concern in the near term is its effort to deploy a new generation of Jiangwei frigates and Luhu class destroyers (which will deploy Z-9A ASW helicopters), as well as fleet replenishment ships and landing craft. Some reports also suggest China is seeking to develop and deploy a new generation of submarines. Paul Godwin has highlighted the Chinese focus since the early 1990s on production and deployment of new Dayun class fleet replenishment ships and of new classes of troop transport and amphibious landing craft.²³ In addition, there is evidence of Chinese efforts to develop and deploy a more sophisticated range of anti-ship missiles, more powerful and accurate land-based cruise missiles, and a new generation of ballistic missiles such as the DF-21, DF-31, and DF-41. Logistical support capability -- including in-flight refueling and improved command, control and communications -- are also part of China's extensive plans for indigenous defense modernization. Taken together, these domestic R&D and production efforts are in keeping with the Chinese shift toward modernizing its maritime assets and establishing a modest power projection capability, thereby affecting the security calculations of its neighbors to the east and southeast.

Because the Chinese defense industrial base has proved in many respects inadequate to the task of narrowing the gap between the country's aspirations and its capabilities, China has since the early 1990s increasingly turned to foreign sources of weapons and military technologies. Most prominent among these sources is Russia, but others -- such as Israel, France, Italy, Pakistan, and Iran -- have also contributed to China's military modernization. Moreover, as militarily-relevant technologies are increasingly drawn from commercial and civilian-use sources, China may be able to apply a greater range of foreign-supplied goods and technologies to its military modernization goals.

Several important points can be drawn from China's experience with foreign-sourced weapons and weapons technology. First and foremost, China has rarely been successful in moving from simple reverse-engineering of foreign weapons to significantly advancing the indigenous capacity to produce new generation systems. This problem spans the past century and a half of Chinese weapons development, and has been exacerbated by myriad social, political and military upheavals over this period. Moreover, the nature of military technology -- with its emphasis on software over hardware, and digital over analog technologies -- complicates the already questionable over-reliance the Chinese have placed on reverse-engineering.

Second, in spite of this long-standing historical problem, the Chinese have little choice but to continue to rely on the importation of foreign systems as a short-cut to close the gap between strategic requirements and operational capabilities. This inescapable fact explains the focus on the development and deployment of advanced weapons systems from foreign sources--notably, the Su-27 fighters, Kilo class
submarines, cooperation in other aerospace projects with Russia, and development of the J-10 fighter with Israeli assistance -- to help meet the needs for a modest power projection capability as described above.

Looking beyond the import of "conventional" platforms, the Chinese have also shown an interest in more far more advanced systems and capabilities. A review of the Chinese defense industrial base as well as China's wish list with the Russians reveals a concentration of attention on next-generation force-multipliers: 

- C4I systems, cruise missile technology, laser-guided bombs, satellite-based sensing and guidance systems, advanced radar and jamming systems, fighter aircraft production technologies, and advanced precision guidance capabilities. Within the constraints of its problem-plagued defense industrial base, the Chinese will steadily seek to improve two critical aspects of its war-fighting capabilities -- precision and information -- which they recognize as key capabilities to ensure Chinese security in the future. To do so will require expanded military-technical relations with foreign suppliers. Because these technologies are often drawn from the commercial sector, Chinese imports of "dual-use" items -- and not strictly military-use items -- will be increasingly important to the development of Chinese military capabilities.

The Chinese are certainly aware of both the problems and opportunities presented to them by the availability of foreign-sourced weapons and militarily-relevant technologies. Some point to the gap between "needs" and "possibilities":

The relationship between needs and possibilities should be correctly handled. China is a developing socialist country, and must concentrate on economic construction, and thus the contribution of defense science and technology can develop only slowly with the development of the national economy. ... In a situation when the state is short of funds, then contracting the front and emphasizing priorities are important principles to be followed in the development of defense science and technology.

As such, official policy continues to emphasize self-reliance. As Central Military Commission Vice-Chairman General Liu Huaqiang has argued, "One of the basic principles of modernization of weapons and equipment in our Army is to mainly rely on our own strength for regeneration, while selectively importing advanced technology from abroad, centering on some areas." At the same time, there is increased recognition of the "revolution in military affairs" and the prospect that in the future commercial technologies will increasingly drive advances in military capabilities. For example, in October 1995, the China Defense Science Technology Information Center (CDSTIC), the information clearing-house and think-tank connected to the Commission for Science, Technology and Industry for National Defense (COSTIND), held a seminar on the topic of "military technical revolution." The seminar addressed "the intention, characteristics and development" of the military technical revolution, and the "need to renew concepts and bring about overall development in PLA military theory research." In spelling out the needs for Chinese defense science and technology development, then COSTIND chief General Ding Henggao argued to "go all out to develop technology of dual - military and civilian -- use" and that "weaponry R&D must actively learn from civilian technology", all in an effort to "accelerate the development of national defense science and technology." The former Vice-Minister of the Commission on Science, Technology, and Industry for National Defense (COSTIND), Huai Guomo, stated more explicitly:
Because national defense high technology is by its nature having multiple technologies, the differences between defense and civilian technology are becoming smaller and smaller. The trend of inter-changeability between the military and civilian is on the rise, allowing the technical foundation for an accelerated modernization of national defense and to realize the steady improvement of weapons.\textsuperscript{31}

Whether China can accomplish these goals is an open question, but it is clear that to do so China will need to rely upon foreign imports and assistance.

In sum, Chinese imports of complete platforms—especially Su-27s, Kilo class submarines, and possible future purchases of Russian destroyers -- present the most immediate concern to China’s neighbors, especially to Taiwan. For the next five to ten years, it is likely these imports will be modest in quantity and in operational capability and will pose a limited threat to regional interests. However, if present procurement trends continue, and looking out ten to fifteen years, the Chinese are likely to make some significant progress in bringing their forces to a higher level of operational capability. Hence regional militaries are already thinking of ways to counter this potential threat, and are acting accordingly in their own procurement plans.

**CHINA’S ARMS EXPORTS\textsuperscript{32}**

As noted above, China’s arms exports have declined considerably over the past six to eight years from peak levels reached in the mid- to late 1980s. However, while its exports have declined overall, China has met with some success in delivering weapon to its Asia-Pacific neighbors (see Table 6). Table 7 provides more specific details as to the types of weapons which China has exported to the region over the years 1986-1995.
Table 6:

Volume of Chinese major conventional arms exports to Asia-Pacific recipients, 1981-95 (Recipients listed in rank order; figures are in SIPRI trend indicator values, expressed in US$ millions at constant 1990 prices; totals may not add up exactly due to rounding)

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>140</td>
<td>72</td>
<td>555</td>
<td>177</td>
<td>57</td>
<td>57</td>
<td>370</td>
<td>114</td>
<td>463</td>
<td>494</td>
<td>427</td>
<td>196</td>
<td>574</td>
<td>221</td>
<td>260</td>
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<tr>
<td>Thailand</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>27</td>
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<td>211</td>
<td>31</td>
<td>173</td>
<td>239</td>
<td>226</td>
<td>534</td>
<td>0</td>
<td>298</td>
<td>298</td>
<td>2039</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>8</td>
<td>38</td>
<td>113</td>
<td>6</td>
<td>38</td>
<td>0</td>
<td>0</td>
<td>180</td>
<td>403</td>
<td>95</td>
<td>0</td>
<td>258</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1139</td>
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<td>North Korea</td>
<td>16</td>
<td>277</td>
<td>29</td>
<td>44</td>
<td>25</td>
<td>198</td>
<td>174</td>
<td>254</td>
<td>6</td>
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<td>Myanmar</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Sri Lanka</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
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<td>82</td>
<td>1</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>112</td>
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<td>Cambodia</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>164</td>
<td>387</td>
<td>697</td>
<td>227</td>
<td>147</td>
<td>259</td>
<td>757</td>
<td>581</td>
<td>1077</td>
<td>1041</td>
<td>916</td>
<td>1030</td>
<td>943</td>
<td>519</td>
<td>868</td>
<td>9612</td>
</tr>
</tbody>
</table>

Source: SIPRI arms trade database, March 1996

Note: SIPRI arms transfer data are an index which indicates trends in deliveries of major conventional weapons. SIPRI arms trade statistics do not reflect purchase prices and are not comparable with economic statistics such as national accounts or foreign trade statistics. Sources and methods used in development of SIPRI arms trade figures are explained in the SIPRI Yearbook and in Sources and Methods for SIPRI Research on Military Expenditure, Arms Transfers and Arms Production, SIPRI Fact Sheet, January 1995.
### Table 7.

Imports and Licensed Production of Chinese Major Conventional Weapons by Asia-Pacific Recipients, 1985-1995 (data in parentheses are estimates)

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Weapon type</th>
<th>Delivery year</th>
<th>Number delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>A-5C Fantan fighter/ground attack</td>
<td>1989-90</td>
<td>(20)</td>
</tr>
<tr>
<td></td>
<td>BT-6 trainer</td>
<td>1979-85</td>
<td>(38)</td>
</tr>
<tr>
<td></td>
<td>F-6 fighter</td>
<td>1992</td>
<td>(40)</td>
</tr>
<tr>
<td></td>
<td>F-7M Airguard fighter</td>
<td>1989</td>
<td>(21)</td>
</tr>
<tr>
<td></td>
<td>T-62 light tank</td>
<td>1985</td>
<td>(36)</td>
</tr>
<tr>
<td></td>
<td>HY-2 ship-to-ship missile</td>
<td>1988-89, 1992</td>
<td>(64)</td>
</tr>
<tr>
<td></td>
<td>Square Tie surveillance radar</td>
<td>1989</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Hainan Class patrol craft</td>
<td>1982-85</td>
<td>2</td>
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<tr>
<td></td>
<td>Huangfen fast attack craft</td>
<td>1988, 1992</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Huchuan fast attack craft</td>
<td>1988</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Jianghu class frigate</td>
<td>1989</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>T-60 122mm towed gun</td>
<td>1988</td>
<td>6</td>
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<tr>
<td>Cambodia</td>
<td>T-59 main battle tank</td>
<td>1990</td>
<td>24</td>
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<td></td>
<td>HY-5A portable surface-to-air missile</td>
<td>1998</td>
<td>(20)</td>
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<tr>
<td>Myanmar</td>
<td>A-5M fighter/ground attack</td>
<td>1995</td>
<td>(12)</td>
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<td>F-6 fighter</td>
<td>1991</td>
<td>(12)</td>
</tr>
<tr>
<td></td>
<td>F-7M Airguard fighter</td>
<td>1990-95</td>
<td>(29)</td>
</tr>
<tr>
<td></td>
<td>FT-7 fighter trainer</td>
<td>1990-95</td>
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<td></td>
<td>T-63 107mm multiple rocket launcher</td>
<td>1993</td>
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<td>T-62 light tank</td>
<td>1989-90, 1993</td>
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<td>T-69-II main battle tank</td>
<td>1990, 1995</td>
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<td>YW-531H armored personnel carrier</td>
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<td>JY-8A fire control radar</td>
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<td>T-311 fire control radar</td>
<td>1993</td>
<td>(6)</td>
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<td></td>
<td>HY-5A portable surface-to-air missile</td>
<td>1991-92</td>
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<td></td>
<td>PL-2B air-to-air missile</td>
<td>1990-92</td>
<td>(48)</td>
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<tr>
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<td>Hainan class patrol craft</td>
<td>1991-93</td>
<td>10</td>
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<tr>
<td>North Korea</td>
<td>F-6 fighter</td>
<td>1986-88</td>
<td>(100)</td>
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<td>T-63 130mm multiple rocket launcher</td>
<td>1982-85</td>
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<td>HY-2 ship-to-ship missile†</td>
<td>1977-89</td>
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<td>HN-5A portable surface-to-air missile‡</td>
<td>1983-94</td>
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<td>Romeo class submarine‡</td>
<td>1975-92</td>
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<td>Pakistan</td>
<td>F-7MP Airguard</td>
<td>1985-93</td>
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<td>FT-7/FT-7P trainer</td>
<td>1987, 1991</td>
<td>(19)</td>
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<td></td>
<td>K-8 jet trainer</td>
<td>1994-95</td>
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<tr>
<td></td>
<td>M-11 surface-to-surface missile system</td>
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<td>M-11 surface-to-surface missile</td>
<td>(1991)</td>
<td>(55)</td>
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<td>T-59 main battle tank</td>
<td>1977-88</td>
<td>(825)</td>
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<td>T-69 main battle tank</td>
<td>1989-91</td>
<td>(275)</td>
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<td>T-85-II-AP main battle</td>
<td>1992-95</td>
<td>(282)</td>
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<td>Fuqing class support ship</td>
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<tr>
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<td>Item</td>
<td>Year(s)</td>
<td>Quantity</td>
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<td>P-58A patrol craft</td>
<td>1989-90</td>
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<tr>
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<td>Anza-2 surface-to-air missile‡</td>
<td>1989-95</td>
<td>(650)</td>
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<tr>
<td></td>
<td>HI-8 anti-tank missile‡</td>
<td>1990-93</td>
<td>(200)</td>
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<tr>
<td>Sri Lanka</td>
<td>F-7BS fighter</td>
<td>1991</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>F1-5 jet trainer</td>
<td>1991</td>
<td>2</td>
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<tr>
<td></td>
<td>Y-12 transport aircraft</td>
<td>1986-89, 1991</td>
<td>(9)</td>
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<tr>
<td></td>
<td>Y-8 transport aircraft</td>
<td>1989, 1993</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>T-59-1 130mm towed gun</td>
<td>1991</td>
<td>(12)</td>
</tr>
<tr>
<td></td>
<td>YW-531 armored personnel carrier</td>
<td>1991-92</td>
<td>(20)</td>
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<tr>
<td></td>
<td>WZ-551 infantry fighting vehicle</td>
<td>1991</td>
<td>(10)</td>
</tr>
<tr>
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<td>Shanghai class patrol craft</td>
<td>1991</td>
<td>3</td>
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<tr>
<td>Thailand</td>
<td>T-59-1 130 mm towed gun</td>
<td>1985-88</td>
<td>(54)</td>
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<tr>
<td></td>
<td>T-81 122mm multiple rocket launcher</td>
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<td>(36)</td>
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<td>T-85 130mm multiple rocket launcher</td>
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<td>(60)</td>
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<td>T-59 main battle tank</td>
<td>1985-87</td>
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<td>T-69 main battle tank</td>
<td>1989-92</td>
<td>(473)</td>
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<td>YW-531 armored personnel carrier</td>
<td>1987, 1990-91</td>
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<td>C-801 ship-to-ship missile system</td>
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<td>C-801 ship-to-ship missile</td>
<td>1991-92</td>
<td>(96)</td>
</tr>
<tr>
<td></td>
<td>HQ-2B surface-to-air missile system</td>
<td>1989</td>
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<td>HQ-2B surface-to-air missile</td>
<td>1989</td>
<td>(12)</td>
</tr>
<tr>
<td></td>
<td>HY-5A portable surface-to-air missile</td>
<td>1987-88</td>
<td>(68)</td>
</tr>
<tr>
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<td>T-311 fire control radar</td>
<td>1991-92</td>
<td>(25)</td>
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<td>T-341 fire control radar</td>
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<tr>
<td></td>
<td>Jianghu class frigate</td>
<td>1992</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Naesuan class frigate</td>
<td>1994-95</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: SIPRI arms trade data base, March 1996.

NOTE: §Items shown under Cambodia were delivered to the Khmer Rouge. ‡Items produced under license.

Four main points can be drawn with regard to Chinese weapons exports and proliferation in the Asia-Pacific. First, Pakistan stands out as the primary Asia-Pacific recipient of Chinese weapons since 1985. Closer to East Asia, Thailand, North Korea, and Myanmar have been the largest importers of Chinese arms. However, it is likely that imports from China to several of these states have either ceased altogether, or will do so quite soon. This has already happened in the case of North Korea, which has not imported major conventional weapons from China (except for some minor licensed production) since the early 1990s. Even licensed production of Chinese weapons in North Korea has slowed or halted in recent years.\(^{33}\) Chinese shipments to Thailand, which sprang from the joint efforts of both countries to counter Vietnam in the early to mid-1980s, have proved a disappointment to Bangkok. Thai armed forces found the equipment to be of very poor quality, and with the final delivery of the Jianghu frigates (arriving as hulls for refitting with Western subsystems and propulsion), further deliveries of Chinese systems will be curtailed.\(^{34}\) Myanmar, however, with few alternative options, has considerably expanded its imports from China since the late 1980s, and even overtook Pakistan as the largest recipient of Chinese arms exports in 1995. Myanmar appears likely to continue its military ties to China, including arms trade arrangements.\(^{35}\)
Second, Chinese exports to the region will probably go through further decline -- both in quantity and number of recipients -- in the years immediately ahead. For the near future, it appears that only Pakistan and Myanmar will sustain a significant arms import relationship with China, and they are unlikely to grow substantially.

Third, with the exception of M-11 missile exports and transfer of nuclear technology to Pakistan, Chinese arms exports do little to affect regional balances or drive arms races in the region. If we focus on East Asia in particular, this point is especially pronounced. Chinese arms shipments tend to be relatively small, on-off affairs, and comprise aging technologies and weapons platforms. Where Chinese arms exports have been the greatest in East Asia since the late 1980s -- to Thailand and Myanmar -- these weapons do not pose an offensive threat.

A possible, but very poorly understood, exception to this point would be North Korea. The extent to which Chinese technology and expertise has contributed to the development of North Korean nuclear weapons and ballistic missile programs continues to be subject to widely divergent estimates. Chinese officials and scientists adamantly deny claims of a substantial role. However, at least one author traces Sino-North Korean nuclear-related cooperation to 1952 with the visit to North Korea of a leading Chinese scientist to search for and collect radioactive materials. But another analyst writes that North Korea received "little technical support from China" in its quest to develop a nuclear weapon. With regard to ballistic missiles, the Chinese claim the two sides had little or no contact in military-technical relations during the critical period of the late 1970s when North Korean missile development began to accelerate. However, several analysts point to extensive PRC-DPRK cooperation in missile development dating from the mid-1960s, and including work on Scuds, as well as coastal missiles such as the SS-C-2b Samlet and the HY-1 and HY-2 Silkworm. There is also limited evidence that China played a role in the early stages of North Korea's chemical weapons development.

These points suggest that Chinese conventional arms exports should not be considered as contributory to arms proliferation or arms races in the Asia-Pacific. Nuclear arms and ballistic missile proliferation pose a different and more murky set of issues, with Chinese exports to Pakistan presenting the only persuasive evidence of such proliferation within the Asia-Pacific region as a whole.

**REGIONAL ACQUISITIONS**

It is difficult to specify how Chinese actions have directly resulted in arms acquisitions among China's neighbors. As noted previously, few official statements make direct reference to Chinese policies and resultant military procurement by regional militaries. However, the build-up in Chinese military capabilities and that of China's neighbors have followed a parallel track since the late 1980s and early 1990s, and numerous unofficial analyses claim that Beijing's build-up has fueled regional acquisitions. For example, it appears that in recent years, and especially since the Mischief Reef incident of early 1995 and the Taiwan Straits tensions of 1995 and 1996, more regional militaries will calculate their arms procurement decisions with China in mind.

Taiwan and the Philippines offer the most obvious cases in which military build-ups and force modernization have responded to Chinese actions. Taiwan's military modernization efforts over the past ten years can be directly traced to its changed
strategic view, and the increased need to counter the slow but steady improvement in the mainland’s capabilities. In the first instance, with the strategic decision in the early 1980s to give up claims to "recover the mainland", Taiwan’s force structure have shifted from largely land-based "offensive-defense" to a "defensive-defense" to ward off Chinese military actions against the island. As a result, top priority is given to the rapid modernization of Taiwan’s air and maritime defense capabilities.

Taiwan’s foreign acquisitions of F-16s, Mirage 2000-5s, E-2T Hawkeye early warning/command and control aircraft, Lafayette frigates, Knox-class frigates, and modified Patriot air defense system are indicative of these new capabilities. In addition, Taiwan has developed and deployed a number of its own systems to meet these new priorities, including the Chiang Wang automated island-wide air defense network, the Indigenous Defense Fighter, the Tien Kung I and II surface-to-air missiles, the Tien Chien I and II air-to-air missiles, the Hsiung Feng I and II antiship missiles, and license-produced Cheng Kung frigates (U.S. Perry class).

The two areas where Taiwan is having the greatest difficulty in its acquisition strategies, and where it appears most vulnerable to the Chinese build-up, are in antisubmarine warfare (ASW) capabilities and in defending against cruise and ballistic missile attack. To counter Chinese improvements in its submarine fleet and in the development of cruise and ballistic missiles, Taiwan will continue to bolster its frigate and ASW helicopter fleets, will continue to push to acquire submarines from the U.S. or other sources, and will seek upgrades to its missile defense system. The China-Taiwan arms rivalry is therefore closest to a genuine "arms race" in the Asia-Pacific.

Arms procurement programs by the Philippines offer some additional evidence of this phenomenon, but on a much smaller scale. It is certainly no coincidence that following the Chinese seizure of Mischief Reef in early 1995, the Philippine legislature promptly expressed its approval for a proposed USD$12 billion 15-year military modernization package which had been under consideration for some time. The initial USD$2 billion for this program, formally appropriated in July 1995, will go toward the acquisition of modern fighters and modern maritime patrol and reconnaissance assets. Following China’s exercises and missile firings in the Taiwan Strait, Philippine defense officials arrived in Washington seeking low- to no-cost military equipment from the U.S. including attack helicopters, air defense radars, multi-role fighters, frigates and coastal defense craft equipped with Harpoon antiship missiles. In the words of Philippine armed forces chief of staff, "The China-Taiwan events [have] been a wake-up call for us all."41 Jose Almonte, security adviser to the Philippine president and director-general of the Philippine National Security Council was more direct:

China’s brusque attempt to intimidate Taiwan ... shattered the region’s assumption that drawing Beijing into East Asia’s web of economic interests would moderate its political behavior. ...But the March [1996] events have renewed anxieties in East Asia about its huge neighbor and the stability of the world’s fastest growing region.42

From discussions with Japanese defense officials, security analysts and legislators, China’s military activities oriented against Taiwan focused minds in Tokyo about its own military capabilities and responsibilities as an ally of the United States. Official Japanese statements and policies since 1994 have been more critical of Chinese military behavior, from nuclear testing, to actions in the South China Sea, to provocations against Taiwan. Moreover, the strengthened commitment of the U.S.-Japan military alliance
undertaken through the Defense Guidelines review and announced in 1997, no doubt had an emergent China in mind. China, for its part, expressed concern with what it termed a "build-up" of Japanese self-defense forces, suggesting the possibility for increased Sino-Japanese tensions and "arms racing" in the future. The Chinese Foreign Ministry spokesman warned, "if Japan's self defense forces further build up armaments, it is bound to cause concern and vigilance among other Asian nations. We urge Japan to move with caution."

Chinese ballistic missile activities are also part of the motivation behind U.S.-Japan deliberations over theater-missile defense (TMD) and theater high-altitude air defenses (THAAD). Joint U.S.-Japan development of these systems would be aimed not only at countering North Korean missile threats, but also possible threats from China. While the United States has for several years encouraged Japan to take part in the development and deployment of TMD -- and looking further out, THAAD -- the Japanese have been reluctant to do so owing to R&D costs and technology-sharing arrangements. However, with the Chinese missile firings against Taiwan in 1995 and 1996, increased pressure from the United States, and the reaffirmation of the U.S.-Japan security pact, some analysts expect that Japan will ultimately join the U.S. in TMD development and deployment. Chinese officials and analysts have indicated both publicly and privately its concern that such a system would be directed against China.

Comparable trends are evident on the part of South Korea. Shortly after the tensions in the Taiwan Strait eased in early 1996, the semi-official Korea News Review issued a remarkably frank assessment on why South Korea needed to develop a "strong blue water navy." The report asked whether South Koreans could afford to be "apathetic" to Chinese behavior:

South Koreans, surrounded by military powers, should begin to have second thoughts to the existing notion of national security as mere defense from the threat from North Korea. ... Beijing's tough reaction to Taipei's move toward independence shows a sense that China's military muscle is by no means a matter of indifference to neighboring countries, including South Korea.

In May 1996, the South Korean air force chief of staff was quoted as urging the need for a "strategic" force -- including AWACS, in-flight refueling capability, anti-missile systems, and advanced fighters -- pointing to "looming signs that conflicts of interest will deepen among countries in this region in the 21st century." South Korean defense capabilities are thus expanding to counter potential threats other than that posed by North Korea. These capabilities include the acquisition of 120 F-16s from the U.S. A lengthy list of other future weapons purchases from the United States is likely to include: 100 AIM-120 air-to-air missiles, 32 Harpoon anti-ship missiles, guided missile systems and radars for the KDX destroyer program, and eight (and perhaps up to 21) P-3C Orion maritime surveillance aircraft. The U.S. has also encouraged South Korea to purchase Patriot anti-missile systems and the two sides have discussed the possibility of cooperating with Japan in the development of a more advanced theater missile defense system as a way to counter the potential missile threats. In addition, major indigenous defense production programs include the deployment of up to 14 more Type 209 submarines (in addition to the current four) licensed produced from Germany, and production of the KDX destroyer, outfitted with Western subsystems. These purchases likely reflect a longer-term concern with Japanese, as well as Chinese, military capabilities.
Others in the region -- especially in Southeast Asia -- often seek to avoid offending China or suggesting that their military procurement is in any way responsive to a "China threat." For example, Prime Minister Mahathir of Malaysia in response to Chinese military harassment of Taiwan in March 1996, said "I don't think we should take that as an indicator that China is an aggressive nation and will solve all problems through military means." 47

But even one long-time supporter of China, Singapore Senior Minister Lee Kuan Yew, was compelled to issue some words of caution to Beijing during the Taiwan Straits tensions of early 1996. Lee warned that regional neighbors "will not understand why China cannot be patient and resolve the matter peacefully when using force will damage both China and Taiwan, and also hurt third parties [and] set back a real chance China now has of becoming an industrialized nation in 25 years." 48 Indonesia has appeared to take more concrete action with the conclusion of a defense cooperation pact with Australia in December 1995, as well as the purchase of 24 British Hawk fighter/ground attack aircraft and pending purchase of advanced combat aircraft from Russia. Some analysts and officials linked these moves in part to concerns over China. 49 Privately, moreover, officials and analysts in the region often express concern over Chinese military acquisitions, especially in light of the Mischief Reef incident and China's high-risk belligerence toward Taiwan during 1995 and 1996.

CONCLUSIONS

There is an increasing correlation between Chinese military modernization and decisions by China's neighbors to upgrade their military forces. These developments cannot be characterized as an "arms race" (except perhaps, in the China-Taiwan case) or even "arms proliferation," nor can the China factor be singled out as the sole cause of regional arms acquisitions. Nevertheless, China's force modernization, when coupled with its apparent willingness to view force and threats as political options to settle political disputes, may contribute to more China-specific build-ups in the region in the years ahead.

In the face of such prospects, what security-enhancing responses are available to China's neighbors? Three principal responses seem most plausible, the combination of which may work to maintain regional stability, while at the same time encouraging the reduction of latent tensions between China and its neighbors.

First, alliances, bilateral security arrangements and multilateral defense cooperation in the Asia-Pacific are all being strengthened. U.S.-Japan, U.S.-South Korea, and, less formally, U.S.-Taiwan cooperation will serve as stabilizing factors in the region as a whole. Even some Chinese officials and strategists, when pressed, will concede that the U.S. presence in the Western Pacific -- while not welcome indefinitely -- is understandable under current circumstances. In bringing increased predictability to the regional security environment, offering confidence to less powerful regional actors, and deterring moves to fill "power vacuums," these arrangements contribute to slowing indigenous weapons development programs and the potential for arms races.

Second, military establishments in the region -- especially those most closely affected by China's growing power -- are certain to continue their defense modernization efforts to achieve greater balance with China. None of Beijing's
Chinese domestic defense procurement and arms acquisitions from abroad are given
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John Frankenstein and Bates Gill, "Current and Future Challenges Facing Chinese

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Xiang Wang, "Xiandai junshi keji fazhan yu junzhuaman: guofang kegong wei Huai
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Comprehensive studies of Chinese arms exports include, Bates Gill, *Chinese Arms

33 A report from South Korea in late 1996, quoting the South Korean embassy in Beijing, claimed that China continues to provide "arms and munitions" to North Korea. However, the amounts noted—about US$3.46 million in 1996, and US$996,000 in 1995—suggest these exports are relatively minor shipments of munitions and small arms. See "PRC Arms Sales to the DPRK Doubles Last Year's," Chosun Ilbo, 11 December 1996, and reprinted in NAPSSNet Daily Report, 11 December 1996.


37 Ertman (note 36), p. 607


39 Hua Di (note 36), p. 164 notes that "the intended BM [ballistic missile] proliferation to North Korea... was put aside [in 1978] and never resumed."

40 Joseph P. Bermudez, Jr., "North Korea's Chemical and Biological Warfare Arsenal," Jane's Intelligence Review, May 1993, p. 223.


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2. CHINESE MILITARY POWER IN ASIA: A JAPANESE PERSPECTIVE

Satoshi Morimoto

OVERVIEW

The international community is still in the process of structuring a new framework in the post-Cold War era. This process is accompanied by disorder and uncertainty and people have to realize that their wisdom cannot catch up with the reality of international relations.

In this environment, Asia has achieved remarkable economic development and stability in recent decades. There are now two major trends in the region. One is Asian power politics. Many regional states are trying to establish favorable positions in the emerging post-Cold War balance of power. Increased defense spending, the modernization of national armed forces, and the proliferation of arms are the obvious indications of this rivalry. The other major trend is the development of multilateral cooperation. The Asian countries are in the process of overcoming their characteristic divisiveness and aiming at multilateral cooperation. For the time being, the framework of regional dialogue, represented by APEC (Asia-Pacific Economic Cooperation) in the economic sphere and ARF (ASEAN Regional Forum) in the political and security sphere, has made distinct progress among the member countries as well as in the content of dialogues.

In these circumstances, the common interest of Asian countries at this stage is to manage threats to security and at the same time maintain economic prosperity. There is no consensus about the destabilizing factors in Asia. However, there is a mutual recognition of the complicated historical and security background of the region, the problem of weapons proliferation and military buildup, the internal problems of shifting of political leaderships, and the problems posed by the future of some socialist countries.

But the biggest common issue is China’s future development. In particular, China’s domestic stability, the direction of its economic policy, and the potential of the U.S. military buildup, including the modernization of its armed forces, have an extremely strong implications for Asia’s stability and prosperity.

Japan is a neighbor of China and has a complex historical relationship with China. It is obvious that China’s future direction, especially that of its military power, has the most important significance on the future of Japan and the whole Asian region.

CHINA’S POST-COLD WAR SECURITY ENVIRONMENT

China’s World View

How does China view the world in the post-Cold War era?

The end of the Cold War clearly resulted in the disintegration of the bipolar system between the United States and the Soviet Union. China does not envision the United
States remaining as the sole superpower, rather it sees the emergence of a multipolar world. But this emergent world order will suffer from regional conflicts, economic discrepancies between North and South, and other factors that will send some countries down the path of hegemonic and power policies. China insists it will uphold the Five Principles of Peaceful Coexistence and continue to lead the struggle against hegemonic policies.

What implications does this Chinese world view have on international stability? The first is that China views the end of the Cold War as putting an end to American and Russian supremacy, manifested in a gradual loss of American leadership. Instead, Western Europe, Japan, and Asia NIEs (newly industrializing economies) will grow in stature to create a multipolar world.

The second implication is that China sees itself playing a major role in this shift toward a multipolar world. In particular, economic development will provide a firm foundation from which to exert greater influence in Asia and to pursue an independent foreign policy. At the same time, however, China finds itself potentially facing a harsh environment now that the Cold War is over and it must struggle to avoid being isolated not just in Asia, but on the world stage as a whole. Cordial relations with other major powers therefore continue to be important to China, while better relations with countries adjoining China are also taken on increasing importance.

The above view of international relations will result in China adopting the following priorities in its security policy. The top priority will be to maintain friendly relations with the United States. At the same time, however, the United States represents a potential threat to China because, from China's perspective, the U.S. is striving for world domination and is constantly interfering in China's internal affairs. China therefore fears that containment of China could become an long-term American objective.

Against this backdrop, policy disputes between the United States and China have focused on such issues as Taiwan, human rights, arms transfers, and bilateral trade and economic issues. Political relations have remained very uneasy since the 1989 Tiananmen Square uprising. China is not satisfied with the current bilateral relationship with the United States and is making every effort to improve the relationship. It remains to be seen whether President Jiang Zemin's October 1997 visit to the United States will help realize a significant breakthrough in bilateral relations.

A second major priority is maintaining better relations with its neighbors. For Russia, Vietnam, India, the Central Asian states, Japan, and the two Koreas, China's goal is to simultaneously maintain amicable relations while countering external security threats and destabilizing influences within its borders from minority peoples stirred up by their ethnic brethren. This stance spills over into such problem areas as China's claims on Taiwan, Tibet, and the South China Sea.

While Russia was long perceived as the greatest single threat to China's security, potential threats from the United States, Japan, Vietnam, India, Taiwan, and the Central Asian states are all mentioned in Chinese strategic pronouncements. Chinese policy therefore stresses a strong national defense so as to avoid containment by these surrounding countries and to create a diplomatic environment conducive to China's interests.
A third major priority is pursuing an independent foreign policy as a vehicle for exerting greater leadership and influence in the Asia-Pacific region. China's goals appear to be to resist superpower domination and outside interference while enhancing its own relations with the developing world so as to create a global political and diplomatic environment advantageous to its interests. In pursuit of these goals, China has toned down its highly ideological emphasis on socialism in favor of a realistic, flexible approach to diplomatic relations based on the Five Principles of Peaceful Coexistence.

**China's Perceived Threats**

China perceives threats to its security somewhat differently today than during the Cold War period. From the late 1960s onward, China saw the Soviet Union as the greatest single threat to its security, with the military threat represented by Soviet troops along their common border and in Mongolia looming particularly large. Even after the restoration of normal diplomatic relations and the subsequent breakup of the former Soviet Union, Russia remained to many Chinese analysts a major security threat. However, the threat is no longer primarily military, but rather of a composite nature, constituting such indirect risks as Russian domestic troubles or conflicts with Central Asian states spilling over into China.

China also regards as political threats to its security efforts by the United States and others to impose on China their standards of human rights, democracy, and freedom. Economic gaps with its more developed neighbors represent additional threats. Furthermore, territorial disputes with neighbors and the effects that they can have on minorities within China's borders are also of concern.

China clearly perceives a growing problem of instability coming from Russia and the Central Asian states. This threat is the risk of involvement or fallout from disputes among the successor states of the former Soviet Union, ethnic disputes within the Central Asian states, and accompanying arms races in the Asian heartland. The rise of Islamic fundamentalism in the Central Asian states is a particular cause for alarm to a Chinese government faced with an increasingly restive Islamic minority of its own. The Russian military presence in the Far East remains a high-priority issue for China. For Chinese purposes, Russia would hopefully be preoccupied by its domestic economic and political difficulties, but with insufficient resources left to assert itself in East Asia.

The second biggest threat to China is probably Japan. China warily watches as Japan continues to expand its political and economic influence in Asia and rises further on the international stage, possibly to the point of gaining a permanent seat on the United Nations Security Council. Japan's defense spending and increasing involvement in United Nations peacekeeping operations sound similar alarms, as does the enhancement of the U.S.-Japan defense policy guidelines. A longer-term fear centers on potential Japanese acquisition of nuclear arms. To counter the Japanese threat, China therefore strives to drive a wedge between Japan and the United States, and to block closer Japanese relations with Russia.

China's third threat is the United States. China may acknowledge the United States as its most significant partner but, ever since the 1989 Tiananmen Square uprising, it sees a United States that continues to carp on such issues as Taiwan, human rights, democracy, and arms proliferation, thus interfering with China's plans for creating its own version of a developed socialist state. Chinese strategists insist that American
pressure represents the biggest potential external force that could retard China’s plans for internal development. Some even assert that there is the possibility of external pressure leading to the collapse of Communism in China as it did in Russia. Any gains made by the United States in taking the political or economic initiative in the Asia-Pacific region, therefore, are seen as weakening China’s influence and raising China’s fear of encirclement by America and its democratic allies. For this reason, China in a long-run sense would welcome a reduced American presence in Asia.

The fourth threat to China’s security comes from its Asian neighbors, in particular those with which China shares a common border: Vietnam, India, the Korean peninsula, Taiwan and the ASEAN nations. China ranks Vietnam and India as being major potential threats and therefore makes a special effort to maintain good relations with them. The greatest worry with regard to the Korean peninsula is that chaos and instability there might spill over into the ethnic Korean community living in Chinese territory and disrupt peace in the border regions. Taiwan remains a matter of China’s national sovereignty, and thus a matter of particular concern. China does not consider the ASEAN countries as major threats as such but is actively trying to win them over as friends to its cause.

CHINA’S NATIONAL GOALS AND INTERESTS: THE VIEW FROM JAPAN

Considering China’s military power, it is necessary to analyze Chinese national goals and interests. Japanese views can be best characterized in the following terms:

China’s National Objectives

While China’s large land area and a population exceeding 1.2 billion make it a major force to be reckoned with, over its long history it has been a unified country for only short periods of time. One overriding objective of the Chinese government will therefore always be to maintain unified, central control over the entire country. Further, a common thread underlying all Chinese government policy is keeping its 1.2 billion population moving in a common direction. To that end, the government zealously protects its sovereignty and independence by forcefully suppressing any foreign or domestic threat or destabilizing influence and by rejecting all forms of interference and intervention from foreign powers. Paramount here is providing its people with clear policy directions and goals and maintaining a firm grip on the reins to hold the country in check.

In the view of Japanese observers, China’s fundamental state strategy has two primary goals. The first is to build a socialist China and preserve a Chinese-style socialist market economy. The second is to advance development of a Chinese-style socialist market economy through reform and liberalization policies. These two fundamental goals are not without their contradictions, however. Clinging too tightly to socialist ideals leaves little room for reform and liberalization. Too much reform and liberalization, on the other hand, just might lead to the demise of socialism. Nevertheless, the government has drawn up policy directives that help it pursue a strategy striving for a delicate balance by adjusting priorities and the pace of economic development.

Japanese strategists view national defense as occupying a pivotal position in pursuing these two basic strategies, as well as serving as China’s fundamental source of state power. As a result, the net effect is that while China pursues economic
development through reform and liberalization, it is also using its national defense buildup to strengthen the country’s infrastructure — a textbook example of building a rich country with a strong army.

China views diplomacy as an important tool in achieving these strategic goals — a fact clearly recognized by Japan. In particular, it pursues an independent foreign policy based on rejection of superpower hegemony and outside interference in domestic affairs, pillars that it considers necessary and essential in achieving these strategic goals. In other words, its policy is based on the firm belief that interference by major powers and the pursuit by major powers of interests contrary to its own are incompatible with basic Chinese policy goals.

China’s security policy follows from these basic strategic goals and interests. China strives to improve foreign relations with major powers and its neighbors to create a better security environment for itself at the same time as it continues to build a strong national defense to support its basic strategic goals and to protect its national interests. This approach lies at the heart of a Chinese independent diplomatic policy that rejects interference and attempts at hegemony by other major powers. A strong national defense simultaneously serves to strengthen the government’s hand in maintaining stability within its own borders and to expand Chinese influence in the Asia-Pacific region.

China’s Economic Prospects

The most important factor determining the feasibility of China’s national goals is whether the country can keep its economic development plans on track. In the 1980s, China exhibited phenomenal economic progress. China’s economic growth has accelerated further in the 1990s, reaching 13.4% and 13.0% in 1992 and 1993, respectively, and almost 10% for 1994 and 1995.

The downside to China’s economic development was an overheated economy with inflation rates rising as high as the 25%-30% range. However, in recent years China has been able to sharply reduce its inflation rate while still sustaining robust growth. The Chinese therefore believe that they have achieved a “soft landing” of continued economic growth combined with much greater control over inflation. The larger test, however, may well be the fate of the inefficient state-owned enterprises, which serve as a major drain on budgetary resources.

China also faces the twin future challenges of implementing major economic reforms while maintaining political stability after the death of Deng Xiaoping. China’s ability to continue to pursue economic development under the current socialist market economy model hinges on whether the death of Deng Xiaoping will disrupt political and social stability. As long as China continues along its current path of reform and liberalization, it can expect to maintain impressive growth rates through the remainder of the 1990s. This economic growth within China and the expansion of the Chinese economic sphere outside the country will no doubt continue to be a source of East Asian dynamism.

China has also stepped up defense expenditures in step with this economic growth. For several years, defense allocations have been growing at double-digit rates, as the government focuses on building a strong national defense and maintaining the loyalty of its military personnel.
China's defense modernization is discussed in greater detail in the next section. But China's modernization of its nuclear and conventional forces, its increased military deployment in the South China Sea, and increased activities against Taiwan have caused considerable concern among other East Asian countries. Although China is participant in the multilateral security dialogues among Asia-Pacific countries, it exhibits a contradictory, somewhat lukewarm response to agreements and treaties aimed at producing regional stability in the Asia-Pacific region. Indeed, although China participates in various forums to avoid possible international isolation, once such forums initiate a specific framework or agreement requiring implementation or observance by signatories, China's overriding policy concern with autonomy and independence make it reluctant to participate further. This phenomenon creates further suspicion of China's longer-range intentions.

**IMPLICATIONS OF CHINA'S MILITARY BUILDUP**

*Assessing China's Military Modernization Program*

China considers national defense fundamental to the overall national strength needed to ensure China's power and security. China assigns high priority to strengthening the People's Liberation Army, the core of its national defense forces and the key protector of China's national interests. As part of these plans to strengthen the PLA, the emphasis is clearly on restructuring and equipment modernization through increased reliance on advanced science and technology.

Defense expenditures have grown at double-digit rates since 1989. The 1997 national defense budget, for example, jumped 14.7% over the previous year. However, budgetary reports noted inflation and increases in military salaries as the main factors responsible for this surge in defense expenditure.

Yet one must interpret these figures with considerable caution. The first problem is that do they do not tell the whole story. China's national defense industry relies on support from state-run enterprises in various industrial sectors. Adding in their contributions would yield much larger figures for China's national defense expenditures. One must also note that neither prices for equipment and materials nor personnel costs are calculated the same way as in other countries. At the same time, however, China's official national defense spending levels are extremely low, amounting to less than 1.5% of GNP. Thus, China officially spends roughly US$6 per citizen on national defense, as opposed to the United States' US$1,100 and Japan's US$300, noting that even in absolute terms, its official expenditure of US $9.7 billion in 1997 trailed far behind the American figure of US$260 billion and the Japanese one of US$50 billion. For these reasons, national defense expenditure data for a particular country must be evaluated according to objective standards; this applies equally to an assessment of China's national defense expenditures.

Although its basic military strategy remains primarily defensive, China has adopted a strategy of active defense as its way of responding to post-Cold War regional tensions and uncertainties. To this end, it is in the process of increasing army mobility by building rapid reaction forces. The People's Liberation Army has distinctive characteristics that are products of the historical environment surrounding China. Its nuclear deterrent, although small in terms of the number of warheads, is nevertheless quite diversified. It also has the capabilities for limited power projection into the
surrounding regions. China's military has constantly been on the agenda since the "Four Modernizations" were first announced in 1976. Key portions of these plans include personnel cuts of one million since 1985, consolidation of military regions, and stepped up investment in advanced science and technology.

As a result of the Gulf War and its emphasis on the importance of high-tech weaponry, CMC Vice Chairman Liu Huaqing launched a major development effort, designed to enhance the capabilities of China's military forces. So far, the program has stressed the development and deployment of missiles, satellites, naval systems, and modern combat aircraft. China's nuclear capabilities currently include land-based intercontinental ballistic missiles, intermediate-range ballistic missiles, and submarine-launched ballistic missiles, but no strategic bombers. Since the bulk of the land-based missiles have only single warheads, use liquid fuels, and are tied to fixed launch platforms, the country is now seeking to develop multiple-warhead rockets, solid fuel propulsion, and mobile launchers. The submarine-launched ballistic missiles have as their launch platform China's sole strategic submarine with ballistic nuclear launch capabilities and a payload capacity of twelve missiles. These missiles have a range of only 1,700 km, a figure that requires improvement.

As suggested, China's nuclear warfare capabilities lag considerably behind those of the United States and Russia. For these reasons, China is expected to continue to regard its nuclear weapons development program as essential to its security, even though China has agreed to join the Comprehensive Test Ban Treaty (CTBT). China will therefore no doubt continue to pursue further nuclear weapons development both to provide a minimal deterrent for defending its national interests and to back up its claim to superpower status.

China's conventional military capabilities include a standing army of 2.2 million in seven military regions, 28 military districts, and 24 integrated group armies plus 900,000 reservists in 80 infantry divisions. Since 1991 and as a result of the diminished threat of a Russian invasion, the Army has reduced the number of military regions from eleven to seven, sought to create new integrated group armies, and shifted troops from the north and northwest portions of the country to the center and the south. Another move to boost available army mobility and firepower to respond to regional strife involves the creation of rapid reaction forces. The Army will, therefore, continue to shrink in terms of personnel even as it modernizes its equipment. It will turn to Russia for the T-72 tanks, attack helicopters, ground radar, and other high-tech weaponry that it needs to boost mobility and firepower.

China's Navy has 260,000 personnel in three fleets -- the North, East, and South Sea Fleets - 50 main surface ships, 52 submarines, and one marine brigade. Although its primary mission is coastal defense, it is beefing up its operational capabilities for limited open-water engagements by building destroyers, frigates, and navy ships as well as modernizing its supply vessels and missile patrol boats. Aircraft carriers would boost these ocean-going capabilities considerably, but plans to acquire an aircraft carrier have been shelved, at least for the indefinite future.

China's Air Force has 470,000 personnel, 120 medium-range bombers, and 4,000 combat aircraft. The bulk of its combat aircraft are antiquated, but Russia has supplied it with 50 Su-27 fighters and ten Ilyushin 11-76 transports. Although these acquisitions have increased the range of China's air forces, overall air power remains inadequate and
therefore China will no doubt continue to take additional steps for further improvement, focusing on assistance from Russia in particular.

How should we assess modernization and other Chinese military developments? Any assessment must separate the current state of affairs from projections for the future. Two distinct schools of thought regarding military developments in China apply as long as these two conditions are met.

The first school holds that China's stepped-up defense outlays over the past few years, its military modernization program, force redeployments, the acquisition of advanced weaponry from Russia, and advances into the South China Sea represent clear threats to the countries of East Asia, and that these threats can only intensify in the years to come.

The second school counters that growth rates for national defense expenditure are not all that great once adjusted for inflation and that Chinese military hardware as a whole is so obsolete that modernization presents no threat to neighboring countries for the immediate future. They also point out that China's national defense strategy has always been defensive and higher priority is currently being given to economic development. Thirdly, they assert that advances into the South China Sea reflect a shift of economic focus to the coastal regions and it is therefore a misunderstanding to brand them a military threat.

Among the countries of the Asia-Pacific region, the consensus on both viewpoints may be summarized in three parts. First, Chinese military power does not currently pose an immediate serious threat to East Asia. Second, if China maintains its current rapid pace of economic development, devotes significant portions of its GNP to military modernization, and builds up its power projection capabilities in neighboring waters, it will ultimately become a serious threat within the Asia-Pacific region. Third, a common source of apprehension is the lack of transparency of China's military intentions and developments, particularly in such areas as force redeployments and future weapons development.

Even within this consensus, however, subtle differences are perceptible among the Asia-Pacific countries in their recognition of the purported Chinese threat. East Asian countries have a historical basis for their fears and find these fears only fanned by military developments in China and the diminishing American presence in Asia. In contrast, the United States, Australia, New Zealand, Canada, and other countries farther away do not feel an immediate or direct threat.

IMPLICATIONS FOR ASIAN SECURITY

Now let us consider the implications of these military developments in China have for Asian security.

Many of the factors presented in this analysis are not amenable to drawing clear conclusions. The particularly important issue of whether Chinese political stability and economic development will survive the passing of Deng Xiaoping, for example, remains a major unknown. Next in importance are questions arising from the projected growth of China's market economy through the end of this century: How far will the Chinese
economy expand? How much of this growth will be channeled into military modernization? How far will Chinese science and technology evolve?

Questions of more immediate importance for regional security is whether China will continue to acquire advanced weapons systems and military technology from its current supplier, Russia, and other supplier states. Acquisition of such systems as aircraft carriers, advanced fighter aircraft, mid-air refueling aircraft, long-distance bombers, and nuclear-powered submarines would significantly enhance the country's power projection capabilities. Yet another factor concerns nuclear weapons development and other programs for modernizing China's military, and whether China will deploy more modern weapons along the South China Sea and in the Taiwan Strait. It is also difficult to judge at the current stage how such changes will affect China's diplomatic relations with its neighbors and other aspects of its security environment. Security developments in the Asia-Pacific region loom large in China's security environment, but it is clearly difficult to predict where they will lead.

Although Chinese military development entails such major imponderables, the country will continue to modernize its military. The only question is how quickly, and toward what objective.

Let us therefore turn to the types of military actions that China might undertake in Asia. The first possible scenario is one of direct military intervention in a conflict with neighboring countries or regions. The list of possibilities here includes military confrontation with Vietnam or with Taiwan over territory in the South China Sea, disputes over unification between China and Taiwan in the Taiwan Strait, and clashes with such neighbors as Russia, India, Kazakhstan, and Nepal. With the exception of the long-standing struggle with Taiwan, these disputes will most likely not arise from deliberate policies and plans, but rather from crises that get out of hand. At present, it is hard to find a reason for China to deliberately undertake such adventures unless, for example, Vietnam deploys forces in the South China Sea or suddenly moves to develop undersea resources there, or if Taiwan announces plans to proclaim independence. In these latter cases, China may decide that a military response is the only way to protect its national interests.

In such cases, the key reaction to watch is that of America. Most Japanese observers believe that the United States will most likely not interfere or intervene in China's direct conflicts in Asia. Predicting the American reaction will therefore play a major role in China's decision-making process relating to such conflicts. In other words, if China judges that the United States will not intervene in a particular East Asian conflict, China will be far more likely to initiate n-military action.

It is precisely because China retains this potential that East Asian countries view Chinese military developments with great concern: they believe there is little likelihood of United Nations action should China initiate a military conflict against its neighbors. One must admit that the chances of the Security Council passing the necessary resolutions are nil, given that China would veto any resolution.

The second military scenario involves the forceful suppression of destabilizing influences within China or in neighboring countries. China will unquestionably react with firm steps to any potentially destabilizing influence toward Hong Kong, toward minorities swayed by such outside influences as the Dalai Lama or Islamic brethren in the Central Asia states, toward opponents of the post-Deng Xiaoping leadership or
toward tensions on the Korean peninsula that threaten to spill over into China. The available military might and the underlying government power structure will determine the specific nature of this response.

This second scenario would concern protecting Chinese territory and other vital national interests. China can be expected to take a particularly forceful stand against anti-government activities by minorities within its borders and similar threats to its political power. Its response will be equally firm to neighbors that are considered to be lending unwelcome support to opposition forces within China.

China's reaction to the Korean Peninsula will depend on the exact nature of developments there. Should North Korea collapse and merge with the South under Seoul's leadership, China would be extremely unlikely to intervene militarily. If the North Korean military were to declare war on the South and its American ally, military support of North Korea similar to that undertaken during the Korean War is also impossible to imagine. That said, China would still be opposed to United Nations intervention.

The third scenario has China posing a major potential threat to other Asian countries because of its military might and the influence of the overseas Chinese community. Under this scenario, Chinese interference with free passage through the South China Sea and the Taiwan Strait would suffice to create fear among the East Asian countries, most of which have sizable Chinese minorities. This fear would center on the possibility of encroachment by a Chinese economic sphere backed by military might. China may not go so far as to actually flex its military muscle in Asia but can still be expected to extend its political and military influence so as to exert de facto hegemony over the region. Although opposition by the United States and Japan is probable, the chances of India, Russia, and Vietnam joining together to contain China remain slim.

CHINA'S MILITARY BUILDUP AND ASIA'S POLICY TOWARDS CHINA

How should Asian countries respond to the military buildup of China? The following is the predominant Japanese viewpoint on this issue.

Most Japanese strategic observers believe that developments in China hold the key to peace and stability in the Asia-Pacific region. In other words, China must be persuaded to become a stabilizing rather than a destabilizing factor. For this to occur, however, China's economic development must first of all proceed smoothly. The hope in Japan is that even after the death of Deng Xiaoping, China will continue to pursue Deng's economic policies under the guidance of a stable leadership and with no major disruptions. There should then be increased economic interdependence between China and other Asia-Pacific countries, with the Chinese economic sphere playing a beneficial and positive role in Asian regional development.

For this to be realized, China must participate positively in both the world economy and the emerging Asia-Pacific policy framework. A China that is isolated either economically or politically would pose a tremendous threat to the Asia-Pacific region and the world. Getting China involved in as many frameworks and dialogues as possible and encouraging it to advocate positive positions and responsibilities is the best way to make it a stabilizing factor.
The second step is for Asian-Pacific countries to engage China in frank dialogue and use those opportunities to freely express their apprehensions and concerns with regard to Chinese actions and developments. Such expressions must take place at all levels both in government and in the private sector. If necessary, Asian-Pacific countries should be prepared to issue joint declarations.

China has already begun to address some of the apprehensions expressed by East Asian countries. China's advances into the South China Sea, nuclear testing, nuclear weapons development, weapons deployment, and military modernization have all been sources of apprehension to East Asian countries during the 1990s. The Chinese have sought to clarify their motives and objectives in at least some of these areas so as to alleviate these fears. Japan forcefully expressed its concern regarding nuclear testing to China in both 1993 and 1994, and these discussions may have contributed to China's decisions to ultimately cease its testing program. In bilateral security dialogue that began in December 1993, Japan also expressed similar concern with the uncertainties associated with China's military might.

The third step is to persuade China to respond positively to United Nations peacekeeping operations, peacemaking efforts, specific confidence-building measures for the Asia-Pacific region, and other security measures. But China remains stubbornly reluctant to join security frameworks: it takes a negative view of the United Nations playing a role in dispute resolution in the Asia-Pacific region, for example.

If China refuses to adopt a forward-looking role in assuring stability in the world and the Asia-Pacific region, there is no way that it can become a positive factor in ensuring future world stabilization. It may stick to its Five Principles of Peaceful Coexistence if it wishes, but at the same time China must also demonstrate a more flexible approach to ensuring global stability and exercising restraint in its own actions.

Japan's Approach to China

Developments in Northeast Asia remain critical to Japanese interests. Future developments in both North Korea and China have major implications for Japan's security. China's military direction especially is among the biggest areas of concern for Japan's future peace and stability. Three aspects of Japan's current approach toward its security situation warrant discussion.

First, Japan is seeking to ensure a more reliable alliance with the United States, including rebuilding the Japan-U.S. security structure. The recent Japan-U.S. summit meeting and the Joint Declaration issued by President Clinton and Prime Minister Hashimoto showed clearly that the restructuring of the alliance built in the post-Cold War era has had a critical and positive role in Asia's peace and stability as well as for Japan's security. To increase the credibility of the Japan-U.S. alliance, both Japan and the U.S. have reviewed the guidelines for defense cooperation and agreed to promote further security cooperation. The alliance does not explicitly consider China's military power as a factor in U.S.-Japan security planning, but both countries believe that an invigorated alliance will help ensure a more stable environment for peace and security in East Asia.

Second, China's military development, especially its nuclear development programs, arms and technology transfer from Russia, and the military pressure towards Taiwan, all pose potential threats to Japanese security. Japan has expressed much
stronger anxieties and concerns towards China regarding these issues than in the past. Another anxiety for Japan is the lack of transparency of China's military power. To solve these problems it is hoped that China will react frankly and sincerely towards Japan and the other Asian countries in security dialogues.

Third, Japan is concerned about maritime security. Japan is dependent on sea lanes for communication, and China's compliance with the Territorial Waters Law and the UN Convention on the Law of the Sea is also of major interest to many other Asian countries as well. Many Asian nations rely on the SLOCs on the South China Sea and that is why safe navigation in this area is a common issue among them.

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3. KOREAN PERSPECTIVES ON PLA MODERNIZATION AND THE FUTURE EAST ASIAN SECURITY ENVIRONMENT

Taeho Kim

Over a half decade into the post-Cold War era, Asia is still in search of a new regional strategic structure that can cope with the emerging security challenges to its stability and prosperity. The removal of the superpower standoff has fundamentally altered the strategic assumptions on which Asian nations’ defense planning has been premised and has seriously called into question the ability to predict future developments in the Asia-Pacific security environment. Probably the most far-reaching post-Cold War change in Asia’s strategic environment has been the 1990-92 drawdown of 30,000 American troops from the Asia-Pacific region. Even following the United States decision in 1995 to freeze the level of U.S. force in the region at 100,000 personnel, regional perceptions of U.S. security commitment and credibility will significantly affect the strategic calculus of individual regional states and the overall regional power balance.

At the same time, there is a widespread belief that regional stability and prosperity will increasingly hinge on the future capability and behavior of China, potentially the most influential nation in the region. During the first half of the 1990s, China’s rise and its growing military capability were precisely the focal point of Asian and global security debate. First of all, China’s sustained double-digit economic and defense budget growth, the acquisition of advanced weapons from abroad, and assertive moves to affirm its sovereignty over the South China Sea and Taiwan have aroused the specter in many regional capitals of a nationalistic, powerful, and assertive China. Second, China’s cooperative behavior in various arms control and disarmament processes remains critical to their effective and full implementation. Third, now that nonproliferation concerns have been elevated on the global security agenda, China’s export of nuclear and missile components and technologies ensures that it will be a major factor in both regional and global security.

Chinese leaders, however, see the order of things differently and often react viscerally to any suggestion that China’s military power is a source of security concern to other nations. Given its vast landmass and expanding maritime interests, China does have a legitimate need to maintain a large military establishment called the People’s Liberation Army (PLA), currently at three million, with diversified defense assets. Given also its huge but outdated weapons inventory, it is quite understandable that China needs to improve its military equipment, especially its naval and air assets.

However, the recent growth in China’s economic and military capabilities has not been accompanied by commensurate efforts by Beijing to assuage the fears of its neighbors. On the contrary, the Chinese authorities have not only closely guarded major defense policies such as budget, strategy, and the modernization program, but have often accused foreign governments and scholars of spreading “totally groundless” allegations against China, such as the “China threat thesis.” The combined effect of Beijing’s lack of military transparency and studied ambiguity has been a considerable level of apprehension over China’s future, and particularly its military behavior.
To assess the security implications of PLA modernization for the Korean peninsula and for the Asia-Pacific region, this chapter seeks to take stock of the emergence of the China factor in the strategic calculus of the Republic of Korea (ROK) and the implications of PLA modernization for Korean security. It then explores the future role of the United States and China in Korean unification, a major event that would reorder the regional power balance and affect in crucial way the future of the U.S. military presence in Korea and in the region. Finally, it specifically addresses various policy measures the ROK and the United States can take, individually or jointly, to cope with the challenges of an ascendant China for peninsular and regional security.

**THE CHINA FACTOR IN THE KOREAN STRATEGIC CALCULUS**

Fundamental to understanding the importance of the China factor in the South Korean calculus are China’s geographical proximity to the Korean peninsula, its continuing influence on North Korea (the Democratic People’s Republic of Korea), Beijing’s growing bilateral ties with South Korea, and China’s unsettled relations with the United States. Furthermore, China is certain to remain a major player in Korean affairs, including in the Korean unification process. While each subject requires a lengthy treatment of its own, this section will provide a brief overview of Sino-South Korean relations leading to their normalization in 1992 and China’s place in South Korea’s diplomatic and security calculus in the post-Cold War period.

For most of the Cold War, relations between China and South Korea were locked in mutual hostility and suspicion. The Chinese intervention in the Korean War, the bipolar configuration of the world’s power structure, and China’s continuing rivalry with the Soviet Union for influence in North Korea made Chinese-ROK relations a negligible factor for three full decades after the cessation of hostilities on the peninsula. As China recognized North Korea as the only Korean state on the peninsula, there were no contacts between South Korea and China until the late 1970s.

Toward the end of the late 1970s, however, two major developments presaged major changes in China’s traditional stance toward the peninsula. One was China’s adoption of its reform and open-door policy in 1978, the year when unofficial and indirect trade between China and South Korea began, albeit slowly. During the early to mid-1980s, China gradually but unmistakably pursued a *de facto* “two-Korea” policy, which included cultural, academic, and sports contacts with South Korea. The other principal development was the improvement in Sino-Soviet relations, which undercut the rationale behind their rivalry over North Korea.

By 1988, the growth of the still-unofficial but substantial ties between China and South Korea had become unmistakable. Indirect trade between the two countries exceeded $3 billion; China participated in Seoul’s 1986 Asian Games and 1988 Olympics; and the ROK government announced a major diplomatic initiative known as “Northern Diplomacy” or *nordpolitik*. Northern Diplomacy, in particular, was aimed at creating conditions favorable for Korea’s peaceful unification through improved ties with then-socialist countries. Beginning with Hungary in January 1989, South Korea established diplomatic relations with all East European states, the Soviet Union (September 1990) and China (August 1992).

From Beijing’s point of view, the domestic economic imperative was the primary factor motivating its decision to normalize relations with South Korea. The passing of
the Cold War not only enhanced the value of economic ties with South Korea, but entailed the end of Sino-Russian competition over North Korea. Another important motive was to expand China’s diplomatic influence in the region in the aftermath of China’s post-Tiananmen diplomatic isolation by consolidating ties with its neighbors such as South Korea, a major U.S. ally in Asia. In a similar vein, it had the effect of throwing cold water on Taiwan’s bid for greater international status by demanding Seoul’s switch of diplomatic recognition from Taipei to Beijing.

To the ROK government, normalizing relations with China was a diplomatic tour de force. First and foremost, Sino-South Korean normalization helped culminate its Northern Diplomacy and symbolized South Korea’s victory in its decade-long diplomatic competition with North Korea. Furthermore, the ROK hoped to bring China’s influence on North Korea to bear in facilitating North-South Korean dialogue, opening up the North Korean society, and restraining North Korea’s provocative actions against South Korea. Less immediate but still important considerations were the economic and political benefits that flowed from strengthened relations with China.

Sino-South Korean relations have expanded rapidly on most fronts. Bilateral trade reached $8.2 billion in 1992—the year diplomatic relations were established, doubled in another three years to $16.9 billion in 1995, and is projected to surpass the $50-billion mark by the year 2000. Growing economic and social ties have been further buttressed by an increase in investment, tourism, and sea/air routes. To help consolidate these growing economic and cultural ties, the three most senior Chinese officials (i.e., Jiang Zemin, Li Peng, and Qiao Shi) visited Seoul between October 1994 and November 1995. These remarkable developments between the two nations over the past few years have resulted in a shift of the South Korean public’s perception of China to that of a benign, pragmatic economic partner.

After the normalization in August 1992, however, it soon became clear to ROK policy makers and strategists that the two specific sets of goals of its China policy—i.e., facilitating inter-Korean relations and improving bilateral ties with China per se—remained largely independent of one another. Moreover, most Korean observers concluded that there were no major outcomes in its political or security relations with North Korea or with China. Given these circumstances, the ROK’s strategic environment reflects continued concerns about the security challenge posed by North Korea, but in the context of increased uncertainties in future American and Chinese roles in the region.

Notwithstanding the extraordinary changes in the wake of the Cold War and the December 1991 signing of the Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation between North and South Korea, the crux of the South Korean security challenge remains remarkably unchanged: a land-based military threat from North Korea. Indeed, the future of the peninsula has been further clouded by North Korea’s nuclear activities, the sudden death in July 1994 of Kim Il Sung, and Pyongyang’s increasingly acute economic difficulties.

The largest element of potential instability, however, is whether North Korea will even survive over the longer run. Over the past half decade, most major developments on the peninsula and beyond have severely affected North Korea, putting its political and economic viability in doubt. Externally, the disintegration of the former Soviet Union and South Korea’s diplomatic breakthroughs with Moscow and Beijing have
further exacerbated Pyongyang's foreign relations, resulting in the drastic reduction of outside military and economic assistance to North Korea.

Domestically, the North Korean economy has shrunk by an average 4.5 percent per year since 1990.\(^6\) Food shortages remain pervasive and severe, especially in rural areas. Lack of electrical power has already forced the industrial utilization rate below 30 percent of its capacity. Moreover, there are growing signs that the North Korean regime may be losing control over its populace, in light of the increasing number and higher social status of recent North Korean defectors to South Korea. Most spectacular has been the February 1997 defection of Hwang Jang-yop, chief architect of the *juche* ideology and the incumbent international secretary of the Korean Workers' Party. His defection could be a harbinger of future instability in North Korea should the news of his defection ultimately become more widely known among the North Korean people.\(^7\)

Notwithstanding South Korea's enhanced self-confidence on the economic, diplomatic, and ideological fronts, the security challenge to Seoul remains very real.\(^8\) First, North Korea's conventional military capability in general and the size, deployment, and equipment of the North Korean People's Army (NKPA) pose an inherent threat to the defense of South Korea. Not only is the NKPA numerically superior and highly mechanized, but 65 percent of its offensive elements remain concentrated within a 60-mile band north of the Demilitarized Zone (DMZ). Since Seoul, the South Korean capital and the home of 12-million people, is located just 30 miles south of the DMZ, the South Korean forces would have little warning in case of a North Korean attack.\(^9\)

North Korea's nuclear weapons program represents another major potential military threat. Even though Pyongyang signed the December 1991 Joint Declaration on the Denuclearization of the Korean Peninsula with South Korea, the January 1992 International Atomic Energy Agency (IAEA) Safeguards Agreement, and the October 1994 Agreed Framework with the United States, its nuclear weapons program remains a serious concern for both peninsular and regional security. As incredible as its studied nuclear ambiguity may have been, North Korea has adroitly tied the survival of its regime with regional stability (i.e. "swim or sink together") and the future of the nuclear nonproliferation regime. Seen from this perspective, it is possible that Pyongyang might well use the nuclear end game as the last instrument of regime survival.

North Korea has also accelerated the development of various types of missile systems and is believed to have stockpiled chemical and other weapons of mass destruction (WMD). In May 1993 North Korea successfully test-fired over the East Sea (the Sea of Japan) an improved version of the Scud-C (Rodong-1) missile with a range of over 500 miles and, again in June 1994, two 60-mile range anti-ship missiles.\(^10\) It is also in the process of developing Taepo Dong-1 and -2 IRBMs, though the prospects for these programs remain uncertain. In addition, North Korea, which is not a signatory to the Chemical Weapons Convention, is known to operate eight factories producing various chemical agents and has set up chemical warfare units at the regiment level.\(^11\) Thus, North Korea's actual and perceived nuclear and missile capability coupled with its forward-deployed offensive forces near the DMZ remain worrisome factors for South Korean and U.S. defense planners, even acknowledging Pyongyang's larger vulnerabilities.

It is against this backdrop that the continued Chinese-North Korean military relationship remains a source of concern for South Korean security planners. While it is
widely believed among Asian security analysts and officials that there were no major arms transfers from China to North Korea in the early 1990s and that having a Chinese connection into a vulnerable North Korea would almost certainly help contribute to stability on the peninsula, the fact remains that the Chinese PLA is probably the last major ally of North Korea. China's continuing military-to-military contacts with North Korea will continue to be a security concern to the ROK.12

Second, in stark contrast to the remarkable expansion of economic and diplomatic contacts since 1992, institutionalized military-to-military relationships between the ROK and China have yet to develop satisfactorily, nearly a half decade after normalization.13 This state of affairs has obviously been influenced by the Chinese consideration not to upset its erstwhile North Korean allies, but given the value of military diplomacy in enhancing deterrence and improving the prospects for peaceful unification on the peninsula, let alone confidence-building between South Korea and China, security cooperation between the two sides needs to be developed sooner rather than later.

A third security concern is the possibility of maritime accidents in the Yellow Sea and its adjacent waters. The preponderance of Chinese and South Korean population and industrial centers are concentrated on the opposing sides of the Yellow Sea; thus the surrounding waters are a source of potential tension between the two countries as both seek to secure marine resources and sea lanes of communication (SLOCs). Both sides have yet to agree on the dividing line in the Yellow Sea: the Chinese side insists that the continental shelf be the natural extension of its territory, whereas South Korea maintains that the median, which is recognized by many international organizations including the International Civil Aviation Organization (ICAO), should be the international boundary. Due partly to this unresolved issue, there have been quite a few maritime disputes and incidents involving illegal Chinese fishing and obstruction of South Korean oil exploration and drilling operations. Moreover, several foreign commercial ships passing through the Yellow Sea, the East China Sea, and the adjacent international waters have been fired upon by Chinese armed vessels.14 This has led the Russian Pacific Fleet to send cruisers to escort Russian merchant ships passing these seas. They have so far been concluded without military conflict, but unless certain measures are taken to prevent accidental conflicts at sea, they have the potential to escalate into maritime conflicts involving the navies of regional powers.

The fourth concern to the security of South Korea is the long-term implications of China's growing military capability. In the mid- and long term, China's vast size and its strategic reach coupled with the reduced U.S. regional presence could complicate South Korean security planning. Even if South Korea is now pursuing a more self-reliant defense posture, it remains wary of how the potential power vacuum left by the reduced U.S. presence might be filled.15 As long as this concern persists, South Korean security planners will remain watchful of China's growing military power and influence.

**IMPLICATIONS OF PLA MODERNIZATION FOR KOREAN SECURITY**

Any assessment of PLA modernization and the possibility of China employing its force outside its present territory must be made against the background of its domestic economic priorities, which require a peaceful international environment. The end of the Cold War has resulted in a significant reduction of conventional land threats to China, especially those emanating from Russia, India, and Vietnam. A peaceful external environment, as Chinese leaders often remind foreign audiences, is critical to the success
of the Four Modernizations drive. Thus it is not uncommon to hear Chinese leaders and strategists say that its present security environment is the "best since 1949," the year the People's Republic was founded.16

For this reason, Northeast Asia has held priority on China's economic and foreign-policy agenda. Japan, Taiwan, and South Korea are economic powerhouses as well as important sources of capital, technology, and management skills for China's economic development.17 China's relations with the three since the late 1970s have been primarily informed by this economic imperative, which is also likely to lead them to emphasize continued stability over possible conflicts in Northeast Asia in the years to come.

Aside from the Taiwan and the South China Sea issues which China sees as involving its territorial sovereignty and national unity, Chinese strategists point out the Korean peninsula as a potential flash point that could draw China in an unwanted conflict.18 While China and North Korea no longer maintain the traditional "lips to teeth" relationship, Chinese leaders do have significant security concerns over the sudden collapse of the North Korean regime—e.g., large-scale refugees, armed conflicts, and potential disruptions of production in China's northeast industrial heartland. After all, North Korea is the neighbor located closest to China's capital, Beijing, and China still sees North Korea as its strategic cordon sanitaire.

For the sake of its national interests, China encouraged the North Korean leadership to take reform measures, supported the ROK's entry into the UN in September 1991, and pursued normalization of relations with the ROK in August 1992—all with an eye toward enhancing continued stability on the peninsula and China's own economic development.

This conclusion, however, does not rule out the possibility of various forms of Chinese military involvement if unexpected conflicts were to occur on the peninsula. In particular, China could offer various kinds and levels of military support to North Korea under several particular circumstances, including (a) if China's influence over the peninsula were to rapidly decline, whereas an external power's influence over the peninsula sharply increased; (b) if the collapse of the North Korean regime were engineered or furthered by an external power; (c) if allied troops moved far northward beyond the DMZ in a military, political, or social contingency; or (d) if the Chinese leadership perceived that a unified Korea, allied or aligned with an external power, was hostile to China. Without further elaboration on these scenarios it seems clear that South Korean policy makers and strategists need to be watchful of China's deployment of its forces and the long-term implications of its growing military capability.

**PLA Ground Forces**

At present, about half of the 2.2-million PLA ground force is concentrated in the Shenyang, Beijing, and Jinan Military Regions (MRs). The three MRs also contain 15 out of the total 24 Group Armies (GAs): five in Shenyang MR, six in Beijing MR, and four in Jinan MR (see Figure 1). They are estimated to be made up of 47 infantry divisions, eight tank divisions, and three artillery divisions.19 The unusually heavy concentration of ground troops in China's north and northeast is not directed at a possible Korean contingency; these deployments reflect the importance of capital defense and the continued legacy of past war preparations against the former Soviet Union. The fact remains, however, that they are all deployed close to the Korean peninsula.
The PLA Ground Force's weapons inventory, while diverse in kind and huge in size, is largely outdated and outmoded. For this reason alone, the modernization of the ground force has been highly selective and has received the lowest funding priority among the three PLA services. It is against the background of this selective PLA ground force modernization that the "rapid reactions units" (RRUs or kuaisu fanying budui) were created in the late 1980s. Among different types and sizes of RRUs, the location of the 38th GA in the Beijing MR, the 39th GA in the Shenyang MR, and the 162nd Division of the 54th GA in the Jinan MR would make them suitable for military contingencies on the peninsula as well as for domestic instability.

In sum, the RRUs, in conjunction with the GAs, are geared to strengthen mobility and operational coordination in preparation for a small-scale, low-intensity warfare along border areas. Recent PLA military exercises also emphasize inter-service coordination, multiple MR participation, and new types of military maneuvers. Even if the current PLA strategy of "limited local warfare" (youxian jubu zhanzheng), embodied in the strategic shift at the 1995 CMC meeting, emphasizes the offensive operations in limited regional conflicts, a combination of financial, operational, and organizational constraints means that the PLA ground force will remain a huge but defensive army for many years to come.

**PLA Navy (PLAN)**

The PLAN has received special attention since defense modernization efforts began in the early 1980s. This partly reflects Chinese leaders' intention to meet China's growing maritime interests and seaborne regional challenges, in particular China's sovereignty over disputed island groups and territorial waters in the South China Sea, the 200-nm Exclusive Economic Zone, and the long-term goal of developing a blue-water navy.

In the early 1990s the PLAN commissioned various new models and types of vessels. They include: the Luhu (Type-052) guided missile destroyer, jiangwei (Type-055) guided missile frigate, Houxin and Houjian FAC, Huludao coastal patrol craft, the Daoyun resupply ship, and new LSMs (amphibious assault ships). In particular, the Luhu and the jiangwei are indigenously-designed second-generation vessels which are better equipped than their predecessors in terms of engines, command and control, and armaments. However, they reportedly lack sophisticated equipment such as electronic support measures (ESM), electronic countermeasures (ECM), and air defense systems, which might expose them to enemy attack on a sustained, high-sea mission.

In a Korean military contingency the PLAN could perform various missions, including sealift of troops and equipment, interdiction of SLOCs, and anti-surface and anti-submarine warfare. These missions would be largely carried out by the North Sea Fleet, which consists of two submarine, three surface, one mine, and one amphibious squadrons. The Fleet, headquartered in Qingdao, also operates China's SSBN unit.

The PLAN's vessels, however, are mostly outdated and lack anti-air, anti-ship, and anti-submarine defense systems as well as modern radar and electronic equipment. Furthermore, the PLAN has not yet conducted long-distance naval exercises, and its RAS (replenishment at sea) capability is believed to be rudimentary. Given also the lack of an effective air cover, the PLAN's vessels will remain dangerously exposed to air and surface attack if they operate far from shore.
Taken together, the PLAN's capability to conduct and sustain long-distance operations is quite limited. Among the 18 destroyers and 36 frigates it currently operates, at most only ten of them are judged to be relatively modernized. The quantitative superiority of its submarine force remains a concern to China's neighbors, but the noise of Chinese submarines will make them vulnerable to detection by a variety of anti-submarine capabilities. The current limitations in the PLAN's naval weapons systems and electronic equipment, naval airpower, and RAS capability will deprive it of an effective long-distance operational capability for many years to come.

**PLA Air Force (PLAAF)**

The PLAAF maintains seven Military Regions Air Force (MRAF), identical to the MRs of the Ground Force. Despite its huge inventory of over 5,000 different types of aircraft, the PLAAF is the least modernized service, especially compared to its counterparts in neighboring countries. Including the 3,000 J-6s, the Chinese versions of the Soviet MiG-19s, virtually all of its combat aircraft are based on 1950s- and 1960s-vintage technologies.

PLA leaders are well aware that airpower plays a crucial role in modern warfare and that the air force is the most technologically-oriented service in the armed forces. But China's relatively backward aviation industry has long failed to meet the PLAAF's requirements. Intermittent contacts with selected Western aircraft manufacturers in the 1980s generated no breakthroughs in either upgrading the existing inventory or developing new generation of fighter aircraft.

On the other hand, the current PLA strategy of "limited local wars" requires rapid mobility and effective fire power for contingencies along the border areas. The PLAAF has obviously been ill-equipped to meet the new challenges. It is thus the gap between the doctrinal requirements and the existing aircraft inventory that has sharpened the sense of urgency among the Chinese top brass. For this reason, air force modernization is receiving top priority in Chinese defense modernization and foreign weapons acquisitions, especially those from Russia.

Of particular importance is the Chinese efforts to acquire and manufacture modern combat aircraft, especially the J-10 (XJ-10) and the Su-27. Some reports have indicated that a prototype of the J-10 has been developed by the Chengdu Aircraft Corporation with Israeli assistance and that its first flight test would soon be undertaken, although these reports have yet to be reliably confirmed. The details of the J-10 program and the Israeli involvement remain shrouded in secrecy in part because they involve the transfer of aircraft subsystems and technologies. In addition to the 26 Su-27s acquired in 1992-93, China initialed in May 1995 a contract for the second batch and received a total of 22 Su-27s in 1996. The contract was finalized during the December 1995 visit to Moscow by a large Chinese military delegation, which reportedly concluded an agreement to license-produce the Su-27s in China. While the details of the license production deal of the Su-27s are not known to the outside world and are likely to be in the process of negotiation by both sides, it seems only reasonable to assume that at the beginning stage China would have to assemble the whole array of imported items such as engines, radar, and fuselage. China would then attempt to gradually increase the local content of the aircraft components in the hope that an indigenous, complete version of the Su-27 would be manufactured in China, as they did for older MiG series in the 1950s and the 1960s. Manufacturing the far more sophisticated Su-27, however, would be a
Herculean task even under the most favorable circumstances imaginable and will take well over ten years to achieve.

Until such a manufacturing capability is realized and new aircraft produced in significant numbers, the PLA AF's outmoded aircraft will be severely tested against the modern air forces of China's neighbors. Even worse, the PLA AF's combat readiness is known to suffer from insufficient flying hours, lack of combined operations, and limited repair and ground logistics support. Thus, the chance that the PLA AF can significantly improve its firepower in the next five to ten years (even with Russian technological assistance) is remote. But if it attempts to overwhelm a rival air force with the large number of its aircraft, an adversary could very possibly suffer serious losses.

The PLA Nuclear Force and Missile Systems

Most Western PLA specialists believe that China's nuclear force of approximately 300 deployed nuclear warheads is primarily dedicated to a strategy of minimum deterrence, which means that no potential enemy would launch a nuclear strike against China without inviting retaliation.

Yet there is little indication that the role of nuclear weapons in overall Chinese security has declined in the post-Cold War era. The Chinese have instead vigorously pursued the nuclear modernization program to improve the survivability, reliability, and safety of its nuclear arsenal in conjunction with its conventional military modernization. China's ongoing major nuclear and missile modernization, which predates the post-Cold War period, is evident in all three components of its triad.

The focus of its land-based systems modernization remains the continued improvement and development of its Dongfeng (DF) series such as the DF-31 and the DF-41. China is also emphasizing accuracy, solid propellant fuels, MIRVing, and new basing modes. Additionally, China's much-touted space program will apparently have an impact on its current effort to extend the range of its ICBMs.

The second leg of the Chinese nuclear triad is sea-borne systems. The Xia-class nuclear-powered ballistic missile submarine (SSBN), first deployed in 1986, is purportedly armed with 12 intermediate-range, solid-fueled Julang-1 (JL-1) missiles aboard. In September 1988, China successfully launched a JL-1 SLBM from a Xia submarine to a target about 1,500 km away in the East China Sea. China is also continuing the development of its second-generation SLBM, the Julang-2, which is the submarine version of the DF-31.

The Chinese also deploy strategic bombers to deliver nuclear warheads. They are mostly Beagle (H-5 or H-28) and Badger (H-6 or Tu-16) bombers, which remain highly vulnerable to modern air defense. It is believed that the supersonic Jiankang (JH, H or B-7) bomber is nearing completion. It also seeks to acquire and license-produce nuclear-capable aircraft such as the Su-27.

Future improvement in China's nuclear capability would reinforce the minimum deterrent value of nuclear weapons and may even facilitate the burgeoning nuclear doctrinal shift to "limited deterrence." As long as China aims at improving the technological sophistication of its nuclear arsenal to the level closer to advanced Western nations, it will remain reluctant to join the strategic arms reduction process and will
want to retain as much military value as possible for its nuclear and missile programs, which help compensate for its lack of airpower.

For the foreseeable future the chance of a serious nuclear threat to China is very low. The country's nuclear and missile capability provides China with international status and prestige that attest to China's standing as a major power. China's nuclear and missile modernization will also continue to be a source of concern for international nonproliferation efforts and regional security. In particular, the psychological impact of China's nuclear and missile capability is more likely to fall on its neighbors than on extraregional powers. It is partly in this context that Japan and South Korea have studied the joint development of a Ballistic Missile Defense (BMD) system with the United States. China, however, remains strongly opposed to the deployment of missile or strategic defense systems which could dilute the military value of its nuclear and missile capability.

THE UNITED STATES, CHINA, AND KOREAN UNIFICATION

Korea has long been likened to a shrimp among whales whose geostrategic and economic interests converge on the peninsula. It is thus reasonable to assume that when chips are down, large states in the region will attempt to steer the course of Korean unification in a way that the outcomes are congruent with, or at least not inimical to, their respective national interests.

Due primarily to the relative fluctuation of their national power in recent years, however, the four most powerful states in the region--i.e., China, Japan, Russia, and the United States--have varying degrees of influence on the Korean peninsula. For instance, as important as Russia's economic interactions with South Korea may be, Moscow is now a far less important actor in peninsular affairs and its influence marginal. On the other hand, partly because of its diplomatic subtlety with regard to recent developments on the peninsula, China has not only retained its geostrategic influence on the peninsula, but it has become the only major power that maintains positive relations with both Pyongyang and Seoul.

Viewed in these terms, the United States, the only remaining superpower, and China would be more immediately involved in the Korean unification process than either Japan and Russia. Neither the current asymmetric power relationships among the four nor their respective power potentials seem to be undergoing dramatic change for the foreseeable future.

By dint of its global reach and security alliance with the ROK including the presence of the USFK and an integrated command structure, the United States continues to be the most important outside actor on the peninsula. The U.S. is also involved in a wide range of issues that touch upon the unification question, including the nuclear issue, a peace treaty, and regional security. Recently, the significance of the U.S. factor in Korean unification has been further enhanced by a historical irony--North Korea's desire to establish economic and diplomatic ties with the U.S. in order to overcome its economic cul-de-sac and possibly to ensure its long-term survival.

America's support for South Korea's unification strategy--which envisages a unified state in which democracy, a market economy, and human dignity are upheld--remains firm and has been reconfirmed during a series of summit meetings, including
those in July 1993, July 1995, and April 1996. Additionally, South Korea has formally supported a continued U.S. military presence on the Korean peninsula, divided or unified. The U.S. has also explicitly stated its post-unification interest in a February 1995 Department of Defense report entitled *United States Security Strategy for the East Asia-Pacific Region*: "Even after the North Korean threat passes [i.e., after the Korean unification], the United States intends to maintain a strong defense alliance with the Republic of Korea, in the interest of regional security."31

Thus, the U.S. commitment to Korean defense and unification remains strong and is highly likely to remain so in the future. But as their divergent perceptions of and policies towards a series of recent North Korean crises best illustrate, the ROK and the U.S. governments need to coordinate their policy toward North Korea more tightly and coherently than in the past. For example, the continuing emphasis on the concept of "soft landing" may retard the consequences of an economically-crippled North Korea, but it by no means constitutes a viable, long-term strategy for either alliance maintenance or regional security. On the contrary, as long as this concept persists, both the ROK and the U.S. will be subject to various domestic criticisms, primarily for being "soft" on North Korea's brinkmanship, and their policy toward North Korea will remain unfocused and adrift as a consequence. This does not augur well for the long-term prospects of the ROK-U.S. alliance, especially if they have to prepare for the day when they "run out of enemies."32

Unlike a global America on the other side of the Pacific Ocean, China shares a 300-mile border with North Korea. As noted earlier, not only does China retain its geostrategic interest in North Korea, but is acutely aware of the potential dangers of a renewed conflict on the peninsula. For the sake of external stability conducive to China's economic modernization, Chinese leaders have consistently called for tension reduction on the peninsula. It also has sought to turn an external crisis into an opportunity to advance its own national interests. The North Korean nuclear issue illustrates the point.

Throughout the course of the nuclear issue, China has benefited from the subtle use of its images and roles—as perceived by Washington, Seoul, and Tokyo.33 The shared perception among the three capitals has been that given China's high stakes in peninsular stability as well as its security and economic ties with North Korea, China is uniquely positioned to persuade Pyongyang to forgo the nuclear option. Setting aside the credibility of this untested assumption, China has in fact capitalized on the whole range of benefits this image has provided.34 For instance, the May 1994 decision by the Clinton administration to de-link the issue of China's MFN trade status from its human-rights record was partially based upon the consideration of China's putative support in resolving the North Korean nuclear issue.

Thus, China adopted a complex mix of policy measures to turn the crisis situation into an opportunity to enhance its status and prestige in the emerging new international order and to strengthen its bargaining position vis-a-vis that of the United States, South Korea, and Japan, while allowing North Korea to persist in its diplomatic negotiations with the United States. Additionally, China has consistently argued for a dialogue among related parties, rather than overt pressure on North Korea, in finding solutions to the nuclear question. The credibility of the Chinese declaratory policy is backed by its real veto power in the UN Security Council. On the heel of Western pressure after Tiananmen, China has again demonstrated that it is a major player in the emerging global order.
Over the longer term, China's geostrategic interest on the peninsula is also likely to continue in post-Kim North Korea. Chinese behavior after the death of Kim Il Sung strongly indicates that Beijing remains determined to pursue its national interest on the peninsula, regardless of who is in power in North Korea. Xiaoxiong Yi has clarified Beijing's position in the following words: "Beijing's ultimate concern in North Korea is not who will be the next Great Leader [in Pyongyang], but whether the DPRK will remain as a stable and friendly buffer state. From Beijing's point of view, although Kim Jr. may lose the internal power struggle, there should be no reason why China cannot come out [as] a winner."35

In the years to come, China hopes to balance both geostrategic interest with North Korea and geo-economic benefit with South Korea, whose $16.9 billion trade with China in 1995 dwarfs the $550 million trade between North Korea and China. The Beijing leadership has so far pursued a successful "two-Korea" policy, which has proven mutually complementary. Its longer-term success, however, will largely be dependent on how the North Koreans can prove resilient amid a raft of domestic and external challenges.

In recent years, there has been an increasing gap between official rhetoric and objective reality between China and North Korea. On the economic and diplomatic fronts, Sino-DPRK relations are constrained by different economic structures, North Korea's economic and financial problems, and North Korea's self-imposed diplomatic isolation after the death of Kim Il Sung. In particular, China's open disagreement in September 1995 on North Korea's avowed attempts to replace the current armistice agreement with a peace treaty with the United States seems only to underscore the Chinese stance that it opposes any measures, initiated by either North or South Korea, that would disrupt the current stability on the peninsula.36 In a similar vein, Chinese consent to the October 1996 adoption of the UN Security Council Presidential Statement regarding the North Korean submarine incident is further evidence of the different interests between China and North Korea.

At the same time, the Chinese goal of continued stability on the Korean peninsula seems to have led to the conclusion that further isolation of North Korea from the outside world would be detrimental to China's interests. Thus China has vigorously pursued a geo-economic strategy towards Seoul, while maintaining a geostrategic policy towards Pyongyang, which Chinese leaders believe to be in China's best interests, at least for the time being. At the same time, China's participation in preparatory four-party talks among the U.S., ROK, DPRK, and the PRC suggest that Beijing believes such negotiating forums may be a way of inducing North Korea to move toward more normal relations with its neighbors, including South Korea.

Finally, China doubtless prefers the tangible gains of present stability to the uncertain benefits and risks of future instability. It is equally clear to China, however, that if unification does occur on the Korean peninsula, it will be on South Korean terms. In such an event and if unification occurs peacefully,37 China could take a minimalist stance or even acquiesce in the unification process and would try to prevent the peninsula from tilting toward a maritime Japan as opposed to a continental China.

Critical to the Chinese assessment of post-unification relations with Korea would be the latter's attitude toward the former, the likelihood of maintaining China's influence in peninsular affairs, and the state of overall Sino-U.S. relations. Like the other large nations, but especially the United States, China would carefully calculate whether or not
Korean unification leads to a rise in its influence over a unified Korea relative to the that of the others. In short, China’s strategic views of a unified Korea will be shaped by an amalgam of factors noted above, but most critically by its perception of the implications of Korean unification for Beijing’s interests. The overall Chinese-U.S. relationship will also remain a major factor affecting Chinese attitude toward Korean unification.

**ROK AND U.S. POLICIES TOWARDS CHINA**

Regional perceptions of and reactions to the PRC’s diplomatic and military behavior have not been uniform with East Asia. Each regional actor’s relations with China are shaped by a wide array of factors, including geographical proximity, historical and cultural inheritance, territorial disputes, and economic relations. Moreover, the strategic calculus of various Asian states has often been significantly influenced by their respective security relations with the United States. It is the interplay of these factors that informs each Asian state’s threat assessment of the PRC's military capability.

In the case of South Korea, there is no doubt that the combined ROK-U.S. deterrence against the possible North Korean attack remains the primary defense goal for the foreseeable future. As long as the North Korean military threat persists, any ROK and U.S. efforts to engage China should also complement the goal of deterrence. Additionally, the ROK and the U.S. should seek to bring China's influence on North Korea to bear in achieving the three countries' common interests on the peninsula, namely continued peninsular stability, improved North-South Korean relations, and North Korea’s economic reform. Mutual understanding among the three countries could not only offer a potential solution to the current stalemate in North-South Korean relations but also create a favorable condition for peaceful unification of Korea.

For its part, South Korea needs to chart a long-term, comprehensive strategy toward China which envisions post-unification relations between Korea and China. Economic cooperation, augmented by increased diplomatic and cultural contacts, is essential for the expansion of their bilateral ties. Military-to-military relationships need to be firmly established as well. Given the current and likely future influence of the PLA in China’s domestic and external policies, it seems only prudent for the ROK to gradually foster personal ties and eventually institutional relations with the Chinese military.

Regarding the unification issue, South Korea needs to shape its unification plan clearly and make credible that Korean unification is beneficial to all of Korea’s large neighbors, including China. In addition, South Korea needs to formulate in due time a panoply of security- and confidence-building measures (SCBMs) specifically designed to address potential Chinese concerns, including a unified Korea’s intention to promote friendly relations with China, the creation of a buffer zone in and joint development of Sino-Korean border areas, and the establishment of a three-way security dialogue among China, the United States and unified Korea.

From the vantage point of the mid-1990s, one useful way to assess future East Asian stability is to inquire about the health of Sino-U.S. relations. Ideally, an improved relationship between the U.S. and China, especially renewed security cooperation, would contribute to regional stability and to the attainment of U.S. objectives in East Asia. It further offers an important conduit for a host of outstanding issues on the
peninsula, including the North-South Korean dialogue, the implementation of the Agreed Framework, and Korean unification.

In reality, however, the prospects for an improved Sino-U.S. relationship remain unsettled. Despite the October 1997 summit between President Clinton and Jiang, few of their outstanding issues, including the Taiwan issue, human rights, trade, and nonproliferation, show signs of conclusive resolution. On the contrary, there seem to exist fundamental differences between the two countries in terms of political systems, social values, and strategic objectives. Given also the uncertain political leadership and internal political dynamics in Beijing and Washington, compromise on these differences will also be difficult to achieve in the near future.

Indeed, Taiwan President Lee Teng-hui's unofficial visit in June 1995 to Cornell University, his alma mater, may well have vindicated the PRC government's view that the U.S. is the key link in Taiwan's efforts to expand its "international survival space." The U.S. decision to dispatch two carrier battle groups near the Taiwan Strait in March 1996 in reaction to China's saber-rattling must have also attested the validity of the Chinese leadership's assertion that the U.S. is the primary barrier in resolving the Taiwan issue.

In virtually all U.S. foreign policy domains, from trade to human rights to strategic issues, China continues to be a challenge, a daunting one indeed. Future directions for U.S. China policy seem clear. First, the U.S. should continue to pursue the strategy of "comprehensive engagement," especially in areas of mutual benefit (e.g., continued Chinese economic reform) and also in the circumstances that are almost inevitable (e.g., the PLA's rising influence in post-Deng China). Second, U.S. China policy must be firmly linked to its overall Asia policy, carefully weighing the costs and benefits of the former to the latter. Conflict between the two policies would require a strong political will and leadership in official Washington. Third, the U.S. military establishment needs to actively promote regular and frequent contacts with the PLA, including high-level visits, functional exchanges, and defense technological cooperation. Fourth, the U.S. must differentiate national interests from universal values, strategic flexibility from policy reversals, and long-term goals from short-term gains. But if the above efforts do not yield reciprocity from the Chinese side, the U.S. must consider possible alternatives to the present strategy of comprehensive engagement.

In short, a future contingency that the U.S. and the Chinese militaries would find themselves on the opposite sides remains remote, but both sides may have already taken the other as a long-term risk to their respective national interests. At least, China's defense modernization is geared at safeguarding its growing regional interests from the extensive reach of the remaining superpower. Any progress in Sino-U.S. security cooperation must also await the overall improvement in their political relations.

In the years ahead, there is a distinct possibility that a strong China with a nationalistic agenda would call for a continuing U.S. presence for the sake of regional power balance. Under almost any circumstances imaginable, this would bring the U.S. alliance ties with the ROK and Japan closer together, given their elaborate defense arrangements and high priority in U.S. strategic planning. On the other hand, most Southeast Asian nations, which lack strategic bargaining power vis-a-vis China with the thinner U.S. presence, are likely to be more receptive to Chinese demands than their Northeast Asian neighbors.
FUTURE PROSPECTS AND RECOMMENDATIONS FOR POLICY

The future of Northeast Asian prosperity and security will be increasingly shaped by the economic and security trajectories of China and Japan, and by U.S. relations with both countries. A continued U.S.-Japanese security relationship is vital to American interests and to Asian stability. But how long the currentlopsided security ties can be acceptable to their respective public remains uncertain. While popular anti-militarism is now very strong in Japan, its historical extremism in foreign and security policy since the mid-19th century is not reassuring, especially to its neighboring countries.41

It is against the backdrop of this emerging relationships among the U.S., China, and Japan that the strategic identity of a unified Korea is seen as an unknown but critical factor that affects not only their three-way relationships but also the overall regional power balance. As Jonathan Pollack has aptly put, "[t]he central set of relationships likely to define Northeast Asian security and stability will be the longer-term dynamics between Japan and China, and how the United States is likely to interact with both. The position of a unified Korea could prove highly consequential in this context, but more in terms of how Seoul might choose to align itself in relations to this larger, three-power dynamic."42

It is also in this context that the Republic of Korea needs to chart out the future role of a unified Korean armed forces in regional and peninsular security. This will not only greatly reduce the unification costs and the risk of social dislocation thereafter, but will be a critical SCBM necessary to assuage neighboring states’ potential misgivings on the strategic orientations of a unified Korea. Equally important is the question of how North Korea leaves the scene (i.e. implosion, explosion, or peaceful unification), which is an issue of first order affecting the future status of a unified Korea.

Under the best of all circumstances, both North and South Korea would proceed to a gradual social integration and peaceful coexistence, as envisioned in the December 1991 Basic Agreement between North and South Korea. If this path is not feasible, however, the ROK government should sooner rather than later formulate and implement a unification blueprint, elaborating on unilateral steps it could take for confidence building and tension reduction on the peninsula. While such unilateral measures can be taken in any field imaginable, South Korea needs to seriously consider lowering military tension among the DMZ.

For years to come, the changing regional security climate would continuously draw the attention of the U.S. and the ROK policy makers and would necessitate the corresponding adjustment in the role and mission of the U.S.-ROK alliance, particularly after North Korea’s threat passes. To meet future challenges to the alliance the current shift for the U.S. from a leading to a supporting role must continue. Given the vast difference in power potentials between the Korean peninsula and the surrounding major powers, regardless of whether Korea is unified or not, Korea requires a strong security relationship with the United States, which in turn can secure its forward position in one of the world’s strategic crossroads with huge and growing stakes.

To realize these policy goals, an active U.S. engagement in Asian security and Asian allies’ greater defense burden sharing are necessary, but not sufficient. Both the U.S. and Asian governments need to expand the scope of dialogue and communication with the other’s public and congress to further strengthen the mutual bonds between the two sides.
Drawing China and North Korea into a web of multilateral security dialogues is highly desirable, but given the bilateral nature of conflict, a high level of hostility and militarization, and the Chinese and North Korean opposition, its feasibility is in doubt at the current state of interstate relations in Northeast Asia. Rather, the United States needs to strengthen the existing network of bilateral security ties with credible military force. With the exception of North Korea and China, all other East Asian states support or understand the continuing importance of America's preeminent balancing role in the region.

In the years ahead, continued U.S. engagement with China will be an important step towards the long road to a stable East Asia. To advance this longer goal, however, not only should the U.S. and East Asian nations recognize China's differing yet often legitimate security requirements, but also make genuine efforts to build confidence with China, which is a time-consuming yet least threatening way to make China more transparent. Finally, it is worth repeating that the future of East Asian security would increasingly hinge on how to deal with the old "China factor" in the new era.

5 Korea Trade Promotion Corporation (KOTRA) data. See also Xiaoxiong Yi, "China's Korea Policy: From 'One Korea' to 'Two Koreas','" Asian Affairs, Summer 1995, p. 124.
6 The North Korean economy has continuously registered negative growth rates since 1990. They were -3.7 percent in 1990, -5.2 percent in 1992, -7.6 percent in 1993, -4.3 percent in 1993, -1.7 percent in 1994, and -4.6 in 1995. Bank of Korea data.
8 Discussions on North Korea's military threat are drawn from Taeho Kim, "Korean Security in a Post-Cold War Northeast Asia," in Williamson Murray and Allan R. Millett, eds., Brassey's Mershon American Defense Annual (Washington and London: Brassey's,

9 While it is true that the South Korean forces, backed by the U.S. forces and by its own industrial infrastructure, do retain the technological edge, and a static comparison of the order of battle is an elusive concept, the NKPA's numerical and geographical advantages could well inflict an unacceptable damage upon the South, especially upon Seoul. On the other hand, recent defection by a North Korean MiG-19 pilot, Captain Lee Chulsoo on May 23, 1996 has offered a rare glimpse on North Korean Air Force's pilot training and air defense readiness. Captain Lee had a total of 350 flying hours for his ten-year career as an active-duty combat aircraft pilot. His helmet and G-suit seemed to be too improper to wear by South Korean or Western standards. He also wore a patch of cloths, not a pair of socks. According to news reports, Captain Lee's plane took off at Onchun air force base, west of Pyongyang, at 10:30 am and began flying southward at full speed at 10:43 am. The defecting MiG reached the ROK air space at 10:49 am and was immediately escorted by eight ROK combat aircraft. Voice communication between the North Korean Air Force Headquarters and the First Air Division, to which Captain Lee's unit belongs, indicates that they were not sure whether there was a defecting aircraft. None of North Korean interceptors chased after the plane, even if there were two or three squadrons nearby on training mission at the time of defection. In contrast, the ROK-U.S. Master Control and Reporting Center (MCRC) was able to monitor all movements for the entire 19-minute period, and their response to the situation was impeccable. See *Chosun Ilbo*, 24 May 1996, pp. 1,3; 25 May 1996, p. 3; 29 May 1996, p. 3.

10 See *Chosun Ilbo*, 16 June 1993; and *New York Times*, 1 June 1994.


12 According to the author's rough estimates, a total of about 40 Chinese delegations visited North Korea in 1995, a significant increase in frequency over the previous year. While about one-third of them were military-related visits, they were mostly low-level, friendly ones. The most prominent visits were those by LTG Zhang Gong (Political Commissar of the Academy of Military Science) in September 1995 and General Shi Yuxiao (Political Commissar of the Guangzhou MR) in October 1995.

13 There have so far been only four general officer-level visits from the ROK side, but none of them were made by mutual agreements: Two South Korean Chairmen of the Joint Chiefs of Staff accompanied Presidents Roh Tae Woo and Kim Young Sam's visit to China in September 1992 and March 1994, respectively. Two ROK generals also visited China in 1994 and 1995, respectively. In December 1996 Major General Luo Bin, Director of the Foreign Affairs Bureau in the Chinese MND, became the first active-duty PLA general to visit Seoul since the Korean War. His visit was widely interpreted as the beginning of higher-level military exchanges between Seoul and Beijing. For example, ROK Vice Defense Minister Lee Jung-yin visited Beijing in November 1997. He was the highest ranking South Korean military official to visit China since the establishment of diplomatic relations.

17 China's volume of trade in 1995 with Japan, Taiwan, and South Korea were $57.4 billion, $17.8 billion, and $16.9 billion, respectively. China Customs Statistics.
18 Xingdao Ribao (Hong Kong), 13 June 1994, p. A2.
22 They are two Luhu, two modified Luda, four Jiangwei, and three Jianghu III. See The Military Balance 1996-1997, p.177; Ships of the World, Special Issue on the Chinese Navy, no 498 (July 1995); "Zhonggong Haijun da xingdong" (Communist Chinese Navy's large maneuver), Kuang Chiao Ching, September 1995, pp. 60-73.
25 The December 1995 Chinese military delegation was headed by CMC Vice Chairman Liu Huaqing and consisted of many high-ranking PLA officers such as LTG Cao Gangchuan (Deputy Chief of the PLA General Staff), MG He Ping (Director of the Equipment Department of the PLA General Staff), and LTG Huai Guomo (Deputy Director of COSTIND). For the delegation's meetings with its counterparts, see Sankei Shimbun (Evening Edition), 4 December 1995, p.2. See also FBIS-CHI, 11 December 1995, p.4. For various accounts of the license production deal and additional orders, see Michael Richardson, "China-Russia Deal Could Fuel an Asian Arms Race," International Herald Tribune, 8 February 1996, p. 4; Giovanni de Briganti and Jeff Erlich, "China Turns


Samuel S. Kim has cogently argued that China benefited from the North Korean nuclear crisis, as it did during the Persian Gulf War. See his "China's Korea Policy in a Changing Regional and Global Order," *China Information* (Leiden, the Netherlands), vol.8, nos.1/2, 1993, pp. 74-92. See also "North Korea in 1994: Brinkmanship, Breakdown, and Breakthrough," *Asian Survey*, January 1995, pp. 13-27.


Well before its open disagreement with the North Korea in September 1995 regarding the latter's attempt to conclude a peace treaty with the U.S., the Chinese side had unofficially relayed its position to South Korea. The Chinese position can be summed up
as follows: (a) It is necessary to maintain the current Armistice Agreement until a secure and effective peace system is established on the Korean Peninsula; (b) A unilateral abrogation of the Armistice Agreement by either side is not only incorrect but also impossible; (c) The Armistice Agreement is essential to the maintenance of peace on the peninsula; and (d) The North Korean attempt to conclude a peace agreement with the United States by nullifying the Armistice Agreement is unrealistic and impossible. See Dong-A Ilbo, September 26, 1995, p.1 and Kim Kyung-ho, "China Opposed to N.K. Proposal for Peace Treaty with the U.S.," Korea Herald, 26 September 1995.


40 For a fuller discussion of the so-called "three pillars" of Sino-U.S. security cooperation, see Thomas L. Wilborn, Security Cooperation with China: Analysis and a Proposal (Carlisle Barracks, PA: U.S. Army War College Strategic Studies Institute, 25 November 1994).


4. RUSSIAN PERSPECTIVES ON CHINA'S FOREIGN POLICY AND MILITARY DEVELOPMENT

Evgeniy Bazhanov

Russia’s position on Chinese military modernization is an integral part of Moscow’s overall posture towards Beijing and its foreign and security policy in general. This policy, including the Chinese direction, has been undergoing a constant change throughout the 1990s. To understand the essence and prospects of the security interests of Russia vis-à-vis China one has to first return to the origins of the foreign policy of the new Russian state, which emerged from the remnants of the communist Soviet Union.

Russian democrats came to power in the end of 1991 with a firm desire to overcome the rift with the West and, as then Foreign Minister Kozyrev put it, “to achieve the historical task of transforming Russia from the dangerous sick giant of Eurasia into a member of the Western zone of co-prosperity.”1 The West was perceived as the principal ideological and political ally, the main source of aid, urgently needed for successful reforms, and finally as a model of development.2

In the framework of this policy, Moscow not only stopped any competition with the West in world affairs, but went out of its way to approve the actions of Western governments, and to follow a similar if not identical line on all major issues. As a consequence, ideological, geopolitical, and economic ties with Soviet partners in the Third World were in most cases suspended or toned down.

This policy did not last long, however. Internally, the failure of “shock therapy” delivered a powerful blow to the camp of the radical reformers. Nationalist and communist forces won the parliamentary elections in 1993 and began to exert strong pressure on the liberal foreign policy. Even more important, representatives of the conservative hawkish school of thought were included in the government and came close to dominating it in 1994-1996.

Among those external factors which produced changes in Russian foreign policy, the behavior of the West should be singled out. It became a common belief among Russians that the West had failed to become a reliable ally, instead treating Moscow as a potential adversary which should be checked and isolated through expansion of NATO to the East and other methods.3 Other complaints were that the West was turning Russia into an economic colony, giving advice on reforms aimed at ruining local society. It was also getting clearer with every passing day that the Kremlin was losing ground in the Commonwealth of Independent States (CIS) zone and other parts of the world.

The Yeltsin-Kozyrev foreign policy became the target of strong internal criticism, which gradually grew into a full-scale national debate. The country became virtually split into four major camps on the issues of overall development and foreign policy strategy, with the attitude towards China fully reflected in these controversies within Russian society.
WESTERNIZERS

The first camp consisted of Westernizers, who had clearly dominated the political scene in 1991-1992. According to the Westernizers, the decades-long “Cold War” was the product of the Bolsheviks’ ideology and policy. This “war” had disastrous consequences for the country that had to be excluded in the future. Russia’s vital interest was to overcome the deep rift with the West, created by the Bolsheviks’ rule and concentrate on building a normal human society (i.e., market oriented and democratic) in close union with the West, which was committed to Russia’s success.

For many, if not all Westernizers, China continued to pose a communist and geopolitical challenge. The Westernizers pointed out that Beijing supported the pro-communist coup d’état in Moscow in August 1991 and that the P.R.C. was hostile towards Russian democracy. In addition, the Westernizers in the Kremlin felt that the days of Chinese communism were numbered and that it would soon collapse in the same manner as the former communist regimes in Eastern Europe. The Westernizers preferred to stay away from “the doomed authorities of communist China.” Later, the Westernizers realized that the P.R.C. was not about to collapse and that contacts with China could prove useful.

However, the Westernizers, including Yeltsin’s first Prime Minister Yegor Gaidar, still characterized Communist China as “the reactionary menace, which exerted backward influence and prevented normal, unrestrained development of the human societies in Asia.” As characterized in one assessment, “the Westernizers warned that the P.R.C. was quickly turning into an awesome superpower, hungry for power, domination and lands.” It was argued that Beijing would start by bullying Taiwan and Southeast Asian countries, and then turn to Russia, whose empty spaces in Siberia and the Far East were highly tempting to overcrowded China.

The Westernizers used the Chinese threat as the main pretext to convince doubtful and resentful compatriots of the necessity to continue cooperation and alliance with the no longer popular West. As one of the prominent Russian liberals, Academician Peter Kapitza, noted: “Don’t worry about the NATO expansion, in the near future the NATO zone will become our rear in an unprecedented confrontation with the Chinese giant.” Another well-known Westernizer, member of the Presidential Council and Chairman of the 1st Channel of the All Russia TV Evgeniy Blagovolin, was even more blunt: “China is turning into the principal threat to the West, Japan, the entire Asia and the Pacific and Russia. It is high time to start forming a tacit understanding between Moscow, Washington and Tokyo aiming at deterring the growing China threat. It should not be an alliance as yet, but that’s where we must head eventually.” Blagovolin added that “quite a few Americans as well as Japanese demonstrate comprehension of the common challenge of China to Moscow, Washington and Beijing.”

A number of leaders of the pro-Western party The Democratic Choice of Russia, headed by Egor Gaidar, insisted that Russia’s destiny lay in getting closer with Asian countries like Japan and learning from them; China’s influence on Russia would only be “negative and regressive.” The pro-Western newspaper Izvestia wrote in a similar fashion: “Constant appeasing of the anti-Western moods of the military elite and a portion of the public opinion means postponing further prospects of the emergence of the civil society in Russia and establishment of the strategic partnership with the West in general and with Europe in particular. The latter trend is inevitable: one should expect
in the next century China’s transformation into an economic and military superpower something that promises for Moscow a new headache in the Far East. Being engrossed in the propagandistic battles around NATO, Moscow can miss a real chance to participate . . . in the formation of a new system of security not only in Europe, but also in Eurasia.”

The negative attitude of many democrats towards the P.R.C. was based on ideological grounds: they despised Maoism as an offshoot of Bolshevism and felt that as long as Chinese leadership remained Marxist-Leninist and undemocratic it would present a danger both to the Chinese and to other nations.

ANTI-WESTERN CAMP

The second camp was the opposite to the first. Its representatives rejected the nation that the West and Russia could be friends. The thesis was advanced that the West for centuries tried to undermine Russia’s strength and influence. Finally, in the last decade of the 20th century, its proponents maintained that the West almost succeeded in eliminating Russia as a great power with the help of “traitors” like Gorbachev, Yeltsin and others. Leaders of the nationalist and communist opposition claimed that all the misfortunes experienced by the USSR and Russia had been planned in Washington and then executed according to this plan.

Those who shared fears about the Western threat advanced various recipes on how to counter the West. Quite a few, especially in the communist camp, suggested an alliance with China. One communist leader, Valentin Kuptzon, said at a meeting: “Only by joining forces Russia and China could withstand the growing pressure from the West in its bid to destroy two great powers and civilizations, Russian and Chinese.” Another prominent communist, General Alexander Makashov, was even more elaborate in his advocacy of the new Moscow-Beijing axis. In a speech in the spring of 1996 he said: “Is there any real mechanism through which we can deter the adversary and substantially weaken its positions? Yes, it is a military alliance with China. China will compensate easily for all losses we encountered in recent years, including Eastern Europe and even the Soviet Republics. China will exert an enormous pressure on Americans in the East, it will create turmoil among American allies there—Japan, Taiwan, South Korea and others. Washington will think then twice before daring to antagonize Russia.”

It was also quite popular among communists and communist sympathizers to talk about “an invincible alliance of three greatest Eastern civilizations—Russia, China and India.” As one communist theoretician put it, “if Russia, China and India join their forces all Western schemes will be crushed without any problem; the future will belong to these three vast, populous, rich and talented nations.”

Communists pointed out that an alliance between Moscow and Beijing was inevitable not only for geopolitical reasons but ideological ones as well. At a political rally in 1996, a member of the Russia Communist Party leadership stressed: “Russia’s destiny is socialism. It was chosen by the majority of our population back in 1917. We’ll resume our march along this road. China is the major custodian of the true socialist idea now, and we are bound to close our ranks with China in the fight for the victory of socialism against the decadent and doomed ways of capitalism. Notwithstanding twists and turns, history will continue its progress to the new ways of life. Russia and China through their alliance will guarantee it.”

Many communists strongly supported exports of large quantities of weapons to the P.R.C. as "a way of making China stronger, pressuring the USA and its allies and tying the Chinese military to Russia psychologically and materially." It was further argued that "the adversary understands only force, and only by making stronger our ally China we may expect the West to limit its ambitions and alter its aggressive plans." Russian communists even praised their former foe, Mao Zedong, for his policy of rejecting foreign domination and advised Yeltsin to remember "Mao's lesson" and stop turning Russia into "a younger brother of the West, its "lackey" and "colony."

An interest in allying Russia with China was also found outside the communist ranks—i.e., among some nationalist and simply conservative circles. In 1995, the strongest Russian nationalist leader, Vladimir Zhirinovsky, traveled to China to convince Beijing of the necessity to forge a Russo-Chinese alliance. In conversations with the representatives of the P.R.C., he insisted that after finishing with Russia, the West would concentrate its efforts on splitting China into small and helpless parts. It would start with Tibet and Xinjiang and then would undermine unity among the core provinces of China. According to Zhirinovsky, he had reliable information on this account and if Chinese intelligence did not possess similar data it should be purged and reorganized. Zhirinovsky saw the way out for weakened Russia and China in a military alliance deterring and finally crushing the enemy.

There were also people in Yeltsin’s entourage, who to a certain degree supported the idea of playing the "China card" against the West. Thus Defense Minister Pavel Grachev repeatedly warned the United States of a possibility of allying Russia with "strong states in the East" as a counternmove against expansion of NATO. Yeltsin himself alluded during his visit to New Delhi in January 1993 to a new "strategic triangle" emerging among Russia, India and China. Proponents in Yeltsin’s camp of a "Holy Alliance" of these three countries stressed that they shared a common interest in holding back Islamic fundamentalism and opposing a US-dominated world order.

ENEMIES ARE EVERYWHERE

The third school of thought in the Russian foreign policy debates united those who spotted enemies everywhere. They called upon compatriots to keep the country closed from external influence and maintain all-round defense.

A typical example of such logic was a study on armed forces reforms by a conservative think-tank, the Defense Research Institute (DRI). The study claimed that Russia had numerous enemies, "who acting more and more openly and arrogantly in the light of the weakness of the Russian state, accelerating degradation of its military and economic potential." The report specified that "the most probable adversaries of Russia remained the United States and NATO countries." Turkey, Pakistan, Saudi Arabia and Japan also figured among direct threats to the Russian security, while China and Iran were excluded from the list, but only for the present. Later, DRI believed, China might also require nuclear deterrence. There were also enemies of Moscow on the territory of the former Soviet Union—they were "forces of aggressive nationalism, which acted with the support from outside and possessed own military formations" (like the Baltic states, Tajik opposition etc.).

Some politicians and scholars, being anti-Western, concentrated primarily on the Chinese threat. A prominent Russian historian, V. Myasinov, argued: "The history of
Russia's relations with China has stretched for over 400 years. But never during this whole period China has been developing so much faster than now. It is precisely from Russia that one can see in the clearest way the achievements of the great dragon and prospects of its further growth. It is not realistic to expect that China will miss its chance to derive profits from this situation. V. Myasnikov further argued that China's "people's diplomacy" was turning into "an illegal ethnic expansion," that Chinese businessmen "as a giant pump sucking out of Russia resources and hard currency with a psychology of a rich neighbor, who intends to rob the home of an unlucky co-peasant." The historian claimed that Chinese authorities advertised Russia as "a great Northern virgin land" where Chinese citizens could easily cheat and enrich themselves. Chinese presumably "look down at Russians and feel sure that they only temporarily should tolerate the historical injustice when the maritime provinces and Amur basin areas belong to Russia." V. Myasnikov believed that P.R.C. authorities used the educational system, mass media, movie industry and other methods to promote the thesis of "the loss" by China of 1.5 million square kilometers of its territory to Russia on the basis of "unequal treaties." Such an attitude was blessed by Deng Xiaoping himself, and, as a result, Chinese businessmen "sometimes threaten Russian customers to throw them out of the Far East." 

As for Zhirinovsky, his party's official platform as well as many personal written and oral statements included into the category of Russia's adversaries: China, Turkey, Jews, and the West. China was suspected of encroachments on Russia's Far East, Turkey was blamed for attempts to revive "the great Turkish empire," the West was denounced for its plan to turn Russia into an economic colony, and finally Jews for Mafia-type control of the whole world and the design to subjugate Russia as well. Similar views were offered in the newspaper Zavtra. It said: "Russia, deprived of everything, lacking defense, with the dismembered people, encircled by the enemies, flooded with traitors and scoundrels, is slowly starting to utter its secret thoughts." Considering the depth of Russia's internal crisis contrasting with the widening gap between Russia and the West in economic development, and the steady and fast progress of China, such paranoid feelings may continue to flourish.

The alarmist views of China were especially widespread in the Russian Far East. There was a growing perception in that area that the Chinese were out to trick Russians, steal from them and take over their territory. Khabarovsk region Governor Viktor Isaev stated that: "A clandestine policy of Chinese expansionism is being carried out in the Russian Far East, infringing upon and humiliating the Russian people." A Vladivostok newspaper warned compatriots: "Watch out for a new Mao! He had designs to wrestle Siberia and the Far East from Russia. He did not succeed because China was weak and Russia was strong as well as resolute. Nowadays China is getting more and more powerful while Russia is slipping downwards. Pretty soon Chinese will have the upper hand in all aspects, and then they'll resume realization of Mao's aggressive designs."

Chinese were blamed for crime, unemployment, housing shortages, contaminated goods, counterfeit money, smuggling, stealing natural resources, price fixing and most of all for a "territorial expansion to the North." Quite a few local officials, journalists, and laymen believed that Beijing embarked upon a well-thought and well-organized strategy of peaceful conquest of the Far East and then Siberia. The verdict was made: "In the not so distant future Chinese will predominate numerically in the Eastern Provinces of Russia, will control our economy and will openly demand de-jure possession of these lands." In the eyes of many of these people China became the
main threat and foe of Russia, which had to be opposed and deterred with all methods and means available.

BALANCED FOREIGN POLICY

The fourth set of views expounded in the national debates in Russia called for a balanced strategy in the world. Its essence is: Russia does not have enemies, it can and should cooperate with most countries of the world, especially neighboring states; Moscow should not "tilt" to any side; because of its geographical position, size, might, history it must maintain balanced relations with the West, the East and the South without trying to ally itself with one or another (the possible exception is C.I.S members).

This philosophy can be found in the platforms of the government's political union "Our Home Russia" (OHR) and an opposition democratic party "Yabloko". The OHR insists on "partnership, not confrontation with other states, with both the East and the West", "active participation in creation of such a world order, that is based on the principles of overall security, respect for sovereignty, independence and territorial integrity of states, democratic choice, protection of human rights, and mutually advantageous economic cooperation." The program of the OHR is aimed at creating favorable international environment for internal reforms. It stresses once and again that Russia will pursue partnership with all countries, including China. "Yabloko" also rejects any imperial ambitions by Russia. It supports "a large-scale serious dialogue, good relations with USA, Japan, and China." However, it does not feel that Russia should seek alliances. Instead Russia should cooperate with all of the major powers on equal terms. As for the threats to Russia's security, "Yabloko" sees them only on the part of Southern neighbors, such as Turkey, Pakistan, Afganistan and aggressive Islamic fundamentalism. According to "Yabloko," Russia and the West have in this respect common interests, as well as in such fields as the struggle against terrorism, proliferation of nuclear weapons etc.

Foreign Minister Kozyrev in 1993-1995 increasingly advanced these same views. They are found in pronouncements of his successor, Yevgeny Primakov, who has stated: "Russia must conduct a diversified, active policy in all directions. Where Russian interests are involved... this is a vital necessity in order to create the optimal conditions to make internal development more dynamic, more effective—in our changing world." There are quite a few other politicians—starting from former State Duma speaker Ivan Rybkin and including participants of the 1996 presidential race, S. Fedorov and Mikhail Gorbachev, who subscribe to this foreign policy philosophy. Even Zuganov, in the obvious contradiction to his other statements, has to talk in similar fashion, when addressing Western audiences. Thus writing for *The New York Times* in 1996, the Communist leader said: "Our state's unique role is to be the pivot and fulcrum of a Eurasian continental bloc—and its consequent role is a necessary balance between East and West."

To counter opposing views on Russo-Chinese relations, proponents of the balanced foreign policy advance the following arguments:

1. An alliance with P.R.C. is impossible and will be detrimental to the national interests of Russia. It is impossible because the Chinese categorically reject such a possibility. Since 1982, Beijing has pursued the policy of non-alignment with major powers, and there are no factors which will shift China from this position. Russia in its
turn should not strive for such an alliance because it will destroy vital links with the West. If such an alliance is realized, Russia will be confronted with a certain and aggressive expansion of NATO, a new round of arms race, and termination of close economic cooperation with the West and most Asian-Pacific nations. The predictable outcome of all this will be collapse of economic and political reforms in Russia. Some observers add that the West knows perfectly well of the impossibility of the new Moscow-Beijing axis, so threats to create one make Russia and its politicians “a laughing stock” in the USA and European capitals.

2. It is equally harmful to treat China as a potential adversary and to stir up anti-Chinese feelings in the country. The proponents of friendly treatment of China in the political, academic and journalistic circles of Russia stress: “China is the only state in Asia and the Pacific that is really active in contacts with Russia; it is Russia’s main partner; if Russo-Chinese relations fail it will be a catastrophe for Russia; China is the biggest and most promising market for Russia in Asia.” It is also emphasized that “China does not pose any threat to Russia; Chinese military plans are restrained.”

Some also argue that internal difficulties (i.e., ecological, demographical, social and others) will not permit the Chinese leadership to challenge Russia in any way or even to allow worsening of Beijing-Moscow relations. It is underlined that Russia’s and China’s “policy-strategic, diplomatic and economic interests closely correlate,” that “maintenance of cooperative relations with each other is one of the most important economic and political imperatives of both Russia and China.” Russia, some scholars suggest, should learn from China how to conduct a self-reliant and independent policy, without any unions. It is said that precisely because of this policy the P.R.C. “has become strong and getting a lot of money from the West.”

Summing up the above-mentioned arguments, participants of a seminar in the Russian Foreign Ministry on May 14, 1996 pointed out: “Russia due to its unique Eurasian location has equally important interests both in the West and in the East. Any success in the Western direction reinforces the Russian position vis-a-vis China and other states in Asia. Vice versa is equally true. It would be counterproductive for us to join any groupings in the West directed against the East. Equally dangerous is to create anti-Western groupings in the East, for example, with China. In both cases a danger of others playing “the Russian card” against our interests will arise.”

CURRENT STRATEGY

Since 1996, the balanced open approach has been gaining momentum in Russian foreign policy. There are a number of reasons for such a tendency. First and foremost, it is connected with internal developments in Russia and the activation of reform processes there. After his victory in the 1996 presidential election, Yeltsin substantially reshuffled the Russian government in early 1997, once again having included a large number of young liberal reformers, notably First Deputies to the Prime Minister Anatoly Chubais and Boris Nemtsov. These reformers have effectively stopped some of the conservative trends in Moscow’s diplomacy which were on the rise between 1993 and 1996. A crucial role of leading financial circles in the reelection of Yeltsin also has dramatically increased their influence on the internal and external policies of the Kremlin. These circles push for a pragmatic, economic-oriented strategy in the world.

Another important reason is the further transformation of the entire Russian society after Yeltsin’s victory in the 1996 presidential election. Even for numerous
dissatisfied groups and individuals it has become evident that in the foreseeable future Russia will stay on the track of capitalist reform, and it is therefore necessary to adjust one’s views and actions on both domestic and external issues. Although the organized communist and nationalist opposition in the legislature is strong numerically, its influence on the conduct of the foreign policy, according to the new Constitution adopted in 1993, has been reduced. The strengthened executive branch manages to push through its own external strategy, especially when broad strata of the country’s population do not care much about such issues and cannot be mobilized by the opposition. The strong personality of the current Foreign Minister helps to solidify the balanced diplomatic line.

Finally, the West, sensing positive shifts in Russia, including termination of the war in Chechnya, has in turn become more receptive to Moscow’s interests and thus helps Yeltsin to advocate inside Russia a flexible diplomacy. NATO, for example, concluded the Founding Act with the Kremlin; substantial progress has been achieved in economic interactions; and Russia has been accepted into the exclusive club of eight leading world democracies. The situation has changed so much that Yeltsin claims that there are absolutely no problems between Russia and Germany, France, Great Britain, Italy and all other West European nations. Successes have been scored on other diplomatic fronts—for example, a substantive rapprochement with China, warming up of relations with Japan, improvement of ties with Ukraine, a certain progress towards settlement of conflicts in the C.I.S. zone, etc.

Thus, there are grounds to believe that Russia will continue to move to a open, flexible and balanced foreign policy. This conclusion is confirmed by the analysis of objectives of Russian strategy abroad. As mentioned earlier, in the 1991-1992 period the underlying objective was the desire to join as quickly as possible the “family of civilized Western nations.” Later, by 1993-1995, it seemed that Moscow shifted the focus of its attention to security concerns and maintenance of its superpower status. Now, it looks like the requirements of internal reform and development are again dominating the international behavior of the Russian government. The difference with the original attitude of the democrats is that presently the Russian establishment wants to collaborate not only with the West, but equally with many other partners. Moreover, it is ready to compete with the West as well as with other players in the world politics and economics.

In this context, China is regarded as a huge market for military hardware and industrial equipment and as a valuable source of consumer goods and labor. Japan and the “little tigers” of Asia are needed to finance modernization of the Russian Far East. In order to recover debts from former Soviet clients in the Middle East (e.g., Syria, Iraq etc.), Moscow has to smooth relations with them. A good rapport with rich sheiks of the Persian Gulf will help to convince them to buy Russian weapons and to invest in Russian oil and gas projects.

Moscow equally takes into consideration the fact that deterioration of the political and economic climate with its immediate neighbors might destabilize the situation at home, deny access to transportation systems, reserves of natural resources, testing facilities, spare parts, etc. For example, a break in relations with Azerbaijan may leave Russia without a large portion of Caspian Sea oil, problems with Kazakhstan will impede exploitation of the space center and military testing facilities; and a rift with Belarus will make vulnerable Russian railway, air, pipe and electrical links with Europe.
Security concerns are another motive of the Russian foreign policy. The dream that the end of the Cold War would bring universal peace and harmony is over, and Moscow identifies a number of potential sources of threats or challenges to its security. In the West it is expansion of NATO. In the eyes of the Russians it will lead to the weakening of the geopolitical position of Moscow. As Foreign Minister Primakov likes to reiterate, "the intentions may change while the potential will remain." If Russia's relations with NATO or even if its individual members deteriorate, it could become subject to manipulation and intimidation by the strongest military bloc in the history of mankind.

Security concerns associated with the post-Soviet space are even more obvious. Conflicts between Russia and former Soviet republics (Moldova, Ukraine), among these republics themselves (Armenia-Azerbaijan), inside new states (Georgia), pressures by neighboring countries on C.I.S members (Afghan extremists against Tajikistan) are all perceived as threats or challenges to Russia's national security. The drift of C.I.S. countries to other political and economic poles (the West, Turkey, Arab regimes) is also considered harmful to Russia's security. The same even more strongly applies to the forces supporting separatists inside Russia, especially in the Caucasus region. There is also growing apprehension about the long-term potential of China and emigration of Chinese into the sparsely-populated and economically weak Russian Far East. Fears of a more or less ongoing nature also exist: the ever-tense situation in Korea, the drama of the former Yugoslavia, and the Middle Eastern "cauldron."

In the final analysis, the security challenges--rather than pushing Russia back to isolation and extremism--promote a balanced foreign policy, since the sources of these challenges are numerous and the challenges come from various directions. Moscow, being relatively weak militarily at present, has to meet these challenges by employing a strategy of flexibility and diversity. It cannot be too tough with NATO because it has the emerging Chinese giant behind its back. At the same time, the Kremlin is interested in a close partnership with the P.R.C. in order to restrain the expansion of NATO and to deter Islamic extremism in the South.

The same logic can be applied to the analysis of the reemerging great power ambitions of Russia. These ambitions are reflected in the claims to play the pivotal role throughout the former Soviet Union, to be one of the leaders of Europe, to participate in the exclusive club of "G7", to have its own distinctive say regarding every international issue, and to show the Russian flag on all four continents.

Since Russia cannot compete as before on equal terms with the USA for world supremacy, it promotes multipolarity in international relations. This policy for its part requires a balanced approach to various blocs and countries, disregarding their ideological colors, unlike in 1991-1992 when Moscow tried to join the West in spreading the democratic gospel around the globe. Helping to move the world toward multipolarity constitutes the essence of the current Russian strategy in the world. The Russian ruling elite believes that international relations will be much smoother and satisfactory if instead of American hegemony calling the shots, a number of power centers assert their power and influence.

I personally have certain reservations about this notion. Perhaps the United States is not the perfect superpower, but at least it is a well-examined and reasonably predictable one. From history we know that the United States did not exercise a monopoly with its nuclear weapons in the initial period of the Cold War, never tried to
conquer other countries, and even when the U.S. attempted to impose its will on other nations the rationale was the promotion of democracy and human rights and the fight against communism. In practice, however, good intentions did not always correspond with real actions.

As for other potential superpowers like Japan, China, and Germany, can Russia be at ease thinking about their future behavior? In the past Japan used its might to ruthlessly subjugate Asian neighbors, and these neighboring countries would certainly react negatively to the reemergence of Tokyo as a political and military giant. China during the zenith of its power before the European onslaught of the 19th century treated other nations not only as “barbarians,” but as “vassals” of the Middle Kingdom, de-jure not equal to China.

On the whole, Moscow realizes the pitfalls in the way to establishment of a multipolar world. The old system of the balance of power is gone, but the new system of equal partnership has not been established as yet. Russia believes that a number of conditions should be observed in the transition to the new world order.

First of all, new division lines in international relations must be avoided. Outside the NATO issue, attempts are being made to divide the world into civilizations, which are presumably doomed to clash against each other. It is especially evident in regards to the Moslem world, which is sometimes labeled as a foe of modern civilization due to the activities of certain extremist Islamic groups.

As Moscow sees it, the second condition of moving to a just world order is rejection of the notion that states can be divided into winners and losers of the Cold War, and that the winners may dictate to the losers rules of behavior. Russian democracy is certainly not a loser in this war; it is the winner and feels this way.

The third condition is democratization of international economic relations. No one should use economic leverage to achieve egotistical political gains. The Kremlin opposes American attempts to sanction business partners of Cuba or to intensify the economic blockade of Iran and Libya. There are also unjustified discriminatory measures by the West against Russian exports. Russia is still treated as a non-market economy though it contradicts realities and harms Russian foreign trade.

The Russian government favors as the fourth condition of the transition to the stable multi-polar world close coordination and cooperation of the international community in solving the following basic issues:

- settlement of conflicts;
- further promotion of arms reduction and military confidence-building measures;
- strengthening of humanitarian and legal aspects of the security;
- aid and support to the countries experiencing various difficulties in their development.

YELETSIN’S POLICY TOWARDS CHINA

It is evident that the Yeltsin administration rejects extremes vis-à-vis China and strives for close relations with that country in the larger framework of the balanced foreign policy. Russia and China have developed intensive political and military ties
with regular exchanges of visits and consultations on the highest levels. The exchanges are characterized by a constructive, friendly atmosphere and the absence of any significant irritants.

The basic position of the Russian government towards the P.R.C. was formulated by President Yeltsin at a Kremlin meeting in July 1995. He said: "China is the most important state for us. It is a neighbor, with which we share the longest border in the world and with which we are destined to live and work side by side forever. On the success of our cooperation with China depends Russia’s future. Relations with China are extremely important to us in global politics as well. If we can rely on the Chinese shoulder in our relations with the West, the West will be more considerate to Russia." 61

During Yeltsin’s visit to China in April 1996, the two sides announced their desire to develop "a strategic partnership directed to the 21st century." As the Russian president explained, the purpose of this partnership was to promote the emerging multipolar structure of the world and to oppose attempts of hegemony by one force. 62 Yeltsin described the formula of strategic partnership as "a completely different situation and a new elevations of the level of interactions between the two powers." He stressed that "there are absolutely no controversial issues between Russia and China." 63

The April 1997 Russo-Chinese summit in Moscow looked, especially to Western observers, as another important step on the road to an eventual alliance. At the summit, the two sides continued to elaborate their common vision of international relations and even signed a joint declaration on that account, something that Beijing does not normally do.

However, both governments denied any intention to collude against the West and their further actions proved their sincerity. 64 In the fall of 1997, Jiang Zemin paid a successful visit to the United States during which he talked about "a constructive strategic partnership directed toward the 21st century" with Washington, and showed a great interest in American civilian nuclear technology as well as passenger aircraft and other types of technology. 65 Throughout the year there were many other manifestations of the P.R.C.’s firm intention to continue a balanced foreign policy, including close partnership with the West. At the Yeltsin-Jiang summit in Beijing in mid-November 1997, the strategic aspect was not even mentioned. By that time the Kremlin, having activated again the reform policy and having improved relations with NATO countries, reduced its interest in playing "the China card." The Chinese similarly were less eager than earlier to play "the Russian card."

There are important motivations that seem likely to ensure continuation of the present pattern of Russo-Chinese relations: active partnership but not at the expense of relations with other countries. First of all, both sides realize that they are neighbors and have to live in peace and harmony for their own good. Historical experience, including recent periods, have taught Moscow and Beijing about the dangers of a mutual confrontation. Geographical closeness makes it necessary to deal on a daily basis with numerous bilateral issues: the movement of people across the frontier, the sharing of river resources, shipment of goods, dispositions of military units, etc. As one Russian official pointed out, "You can sometimes forget about friends if they live far away, but necessity makes you understand that you have to cooperate with close neighbors, even if they are different and not to your liking."

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Of no less importance is the fact that both Russia and China are engaged in drastic reforms and they simply cannot afford a quarrel at such a time. Moreover, they are deeply interested in the stability and development of each other as a condition for their own security and progress. A Russian Foreign Ministry analysis, approved by President Yeltsin, states: "A disruption of the political order and normal economic activities in the neighborly China will have a damaging effect on Russia and the areas of its vital interests in the Far East and Central Asia. An indispensable external condition for Russia's development, especially in the Far East, is continuation of China's strategy of reforms."  

As for Beijing, in September 1997 the 15th Congress of the CCP directed the country toward more openness and more cooperation with the outside world. An emphasis was put on foreign investment and other resources for development of the country's central and western regions. It is obvious that to fulfill these plans the P.R.C. will need close, good-neighborly relations with Russia and acceleration of economic and political cooperation with it.

The ideological differences that ruined the Moscow-Beijing alliance back in the 1960s and mared the initial stage of the new Russia's relations with the P.R.C. have virtually lost all ground. The present Russian elite has learned to respect the achievements of the Chinese communist regime, while Beijing realizes by now that a weak Russian democracy is no challenge to it ideologically. Actually, an ideological affinity of two regimes is growing: both are reform-minded and both try hard to stay in power. Moscow does not support dissidents in China, Beijing in its turn is not anxious to see the return of communists to the Kremlin.

The economic factor also gives a powerful impetus to Russo-Chinese relations. Moscow, desperate for capital and worried about its troubled military-industrial complex, is eager to shower the Chinese with airplanes, tanks, ships, and guns. Explaining the importance of arms supplies to the P.R.C, Moscow underlines the fact that they are "profitable not only economically, but politically as well, [since] they tie Russia and China to each other, and help to build up our mutual confidence." It is also stressed that "if not Russia then some other country will provide weapons to China, and then we'll lose in every respect."  

In November 1996 the two sides signed a bilateral defense cooperation pact which opened new vistas for arms deliveries from Russia to China. So far, Moscow has sold to the P.R.C two Sovremenny-class guided missile destroyers, two Type-636 Kilo class diesel submarines, large quantities of fighter planes, air-defense systems and other equipment. There is a worry in Asia that with Russian help Beijing will acquire a capability to operate a blue-water navy for the first time and to threaten the South China Sea and the Taiwan Strait in future periods of tension. Yet, Russia's Defense Ministry believes that these exports will not alter the existing balance of forces in the region. Besides, the Russo-Chinese military cooperation does not promise quick progress: the process is slowed by the apprehensions of influential political forces in Russia about aiding the Chinese military build-up, as well as by the unhappiness of Russian military producers with the practice of their Chinese customers.

China is also a huge market for Russian machines and equipment not especially popular elsewhere: they constitute up to the 20% of exports to that country. A number of agreements have been signed on Russia's participation in modernization and construction of large enterprises, especially energy and transportation facilities. There
are plans to create special economic zones along the common border and to share the waters and resources of the border rivers. For some time to come, China will continue to be an important supplier of cheap consumer goods and labor to Russia, especially its Eastern provinces. To be sure, all these endeavors are no less useful to China, as well as imports of Russian raw materials. Specialists in both capitals agree that economies of the two neighboring giants will remain complementary for at least several decades. Already, China is one of the most important economic partners of Russia (second only to Germany). In April 1997, Yeltsin and Jiang set a target of $20 billion in mutual trade and in November 1997 the two sides initiated an estimated $12 billion gas pipe-line project.

Bilateral cooperation between Russia and China provides a solid foundation accompanying the steady progress in solution of historical problems. Moscow and Beijing have legally fixed the long, over 4,000 kilometer border. The relevant agreements on the Eastern and Western portions of the border were ratified by the Russian parliament in 1992 and 1995. In February 1996, Yeltsin signed a document aimed at a speedy completion of demarcation of the border line. The president and other high officials said once and again: the border agreements have removed a major stumbling block on the way to Russo-Chinese good-neighborly relations; the agreements are of major, eternal importance and will be upheld no matter what. In November 1997, Russia and China agreed on joint occupation of several disputed islands.

Russia and China have also made a great deal of progress on military confidence-building measures in bilateral relations. The two sides have signed agreements on no first use of nuclear weapons and on non-targeting of missiles at each other’s territory. Russia and China also managed to conclude in April 1996, together with Kazakhstan, Kirgizia and Tajikistan, an agreement on confidence-building measures in the border zone. This agreement provides a basis for continued peace and stability between Russia and China and their complementing policies in potentially volatile areas of Central Asia. In 1997, the agreement on the mutual reduction of armed forces in the area of the border between the C.S. countries and China was signed. It was agreed to establish a zone of stability, restricting military activity to a depth of 100 kilometers along the frontier. Even on human rights issues, the two countries are getting closer. It was Russia, for example, which has repeatedly prevented China’s condemnation by the UN Human Rights Commission in Geneva. As a result of the above-mentioned developments, Moscow and Beijing on the official level no longer treat each other as potential adversaries. Russia’s security and foreign policy doctrines specify the P.R.C. as “a friendly state.”

Taiwan is also not a thorn in Russo-Chinese relations. After a euphoric beginning, Moscow’s romance with the ROC has faded, and Russia has been slow to open an unofficial representative office in Taipei, which was approved by Beijing. High officials in Moscow regularly confirm the standard position on “one China, Taiwan being a part of it.” Privately, they add that the P.R.C. is too important for Russia to risk its friendship because of the Taiwanese connection. The Chinese leadership in turn supported Moscow on the Chechnya crisis, invariably qualifying it as an internal matter of Russia and stressing that each state had the right to defend its unity.

On the international scene there is now also a remarkable similarity of Russia’s and China’s interests and approaches. Both Russia and China are concerned with the need to counter the disintegration of multi-ethnic states, to fight against fundamentalist tendencies, especially in Islam, and to stabilize the situation in Central Asia. There is a common objection of Moscow and Beijing to “patronization” by any third parties, and a
common desire to move the world toward multipolarity. Moscow and Beijing hold close positions on the “hot spots” in Korea, the Middle East, Bosnia and most others. Of particular significance to Russia is the fact that Beijing has said that it “understands and supports” Russia’s reaction towards expansion of NATO.75 This Chinese position is not a mere diplomatic gesture, but an expression of the real Chinese opposition to such a drastic tipping of the balance in Europe in favor of the USA and its allies.

The unrestrained build-up of the Chinese nuclear capability is the only issue where the Kremlin has objections against Beijing. However, even in this area Yeltsin derived satisfaction during his 1996 visit to the P.R.C. that China joined the total ban on nuclear testing.76

AREAS OF TENSION AND UNCERTAINTY

Not everything, however, is perfect in Russo-Chinese relations. It is sufficient to look back at their difficult history of uneasy cohabitation to be cautious about their future. The problems are not only potential, some of them are already on the agenda as could be projected from the mood of certain Russian circles towards China, as discussed earlier. Areas of tensions and uncertainty can be divided into two major categories: bilateral and international.

Bilateral issues. Among the obvious issues for quarrels and disputes is the common border. If the Kremlin is fully satisfied with the border agreements with the P.R.C., Primorie region authorities are not. The local parliament rejected the ratification by the Federal Parliament in February 1992 of the Russo-Chinese border agreement as “unconstitutional,” because “the state borders cannot be changed without the referendum of people.”77 Primorie authorities blamed Moscow for “selling out Russian lands, and hurting territorial, economic and political rights of [the] local population.”78 Ever since, the local authorities have made attempts to prevent the completion of the demarcation process. There was also obstruction on the part of Khabarovsk and Primorie governments of the free passage of Chinese vessels in the Amur river.79

Far Eastern leaders, especially Primorie governor Evgeniy Nazdratenko, have managed to mobilize a significant number of people against the border settlement with China and have helped to make it a hot issue on the local level. Beijing is also well-known for its obstinacy on territorial issues. The Chinese believe that the Russians illegally gained control over the Far East and much of Siberia in the nineteenth century. Thus, from Beijing’s point of view, China has already made more than its fair share of concessions by having ceased making claims on “the eastern territories.”

Such feelings run extremely deep in China, and there is no guarantee that at some point a new Chinese government will not resurrect old demands to restore justice and repay old debts. Such demands may become an expression of the growing nationalism and ambition of a successful post-communist China. Or territorial disputes may be used by the Chinese government to avert the attention of the populace from internal problems, if they develop. The territorial issue may also flare up as a result of a deterioration in Russo-Chinese relations for other reasons, as was the case in the 1960s. But ultimately, Chinese expansionism in the North may be triggered by the disintegration of the Russian Federation and the emergence of splinter regions in the eastern part of the country. If Moscow loses control of these traditionally Chinese lands, it may be China that gains them.
Nevertheless, the Kremlin values highly its agreements with China on the border and intends to proceed with the demarcation of the border line as agreed. In private, President Yeltsin has harshly denounced “political adventurists in the Far East, who in their desire to score political points are prepared to undermine our very important relations with China...” It is not in the national interests of Russia to create problems because of a small question that imposes obstacles in successfully developing relations with China.80

The earlier discussed illegal immigration of Chinese into the Eastern Russian provinces may also develop into a serious controversy. The problem has two dimensions. The first is the Russian perception of large numbers of Chinese being moved into Russia as a part of the “master plan” of the Beijing leadership. This perception is not necessarily true, but it reflects the inability of underdeveloped and underpopulated Russian Far East to adjust to the new openness in relations with the fast-developing and energetic Chinese North. As such, this perception is not easy to eradicate.

The second dimension is a plausible fear that the Chinese will someday gain a numerical superiority over the indigenous population in some parts of the Russian Far East. Then the Chinese might say: “we are here in majority, everything around here have been built by us and after all these lands used to belong to China.” Then Russia and China will have on their hands a dispute much more explosive than what is happening nowadays in former Yugoslavia.81

Human contacts in general create constant frictions. Russians complain of an enormous number of Chinese criminals roaming around the Far East and disturbing peaceful life there. Chinese are denounced for illegal dealings, the smuggling of narcotics, illegitimate purchase of housing, and unpleasant personal habits.82 Similar resentment of Russian travelers can be spotted in P.R.C. Quarrels, fighting, and harsh treatment by the local police are regular features of Russo-Chinese human contacts.

Economic cooperation creates its own problems. The common complaint in Russia is that Chinese export low-quality, faked, and dangerous products, and in exchange rob Russia of its valuable natural resources such as metals, gas, oil, and timber.83 Chinese traders in turn complain of indecent practices of Russian businessmen and the low quality of Russian goods.84 Both sides are unhappy about customs, immigration, investments, transportation, and other regulations. In 1997, Russia also suffered a setback in its plans to gain large contracts in China’s Three Gorges hydroelectric project.

International problems. At present, the Chinese are rapidly making economic inroads in Mongolia and the former Soviet Central Asian republics without encountering any resistance from Moscow. The situation may change if the democratic order collapses in Russia and the ultra-nationalist parties gain control of Moscow’s foreign policy. These parties would definitely attempt to regain Russian predominance in these areas, and sooner or later they could also find themselves at odds with Beijing. China will not accept Moscow’s control of Mongolia and Central Asia regardless of who controls the Kremlin. Russian nationalists may regard Chinese communists as partners in a resistance struggle against the West’s supremacy in the international arena. But if they act too arrogantly, they will not necessarily find a partner in Beijing, but a very strong adversary.
Untying the "Korean knot" may also produce tensions between Moscow and Beijing. The prospective dismantling of the communist regime in the North will not necessarily be a peaceful one. South Korea, the USA, Japan, China and Russia will inevitably be involved.

The advancement of cooperation between Moscow and Washington is another potential area of friction between China and Russia. Beijing will be irritated if the United States neglects China and focuses U.S. attention and resources upon helping Russia reinforce democracy and its market economy. Indeed, little choice exists for Russia in international affairs if it cares about Chinese goodwill. This goodwill may easily disappear in the case of either of the two following scenarios: (1) if Russia becomes weak and too dependent upon the West; or (2) if the Kremlin attempts to resume hegemonic practices.

Should China continue to develop rapidly, and if Russia remains in deep crisis, Moscow may lose its present admiration for China. Jealousy and Beijing's encroachments upon Russian territories are bound to recur. Moscow and Beijing may again plunge into disputes concerning Indochina, the South China Sea Islands, and India. All these problems, however, appear highly hypothetical at present, as Russo-Chinese cooperation is on the increase. However, trouble spots in the relations between these two neighboring giants should not be overlooked.

SCENARIOS FOR THE FUTURE

As argued throughout this essay, much of the future of Russo-Chinese relations will depend on the internal developments in both countries. To summarize our findings, we will offer three scenarios on future development of China and Russia, with their repercussions for the respective foreign policies of both countries. For China, three scenarios are possible.

Scenario 1

The People's Republic of China will continue its great march forward. No major convulsions in the upper political hierarchy of the country will take place. The present leadership has been already in place for quite a while; it is united, experienced and able to run state affairs in an orderly and efficient manner. The Communist ideology and system will not collide with the fledging market forces, since the Communist Party apparatus has become the promoter and guarantor of the market reforms. It will play the role similar to Kuomintang's role on Taiwan in the 1960-1980s. The Chinese economy, bolstered by ever-increasing foreign investments, will keep on growing. The inefficient state enterprises, remaining a burden on the China's budget, play, at the same time, a positive role of limiting unemployment and averting social discontent. Other social tensions in the society are checked by the authoritarian methods of the government.

In the realm of foreign policy Beijing will be increasingly active, assertive, and potentially aggressive. Driven by economic requirements, the nationalistic desire to correct historical injustice, security considerations, and great-power ambitions, China will be striving for a dominant position in Asia and the Pacific.

Vis-à-vis a weakened Russia, China will take a tougher stand on the disputed border areas, incite settlement of the Russian Far East and Siberia by the excessive influx
of Chinese population, hurt Russia's economy by flooding it with cheap consumer goods and by buying up for unreasonably low prices Russian raw materials. The P.R.C. will be covertly pushing Moscow out of its traditional spheres of interest—Kazakhstan, Central Asia, Mongolia and finally, Korea.

A stronger China will decisively check attempts of Japan to increase its military potential and its political role in the region and the world at large. Japan will be tied to the Chinese economy and will start feeling Chinese competition in the markets of Asia and the Pacific. Americans will also feel Chinese pressure, both in bilateral issues and throughout the Asian-Pacific region. On a number of issues in this region Beijing and Washington will find themselves in opposing camps, among them disputed islands in South China Sea, Taiwan, and naval activities in the Pacific.

North Korea will no longer be an ideological ally of the market-oriented, pragmatic China. However, Beijing will do everything possible to prevent a sudden collapse of the communist regime in the North out of fear of destabilization near China's borders, and of losing influence in Pyongyang. Due to the Beijing's support and guidance, the communist regime in the North may have a chance of a gradual transformation into a market-oriented, non-ideological society. Simultaneously, China will foster closer cooperation with the South, seizing economic benefits and striving for the political dominance over Seoul. Beijing will be trying to speed up withdrawal of the American military presence from the Korean peninsula. In order to avoid turmoil and to postpone emergence of a new powerful state in the Far East, the Chinese leadership will not be too anxious to see early reunification of Korea.

Scenario 2

Reforms will collapse and China will plunge into chaos. The ruling class will split into warring factions along clannish and regional lines. The Communist apparatus will clash with the new capitalist classes of Chinese society. Ethnic uprisings will rock stability in the border areas of the Middle Kingdom, while social unrest of underprivileged groups in the population will undermine stability in the heartland of China. The economy, burdened with inefficient industry and shortages of arable land and raw materials, will be stricken with a profound crisis. In such a case history of the 1920s to 1940s may repeat itself to a certain degree.

In the process of internal strife, one (or several) political forces may appeal to Russia for help and invite Russia's interference in the domestic affairs of China. The opponents of the pro-Russian factions will in turn ask for American support and assistance. As a result, something along the lines of the Communist Party—Kuomintang rivalry of earlier decades, with Moscow and Washington in the background, will occur again. Under such circumstances (turmoil in China), even Japan may go back to the policies of aggression against a weak and helpless neighbor, using various pretexts (protection of investments, property and Japanese nationals, restoration of order, etc.). Finally one of the groups (pro-Russian or pro-American) will win and China for a while will become a close ally of one of the two superpowers. Inevitably, though, a unified China will regain full independence and freedom of action in international affairs.

As for Moscow and Washington, their rivalry in weakened China will spoil their relations and return to a confrontational disposition. Only aggressive Japanese behavior in China may allow Russia and Washington to avoid a direct clash and unite in the
efforts to oust the Japanese from Chinese territory. In such a case, Beijing will even sooner recover its full independence from the influence of superpowers.

It is also possible that a weakened China would not split into warring factions. It will retain one government. This government will feel increasingly threatened by stronger Russia, which will be overly assertive in bilateral relations with Beijing and will restore Russian hegemony at the perimeters of China’s borders. Consequently, China will promote anti-Russian propaganda inside and outside its own borders and will seek an alliance with Washington and Tokyo.

**Scenario 3**

The last scenario seems the most plausible, at least in a near-term perspective. According to it, Russia and China will remain relatively weak (Russia economically, China militarily), while the United States and Japan will continue to move forward as economic and (in the American case) also as military superpowers. Such a tendency, coupled with tensions between Moscow and Washington in Europe and C.I.S., and China and the U.S. over human rights and trade, may prompt the Kremlin and Beijing to promote mutual ties.

This scenario in fact depicts developments during the last several years. Russia, in order to balance its relations with the West (i.e., of the unequal partnership) supplies China with arms, approves Beijing’s foreign and domestic policies, allows immigration of Chinese to Siberia and the Far East, and makes concessions on the border and military issues. Beijing in its turn demonstrates flexibility vis-à-vis Russia. View in such terms, the Moscow-Beijing marriage may continue as long as the two states remain far behind the United States and Japan in their overall might. At the same time, Russia and China will not sacrifice their cooperation with the West.

Russian internal developments will in turn have a direct impact on future Russo-Chinese relations. It would certainly be wrong to assume that the ideological factor has been completely removed from Russo-Chinese relations. Now, as Russia is weak, Chinese Communist leaders have stopped worrying about “evil winds” blowing from the North. But this air of nonchalance may disappear rapidly if reforms in the former USSR begin to work. Simply by leading by example, Russia in its democratic development may inspire the Chinese intelligentsia with a new vigor. In addition, if reforms are successful, Russian democrats will be more confident and may join the Americans in their missionary zeal to transform China into a free country.

A different scenario may develop if the Russian Federation plunges into uncontrollable chaos, which is not implausible in such a case. Neighboring China would sooner or later be flooded with refugees and might find itself in conflict with those groups and even, perhaps, with terrorist groups from the North.

Emergence of a communist or radically nationalist regime in Moscow will almost certainly damage Russo-Chinese bilateral relations. Though communists talk about an alliance with the P.R.C., should they gain power they will behave similarly to Russian nationalists, which will be resisted by the Chinese. For the most part, they would crack down on all foreigners in Russia (including Chinese nationals), they would close borders, restrict flow of goods across them, and resume expansionism towards Central Asia. These actions will be enough to reignite Russo-Chinese controversies.
1 Mezdunarodnya Zhizn, 1992, No. 3-4, p. 88.
2 For details see Yevgeni Bazhanov, "Russia’s Changing Foreign Policy," BLOST, Koin, Germany, 1996, No. 30.
4 For elaboration of such view see Andrei Kozyrev, Preobrazhnie (Moscow: Mezdunarodnye otnoshenii, 1995).
6 EGor Gaidar, "Vneshnepoliticheskie prioritetti," Obshya Gazeta, 12 March 1996.
10 Ibid., p. 33.
12 Ibid.
14 Izvestia, 23 June 1995.
17 Pravda, 10 October 1995.
18 Patriot, 16 May 1996.
22 Rodina, 8 March 1996.
24 Interviews with Russian diplomats in May 1996.
25 While evaluating Zhirinovsky's arguments it must be taken into account that this man is prone to constant changes of mood, views and positions. In other instances, to be discussed later, Zhirinovsky displayed a completely different, hostile approach to China.
26 For example, P.Grachev's interview for the Russian TV (ORT-1), 10 November 1995.
31 Ibid., p. 16.
32 Ibid., p. 16.
33V. Myasnikov, Dogovornymi statiami utverdili (Moscow: RIO Mosobluprpoligraphizdata, 1996), p. 413.
34 Ibid., p. 412.
36 Ibid., p. 418.
Ibid., p. 419.
38 "Goloya pravda Zhirinovskogo," Izvestia, 7 October 1995, p. 4. See also Izvestia, 24 May 1996.
39 "Sudbonosny chas Yeltsina," Zavtra, no.13 (121), 1996. For the paranoid ideas of all-round threats for Russia as well as of the urge to conquer others and to expand empire see, for example, V. Zhirinivsky's book Brasok'Na Yuc (Moscow, 1995); Derzhava (Moscow, 1994); and Za gorizontom (Moscow, 1995).
40 Russia's GNP has dropped to the level of 15% of the USA's GNP. While Russia's GNP continued to fall in 1991-1996, China's GNP grows by over 10% annually.
41 Segodnya, 7 May 1994.
42 Ulra Rossi, 5 March 1996.
43 Tibokeanskaia Zvezda, 12 April 1996.
44 Vneshnya Politika yi Besopashnost [Pre-election Program of Our Home Russia], (Moscow, 1995), p. 3.
46 Ibid., pp. 7-9.
48 Ibid., p. 6.
49 Ibid., p. 7.
50 Y. Primakov, "Rossiya yishet novoe mesto v mir," Izvestia, 6 March 1996.
51 See, for example, Izvestia, 22 March 1996; Segodnya, 2 April 1996; Nezavisimya gazetta, 9 April 1996; etc.
53 For elaboration of such views see E.Bazhanov, "Russia looks to the East," Moscow Times, 15 September 1995; Russia's TV, channel ORT-1, news program "Vremya" on 23 April 1996; Time, 6 May 1996, p. 23.
54 Segodnya, 28 April 1996.
56 Ibid., p. 24.
59 Ibid., p. 43.
63 Izvestia, 26 April 1996.
65 Izvestia, 4 November 1997.
66 Eugene Bazhanov, "Russian Policy Toward China," op.cit., p. 165.
68 Kommun zavtra, 19 September 1997.
70 Ibid.
73 "Taiwan dilemma," Segodnya, 10 May 1996.
74 Zhongquo qingnianbao, 16 April 1996.
75 Renmin ribao, 28 April 1996.
76 Rossiiskya gazettes, 30 April 1996.
77 Rossiiskya gazettes, 12 February 1996.
78 Ibid.
79 Segodnya, 20 May 1996.
80 Segodnya, 10 May 1996.
81 For a discussion of these issues see F. Bazhanov, "Russia looks to the East," Moscow Times, 1 September 1995; and E. Bazhanov, "ATR," Segodnya, 21 July 1995.
82 "Druzhit trudno," Kommersant Daily, 8 April 1996.
5. CHINA’S EMERGING POWER AND MILITARY ROLE: IMPLICATIONS FOR SOUTH ASIA

Sujit Dutta

The growth in China’s overall national power, including its military capabilities, and how China’s leaders will employ this power will have far reaching implications for Asia and the world. China is not only the largest state in the world in terms of population but is many times larger than all other states, excepting India.¹ Rapid and sustained industrialization and modernization over the next two to three decades is likely to transform this largely agrarian state into a powerful entity, given sheer demographic realities.² Power in the Chinese case has a strong military component, since modernization of the armed forces and the military-industrial complex is an important goal for China. The Chinese leadership’s commitment to build comprehensive national power (CNP)³ is a major factor shaping the stability and security of Asia. In addition, China’s nuclear weapon capability, its permanent status in the United Nations Security Council (UNSC), the large size of its armed forces and the crucial role the People’s Liberation Army (PLA) in its neo-authoritarian political system and national security policy-making give it a special place in the Asian security and strategic order.

Numerous Western experts argue that the Chinese armed forces and much of its weapons inventory suffer from major technological lags, especially when compared with the United States, Japan, Russia, South Korea, India and some of its other neighbors.⁴ A comparative assessment has been made in a 1995 RAND study of China’s air power.⁵ This is largely true if only the PLA’s conventional capabilities and not its nuclear forces are taken into account. In addition, two other factors must be mentioned in assessing Chinese conventional forces. First is the sheer power of numbers. With a strength of 2.9 million, China has the largest armed forces in the world. It has a corresponding size in air power and is Asia’s leading missile power. What it lacks in quality it makes up through numbers and its willingness to take heavy casualties in warfare, as demonstrated in the Korean War against the far superior forces of the United States, and against Soviet forces in 1969. Second, China is committed to steady modernization of its conventional forces to match those of the other advanced military powers.

The rise of China into a military-industrial powerhouse will therefore have a multi-dimensional impact upon other states of the Asia-Pacific region. This judgment is now well-recognized by most strategic analysts.⁶ It will in particular have direct security consequences for China’s neighbors, notably Taiwan, Korea, Japan, Vietnam, Philippines, Mongolia, other Southeast Asian states, the Central Asian states and Russia, and the countries of South Asia. Most of these countries will be affected one way or the other by Beijing’s changing economic and military capabilities, its trade and defense policies, its approach toward resolution of bilateral disputes, and how it will use its power as it grows stronger. States in Southeast Asia, such as Indonesia, which do not share a border with China, will be affected by its naval build up, its handling of its territorial claims in the South China Sea, and its strategic and military relationship with Myanmar and Indochina.

Even the United States recognizes that following Soviet disintegration and with Japanese power contained within the U.S.-Japan alliance framework China will be its leading challenger, its key concern, and the alternative center of power and influence in
the strategically vital Asia Pacific region. According to the 1997 Strategic Assessment published by the National Defense University: "Dealing with China as a rising power is the most compelling of all of the many challenges facing the United States and its regional allies." As its author further asserts:

Within the decade, China could become a power that is a peer to the US. in the East Asian theater. Moreover, as its comprehensive national strength continues to develop over the decade, Beijing might play the role of the theater peer with more assurance than is presently the case. A more capable and confident China may prove to be more obdurate in its pursuit of issues that touch upon sovereignty and national reunification, such as Taiwan or the South China Sea. In these circumstances, a miscalculation by Beijing of either Taipei's or Washington's intentions could produce a conflict into which the United States might be drawn. Prudence would dictate that such an eventuality be considered by US. force planners.

The study concludes: "a robust military force and an active dialogue on security issues and concerns are viewed as key elements in any strategy of dissuasion" in regard to China.

Thus, in spite of its techno-economic and military lag in comparison with the developed states, China has begun to play an international role far larger than its overall capabilities. Its status as Asia's only permanent member of the UNSC and nuclear weapon state, its rapidly growing economy and the lure of its large market, its size and pivotal geopolitical location have given China the strategic weight and influence of a major power. China's assertive nationalism, a strong sense of self-importance and independence, a national resolve and strategy geared towards attaining a high level of power in all its dimensions--economic, military, technological, and politico-cultural--are together redefining the Asian strategic environment, often in a destabilizing manner, given its unfulfilled territorial and unification agenda.

Yet very little incisive discussion has taken place or recognition exists outside India of the security implications for South Asia of the re-ordering of the balance of forces underway in Asia resulting from the growth of China's power. South Asia has not received the attention in this discussion that it warrants even though China and India constitute the strongest military powers in mainland Asia, and that they are neighbors whose policies and capabilities directly affect each other.

China, India and most of the states in South Asia are still in the midst of economic development, industrialization, and modern state formation, and are therefore not yet in the first rung of the global power structure represented by the triad of North America, West Europe and Japan. However, according to the projections of the World Bank and other international agencies, both China and India will emerge among the five largest economies of the world within the next two decades—the U.S., Japan, and the European Union being the others. This will mean a substantial growth in the national power of the two countries. China and India straddle a common geopolitical space across the Himalayas and South, Southwest, and Southeast Asia. This makes for strategic and geopolitical competition. The growth of these two major power centers adjacent to one another would increasingly be a major factor shaping Asia's politico-security environment. Stable relations between these two powers is therefore not only in the interest of their peoples, but also in Asian and global interest. Building the basis for a stable and cooperative relationship is a challenge in itself.
China’s rising military capabilities, especially its nuclear and missile build up, has direct security implications on its neighbors in Asia with whom it has sovereignty disputes, ethnic-related insecurities and tensions, and geopolitical rivalries, and some of whom Beijing sees as potential threats. This has forced Asian states to adjust their post-Cold War strategies, with China now the dominant focus of security concern. The international strategic studies community, however, by focusing on East Asia, has not recognized the larger dynamics at play in Asia and especially South Asia. Indeed, even the October 1997 U.S.-China agreement under which China committed to curtail its missile and nuclear relations with Iran in return for U.S. cooperation in the Chinese nuclear energy sector have been driven by non-proliferation and its own security concerns in the Gulf rather than a wider view of the strategic and security environment in Asia and how to ensure long-term stability.

**CHINA’S SEARCH FOR POWER**

Wealth and power have been the principal goals of the Chinese elite for over a century. They remained the principal goals under Mao Zedong and Deng Xiaoping, despite the very different developmental and modernization strategies adopted by the two principal post-revolutionary leaders of China. Most major states have historically translated their power into influence and predominance vis-a-vis other states. China has not been an exception. The post-1949 Chinese leadership has been keenly conscious of the role of military power and the focus of political and strategic leverage this power provides in domestic and international politics.

This search for political and military power has been closely tied to China’s perception of its own weakness, its historical memory of 19th and 20th century humiliation by Western powers, and occupation of large parts of its territory by Japan. The fact that China was militarily defeated by Britain, France, and Japan respectively before it was politically and economically subjugated is deeply etched in Chinese memory—a memory that the Chinese Communist Party (CCP) has nurtured. A strong China—that is “a rich country with a strong army” as Japanese reformers had sought to build in the 19th century—is necessary so that it is never again subjected to humiliation and hegemony. Indeed, the entire history of struggle for power in 20th century China underlies this commitment. In the years after the revolution, this belief was strengthened by its searing experience in the Korean War, the containment policy of the United States till the 1972 rapprochement, and by U.S. military threats during the Korean war as well as the Taiwan Straits crises in the 1950s. The military was an integral element of the post-1949 power structure and it was relatively straightforward for the Party to see the world through a militarized prism. Its experience, global and internal realities, and its political-strategic needs made this feasible.

In the period since the creation of the People’s Republic of China (PRC), military power has been viewed as a guarantor of China’s strategic independence, security, and influence in the world. These remain the key goals that CNP is expected to ensure in future decades. The Chinese leadership since Mao has repeatedly asserted that it does not want China to be a superpower. Yet the leadership has also repeatedly stated that China must become “a first rank power” as early as possible. The need to modernize the PLA and its key strategic role was underlined by Party General Secretary Jiang Zemin in his July 1991 speech marking the 70th anniversary of the founding of the CCP.16
Thus, despite the stress on the economic dimension of modernization, military reforms have never been neglected by the leadership. The reforms have been geared towards enhancing the effectiveness and power of the PLA and the Chinese Party-State. The very fact that military modernization has been placed on the national agenda next to economic modernization (the aggregate of the three modernizations—industrial, agricultural, and technological) indicates its high priority.\(^{17}\)

From a national security perspective, China is preparing to meet three key challenges after the Cold War. In an immediate sense, it must build a military force structure and capabilities that will enable it to use force if necessary to pursue its sovereignty and territorial claims on Taiwan, the South China Sea islands, and if necessary elsewhere—for example against India, Vietnam, and Japan. Second, its military power must provide it with adequate deterrence against the United States—the remaining superpower—and defeat all calls for a neo-containment strategy against China. Finally, in the longer run its power must ensure that China will be an integral part of a new security structure in Asia and the Pacific, and that its interests and concerns not be undermined.

Two factors make this agenda problematic and destabilizing: first, China’s increasingly assertive nationalism\(^{18}\) with the PLA at the core of defining national identity and security goals, and second, China’s deeply rooted realpolitik strategic culture and its repeated use of force in pursuit of the national interest\(^{19}\). A heightened nationalist environment has emerged and been promoted by the Party-State since the Tiananmen crisis and the collapse of state socialist regimes in the Soviet Union, Eastern Europe and elsewhere, to meet the challenge of what it calls “peaceful evolution” supposedly intent on undermining the Communist Party rule in China. Nationalism has become a necessary defensive mechanism as socialism has declined as the ideological rationale for the Party’s hegemony, and it has gained an assertive character in external relations. This combination of rising nationalism, its key ideological role in regime stability, and the realpolitik strategic culture has made China’s military power build up a potent factor of uncertainty, insecurity, and instability in Asia. Indeed, both its dominant parabellum strategic culture and Maoist thought assume that conflict is a constant feature in human affairs. As Alastair Johnston notes:

> The Chinese leadership believes that conflict is due largely to the rapacious role of the adversary, and that in this zero-sum context the application of violence is highly efficacious for dealing with the enemy. These assumptions generally translate into preference for offensive strategies followed by progressively less coercive ones, where accommodation is ranked last.\(^{20}\)

This makes conflict over territory and other core interests of the Chinese regime and the PLA highly likely if the other state refuses to accommodate to Chinese goals.

This combination of the PLA’s size, growing strategic and conventional capabilities, organizational restructuring and adoption of a new strategy of preparing for "high-tech limited warfare" are factors that its Asian neighbors have to take seriously. Its already acquired major power status, and the political will to achieve even greater influence and techno-military power implies that China’s expanding role will be a major feature in the world order in the 21st century. In many ways this is already evident.\(^{21}\)
Moreover, over the past two decades of reform while the PLA’s role in elite and societal politics has seemingly declined it has become increasingly influential in the security policy making process.22 Michael Swaine in an important recent study underlines this point:

Ultimate national strategic and security decision making authority does not rest with the Politburo Standing Committee (PBSC) as a body. Instead, a collective leadership composed of a small subset of senior party and military leaders determines policy in these areas. The PLA’s role in shaping national strategic objectives and in providing strategic analysis and intelligence to civilian leaders is particularly significant and apparently increasing.23

Since China’s relations with its neighbors—including those in South Asia—has a substantial national security dimension, and involves disputes over sovereignty, the military is likely to set much of the tenor of the relationship and the policy line, leaving less room for flexibility in dealing with issues such as arms transfers, proliferation, and defense ties. The dominant role of the military in shaping China’s national security and important sectors of the foreign policy agenda is highly destabilizing, since the absence of democratic or other constraints mean the use of force and application of coercive strategies would not be politically impeded. Indeed, "by taking tough positions Chinese leaders demonstrate their nationalist credentials and win vitally important domestic political support."24 Asian states therefore have reasons to worry and take precautions.

This is not to argue that China fails to value diplomacy or cooperative ties with other states at a time when it needs a peaceful security environment and external support for the success of its modernization program. Indeed, over the past two decades China has steadily normalized relations with all its neighbors, expanded trade and investment ties, and signed military confidence building agreements with Russia, India, and its Central Asian neighbors; opened negotiations with Vietnam and the ASEAN states to settle territorial disputes; and joined the multilateral ASEAN Regional Forum. Its economic and political ties throughout Asia are growing and China has a major stake in preserving them. However, where core issues of sovereignty and national identity are concerned, the PRC is a prisoner of its strategic culture and assertive nationalism. For these reasons alone, the accumulation of high military power by China is destabilizing and a major security challenge.

It is pertinent to note, however, that China’s rise as a great power is not a certainty. China, for example, may ultimately experience the kind of crises that the state socialist system and the Party-State have faced in other contexts as they have grappled with marketization, democratization and globalization. Moreover, rapid modernization of the type that China is experiencing is socially and politically destabilizing as was seen through the decade of the 1980s leading up to the Tiananmen crisis in 1989. Thus, it is not inevitable that China’s transition from state-socialism to a market based, modern industrialized, and militarily advanced state will be smooth, crisis free, or painless. Indeed an examination of the reform era indicates the volatile nature of the process and the huge hurdles faced by the PRC if it is to attain its national goals in the next two to three decades.25

There are three possible scenarios regarding China’s mid to longer-range future that deserve attention:
a. In spite of the many internal and external challenges, the PRC will continue to enhance its national power as a rapidly modernizing neo-authoritarian state;

b. It will initiate gradual political reforms and move towards a pluralist and democratic future, as have Korea and Taiwan;

c. A major breakdown of the state system would occur in China, leading to renewed civil war that engulfs Hong Kong and Taiwan with unknown consequences. China's modernization and search for power would be seriously compromised by such political upheaval. This in turn would have very negative security and political implications for Asia and the world.

All three scenarios are possible and no theory can accurately forecast the most likely outcome. However, only the first scenario needs be taken seriously into account by the region's strategic planners and analysts, because it alone is based on current realities. The other two are potential scenarios for which alternative planning and preparations need to be considered, but they cannot serve as the basic framework for a China policy. An authoritarian, internally uneasy, but increasingly powerful and assertive China will, therefore, be the reference point of this essay.

CHINA'S MILITARY DOCTRINE AND CAPABILITY

China undertook a major revision of its long-standing military doctrine in 1985 when the Central Military Commission formally announced that "a world war, a major war, or a nuclear war" were unlikely in the current historical epoch and that the PLA should prepare itself for fighting "local, border, and limited wars." The new doctrine was called "People's War Under Modern Conditions" in keeping with the need to maintain continuity with Mao's strategic thought. The doctrine was given a new, modernized thrust in 1993 following the PLA's assessment of the American high-tech campaign in the Gulf War against Iraq.

The PLA has thus been given the task to prepare itself to face two potential scenarios, one which is possibly unavoidable, and the other unlikely but for which it nonetheless must prepare if its interests are to be pursued.

a. Border wars, territorial conflicts, and localized partial wars of a limited character under increasingly high tech conditions. This what the PLA expects to face and, therefore, such preparations have direct relevance for India, Vietnam, Taiwan, and other neighbors;

b. A general, modern three-dimensional war, in which the use of nuclear weapons could be threatened. This is seen as very unlikely but could occur in case Taiwan declares independence leading to a China-U.S. face off.

However, the PLA's efforts in preparing for frontier and local wars are of greatest concern to the nations in South Asia. Indeed, ever since the Korean War the PLA has followed a frontier defense doctrine designed to meet the enemy at or beyond the border, show resolve, and demonstrate substantial firepower to deter the potential opponent. As argued by David Shambaugh: "A frontier defense policy has been the PLA's actual doctrine for four decades despite its professed adherence to a 'people's war' strategy of luring the enemy in deep to defeat them on their own soil. With the
detonation of an atomic device in 1964 and the acquisition of intercontinental delivery systems a decade later, China was able to supplement its conventional doctrine with a minimum nuclear deterrent.26

China's current conventional power is large but not modern. Beijing is, however, determined to transform the PLA into a modern force.27 The officially declared defense budget has been growing at an average rate of 15 percent since 1989--among the fastest in Asia.28 China's defense expenditure as estimated by international experts is at least three to four times larger than its officially stated defense budget, and is growing at over 10-20 percent annually.

In assessing China's military capabilities as it affects South Asia, especially India, the symbiotic relationship between China's strategic forces and conventional forces must be underlined. While its conventional forces lag behind Western, Japanese, South Korean, Russian and Indian capabilities, it is not necessarily behind China's neighbors such as Vietnam, Myanmar, Laos, Nepal, the Central Asian states, Mongolia, or the Philippines -- most of whom are not covered by any alliance. These states are therefore vulnerable. Moreover, China's nuclear weapons and missiles give it an edge over virtually all its neighbors, excepting Russia.

Strategic Forces

The key role of Chinese strategic nuclear forces play in creating an advantageous military climate for the PLA must be also emphasized. China is the only indigenous Asian power possessing nuclear arms and the triad of delivery systems. China's nuclear forces create a fundamental asymmetry of power between China and other Asian states. They ensure that while others would be deterred, China can, if it feels necessary, carry out punitive attacks, "teach lessons," occupy territory that it unilaterally declares as its own, and engage in force projection and interventions. Nuclear weapons provide China with a security shield and the overall cover under which China can use conventional power against an adversary without fearing large-scale retaliation on its own territory. China already enjoys a nuclear and missile lead over India and other states in Asia. These weapons provide it with a sense of power and assurance, allow it to pursue an assertive nationalist agenda, and furnish it diplomatic leverage.

Army

The large size of the PLA is not very meaningful when it comes to conducting military operations in South Asia. Because of the forbidding terrain, the PLA faces real difficulties in sustaining and deploying large number of troops on the high Tibetan plateau and across the Himalayas, or even across the deserts of Xinjiang. The use of armor and other heavy equipment is similarly ruled out. Tibet is sparsely inhabited and has an average height of more than 10,000 feet, and has some of the world's most hostile terrain, placing strong limitations on weapons and manpower. Only infantry, artillery, air power and missiles can be used in a military conflict. The absence of a railway network in Tibet means only roads can be employed by the PLA. The logistical support for the military in the mountainous terrain is highly constrained, the roads are narrow, and it is very difficult to sustain a large force. This allows a smaller Indian army to be highly effective and a modern Indian air force to neutralize the PLA. However, the PLA is building rapid deployment and mountain warfare special forces and units.
Air Power

Current Chinese air power can be used against South Asia from air force bases located in Tibet but would not pose an unmanageable threat to the Indian air force. Indeed, given the absence of secure and hard shelters for its fighters in Tibet, the PLA Air Force would face serious problems of surviving a battle against India. However, the introduction of the Russian Su-27 and the agreement to proceed with serial production in China, a new generation of fighters such as the F-10, air refueling capabilities, airborne radar and an improved air defense system will substantially improve China's capabilities in the coming years. This will require constant Indian efforts to keep its air power modern and effective in facing the challenge.

Navy

The Chinese Navy is still largely a coastal defense force, though it is being modernized. The introduction of new generation frigates and destroyers, and the Russian built Kilo class submarines will gradually improve capabilities. However, the navy's current concern is concentrated in the South China Sea, the Taiwan Strait, and the Pacific. It would take some time before the Chinese Navy can start operating in the Indian Ocean. Availability of port facilities in Myanmar, Pakistan, and possibly Iran--three states in the region with which it has naval cooperation--would be of key importance if it were to play that role. China, according to many Indian security experts, would attempt to develop in the longer term, a naval presence in the Indian Ocean. When that happens, Chinese nuclear submarines armed with cruise missiles are likely to be deployed. This will be of direct concern for the Indian and Indonesian navies, and for the U.S. naval forces based in Diego Garcia. The Indian Ocean is expected to become an important area for China's naval deployments because of growing maritime activity, politico-military ties in the region, and possible energy dependence on the Gulf. This opinion is broadly shared within the Indian strategic community and the naval establishment. China's growing military role in Myanmar is especially pertinent in this context. Chinese assistance in establishing signal intelligence facilities in Great Cocos, modernization of naval facilities and installation of new radar equipment in Hiaungyi islands at the mouth of the Bassein river, and development of naval infrastructure at Akyab and Mergui in Myanmar are seen as building blocks for attaining Chinese strategic goals in the region, including the monitoring of India's naval communications, and possibly India's missile testing in the Bay of Bengal. A long-term Indian naval development program to safeguard its maritime and strategic interests and prevent any potential destabilizing impact of the Chinese navy in the Indian Ocean-Bay of Bengal-Arabian Sea area is, therefore, seen as crucial for India's security.

China has also found in cash-strapped Russia a major source for weapons and technology for the modernization of the PLA's arsenal and its sprawling defense industry. Beijing's revival of techno-military cooperation with Moscow has provided China state of the art technology it could not secure from the West. Besides acquiring Su-27 fighters with an agreement on co-production, Russian transfers include Il-76 transport aircraft, some of which have been refitted to provide in-flight refueling, Kilo class submarines, SA-10 surface-to-air missile batteries, and AA-8 Aphid air-to-air missiles. Russia is also providing assistance for China's anti-ballistic missile defense programs, nuclear submarine technology, anti-submarine warfighting capability, tanks and artillery. In addition, a large number of Russian scientists are employed in China's defense industries, helping its modernization.
Access to Russian and Israeli military technology is enabling China to gain significant capabilities across the board that will transform its sprawling military system and capabilities in the coming decades. China is developing antisubmarine warfare, ship-borne air defense, sustained naval operations, and amphibious warfare capabilities. It is acquiring ground force mobility, logistical support, air defense, all-weather operations, and command and control capabilities. It is developing strategic airlift, aerial refueling, ground attack capabilities and adding a new generation of air-superiority fighters. Most of its 24 Group Armies now have rapid deployment units comprising some 18 to 20 divisions. It also has created a 5000 strong marine corps. These units are equipped with the latest in weaponry.33

CHINA’S REGIONAL POSTURE

South Asia is defined here as the region that stretches from Iran and Afghanistan in the south-west to Myanmar in south-east and the Indian Ocean, but excluding Indonesia and other Southeast Asian states neighboring India that are being analyzed separately in this volume. The principal country in the region is India. India’s strategic reach and geopolitical weight; its pivotal location straddling the busy sea lanes of the Indian Ocean in the South, East, and West Asia on its two flanks, and China, Central Asia and Russia on the north, gives meaning and makes sense to South Asia, otherwise a region with a disparate group of small and medium states. Myanmar, Bangladesh on one side and Afghanistan, Pakistan and Iran on the other, or Nepal and Bhutan in the north and Sri Lanka or Maldives in the south have very limited strategic linkages. However, they all become an integral part of South Asia as a region because India binds and links each of them into a unit. This essay will therefore analyze India’s perceptions of China and its policy options towards China as a central theme. Indeed, with India’s impending emergence as a major power, the nature, content, and direction of India-China relations, the relations of both countries with the United States, and their evolving relations with other regional states will determine much of the strategic landscape and future power configurations in the region.

Following its takeover of Tibet, China became an integral part of the Southern Asian geopolitical and strategic environment. It shares borders with Afghanistan, Pakistan (given its occupation of a portion of Jammu and Kashmir), India, Nepal, Bhutan and Myanmar. As neighboring states, each is affected—some positively and some negatively—by China’s military power, posture, strategic thinking, and evolving role. China thus shapes in a major way the regional balance of power and security environment. Only India has common borders with a greater number of states in the region than China. Beijing has over the years also developed some of its closest external relationships in the region built on defense and intelligence ties, military transfers, and political support. Unlike China’s ties in East Asia where they are essentially economic, its South Asian ties are primarily politico-military in content.

While South Asia is not central to China’s current priorities, it is a growing area of interest. The United States, East Asia (including the Koreas, Japan, and the ASEAN states) and Russia have greater importance for Chinese policy makers preoccupied with modernization, national security, national unification, military build up, trade, and investment. Nonetheless, the region has vital security, diplomatic, and economic interests for China. The South Asian states hold the key to the stability and security of its two troubled provinces of Tibet and Xinjiang. After Russia, China shares its longest border with India—a 4000 kilometer stretch that it has failed to settle in spite of waging a
war in 1962. At the same time, Beijing has sought to improve its ties with India since the late 1970s as part of its efforts to improve its security environment and raise its profile with nonaligned nations. Pakistan, Afghanistan, and Iran are China’s most important Muslim neighbors, its corridor to the Gulf and West Asia, and the key to the security of its Muslim majority province of Xinjiang. Nearly 90 percent of China’s total arms transfers are targeted at Pakistan, Iran, Myanmar, Bangladesh, Thailand and Sri Lanka, all neighbors of India. China has also developed naval and defense ties with all these Indian Ocean littoral states—dotted the area between the Gulf and Southeast Asia.

Crucially, since 1965-66, China has constructed long-term security cooperation with Pakistan that includes transfer of nuclear and missile technology and systems. Indeed, Pakistan and North Korea are the only countries that have managed to maintain stable and long-term cooperative relations with the post-1949 communist regime in China. Every other relationship—including with the socialist Soviet Union, Vietnam, Albania, and nonaligned Burma, Indonesia and India—have suffered as a result of China’s exaggerated need to assert itself, wars set off by its territorial claims, ultra-leftism, and the wild swings in foreign policy.

Following recent improvement in Sino-Indian relations and the signing of the 1993 and 1996 agreements on confidence building measures between the two states, Beijing has felt the need to moderate its policy towards Pakistan, projecting a more even-handed diplomatic approach. Thus, it has moved away from its backing for Pakistan’s position on Kashmir and calls for self-determination to a position supporting a bilateral settlement. Nonetheless, its defense and strategic ties with Islamabad remain an important element of its strategic posture in the region. The transfer of M-11 missiles in 1991 and nuclear know-how and materials such as ring magnets for uranium enrichment indicates China’s abiding interest in keeping alive the Pakistan card against India.

From an Indian security perspective, China’s post-1988 strategic ties and military relations with the military-dominated power structure in Myanmar has potential strategic implications almost as serious as Beijing’s ties with Pakistan. It allows China to have two major allies on the two wings of India while it straddles the northern borders. China, Pakistan, and Myanmar together cover the bulk of India’s land borders, and Beijing also has forged close naval ties with these states.

The growth of Chinese power has three very different implications for the regional states and is, therefore, perceived differently by these three separate clusters of states. The first group comprises the states that have close, friendly ties with China and that welcome the growth of China’s overall power and role: Pakistan, Iran, Bangladesh, Myanmar and Sri Lanka. These countries currently see China as an ally in their effort to enhance their political space, and to ensure a steady, and more affordable supply of military weapons and technology not available elsewhere. China to them is a benign state whose power and independent role enhances their security by balancing other major states such as India or the United States or Russia that are their principal concern. They do not have any border disputes with China, nor are they affected adversely by its military power.

A second group comprises land-locked Nepal and Bhutan which have close security relations with India but which would be directly affected by a dominant or a hostile China, by migrations from China as a result of political turmoil in Tibet, and by a deterioration in Sino-Indian relations. Neither of them are dependent on China for essential supplies or trade outlets. Their policies, economy, and security revolve around
India. China has tried to expand its ties with both countries and in the past even sought to undermine India’s special relations with them. Beijing sought to open up arms exports to Nepal in the late 1980s but retreated in the face of a strong Indian reaction that involved closing down of all except two of the 17 border posts that give Nepal virtually free access into India. It was an ill-conceived Chinese move that indicates immense insensitivity to India’s security concerns. Nepal has in recent years been more conscious of India’s concerns and has adopted a neutral posture on Sino-Indian issues.36 The Chinese continue to retain their presence through road building, manufacturing and other projects, and regular high-level political visits. As far as Bhutan is concerned, negotiations are continuing to settle the boundary with China. Beijing does not as yet have an embassy in Thimpu. Bhutan has special foreign policy links with India and has, therefore, been particularly sensitive to Indian reactions to its China policy.37

India falls in the third category. The dominant power in the region with an independent foreign policy, India has had a troubled relationship with China over territorial and other issues such as Tibet, conflicting world views and strategic postures during the Cold War, and over Chinese policies considered hostile by New Delhi. Since the resumption of high-level political exchanges between the two countries in December 1988, regular diplomatic talks to settle outstanding issues, promote military exchanges, and agreements to prevent conflict, the relationship has improved and stabilized. But there has been little movement on resolving outstanding disputes, settle the issue of the presence of the Dalai Lama and the Tibetan refugees in India, or removing Indian insecurities regarding China’s strategic postures and defense ties in the region.

With the exception of Pakistan, most regional states have at times had strained relations with China. China refused to support the Bangladesh freedom movement and backed the Pakistani military’s efforts to forcefully and brutally suppress secessionist activities in the east. The post-independent government under the leadership of President Sheikh Mujibur Rehman was perceived as too close to India and the Soviet Union and incurred Chinese hostility. For some years, Beijing used its veto to prevent Dhaka from entering the United Nations. It was only following the Sheikh’s overthrow in an army coup d’état in 1975 and recognition of Bangladesh by Pakistan that China finally established diplomatic ties with the state. However, since then the two countries have gradually established close relations, and China not only supplies naval ships, artillery and fighters to Dhaka, but also training to the military.38

Beijing’s relations were strained with Myanmar for nearly two decades over Chinese interference over Burmese internal affairs and support for insurgents. However, relations began to grow after the military assumed power in 1988. Close defense ties have been built as Burma’s military regime has felt cut off from international contacts and aid. This dependence on China could have a negative impact on the traditional neutrality and independence of Myanmar, strengthen the military regime, and create a destabilizing strategic relationship. Greater cooperation among India, ASEAN, and Myanmar alone can restore the old balance. A nonaligned Myanmar is clearly essential for India, China, and Southeast Asian security. India has thus backed Myanmar’s integration within ASEAN and has expanded its own trade and political ties to restore a balance in Myanmar’s external ties.39

China was a major actor in the Afghan civil war and a key supplier of small arms to the insurgents in the combined effort of United States and Pakistan to force a Soviet withdrawal from the country. It bears the responsibility along with the Soviet Union, the United States, Pakistan, and Saudi Arabia in destroying the Afghan state, flooding it
with weapons, and then failing to rebuild an alternative state structure and a regime of peace. Current Chinese interest in Afghanistan, given its continuing civil war and virtual statelessness is low, and relations weak. But these would certainly grow should the situation stabilize.

Iran in the early Khomeni years refused to have regular dealings with China because of its close ties and support for the Shah's regime. However, since the mid-1980s, China has developed defense and arms transfer relations with Iran. These ties evolved during the Gulf War with Iraq as a result of Islamic Iran's problems in acquiring arms from its traditional Western arms suppliers and the need to develop a secure supply channel. For a time in the late 1980s, China was the largest arms supplier to Teheran. These included tanks, fighters, and anti-ship missiles such as the Silkworm. Indeed, China managed to arm both Iran and Iraq in that war. Since the 1990s, Russia has emerged as Iran's main arms supplier. China, however, remains a stable supplier of weapons to Iran. While Beijing will have to restrict the nature of its nuclear and missile collaboration with Tehran as a result of its commitments to Washington during President Jiang Zemin's visit in October 1997, its politico-military ties with Tehran will endure. Beijing has long-term strategic interests in the Gulf and these interests are growing as it comes to rely on Persian Gulf oil supplies. Post-Cold War Sino-Iranian relations have grown in the context of Iran's efforts to develop close ties with Russia, China, and India to overcome the "dual containment" policy of the United States. Long-term stability in the region requires normalization of U.S.-Iran relations.

China has also been alert in developing ties with the small island states of Sri Lanka, Maldives, and Mauritius. Though small, these Arabian Sea and Indian Ocean islands are being given their due importance by China because of its wider pan-Asian and global strategic perspective. China's trade and economic presence have been growing in these states, which also have strong ties with India. It has cultivated friendly ties with Sri Lanka since the 1950s and has been a principal supplier of arms to Colombo. Sri Lanka, like Bangladesh, has found in China a useful counter-balance to its large Indian neighbor to its north.

The post-Mao Chinese interaction with the states of South Asia have been largely stable and increasingly relaxed owing to three significant diplomatic steps initiated by Beijing. These are its decision:

- To discontinue all political and armed support to insurgencies in India and Myanmar and improve state-to-state ties;

- To adopt a neutral posture on India-Pakistan disputes, abandon its post-1964 call for self-determination in Jammu and Kashmir, and support a settlement of the Kashmir issue on the basis of the 1972 Simla Agreement between India and Pakistan;

- Not to foment regional tensions and contradictions by openly supporting the cause of the smaller regional states against India and stay out of intra-regional controversies.

These steps flowed from a fundamental shift in China's domestic and foreign policies in the post-Mao reform years to improve its ties with its neighbors, lower its security risks, and promote development. This has led, particularly in the past decade, to normalization of relations with all South Asian states, resumption of high level
political exchanges, signing of the "Agreement to Maintain Peace and Tranquillity on the Border" with India in September 1993, and the "Agreement on Confidence Building Measures in the Military Field along the Line of Control in the India-China Border Areas" in 1996. The two major powers of the region have thus established a regime of confidence and security building measures (CSBMs) and are in the process of delineating the Line of Actual Control (LOAC). All these steps have measurably benefited regional security.

Given China's current preoccupations with internal stability, security, modernization and consolidation of territorial limits and strategic space in the Hong Kong-Taiwan-South China Sea sector, it is keen to maintain stable and good relations with the South Asian states. There is thus a direct relationship between China's more assertive posture in East Asia, its recurrent friction in ties with the United States, and its moderation and spirit of cooperation in South Asia, Central Asia, and Russia.

In spite of the generally relaxed atmosphere, latent sources of political diplomatic friction must be addressed in the coming years if the relationship between China and South Asia is to remain stable. These flow from:

- Unsettled border problems with India and Bhutan;

- The continuing political and ethnic tensions in Tibet, China's hostile relations with the Tibetans in-exile, and the consequent concern that separatism could lead to future regional tensions with United States, and India.

- China's military ties and destabilizing arms transfers to Pakistan, Iran, and military-ruled Myanmar; and possible efforts to secure naval facilities in the Indian Ocean littoral, and deploy naval power, which would touch off suspicions and tensions with the U.S., India, and Indonesia.

- China's military build up--especially its naval and air power, and modernization of its strategic weapons. This could engender growing concern about the rise of a hegemonic, militarily assertive China. India, Vietnam, Indonesia, the Philippines and a post-junta ruled Myanmar would share such concerns.

INDIA'S RESPONSE TO CHINA'S EMERGING ROLE

There are competitive elements and cooperative possibilities in the India-China relationship, both with wider political and security consequences. In the short run, both countries are likely to pursue peaceful ties, as this will enhance their security while they engage in modernization and grapple with internal security and political challenges. However, relations in the medium to longer term are uncertain, and could again become tense. Much will depend on internal developments in China and India, the growth of their respective military capabilities, and the response of the major powers towards both states. Sino-Indian relations could become increasingly competitive or even confrontational if China begins to pursue its major territorial claims against India, if its commitment towards detente and peaceful resolution of disputes over sovereignty diminishes; or if its arms transfer policies, defense ties, and arms build-up is viewed as threatening by India; or if the political situation in Tibet gets out of control. Current
Indian policies stress increasing cooperation with China and reduced military growth rates. A policy of engagement, détente, and peaceful resolution of disputes and enhanced cooperation are seen to be in the country's long-term interest. However, a strategic posture that only stresses diplomacy and interdependence and downgrades military capabilities is likely to be inadequate in dealing with the medium-to-long-term challenges posed by a rising China. A rapidly modernizing, strong and democratic India that balances China's power in South and Southeast Asia is viewed by most Indian officials and strategic experts as important for India and for long-term peace and security in the region.

What does a powerful China imply for India and the region? For those countries that are close to China and view the steady growth in China's military power positively—i.e., Pakistan, Iran, Bangladesh, and Myanmar—the current structure of relations is deemed highly favorable. They have no alliance commitments with China, do not see its power as a threat to their interests, and see in it a reliable source of military technology and equipment not available elsewhere. China enhances their options and independence against the West and India. But for India the growing power and strategic reach of China has very different implications that it cannot take lightly.

In the medium to longer run, the growth of Chinese power will affect India in two ways:

- As an increasingly important element of the larger Asian and global balance of forces;
- As the most powerful state in India's neighborhood, directly affecting its security, diplomacy, economy, and politics;

To the extent Chinese power helps create a stable and peaceful Asian balance of power, to the extent its reforms and large market create new opportunities for regional growth and prosperity; and to the extent the reforms lay the basis for a more cooperative Chinese policy, India is likely to view China's development in positive terms. This would lay the basis for cooperation between the two states on critical global issues that affect the interests of both countries—for example, trade, a future multilateral security structure in Asia, and the environment.

However, to the extent China poses a security challenge, strengthens India's adversaries, manipulates neighboring states that are part of the South Asian security environment, or assumes hegemonic tendencies, it would be a major factor of concern. In terms of security China will continue to pose problems for India in coming decades, and the growth of its power could easily affect India's autonomy of action in Asia. The China factor would have to be taken into account in all its external interactions—economic, military, and diplomatic. Its military power, arms transfer, and import policies, directions and dimensions of trade, its policies on the territorial issue, its military build up, defense ties, and evolving national defense, diplomatic, and economic strategies all impinge directly upon India.

The longest stretch of India's border is with China. Beijing disputes large portions of this border. China not only occupies 38,000 sq. km in Ladakh's Aksai Chin plateau but also claims 90,000 sq. km in Arunachal Pradesh. This claim has not been given up and could be pursued at a future date if Beijing feels India is posing a challenge or is not sufficiently friendly. India is officially committed to secure a favorable settlement of the
territorial issue and to prevent any further erosion in bilateral ties. India's military power is seen by its strategic community as a defensive instrument to thwart the use of power as a leverage in diplomacy, to prevent sudden aggression and hostile behavior, and to enhance its politico-diplomatic influence and leverage.

Militarily, in terms of conventional power, the Indian armed forces and strategic community do not expect China to be assertive on the Sino-Indian border areas for some time to come. In terms of intentions, China will be interested in building CBMs, evolving cooperative ties, working out the LOAC, and pulling back or withdrawing of forces in certain areas. This has already taken place in Sumdorong Chu. China's primary interests lie in developing its economy, in modernizing the infrastructure in Tibet and the interior, improving military capabilities and logistics, and resolving the political issues in Tibet and Xinjiang. Moreover, China will be deeply involved in settling its external problems in the east—i.e., Taiwan, stabilizing the situation in the Korean peninsula, and improving relations with the United States and Japan.

Most Indian military experts believe that in 1962 India was caught unprepared for war psychologically, politically, and militarily, and such an outcome cannot be repeated. Indeed, in 1967 at Nathu La in Sikkim and in 1986-87 at the Sumdorong Chu in Arunachal, the Indian armed forces were able to rebuff and deter the PLA from encroachments and from employing intimidation tactics. India was militarily superior and better equipped than the PLA forces, and the army displayed its clear resolve to safeguard its territory and counter any Chinese moves. The lesson was not lost on Beijing, and the effect has been to neutralize overt Chinese military belligerence against India. This has helped move China towards CBMs and has established the basis for peace and tranquility in the border regions.

The armed forces feel that if India has to maintain its relative conventional edge against China it needs to invest significantly in force multipliers, deterrence, and communications. India's airforce, missile program, radar network, navy, and nuclear deterrence all need a boost in the coming ten years if it is to face up to the challenge of China's power even in the context of a generally cooperative and friendly relationship between the two countries. This is necessary to ensure that an asymmetry of military power not adversely affect India's security, diplomacy, and economy. The challenge could turn to a threat if China's overall attitude towards India and the boundary issue change on account of sudden developments in Tibet and elsewhere in the region.

From the Indian perspective, China's nuclear weapons and missile program pose the most immediate as well as the most serious long-term security threat. The South Asian environment has been nuclearized since 1964, and missiles exist in the military arsenals and many neighboring states. The political uneasiness about nuclear weapons in India did not allow New Delhi to take appropriate deterrence measures, and the opposition of the major powers to India's nuclear and missile programs have worsened this problem. Management of India's complex and difficult security environment under such conditions has become very challenging. India not only faces the Chinese nuclear challenge but also the threat of a nuclear Pakistan, and the Sino-Pakistan security nexus that has included collaboration in the nuclear and missile areas. Current Indian nuclear and medium range missile capabilities are largely in a non-weaponized, non-deployed stage. This condition is unlikely to deter China from undertaking military action. The close ties between China and some of these states operating in an anti-India framework makes the challenge even greater.43 India does not see any direct gains for its security from China's joining of arms control mechanisms such as the Nuclear Nonproliferation
Treaty and the Comprehensive Test Ban Treaty. None of them redress the strategic imbalance nor do they constrain Chinese capabilities in the nuclear or missile areas. Its new nuclear export policies announced in 1997 cannot undo the transfers it made to Pakistan in the nuclear and missile domain. While Chinese participation in various arms control regimes is positive from a global perspective, their contribution to Indian or South Asian security is minimal.

What are India's options in this complex equation? Given their respective internal challenges, the huge tasks of nation building, the consequent need for internal and external peace and security, both Beijing and New Delhi have an interest in enhancing their own security in terms of each other and the region by developing cooperative ties and confidence building measures. However, many of China's activities push towards less cooperative ties and undermine confidence. For India, China strategy in the post-Cold War era calls for a combination of astute diplomacy and rapid development of national power and prestige. While there is broad consensus on the China policy across the political spectrum, there are differences within the Indian political and strategic community, on the relative weight between cooperation and deterrence in dealing with the challenges posed by China.

The contradictory dynamics of the relationship entail a complex four dimensional strategy for coping with the China challenge--cooperation and confidence building, deterrence, support for multilateral security building in Asia, and a stable balance of power in Asia. India does not expect China to settle the border issue to India's satisfaction in the near future, nor weaken its defense ties with Pakistan and Myanmar, nor restrain its military buildup. To maintain security and ensure long-term stability in relations with China and other neighbors, India's politico-military options entail the following dimensions.

**Structural Engagement with China**

Both India and China face huge domestic tasks related to modernization as well as external problems and national consolidation tasks in which other countries are of greater concern. China considers national consolidation--the enhancing of its sovereign control over Taiwan and the South China Sea and overcoming political dissension in Tibet and Xinjiang--as among its priority tasks. For India, the ending of terrorism and separatism in Jammu and Kashmir and political consolidation of India's sovereignty over the state and in the Northeast will remain the immediate tasks. These conditions create the grounds for confidence building, cooperation, and reconciliation between the two countries to facilitate these possibilities:

i. Develop a series of confidence and security building measures (CSBMs) that help maintain long-term peace along the Line of Control. This is currently underway and was given formal shape by the 1993 India-China agreement, and plans for a troop pull-back where the troops are in close confrontation;

ii. Keep up an intensive, high level leadership dialogue so as to understand China's security concerns, strategy, and motives;

iii. Develop all-round relations with China, including border trade, giving it a stake in India's development and growth and linking its prosperity of China's southern provinces to India's well-being;
iv. Make best use of the international balance of forces, improved diplomatic relations with China, and India’s growing strategic importance to resolve the outstanding boundary problem to mutual satisfaction.

Deterrence and Power

India’s military capability, however, remains the key for ensuring security and stability in relations with China. Defense modernization suffered during the late 1980s and first half of the 1990s owing to a major restructuring of the economic and financial system, cutbacks in defense expenditure, and the collapse of the Soviet Union which supplied the bulk of India’s military hardware and technology. Military R&D also declined. However, India has remained committed to acquire capabilities to deal with a militarily more robust China. Work on the Agni missile project, the Light Combat Aircraft project, the main battle tank, and aircraft carrier projects have been sustained, though they have suffered from financial constraints and political uncertainty at the center. The signs, are however, pointing towards greater efforts in higher levels of defense modernization in the coming years.44

The growth in China’s power unmatched by commensurate developments by India is not in global, regional or India’s interest. A techno-economic-military asymmetry between these two Asian states will have a strategic impact on the entire South Asia-Indian Ocean region. It will affect India’s South Asian neighbors as well as the major powers, who will then approach the two countries differently. A China seen as more powerful and successful by India’s neighboring states would enhance Chinese diplomatic and military leverage against India. Beijing’s growing influence in the international system would mean that the U.S. and other major powers will adjust to Chinese interests, sphere of influence, and concerns in Asia. China would also have a growing say in the reform of the United Nations, and in creating nuclear and missile regimes that work against states such as India.

India needs to enhance its overall national power and deterrence capability through its nuclear weapon and missile programs and its naval and air power, while keeping up the modernization of its conventional forces to ensure its security against an increasingly robust China. It also needs to find ways to make its nuclear deterrence credible in the post-CTBT phase. These are substantial challenges that will require both financial and political commitment, and active international diplomacy to explain its concerns and security dilemma.

Multilateralism

A third element of India’s strategic options is to support and help create multilateral security structures in Asia that would draw in all countries and create normative and preventive mechanisms. This would involve:

i. Close multi-layered ties with the United States, Russia, Japan, Europe, ASEAN, the Gulf states, and the states of South Asia to create balance of forces favorable to India.

ii. Support for regional CSBMs, peace structures, and peaceful norms for solving disputes from which all countries could gain.
iii. Opposition to all regimes that seek to maintain the current global nuclear and missile asymmetry that are detrimental to India’s interests.

Balance of Power

China is expected to become increasingly active and assertive in South, Central, and West Asia, and in the Indian Ocean regions—areas that are less important to its preoccupations today. India needs to take necessary steps now to match China in techno-economic terms, so as to thwart any negative fall-out to its security and well-being. Close defense ties with the Western powers, Russia, and extensive political, economic and selective defense ties with the Gulf states and Central Asia, ASEAN (including Myanmar and Indo-China), Japan, and Korea, will become important in creating a positive external security environment. Joint military exercises, co-production and collaboration defense R&D with the advanced industrial world, and selective arms exports will also be major components of such a strategy. Concerted and coordinated efforts will also be needed to rapidly enhance the country’s overall power and diplomatic role so as to face challenges posed by the major and even some minor powers.

The question arises: what if India cannot attain an equal and balanced relationship with China? In such a case, India would clearly need security partners with which to balance China—as it previously did with the Soviet Union. India clearly would have to closely nurture its ties with the United States, Japan and Europe in order to create appropriate conditions for future contingencies.

However, most Indian decision makers view the country’s interests best served not in an alliance with a major power, but in enhancing its own power to thwart coercion and aggression. For India, an equal and balanced relationship with China is essential for its own security and strategic interests, as well as for regional peace. Therefore, while India attempts to develop a stable engagement strategy, interdependence, and diverse cooperative ties with China, it will need to continue to enhance its power and all round economic, military, political and technological capabilities if its national security and autonomy are not to be compromised. Should these efforts not succeed, India will either have to acquiesce to a dominant Chinese role in the region, or build security links with an external power to balance China which may not be feasible unless India itself is seen as a more robust, purposeful, and rapidly modernizing state. The United States, Russia, or Japan would be wary of displeasing China or jeopardizing their respective interests vis-a-vis Beijing if India is perceived as weak. Thus for India the challenge posed by China can only be met by sustained levels of economic growth, continued modernization of its military technological base, and restructuring of its military forces. These measures will ensure it an independent role in the world, safeguard its security, and advance its interests. These are also the only options around which a national consensus can be built. A subordinate role to China or a security alliance with the U.S. despite the growing congruence in Indo-U.S. interests, both remain politically unacceptable within India. Nor is it certain that the U.S. desires such a role. However, a series of strategic relationships tying India with the United States, Japan, Russia, and Europe that strengthen the forces of democracy and rule of law, help build universal norms and structures for peaceful resolution of disputes, promote multilateralism, and create a new Asian balance for peace and security are both possible and desirable.
THE ROLE OF THE UNITED STATES

There has been little understanding in the United States and the West of India's legitimate security concerns in the nuclear and missile realm, especially vis-a-vis China. Western policy toward India has been largely driven by the Pakistan factor or by non-proliferation. To New Delhi, the current non-proliferation and technology control agenda of the Western powers is irrational and unacceptable, since it undermines both India's security and a stable and a secure order in Asia. The U.S. policy to buttress a five-power global nuclear monopoly is not conducive for Asian or global peace and stability. Such a policy keeps India and others disarmed, while permitting the military build up of the five majors, including China. A policy that allows China's nuclear build-up but constrains India's defense program is not only against India's interest but clearly not in the interest of Asia. Asia requires a balance of forces between its most important powers, not a pronounced, deliberately fostered asymmetry. Moreover, such an asymmetry and a vulnerable India that it entails cannot be in America's interest.

This argument has been recognized in a recent report on U.S. policy towards India by a task force of the Council on Foreign Relations. In the words of its authors:

The entire effort of the United States to establish universal non-proliferation regimes that indefinitely perpetuate the inequality between the nuclear weapon states, including China, and non-nuclear weapon states, including India, is designed to relegate India to second-class status.45

India also views the U.S. decision to activate its 1985 nuclear agreement with China despite the latter's track record in proliferation--while refusing to cooperate on similar terms with India, which has maintained nuclear restraint and refused to export missiles and nuclear materials--as bizarre and indefensible. This policy can only heighten pressures in India to go overtly nuclear. India is not against U.S.-China cooperation in the nuclear energy arena, but wants a similar arrangement with Washington. It also seeks a new dialogue and agreement with the U.S. on the entire gamut of issues involving nuclear weapons, proliferation, and missiles and technology controls so as to enhance its security and economic interests, end the two-tier approach to global security, and build a new security environment in Asia. India is not covered by an alliance or a nuclear umbrella. Its security needs must be addressed in a new structure of peace in Asia.

CONCLUSION

Since the emergence of the independent states in South Asia and Tibet's forcible incorporation into Beijing's sovereign orbit--China has been a key actor in the politics and security of the region. Close security and strategic ties bind China to several states in the area. Its ties with the major South Asian state and Asia's largest democracy, however, have yet to stabilize. Military relations and strategically guided policies have dominated China's ties with the region. It is realpolitik guided behavior, patterned on the interest-driven role of major powers of the 19th and 20th Century, thus diverges from the needs of cooperation, security and stability.

With China persisting in its military modernization and build-up, India and other states in the region need to maintain their defense modernization so as not to create any serious imbalance in conventional power. While China's relations with most states in
South Asia are currently stable, a shift in China’s strategic mission and intentions could create an entirely new situation.

India sees itself as a stabilizing force in Asia and it is the central power that binds South Asia as a strategic and geographic unit. Its success as a modern, powerful, secular and democratic state would strongly constrain the growth of fundamentalism, militarism, and hegemonism, and promote the formation of a cooperative, peaceful and law governed order in the region. India has no pan-Asian hegemonic aspiration. However, it has vital political, economic, and security interests in the region spanning the Gulf, lower Central Asia, the Indian Ocean, China, and Southeast Asia. India’s large size; its democratic, secular, and federal polity; its growing need for oil, technology, markets, and capital; its vast market and economic potential; and its technical and military power make it important for the well-being of the rest of Asia. A powerful and prosperous India will also serve as the engine of change for the largest population concentration in the world—in South Asia. A weak India and a strong China may serve the interests of Pakistan, but not very many other countries. Some of the smaller states such as Bangladesh, Nepal, Sri Lanka—despite their occasional differences with India—have too much to gain from India’s rapid growth, prosperity, and stability. Nor would Myanmar and Southeast Asia, Iran and the Central Asian states, or Russia take satisfaction from the power vacuum that a weak India would create in the region.

What Asia needs is not a containment of China but a realistic engagement strategy that takes the interests of all countries into account. That would involve enmeshing China in trade, investment, and multilateral security ties. But it would also entail creating a new Asian balance and supporting India and other states to secure their interests.

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1 China’s 1.2 billion people and India’s 900 million are several times larger than the next largest— the United States.
2 The Chinese Gross Domestic Product (GDP) grew at an average nine percent annually through the two decades of its reforms and modernization since 1978-79, according to both Chinese official and World Bank statistics. It is expected to maintain high rates over the next two decades barring grave socio-economic dislocation. Such a growth rate over an extended period has quadrupled its 1980 GDP, and enhanced its industrial, infrastructural, and technological capabilities several-fold. This was made possible by China’s strategic relationship with the United States and the West developed during the 1970s and has greatly enhanced the scope, resources, and technological acquisitions of its ambitious military modernization program.
3 CNP is a concept that the Chinese strategic community has used to set its goals since the late 1980s, based in part on the concept of Comprehensive Security developed by the Japanese government in 1980 and on post-Cold War discussions developed on the contribution of economic and technological factors to national power and competition among states.
4 See, for example, Michel Oksenberg and Elizabeth Economy: “While China’s capabilities have steadily improved, so have those of Japan, Korea, Taiwan, and the ASEAN states. Moreover, although China is spending more on defense compared to Russia and the United States than a decade ago, Washington and Moscow are in different league in terms of strategic capability. In short, China is not a military colossus among pygmies.” Shaping U.S.-China Relations: A Long-Term Strategy (New York: Council on Foreign Relations, 1997), p. 34. The same report also cites U.S. Arms Control
and Disarmament Agency (ACDA) figures which show that China in 1993 accounted for 36 per cent of total Asian defense expenditure, ahead of Japan (29%) and Southeast Asia (10%), and South Asia (7%). South Korea and Taiwan accounted for 8 and 7 per cent respectively. Such large expenditure differentials between China and South Asian states over an extended period indicate the emergence of grave military asymmetries, especially when China's nuclear and missile programs are taken into account.


8 Ibid., p. 55.

9 Ibid., p. 56.

10 A British treasury report, among many others, cited by the Financial Times has predicted that within the next 20 years Britain, France, Canada, and Italy would lose their Group of Seven status and would be overtaken by China, India, Brazil, and Indonesia. See Reuters, 7 June 1996. Using a Purchasing Power Parity (PPP) Exchange Rate for calculating Gross National Product, China was placed second after the United States and India fifth in the 1996 World Development Report published by the World Bank.

11 Following the destruction of the Soviet Union, the resolution of most territorial disputes with Russia, and the construction of a 'strategic partnership' with the successor Russian state, China's regional security environment has dramatically improved. Its new concerns focus on the prospect of an independent Japanese power or "militarism" as Beijing calls it, and to a lesser extent India. Its relations with Vietnam, in spite of recent improvements, remain uneasy because of serious territorial problems and Hanoi's independent posture. Globally, the United States remains its principal concern. For a discussion, see David Shambaugh, "The Insecurity of Security: The PLA's Evolving Doctrines and Threat Perceptions Towards 2000," Journal of Northeast Asian Studies, Spring 1994, pp. 3-23; Also see Ross H. Munro, "Eavesdropping on the Chinese Military: Where it Expects War and Where it Doesn't," Orbis, Vol. 38, No. 3, Summer 1994, p. 355.


The Chinese pledge not to export nuclear materials to unsafeguarded nuclear installations was the key commitment that enabled the United States to provide the necessary Presidential certification reviving the 1985 Sino-U.S. Agreement on cooperation in nuclear energy. See U.S. State Department Fact Sheet, 7 November 1997.

China, however, offered no pledges regarding the supply of missiles to Pakistan.


This has been a major area of theoretical contribution by Alastair Iain Johnston. In particular, see "Cultural Realism and Strategy in Maoist China," in Peter Katzenstein (ed.), *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996); and his major work, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton, New Jersey: Princeton University Press, 1995). Johnston argues that China's parabellum traditional strategic culture has been the dominant variable explaining China's strategic behavior and its high propensity to use force in asserting its claims and in pursuing strategic and foreign policy objectives.
20 See ibid., p 249.

21 As David Shambaugh argues: "It is important not to exaggerate China's potential threat. The PLA's weapon inventory and combat capability lags significantly behind the state-of-the-art and there is no evidence that China aspires to conquer others, but the early 1990s are likely to prove the 'take-off' phase in a military build up that early next century will challenge for pre-eminence in Asia. This development, in turn, could trigger a regional realignment to contain Chinese power. From China's perspective, its current build up is a legitimate effort to acquire armed forces commensurate with its rising status as a global economic power and protect its perceived national interests. But from the perspective of many of China's neighbors an alarming trend has begun." See Shambaugh, "Growing Strong," op.cit., pp. 43-44.

22 Shambaugh assesses: "Foreign policy is dominated by a handful of Politburo level officials. Defense and national security policy is handled entirely by the Central Military Commission (CMC)." See Shambaugh, "Containment or Engagement of China?", op.cit., p.201. Also see Michael D. Swaine, The Role of the Chinese Military in National Security Policymaking (Santa Monica, California: RAND, 1996). While Swaine observes that the military does not "dictate" policy, "there is increasing evidence to suggest that the military's involvement in the foreign policy subarena is growing, both formally and informally. Military views are increasingly expressed and military influence exerted on specific foreign policy issues. In fact, the military's relationship to the foreign policy subarena is probably the most dynamically changing dimension of the entire national security policy arena." Swaine, p. 31.

23 Ibid., pp. 73-74.

24 Shambaugh, "Containment or Engagement," p. 190.


29 See for example, the strategic assessment of Air Commodore Jasjit Singh, Director, Institute for Defense Studies and Analysis (IDSA), New Delhi.


33 See Strategic Assessment, op.cit., pp. 50-51.
34 For arms transfer data, see SIPRI 1996 Yearbook; also see the United Nations Arms Register data available since 1992 on seven major categories of weapon systems that form the bulk of the international trade in arms.


6. SOUTHEAST ASIAN PERCEPTIONS OF CHINA’S FUTURE SECURITY
ROLE IN ITS “BACKYARD”

Derek Da Cunha

INTRODUCTION

When a group of small states are geographically astride a much larger entity, the
inescapable consequence is that the latter exerts an inordinate influence over the former.
Thus has been the long-held experience of the states of Southeast Asia in relation to
China. As the renowned Sinologist C.P. Fitzgerald has written, “Chinese influence,
Chinese culture and Chinese power have always moved southward since the first age of
which we have reliable historical evidence.” Defined in terms of political geography,
China is a Northeast Asian state. However, because of its huge size, China also has a leg
in Southeast Asia, a geographical region which senior leaders in Beijing have always
tended to view as China’s backyard.

The remarkable economic growth which China has experienced since the late 1970s
and Beijing’s increasingly global orientation are expected to spawn a new Chinese
activism in Southeast Asia, of which the past few years provide some initial
manifestations. To be sure, Chinese economic activism has always been welcomed by
the states of Southeast Asia. It is Chinese military activism, however, which is less
welcomed by those states, afflicted as they are with a nagging uncertainty over the long-
term potential for such activism and the effect it might have on regional peace and
stability.

DEFINING FEATURES OF CHINA-SOUTHEAST ASIAN TIES

Today, there are more factors which seem to unite China and the countries of
Southeast Asia than divide them. Economics is most assuredly the driving force of the
relationship. China’s spectacular economic growth is providing innumerable
opportunities to the countries of Southeast Asia, which have stepped up significantly
trade and investment links with the PRC. The Chinese growth phenomenon comes at a
time when Japan’s economy has been experiencing structural problems, leaving it in the
trough of the economic cycle. In Southeast Asia, therefore, there is a widespread
perception that China will be the new engine of growth for the entire region, displacing
Japan, which had played that role for the past thirty years or more.

The allure of substantial economic benefits arising out of China’s developmental
boom has even impelled those Southeast Asian states which were previously cool
towards Beijing, such as Malaysia and Indonesia, to exploit the long-term possibilities
inherent in China’s rapid modernization. As the Malaysian Prime Minister, Dr.
Mahathir bin Mohammed has stated:

There is a lot of benefit to be derived from the linkages and
the friendship of Malaysian and Chinese peoples. Today,
Malaysians are investing and helping China to develop. The
past is very much forgotten and in many ways irrelevant.
Pragmatism therefore is the defining feature in ties between China and the states of Southeast Asia. This becomes even more evident in light of certain problems in overall relations, which both sides are willing to downplay so as to secure mutual benefits.

The territorial dispute over the Spratly Islands is the most prominent problem afflicting China and four ASEAN States, namely Vietnam, the Philippines, Malaysia, and Brunei. These claimants to all or part of the Spratlys, together with Taiwan, have in recent years attempted to quietly shore up their ability to enforce their claims to these islands. Part of the current Southeast Asian defense modernization and expansion programs is a consequence of contingency planning related to the Spratlys. This issue came to a head in February 1995, when it was revealed that China had encroached on the Philippines-claimed Mischief Reef in the Spratlys. That incident gave the cash-strapped Philippines a greater incentive to expand its defense budget in order to acquire warships and aircraft that would allow the Philippines to defend those areas of the Spratlys it claims. The Mischief Reef incident also seemed to concentrate the minds of the Malaysian military, given reports of renewed Malaysian interest in acquiring diesel electric submarines. In both the Philippines and Malaysian cases, it is China which is perceived as the likely belligerent at some point in the future.

Vietnam's dispute with China over the Spratlys also highlights the extent to which the islands in the South China Sea are a potential source of regional instability. Vietnam's approach in dealing with China's claims to the Spratlys has been to enlist a Western third party on the side of its claims, thereby impeding possible Chinese advances into the area. This was seen in Hanoi's 1994 award of an oil exploration contract to Mobil Oil to explore for oil on overlapping Vietnamese and Chinese claims on the Spratlys. But the Spratlys has not been allowed to stall the improving relations between the two sides since Vietnam's withdrawal from Cambodia. Hanoi and Beijing have tacitly agreed to delink the Spratlys from those issues of mutual concern. As a consequence, both sides have come to terms on issues they can agree on, such as normalizing activities along their common land border, while in the "interests of maintaining good ties" avoiding any detailed discussion of the Spratlys issue.

Indonesia's sources of diplomatic tension with China involve the issue of the so-called "overseas Chinese" in Indonesia and China's overarching claim to much of the South China Sea, which appear to include part of Indonesia's Natuna islands. China's expressions of "concern" over the apparently anti-Chinese riots in Medan in April 1994 rekindled Jakarta's suspicions about China's intentions with regard to Indonesia's ethnic Chinese minority. Such anti-Chinese sentiment is a reality in the Indonesian body-politic, suggesting that Medan is likely to recur in the future and will be a source of suspicion and irritation in Sino-Indonesian relations. Beijing's shifting conception of its territorial expanse, including the extent of its claims in the South China Sea, will also continue to be a source of some discord in relations with Jakarta.

China's relations with Singapore and Thailand are the best among all the ASEAN states. Singapore constitutes one of the largest investors in China, with a major Singapore government commitment to develop a new industrial park in the Chinese city of Suzhou. It is only Singapore's connections with Taiwan, particularly in the defense field, that represent a potential irritant. But even this factor is likely to diminish in significance as Singapore-Taiwan defense ties wind down following the establishment of formal diplomatic ties between Singapore and China in 1991. Thailand faces no extant difficulties in its relations with China. Indeed, Chinese weapons systems are widely
used in the Thai Armed Forces, including a number of warships in the Royal Thai Navy acquired from China at "friendship" prices.

The foregoing brief survey of China's ties with the ASEAN states suggests a fairly normal relationship between the two sides. This state of affairs, however, may not necessarily obtain in the future, given that broader geopolitical changes in the Asia-Pacific could modify the complexion of the relationship, particularly in the longer term.

GEOGRAPHIC COMPARTMENTALIZATION OF REGIONAL SECURITY

As is almost universally recognized, the main pillar underpinning stability in the Western Pacific remains the United States. However, doubts continue to be raised about whether the U.S. will continue to maintain that stability in the future. U.S. credibility in the regional security realm has eroded over the last few years as a result of combination of factors: a numerical drawdown of U.S. forces in the Western Pacific; conflicting and confusing statements issued by senior U.S. officials about the direction of U.S. security policy in the region; and the relative neglect of the Western Pacific by the Clinton administration are among the more prominent of these factors.

The only element of certainty in U.S. security policy towards the Western Pacific is the numbers of troops -- 100,000 -- Washington says it will maintain in the region. Of that total, 84,000 troops are deployed in Northeast Asia -- 37,000 in South Korea and 47,000 in Japan. The focus of U.S. security policy in the Western Pacific is therefore clearly Northeast Asia, a point reinforced by the fact that U.S. forces deployed in that quadrant are weighted in favor of army and air force units that make at best a limited contribution to Southeast Asian security, as they would if the naval component of these forces were larger. The lesser emphasis on naval capabilities reinforces the geographic compartmentalization of the U.S. security posture in the West Pacific. The disposition of U.S. forces also contrasts markedly with that of China's geopolitical position, given that China's huge size spanning both Northeast and Southeast Asia, gives China strategic reach in both quadrants. As Colin Gray has stated: "China has weight and position." It is therefore in Southeast Asia that a potential power vacuum is evident that could well be filled by China at some point in the future. That is the primary concern of Southeast Asian states as they attempt to come to terms with the increased ascendance of China as an Asia-Pacific power.

THE PLA IN SOUTHEAST ASIA'S CONSCIOUSNESS

With the exception of Vietnam and Myanmar, where PLA ground forces could conceivably have a direct bearing on those two states' national security, the PLA's ability to impinge on stability in much of Southeast Asia would be largely affected via its navy and, secondarily, its air force. In that connection, Myanmar's increasing military ties with China constitutes somewhat of a puzzle to the states of ASEAN, leaving them wondering whether the future will see the PLA projecting power from jumping-off points in Myanmar.

*The Western Flank--Myanmar*

Reports in the early 1990s began to point to substantially increased contacts between the Chinese military and its Myanmar counterpart. In early 1992, it was
reported that, in the preceding few years, China had supplied approximately U.S.$1.5 billion worth of armaments to Myanmar, which included fighter aircraft, patrol boats, artillery, tanks, anti-aircraft guns and missiles, and other weaponry. While the reequipment and upgrade of Myanmar’s military might in itself be of concern to neighboring countries like India and Thailand, it is increasing Chinese influence in Myanmar, and Beijing’s quid pro quo from Myanmar’s State Law and Order Restoration Council for its arms supplies, that raises qualms among regional states. The focus thus far has largely been on Beijing’s involvement in the development of a Myanmar naval base at Hlanggyik Island and a radar station at Coco island, southwest of the Myanmar coast, and the possible use of both facilities by the PLA. Strategic analysts believe that these bases could in time be used by the PLA for signals intelligence (SIGINT) purposes (if they are not already so employed), or the deployment of PLA fleet units for operations into the Indian Ocean and Andaman Sea. The latter prospect would be particularly worrisome to the ASEAN states, as it would increase China’s ability to influence the conduct of maritime traffic through the Strait of Malacca. The Chinese would be able to deploy fleet units via both the South China and Andaman Seas for that purpose, a two-pronged capability which they have hitherto lacked. In contemplating the probability of such a scenario, however, two questions first need to be answered. One, does China in fact have ambitions to establish a naval presence in the Indian Ocean out of Myanmar ports? Any answer to this question would be purely speculative at this stage. And, two, will the PLA have a sufficient number of fleet units to deploy a force of appreciable size on Southeast Asia’s western flank? A look at PLA Navy’s shifting priorities might provide some semblance of an answer to this second question.

The PLA Navy’s shifting priorities

Over the last two decades that the PLA Navy has slowly been given increased importance and resources relative to the other service arms — army, air force and strategic missile forces. The London-based International Institute for Strategic Studies’ *Military Balance 1995/96* has contended: “There is a growing evidence that the Chinese Navy is now its [the PLA’s] paramount service.” Since the 1970s, the navy’s fleet components — North Sea, East Sea and South Sea — have tended to develop unevenly as a consequence of the twin factors of evolving PLA doctrine and Beijing’s shifting threat perceptions.

For much of the 1970s, the navy concentrated its best units in the North Sea Fleet, towards the Soviet Union’s Far East and that country’s Pacific Fleet. In the 1980s, however, as a result of the establishment of a Soviet naval presence in the South China Sea out of Vietnam’s Cam Ranh Bay, the South Sea Fleet was accorded greater attention in terms of improved hardware and increased numbers of personnel. This attention remained until the early 1990s when, with the disappearance of the Soviet threat, the focus appeared to shift towards the East Sea Fleet, headquartered at Shanghai and oriented toward the Taiwan contingency. The most notable manifestation of the shift was not in warship deployments but, curiously, in aircraft. In 1991, the PLA had reportedly decided that the 26 Su-27 Flankers that it planned to acquire from the former Soviet Union would be based on Hainan Island for South China Sea operations. However, when the aircraft were delivered to China in 1992, they were deployed at an air base in Anhui Province, not far from Shanghai, suggesting that the air force’s operational requirements for the aircraft had shifted away from the South China Sea to the East China Sea. To be sure, aircraft like warships can be redeployed from place to place, but there is a certain symbolism attached to their primary base location, in addition to providing a clear indication of immediate operational priority.
Thus, China's finite power projection resources could be stretched very thin should the PLA ever face multiple contingencies simultaneously, even if these were to occur close to home. But this does not provide a measure of comfort to those Southeast Asian observers alarmed at the prospect of a more visible presence by the Chinese Navy in the South China Sea. These anxieties reflect an underlying fact: it is not just the numerical composition of a force that matters, but also its underlying tactical doctrine and the likely opposition it would face in any operating theater.

Individually, none of the ASEAN states has the military capability that could successfully oppose a determined Chinese advance into the South China Sea, and they are unlikely to have such a capability in the foreseeable future. Consequently, there is a real but silent fear in Southeast Asia attached to the directions in the PLA's modernization programs and its operational doctrine.

**Local war**

The decade-long restructuring of the PLA since the mid-1980s has resulted in a leaner force structure intended to acquire tasks more congruent with the current international environment and China's place in it. The PLA envisages that if China were to be embroiled in conflict it would be high-intensity in nature and of brief duration. Such conflicts would be subsumed under the ambit of "local wars." They would involve combat operations either on Chinese territory, Beijing's perception of its territory, or in areas close to its territory. Taiwan and the Spratly and Diaoyu/Senkaku islands would easily come within that framework. To carry out high-intensity warfare, the PLA has established rapid reaction units (RRU) or *kuaisu bùduì*, which comprise naval, air force, marine and airborne elements, whose main features are mobility and volume of firepower, but are presently lacking in out-of-area capability due to logistical constraints.

The South China Sea would be an ideal arena for the conduct of a local war once the PLA improves certain dimensions of its capabilities, particularly logistics, including a mid-air refueling capability for fighters intended to provide air cover for fleet units. If, however, PLA objectives in the South China Sea were limited to attack and destruction rather than occupation and the securing of islets, then existing capabilities would still be able to initiate actions with a high probability of success. For instance, PLA Air Force medium-range H-6 bombers, with a combat radius in excess of 1,000 nautical miles, and equipped with standoff ALCMs (air-launched cruise missiles) would pose a problem for those ASEAN air forces without airborne early-warning and control aircraft and/or air defense systems capable of dealing with supersonic cruise missiles. The military establishments of the ASEAN states are only too aware of such Chinese capabilities and the deficiencies of their own armed forces.

While stressing the essentially defensive nature of its military doctrine, China's concept of "defense" is similar to the Russian military concept of *aktivnost oborony* -- aggressiveness in defense. This implies an ironclad commitment to initiate hostilities so long as the Chinese political leadership feels that this is done in defense of what it deems its sovereign territories and, more broadly, national interest. The latitude given to Chinese interpretations of national security matches the approach Beijing takes with respect to the Spratly Islands and a large part of the South China Sea, insisting on both the continental-shelf principle and historical usage and administration as the basis of its claims. Such an approach is likely to get more uncompromising as China becomes
increasingly powerful and, ipso facto, is imbued with a perception that it has greater freedom of action in its "backyard" - Southeast Asia.

Symbolism

Even where conflict does not occur, the mere presence of growing numbers of PLA fleet units in the South China Sea would resonate throughout much of Southeast Asia. Here, the words of Jonathan Pollack are apposite: "[t]he symbolic element of Chinese ships putting to sea, however vulnerable they might be in actual warfare, cannot be ignored."22 Why would this be so? Simply because in Southeast Asia, China is not perceived as being a fully-fledged status quo power or a country that has been completely integrated into the international system where it would readily abide by rules and norms of international conduct.

This raises the issue of a potentially greater symbol of Chinese power: the acquisition of an aircraft carrier. Regional views on China's ambitions to develop an aircraft carrier capability for power projection seem chiefly centered on the lengthy lead-time it would take for the PLA Navy to build a single carrier and achieve full operational capability with a complement of modern aircraft. The general consensus is that this process could take ten or even fifteen years. Even then one carrier would not make much of an impression in operational terms. As such, China would require at least four carriers as the basis of viable blue-water warfighting fleet. It would take the Chinese approximately 25 years to acquire such a force. However, any suggestion of a Chinese aircraft carrier becoming operational in the medium-term lies mainly in the symbolism it would have for Southeast Asia, that is, of China's growing strength. In operational terms, it would not be sensible to deploy an aircraft carrier - an essentially open-ocean platform - in an enclosed maritime domain like the South China Sea, where it would be vulnerable to attack by land-based aircraft.23 Thus, at least for now, talk of China acquiring an aircraft carrier is seen within Southeast Asia as highly dubious. Indeed, the Chinese themselves seemed to have realized, rather belatedly, that the cost and complexity of building and operating aircraft carriers make them an unnecessary luxury, and appear to have shelved the idea, at least of the time being.

Missile reality

However, the Chinese firing of ballistic missiles in August 1995 and, seven months later, in March 1996, into waters close to Taiwan brought home the reality of China's military power to Southeast Asia and the wider Asia-Pacific. Although the missiles - carrying dummy warheads - were targeted near Taiwan, their launching reverberated throughout Southeast Asia, as the fall in the leading indices of stock markets in the region during those two periods vividly demonstrated.

But it is China's massive size and geographical proximity to both Taiwan and Southeast Asia which suggests that Beijing "does not really need aircraft carriers to project conventional military power to waters adjacent to these areas; it already has the wherewithal to make the point."24 This includes weaponry with supposedly obsolescent military technology - Scud-type M-9 missiles which do not as yet seem to have viable counter. Indeed, even Taiwan's soon-to-be introduced advanced version of the Patriot air defense system might not help much in countering the M-9 as, contrary to the media hype during the 1991 Gulf War, actual technical analysis has shown that the Patriot was almost completely ineffective in dealing with Iraqi Scud missiles.
The clear impression given to Southeast Asia states by the events of August 1995 and March 1996 is that the PLA is getting bolder. The question is how have these states been dealing with an emboldened Chinese military, and how will they do so in the future.

CURRENT AND POTENTIAL SOUTHEAST ASIAN STRATEGIES

No one single policy or strategy has been adopted by the Southeast Asian states in their attempts to deal with China's rise as a major power. Rather, these states have adopted a panoply of individual and collective policies and strategies, whose main objectives are to provide a moderating influence on Chinese regional behavior while simultaneously affording ample opportunities for these states to benefit from China’s developmental boom.

Increasing China's stake in regional peace

Some of the Southeast Asian states believe that the rubric of economics can help keep China benign. Burgeoning trade and investment linkages have their obvious benefits to the economies of both the ASEAN states and China. Such linkages also have an indirect security element. The increasing interdependence of the economies of Southeast Asia and China has the effect of giving Beijing a stake in the peace and stability of the region. The question is whether Beijing would put its economic goals at risk by displays of military power or the overt use of force. There are two contending views on this question. One assumes that if China achieves greatness via the economic route, its political and diplomatic influence will be sufficient enough to shape the future course of events in the region, obviating the need to assert itself militarily. The other view contends that China wants it all: economic greatness and territorial aggrandizement through force of arms. Thus, any notion that Southeast Asia’s security can eventually become indivisible from China’s is a mere chimera. The first perspective seems to have a certain validity in the near and medium term. The second perspective might well have resonance in the longer term. The ASEAN states are no doubt aware of both possible outcomes. That is why they seem to have adopted a strategy of buying as much time as possible for the region, while enjoying the benefits of Chinese economic growth, before the medium term begins the transition to the longer term.

Maintaining good regional atmospheres

Buying time necessarily means that the ASEAN states will have to pursue a finely calibrated approach. It is important to keep in mind that in East Asia atmospherics are always at a premium, and in many cases are more salient than substance. In practical terms, the ASEAN states would strive as much as possible to ensure that the notion of "the China threat" does not become a self-fulfilling prophesy. For example, the ASEAN states have not been publicly critical of those dimensions of Chinese security policy which have implications for the rest of the region. This kind of statecraft has more to do with the enlightened self-interest of ASEAN member-states than any suggestions of doctrinaire inclinations. As Singapore's Senior Minister Lee Kuan Yew has put it: "Small Asian nations are too prudent to express their fears [about China] publicly."25 Malaysian Prime Minister Mahathir bin Mohammed has on occasion criticized those observers who have engaged in inflating threats to East Asian security, and by so doing souring atmospherics. In May 1996, for instance, he assailed "undeterred balance-of-power enthusiasts" for exaggerating threats to regional stability and consequently
deliberately minimizing "what Asia has been able to accomplish over the last generation."\textsuperscript{26}

This need to keep regional atmospherics good, even in the face of disquieting developments, was best exemplified in March 1996, during the exercises conducted by the PLA in and around the Taiwan Strait. These exercises, intended to bring the political leadership of Taiwan into line, were an instructive experience for the countries of Southeast Asia. Beijing's saber-rattling, though the result of Mr. Lee Teng-hui's attempts to create international space for Taiwan, was also seen by the region as occurring at a time of steady accretion in China's economic, diplomatic and military power. As such this was a moment of truth for ASEAN.

During this episode, the countries of Southeast Asia were largely muted in their response to Beijing's military actions, no matter how egregious they seemed. Beijing's saber-rattling had led to the diversion of international air traffic and shipping, and sent shivers through the Taiwan, Hong Kong and other regional bourses. The stance of the Southeast Asians appeared to have two dimensions, one largely apparent, the other far more real. The largely apparent dimension is premised on the fact that the states of Southeast Asia accept that Taiwan is a domestic Chinese issue. Consequently, during the "crisis" in the Taiwan Strait they did not feel that it was their place to be seen interfering in the domestic affairs of another country - an avowed ASEAN principle of longstanding. The Southeast Asian states are only too aware of the proximity of growing Chinese power, and being pragmatic they have apparently decided that the best course of action is to reconcile themselves to that fact and to accommodate China's rise. (An old Asian saying sums up this attitude: "Do not knock your head against a brick wall; best to go around it for profit.") Even well before the crisis in the Taiwan Strait, the tongue-tied nature of the governments in Southeast Asia, when witnessing Chinese assertiveness, caught the imagination of one observer: "Regional reaction has been relatively subdued, reflecting more a desire not to upset China and miss commercial opportunities offered by its huge and growing market than by any confidence in Beijing's intentions."\textsuperscript{27} By this essentially expedient stance, the ASEAN states incur few costs, at least in the near-to-medium terms. The longer term is, of course, another matter.

\textit{Lacking China into a multilateral security framework}

Putting aside atmospherics, ASEAN's more active approach in dealing with a increasingly powerful China has been to "engage" it within a multilateral security structure, namely the ASEAN Regional Forum (ARF). As Michael Leifer has stated:

When the senior official of ASEAN and its dialogue partners convened at a seminal meeting in Singapore in May 1993, which led to the ARF, balance of power as well as the ASEAN model were very much in mind with China identified as a potential hegemon.

The object of the exercise was not necessarily to contain China. Indeed, it was hoped that the nexus of economic incentive would serve to bring about the constructive engagement which has become part of regional rhetoric.\textsuperscript{28}

Thus, one of the key aims of the ARF has been to bring China into a security structure with the hope that it would then operate within that framework, taking
cognizance of the interests and sensitivities of other ARF members; in other words, to
lock China into a constraining multilateral arrangement. While this scheme appeared
initially to be sound, subsequent events suggested that the Chinese were not prepared to
be "constrained" or "engaged" on terms set down by ASEAN. China's encroachment
onto the Philippines-claimed Mischief Reef, which came to light in February 1995 (but
which had occurred some months earlier, most likely in October 1994) is a disquieting
case from the ASEAN perspective. It was disquieting because hitherto, in enforcing its
claims to the Spratly Islands, China had always tended to encroach on Vietnamese-held
islets in the chain, deliberately avoiding the ASEAN claimants—Malaysia, the
Philippines and Brunei. Mischief Reef changed all that, indicating that Beijing, possibly
with a view to the impending membership of Vietnam in ASEAN in July 1995, was no
longer going to make a distinction among the various Spratly claimants. This apparent
Chinese policy change caught the ASEAN states completely by surprise. After the initial
surprise, ASEAN seemed resolved to take a unified stand against China. Senior officials
of the grouping, meeting their Chinese counterparts in April 1995 in the Chinese city
of Hangzhou, told the Chinese that Beijing's actions in the South China Sea were very
serious and that it should cease building military structures on disputed islands. Now
it was Beijing's turn to be surprised at the turn of events—a unified stand by ASEAN. On
the issue of Chinese assertiveness, ASEAN's stand was previously less apparent and, also,
it came amidst the diplomatic row between Singapore and the Philippines over the
hanging of a Filipina maid after she was convicted by the Singapore courts of double
murder. That Singapore together with Thailand stood behind the Philippines in
presenting a united front to China was indeed significant.

This unified ASEAN stand on the Spratly Islands issue seemed to draw a more
conciliatory tone from China at the August 1995 ARF meeting in Brunei. At this
meeting, Chinese Foreign Minister Qian Qichen gave the clear impression that Beijing
was now willing to discuss the Spratly issue multilaterally with ASEAN, and to accept
the Law of the Sea Convention as a basis for negotiations to resolve the dispute. The
Foreign Minister's remarks were widely applauded by other ARF governments. His
remarks, however, seemed to ring hollow when Chinese Foreign Ministry spokesman,
Shen Guofang, reasserted the old position affirming China's sovereignty over the
islands, contending that the ARF was not an appropriate place to discuss what he
characterized as a "bilateral" issue. There were no regional expressions of dismay over
Shen's statement, however.

Thus, Beijing seems adept at turning regional atmospherics to its own advantage.
Some observers in Southeast Asia have called this the "three steps forward, two steps
back" approach, whereby China would advance into the South China Sea and when
confronted by expressions of regional disquiet would give the impression of being
conciliatory, then when the dust had settled it would make a further advance into the
area.

The logical end result of an apparent Chinese minuet—"three steps forwards, and
two steps back"—is one of steady and inexorable advance. There seems to be a general
appreciation of this fact in the back of the minds of governments of every ASEAN
country, though they are unlikely to articulate it publicly, again because they do not
want regional atmospherics to get murky and "the China threat" to become a self-
fulfilling prophecy. The reticence of ASEAN officialdom is not, however, shared by
influential individuals in non-governmental positions, such as Jusuf Wannandi of
Indonesia's Center for Strategic and International Studies. As Wannandi has argued, "In
the end, if China is not willing to play according to the rules of the games and heed her
own promises, then ASEAN’s attitude towards her will be sour and ASEAN will take a stronger stand towards China in the future.35

**ASEAN multilateral defense?**

If the near and medium term suggest a lack of criticality toward China as a threat to peace and stability in Southeast Asia, the longer term suggests otherwise. It would only be in that particular circumstance -- that is, when the threat is obvious -- that ASEAN would likely contemplate anything approximating a formal alliance arrangement to meet that threat. As one author has noted with regard to the geostrategic situation in the Asia-Pacific: "A state that suddenly becomes more assertive will frighten its neighbors, which will likely respond by forming an alliance to contain the threatening state."36 In so far as Southeast Asia is concerned, this observation certainly has some historical resonance. Vietnam’s December 1978 invasion of Cambodia, while not frightening non-communist Southeast Asia into forming an alliance to contain Vietnamese expansionism, certainly provided the catalyst for a joint ASEAN stand to confront, and lead world opinion against, Vietnam.

Today, ASEAN cooperation in the military realm is chiefly confined to bilateral defense ties and is exemplified in a so-called "spider’s web" of defense relationships among member-states. The reliance on a bilateral, as against a multilateral, approach to defense and security issues has largely been a consequence of the differing threat perceptions of each of the member-states, compounded by the latent suspicions and territorial disputes within ASEAN. A suddenly assertive China, however, could well provide a coalescence in threat perceptions by the ASEAN states, resulting in the shelving of bilateral disputes so as to deal with the larger security issue that affects the whole of Southeast Asia and indeed the wider Asia-Pacific. Thus, China, contingent on its future regional behavior, could well provide the spark for a significant strategic rationale to ASEAN, and a unified strategic policy for the grouping.

To that extent, where previously it was inconceivable for the ASEAN states to contemplate multilateral defense links, a China that begins to militarily assert itself could make such links possible. The naval arena would be where these links would be most sharply felt. The contributions of ASEAN navies of numbers of warships to a Standing ASEAN Naval Force (SANF) represents a promising concept that seems inconceivable today, but might prove relevant in the 21st century. A prospective SANF could well prove its worth in dealing with any large scale Chinese incursion into the South China Sea that results in the interdiction of heavily trafficked sea lines of communications. As has already been noted, individually the navies of the ASEAN states would not be a match for the PLA’s South Sea Fleet. In combination, however, they could well be more than a match. Indeed, as Larry Wortzel has contended, with regard to just three of the ASEAN states: "Malaysia, Indonesia and Singapore all have small navies, but they are equipped with the latest in anti-ship SSMs [ship-to-ship missiles] -- the Harpoon and the Exocet. Combined, they would present a credible challenge to the PRC naval task force."37

**CONCLUSION**

In the near to medium term the states of Southeast Asia will most likely adopt a suitably deferential stance in relations with their large northern neighbor. China is expected to exert a greater economic, cultural and diplomatic influence in what it considers its "backyard" over the coming decade. Beyond the near to medium term,
however, things are less clear. Nothing in the ASEAN experience suggests that the grouping subscribes to principles which are inflexible. In the conduct of their international relations, the ASEAN states have been agnostic, and they will likely give China substantial freedom of action so long as it does not lead to a situation of conflict or Chinese interference in the sovereign rights and affairs of member-states. Should those lines be crossed, however, it is likely that ASEAN deference towards China would be put aside in favor of a stronger and united stand. The question that naturally arises is whether by that time China's strength would have grown to such proportions that ASEAN, as a collective entity, would be unable to stem China's ability to dictate terms. The answer to this question is likely to become clearer perhaps in a decade from now. Until then, a mix of pragmatism, adroit diplomacy, internal cohesion and expanding military capabilities will be the predominant ASEAN approach in its relations with the PRC or any other aspiring major power in the Asia-Pacific.

10 Ibid.
13 One such observer is B.A. Hamzah, who heads the Malaysian institute of Maritime Affairs and who has warned about the possibility of China's "Tibetization" of the South China Sea. Quoted in Barry Wain, "Beijing and Hanoi Play With Fire in South China Sea," The Asian Wall Street Journal, 20 July 1994, p.5.
14 On aspects of the PLA restructuring program see Ngok Lee, China's Defense Modernization and Military Leadership (Canberra: Australian National University Press, 1989), especially pp.3-41.
17 Rizal Sukma, "China's Defense Policy in the Asia Pacific," The Indonesian Quarterly, vol.23, no.1, p.82.
19 I thank Paul Dibb for this observation.
23 This, however, is not stopping the Royal Thai Navy in its plans to base its Spanish-built helicopter carrier on its eastern seaboard in a reversal of earlier intentions to base it on the western seaboard.
25 Quoted by Wain, "Beijing and Hanoi," p.5.
27 Wain, "Beijing and Hanoi," p.5.
29 Ibid.
34 Ibid.
7. THE ROLE OF CHINA IN AUSTRALIA'S REGIONAL SECURITY ENVIRONMENT

Stuart Harris

INTRODUCTION

In December 1995, Australia and Indonesia signed the Australia-Indonesia Agreement on Maintaining Security. This was a surprising agreement in many respects, and not just because of the complete secrecy in which it was negotiated. Australia, unusually, did not consult its ANZUS partner, the United States; Indonesia, unusually, did not consult its ASEAN partners. However, the agreement reflected a logical endpoint in a change policy from security against the Asia-Pacific region to security with the region. However, among its ambiguities was where China fit in this process. While it was not a defense pact, its precise content and implications for Australia’s strategy toward China remained unclear. The Australian government made little explicit reference to China in its explanations of the agreement and what would constitute the ‘adverse’ factors on which the two countries agreed to consult. But the Indonesian foreign minister, Mr. Alatas suggested an escalation of tensions in the South China Sea or a ‘flare-up’ between China and Taiwan as adverse developments that would bring into play relevant consultation procedures. China for its part, when asked, reportedly said it welcomed the agreement.

The signing of the Australia-Indonesia agreement constituted an important change in Canberra’s foreign policy. In his 1989 ministerial statement on Australia’s regional security, the then Australian foreign minister, Gareth Evans, had seen little potential threat from China but had said that potentially Australia could be threatened “from” or through the Indonesian archipelago. Thus a major change had occurred in Australian security perceptions in a relatively short period, due largely to concerns about China’s emergence as a major regional power. The lack of clarity in both starting and end positions reflects, however, continuing ambivalence in Australia’s position.

BACKGROUND

In assessing those factors that have shaped Australian policy and how attitudes will develop in the future, two factors seem especially important. In the past, and undoubtedly in the future, the U.S. position is critical. A second factor is the change of the Australian government in March 1996.

Australia’s perspective on regional security derives from the influence of the U.S. relationship. The links with the U.S., including but not limited to the ANZUS Treaty arrangements, have an important bearing on Australia’s actions as well as basic security perspectives and attitudes. There have been two contrary influences. Australia’s foreign policy and defense elites gain much of their intelligence and analysis, and their attitudinal stances, from U.S. intelligence and policy sources. Despite there being reasonably good independent intelligence sources available on China, intelligence briefings from the U.S. have been important in molding the views of the official defense and foreign policy community. This has been significant in offsetting alarmist
assessments coming from other sources. On the other hand, the Australian media is very dependent, often uncritically, on U.S. media material and has tended to be more interested in alarmist than in considered, analytical reporting. This has been important in influencing public opinion, which is probably still more threat-oriented than the elites. Both factors make it difficult for Australia to pursue an independent foreign or security policy without facing significant public opinion problems if they differ from Western mainstream views, a factor that is already important with respect to China but will probably become more so in the future.

The change of government in Australia in March 1996 brought the conservative parties to power for the first time since the end of the Cold War. The new government indicated early that it would pursue many the same foreign policies as the previous government. The new government’s White Paper on foreign policy reflects essential continuity in policy, including towards China. There are some subtle differences, however, that could become important in the future.

For much of the period from 1948 until the early 1970s China was a major factor in Australia’s strategic environment. At that time it was regarded as the major potential threat to Australia’s security. China was seen as an expansionist power seeking to spread its influence, by subversion if possible, and by aggression if necessary. Fear of China was a major factor in Australia’s strategic planning and in public perceptions. In 1972, however, Australia entered into diplomatic relations with China and there was a major strategic reevaluation of China. China ceased to be regarded as a threat and indeed was no longer seen as a major element in Australia’s strategic environment. This position held for the next two decades, China being seen as preoccupied with internal issues and confronting an unfavorable external environment for much of that time. The Soviet Union, the strong U.S. presence in the Pacific and its bilateral security relationships with Japan, the Philippines, South Korea and Taiwan, together with India in the west, all limited China’s room for strategic maneuver. China’s subversive activities and the sustained hostility of Indonesia after 1965 limited Beijing’s political links in Southeast Asia.

China was in any case judged to be militarily weak, particularly after the costly 1979 intervention in Vietnam, with obsolete equipment, poor training and inadequate organization. China was therefore not a major influence on regional strategic affairs. China received little direct mention, for example, in Australia’s 1987 Defense White Paper. The security approaches of the two major Australian political parties also differed in these years, with a Labor Party more internationalist in orientation, and particularly supportive of the UN, while the Liberal Party (together with the similarly conservative rural based National Party) was more alliance oriented, with the U.S. alliance being the centerpiece of a globally-oriented security policy. Thus the then dominant ruling party for most of the post-war years was comfortable with the “hub and spokes” approach of the U.S., with Australia’s continuation of its traditional dependence on a ‘great and powerful friend’ for its security well being.

**CHINA IN AUSTRALIA’S SECURITY ENVIRONMENT**

While the Cold War was less important in the Asia-Pacific region than in the Northern Hemisphere, it had largely driven Australia’s policies. The end of the Cold War nevertheless created additional uncertainty among policy elites on how to address the new situation. The fault line between capitalism and communism, for decades the
defining feature of international relations, had ceased to exist. There was a momentary belief in the all-pervasiveness of Western liberalism and market capitalism, but this proved fleeting. Thus a transition period of as much as a decade was now envisioned, with no new unifying concept emerging.

During this period, it was expected that the Cold War's bipolarity would be replaced by a number of great powers emerging with major influence. Most of these, with the exception of the European Union (EU), but including the then Soviet Union, would have significant Asia-Pacific interests. It was not clear whether this would lead to the development of some kind of concert of powers, although some observers hoped that this would evolve.

At the same time, the security situation in the region looked largely favorable. While Australia could not assume that in the future no state would use its military capability against Australia, only the U.S. and the Soviet Union had the capacity to project and sustain conventional military forces against Australia. Consequently, the importance of security issues declined significantly in Australia, as in the United States. Predominant, though not exclusive, emphasis was given to economic issues. Then Prime Minister Keating argued in April 1993 that Australia's priority was economics and that this was the main interest in the region.

There was, however, a concern among Australian defense planners about what they termed the growing uncertainty in the Asia-Pacific region, and a declining interest of the U.S., at least in terms of forward defense. This was also reflected in a considerable degree in the 1989 statement of Foreign Minister Evans on Australia's regional security environment, although ostensibly a foreign policy rather than a defense policy statement.

In part due to the concern about the possibility of a partial withdrawal of the U.S. presence from the region, and in part with the accession to power of the more multilaterally oriented Labor Party, interest emerged for discussion of regional security issues other than through bilateral U.S. links. The breach of the bilateral approach within a global hierarchy had already been made in the 1980s in the economic field, as part of increased Australian economic engagement with Asia and increased support for regional economic cooperation. In particular, Australia's policy towards China in the 1980s had been based on the presumption that China would ultimately emerge as a major economic power in the region. This was a key component of the foreign policy of the government during the 1980s, and remained so even after Tiananmen crisis in June 1989. The five specific objectives of Australia's policy toward China were: to shift Australia's approach from fear of China to one of friendly relations; to deal with China on its own merits and not just as part of the East-West confrontation; to see China as an opportunity rather than as a threat; to recognize China as a potential great power; and to encourage China to participate as an equal and co-operative member of the international society.

Subsequent to the 1987 Defense White Paper, China again became more overtly important in Australia's strategic environment and gradually a major factor in Australia's strategic planning. In the early post Cold War years, the uncertainties in the region related as much if not more to the future strategic role of Japan, given that Australia remained wary of increased Japanese involvement in regional security. However, the regional emphasis gradually changed as China's economic development accelerated. The 1993 Strategic Review, and the 1994 Defense White Paper took a
fresh overall approach. Although the relationship with the U.S. still remained a major
tactor, increased emphasis was put upon self reliance. In particular, the idea of strategic
partnership with Southeast Asia came to the fore. A more self-sufficient defense
posture accorded with the U.S. interest in enhanced burden-sharing by its regional allies,
while also enabling Australia to achieve a greater degree of freedom to pursue its
national interests independent of the United States.

THE EMERGING REGIONAL SECURITY ENVIRONMENT

An unusually broad range of possibilities loom as factors that could shape the
future regional security environment and structure. Options that remain open include
the four major powers (i.e., the U.S., Japan, China and Russia) constituting a multipolar
balancing group, perhaps with ASEAN (see below); a continuing pre-eminence of the
U.S.; or alternatively, one or more of the other powers becoming predominant. From the
Australian viewpoint, there remain uncertainties about the interests and intentions of
each of the major powers (and, in Russia’s case, its capability). In the meantime, their
relative capabilities are changing.

Despite Australia’s earlier ambivalence about Indonesia, the flurry over India’s
naval build up in the late 1980s, continuing uncertainty about Cambodia, and a
significant number of smaller potential disputes, most Australian analysts direct their
attention to potential security concerns in Northeast Asia. It is here that the four major
powers interact and will compete for influence and power. It is where major economic
growth has been most pronounced and is likely to continue. It is also where, on the
Korean peninsula, the last of the Cold War confrontations has still to be played out.

While some residual suspicions persist over the possible reemergence of Japanese,
these have greatly diminished in the minds of the Australian public. Public indications
of support for a limited increase in Japan’s regional strategic role came from the
previous Prime Minister and from the then Chief of the Defense Staff with only minimal
public opposition.

Australian analysts generally agree that Russia is many years away from restoring
its economy and is unlikely to play a major role in the region, although they recognize
that resurgent nationalism in Russia would be a major concern to its immediate
neighbors. A major naval force remains in the Russian Far East and Russia’s nuclear
capacity is still formidable.

The major security concern, at least until recently, continues to be North Korea.
Although Australia still has formal links with the UN command in South Korean dating
from the Korean war, the major effect of a renewed conflict on the Korean peninsula for
Australia would be indirect. Renewed hostilities could prompt neighboring countries to
pursue arms build ups, potential involvement in the conflict by nearby powers, a
possible move to nuclear weapons on the part of Japan, and the political and
humanitarian issues related to refugees.

Despite continued doubts about the U.S. commitment to the region, and even
acknowledging the constraints on U.S. freedom of action, Australian strategic opinion
recognizes that the U.S. remains the only country capable of undertaking military
actions on a global basis. But the U.S needs to look for coalition support at times of crisis.
The U.S. security relationship with Japan is seen as reassuring countries in the region
that any reassertion of Japan's militarism will be restrained, thus providing a somewhat ill-defined 'stability' throughout the region.

Growing wealth and economic power in the Asia-Pacific region will mean that a number of Asian powers will increase their political and strategic potential in the medium to long term. Consequently, the future security environment in the region will increasingly be determined by the regional powers rather than by those outside it, and especially by Japan and China. Their interests already intersect in the major issues - Korea, Taiwan and the South China Sea.

CHINA IN THE REGION

As noted earlier, Australia was very early conscious the rising economic capacity of China and of the potential for its economic power to be harnessed to political and military ends. Australia's policies in the 1980s had, to a degree, reflected a qualified liberal belief - or at least a hope - that greater economic interchange would help to bring China into a more co-operative relationship with the international community in the political and security fields.

For its part, China's security situation has improved substantially. While Russia still has potentially strong forces and capabilities in the Russian Far East, and the Chinese remain cautious, tensions with Russia have been reduced, China's economic links with Russia have grown significantly, and both countries have worked constructively to settle major border disputes. China has also essentially settled border disputes with the smaller border states previously part of the Soviet Union. Tensions with India have also been significantly lessened through Chinese and Indian diplomacy, and helped by India's loss of the previous backing and material support of the Soviet Union. China's relations with Vietnam are now also easier, if still cautious, again facilitated by the loss of Soviet support and the removal of China's fears of Soviet encirclement. China asserts that it is militarily more secure than it has been for a long time. At the same time, domestically, its economic strength has been growing rapidly and it has been reforming and modernizing the PLA.

But China still has many security concerns. It has more than twenty bilateral borders, many of which have been disputed in the recent past. Tibet, Xinjiang, and Inner Mongolia are not trouble free to Chinese strategic and political decision makers, nor are the various interactions with India. Various maritime border issues also persist. Moreover, China increasingly sees its security in economic terms, with concerns expressed by many Chinese officials that the policies of the U.S. are designed to contain it in economic if not military terms. Taiwan is both a security problem in the standard sense - a "Cuba" off China's coast under U.S. influence - and a challenge to Chinese sovereignty claims.

AUSTRALIA'S RESPONSE

The plurality of Australian views bears directly on Australia's policy response to the regional security situation. This bears on how China will use the strategic influence it is expected to command in the future. This issue poses an economic security dilemma for all the countries in the region, including Australia. Economic development in China is welcomed in the region, in part because it directs China's attention to domestic matters and to co-operative relations with neighbors. In addition, continuing economic
development by China offers economic benefits to others in the region; moreover, in the absence of such development, the stability of China is at risk, with consequences for neighboring countries. In part, also, China's growth is seen as supporting a process of peaceful evolution of social and political structures within China that are judged more conducive to international peace. The dilemma is that the sustained high levels of economic growth make possible a rise in military expenditures, and therefore make possible a China could threaten its neighbors.

There is a continued division of views in Australia between those who see China as potentially aggressive and therefore prefer to see China as a threat; and those who, while not excluding this possibility, do not see such evidence in China's actions to date. There were some unofficial indications of enhanced concern in Canberra at China's growing military power, both following its South China Sea activities, the Taiwan Strait military exercises of 1995 and 1996, and China's nuclear testing. Those who have argued that China is a threat, as well as those who believe it is a threat but camouflage their belief in coded language, tend to see their position vindicated by China's actions in the South China Sea and over Taiwan, believing that those actions raise further questions about China's longer-term regional intentions.

Most of those who did not see China as a threat remain unconvinced that China's actions presage more ominous developments. There is some concern that the internal pressures within the Chinese leadership, generated by the Taiwan situation in particular, may have strengthened internal forces more inclined to a belligerent international posture at the expense of the more moderate views.

The divisions in Australian opinion have been reflected in the ambiguity of policy statements, in a greater emphasis on a "hedging of bets" policy such as the agreement with Indonesia, and in the emphasis among the strategic planners on the need for a balance of power partnership with the countries of Southeast Asia, and more specifically with ASEAN. The idea of a balance of power was both endorsed and virtually denied by the former foreign minister. It has in principle been rejected by the present foreign minister but given some support by the defense minister, Ian McLachlan. More generally, Australia's policy has consisted of a mix of the two approaches.

The official line remains that policy towards Beijing should be built not on apprehensions but on a positive desire to incorporate China as a valued participant in regional security affairs, preferably within some kind of co-operative security regime. The goal of establishing such a regime underlay Australia's active part in diplomatic efforts to develop an institutional framework for security dialogue in the region that would include China. The ARF inaugural meeting in Bangkok began a process that has started to engage China in discussion with other countries. China has already produced its first White Paper on arms control, an important symbolic, if still rudimentary, contribution to transparency.

In practice, however, Australian policy was less uniformly liberal, seeking a form of power balancing, notably through the links to Southeast Asia. Such a mix was not new to Australia's policy. The interest in regional multilateralism, such as APEC and ARF, and economic engagement, had always been combined with the underpinning of the U.S. alliance. However, the realist line toward China at times has moved closer to supporting containment, which raises many questions, including where Australia would fit in any containment strategy.
Prime Minister Keating in particular had stressed the idea of collaboration among ‘middle powers’ with the focus on countries in Southeast Asia, such as Indonesia and Vietnam, and resisting the pull into China’s orbit. Foreign Minister Evans had earlier in a similar vein, wanted to avoid (in A.J.P. Taylor’s term) “the minuet of the giants” in the region and, recognizing the continuing applicability “of some traditional realpolitik considerations,” saw merit in seeking time to unite the lesser sized countries in the region, including Southeast Asia, Indochina, and Australasia, into a more cohesive grouping of their own. Although the language generally saw these new arrangements as offsetting all three major powers (e.g., the U.S., Japan and China), there was little doubt that the major concern was China.

The Evans and Keating positions were not totally consistent with past Labor Party internationalist philosophy, since Keating in particular tended to see global multilateral structures “as too large or unwieldy or rigid.” Moreover, Senator Evans’ concept of co-operative security did not seem consistent with power balancing or containment. Keating, perhaps even more: an Evans, seemed to want to have it both ways: seeing the emergence of China as the dominant issue for the region in the coming decades while wanting, through the ARF and APEC to engage China, not to contain or isolate it. One commentator has argued that the suspicion of China was found in the 1987 Defense White Paper, a suspicion which “had a distinct ASEAN flavor.” It was also argued that there were “unduly alarmist questions that Australia has been raising,” seemed appropriate given Australia’s great distance from any disputed areas and given Australia’s considerable economic interests in China and Hong Kong. It is noteworthy that Northeast Asia was not included in Senator Evans’ definition of Australia’s region in his 1989 statement, nor in various White Papers. But these documents did include China, with the U.S., Japan and Indonesia, as one of Australia’s four major bilateral relationships.

When critics argued that Senator Evans’ language constituted “containment” by another name and reflected a return to the earlier fear of China, he directly challenged this view, responding that “containment is for defeatists; engagement means building on opportunities.” He subsequently went further, signaling a return to the more optimistic position of multilateral liberalism, referring to Wilsonian idealism, where traditional elements of realpolitik, exemplified by the Cold War decades of rivalry between the two nuclear armed camps, are replaced by new forms and institutions of multilateral co-operative behavior.

There has been an element of change with the new government. Foreign Minister Alexander Downer, as shadow minister, also saw his predecessor’s speech as implying containment. Although rejecting the idea of Wilsonian idealism, he argued against the government’s promotion of a balance of power arrangement in East Asia. Early in the period of the new government, Mr. Downer, however, spoke of encouraging and facilitating the U.S. military role in the Asia Pacific, suggesting some elements of balance of power thinking. A more confident approach to China can be seen in the government’s White Paper which emphasizes the engagement process and the role of bilateral and regional security dialogues.

The Prime Minister, John Howard, when in opposition, had been similarly critical of the previous government’s emphasis on engagement with Southeast Asia. As Mr. Howard had asserted, it was “in North Asia where he the most pressing Asia Pacific security concerns which may have an impact on our immediate region.” He also pointed to a need for a greater emphasis on bilateral relations with China among other
countries, but subsequently emphasis has been placed on dialogue within such multilateral arrangements as the ASEAN Regional Forum. The Defense Minister, however, has been more alarmist in periodic comments about China and regional strategic uncertainty. But formal defense policy statements have been consistent with the government’s engagement policy, and senior military leaders are pursuing dialogue with the leaders of China’s military.

A defense policy based on the defense of Australia from within Australia, as opposed to forward operations, has been in place for two full decades. This commitment has been judged unassailable in the opinions of most observers. There have been suggestions, however, that this might change to a more forward posture, including the possibility of a cruise missile strike capacity. The motives for this change and the regional implications remain unclear, and the military emphasis in dealing with regional issues are a concern to many analysts. At the same time, defense cooperation continues to expand. Defense cooperation with regional neighbors is substantial, reaching the point where Australia’s military now exercises more with ASEAN defense forces than with those of the U.S., although the U.S. exercises are significantly larger.

POLITICAL-DIPLOMATIC TENSIONS WITH CHINA

Although new issues may emerge to cause tensions in the future, the probability is that tensions in the Australia-China relationship will come largely from issues that Australia has already faced in the past. From that perspective Australia has experienced a variety of tensions: over human rights, China’s nuclear testing, the Spratly Islands, Tibet, and illegal migrants.

The most sustained source of tension has been over the Taiwan relationship. Both China and Taiwan are major markets for Australia and as the economies of the mainland and Taiwan have grown and the political implications have emerged more starkly, the difficulties have also grown. Both China and Taiwan have played the game hard in the competition for diplomatic advantage: China to maintain its position and Taiwan to raise its image and to gain further international recognition.

Although Australia has been clear in its support of the one-China policy, and that Taiwan is part of China, the precise implications in these commitments has been a matter of continuing differences with the Chinese, and often the Taiwanese. In the long run, Australia has argued that China and Taiwan have to settle the issue of reunification themselves. While there are strong bodies of support for Taiwan in Australia including part of the local Chinese community, the one-China policy has been a bipartisan one which has not generated significant public opposition. What Australia might do were Taiwan to declare independence and conflict with China were to ensue, is far from certain. While the issue would be divisive domestically, the strong likelihood is that Australia would do little beyond making what it considered the right declaratory noise.

Human rights have also been a frequent source of political contention, although not often a major point of tension. Tiananmen Square made them central for a time in Australia’s political relationship with China and the Australian response to the events of June 1989 created annoyance in Beijing. It has been suggested that the Chinese were prepared to retaliate against Australia, since they could not do so against more important countries, but found that economic retaliation was not feasible except at considerable cost. Subsequently, Australia sent two parliamentary delegations to
China on human rights (in 1991 and 1992), as part of China's moves to reopen relations with the West.

China's annoyance at the Dalai Lama's 1992 visit to Australia was exacerbated by Australia's hesitancy in responding to a subsequent Chinese request to send an official Chinese delegation to Australia to explain China's position on Tibet. A subsequent visit by the Dalai Lama in 1996 in which he was greeted by both the Prime Minister and the Foreign Minister, annoyed the Chinese even more, although Australia's commitment to China's sovereignty over Tibet was strongly reaffirmed.

Australia's human rights policy went into abeyance after the 1992 visit. It was replaced with quiet diplomacy which led to Australian criticism of the prevailing U.S. approach under then Secretary of State Warren Christopher. Australia urged that the U.S. delink human rights from renewal of China's "most favored nation" (MFN) trading status, an approach ultimately adopted by the United States. Apart from a genuine belief that quiet diplomacy was more effective, something later put in some doubt by the treatment and ultimate jailing of James Peng, an Australian businessman, there was probably a greater acceptance of the argument that the human rights of China's population as a whole (including economic rights) have substantially improved with economic reform and growth in China. Quiet diplomacy is also the pattern of the new government, and an agreement was made during the prime minister's visit to Beijing early in 1997 on continuing bilateral meetings on human rights.

Other tensions have arisen over Hong Kong. When former Governor Patten was having difficulty with China over his actions in extending the franchise for the Legislative Council, he looked for expressions of public support internationally on the grounds of advancing "democracy" in Hong Kong, and the then Australian foreign minister gave it. Despite Australia's interests, this promised to limit the general influence Australia might have with the Chinese over Hong Kong in the future. Australia did not, however, lend support the British and U.S. position on the 1997 handover ceremony, when senior officials from London and Washington declined to participate in the swearing-in activities for the Provisional Legislative Council. Even given the widespread belief that China genuinely desires a stable transition in Hong Kong, there will be incidental bureaucratic mishaps or larger political disputes, which will resonate loudly in the West. Under the inevitable media pressure from the U.K., the U.S. and therefore Australia, ministers in Canberra will find it hard not to respond in ways which will annoy China.

Another major issue could be the South China Sea and in particular the Spratly Islands. There are, however, grounds for believing that the Chinese are keen to keep this issue at a low level. This will in part depend upon all the parties and upon negotiations that are likely to be pursued in the aftermath of the Law of the Sea Convention. There have been considered analyses put forward questioning the legal basis of various arguments over sovereignty and there now seems to be a more open position, at least in the bureaucracy, about the relative strengths of China's and ASEAN claims in the South China Sea. Australia's desire for closer links with ASEAN will also be a factor that will shape government policy in this area.

However, more substantial tensions are likely to emerge over Taiwan, with China continuing reacting more strongly to actions favoring the Taiwanese position than would have been the case only a few years ago. Taiwan is also likely to press the limits of tolerance in Australia, as elsewhere. How far tensions affecting Taiwan will
constitute a major problem will depend in part upon future actions of both Taiwan and China, but perhaps even more on the actions of the U.S. Congress, and of U.S. policy makers.

PREVAILING AUSTRALIAN OPINION ON CHINA’S MILITARY

While the Australian public’s post Tiananmen Square attitudes toward China were far less sympathetic than they had been in the 1980s, concerns about China’s military potential and capabilities increased measurably in 1993 and 1994. China’s sustained rates of high economic growth was substantially increasing China’s strategic potential, with the close relationship between Australia and China in the 1980s becoming more difficult to maintain in the future, given the growing disparities of power and influence of the two countries. Concerns crystallized with reports of China’s arms purchases from Russia, its reported interest in the purchase of an aircraft carrier, its nuclear weapons modernization, its transfers of nuclear technology and its sales of conventional arms. U.S. conflicts with China over trade and other issues also resonated in Australia.

The character of media reporting was a definite factor in this regard. That China sold arms, even though they were low in volume compared with other major arms suppliers such as the U.S., Britain and France, was of greater media interest; the sale by the U.S. of 150 F-16 fighters to Taiwan was taken in the stride while China’s purchase of 26 Su-27s was seen by many as having a major effect on the regional strategic balance. Although there was a burst of articles expressing alarm at the emergence of a militant China, a more sober approach is now generally reflected in the serious media. This has been helped by more considered analyses of China’s military and of China’s budgets and reforms, and by the relatively moderate approach taken by analysts within the Defense Department.

The Defense Department analysis, in essence, concluded that: (1) the continuation of China’s economic growth will enable China to field a much more powerful military in the future; (2) reform and modernization are taking place in the PLA; (3) defense spending is increasing significantly in real terms (estimated at 5 per cent annually during the late 1980s and early 1990s); (4) the PLA has become smaller, better organized and better supported, has modernized its tactics and the navy and airforce have started to acquire more formidable weapons. The department also argued that the development of the PLA should not be exaggerated. China’s forces remain large and cumbersome, most are rather poorly armed and, lacking strong logistical support, still do not possess power projection capabilities. But the pace of improvement may accelerate with greater access to Russian high technology systems: "...its capabilities are increasingly formidable, albeit within a limited but slowly expanding radius."38

The department also noted that China is a declared nuclear weapons state and it is believed to possess chemical and biological warfare capabilities. The evidence given in late 1994 by senior officials of the Defense Department to the parliamentary committee did not indicate particular concern at China’s military modernization: "...China is a strategically significant country already, and will become increasingly strategically significant as its capabilities grow and expand. But I do not think that there is anything that we read in the way in which China’s forces are developing - or for that matter in the way in which its national policy is developing - which causes us to think there is an inevitability about China becoming a threat to other countries in the region."39
A later report from the Department of Foreign Affairs and Trade echoed these views, suggesting that while China maintains large armed forces, most of these forces remain obsolete and its logistic support and technological base are weak. It too notes that China is a nuclear weapons power but that China has no sophisticated nuclear delivery systems, such as air launched or sea launched cruise missiles. The report also asserted that the most credible estimate of growth in defense expenditure was the 7% yearly real growth rate of the CIA.

CHINA'S EMERGENCE AS A MAJOR POWER: POTENTIAL STRATEGIES

Australia has taken a strategic approach to the relationship with China at least since the mid-1980s. Australia's overall approach is not strongly disputed across the political spectrum nor, despite some added caution, is it contested in any significant way among public commentators. There would of course be differences about relative weights to be given to different elements of the strategy, and of the need to buttress this strategy with others, such as security links with ASEAN.

The first element in the strategy is to seek normal relations with China by treating China as one would other countries. There is a need to avoid romantic notions of China that have colored some of the perceptions of China in the past. It is important, however, for the West to develop a "normal" relationship which recognizes differences of interest as well as commonalities. It is likely to mean being more analytical in judgements about particular aspects of China's behavior and not automatically assuming Chinese actions are threatening.

An obstacle to this approach is the exceptionalism with which China is approached, even by those seeking a constructive approach to long-term relations. The widespread assumption of Western superiority and China's inferiority leads many not to ask how China can be encouraged to participate more actively and meaningfully in international cooperation, but to judge China's actions against ideal conception of international norms, and to see failure as requiring sanctions or counter actions. For example, apart from the debate about whether or not China was or was not adhering to the Missile Technology Control Regime (MTCR), the willingness to discount China's concerns about F-16s sold to Taiwan as comparably strategic suggests an overly one-sided approach in Western attitudes.

Dealing with China on its own merits, the strategy's second element, is crucial to a balanced response to China. However much it tries to retain its socialist credentials, China is no longer a communist country in any real sense, and applying anti-communist demonology seems both unhelpful, obfuscating, and in its own way ideological. Certainly China is authoritarian and Leninist in terms of its governing system, but Australian deals comfortably enough with authoritarian systems in other contexts, and the characteristics of a co-operative international society do not require every country to be a democracy or a republic, merely a willingness to adhere to the rules of the international society.

Seeing China as an opportunity is the third element of Australia's strategy. It is followed not only by many business leaders but also by many politicians and some governments. Australia has generally accepted the liberal argument, not that economic development will avoid conflict, but that it serves to reduce substantially the likelihood of conflict. The belief that global and regional stability would gain from an international
community approach that would help domestic economic reforms in China and the belief in the socializing influence of participation by China in international organizations are discounted by realists, even though the experience, on balance, is encouraging.

The fourth element of the strategy is to accept that China is already a great power. Given China’s size, its permanent membership of the United Nations Security Council, its nuclear capacity, and its economic growth, the approach to China has to see China’s position in global terms. This, in turn, assumes a longer-term view less focused on immediate issues.

In the case of the economic institutions, for example, the experience suggests that China has changed substantially its world view, its assumptions about how the world works and the value of international cooperation, and has been an increasingly constructive participant in regional and multilateral economic organizations, defending the norms and rules of the international institutions that it has joined. There are grounds, however, for believing that the kind of learning in China’s interaction with the international society is evident not just in the economic field, but in the political field as well.

The fifth and final component of the strategy is the constructive or comprehensive engagement of China. This consists of encompassing China more fully in a rules based global society, while trying to ensure that international society treats China on an equal basis with other countries. Even so, the term constructive engagement can be seen as patronizing when used in the context of bringing China “into” the region, or a “coordinated will to seek integration of China into the region and the globe,” in order to avoid the need for deterrence.

Australia’s strategy has generally accorded with a belief described by Alastair Johnston: "(o)nemark of China’s global diplomacy in the 1980s is support for, or acquiescence in, the status quo in international economic and security regimes." For the most part, China has continued to participate effectively in international economic and security regimes. In economic terms this has been extensively achieved but the question of Chinese membership of the World Trade Organization (WTO) has still to be resolved. While China should not be given any more special consideration than other countries of comparable size and level of economic development, most countries have had special treatment in their relations with GATT/WTO in the past. The strategic interest was in terms of how to encourage China to do more than acquiesce to the status quo but to contribute actively in the creation and preservation of the public goods of international co-operative processes.

The broad features of Australia’s strategy still provide a rational basis for Australia’s policy towards China. It would also seem to offer the framework for a more general Western strategy towards China. In pursuing that strategy, Australia has found itself at times differing from the position more recently adopted by the U.S. and some other Western states, as it has over human rights and over the China-Taiwan confrontation. These differences have added to the periodic domestic tensions between the ASEAN and U.S.-linked parts of the elites and the China-linked groups who competed for ministerial attention. The present government has been able to avoid such divergences so far, but there could be comparable waverings in the future.

International perceptions of China changed markedly following the Tiananmen Square massacre, greater awareness of China’s actual and potential economic growth,
China's actions in the South China Sea, and its military modernization programs. Probably more significant overall, however, have been, first, the changed strategic circumstances resulting from the collapse of the Soviet Union. A second major issue was a U.S. tilt towards Taiwan in the cross-strait relationship and the ensuing crisis. Any strategy towards China has to address both of those major issues.

As discussed in more detail elsewhere, the Taiwan issue is a security as well as a sovereignty issue for China, and Taiwan's independence (beyond the de facto independence it already has) would only be achievable under the military protection of the U.S.\textsuperscript{47} Essentially, however, U.S. actions - or inaction - undermined the status quo and led to the crisis. As a consequence, the cross strait relationship has become a central issue in the U.S.-China relationship. Hence it was up to the U.S. to take the initiative to ensure that a potentially dangerous situation is managed effectively. This would require all three parties to change their positions.

The Chinese would need to put on hold action to pursue reunification and to behave less aggressively (while accepting that realistically, they could not abandon the threat of military action in the event of a formal declaration of independence). The Taiwanese would need to consider how far it pushes its pragmatic diplomacy. Since it is possible to interpret the 1996 Presidential election result in Taiwan as a vote for the status quo, and since Taiwan is already economically dependent upon China rather than the reverse and will become more so in the future,\textsuperscript{48} this may be less difficult to achieve than might initially be thought. Access to economic organizations such as the IMF and World Bank would be an objective likely to offer more to the average Taiwan resident than its existing pragmatic diplomacy.

With the possible exception of the defense area, the U.S. is only just starting to develop an effective working relationship with China at high levels. There are substantial risks from those in the U.S. and elsewhere, including some in Australia, who want to demonize China. Following that line would very easily develop into a strategic confrontation between the two countries; possibilities of a new "cold war" are already being discussed, however prematurely, and however much the nostalgia for the cold war "stability" is leading to its horrendous costs being forgotten. Some Chinese have concluded that, as David Shambaugh has said, some American political leaders are trying to divide China territorially, subvert it politically, contain it strategically, and frustrate it economically.\textsuperscript{49}

Part of the U.S. problem in practice were the contradictions of the functionalist policy towards China in the first Clinton administration. There were also the inconsistent political messages coming from high level expressions of anger at brutal, but non-fatal Chinese actions over Taiwan, and low key responses to the slaughter in Chechnya; killings properly condemned around Tiananmen Square but not those in Russia, Lebanon or Turkey; or President Clinton's willingness to receive President Yeltsin, or Yasser Arafat but not President Jiang Zemin until the state visit of October 1997.

The Administration seems to have "worked" the Congress to moderate their position on Chechnya, Bosnia and other issues, but it has lagged with respect to China. The exceptionalism of U.S. policy motives is often put forward to explain the U.S. position. This has convinced some of the U.S. public that being 'soft' on China is at odds with U.S. values and interests. Even if substantial political reform is not yet on the
Chinese policy agenda, the larger economic and social changes in China are palpable and growing.

In essence, the ability to influence China depends upon rebuilding a damaged relationship at the broader level, avoiding threats and sanctions, particularly unilateral ones, except in the last resort and avoiding treating China as a threat or, worse, as an enemy. It is also useful to contemplate alternatives. These are to try to contain China; or to maintain a balance of power. Containment, the prescription urged by not only some in the U.S. media and consistently argued for by the Economist in Britain,\(^5\) seems neither rational nor feasible. The ability to contain the Soviet Union depended upon certain preconditions, including the commitment of the major industrialized centers of the world, quite apart from the cooperation in practice of the Soviet Union itself. The necessary conditions do not hold in the case of China, and attempts to contain China will ultimately not succeed, whatever they might do to distort the situation in the meantime.

An explicit containment strategy would also raise moral issues in many quarters about a policy designed to hold back development of an economy supporting a fifth of the world's population and that population's hopes and expectations of receiving the fruits of economic development. Attempts to balance power will no doubt continue in the region but not in any systematic way, since the expectation is likely to be that full balancing of power is unlikely in any case but particularly given the longer term uncertainty associated with the U.S. presence in, and commitment to, the region. The hedging of bets will imply less than a full balancing by countries who in the meantime will seek to maintain friendly relations with China.

A positive aspect is that the U.S. Administration has stuck closely to the one China policy, and has refused to support openly a Taiwanese bid for independence. The ultimate handling of the Taiwan crisis reflected a substantially more considered approach. Secretary Albright seems to be directing a changed, and more constructive, approach, suggesting that the second Clinton administration will achieve more tangible and sustainable results in relations with China.

As noted earlier, China has also shown a capacity for complex learning. Having learned of the benefits of interdependence, China is now realizing the costs of interdependence. If China believes that its independence is being compromised, and its security put at risk, China's international behavior internationally might change again in more negative directions. That will be costly to it but the resentment arising from those costs will also impose on others in the region, including Australia.

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1 This agreement is discussed in Alan Dupont, "The Australia-Indonesia Security Agreement," *Australian Quarterly*, vol. 68, no. 2, 1996; and Bob Lowry, "The Australia-Indonesia Security Agreement for Better or Worse?" Strategic and Defense Studies Center, Australian National University, Canberra.


5 Commonwealth of Australia, *In the National Interest: Australia's Foreign and Trade Policy* (Canberra: Department of Foreign Affairs and Trade, 1997).

6 Francis Fukuyama is the clearest articulator of this viewpoint.
13 On this see Gregory Austin, China's Ocean Frontiers: International Law, Military Force and Economic Development (Sydney: Allen and Unwin, 1997).
15 Prime Minister Paul Keating, 1995.
17 Stuart Harris, Australia-China Relations; Graeme Dobell, "Australia Looks For Home: The Changing Relationship with ASEAN," (unpublished paper), Department of International Relations, Australian National University, February 1996.
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21 Dobell, op cit.
22 Harris, Australia-China Political Relations.
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29 Ball and Kerr, op.cit., p. 55.
33 Ball and Kerr, op cit., p. 64.
34 Evans, "Australia, China and the Region."
35 You Ji, op cit.
36 Discussed at length in Gregory Austin, op. cit.
37 See, for example, Desmond Ball, "China's Disturbing Arms Build-up," Independent Monthly, February 1993, pp. 23-24. For a more considered view, see Gary Kintworth and Desmond Ball, "China's Arms Buildup and Regional Security," in Stuart Harris and Gary Kintworth (eds.), China as a Great Power in the Region: Myths, Realities and Challenges in the Asia Pacific Region (Melbourne


40 East Asian Analytical Unit, *op.cit.*, pp.88-90.


48 Heather Smith and Stuart Harris, "Economic Relations Across the Strait: Interdependency or Dependency?" in Gregory Austin (ed), *The Political and Strategic Foundations of Taiwan's Future* (Canberra: Strategic and Defense Studies Center, Australian National University, 1997).


50 See, for example, "Containing China," *The Economist*, 29 July 1995, pp. 11-12.

Andrew Nien-Dzu Yang

INTRODUCTION

When the people and the government of the Republic of China (ROC) scheduled its historic direct presidential election on March 23, 1996, the Xinhua News Agency of the People’s Republic of China (PRC) announced missile launch tests 35 nautical miles off the northern coast and 52 nautical miles off the southwestern coast of Taiwan from March 8 to 15. Such hair-raising missile tests has given rise to widespread speculation regarding Beijing’s intentions and the impact of its missile tests on the Asia-Pacific security environment, even though Beijing repeatedly emphasized that these were simply missile tests, with no possibility of hitting Taiwan. The U.S. government issued several policy statements advising both sides across the Taiwan Strait to exercise maximum self-restraint and rationality. Washington also immediately sent the aircraft carrier Independence and its accompanying naval combatants to the region, the first such demonstration of American security interests in the Taiwan Strait since the cross-strait tension of 1958. For the next several weeks, the world witnessed intensive and complicated political-military bilateral interactions among Beijing, Washington, and Taipei. In addition to the missile tests, Beijing staged two large air-sea combined and amphibious exercises that continued until March 25; the Clinton administration announced the dispatch of a second aircraft carrier battle group led by the USS Nimitz steaming from Persian Gulf to the Western Pacific. The ROC Ministry of National Defense (MND) also placed its off-shore forces on alert, upgrading combat readiness from phase 4 to phase 3. Diplomatic interactions were intensified between Washington and Beijing and between Washington and Taipei. Liu Huaqiu, the director of Foreign Affairs Office of the State Council, was sent by Beijing leadership as a special envoy to Washington to exchange views with senior U.S. officials over cross-strait tensions; Ding Mou-shih, the chairman of the National Security Council of the ROC, was also sent by President Lee Teng-hui to New York, meeting U.S. officials on the same issues.¹ It is notable that envoys from both sides of the Taiwan Strait were in the United States at approximately the same time, talking to separate groups of U.S. officials.

The world also witnessed Lee Teng-hui’s winning of the election with an overwhelming 54% of the popular vote, disregarding the wrath of Beijing. Beijing, to be sure, claimed success for its exercises, stating that it had prevented Taiwan from moving towards independence; the Clinton government wasted no time to announce its satisfaction with the smooth conclusion of the ROC election and the avoidance of direct military conflict across the Taiwan Strait. In the aftermath of the presidential election, both Taiwan and the mainland showed some willingness to resume talks and to de-escalate tensions. The U.S. government also encouraged direct dialogue across the strait and reemphasized peaceful resolution of the unification issue under its "one China" and "strategic ambiguity" policies.

What are the lessons drawn from Beijing’s belligerent actions in March 1996? How does Taipei cope with Beijing’s present and future threats and preserve its security interests? These are issues of great concern to many countries in the Asia Pacific region.
POLITICAL-SECURITY LINKAGE OF THE TAIWAN STRAIT TENSION

Military tensions between Chinese on both sides of the Taiwan Strait are not unfamiliar to outsiders. Such tensions have affected political, strategic, and security interests of both sides over more than 40 years of cross strait relations. More important, they reflect different plans and perceptions related to national development for both sides. Lessons and experiences from two previous Taiwan Strait crises (1954-55 and 1958) showed that the military confrontation in the Strait resulted from ideological clashes between the mainland and Taiwan. Both were fighting for control over the whole of China so that leadership of the rival political parties could smoothly implement their party ideologies and plans for developing China. Secondly, although both sides were fighting for legitimacy over China, sovereignty was never an issue, owing to the shared commitment to one China upheld both authorities. Chiang Kai-shek's labeling of the Communist Chinese as "bandits" was considered "tolerable" to communist leaders, and vice versa. Chiang's object was to recover the mainland and oust the communist regime, and Mao's consideration for liberating Taiwan was a matter of dealing with China's internal affairs. Both sides learned to live with two political entities within "one China", with a natural understanding that neither side would deviate from the commitment to unify China as their utmost objective, whether by confrontation or by peaceful means. This informal shared understanding has contributed to peace and security in the Taiwan Strait for more than 30 years since the 1958 crisis.

However, beginning in the mid-1980s, dynamic political changes occurred in Taiwan. The Democratic Progressive Party (DPP), an opposition political party pursuing an independent Taiwan, was established in 1988. The new leadership of the Kuomintang under President Lee Teng-hui, a strong supporter of Taiwan identity, prompted Beijing to fear a shift from rival ideologies in the cross strait clash to a duel of nation states. Beijing's fear and perception is clearly demonstrated by its stated conditions for the use of military force against Taiwan, namely, a declaration of Taiwan independence and foreign intervention.

However, Beijing's concern over Taiwan issue is never far removed from its strategic and security interests. For a long time, there have been secessionist movements in mainland China's border regions, such as Xinjiang and Tibet. In Beijing's view, failing to keep an eye on Taiwan's political movement would encourage secessionist activities in these two regions, and could lead to the danger of the breakup of China. Beijing's primary interest at present is to increase economic development and to provide political stability in China so as to strengthen Communist rule. An independent-oriented Taiwan would divert Beijing from these goals, slowing down economic advancement and deepening political instability. Finally, Beijing has emphasized maritime interests in its future development. Taiwan is situated at the gateway of Beijing's entry into the eastern Pacific. Should Taiwan become an independent sovereign state or become closely allied with foreign powers, Beijing's security interests would be severely compromised, undermining its position as a strong regional power.

Beijing's worries were enhanced by Taipei's seeking a separate identity in the international community through its campaign for United Nations membership and its pursuit for expanded diplomatic relations. Between July and December 1995, Beijing had flexed its military muscles in the Taiwan Strait to protest against President Lee Teng-hui's private visit to the United States in June 1995. The missile tests and
combined military exercises in March 1996 further conveyed Beijing’s anxiety that Taiwan would declare independence after the presidential election. Unfortunately, Beijing achieved neither of its objectives, given the majority support for President Lee and the lack of any sign of movement away from Taipei’s current international approach. Although President Lee has somewhat softened his approach to Beijing and initiated flexible policies to de-escalate cross strait tensions, the Beijing leadership has not responded positively to these developments.

MILITARY COMPETITION IN THE STRAIT: ASSESSING CHINA’S CAPABILITIES

Beijing has thus far refrained from a permanent buildup of its forces in the areas opposite Taiwan. Troops and weapon systems were withdrawn and returned to their original units after the March exercises. Military deployments across the strait, particularly in Fujian and Guangdong provinces, have remained more or less the same. However, in a war scenario, People’s Liberation Army (PLA) forces deployed in the Nanjing Military Region (MR) would be the prime force to lead an air-sea blockade or amphibious assault on Taiwan.5

Ground Forces

Chinese ground forces in the area presently total 295,000 men, organized into three group armies, group army headquarters, forward command station (in Fujian), twelve infantry divisions, three or more tank divisions, four air defense brigades, three or more artillery divisions, and some other combat and service support troops. Comparatively speaking, the PLA forces deployed in Nanjing Military Region are not the most powerful in China. Although there has been no attempt to build up force capabilities or firepower in the Nanjing Military Region since Taiwan started peaceful exchanges with the PRC in 1987, they could be strengthened at any time in the event of a renewal of tension. Military tests launched from August 1995 to March 1996 clearly demonstrated that the PLA high command can quickly assemble rapid deployment forces from various MRs to Fujian province if necessary.

Air Force

Current strength within 200 nautical miles of Taiwan comprises roughly 260 combat aircraft deployed in six main air force bases. However, the PRC also has deployed 1350 combat aircraft within 250-500 nautical miles of the Taiwan Strait (including bombers, F-6, F-7, F-8II, and Su-27 fighters and A-5 ground attack aircraft). Additional military capacity within 250 nautical miles of the Strait is available from existing dual use airports and another ten new dual use airports currently under construction. These facilities could easily accommodate up to 2000 combat aircraft in case of war. Meanwhile, China’s initial group of 26 Su-27 fighter aircraft acquired from Russia in 1992 have been deployed at WuHu airbase in Jiangxi province. The combat capability and radius of the Su-27 is far in excess of the 500 nautical mile range, and much more advanced than any fighter aircraft currently in Taiwan’s air force inventory.

Navy

About 920 various types of vessels are currently deployed in the East Sea Fleet, including Fujian. These include four destroyers, sixteen frigates, 28 Romeo-class submarines, one Kilo-class submarine, sixteen or more missile craft, and large numbers
of torpedo boats, amphibious ships, support and miscellaneous ships. The number of combat vessels in the East Sea Fleet makes it the largest in the Chinese navy. The size and capability of the East Sea Fleet has contributed to Taipei's concern about a possible amphibious assault over off shore islands from the mainland.

*Second Artillery (Strategic Missile Forces)*

Although the use of nuclear weapons by the PRC is widely considered impractical and unnecessary in a war scenario involving Taiwan, the PRC's Second Artillery force includes M-9 and M-11 short range ballistic missiles (SRBMs) in Jiangxi and Fujian province. The use of conventionally armed SRBMs and IRBMs (such as the DF-21) to attack strategic targets is also considered an alternative option, judging from the lessons of the 1995-6 Taiwan Strait exercises.

In fact, PLA forces deployed in the Nanjing Military Region and Fujian province remained unchanged at least from 1992-1995, which symbolizes the kind of military balance still being maintained by both sides of the Strait. However, the lessons of the March tension indicated that the PLA may not depend solely upon the forces deployed in Fujian province to launch an invasion or blockade. In air-sea combined exercises, the PLA mobilized several rapid reaction forces from different military regions to the exercise region; various types of fighter aircraft such as the F-8II, B-7 and Su-27 have flew long distance from airfields beyond the 250nm defense radius prescribed by Taipei and performed new tactics in their combat missions; newly acquired *Kilo*-class diesel submarines and *Han*-class nuclear attack submarines also took part in the exercises for the first time; Il-76 Candid air transporters acquired from Ukraine deployed an entire airborne regiment from Hubei province to Fujian on short notice; army helicopter gunships were dispatched from the Guangzhou Military Region to provide air cover and firepower for amphibious landing troops; the second Artillery Force deployed M-9 SRBMs in mobile launchers on the Yin-Xia (Jiangxi-Amoy) railway system; ground troops and artillery units were quickly assembled by way of newly constructed Jing-Jou (Beijing-Kowloon) railway and superhighways.6

These operations has shown that future PLA force projection capabilities in the Taiwan Strait may implement "fighting and winning high technology regional warfare" --- strategic and tactical concepts that have become a major priority in the PLA's modernization.7

Although the PLA is still not capable of launching an effective blockade or amphibious attack, it is believed by Taipei's defense officials that the PLA is equipped with the power to launch a surprise attack posing in increasing threat to Taiwan. Taipei also shows great concern over the PLA's developing an electronic warfare capability which could enforce an effective blockade of Taiwan in the future.8

Clearly, the mainland Chinese still maintain "carrot and stick" tactics in terms of unification. Political settlement of the cross strait disputes is still among the mainland's highest interests. Yet with the improvement of PLA's high technology base, one can not rule out the scenarios of surprise attack over part of Taiwan, seizing territory to facilitate an advantageous political resolution for the mainland.
ENHANCING TAIWAN’S CAPABILITIES

For Taiwan, the March crisis provided a potent reminder that the mainland would not tolerate Taipei’s efforts to become an independent sovereign state and win international recognition beyond a certain point. Yet the mainland’s belligerent actions have not discouraged Taipei’s efforts to seek “nation-building” development based on the “divided sovereignty” concept. President Lee Teng-hui offered an olive branch to Beijing in his May 1996 inauguration speech, proposing direct dialogue to settle political disputes. On the other hand, Taipei also felt that Taiwan’s defense and security position may be compromised by the PLA’s ongoing modernization and increasing capability to launch a surprise attack. The MND has proposed an increase of NT30 billion dollars (U.S.$1.1 billion) in the 1997 defense budget to enhance its counter surprise attack capability. Apart from continuous efforts to acquire advanced defense weapon systems from abroad, Taipei has systematically built its air defense, sea-control and anti-landing defense capability throughout the island and offshore islands to deter any threat of blockade or amphibious attack.

Air Defense

Taipei has constantly emphasized air defense as among the highest priorities in the ROC’s defense strategy. Maintaining a technological and personnel quality edge is the core issue in air defense modernization. On the issue of replacing aging F-5 and F-104 fighter aircraft, Taipei has undertaken the building of indigenous fighter aircraft since 1980s. The Indigenous Defense Fighter (IDF) project was carried out by the Chung-Shan Institute of Science and Technology (CSIST, a government defense R&D unit) and the Aerospace Industry Development Corporation (AIDC, a government aerospace enterprise responsible for the assembly and production of the IDF). The CSIST is responsible for developing avionics and fire control system, Tien-jian I (similar to the AM-9L Sidewinder missile) and Tien-jian II (similar to the Sparrow long range AA missile) AA missiles, and jing-long Doppler radar (a modified version of the Hughes APG-66). AIDC, in cooperation with General Dynamics, was responsible for the development of the airframe while the TFE 1042 afterburning turbo-jet was jointly developed by AIDC and the Garrett Corporation.

The first IDF fighter was rolled out in October 1989, and suffered two crashes in pre-production stage in 1991 and 1993 due to mechanical defects. The aircraft has been improved to ensure its quality and nearly 50 IDF fighters have been delivered and accepted by the ROC Air Force. Two squadrons of IDF have been formed and stationed at Chin Chuan Kang Air Force since 1995. The original production plan for the IDF fighter was 350 aircraft by the end of 1998. However, the total number of IDF has been reduced to 130 as a result of the announced sale of 60 French Mirage 2000-5 and 150 U.S. F-16 fighters to Taipei in 1992. The IDF, though its combat radius is limited, is considered much superior to the mainland’s F-8II when equipped with Tien-jian 1 and II air-to-air (AA) missiles. To a certain extent it is also competitive in terms of confronting the mainland’s newly acquired Su-27s. More important, the IDF project has established a self-reliant aircraft logistic support system, giving the IDF a distinctive role in air defense in case logistical support for the Mirage 2000-5 and F-16 were cut off during wartime. Nonetheless, the decision to sell the Mirage and the F-16 to Taipei was a vitally important advancement in supplementing ROC’s air defense. The Mirage 2000-5s and F-16s could fill the gap of ground support and beyond visual range interception in
Anti-Landing Modernization Programs

In anti-landing capabilities emphasis has been placed on the continuous development of ground and air fire support assets, mobility, construction of pre-positioned tank emplacements, deployment of new SAM and SSM systems both on Taiwan and on the off-shore islands to deter a PRC landing should air-defense and sea-control measures fail.

The army's task is to engage an invading force beyond the coast, on the shores or inland should the sea defenses fail. The army has approximately 260,000 men and is regarded as one of the most highly trained and best equipped ground forces in the Western Pacific. The command structure has undergone streamlining since 1989. Redundant personnel are being discharged and emphasis has been placed on mobility and fire power.

The Yung Hu (Brave Tiger) program completed in April 1993 upgraded Taiwan's 450 M-48 main battle tanks. The program is based on the U.S.-supplied M60 A3 chassis and an indigenous-designed turret which houses an L7/M68 105mm tank gun. Other features include the Texas Instruments laser range finder, a CSIST-developed tank thermal sight, ballistic computer, and fire control system. The new hybrid tanks are now in service with two mechanized divisions. However, the M-48H Yung Hu tanks are still insufficient to cope with night fighting requirements. In 1995 the U.S. government agreed to sell 160 M-60A3 tanks to the ROC. Eighty M-60A3s have been delivered to the army by April 1996, and the rest due to be delivered by the end of this year. The army has requested an additional 300 M-60A3s to be deployed in two mechanized divisions. The M-48Hs could be in service with the marine corps.

In late 1992, the U.S. government agreed to sell 42 AH-1W Cobra and 26 OH-58D Kiowa helicopters to Taiwan. These helicopters are the backbone of newly formed gunship units. These AH-1Ws and OH-58Ds have been shipped to Taiwan and since becoming operational since early 1995, the army's firepower has been greatly enhanced.

Perhaps the most impressive improvements in anti-landing capabilities are the sale of billions of dollars of advanced communication systems and helicopter trainers, and man-portable Stinger SAM systems by the U.S. government. These and other newly acquired advanced ground force weapon systems symbolize the accelerated building of a highly mobile/heavy fire power rapid deployment unit in the army to cope with the scenario of surprise attack.

In all, ROC's effort in consolidating its defense posture has ensured its capability to deter the possible mainland's use of force against Taiwan. Furthermore, sufficient defense capability will also serve as strong political assets in any forthcoming cross-strait interaction.

FUTURE OPPORTUNITIES AND CONSTRAINTS

Perhaps the biggest lesson from the March 1996 crisis is the delicacy and volatility of the relationship between Beijing and Taipei. Both sides have learned that a major clash is likely unless the status quo is managed with utmost care and sensitivity. However, there is no guarantee that rationality and restraint will always prevail and be
exercised by both sides, unless a workable mechanism is developed quickly to assist dialogue, while recognizing each other’s dynamic interests and security concerns.

The opportunity for maintaining peace and security in the Taiwan Strait lies in whether both sides learn to live with the existing situation over a period of time, even though their formal positions are incompatible. Assuming that a political resolution of the unification issue is the utmost interest for both sides, therefore, some types of tension de-escalation measures and mechanisms must be fostered to deal with a possible future crisis. Some traces of confidence building and transparency in terms de-escalating tensions were evident throughout the March 1996 crisis period; these suggest the possibility of controlling the potential risks.

--- During the high point of the of mainland’s missile tests, special envoys were sent by Beijing and Taipei to Washington DC and New York to conduct separate bilateral dialogues with different U.S. policy makers. Such an experience, with the U.S. serving as the host of indirect “preventive diplomacy”, provided an opportunity of confidence building in terms of understanding each other’s intentions and tolerance limits. This process could be repeated should another potential crisis arise in the future. Although the U.S. may not play the role of unification “match maker”, it could play an important role in cross strait conflict resolution.

--- There was also certain degree of transparency in the March exercises. Like the experience of Gulf War crisis in 1991, media reports and coverage facilitated widespread knowledge of the scope scale of the military maneuvers.

In addition, the PLA seldom adopted ECM and ECCM to deter surveillance or intelligence gathering activities by Taipei, Washington, and other neighboring countries. Following the exercises, many international academic conferences were held to discuss Taiwan Strait security. Scholars and even officials from both sides participated in discussions and exchanges on the military and security situation in the Strait. Such a mechanism does provide some transparency in the Taiwan Strait military situation, and to some extent helps both sides in exercising self restraint.

The biggest constraint in terms of managing Taiwan Strait peace and security, however, is political uncertainty on both sides of the Strait. Mainland China is facing a critical stage in the political succession to Deng Xiaoping. The political future of more moderate leaders such as Jiang Zemin, though strengthened at the Fifteenth Party Congress, is not guaranteed. Jiang’s power is also limited in current collective decision making mechanism, with Li Peng in particular sharing responsibility for day to day decisions. Although the PLA is still under party control and continues to abide by party decisions, hawkish opinions and attitudes towards the Taiwan issue are still widely expressed by a PLA faction as well as by a political faction. Despite repeated claims by Beijing, there is no guarantee that unification under “one country, two systems” policy will be maintained indefinitely in the post-Deng Xiaoping era. But the results from the 15th Chinese Communist Party Congress indicate continuity in the mainland’s unification policy, at least in the near to medium-term.

Dynamic political changes in Taiwan also inject a great deal of uncertainty over the unification issue. President Lee and the KMT are supported by a large constituency on Taiwan in terms of Lee’s “middle way” unification approach, with emphasis on Taiwan’s interests, which Beijing has thus far dismissed entirely. President Lee’s “middle way”
unification approach is under tremendous pressure and challenge from the DPP, a pro-independence opposition party that gained more than one-third of the seats in the Legislative Yuan elections in December 1995. In addition, the "middle way" is constantly being challenged by the debate over "Chinese vs. Taiwan" identity. The New Party supports Chinese identity; the KMT echoes a moderate form of it; the DPP identifies itself as "pure Taiwanese" and pushes for complete Taiwanization. The national identity issue has already affected the result of every major election in the past two years, and it will remain decisive in future elections. Therefore, there is a time constraint for the KMT's implementation of its unification policy as well as its own political future. No one can be certain that current unification policy will be upheld when the government changes hands. The armed forces also faces a great challenge by these domestic political changes. The armed forces have pledged their loyalty to the constitution and to the ROC as well as supporting unification policy. They also make their position very clear as totally opposing Taiwan independence. The DPP, should they assume power, will not win the support of the armed forces if they declare Taiwan independence. The armed forces has already shown some anxiety and uncertainty in terms of orders given by the decision makers during the March 1996 tension, and future political controversies over unification vs. independence issues could add more pressure upon armed forces.

CONCLUSION

In all, the tension in March 1996 was political in nature rather than military. However, political miscalculation and overextension by both sides of the Taiwan Strait could escalate military tension in the region in the future. Perhaps the best way to manage peace and security in the Taiwan Strait is to have both sides putting aside incompatible political points at least temporarily, and engaging each other to make some changes and expanding the room for co-existence.

Clearly, to avoid a senseless and destructive war is in everybody's interest. Policy makers on both sides of the Taiwan Strait should be aware that the only solution to de-escalate tension is to nurture the status quo for the Taiwan Strait. The best method to avoid war is to stand firm for peace and to come up with more constructive measures to counter Beijing's misconception about a heinous "separatist conspiracy." Taiwan must convey clearly that the only way it will effectively drawn back to unity of any kind with the mainland is by attraction, not by coercion. Reunification certainly will not be peacefully conducted if either side loses its credibility in the process.

6. Author's conversation with MND officers, 20 March 1996. The informants requested that they remain anonymous.
10 One IDF fighter pilot made this remark during questioning at the hearing of the National Defense Committee of the Legislative Yuan, March 15, 1996; also see Gazette of the Legislative Yuan, 20 March 1996, p. 135.

11 Shortage of qualified advanced jet pilots and a streamlining of recruitment system was mentioned by Deputy Minister of MND, General Chao Zhi-yuan, at the National Defense Committee of Legislative Yuan on May 2, 1996. See Gazette of the Legislative Yuan, 15 March 1996, p. 118.

12 This decision was disclosed by the Ministry of the National Defense and reported by local newspapers. See Lianhe wanpao (United Evening News), 15 April 1996, p. 2.

13 Originally the French DCN shipyard planned to deliver two Kang Ding-class frigates to ROC navy at the same time. However, the delivery of the second ship was rescheduled to later in 1996. See Jane’s Defense Weekly, 20 March 1996, p. 14. The first Kang Ding class frigate arrived at the Zhao Yin Naval base on May 18, 1996, immediately undergoing fitting with weapon systems, including one OTO 76mm cannon, the Sea Chaparral SAM system, 2 Bofors 40mm anti-aircraft guns, Hsiung Feng II anti-ship missiles; and S-70C-MI ASW helicopters.


17 Author’s interview, 18 April 1996.

18 Deputy Defense Minister General Chao Zhi-yuan made these remarks when he confronted the question from Legislator Yeh Ju-lan regarding the national identity of the Armed Forces. See Gazette of the Legislative Yuan, 15 May 1996, p. 119.

19 An IDF pilot expressed his anxiety over the decisions regarding air defense in March tension as follows: "Previously, when PLA Air Force fighter aircraft took off, our fighter aircraft would be immediately scrambled and fly alongside their aircraft. Two opposite aircraft would fly side by side along the mainland coast. The Taiwan Strait was completely ours. Ever since the PLA military tests, we have withdrawn our patrol along the so called middle line of the Taiwan Strait. Yet the PLA still pushed in and launched missiles close to 12 nautical miles off the Taiwan coast. Superior commanders have ordered U.S. to stay put, and we have to obey our orders. However, our air force is not in disadvantageous position, like a chariot being stronger than a foot soldier in Chinese chess play. If we were ordered to stay put, the footsoldier would cross the river and take out the chariot." See Major X, " What country are we defending for?" Tien shia [Commonwealth]. no.179, 1 April 1996, pp.45-46.
INTRODUCTION

Taiwan's role as the catalyst for containing and changing China has become increasingly important as the European powers continue their retreat from Asia and China finds itself freer from external threats than at any time since the Opium Wars. For China's neighbors, a rising, great power China is increasingly "uncontainable" with the PLA free to redeploy its forces from the north to the south and the east. China is expanding its naval capabilities with new destroyers and frigates equipped with anti-ship and anti-aircraft missile systems. It is training marine and airborne forces in amphibious landings and has increased its naval activities in the South and East China Seas. To support its offshore claims, China has modernized its Badger B-6D and developed a new fighter bomber, the FB-7. Equipped with anti-ship missiles and protected by China's newly acquired long-rang Su-27 fighters, the B-6D and, prospectively, the FB-7, give China a maritime strike capability with the range to cover most of the South and East China Seas. China's acquisition of Su-27 Flanker long range fighter aircraft (and the license to produce them) as well as long range transport aircraft, inflight refueling technology and other means to project military power, reflect a quest for improved mobility, greater lift and longer reach.\(^1\)

For the region, including Australia, evidence of Chinese expansionism is manifest in the construction of an air strip in the Paracel Islands in the South China Sea and, in 1995, a Chinese move further south to Mischief Reef in the Spratly Islands. These moves can be seen as stepping stones that facilitate a Chinese military presence in the very center of the South China Sea.\(^2\)

Finally, fears of Chinese expansionism were reinforced by Beijing's March 1996 military exercises near Taiwan. As Australia's most recent Defense White Paper stated: "over the next decade, China is likely to be the most powerful new influence on the strategic affairs of our wider region."\(^3\) It is "increasing its military capabilities, especially its maritime forces and is likely to continue to pursue its strategic objectives by a combination of diplomatic, political and economic means that are underpinned by its growing military strength."\(^4\)

These perceptions of China have awakened interest in Taiwan as a democratic market economy with strong military force. In realist terms, Taiwan is seen as a pro-Western Chinese middle power that might contain and eventually transform communism on the mainland.

CHINA-U.S. RELATIONS AND THE SECURITY OF TAIWAN

Over the next decade, the settlement of the Taiwan issue will be the PLA's most important and pressing priority. The PLA must also be prepared for the possibility of
U.S. military intervention in support of Taiwan. Taiwan's then Foreign Minister, Frederick Chien, claimed in 1991 that "if the PRC used force against Taiwan, the Taiwanese expect Washington to intervene." The Clinton Administration might prefer to be more ambiguous, but if China did threaten Taiwan, it would be bound to do something, whether a show of force with carriers sailing through the Taiwan Straits or flying in C-5 Galaxy loads of F-16s and replacement missiles.

China's largest political advantage over Taiwan was in the early 1980s, in the immediate aftermath of U.S. recognition of Beijing and derecognition of Taipei. At that time, the main American concern was containment of the Soviet Union and in that context, a strategic partnership with China was extremely useful. In June 1981, the U.S. Secretary of State, Alexander Haig, foreshadowed U.S. readiness to sell defense equipment and technology to China including the LM-2500 gas turbine naval engines that are now installed in China's newest Luhu-class destroyer. The U.S. also agreed to help modernize China's follow-on F-8 fighter. Taiwan, on the other hand, was refused permission to buy the F-16 and other modern defense equipment. On 17 August 1982, the U.S. government stated that "it intend[ed] to gradually reduce its sales of arms to Taiwan, leading over a period of time to a final resolution."

Taiwan's fortunes changed dramatically in the late 1980s, primarily because of Tiananmen and the demise of the Soviet Union. Taiwan acquired some major new weapons systems from the West. Its international prestige and influence rose in parallel with the success of its political reforms and the size of its foreign exchange reserves.

Taiwan also re-validated its security links with the U.S., the strongest opponent of mainland China and the world's leading military power. The new relationship that emerged between the U.S. - or at least the U.S. Congress - and Taiwan led to President Lee Teng-hui's unofficial visit to New York in June 1995. There were also other indications that Lee Teng-hui was thinking more and more about a "one China, one Taiwan" solution to Taipei's "one China" dispute with Beijing.

CHINA'S CAPABILITIES

Bearing in mind the difficulties of estimating trends in China-U.S. relations or the future of China over the next five years, not to speak of 10 to 20 years and beyond, what can China do about Taiwan? In military terms, the short answer is, not very much. It can posture and threaten and it can try to intimidate. It can conduct military exercises designed to demonstrate that it has the capability and resolve to threaten or attack Taiwan, if necessary, by:

a. A blockade;
b. An attack on one or more of the offshore islands;
c. An invasion;
d. The "something else" option.

Rational decision makers, however, would conclude that China is unable to invade Taiwan. An invasion would run headlong into Taiwan's strong suit of layered shore based coastal defenses, an effective airforce and the Asian region's third most powerful navy. China lacks the air power and the modern warships and submarines needed to support a successful assault against Taiwan. It could not be sure of establishing air supremacy over the Taiwan Straits. China's amphibious lift capability, meanwhile, is
not more than about 10,000. Of course, as the Falklands war demonstrated, cargo and container ships can be commandeered and China could draw on a large fleet of fishing boats. It also has large numbers of civil airliners—if it could secure a place to land them on Taiwan.

By the year 2000, China will still not have the amphibious capability that it needs to lift the several hundred thousand troops required for an orthodox invasion of Taiwan. Strategic planners in the PLA, therefore, have discounted a massive seaborne invasion of Taiwan’s west coast for the foreseeable future as impractical, too costly, too predictable and potentially suicidal. As General John Shalikashvili, then Chairman of the U.S. Joint Chiefs of Staff observed, China has "no capacity to invade Taiwan."

Nor is an attack against one of the off-shore islands a viable option for the PLA. Quemoy is defended by 40-50,000 troops while there are perhaps 25,000 on Matsu. They have enough supplies and ammunition to hold out for a year or more and they are well entrenched with concrete-reinforced tunnels, underground shelters and interconnected strong points that have been strengthened continuously for the last fifty years. The effort required to root out these forces would absorb too much of China’s energy and would prove to be a long and costly diversion from the main priority, that is, the concentration of force against the Kuomintang’s seat of government in Taipei.

Beijing, however, cannot admit that it does not have the capacity to use force against Taiwan. Rather, it has to convince audiences, at home and abroad, that it really does have a capability to threaten Taiwan. It tried to demonstrate this capability in the military exercises conducted in the Taiwan Strait in 1995, culminating the big exercise of March 1996. The exercises pleased the PLA high command. The fact remains, however, that China is still a long way away from being able to mount a successful assault against Taiwan or one of the offshore islands.

Indeed, Taiwan’s security analysts were reassured by what they observed during the recent PLA exercise in the Taiwan Straits. Apart from uncertainty about when and from where China would fire its missiles, the March 1996 exercise was conducted according to predictable script—the equipment, maneuvers and capabilities displayed held no surprises for defense analysts in Taipei. The Luhua and Jiangwei, China’s most modern warships “looked good” but both remain very vulnerable to attack by air launched weapons, such as the Hsiung Feng (Male Bee) II carried by the IDF and the AT3 Tzu-Chung, or the sea-launched version of the Hsiung Feng I and II that are on board of most of Taiwan’s surface fleet.

The PLA’s weaknesses include an absence of training in large scale joint service operations, especially in scenarios where there is a rapidly changing battlefield environment; a lack of early warning and airborne command and control systems aircraft and shortcomings in pilot training. Of particular importance is the gap between China’s military electronics and that of the West, and by extension, Taiwan. At present, China is at least fifteen years behind the West and will still be at least 5-10 years behind in the year 2010.

After the March 1996 exercises in the Taiwan Straits, the PLA’s Jiefangjun Bao called for an urgent upgrading of China’s airforce. It said China faced “serious challenges” because Taiwan was “unceasingly developing its air strength and making the strategic air situation around China more complicated.” China, therefore, needed airborne early
warning systems and "high-tech electronic combat systems." The PLA is also plagued by logistic and maintenance problems.

In 1993, the first of the Su-27s were delivered to China’s Wuhu airforce base in Anhui Province, Nanjing Military Region, adjacent to Taiwan. However, these fighters and their Chinese pilots only became operational in 1995. Even then, according to a Taiwanese airforce officer, many of the Su-27s remain non-operational because of poor maintenance and logistic support.19

In a U.S. government assessment of the PLA, Joseph Nye, then Assistant Secretary of Defense, and then Assistant Secretary of State, Winston Lord, stated at U.S. Congressional hearings that it was premature to talk about China as a superpower now or in the future. They said that China’s military expenditure had gone up - it had trebled since 1989, but with inflation taking into account, real defense expenditure had probably gone up about 40% over the last seven years. Most of this however, has been absorbed by improvements to salary and working conditions.20 Moreover, China’s military modernization had started from "a low base" so "it had an awful long way to go" in terms of the kind of precision firepower and battlefield dominance that had been displayed by the U.S. in Desert Storm, or that was entering into service in Taiwan. Emphasizing this point, Nye said Desert Storm showed that the PLA’s military technology was not just obsolete - it was hopelessly obsolete.21

Such technology-based judgments may be too dismissive of the non-military elements in PLA planning such as retaining the initiative, the use of surprise and deception, the element of uncertainty, the mainland’s advantages in terms of geography and proximity and its variety of weapon systems, and the knowledge that in the long term, the economic and strategic circumstances favor China. Nonetheless, uncertainty about how the PLA would cope with a modern technological war and the heavy economic, military and diplomatic costs of an attack on Taiwan must and, indeed, does deter the PLA.

With exception of 50 or so Su-27s acquired since 1992, China’s airforce consists almost entirely of 1950s Soviet-designed aircraft that were modified and produced in China in the 1960s and 1970s. China’s airforce, according to a 1995 RAND study, does not constitute a credible offensive threat against the U.S. or its Asian allies, and this situation will not change dramatically over the next decade.22 If anything, concluded the RAND report, China’s airforce capabilities relative to most of its potential rivals, will diminish over the next ten years.23

But as China develops its fighter force modernization with more Su-27s, the FB-7 and the F-10 fighter (comparable to the F-16)24, the proportion of relatively modern fighter aircraft is likely to grow to around 25 percent by 2000-2005.25 However, China is still not likely to emerge as a "formidable player in the global balance of power over the next decade" or even "a number of decades", according to Nye.26 He said China’s airforce modernization had to be put into context, endorsing the conclusions in the RAND study on the PLA airforce. Looking ahead five to ten years, the number of relatively modern Chinese fighter aircraft (Su-27s and possibly the F-10) will still lag well behind the 20 Mirage 2000-5s and 130 IDEFs available to Taiwan by 1996-1998. And China’s air-to-air missile capabilities are also likely to remain inferior to Taiwan’s.

Despite the purchase of the Su-27 aircraft and several Kilo-class submarines from Russia, the acquisition of a few new weapons systems does not automatically translate
into a "power projection capability." As in the past, China's defense industries will likely continue to require time, even decades to digest and adapt new defense equipment and technology, and then not always successfully.

Blueprints for the Rolls Royce Spey jet engine, for example, were acquired in the mid-1970s but it has taken two decades for the engine to be built into the FB-7 (also known as the B-7, a fighter bomber similar to the Su-24 Fencer). Similarly, the indigenously designed Chinese F-10 fighter aircraft (actually derived from Israel's Lavi, which in turn was modeled on the F-16) is not expected to be operational until the year 2000 at the earliest. The air-to-air refueling technology that China has sought since the early 1980s has yet to become operational. And most of the weapons systems on China's most modern warships--the Luhu and Jiangwei--are derived from copies of Soviet technology from 1960s or used in the West in the 1970s. The Chinese C-801 ASM, for example, is modeled on the Soviet SS-N-2 Styx and the French Exocet while the short range HQ-61 SAM (with a range of 18km) is copied from an early model Sparrow AAM. Furthermore, production of China's best warships is proceeding at a snail's pace, probably because of the problems integrating so many different systems and in the case of the Luhu, because stocks of the LM-2500 gas turbine engine acquired prior to Tiananmen have been exhausted. Even with licensed production of the Su-27, it will still take China at least a 7-10 years to produce its own aircraft.

In his testimony, Nye said that "the current pace of PLA modernization of its 1950s and 1960s vintage equipment with more modern equipment would take years." The U.S. view, he said was that "China will not significantly increase its power projection capability in the near term," i.e., for at least 10 years. One might safely conclude therefore, that for the foreseeable future, China will not be in a position to use force successfully against Taiwan. Nonetheless there are other possible options.

NEAR TERM: THE BLOCKADE OPTION

China's near term aim is to develop the capability to enforce a blockade of Taiwan. It is an option that has been referred to by several mainland leaders and it is the mainland strategy that Taipei's military planners profess to fear the most. Taiwan's former Chief of Staff, Hau Pei-tsun, said that of the various war options open to China, the most likely was a blockade of the Straits. It would be a relatively low risk, low cost deniable operation that would exert maximum pressure without damaging the island's infrastructure. It is the option that figures highest in shaping Taiwan's present maritime force structure because of the mere manifestation of a threat of mines and/or submarines would undermine Taiwan's trading links with the rest of the world. Even though Taiwan has reduced its dependence on imported energy by developing nuclear power stations, it still imports 90 percent of its primary energy and depends on imported grain, soybeans and other foodstuffs. As then Chief of Staff, Admiral Liu Houchien observed, the sea lanes and their connections the rest of the world through Kaohsiung and Keelung are Taiwan's critical life lines.

A large percentage of Taiwan's expert and import trade is handled by Kaohsiung and Keelung. Almost 75% of Taiwan's fuel requirements are imported through Kaohsiung, which is also the location for most of Taiwan's oil refineries. Kaohsiung is the second busiest container shipping outlet in Asia with Taiwan's Keelung Harbour in third place. If Kaohsiung and Keelung were closed, Taiwan could be crippled within a few months, a possibility symbolized the M-9 missiles that were fired into the sea 36 km northeast of Keelung and 54 km southwest of Kaohsiung in March 1996. However,
while Chinese ballistic missiles can be used to attack port facilities or threaten ships tied up in port, they are unable to target moving ships and are not suitable for blockading a port, per se. China, however, has plentiful stocks of cheap and effective mines that could be used to blockade ports and disrupt shipping. They would minimize the risk of warfighting for the PLA and would cause minimal disruption to Taiwan’s industrial assets. Mines could be laid by a variety of means including the old technology Romeo and Ming-class submarines, each of which carry up to 32 mines. Kilos can carry 36. Mines could be air-dropped by B-5 and B-6 bombers and because the waters near Keelung and Kaohsiung are fairly shallow, they could also be laid on the bottom by motorized junks and fishing boats. Kaohsiung, in particular, is vulnerable to mine warfare because of its limited access to the open sea. Taiwan has been building or buying additional minesweepers counter this threat. In March 1995, it commissioned four Aggressive-class minesweepers that had been used by the U.S. Navy in the Persian Gulf before being upgraded and sold to Taiwan.

A mine blockade of key ports like Kaohsiung, Keelung and Taichung could be supplemented by the threat of submarines. The 15-20 conventional submarines that are operational would be sufficient, since China could announce that it was going to deploy just one of its SSNs (as the United Kingdom did with dramatic effect during the Falklands war). However, if it were to use its submarines, China would need to take account of Taiwan’s increasingly impressive ASW capabilities including up to 12 Knox-class ASW frigates, 2 Zwaardvis-class SSks, up to 20 refurbished Grumman S-2T Tracker ASW and maritime reconnaissance aircraft and various shipborne and shore-based ASW helicopters, including the potent S-70C Seahawk. Chinese subs, even the SSNs, are slow and noisy and of the 20 or so Chinese submarines that are operational, only the Kilos are regarded as being any good. Taiwan, moreover, is taking delivery of 6 advanced Lafayette frigates (3,500 tons), widely regarded as one of the most potent small ASW ships in the world. China’s submarines might be able to lay a few mines and might be able to disrupt some of Taiwan’s shipping. They might also be able to sink some of Taiwan’s surface fleet but the cost could be the loss of most of the PLA’s fleet of operational submarines.

To mount a blockade with a chance of being successful, China needs increased numbers of more modern submarines and better at-sea support. So far, it has received two of four modern Kilos it has ordered from Russia. In the near term, i.e., out to five years, it is unlikely to have the numbers or the quality of submarines or the air umbrella it needs to be able to maintain and enforce an effective submarine blockade.

By the year 2005-2010 however, China may have developed a submerged launch version of the C-801 anti-ship cruise missile (range 20-30 nm, speed Mach 0.9). It could have perhaps ten to sixteen Kilos and the indigenous built Song-class submarine, and by 2010, possibly one or two of the new Type 093 SSNs. In addition, China might have a handful (perhaps three or four) operational SSBNs of the new Type 094. These new submarines will benefit enormously from Russian quieting technologies and weapons systems such as the 53-65KE anti-ship wake homing torpedo (range 20 km, speed 45kts); the TEST-71ME ASW acoustic homing torpedo (range 20 km, speed 20 kts) and propelled warhead mines.

THE MEDIUM TERM: THE “SOMETHING ELSE” OPTION

China’s medium term strategy is to coerce Taiwan to the negotiating table and for that the most effective and economical option is the one foreshadowed during the 1995
and 1996 missile tests in the Taiwan Straits. This is the "something else" option - i.e., not a blockade and not an invasion but the threat of disabling strikes by short range ballistic missiles like the M-9 (range 400-600 km) and M-11 (range 300 km). The aim of the missile option is to prepare the way for China to gain air supremacy over the Taiwan Strait.

China's airforce (assuming that all its aircraft are operational) has a numerical superiority over Taiwan. But its lack of modern aircraft vis-à-vis Taiwan will persist for the near to medium term. By the year 2000, Taiwan will probably have two or perhaps three times as many modern fighter aircraft as the mainland. Incoming enemy aircraft would also encounter an integrated network of early warning phased array surveillance radar and layered missile defenses, including the Tien Kung (Sky Bow) II that can target hostile aircraft as they take off from airfields on the mainland coast.

Also, China's ability to concentrate large numbers of fighter and bomber aircraft against Taiwan is still constrained by the limited capacity of airfields in Fujian and Guangdong. China is building more airfields in Nanjing Military Region in areas adjacent to Taiwan such as Shantou, Zhengzhou and Fuzhou, but they can still only accommodate about 1200 aircraft. Some estimates suggest PLA could only dispatch waves of 200 or so aircraft against Taiwan at any one time. In fact, the numbers are likely to be even less because the PLA does not have the airborne assets or the landbased facilities to coordinate complicated offensive operations using large concentrations of fighter aircraft in a small air space. Limited numbers of aircraft from the mainland would thus be a risk of piecemeal destruction by Taiwan's better trained pilots and their more modern fighters.

Assuming a loss ration of 10:1 (as during the Korean War), or 16:1 (as during the 1958 Taiwan Straits crisis), then China would lose most of its airforce either to Taiwan's airforce or to its layered SAM defenses. Many analysts believe China might eventually prevail through sheer weight of numbers, but the rate of attrition would destroy a large percentage of China's airforce. While Taiwan would use and lose many of aircraft and missiles, it could be resupplied from the U.S. - provided there was a safe air-sea corridor into Taiwan.

More important, however, Taiwan's battlefield information technology--i.e., its command, control, communications, computers and intelligence (C^4I)--is one of the most sophisticated in the world and certainly superior to anything likely to be possessed by China in the near or medium term. Taiwan thus has a very good chance of gaining the critical advantage of what has been called dominant battlefield awareness. That is, Taiwan is better able than China to collect, correlate, coordinate and process battlefield information over a wide area and send it back to the shooters. In this regard, it can also count on the support of the U.S. intelligence community, including access to the all-revealing intelligence derived from satellite imagery. In other words, as Israel has demonstrated, small states can best much larger neighbors - especially if supported by a superpower like the United States. And as the Iran-Iraq war demonstrated, simple force-ratio comparisons are an uncertain measure of military strength. Sheer mass, whether in terms of weapons of manpower, is no substitute for military professionalism, clever battle management, superior technology, effective organization and good C^4I.

Meanwhile, any mainland attempt at establishing a beachhead would still have to deal with Taiwan's navy, including its fleet of fifty fast, lethal and hard-to-hit Hsiung Feng I-equipped Hai Ou FABs (Fast Attack Boats). If Taiwan's seabore defenses are
breached, there is still a formidable shore-based missile defense network that is being constantly upgraded with some of the best American technology. Raytheon Corporation, for example, is helping modernize Taiwan’s land-based air defenses, including the updating of the Hawk, the supply of Patriot missile systems and the procurement of the AIM-120 advanced medium range air-to-air missile that Taiwan’s airforce badly needs.\(^{47}\) Taiwan also has its own well-developed defense industries that can produce an array of very good anti-aircraft, anti-ship and air-to air missile systems.\(^{48}\) Any gaps that remain are being filled by imported systems, such as the Stinger and Mistral man-portable air defense systems (MANPADS).

The PLA’s priority, therefore, is to develop cost-efficient and effective ways to neutralize the Taiwanese airforce, its anti-aircraft missile defenses and its chain of radar stations in Taiwan, the Pescadores, Pratas, Quemoy, Matsu and Tug-Yin islands. Because Taiwan lacks an effective anti-missile defense, the PLA might be able to achieve this objective by pounding Taiwan with missiles armed with high explosive warheads - provided it has sufficient stocks available.\(^{49}\)

China has mobile M-9 (CCS-6) and will soon have M-11 (CCS-7) short range ballistic missiles; the Dongfeng-3 and 4 (DF-3 and DF-4 or CSS-2 and CSS-3) intermediate range ballistic missiles; and the mobile Dongfeng-21 (range 1,800 km, payload 600kg) and the Dongfeng-25 (range 1,700 km, payload 2000 kg).\(^{50}\) The M-9 for example, with a payload of 500 kg of high explosive and a terminal speed in excess of Mach 6, would cause enormous damage. And, if the accuracy of these missiles can be improved with GPS (global positioning system) and possibly a terminal guidance radar - a very long term prospect for ballistic missiles - then they could also pose a serious threat to aircraft carriers or other large ships that come within range.\(^{51}\)

Another advantage to the PLA in using missiles is that they can be concentrated and launched with little prior warning. Provided it had enough missiles, the PLA could disable Taiwan’s defenses, especially its airforce by destroying runways, radar sites and other key facilities. Missiles could also be used against targets of strategic significance, such as the road and rail links connecting north, south and central Taiwan and microwave and coaxial communications links between Taipei and its subordinate military facilities.

A priority target for the PLA would be the strategically important air base at Chia-shan.\(^{52}\) With underground power generators, a microwave landing system to facilitate multiple landing and takeoffs and several months supply of food, fuel and military stores, the base can protect and support the operations of up to 200 fighter aircraft, or about on third of the Taiwanese airforce.\(^{53}\) This sanctuary for Taiwan’s fighter aircraft, built into mountainous terrain over a seven year period, has underground sanctuaries protected by hardened bomb-proof doors that can withstand the shock of all but a direct hit. The base is located in the valleys on the eastern side of the Chung Yang Shan Mo (Central Mountains), which rise to 3000 meters.

However, because of the distance from the mainland and the trajectories involved, the base would be very difficult to hit with missiles fired from the mainland. As well as missiles, therefore, China would have to develop the capability to fire air, sea, or submarine-launched cruise missiles form Taiwan’s northeast.\(^{54}\) China could acquire such capabilities in five to ten years. By 2010, for example, it is expected to have accurate, 1500 km range, land attack cruise missiles (similar to the Tomahawk). Still, cruise missiles are no guarantee that Taiwanese bases could be disabled or knocked out,
as the U.S. experience with Iraq has shown. But if China acquired Tu-22Ms armed with long-range ALCMs, or a carrier or two, then that might suffice to make the point to Taipei.\(^55\)

Another priority target for China is Taiwan’s Combat Air Command and Control Center at Kung Kuan, near the National Taiwan University, Taipei. Its destruction would eliminate the high-speed digital computers that coordinate the multiple interception of hostile aircraft and ships and control and direct Taiwan’s layered missile defenses. Other targets would include the Combined Operations Center at Yuanshan, near Taipei and the Communications Centre at Lungtan near Hsinchu connecting Taiwan’s Army Headquarters with its subordinate commands.

If China successfully destroyed Taiwan’s central command and control nodes and radar and missile defenses, even for a brief period, it could launch attacks against other facilities using air-launched C-601 and C-801 cruise missiles fired by old but still lethal B-6D bombers, the new FB-7 and air-refueled A-5 ground attack fighter bombers. While vulnerable, these aircraft could be protected from any remaining Taiwanese fighters by Su-27s, F-10s and F-8Is armed with long range Alamo air-to-air missiles.\(^56\)

China would have to follow-up almost immediately in order to prevent the repair of the Chia-shan runways and the unleashing of Taiwanese fighter aircraft that the Nationalists will have tried to preserve in underground shelters.\(^57\) The PLA would not aim for a massive seaborne assault in the first instance. Instead, it would try to establish a beachhead on the Hualien-Suao-Ilan plain with the objective of seizing, repairing and using the airfield at Chia-shan or a stretch of highway that could be used for the same purpose.

Assuming that Taiwan’s airforce had been substantially neutralized, China’s 15th Airborne Army, the third largest in the world, could be air-dropped onto Hualien. Modeled on the U.S. 82nd Airborne Division, it is equipped with its own armored fighting vehicles, an anti-tank regiment, MRLs and light artillery. The aim of a parachute assault would be to capture Chia-shan and secure the airfield.\(^58\)

The PLA has been practicing airborne commando-type operations since the late 1980s, including during the March 1996 exercises. Mainland publications have shown airborne forces landing in mountain and urban areas and onto beaches.\(^59\) China has been acquiring long range troop transports from Russia such as the II-76 Candid which can carry 125 fully equipped paratroops. As well as a growing number of II-76s - prospectively 50 or 60 by year 2000 - China has numerous other troop transports such as the Tu-154 Careless (carries 120), An-24 Cubs, An-26 Curls and over 500 helicopters. Once an airfield on Taiwan is secured, the PLA could establish a base for airlifting reinforcements from Nanjing and Guangdong Military Regions. It could use China United Airlines - the PLA’s own airline - as well as China’s huge fleet of Boeing and other passenger aircraft.\(^60\) Airfields in Nanjing Military Region, after all, are no more than ten minutes flying time from Taiwan’s east coast airfields.

The attraction of an airborne assault is that it could be launched with little prior indication of a build up of forces in the coastal regions of China’s southern provinces of Fujian and Guangdong. Meanwhile, Taiwanese defense planners expect to get plenty of warning for a PLA buildup for a Normandy-style assault against Taiwan’s heavily defended west coast. Such an attack would take several months of preparation and
there would be huge, easily observed disruptions to transport facilities in Nanjing Military Region. These characteristics make it an unlikely option.

The next step would be a move against Taipei to the north with a continuing barrage of missiles at remaining Taiwanese defense facilities. This is not a likely scenario, but it is a possibility if China builds up the accuracy and the stocks of its short range missiles. The accuracy problem will require a huge leap in China’s technology while the numbers required to maintain an ongoing barrage over some weeks would be very expensive.

The problem for China is what can it do next (assuming that it wants to do more). It would still have to establish a beachhead to land more troops near Hualien, which means it would still have to get across the Taiwan Straits and run the gauntlet of Taiwan’s F-16s and any F-16s that have been re-supplied to Taiwan by the U.S. And of course, there would be the risk of intervention by U.S. warships.

OUTLOOK

Clearly, the trend in the PLA will be for smaller, more mobile forces; fewer but better fighter aircraft and submarines; more long range transport aircraft; air-to-air refueling; improved command and control and communications and, in the longer term, use of computerized battlefield information systems. China’s air defenses will improve and it will develop a range of more accurate and more capable missiles. There will be improvements to China’s logistics support, especially at-sea replenishment. The overall proficiency of the PLA will improve with more realistic joint service training. But in the near to medium term, China will still not have the capability to be sure that it can, without undue cost and risk, blockade or invade Taiwan, or even safely consider the something else option.

VARIABLES

China’s defense modernization over the next decade or so, and its impact on the security to Taiwan, is likely to be significantly influenced by a range of variables as discussed below.

Russian military technology

The significance of Russian technology for China’s defense modernization, and hence for the security of Taiwan, will depend on what Russia is prepared to sell to China. In many respects, China and Russia are natural partners in military technology cooperation. A generation of Chinese specialists in the military industrial sector have been brought up on Russian technology with most of the PLA’s equipment, especially in the airforce, Russian-designed.

Russia and China signed a five year military cooperation pact in 1993 that could give China access to advanced Russian military technologies relating to nuclear submarine propulsion; underwater missile launchers; muffling technology for diesel submarines; technology for improving the range and accuracy of ICBMs; triggering devices for nuclear weapons; and solid rocket fuel and mobile ICBMs.
The new strategic relationship between Russia and China was formalized with Russian President Boris Yeltsin’s visit to Beijing in April 1996. Yeltsin and Chinese President Jiang Zemin signed a Treaty on Confidence Building Measures in the Military Field, the first accord on common security and non-aggression to be signed in the Asia-Pacific region since World War II.

The Yeltsin visit confirmed Russia’s position as China’s largest supplier of modern military technology. As former Russian Defense Minister Pavel Grachev observed, China was one of Russia’s leading partners in the military-technical area and military cooperation between Moscow and Beijing “served to promote trust and understanding between the two countries.”

A few months earlier, Russia had agreed to sell to China the right to licensed production of the Su-27 fighter aircraft. China had previously wanted to obtain a license to produce its own Su-27 aircraft but until 1995, the Russians preferred to sell aircraft rather than the blueprints on how to make them. By December 1995, China and Russia reached a package agreement: China would buy a second batch of 24 Su-27 aircraft plus the license and the technology to start producing its own Su-27s at the Shenyang Aircraft Factory in northeast China. This deal, worth $US2 billion, together with the $US1.5 billion that China spent on its first 26 Su-27s, means China has spent a total of about $US5.5 billion for its Su-27 technology. This compares nicely with Taiwan’s much more expensive $US66 billion contract signed with General Dynamics in 1992 for 150 F-16 fighter aircraft.

As far as Russia is concerned, the Su-27 is already dated technology and Russia has moved on to the next generation of fighter aircraft (the Su-25). From the Russian viewpoint, even with licensed production, the balance of power in the Asia-Pacific region will not be destabilized because China will still require several years, if not a decade to start producing the Su-27 in any quantity. Moreover, it will still depend on Russia’s readiness to supply the Su-27’s AL-31FM engine and for spare parts and technical assistance in critical technologies, especially electronics, design and engineering, as well as the machine tools and production facilities to assemble the aircraft.

China, in other words, is likely to narrow the gap with Taiwan over the next decade, but it will still have a relatively weak airforce by comparison. Taiwan’s indigenously produced Ching-Kuo fighters are armed with the Taiwanese-designed Tien Chien II (Sky Sword) active medium to long range (80 km) air-to-air missile; the Mirage is equipped with the MICA active medium to long range (80 km) AAM. By comparison, the Su-27’s AA-10 Alamo medium range semi-active air-to-air missile has a shorter range (60km) and an inferior seeker. Furthermore, Taiwan has larger stocks of AAMs with, for example, 1440 MICA AAMs and as many Tien Chien (Sky Sword) IIs as it wants to produce whereas China has only about 300 or so Alamos for its 50 or so Su-27s, i.e., one set of six missiles for each aircraft.

China has also sought to buy a dozen long range Tu-22 Backfire bombers. This proposal was blocked by Russia’s Foreign Ministry on the grounds that it would introduce a new and potentially destabilizing offensive weapons capability into the Asia-Pacific region. Russia has been prepared to sell China Kilo-class submarines, Su-27s and S-300 (SA-10 Grumble) anti-missile systems and II-76 Candid long range transport aircraft because, in the Russian view, these are essentially defensive systems. Such equipment, however, can be easily used in offensive operations. Each II-76 transport can
carry up to 125 fully equipped paratroops; the Kilos can be used to blockade ports and interdict shipping; the SA-10 can be used to protect China's airfields and the Su-27s give China a platform for covering most of the East and South China Seas, including Taiwan and the Spratly Islands.

China may purchase a few larger cruiser-size Russian warships like the general purpose Sovremenny-class DDG (7,300 tons) and the impressive ASW capable Udaloy-class DDG destroyer (8,900 tons). But the trend seems to be away from surface vessels towards the construction of a modern fleet of nuclear powered submarines—"the chief objective of the remainder of this century," according to Admiral Zhang Lianzhong, then Commander of the PLA Navy.

As far as Taiwan is concerned, the test will be if Russia sells China equipment like the SA-N-6 (range 160 km, the maritime version of the very potent SA-10), and missile guidance systems (such as A eros) for the M-9 and M-11 or Tomahawk-type cruise missiles; the A-50 Mainstay AWAC and AA-X-12 Adder AAMs (an active homing air-to-air missile close to being the best in the world). It is difficult, however, to conceive of Russia arming its largest neighbor with its latest technology, or technology which could be turned against the seller.

**Developments in Taiwan**

With or without Russian inputs, China's defense modernization is not taking place in a complete vacuum. Taiwan is also modernizing its armed forces and in terms of financial resources and skills in defense technology and the applied sciences, Taiwan is better equipped for the task than China. For every leap forward in Chinese capabilities, the Taiwanese can probably match the PLA step for step. It could configure its long range Mirage 2000-5s for attacks against mainland targets. If necessary, it could resurrect the Tien Ma (Sky Horse) SRBM (range 1000 km) to strike pre-emptively at ports, airfields or missile bases on the mainland in an arc covering China's East Sea Fleet HQ in Shanghai down to the SSF HQ in Zhanjiang. And Taiwan could, if it chose, develop nuclear weapons.

**U.S. Arms Sales to Taiwan**

The military balance in the Taiwan Strait will also be determined by continued U.S. willingness to supply Taiwan with modern weapons systems and defense technology that match or counter improvements made by the PLA. In early 1992, for example, the U.S. Defense Department commenced a major review of the military balance in East Asia and its obligations to meet Taiwan's defense needs under the Taiwan Relations Act. In August 1992, the U.S. agreed to sell 150 F-16 fighter aircraft to Taiwan, a deal that the Taiwanese had denied for over a decade.

The Taiwan Relations Act, passed by the U.S. Congress in April 1979 states inter alia that it is U.S. policy "to make clear that the U.S. decisions to establish diplomatic relations with the PRC rests upon the expectation that the future of Taiwan will be determined by peaceful means; ...to consider any effort to determine the future of Taiwan by other than peaceful means...a threat to the peace and security of the Western Pacific area and of grave concern to the U.S...[and that the U.S.] will make available to Taiwan such defense articles and defense services as may be necessary to enable Taiwan to maintain a sufficient self-defense capability."
The rejuvenated Taiwan Relations Act gives Taiwan access to some of the best military technology in the world. As well as the F-16, Taiwan has been able to buy AWACs aircraft, modern minesweepers and frigates, and advanced missiles such as the long range surface-to-air SM2, the AMRAAM (Advanced Medium Range Air-to-Air Missile) and the ESM (Evolved Sea Sparrow Missile, a medium range anti-aircraft and anti-missile).70

In the near-term, Taiwan will deploy the American Patriot PAC 2 air defense system which has a 10-30 percent success rate against incoming SCUD-type missiles.71 Within two or three years, Taiwan expects to have the upgraded Patriot (PAC 3) anti-missile system that, when combined with Israel's ARROW technology, could provide Taiwan with the semblance of a TMD (Theatre Missile Defense) against a mainland ballistic missile attack.

U.S. Intervention

As well being in a position to overwhelm or bypass Taiwan's defenses, China needs to be confident that its nuclear weapons are sufficiently survivable and accurate enough to deter the U.S. from thinking about intervention. China's existing ICBM capability will continue to improve and by 2010, it may have up to 20 silo-based and mobile solid fuel MIRVed ICBMS that can target most of the world, including the United States.72 By then, China may also have improved the accuracy of its short range ballistic missiles with smart active radar. Although this will be very difficult to achieve, China may be in a better position to deter a repeat of U.S. carrier diplomacy that occurred east of Taiwan in March 1996.

Change in China and Taiwan on the 'one China' issue

An additional variable in any assessment about China's defense modernization and its impact on Taiwan is the time frame envisaged in some estimates. By 2010 or 2020, enormous political and social change, especially in China, seems inevitable. The commercial relationship between the mainland and Taiwan is likely to have become even more closely knit than it is today. Direct economic links between the two Chinas are very likely to become a fact of life with the return of Hong Kong to China in 1997. Yet while China may edge towards greater flexibility its "one China" solution to the Taiwan issue, it may still be forced to respond vigorously, i.e., resort to the use of military force if Taiwan moves too precipitously towards independence.

4 Ibid., p. 9.
5 South China Morning Post, 9 October 1991.
8 Ibid., p.129.
9 For an analysis similar to this paper, see Richard A. Bitzinger and Bates Gill, *Gearing up for High-Tech Warfare? Chinese and Taiwanese Defense Modernization and Implications for Military Confrontation Across the Taiwan Strait 1995-2005* (Washington: Center for Strategic and Budgetary Assessments, 1996).
10 *Kuang Chiao Ching*, no.283, Hong Kong, 16 April 1996; *Xinhua*, Beijing, 25 March 1996.
12 Quoted in ibid.
13 Vice Chairman of the Central Military Commission Zhang Wannian and other senior PLA officers observed the war games in the "Nanjing War Zone" between 18-25 March 1996. See *Xinhua*, Beijing, 25 March 1996.
14 Personal communication, Taiwanese academic, 20 April 1996.
15 The March 1996 exercise was the largest and most complex ever held by the PLA. China showed off its M-9 (CSS-6) short range ballistic missiles, an SA-10 air-defense missile, a Han SSN, the newly launched Song submarine, a Kilo, the new Luhu destroyer (launching a Whitehead A244 ASW torpedo), the Jiangwei frigate, the new F-8-II fighter, a few Su-27s armed with AA-10 Alamo AAMs and a B-6D firing the C-601 ASM. There were beach assaults supported by K-5 II ground attack fighters and parachute drops from an IL-76.
16 Some Chinese analysts claim China is 40 or more years behind the West (i.e., Taiwan) and will still be 15-20 years behind by 2010. See *Ming Pao*, Hong Kong, 27 June 1996, p. A10.
17 *Jiefangjun Bao*, 7 April 1996.
18 Ibid.
21 Ibid.
23 Ibid.
25 Ibid., p.29.
26 Joseph Nye, Senate Foreign Relations Subcommittee hearing, 12 October 1995.
27 Ibid.
28 See Bitzinger and Gill, *Gearing up for High-Tech Warfare?*, op cit, p. 17,21.
29 *Jane's All the World's Aircraft 1995-96*, p.64.
32 Joseph Nye, Senate Foreign Relations Subcommittee hearing, 12 October 1995.
33 The blockade option was mentioned by Deng Xiaoping and by Yao Yilin. See "A Study of Possible Communist Attacks on Taiwan," p. 58. Former Chinese Party Secretary-General Hu Yaobang said that while China did not have the strength to use military force against Taiwan, it might develop sufficient force in the 1990s and that "if we have the strength to enforce a blockade and if Taiwan vehemently opposes reunification, we shall have to consider enforcing a blockade." See *Pat Hsing* magazine, Hong Kong, 25 December 1985.
40 Ibid., p. 17.
41 Ibid., p. 27. The Song, or Wuhan C, was launched on 25 May 1994. See *Kuang Chiao Ching*, no. 283, Hong Kong, 16 April 1996.
42 *Worldwide Submarine Challenges*, pp. 11, 15, 27.
43 Personal interview with a Russian Air Force instructor, Beijing, 2 December 1995.
49 Godwin, op cit, p. 20.
51 *Kuang Chiao Ching*, no. 283, Hong Kong, 6 April 1996, pp. 22-25.
52 Taiwan's Chien An No. 3 airbase at Chia-shan, near Hualien, on the northeast coast is one of the biggest and most modern underground air bases in the Western Pacific. See Gary Klintworth, *New Taiwan, New China: Taiwan's Changing Role in the Asia-Pacific Region* (New York: St. Martins Press, 1995), p. 214.
54 Eight other underground military bases are reported to be under construction around Taiwan. See Chong-Pin Lin, "Beijing and Taipei: Dialectics in Post-Tiananmen Interactions," *The China Quarterly*, no. 136, p. 77ff.
55 By 2010, China could possibly have one or two aircraft carriers (carrying the Su-27 or the F-10) either built in China, or obtained from Spain or Russia. See *Worldwide Challenges to Naval Strike Warfare*, p. 29. However, Chinese defense specialists say that China does not need and cannot afford the luxury of large expensive platforms. Aircraft carriers are too expensive and are not a priority for China. It does not want to tie up resources developing and protecting a carrier force to compete in a field so clearly dominated by the United States. In the meantime, air-to-air refueling technology and airborne early warning aircraft offer a cheaper option for power projection in the adjacent East China Sea. An aircraft carrier, however, has prestige status and despite the cost, the PLA might find one or two hard to resist.
56 China is likely to have about 75 Su-27s by the year 2000 but, fortunately for Taiwan, it does not appear to have the long range version of the AA-10 Alamo.
57 Taiwan's airforce re-located a considerable number of fighter aircraft to caves in the Chiashan area as a contingency measure during the PLA military exercises of February-March 1996. See *Chung-kuo shih-t'ung*, 16 March 1996.
58 Former Defense Minister and Premier Hau Pei-tsun said China would not launch a massive attack against Taiwan but would use paratroopers and aerial bombardment. Quoted in *China News Agency*, Kaohsiung, 9 February 1996.

59 See for example, "Zhongguo kongjiangbing" (China's airborne force). *Jiefangjun Huaobao*, November 1995, pp. 6-17.

60 Currently, China has over 240 Boeing and 35 Airbus aircraft.


62 Defense Minister Pavel Grachev, in discussion with China's Central Military Commission Vice Chairman Liu Huaqian, quoted by Tass, Moscow, 6 December 1995. Such cooperation also fulfills Russia's basic need to earn hard currency. Despite the current arrangements, Sino-Russian distrust will never be far below the surface.

63 *Kommersant Daily*, Moscow, 7 February 1996.

64 Details on ranges of AAMs taken from *Jane's Air-Launched Weapons*, February 1996.


66 Russia is having trouble paying for the fuel to run its navy while construction on new hulls has ceased because dockworkers are not being paid.


10. HONG KONG'S STRATEGIC IMPORTANCE UNDER CHINESE SOVEREIGNTY

Tai Ming Cheung

Hong Kong has come a long way since it was dismissed as a barren rock a century and a half ago. This bastion of freewheeling capitalism today is a leading international financial, trading and communications center serving one of the world's fastest growing economic regions. But Hong Kong is also entering a period of considerable change and uncertainty following its reversion to Chinese sovereignty that is likely to have a far-reaching impact on its strategic importance and role over the coming years. As a British colony, Hong Kong was an important outpost for the West to keep an eye on China and safeguard busy sea-lanes. Under Chinese rule, the Hong Kong Special Administrative Region (SAR) will play a crucial role in boosting China's economic growth and promoting Beijing's long-term goal of reunification with Taiwan.

How China handles Hong Kong's return will have major consequences for the territory as well as for China's relations with the international community. The world will be watching very carefully whether Beijing will adhere to its international commitments of allowing the SAR to retain a high degree of autonomy. The U.S. has said that the transition will be a key issue in determining its future relations with China.

This paper will examine the strategic implications of Hong Kong's return to Chinese rule. Several key issues will be explored:

- Hong Kong's past and present strategic significance.
- The stationing of the People's Liberation Army (PLA) in Hong Kong.
- The handover and its implications for China-Taiwan relations.
- Hong Kong's economic role in supporting the strategic dimensions of China's economic development.
- The emergence of a powerful Hong Kong-Guangdong economic core.
- The international implications if Hong Kong's transition were to turn sour.

HONG KONG'S STRATEGIC SIGNIFICANCE UNDER BRITISH RULE

Hong Kong has played a central role in China's economic development and its opening up to the outside world since the late 1970s. Hong Kong companies have made huge investments in China and the territory has also been an important catalyst and conduit in the development of economic relations between China and many of its key trading partners, such as the United States, Japan, and Taiwan.

Hong Kong's role as a bridge between China and the rest of the world has been of immense strategic significance. There are various reasons for Hong Kong's international indispensability:
• **Information-gathering:** Hong Kong has been a premier information and intelligence-gathering post for Western powers on developments in China. Britain and the United States operated electronic eavesdropping stations in the territory to monitor events in China for many decades, although these facilities were moved out of Hong Kong a few years before the change of sovereignty. Hong Kong has also been a window on the world for China, especially before the mainland began to open up from the late 1970s. Numerous Chinese government-owned trading companies have used Hong Kong as a base for transshipment of goods from China.

• **Western military presence:** Hong Kong was once a potent symbol of British imperial power and influence in Asia before the Second World War. But Britain's military presence in Hong Kong declined rapidly to little more than a token presence in the past few decades. The U.S. has had a more significant military presence through regular stopovers of its warships to Hong Kong, averaging between 60 and 70 ship visits annually before 1997. These port visits have been a vivid demonstration of the U.S. security interest in Hong Kong, especially its role as an important shipping center. Following the reversion to Chinese sovereignty, U.S. warships will continue to be allowed to pay port calls to Hong Kong, although they will be reduced to between 20 to 30 visits annually.

• **Trading entrepot and shipping center:** Hong Kong is the world's eighth largest trading entity and is especially important as an entrepot for trade between China and the United States, Japan, Southeast Asia, and Taiwan. Re-exports, for example, account for more than 80% of the value of the territory's total exports. Almost of this trade is transported by sea and Hong Kong is one of the world's busiest shipping hubs. A rapidly growing proportion of cargo passing through the territory is also coming from China, especially the Pearl River Delta in neighboring Guangdong Province.

• **Technology acquisition:** Hong Kong has been an important conduit for the acquisition of advanced Western technology for China. This is because the territory was not subject to Cold War-era technology export controls placed on China and other Communist regimes by Western governments.

• **Mainland investment inflows and outflows:** Mainland Chinese companies, including military and defense-related enterprises, are increasingly using Hong Kong to raise foreign capital to finance projects in China. Hong Kong is by far the largest source of foreign direct investment in China, totaling U.S.$76 billion by the end of 1995. Mainland money is also pouring into Hong Kong, with Chinese companies investing as much as U.S.$60 billion in the territory in recent years.

• **Go-between in China-Taiwan relations:** Hong Kong has played a key role in facilitating the development of indirect trade, tourism and other relations between China and Taiwan in recent years as direct ties across the Taiwan Strait is barred by the Taiwanese authorities. Beijing has also insisted that its "one country, two systems" formula for Hong Kong's return is the model for reunification with Taiwan.

• **Funding economic growth in Southern China:** Until the early 1980s, Guangdong was a poor, backward province. But this began to change as huge amounts of foreign investment poured in from Hong Kong from the mid-1980s, leading to explosive economic growth which has transformed Guangdong into one of the country's most prosperous provinces today. With its expanding economic clout, Guangdong has backed
efforts to decentralize power from the center to the provinces, especially economic decision-making authority.

Table 1
Hong Kong's International Importance (By World Ranking)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>World Ranking</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Market</td>
<td>6th (Second in Asia)</td>
<td></td>
</tr>
<tr>
<td>GDP Per Capita</td>
<td>17th</td>
<td>HK$ 153,372</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>4th</td>
<td>US$ 87 bn</td>
</tr>
<tr>
<td>Foreign Trade</td>
<td>8th</td>
<td>Merchandise trade totaled HK$ 2,820 bn in 1995</td>
</tr>
<tr>
<td>Airport (No. Of International Passengers)</td>
<td>4th</td>
<td></td>
</tr>
<tr>
<td>Container port traffic (Throughput)</td>
<td>1st</td>
<td></td>
</tr>
<tr>
<td>Banking (Volume of external banking transactions)</td>
<td>5th</td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange Market (Turnover)</td>
<td>5th</td>
<td></td>
</tr>
<tr>
<td>Economic Competitiveness</td>
<td>3rd</td>
<td>Survey by World Economic Forum</td>
</tr>
</tbody>
</table>

THE PEOPLE'S LIBERATION ARMY IN HONG KONG

The most visible symbol of Chinese sovereignty in Hong Kong is the stationing of Chinese troops in the SAR. While the 1984 Sino-British Joint Declaration on Hong Kong's post-1997 future guaranteed the territory a high degree of political and legal autonomy for half a century after the change of sovereignty, this did not apply to defense and foreign affairs that would be Beijing's responsibility.

Chinese security planners do not see any external security challenges that might threaten Hong Kong. This is reflected in the limited size and light firepower of the Hong Kong garrison. The force is equivalent in rank to a group army, although it is only a little larger than an infantry division, with upwards of 20,000 troops. To keep costs down and maintain a low-profile, only around 5,000 to 6,000 troops are likely to be based in Hong Kong at any one time, with the rest of the force stationed across the border in Shenzhen.¹
The PLA garrison has few duties during normal times in Hong Kong. While the British garrison closely co-operated with the Hong Kong police in anti-smuggling, border defense and search and rescue, the PLA will not undertake these activities unless the SAR government requests their assistance. The ground element of the garrison based in Hong Kong comprises a brigade of around 3,000 troops and a small headquarters staff equipped with light armored fighting vehicles while the air and naval components have light helicopters and missile patrol boats respectively. According to the Hong Kong Garrison Law, the garrison will not take part in policing or any other public security duties unless the territory was threatened by serious unrest.

One reason for the limited PLA presence in post-1997 Hong Kong is the lack of major military facilities in the territory, especially for the air force and navy. The PLA navy base on Stonecutters Island is able to handle between six to eight missile patrol boats at any one time, although only two to three are likely to permanently deployed there. The PLA had originally wanted a naval facility that could accommodate a medium-sized aircraft carrier, but the British turned this request down during negotiations. The rest of the naval force is based in Shantou in eastern Guangdong. The PLA air force has around six Zhi-9 light helicopters stationed at Sek Kong, a small air base in the New Territories, and another six helicopters are based across the border. The air force will also have a warehouse and maintenance facility at the new Chek Lap Kok airport on Lantau Island, allowing it to handle large-sized military aircraft on temporary deployments.

The PLA does not need to make any major deployments of combat forces in Hong Kong because there is already a heavy concentration of military units in Guangdong. The 42nd Group Army, for example, is headquartered in Huizhou, near Shenzhen, although only one division is deployed there. The navy has major naval ports within a day's sail of Hong Kong, including Guangzhou, Shantou and Zhanjiang, the headquarters of the South Sea Fleet. The air force has numerous military and civilian airports to operate out of from the Pearl River Delta region, especially around Guangzhou.

Another reason for the PLA's limited presence in Hong Kong is because the Chinese government is responsible for covering the costs of the garrison. This was a concession made by Beijing in the 1984 Sino-British Joint Declaration. The PLA garrison's upkeep will be expensive and stretch the PLA's already tight budgetary resources, especially limited foreign exchange funds. For example, military outlays by the Hong Kong government for the British garrison in 1994 totaled US$262 million. The PLA's budget for the same year was RMB 60 billion (US$7.2 billion). The PLA garrison in Hong Kong is also barred from engaging in commercial operations in the territory to supplement its official allocations, although this restriction does not appear to apply to supporting elements based in China.

Hong Kong's return to Chinese sovereignty is unlikely to result in any major reorientation in the PLA's operational outlook and priorities. But the Guangzhou Military Region and the South Sea Fleet, which are responsible for Hong Kong's defense, are likely to gain added recognition of their strategic importance. This could lead to more funding being made available for the modernization of military units under these commands. The Hong Kong garrison is equipped with some of the latest equipment being produced by the country's defense industry, such as the Houjian-class fast patrol craft and the Zhi-9 helicopter.
The South Sea Fleet, headquartered in Zhanjiang in Guangdong, will have additional responsibilities for overseeing Hong Kong’s maritime regime, especially the heavy shipping traffic passing through the SAR’s ports. Hong Kong’s reintegration will substantially boost port capacity in southern China, which has lagged far behind developments in northern China. Of the country’s 29 major ports, 17 are located north of the Fujian port of Quanzhou, while only 11 are in the south. Hong Kong’s port facilities increases the handling capacity of China’s ports system by 20%.6

From a broader strategic perspective, Hong Kong’s return to Chinese sovereignty will bolster the arguments of navy chiefs on the increasing importance of the maritime regime in the country’s national security priorities. The navy has been paying more attention to safeguarding sealanes of communication as part of its offshore defense strategy in recent years. China’s merchant fleet is one of the world’s largest shipping fleets and now transports more than 85 per cent of China’s total foreign trade. By 1992, China had more than 400,000 ships (including inland vessels) with combined tonnage of more than 38 million tons.7 But naval protection for shipping is so far limited, primarily because of the logistical limitations of Chinese warships. But with a sharp rise in piracy and smuggling activities in the seas around China in recent years, especially the South China Sea, this may see a more visible Chinese naval and law enforcement presence in this region in the coming years.

As Hong Kong’s sovereign master, China could have the power to requisition civilian transport assets of companies in the SAR for official use in times of war or national emergency. This would significantly boost the country’s air and sealift capabilities. Hong Kong has three major airlines with more than 70 wide-bodied airliners and the local shipowners own more than 1000 ocean-going vessels totaling 32 million gross tons.8

HONG KONG’S TRANSITION AND THE CRISIS IN CHINA-TAIWAN RELATIONS

China is hoping that its smooth resumption of sovereignty over Hong Kong will have a positive impact in its long-standing goal of reunification with Taiwan. At a ceremony celebrating Hong Kong’s handover, Communist Party General Secretary Jiang Zemin said “it is the ardent wish of all the Chinese people to eventually solve the Taiwan question and accomplish the great cause of reunifying the motherland according to the basic principle of peaceful reunification and one country, two systems.”9 But the worsening of cross-strait tensions since the early 1990s suggests that the Hong Kong handover will have little effect on Taiwan.

When paramount leader Deng Xiaoping proposed the formula of “one country, two systems” at the beginning of the 1980s, it was originally intended for Taiwan. It was subsequently applied to Hong Kong when Britain and China negotiated the territory’s future. Chinese leaders routinely said that the successful implementation of this arrangement with Hong Kong would boost the chances of reunification with Taiwan. Jiang pointed out in early 1995 that “if the work in Hong Kong is properly done, very beautiful and broad prospects for the great cause of the motherland’s reunification in future will be displayed.”

But the importance of the Hong Kong experiment in the context of the China-Taiwan relationship has been overshadowed by a serious deterioration in cross-strait ties
since the early 1990s. A far-reaching debate among Chinese policy makers over the future direction of cross-strait relations took place in 1993. Jiang Zemin had taken over as chairman of the Party's Leading Group on Taiwan Affairs (LGTA), which coordinates discussion of Taiwan policy among all branches of the party, military and government, from military strongman Yang Shangkun following the latter's retirement at the 14th Party Congress in late 1992. Competing institutions in the LGTA used this change of leadership as an opportunity to put forward new initiatives to respond to the changing dynamics in the cross-strait relationship.

Moderates on the LGTA and the State Council's Taiwan Affairs Office, which is in charge of the detailed management of Taiwan policy, proposed that Beijing should offer concessions to get Taipei to agree to a new framework for cross-strait relations. Hardliners, especially in the military, believed that Lee was plotting to create a separate Taiwanese state and they argued for a tough response to deter him, such as the flexing of military muscle.

After lengthy deliberation, the leadership decided to be conciliatory. It would show greater flexibility on the issue of reunification if Lee accepted that Taiwan was part of China and stop his diplomatic maneuverings. But in case this offer was rejected, the military was ordered to begin preparations for a strategy of intimidation to contain Lee. The military were allowed to resume war-games in areas close to Taiwan.

Jiang unveiled this softer line in January 1995 in an eight-point initiative. He offered that, "on the premise that there is only one China, we are prepared to talk with the Taiwan authorities about any matter." Such a reference suggested that Jiang and the moderates may have come to the realization that its "one country, two systems" offer of reunification with Taipei was inadequate and that they had to find new ideas to break the logjam in cross-strait relations.

Taiwan, however, did not take up the opportunity to explore the matter. Lee refused to accept Jiang's offer and made his own counter-proposals several months that were rejected by the Chinese authorities. Washington's decision in May 1995 to allow Lee to make a private visit to Cornell University, his alma mater, triggered an angry reaction from military hardliners and conservatives in Beijing. They said the moderates' conciliatory approach had failed and the visit was conclusive evidence that Lee was seeking independence. The only way to deal with him, they successfully argued, was to use intimidation through provocative military exercises and a savage propaganda onslaught.

The PLA conducted missile tests near Taiwan shortly after Lee's U.S. visit. It followed this with more missile tests and war-games ahead of parliamentary elections in Taiwan. The mainland media at the same time viciously attacked Lee, condemning him as a traitor of the Chinese people. Beijing also indefinitely suspended all semi-official contacts with Taipei.

Beijing stepped up its military intimidation in the run-up to Taiwan's presidential election in March 1996 with threatening missile tests and large-scale air, naval and ground exercises off the Fujian coast. The war-games were partly aimed at deterring Taiwanese voters from supporting Lee and pro-independence advocates. While the saber-rattling succeeded in reducing the support for independence-minded candidates, voters rallied around Lee who won with a convincing majority. Since the election, tensions across the Taiwan Strait have subsided. PLA units taking part in the exercises
have returned to barracks and the mainland authorities have adopted a wait-and-see approach towards Lee, although official relations between the two sides have remained frozen.

Taiwan went on the propaganda offensive during the Hong Kong handover to reject the "one country, two systems" formula. Li Teng-hui said Beijing's plan to apply the formula on Taiwan was "wishful thinking" and that he would only seek reunification if the mainland were democratic and as wealthy as Taiwan.12 Nonetheless, Hong Kong's change of sovereignty has forced Taiwan to relax its restrictions on direct transportation links with the mainland, especially in air and shipping ties. A few months before the handover, for example, airlines flying between China and Taiwan were allowed to use the same aircraft with only a brief stopover in Hong Kong. Taipei had previously required airlines serving the island and the mainland to change aircraft in Hong Kong. In addition, the Taiwanese authorities approved direct shipping routes between selected ports in Taiwan and China in mid 1997, although cargo carried on mainland vessels was not allowed to be imported into the island.

THE STRATEGIC FINANCIAL AND ECONOMIC IMPLICATIONS OF HONG KONG'S RETURN TO CHINESE SOVEREIGNTY

Hong Kong's gross domestic product is almost one-fifth the size of the Chinese economy and the SAR government has more than $80 billion in foreign exchange reserves. If the Chinese government were to acquire these financial assets, it would significantly strengthen the state's financial capabilities and could be used to bolster funding in such priority areas as science and technology, industrial renovation, and defense modernization.

But under the terms of the 1984 Joint Declaration, the SAR government is allowed to keep its foreign exchange reserves and maintain economic independence from the Chinese government, especially in fiscal and budgetary affairs. Beijing could take the foreign exchange reserves, but such a move would cause catastrophic damage to Hong Kong's status as an international financial center and prompt a mass exodus of foreign financial institutions. It would also lead to a run on the Hong Kong dollar and trigger a meltdown of its capital markets. With such potentially dramatic consequences, Beijing is likely to be careful not to make any fiscal demands on Hong Kong, at least in the first few years after the change of sovereignty.

But the Chinese authorities urgently need to increase their fiscal revenues to cover pressing funding requirements. Fiscal revenues have sharply fallen as a percentage of gross domestic product in the past decade and a half of economic reforms, reaching 11.3 per cent in 1995 compared to 12.4 per cent a year earlier.13 This comes at a time when the government is seeking to boost infrastructure and social spending in order to maintain high growth rates and prevent social instability.

To cover these fiscal shortfalls, the central authorities have required prosperous coastal provinces such as Guangdong to transfer large sums of tax and other revenues to the central treasury and also directly support poorer inland provinces. Hong Kong could face similar demands from Beijing in the future for handouts either by direct treasury transfers or indirectly through the buying of government bonds. At present, however, the Chinese authorities are tapping into Hong Kong's wealth to finance economic development indirectly by attracting private investment and allowing state-owned enterprises to be listed on the Hong Kong stock market.
Hong Kong may also be eventually required to provide financial assistance to the PLA garrison. Although the Chinese government is obliged to cover all the expenditures of the post-1997 PLA garrison in Hong Kong under the terms of the 1984 Joint Declaration, senior PLA officials say they expect the Hong Kong authorities to meet some of the costs. Maj-Gen. Yang Fukun, director of the Central Military Commission’s Legislative Bureau, has pointed out that while the central government will meet the garrison’s military expenses, the SAR government would be expected to provide support and conveniences such as land, goods, and materials, energy, transportation and telecommunications, which are necessary for defense purposes.¹⁴

The central authorities in Beijing would only consider drawing upon Hong Kong’s financial reserves if the country were going to war or confronted with other equally grave crises. Although China does not face any serious military threats at present, deep-seated tensions across the Taiwan Strait and in the South China Sea has led to a growing urgency in the military’s efforts to modernize its war-fighting capabilities. The PLA has begun to substantially boost its spending on sophisticated weapons systems in the past few years. For example, it is estimated to have been buying around $1 billion worth of Russian arms annually since the early 1990s. This represents a heavy financial burden for the Chinese government at a time of tight budgets, but this pace of spending on arms acquisitions is likely to accelerate in the coming years as the armed forces needs to replace large amounts of increasingly outdated weapons systems. Hong Kong is unlikely to have to directly contribute to the PLA’s military modernization efforts, but it could be pressed to assist indirectly by paying the Hong Kong garrison’s upkeep or providing financial assistance to the central government more generally.

Another indirect way that Hong Kong could contribute to China’s defense modernization is with the growing presence of army enterprises and civilian defense manufacturers in the SAR looking to make money. A handful of prominent PLA conglomerates have already become firmly established in Hong Kong. They include the China Poly Group, which belongs to the PLA General Staff Department’s equipment sub-department, China Carrie Corporation, one of the PLA General Political Department’s top commercial arms, and the PLA General Logistics Department’s China Xinxing Group.¹⁵ Poly and Carrie have listed some of their companies on the Hong Kong stock market to raise funds for investing in their mainland commercial operations. A proportion of the earnings of these conglomerates flows back to the PLA coffers.

Leading civilian defense manufacturers have also flocked to Hong Kong in the past few years and many more will follow. Top aerospace, munitions, space, electronics and nuclear corporations have set up subsidiaries in the territory and a small number of them have listed on the stock market. (See table below.) The main aim of these companies is to raise capital to finance projects in China. Through its role as an international financial market and trading center, Hong Kong is likely to make an important contribution to the modernization of the Chinese defense-industrial complex and the PLA over the long-term.

Mainland Chinese companies may also seek to take advantage of more liberal Western policies on the export of high-technology items to Hong Kong to obtain sensitive technology that is prohibited for sale to China. Even after the return of sovereignty, Hong Kong remains a separate customs territory from the rest of China and retains its status as a free port. The U.S. government has permitted Hong Kong to continue to have the same access to sensitive technology exports it enjoyed as a British
colony. But there is growing concern that Chinese companies are using Hong Kong to
obtain sensitive technology illicitly and as a transshipment center to ship controlled
technologies to other countries.  

Table 2.
Mainland Corporations in Hong Kong

<table>
<thead>
<tr>
<th>Chinese Military and Civilian Defense Corporations</th>
<th>Representative Companies in Hong Kong</th>
<th>Companies Listed on the Hong Kong Stock Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>China North Industries Corp.</td>
<td>Silver City International Holdings Ltd.</td>
<td></td>
</tr>
<tr>
<td>China Aerospace Corp.</td>
<td>China Overseas Space Development &amp; Investment Ltd.</td>
<td>China Aerospace Ltd.</td>
</tr>
<tr>
<td>Ministry of Electronics Industry</td>
<td>CEIEC (Hong Kong) Ltd.</td>
<td></td>
</tr>
<tr>
<td>China National Nuclear Corp.</td>
<td>Yenaut Industrial Ltd.</td>
<td></td>
</tr>
<tr>
<td>China National Aero-Technology Import and Export Corp. (CATIC)</td>
<td>CATIC (Hong Kong) Ltd.</td>
<td></td>
</tr>
<tr>
<td>Poly Group Corp. (Belongs to PLA General Staff Department)</td>
<td>Ringo Trading Ltd.</td>
<td>Continental Mariner Investment Ltd/Poly Investment Holdings Ltd</td>
</tr>
<tr>
<td>China Carrie Group Corp. (Belongs to PLA General Political Department)</td>
<td>Carrie Ltd.</td>
<td>Hong Kong Macau International Ltd.</td>
</tr>
<tr>
<td>China Xinxinxing Group Corp. (Belongs to PLA General Logistics Department)</td>
<td>Xinxin (Hong Kong) Ltd</td>
<td></td>
</tr>
</tbody>
</table>

THE RISE OF THE GREATER PEARL RIVER DELTA REGION AND ITS STRATEGIC IMPLICATIONS

Economic ties between Hong Kong and Guangdong have blossomed in the past decade and a half of economic reforms to the point where their economies have become closely integrated. For example, most of Hong Kong’s manufacturing sector has been relocated to the Pearl River Delta in southern Guangdong in the past decade, and these factories are among the biggest employers in the province, providing jobs for more than three million workers. These economic linkages will become even more intimate after the handover. The Guangdong and Hong Kong authorities have begun to regularly consult with each other on such matters as infrastructure development, especially over the building of highways and power stations.

The Hong Kong-Pearl River Delta nexus, or Greater Pearl River Delta as it is sometimes called, is one of the fastest growing economic regions in the world and is on course to become one of the world’s most powerful industrial centers over the next one to two decades. In 1993, for example, the combined GDP of the Greater Pearl River Delta (which includes Hong Kong, Macau and the Pearl River Delta) totalled more than $150 billion, exceeding traditional bastions of economic might such as Shanghai or the Manchurian industrial rust-belt in Northeast China.

The emergence of the Greater Pearl River Delta as one of China’s leading economic centers holds potentially far-reaching strategic ramifications. One of the most obvious is the growing strategic importance of the South China Sea. The growing energy and raw material needs of this rapidly industrializing area is leading to increasingly aggressive exploration and development of offshore resources by Chinese companies in the South China Sea. Some of these activities are taking place in waters that are also claimed by Vietnam and this has led to occasional frictions between the two countries. With the two countries also fiercely contesting sovereignty of the Spratly Islands, the militarization of the South China Sea is gathering momentum.

The exploitation of offshore oil and gas deposits in the South China Sea as well as in other surrounding seas is becoming increasingly urgent as the country’s onshore oil fields are unable to meet rapidly rising domestic demand. At present, offshore oil output accounts for only 2.5% of the country’s annual oil production, or 3.5 million tons. Annual gas output is around 490 billion cubic meters. But officials from China National offshore Oil Corporation, which is responsible for the country’s offshore oil activities, estimate that oil and gas output could grow to 12 million tons and four billion cubic meters by 1997 as they exploit new oil fields in the East and South China Seas. Total offshore “oil in place” reserves are estimated to be up to 850 million tons, although not all of this is cost-effective to recover.

The rise of the Greater Pearl River Delta as one of China’s main economic powerhouses will further accelerate the shift in the country’s strategic orientation from its traditional continentalist focus and increasingly towards the maritime regime, especially in the south. This shift in strategic thinking is already reflected in changes in military doctrine and its growing emphasis on fighting local wars, especially in maritime regions as well as force modernization priorities which are concentrated on upgrading naval and air force capabilities.
HONG KONG’S POLITICAL ASSIMILATION AND IMPLICATIONS FOR CENTER-REGION RELATIONS

The assimilation of a freewheeling, cosmopolitan Hong Kong could pose major headaches for the Chinese authorities. The "one country, two systems" formula is an untested concept devised in the early 1980s when the central government was in firm control of the country. But Beijing’s influence and power over the regions has been steadily eroded by the rapid economic reforms, especially among prosperous coastal provinces such as Guangdong. Hong Kong’s return could exacerbate center-province relations and further weaken Beijing’s grip on southern China.

Political contacts between Guangdong and Hong Kong, both officially and informally, have been limited so far. Beijing has placed tight restrictions on provincial and local authorities in Guangdong from interacting with their counterparts in Hong Kong. For example, Guangdong officials have to get permission from the central government before they are able to meet with Hong Kong officials. This is partly to thwart any possible forging of close ties between these culturally and linguistically homogenous regions and to also prevent the spread of Western political influences from Hong Kong.

But these tight central restrictions are virtually impossible to be enforced, especially as immigration controls between Hong Kong and Guangdong have been substantially relaxed in recent years. This has led to growing informal contacts between Guangdong and Hong Kong officials. Closer interaction between Hong Kong and Guangdong appear inevitable in the coming years and this could see the gradual emergence of a powerful "Cantonese" linguistic bloc. With converging interests, Hong Kong and Guangdong could join together to push for greater influence in decision-making and the management of their economies. A more autonomous Guangdong and Hong Kong would create worrying problems for Beijing as other provinces and regions might also demand the same treatment. This could lead to increased center-region frictions in the future, although the break-up of the country would still be a remote possibility.

INTERNATIONAL SCRUTINY OVER HONG KONG’S CHANGE OF SOVEREIGNTY

Hong Kong’s return of sovereignty to China on 1 July 1997 passed remarkably smoothly, despite fears that it might be marred by protests by pro-democracy politicians and activists who were opposed to China’s intent to roll back political and civil liberties after it became the sovereign master. Nonetheless, there is still considerable anxiety in some quarters in Hong Kong and internationally that the transition could still run into substantial turbulence.

Despite its promise of a "high degree" of autonomy for the Hong Kong SAR, China has played a prominent role behind the scenes in deciding the line-up of the SAR power structure and heavily influencing many of its policies, especially those related to political freedoms and public order. Beijing has taken this heavy-handed approach because it fears that Hong Kong may become a base for subversion against the mainland, either through the spread of political propaganda across the border by Hong Kong political activists or through meddling in Hong Kong affairs by the international community after the handover.
Beijing was especially tough in its handling of Hong Kong affairs in the run-up to the transition, especially in response to an acrimonious dispute between 1992 and 1995 with then governor Christopher Patten over democratic reforms to Hong Kong’s political system. Beijing disbanded Hong Kong’s democratically elected Legislative Council immediately after the handover and replaced it with a body of handpicked appointees. Senior Chinese officials have also strongly hinted that Beijing will restrict press freedoms and limit the right of free expression, especially against political and labor organizations it regards as unpatriotic or subversive. The Chinese authorities have especially singled out the Democratic Party, the most popular political party in Hong Kong, for harsh treatment because of its highly critical posture against Beijing.

If China were to severely crack down on political and press freedoms, such as arresting opposition politicians and activists, closing down newspapers or outlawing public demonstrations, this would almost certainly lead to a massive loss of confidence in Hong Kong. This could trigger a wave of emigration out of the territory, especially from key groups such as civil servants, business executives and members of the legal profession, as well as massive capital outflows. It would also prompt harsh international condemnation, especially from Western countries such as Britain, the U.S., Australia and Canada that have substantial interests in the territory. Canada, for example, has drawn up detailed contingency plans for a large-scale air and sea evacuation of its citizens in the event the transition turned violently wrong.

The international community will pay close attention to China’s handling of the transition over the next few years. Hong Kong is likely to figure prominently in U.S. policy towards China for several years after the handover. U.S. officials have said that Beijing’s commitment to preserving Hong Kong’s political and social freedoms will be an important test for Sino-U.S. relations. But because Hong Kong’s transition is a bilateral affair between the British and Chinese governments, the U.S. government has no official role to play in the matter. Nonetheless, the U.S. has substantial economic interests in Hong Kong, including $14 billion of investment, annual bilateral trade of $24 billion and more than 40,000 Americans living in the territory. While the U.S. government would be reluctant to risk its relations with China by taking tough measures against Beijing if Hong Kong’s transition were to turn sour, it would likely face strong pressure from powerful political forces in the U.S. Congress more willing to press for forceful action.

Britain has pledged that it would take a forceful line if China were to disrupt the transition by interfering directly in Hong Kong’s affairs. Although Beijing views Hong Kong as a domestic issue after the change of sovereignty, Britain says that it has a continuing stake in the territory because of the 1984 Sino-British Joint Declaration and huge stakes it has there. What actions Britain could take if China were to renege on the Joint Declaration appear to be limited given its lack of diplomatic or military clout in the Asian region. When asked during a trip to Hong Kong in 1996 what Britain would do if China breached the Joint Declaration after the handover, then British Prime Minister John Major responded vaguely that London would mobilize the international community against Beijing.

After the handover, Hong Kong’s fate will be in Beijing’s hands. The international community appears relatively powerless to intervene directly to help Hong Kong should the transition go badly. Few countries would be willing to jeopardize their relations with China to stand up for Hong Kong’s defense. The days of Hong Kong’s international diplomatic significance after 1997 appear numbered.
CONCLUSION

Hong Kong’s return to Chinese sovereignty will have long-term ramifications for the evolution of the Asian strategic order. It will help to accelerate the shift that is already taking place in China’s strategic order, especially to a more maritime focus in its southern reaches. Hong Kong’s role as an international financial center and its huge foreign exchange reserves will also help to boost China’s economic development, including with possible benefits for the PLA and the defense-industrial complex.

But Hong Kong’s potential role as a bridge-builder in China-Taiwan relations appears to have been marginalized. Even if its transition goes successfully, it is unlikely to have much of an impact persuading Lee Teng-hui to come to the negotiating table with Beijing. Indeed, if tensions across the Taiwan Strait were to deteriorate drastically, it could even threaten Hong Kong’s smooth transition.

1 Interviews, Beijing and Hong Kong, 1995.
3 “Law of the People’s Republic of China on Garrison Troops in the Hong Kong Special Administrative Region: Adopted at the 23rd Meeting of the Eighth National People’s Congress,” Xinhua Domestic Service, 30 December 1996, in FBIS, 10 January 1997. Article 5 of the Garrison Law defines the four main duties of the troops: “1) Guard against and resist aggression and safeguard the Hong Kong SAR’s security; 2) undertake defense duties; 3) manage military facilities; and 4) undertake relevant foreign-related military affairs.”
4 See “An Interview with the Hong Kong Garrison’s Naval Force,” in Xiandai Bingshi [Modern Weaponry], July 1997, pp. 2-4.
5 Interview with Western military diplomat, Hong Kong, May 1995.
6 “Could Hong Kong become a Naval Base?,” Jianchuan Zhishi [Naval and Merchant Ships], June 1997, p. 6.
8 Hong Kong Government, Hong Kong 1997, Government Information Services Department, Hong Kong, 1997, pp. 253-254.
9 “Taiwan will have to take the road of ‘One Country, Two Systems’ sooner or later,” Ta Kung Pao, 8 July 1997, p. A2.
10 Interviews, Beijing, March and September 1994.
14 “General on Provisions of Hong Kong Garrison Law,” Xinhua Hong Kong Service, 1 April 1996, in FBIS, China, 1 April 1996.
15 For an account of the PLA’s commercial involvement in Hong Kong and more broadly in the Chinese economy, see Tai Ming Cheung, “Can PLA Inc. be Tamed?” Institutional Investor, July 1996.
19 Interviews with Guangdong government official, Hong Kong, April 1996.
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