CHINA'S NATIONAL SECURITY STRATEGY

Paul J. Bolt and Adam K. Gray

2007
INSS RESEARCH PAPER

US AIR FORCE
INSTITUTE FOR NATIONAL SECURITY STUDIES
USAF ACADEMY, COLORADO

CHINA'S NATIONAL SECURITY STRATEGY

By Paul J. Bolt and
Adam K. Gray*
2007

OVERVIEW

China has experienced a phenomenal economic success in the last 25 years and it has had a significant impact on its often competitive, and occasionally cooperative, relationship with the United States. China has seen its economy grow over nine percent annually and a marked increase in the standard of living for many, but not all, Chinese citizens. A strengthened economy has allowed China to modernize its military and increase its influence in the world. This paper examines the numerous challenges and opportunities a strong China presents to the US. Even though the two countries often view each other with suspicion they are interdependent on each other economically and through joint security interests.

The United States has stated it wants a policy of strategic cooperation with China, casting the PRC as a responsible stakeholder in the global system. China has proclaimed a "peaceful rise," attempting to calm fears about its growing global influence. However, China's rise leads to a wide range of questions. What does China's increasing power mean for the United States? What does China intend to do with its growing strength? Will China pursue policies that undermine American interests, or will China assist the United States maintain international order in a manner that benefits both states? From a policy perspective, how can American leaders accommodate the rise of China in a way that does not undermine American interests?

This paper will attempt to piece together China's security strategy, based upon the doctrine available, the scholarly literature, observations of Chinese actions, and interviews with experts in Taiwan. The paper will discuss China's opportunities and vulnerabilities, economic growth, motivations for its military buildup, diplomacy, Taiwan strategy, and internal vulnerabilities. Finally, it will conclude with policy recommendations to help the United States shape Chinese behavior and advance continuing American interests in Asia.

INTRODUCTION

The rise of China over the past quarter century has been unprecedented. During this time China's annual economic growth has averaged somewhere around 9.5 percent.[1] This has led to a tremendous increase in the standard of living of many Chinese citizens. It has also fueled comprehensive military modernization and increased China's influence in the world, raising numerous challenges, but also opportunities, for the United States.

The United States has articulated a policy of strategic cooperation with China, casting China as a responsible stakeholder in the global system.[2] China has proclaimed a "peaceful rise," attempting to calm fears about its growing global strategic influence. Nevertheless, China's rise leads to a host of questions. What does China's increasing power mean for the United States? What does China intend to do with its

* The opinions expressed in this paper are those of the authors and do not necessarily reflect the opinions and policies of the US Air Force, US Air Force Academy, the Department of Defense, or any other branch of the US Government. The paper is approved for public release; distribution is unlimited.

growing strength? Does China seek a fundamental change in the world order? Will China pursue policies that undermine American interests, or will China assist the United States maintain international order in a manner that benefits both states? From a policy perspective, how can American leaders accommodate the rise of China in a way that does not undermine American interests? In other words, how can policymakers craft strategy to shape Chinese behavior in positive ways?

From the Chinese perspective, policymakers in Beijing still fear perceived efforts by the United States to impose its will on the world, particularly its emphasis on democratization and its willingness to interfere in what China sees as the internal affairs of states. The United States still poses the biggest obstacle to China's reunification with Taiwan. Moreover, China's leadership sees not only China's rise, but also essential domestic problems. These include growing disparities in wealth, serious corruption, and environmental degradation. These domestic issues are perhaps the greatest threat to the regime's highest priority interest, maintenance of the rule of the Chinese Communist Party (CCP).

In spite of the United States and China maintaining some degree of suspicion toward each other, the two countries have become interdependent in fundamental ways. Because America's stream of cheap imports from China has enabled America's heavy-consumption culture, the Chinese government currently holds over $340 billion dollars of U.S. Treasury debt, inextricably linking the two economies.[3] The United States depends heavily on China to play a leading role in Six Party Talks over North Korea's nuclear program, while China counts on the United States to keep Taiwan from crossing red lines. Both states cooperate in the War on Terror. Thus, any rupture of the relationship would lead to serious consequences for both sides.

OPPORTUNITIES AND VULNERABILITES

Chinese strategists believe that, as Deng Xiaoping first declared, the current time period is conducive to the development of China's "CNP," or Comprehensive National Power. They assess that the "strategic configuration of power" results in generally peaceful conditions, enabling China to build its economy without disruption by major conflict.[4] Thus the world's overall strategic situation is one that benefits a rising power.

However, Chinese strategists also see danger, in particular due to the predominant position of the United States in the international system. China's most recent Defense White Paper indirectly addresses this point, stating "The world is at a critical stage, moving toward multi-polarity. Progress is expected in addressing the serious imbalances in the international strategic alignment." It further goes on to claim "Hegemonism and great power politics remain key factors undermining international security."[5]

Moreover, some Chinese strategists point to the United States as being an "anti-China force." Other analysts point to elements of containment in U.S. policy toward China in order to force China to

accept American world leadership, or claim the United States has a hegemonic global strategy aimed at suppressing China. One manifestation of these unfriendly policies is said to be the obstacle that the United States poses to the reunification of Taiwan with mainland China.[6] The desire of Taiwan's president and others to move Taiwan in the direction of independence is seen as a very serious threat to China.

Other analysts point to disadvantages in China's geostrategic situation. For example, Jiang Lingfei notes that while the United States borders only Mexico and Canada, both friendly states, China has 24 neighbors. While China has resolved many border disputes, some serious disagreements still remain. Moreover, there is instability close to China's border. Jiang notes a V-shaped area of potential conflict running from Tajikistan and Afghanistan to Cambodia, and then pivoting to Taiwan and running through the Diaoyutai Islands up to the Japanese-Russian border.[7] China is also faced with the military power of the United States, Japan, Russia, and India at or near its borders. Other threats include terrorism, particularly al-Qaeda affiliated separatist groups in Xinjiang province, and the threat of Taiwanese independence.[8]

Finally, China faces significant internal threats. Rampant corruption, economic inequalities, environmental degradation, and protest movements create challenges to party rule. Opinions differ among analysts as to how brittle CCP rule might be. While the country's security forces have prevented the nationwide organization of protest movements and prevented large scale demonstrations, the CCP is clearly concerned about the potential for serious domestic unrest.

In addition, the Chinese middle class is growing in both size and influence. With a 130 million-member middle class, China must be prepared to deal with emerging domestic tensions as the middle class comes to demand a higher quality of life.[9] The internet has become an increasingly divisive force within China today. There are more than 111 million internet users in China, with 40,000 internet police tasked with monitoring the exchange of information over China's networks. Despite these attempts at regulation, increasingly technological availability and internet communication have contributed to the spread of information and dissent throughout China.[10]

Furthermore, China must deal with a series of ecological challenges. As China continues to develop into a modern industrial country, air and water pollution wreak havoc on the quality of life in much of China. In Shanghai, only one percent of surface water remains untouched by harmful pollutants. In addition, the Chinese government has recognized that increased carbon dioxide emissions and greenhouses gasses will have a detrimental affect on the country's agricultural output.[11] While China's cities face obvious public health concerns due to their dense populations, China's countryside must also

cope with its own set of challenges. Decreased rural funding and the gradual erosion of the rural public health system have left several hundred million Chinese vulnerable to a widespread epidemic.

In sum, China's authoritarian government faces difficult social challenges, the natural result of governing more than one billion people under an authoritarian system. If an economic slowdown opens the door for increased criticism of China's leaders, China's apparent political stability will be threatened.

ECONOMY

China's grand strategy is perhaps most heavily influenced by its need for consistent, high levels of economic growth. The primary reason for Deng Xiaoping's 24 character strategy ("Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership")[12] was to allow time for economic development, the foundation for the buildup of CNP. Thus the rapid and sustained growth of the Chinese economy has been the single most influential factor in propelling China upward in the international power structure. The economic reforms initiated by Deng Xiaoping in the 1970s released China's economic engine from its communist shackles. In 2006, Chinese GDP measured $2.5 trillion, fourth largest in the world behind the United States, Germany, and Japan.[13] The rapid expansion of the Chinese economy has had a profound effect on a country of more than one billion people, lifting some 400 million people out of poverty in the past two decades.

China's economic trajectory has been similar to other states following what is sometimes called the Asian development model.[14] China has a high ratio of exports to GDP, as well as large amounts of incoming FDI. As a result, China benefits from over one trillion dollars of foreign exchange reserves. It also has a domestic savings rate approaching fifty percent. These economic strengths shield the Chinese economy from an unhealthy dependency on foreign capital.[15] While a sudden drop in FDI within China would surely slow China's rapid economic growth, the Chinese are not as vulnerable to the vagaries of international trade as many U.S. strategists would like to imagine.

Despite American perceptions that China's economic activity is limited only to exporting massive amounts of cheap goods, imports remain an important part of the Chinese economy. China's heavy importing has had a profound impact on Beijing's relationship with its neighbors, developing close economic ties throughout the Asian region. Furthermore, China's export industry is a multinational operation—the components of many exported goods must first be imported and assembled. China's increasing import appetite has served to change China's perception within many countries from economic competitor to economic partner in future growth.[16]

The American and Chinese economies are clearly interdependent. China is now the second largest source of U.S. merchandise imports, in 2005 providing for 14 percent of U.S. imports. The United States

clearly benefits from inexpensive Chinese-made consumer goods. Moreover, U.S. exports to China rose 157 percent between 2000 and 2005, making China the fourth largest market for U.S. goods in 2004. The United States was China's top export destination in 2006, while the U.S. is China's fourth largest import supplier. In addition, the U.S. is China's fifth largest supplier of foreign direct investment.[17] The United States also relies on China to keep inflation low through continued purchase of U.S. Treasury debt. China currently holds over $340 billion dollars of U.S. debt, enabling our credit-heavy culture by purchasing the enormous debt created by American government and consumers.[18] In the face of growing American fears concerning U.S. dependence on the Chinese economy and hand-wringing over America's trade deficit with China, trade has only increased.

In order to maintain its economy, energy security has evolved into a key focus of Chinese national strategy. As long as China's economy sustains high levels of growth, China's energy needs will expand proportionately. In 1991, China's economic consumption index of Mtce (millions of tons of coal equivalent) stood at 62.9 Mtce, indicating a surplus of energy production. By 2002, China's Mtce index had fallen to -132.9 Mtce, revealing a sharp increase in domestic energy requirements.[19] China is now the world's second-largest energy consumer, trailing only the United States. China's oil imports come primarily from the Middle East, augmented by shipments from Russia and Latin America. Concerns over a possible energy crisis due to military confrontation have forced Beijing to look toward increasingly regional energy solutions. China has invested in Central Asia, hoping to develop increased energy resources. These options remain only a backup when compared with the volume provided by China's primary energy suppliers.[20] Ultimately, China's energy security continues to depend on potentially unreliable imports.

China has employed an aggressive mercantilist trade policy to acquire the resources it needs to fuel its economic growth. China has invested in countries such as Sudan and Zimbabwe, downplaying genocide and repressive government violence in order to secure valuable resources and fill power gaps that United States and other investors have been unwilling or unable to occupy.[21] In Angola, China provided over two billion dollars in foreign investment when the International Monetary Fund withheld a loan after expressing concerns about corruption.[22] China has begun to invest heavily across the globe, most notably in Latin American, Africa, and Southeast Asia, regions where U.S. foreign investment has comparatively been reduced.[23]

Still, China's other foreign economic activities provide a slightly wider perspective on China's economic ambitions. The Chinese have also made strong overtures toward established democracies such as Brazil and Australia, in addition to signing resource deals with democratically unsavory Sudan and Burma.[24] Therefore, Chinese foreign investment should be viewed for what it really is – an attempt to

garner the resources necessary to fuel the Chinese economic engine while downplaying political issues. China is not seeking to promote some malicious strategic cooperative with other authoritarian or repressive regimes, but desires to satisfy its growing resource hunger through whatever means necessary.

Considering China's impressive economic resume, it is important to remember that China is still a poor country. Per capita GDP is 2005 was a mere $1,700, compared with the U.S. per capita GDP of $42,000. More than 400 million Chinese live on less than two dollars a day and struggle with basic necessities such as clean water and suitable housing.[25] Traveling from China's modern mega-cities into the rural countryside remains a multiple-decade reversal in development and economic prosperity. The difficulty of developing China's interior indicates that China will desire a peaceful environment in which to modernize for many years to come.

MILITARY

China's military modernization has been a high priority since the killings surrounding the Tiananmen Square incident in 1989, after a long period of relative neglect of the military budget. International Monetary Fund (IMF) data calculates China's inflation adjusted average annual defense budget growth from 1996-2006 to be 11.8 percent. China's own statistics show 9.6 percent growth between 1990 and 2005. In March of 2007, China's National People's Congress voted to increase the country's military budget by 17.8 percent, bringing total Chinese military spending to approximately $45 billion.[26]

The major elements of the Chinese military buildup are documented in "Military Power of the People's Republic of China, 2007," an annual Department of Defense (DoD) report mandated by Congress. While the numbers of ground forces in the People's Liberation Army (PLA) has declined by approximately 1.7 million troops since 1985, Beijing has focused on developing ballistic and cruise missiles, naval power, air power, air defenses, and amphibious forces. In particular, the PLA has focused on area denial/anti-access capabilities and asymmetries that might allow the PLA to defeat a more powerful American force if armed conflict were to occur.

Of particular importance are developments in space. China's successful test of an anti-satellite (ASAT) weapon indicates that China is taking steps to develop the ability to destroy or disable U.S. satellites. As a result of the January 11th test of an ASAT that destroyed a satellite and left a large amount of debris in orbit that threatens U.S. and foreign satellites, the Bush administration suspended efforts to develop cooperative space programs with the Chinese, including plans for joint exploration of the moon.[27] The future of China's anti-satellite systems remains unclear, as Chairman of the Joint Chiefs of Staff Gen. Peter Pace remarked after questioning Chinese officials during a recent visit.[28] The United States maintains that China's use of anti-satellite weapons is not within the realm of acceptable civil-space

cooperation. The United States' interests in space involve maintaining "unfettered" access to space while preserving the current U.S. dominance in space-based military capability.[29] China's space program is run entirely by the PLA, as opposed to the U.S. civilian-controlled NASA. China has called for a ban on all space-weapons, but continues to pursue advances in anti-satellite capability.

The Chinese have also made advances in the strategic arena. The Chinese seek to develop a more survivable nuclear force in order to increase their strategic deterrence. U.S. technological advances have provoked wary reactions within Chinese policy circles about the effectiveness of Chinese second strike capabilities. The combination of U.S. ballistic missile defense and increased U.S. long-range strike capability, both nuclear and conventional, have convinced Chinese policymakers that nuclear improvements are necessary to maintain strategic competitiveness.[30] The ongoing debate over nuclear policy and national security has yet to come to any firm policy conclusions. In reality, China is focused on two main policy objectives when dealing with nuclear strategy. First, China must guarantee an effective second-strike capability. In addition, Chinese nuclear forces must be capable of preventing another nation from using nuclear threats to coerce China.

The Chinese approach to nuclear doctrine and deterrence differs from the Soviet approach during the Cold War. Whereas the Soviet Union attempted to match the United States in terms of nuclear firepower and capability, the Chinese have settled upon a more cost effective model. Realizing that attempting to match the drastic increases in military spending by President Reagan heavily damaged the Soviet economy, the Chinese have decided upon an approach modeled upon "sufficiency and effectiveness."[31] This represents an explicit rejection of the "Soviet trap" by refusing to compete with U.S. weapon inventories. Instead, Chinese policy makers are willing to suppose that the United States would not risk nuclear confrontation with the Chinese at the cost of even a few American cities.[32]

China has advocated a "no first use" policy, as well as advocating the banning of all nuclear weapons. In context, however, these statements are more of a necessary position than a benevolent one. China does not possess the technological proficiency or the numerical supremacy to win any significant nuclear exchange. China's relatively weak nuclear position allows the Chinese to push for reduced nuclear reliance without sacrificing national security or strategic influence. Moreover, there are real questions about the meaning of China's "no first use policy" and whether or not that policy might be revised.

From the perspective of military strategy, what accounts for China's military buildup? China faces no natural threat of land invasion, and one analyst asserts that China currently feels as "secure and confident" since the Opium War of 1840.[33] Neither the PLA nor the Chinese government spell out the reasons for this buildup. However, clearly the first and greatest area of concern is Taiwan. As economic

growth and nationalism are the pillars upon which the CCP rests its legitimacy, a successful independence movement by Taiwan would likely bring the power of the CCP to an end. Thus Jia Qingguo, a prominent Chinese analyst, notes that acquiring the military power to conquer Taiwan is one important piece of China's Taiwan strategy.[34]

For instance, China's demonstrations of offensive space capability may be directed at a far more terrestrial goal than they initially appear. The United States Navy relies heavily upon space-based assets for communication and navigation capability. Military satellites provide a dramatic technological edge over the People's Liberation Army Navy (PLAN), but without satellite support, the United States Navy is dramatically weakened. Therefore, denying the U.S. Navy's access to space is an important first step in neutralizing the strengths of the U.S. Navy and degrading its capacity to intervene in a Taiwan conflict. In fact, China's ASAT test, demonstrating that American space assets are at risk, may make the U.S. think twice before intervening in a potential Taiwan conflict.

However, there are other reasons for the military buildup as well. One theme that came across over and over with experts in Taiwan, both Taiwanese analysts and American diplomatic personnel, was China's desire for respect. However, what level of respect is necessary is unclear. Some suggest that China desires to restore its past glory, while others assert China may want to be seen as the most influential state in Asia. Taiwan professor Ming-Yen Tsai asserts that China is rising to "challenge U.S.-centered regional security arrangements," and "seeking to challenge U.S. predominance."[35] Arthur Ding notes that there is a debate within China itself as to the level of influence China seeks. While the Chinese government unabashedly asserts that China will never seek hegemony, there are actually different viewpoints as to how overtly China should assert itself.[36]

China's 2006 White Paper outlining national defense prerogatives suggests that China is moving toward an ability to project power. China is seeking to provide the PLA with "trans-regional mobility." The navy is tasked to focus on increasing its "strategic depth for offshore defensive operations" by developing defensive capability far form China's shores, while the air force is transitioning to "offensive and defensive operations" and "strategic projection."[37] Outside analysts discuss China's desire to penetrate the first island chain, and expand China's strategic survival space.[38]

More tangibly, the inability to project effective maritime power is a pressing strategic weakness for China that the military buildup is designed to overcome. Freedom of the seas has become "a fundamental national interest" to the Chinese.[39] China moves a massive amount of trading wealth through the world's sea lanes, but the PLAN does not possess the capability to secure these routes. As a result, Chinese commerce is vulnerable to the United States Navy. The U.S. Navy can control the sea lanes that are vital to China, and therefore retains the ability to cripple Chinese commerce with aggressive

naval action. In the event of an emergent conflict between Washington and Beijing, an effective energy blockade of the Chinese coast could provide the U.S. military with a moderate option to inflict pain without escalating into a more hostile military confrontation. The United States' ability to interdict Chinese supplies from great distances is a pressing issue for long-term Chinese national security.

Other reasons have also been suggested for the rapid expansion of China's military. Some observers suggest that China's leaders must maintain high military budgets to placate the PLA and maintain PLA support. Others suggest that China is preparing for possible conflict with Japan and Korea.[40] Chinese analysts assert that China must keep up not with one country, but a host of powerful neighbors.[41]

China's military buildup has raised fears in both Washington and Taipei of Chinese overconfidence in its military capabilities. The Pentagon's "Military Power of the People's Republic of China, 2007" warns repeatedly of the danger of miscalculation. Without having experienced recent combat, China may overestimate its capabilities and thus be too cavalier in its attitude toward war. Taiwan military intelligence officers share a similar fear. Due in part to political constraints, Chinese writing on a potential Taiwan struggle can err on the side of underestimating the difficulty of military operations.[42]

DIPLOMACY

Understanding Chinese diplomatic efforts is an essential element of interpreting China's approach to national security strategy. The United States diplomatic relationship with China has been occasionally characterized by negative interactions. The Cold War roots of Sino-U.S. tensions have evaporated, but China's unconvincing human rights record and authoritarian political system still produce significant tension between the two powers. The Chinese view their drive for economic growth and international power as a return to the dominance once held by China in the past. The United States often characterizes China's recent economic growth as a rise to power, but the Chinese view it simply as a return.

The terrorist attacks of September 11, 2001 quickly captured the full attention of the U.S. administration and the American people. The ensuing invasions of Afghanistan, Iraq, and the prosecution of the Global War on Terror have focused the greatest share of the American strategic effort upon defeating the terrorist enemy. However, while the United States has been bogged down pursuing al-Qaeda and managing the deteriorating situation in Iraq, it has missed the impact of China's growing strategic influence.[43] September 11th offered the Chinese an important strategic opportunity that the government in Beijing has successfully capitalized upon. The aftermath of 9/11 has provided the Chinese with an opportunity to publicly back the American campaign against terrorism, while privately working to expand

its long-term strategic power into the gaps left behind by the American administration's focus on the Global War on Terror.[44]

The Bush administration's early characterization of China as a "strategic competitor" rather than a "strategic partner" worried the leadership in Beijing, which began to prepare itself for a more direct competition for resources and influence. These concerns were blunted by September 11th, however, subduing U.S. rhetoric challenging China's growing strategic power. As a result, China was able to align itself with the large coalition of nations supporting the U.S. anti-terror campaign. It remains to be seen whether one of the Global War on Terror's most damaging effects will be a flawed realignment of U.S. strategic priorities. While the United States has been preoccupied with the threat of terrorism and Iraq, China has become an important global negotiator with North Korea, allied itself with a newly emergent Russia, and launched diplomatic and economic overtures in Europe and Latin America.[45] In the face of decreasing U.S. strategic attention, China's confidence has increased.

Early indicators of China's strategy to secure its role as a global power player can be found in Beijing's relationship with its most immediate neighbors. China's relationship with Southeast Asia has evolved into a far more cooperative venture than in the past. In the wake of the 1997 Asian financial crisis, China has fostered a "big brotherly" approach to her neighbors in the Southeast Asian region. The lack of a significant U.S. response to the 1997 crisis generated a power vacuum in Southeast Asia that Chinese leaders have been more than willing to fill. Chinese leaders offered one billion dollars of financial assistance to ailing nations, while U.S. involvement in the crisis was largely viewed as opportunistic.[46] Most recently, China made use of its veto power on the U.N. Security Council to stop a U.S.–led resolution to condemn Myanmar's human rights record. China has visibly increased its attempts to become a respected leader and protector in the Southeast Asian community.

Since 2001, China has meticulously cultivated a diplomatic network that aims to draw its neighbors closer to Beijing's influence. As a result of China's transition away from implied military threats, Beijing's neighbors have become more receptive to Chinese diplomatic overtures. China's market economics and soft power are primarily responsible for this change of approach, and its results are apparent. A survey of 22 countries, many in Asia, reported than almost half of the respondents viewed China as a positive world influence. By comparison, only thirty-eight percent felt the U.S. merited a positive world influence.[47] China's current course has placed it into the center of its Asian neighbors.

China's historically unilateral approach to regional-security is being suborned to its greater strategic interests. The United States has traditionally maintained strong economic and military links within the ASEAN community, but China's recent steps have created a series of competing relationships that have weakened the United States' strategic hold on the region. In the late 1990s the Chinese

formation of the Shanghai Cooperation Organization with Russia and four Central Asian states led to increased trade and investment in the region, providing a counterweight to American regional strategic goals.[48] In August of 2007, the SCO held joint military exercises on Russian soil, ending with a summit that argued the benefits of a "regional" solution to Central Asian security concerns.[49] In the same way, China appears to be strengthening its ties in Southeast Asia as part of a larger campaign to increase its strategic capability abroad.

Despite outward appearances that increased Chinese influence among the ASEAN member states reflects only a regional focus, the development of allies in Southeast Asia will free China to focus its energies on a more global scale.[50] Furthermore, China's immediate neighbors control vital shipping lanes that are responsible for an increasingly important part of China's energy and industrial commodities. Given the U.S. capability to interdict these supply lines, China's attempts at multilateralism within Southeast Asia should be viewed in terms of the U.S. - China strategic balance, and not misunderstood as mere regional planning. Indonesia and Malaysia's telling refusals to allow Washington to provide U.S. Navy ships to fight piracy in the Straits of Malacca, where roughly three quarters of China's fuel imports travel, seem indicative of the advantages of China's increased influence within the region.

Nevertheless, China's ASEAN neighbors feel somewhat uneasy with China's rise. Geography dictates that while China's neighbors may embrace greater prosperity with economic ties to China, China still poses a potential security threat. With disputes in the South China Sea unsettled and the buildup of China's South Sea fleet, there are concrete issues that could trigger greater confrontation. This creates opportunities for Washington to more closely cement ties with China's neighbors.

China has also recognized the benefits of strengthening its relationships with other global actors who may not necessarily be regional allies. For example, China seeks to develop deeper relationships with arms-producing states such as Great Britain, France, and Israel. By strengthening these diplomatic ties, China hopes to influence global arms markets to its advantage by denying further sales of advanced weaponry to Taiwan and lifting the European Union (EU) arms embargo on itself, thereby using its diplomatic relationships to further its long-term strategic goals. Beijing also recognizes other advantages of this "diversification" approach to its international relationships. These political ties will provide Beijing with the economic or diplomatic "tools" to counter the development of U.S.-led anti-Chinese coalitions.[51] Beijing seeks to develop enough political flexibility that it will maintain a diplomatic capability even in areas where U.S. and Chinese policy interests are not fully compatible.

The People's Republic of China's relationship with the European Union reveals important conclusions about the nature of Chinese grand strategy. Despite a negative colonial history, China and the European Union have developed strong economic ties. The EU has aided China's gradual rise, allowing

Beijing to escape its political isolation while providing opportunities for increased trade and investment.[52] Europe has become China's largest economic partner, and plays a key role in enhancing China's international legitimacy.[53] Still, despite their economic interdependence, there are important differences.

The European Union wants China to open even more of its markets for trade and international investment. The EU also attempts to shape China into a "peaceful stakeholder" in the international community. Europe has pressured China to intervene in diplomatic situations with its neighbors, most notably Iran and North Korea. At the same time, the EU is also concerned about Beijing's attitudes toward human rights and democracy.[54] China's interests, however, often differ from European goals for the partnership.

China considers the European Union an important part of the multipolar world order, seeking to enlist European influence as a strategic counterweight against American hegemony. China joined France and Germany in opposing the U.S. invasion of Iraq. However, the EU and China frequently clash over involvement with authoritarian regimes, human rights issues, and policy decisions. In general, European efforts to shape Chinese policy based upon the strength of their mutual economic relationship have not been successful.[55]

The 2008 Summer Olympic Games present an opportunity for Beijing's leadership to showcase a successful, modern China. China has spent several long years preparing for the Games, and hopes to develop a positive experience that will erase any remaining disgrace from the 1989 Tiananmen Square incident. China has placed heavy strategic importance on a safe and stable Olympic Games, hoping to present a modern face to the world. The possibility exists that pro-independence President Chen Shui-bian of Taiwan will perceive China as weak or indecisive while the global focus is set upon the Olympic Games.

In the event that Taiwan may perceive China as unwilling to counter a potential move toward independence, Beijing has attempted to send a very strong message to Washington and Taipei regarding its strategic posture during the Olympics. Beijing acknowledges that it has placed a massive amount of effort and preparation into delivering an Olympic Games that considerably improves China's global image. However, the PRC's leaders are not willing to trade this improved image at the expense of the state's credibility and party's leadership.[56] China has openly established that Chinese strategic interests, namely Chinese interest in preventing Taiwanese independence, clearly outweigh the importance of remaining a hospitable Olympic host.

In sum, China's diplomatic power is enhanced by it growing economic links across Asia and the world, as well as its expanding military power. Nevertheless, that same military power can be detrimental in that it cultivates concerns among China's neighbors. China has the advantage of a powerful culture that

has exerted influence on China's neighbors for over two millennia. However, China also has disadvantages in terms of soft power. China itself maintains a repressive political system with seemingly few core values other than the making of money. All of these forces are in play in China's diplomatic initiatives. Nevertheless, China's good neighbor policy and economic magnetism have gained the upper hand for now.

TAIWAN

The future of Taiwan remains the single most controversial issue plaguing U.S. and Chinese strategic cooperation. Understanding China's national security approach to Taiwan remains the most important element of interpreting Chinese grand strategy. The recovery of Taiwan is important to China for a number of reasons. First, China's population believes that Taiwan is a part of China. CCP reliance on nationalism as a legitimizing pillar means that the loss of Taiwan would in all likelihood be fatal to the CCP. Second, there are strategic issues related to the security of China's sea lanes that make the recovery of Taiwan a priority for China. Third, the Chinese leadership fears a domino effect if Taiwan is lost, as other areas of China would push for their own independence. Finally, the Chinese leadership presumably feels pressure from potential rivals and public opinion to show progress on the Taiwan issue.[57] These factors would seem to cast a dark shroud over Taiwanese policy issues. Yet, for the near future, the United States and China both retain a considerable interest in mutual stability across the Taiwan Strait, in part because China's first priority continues to be economic growth.

The Republic of China has been governed independently on Taiwan since nationalist forces of Chiang Kai-shek retreated to the island upon their defeat in 1949. Since then, China has maintained a firm "one-China" policy, establishing an inviolable position that Taiwan is a renegade province that will eventually be re-united with mainland China. The "Three Communiqués" between China and the United States established U.S. recognition of the one China policy while calling for decreased arms sales to Taiwan in accordance with reduced tensions across the strait. United States policy toward China is also shaped by the Taiwanese Relations Act of 1979, which calls for the U.S. to provide adequate support for Taiwan's self-defense. The United States does not promote Taiwanese independence, but is committed to defending the island from an unprovoked Chinese attack.[58] The United States is determined to protect a democratic friend and concerned over its reputation of supporting allies. However, China's view of the nature of the Taiwanese conflict results in Beijing interpreting U.S. commitments to Taiwanese security, especially the export of military technology, as an unwelcome intrusion into Chinese internal affairs.[59] As a result, nearly all of Beijing's interactions with Washington are tinted by Taiwan-colored lenses. Taiwan, then, remains the overriding focus of Chinese national security planning.[60]

Beijing's current strategy involves a long-term approach to gradually recover Taiwan back into the People's Republic of China through relentless pressure and a well-planned, coherent combination of carrots and sticks. China insists it is committed to peaceful reunification. It attempts to reduce pro-independence sentiment within Taiwan by strengthening the economic ties between Taiwan and the mainland. China has achieved great success in building trade and attracting Taiwanese investment, thereby increasing Taiwan's interdependence with the mainland. Some in Taiwan fear a hollowing out of Taiwan's economy. According to this strategy, the more interdependent Taiwan becomes with China, the more political leverage China will develop over Taiwan. At the same time, China works to isolate Taiwan politically from Washington as well as all other nation states and international institutions, leaving Taiwan with no rational choice besides peaceful reunification.[61] Despite the goal of peaceful reunification, China has not fully abandoned the coercive elements of its policy approach toward Taiwan.

As China's military capabilities continue to develop, China's comparative advantage over Taiwan's military grows. The modernization of Chinese fighter aircraft, missile forces, and general military capability enhances the PLA's ability to inflict serious damage on Taiwan in the event of military conflict. China still faces the potentially impossible task of an amphibious invasion of the island, but each passing day increases China's military lead over Taiwan.[62] Moreover, Chinese military planners feel confident that they could force the Taiwanese into negotiations through a variety of military options, including information warfare, special operations, missile launches, and blockade options. This capability to coerce Taiwan, however, rests upon either inaction from the United States or the successful neutralization of U.S. military intervention.[63]

Despite waves of modernization and mounting military capability, the Chinese still seek to avoid a direct military confrontation across the Taiwanese strait. Even China's blatant threat of invasion should Taiwan ever openly declare independence has a moderating effect on the conflict. By drawing so clear a line, China has ensured that all parties engaged in the strategic picture across the Taiwan Strait understand how to avoid Chinese military involvement.[64] As long as Taiwan does not take any direct steps toward independence, China seems satisfied with the current state of cross-strait relations and is content to wait, relying upon its longer-term strategy for reunification. However, the U.S. plays a key role in both deterring Taiwan from provoking China and preventing China from using military force.

CONCLUSIONS AND POLICY RECOMMENDATIONS

China's continued rise in the military, economic, and political sectors shows no early indicators of slowing down. China still faces challenges and potential pitfalls in each of these fields, as well as in the situation across the Taiwan Strait, but so far they have remained manageable. Chinese national strategy is

now less passive than in the past. Still, China's powerful growth has been tempered by China's repeated desire for a "peaceful rise" as it returns to its historic position atop the Asian power structure.

The People's Liberation Army has come a long way from the guerrilla war tactics of its revolutionary roots. China's pursuit of an improved nuclear deterrent and an increasingly capable modern military demonstrate Beijing's commitment to enhanced global influence. The PLA's attempts to develop effective power projection capability demonstrate the Chinese desire to expand China's global influence. Chinese efforts at developing a blue-water navy and an anti-space capability correspond directly with the Chinese desire to neutralize American military supremacy near the Taiwan Strait. China's actions are not necessarily hostile toward the U.S., but Beijing will seek to safeguard its strategic interests. Still, the U.S. must not be distracted by its current anti-terror campaign and turn a blind eye toward long-term Chinese strategic considerations.

China's economic advances over the past thirty years have resulted in unprecedented levels of economic success. China has placed itself in a position strong enough to exert considerable influence upon the international economy. More importantly, China has become extensively integrated into the global economic community, especially with the United States. The close economic relationship between the U.S. and China will expand China's influence into the political and security relationship between the countries. Nevertheless, China's impressive economic resume masks a somewhat brittle social foundation that poses some threat to the stability of the Chinese Communist Party's government. With a strained and poor rural population, Chinese leaders must carefully monitor and manage the domestic political situation.

China is continuing to grow its economic, military, diplomatic, and cultural power. Traditionally, rising states have refused to accept the dominating international political structure, as the existing order reflects the goals and desires of those states currently in a privileged position. However, China has successfully operated within the existing global structure. Due to the balanced nature of its growth, China resembles the United States of the early twentieth century more than Germany or Japan of the 1930s. Essentially, the Chinese emergence on the global stage should not spark the same sort of military confrontation that occurred in pre-World War II Europe and Asia. China is simply too economically interdependent to risk military confrontation and inevitable economic instability over anything other than extremely vital national security concerns. These concerns have already been made particularly clear by China, most notably by its policy approach to Taiwan.

China's rise is real and will in all likelihood continue. However, Chinese policymakers are primarily realists, understanding contemporary power balances. Thus Beijing's desire for increased global influence is compatible with Washington's goal of China becoming a "responsible stakeholder" on the

global stage.[65] However, the United States must institute appropriate policies to shape Chinese behavior. The first recommendation is to treat China with respect in diplomatic settings. If China is treated with respect, it will have fewer reasons to seek respect through more adventurous policies.

Second, the United States government and military must take undertake appropriate long-term strategic planning to counter growing Chinese power. The United States Army is being worn down by the War on Terror, and has focused its attention and funding on missions in Iraq and Afghanistan. Recently, funding of Lockheed Martin's F-22 stealth fighter was seen as an egregious waste of defense resources by many critics, who claim that weapons such as the F-22 have little place in fighting the smaller, urban counterinsurgencies that have characterized the War on Terror. Congress and the DoD must retain the foresight to continue to fund advanced weapons systems in order to retain a favorable long-term balance of power with China. The Chinese government has continually increased its funding, targeting capabilities and weapon systems that are specifically designed to counter the United States' strategic advantage. The U.S. must not allow its advantage to lapse.

In the space community in particular, the United States has done woefully little to counter the growing Chinese space presence. Official U.S. space policy seeks to establish "unfettered" U.S. access to a "global commons." At the same time, the U.S. promotes "space dominance" while refusing to enter into any treaty limiting space-based weapons. While China clamors for U.S. diplomatic involvement while simultaneously conducting satellite weapons tests, the U.S. struggles with its own rhetoric as it fails to devise an appropriate policy response to the threat. The United States must give high priority to efforts to harden space based assets and make it clear that attacks on such assets will result in a firm response.

Third, the U.S. must continue to seek to preserve Taiwan's democracy. The United States stands for values such as freedom and democracy. Standing by Taiwan also shows American resolve to our Asian allies. Nevertheless, the United States should also continue to use its influence to prevent Taiwan from taking provocative steps toward independence that will inflame relations with China and possibly lead to war. In other words, Taiwan's capitalist economic system and democratic political system are worth protecting. However, increasing international recognition for Taiwan and a satisfied sense of Taiwanese nationalism are not worth American blood or treasure. In light of Taiwan's democracy, this is a delicate proposition. However, China is unlikely to use military force against Taiwan unless it is provoked by Taiwan. Thus the United States needs to take China's core interest of preventing Taiwan independence into account.

Fourth, the United States should develop a comprehensive strategy to engage all of Asia. With American attention diverted to the Middle East, our interests in Asia have suffered. The United States must demonstrate that it is in Asia for the long-term and can be trusted. On the economic front, this means

more attention to multilateral free trade arrangements rather than bilateral deals which appear to reward only our closest friends. In the arena of soft power, it means loosening up visa standards for those who wish to come to the United States, particularly students, and polishing our public diplomacy.[66] In the diplomatic arena, it means listening to the concerns of Asia and engaging in diplomacy that demonstrates our respect to Asian leaders. Finally, it also means closer military ties with states that feel concerned about rising Chinese power. These ties must not be trumpeted, but conducted in quiet but effective ways. It is particularly important to cultivate Indonesia and India, rising states that can balance Chinese power.

Similarly, the United States should rethink its policy toward North Korea, particularly as progress continues to be made in the Six Party Talks. Korean nationalism is a powerful force. North Koreans have no great love for China and do not want their state to become a satellite of their much larger neighbor. Thus, there may be more common ground between the United States and North Korea than many policymakers believe. Furthermore, a more flexible attitude toward North Korea will help improve American relations with South Korea. This is perhaps the relationship that has suffered the most since the end of the Cold War, as American and South Korean policies toward North Korea have diverged and China has become an increasingly important economic partner to South Korea. In the same vein, with an eye toward future Korean reunification, the United States needs to be in a position to exercise continuing influence on the Korean peninsula.

Fifth, the United States needs to work harder to build multilateral security organizations in Asia. The current hub and spokes system was designed in large part to contain China. As China rises in Asia, new mechanisms must be built that incorporate China and move China to contribute to the maintenance of order in Asia. One possibility is the institutionalizing of the Six Party Talks, creating a Northeast Asian security organization. Another option is a new mechanism that regularly brings together Japan, China, and the United States. This is particularly important due to the often difficult relations between China and Japan and the nature of the security dilemma that arises between the United States and Japan on one side and China on the other.[67] Similarly, multilateral cooperation in the fight against non-state terrorist actors can build trust between the United States, China, and other nation states in Asia.

Finally, the United States needs to find creative ways to encourage democratization in China. Democratization is not a panacea that will solve all problems between the U.S. and China. However, it will go a long way toward ameliorating many difficulties. Encouraging democratization is a delicate matter. The core problem in Sino-U.S. relations is that the United States can never fully accept an authoritarian party-state. Nevertheless, the United States can work with civil society organizations such as NGOs that help China achieve its goals in areas such as the environment and education, while also establishing the long-term building blocks necessary for democracy.

ENDNOTES

[1] Embassy of the People's Republic of China in the United States, "China's Rapid Economic Growth Will Continue: OECD," September 30, 2005, http://www.china-embassy.org/eng/gyzg/t214794.htm.
[2] Michael Vatikiotis, "The Architecture of China's Diplomatic Edge," *Brown Journal of World Affairs* 12, no. 2 (Winter-Spring 2006).
[3] Stefan Halper, "Wrongly Mistaking China," *The American Spectator,* February 2007, 15.
[4] Office of the Secretary of Defense, "Military Power of the People's Republic of China, 2007," 6-7.
[5] Information Office of the State Council of the People's Republic of China, "China's National Defense in 2006," Beijing, December 2006, http://www.china.org.cn/english/features/book/194486.htm.
[6] "Excerpt of PRC Book on International Strategy" (Excerpt of book by An Li and Li Dongzang, *Crossroads of the World* [*Shizilukou shang de shijie*], published by Zhongguo Renmin Daxue Press, 2000), www.opensource.gov, chapters 10-12.
[7] Ibid., chapter 10.
[8] For China's response to terrorism, see Paul J. Bolt, Su Changhe, Robin Bowman, and David H. Sacko, "Chinese, American, and Russian Security Policies: The Response to Terrorism, "in *The United States, Russia and China: Confronting Global Terrorism and Security Challenges in the 21st Century*, eds. Paul J. Bolt, Su Changhe, and Sharyl Cross (Westport, Conn.: Praeger Publishers, forthcoming).
[9] Jonathan D. Pollack, "Chinese Security in the Post-11 September World: Implications for Asia and the Pacific," *Asia-Pacific Review* 9 (2002), 125.
[10] Halper, 18.
[11] Harry Harding, "China's Biggest Risks Are Economic," *Foreign Policy* (March 2007). See also Elizabeth C. Economy, *The River Runs Black* (Ithaca, NY: Cornell University Press, 2005).
[12] "Military Power," 7.
[13] "U.S.-China Relations: An Affirmative Agenda, A Responsible Course," Report of an Independent Task Force, Council on Foreign Relations (uncorrected proofs), 10.
[14] See, for instance, Vera Simone, *The Asian Pacific: Political and Economic Development in a Global Context*, 2nd edition (New York: Longman, 2001).
[15] Harding, 4.
[16] David Lampton, "The Faces of Chinese Power," *Foreign Affairs* 86 (2007), 122.
[17] Thomas Lum and Dick K. Nanto, "China's Trade with the United States and the World," CRS Report for Congress, updated January 4, 2007, 6-7, 39; and The U.S.-China Business Council, U.S. Trade Statistics and China's World Trade Statistics, http://www.uschina.org/statistics/tradetable.html.
[18] Halper, 15.
[19] Kevin Sheives, "China Turns West: Beijing's Contemporary Strategy Towards Central Asia," *Pacific Affairs* 79, no. 2, (Summer 2006), 214.
[20] Sheives, 215.
[21] Halper, 16.
[22] Michael Elliot, "The Chinese Century," *Time*, 22 January 2007, 33-42.
[23] Pollack, 123.
[24] Elliot, 43.
[25] CSIS, *The Balance Sheet*.
[26] "Military Power," 25.
[27] Bill Gertz, "U.S. Halts China Space Ventures," *Washington Times*, February 2, 2007.
[28] Jeremy J. Siegel, "Pressure China Pay the Price," *Investing*, March 2007.
[29] Gertz.
[30] Evan S. Medeiros, "Evolving Nuclear Doctrine," *China's Nuclear Future*, ed. Paul J. Bolt and Albert S. Willner (Boulder: Lynne Rienner, 2006), 55.
[31] Medeiros, 56.
[32] Medeiros, 58.
[33] Fei-Ling Wang, "Preservation, Prosperity, and Power," *Journal of Contemporary China* 14, no. 45 (November 2005): 670.
[34] "Excerpt of PRC Book," chapter 12.

[35] Ming-Yen Tsai, "Shadow over Asia: China's Challenges to U.S. Military Primacy," *Taiwan Defense Affairs* 6, no. 3 (Spring 2006): 6, 8.
[36] Interview, June 7, 2007.
[37] "China's National Defense in 2006," chapter 2.
[38] For instance, Taiwan military officers expressed this view. For a map of the first island chain, see "Military Power," 16.
[39] George Friedman, "Space and Sea-Lane Control in Chinese Strategy," *Strategic Forecasting*, January 2007.
[40] These come from Taiwan interviews.
[41] "Excerpt of PRC Book," chapter 10.
[42] See, for instance, "Excerpt of PRC Book," chapter 12.
[43] Halper, 14.
[44] Pollack, 18.
[45] Elliott; see also Seth Mydans and Wayne Arnold, "Modern Singapore's Creator is Alert to Perils," *New York Times*, September 2, 2007, http://www.nytimes.com/2007/09/02/world/asia/02singapore.html?ref=asia.
[46] David Fullbrook, "China's Strategic Southeast Asian Embrace," *Asia Times*, February 1, 2007, 2.
[47] Vatikiotis, 25-26.
[48] Sheives, 205.
[49] "Russia and China Hold Joint Military Exercise," *International Herald Tribune*, 17 August 2007, http://www.iht.com/articles/ap/2007/08/17/europe/EU-GEN-Russia-China-Maneuvers.php.
[50] Fullbrook, 2.
[51] Michael D. Swaine and Ashley Tellis, *Interpreting China's Grand Strategy: Past, Present and Future* (Santa Monica, CA: RAND, 2000), 120.
[52] Jonathan Holslag, "The European Union and China: The Great Disillusion," *European Foreign Affairs Review* 11, (2006), 556.
[53] Ibid., 562.
[54] Ibid., 557
[55] Ibid., 578.
[56] Rodger Baker, "China's Concerns in 2007: Fears of a Perfect Storm," *Strategic Forecasting*, 4.
[57] In particular, succession struggles may lead Chinese officials to take a harder line on Taiwan. See, for instance, Joseph Kahn, "China's Leaders Deadlocked Over Succession," *New York Times*, October 5, 2007, http://www.nytimes.com/2007/10/05/world/asia/05china.html?hp.
[58] "U.S.-China Relations," 36.
[59] Ibid.
[60] Pollack, 23.
[61] "U.S.-China Relations," 37.
[62] The Pentagon now asserts that the balance of military power has now shifted to the mainland's favor. See "Military Power," 30.
[63] Pollack, 23.
[64] Harding.
[65] Vatikiotis, 36.
[66] See David Lampton, "What Growing Chinese Power Means for America," Testimony prepared for the United States Senate Committee on Foreign Relations Hearing on "The Emergence of China Throughout Asia: Security and Economic Consequences for the U.S," East Asian and Pacific Affairs Subcommittee, June 7, 2005, 12.
[67] Ibid., 11. See also Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma in East Asia," *International Security* 23, no. 4 (Spring 1999): 49-80.