

# The rise of China: military and political implications

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## Introduction

The rapid economic and military development of China over the decades since the death of Mao Zedong in 1976 are already changing Asia and the world. But what are the longer-term implications of this rise? Even in China itself there seems to be disagreement. Thus current President Hu Jintao and his brains trust have advanced the term 'peaceful rise' [*heping jueqi*] in an apparent effort to reassure neighbours who are increasingly troubled not only by China's increasing economic clout, but by her military strength as well. Hence, China's rising is taken for granted – and has been for a long time. The classic introduction to the modern period, by Immanuel Hsu and now in its sixth edition, has been titled, for thirty five years, *The Rise of Modern China*.<sup>1</sup>

So the topic is not new. Indeed, books proclaiming China's imminent rise have been appearing regularly since the early years of the twentieth century – and not without justification. The reform efforts undertaken in the final decades of the Qing dynasty (1644–1912) were rather impressive, as were those of the early, pre-Kuomintang republic. By the time of the Second World War China was not only already a major player in global trade (2–3 per cent versus perhaps 4 per cent now) but also politically credible enough, in Cairo in 1943, for Roosevelt and Churchill to envision her as one of the four great postwar powers.<sup>2</sup>

Most people, however, would probably say that this time China's rise is somehow different and more substantial. For one thing, most observers take as their base line the period of Maoist communism from 1950 to 1978, which saw the country withdraw into itself and its external trade dwindle, with which the present is indeed a dramatic contrast, rather than the pre-communist period, which the present resembles in many ways. For another, the sheer scale, particularly in military development, of the current rise considerably overshadows anything in the past. Nevertheless, questions of definition remain, so let us at the outset describe how this essay will treat China's rise.

### *Three aspects of China's rise*

In what follows, we will stress three aspects of China's rise. The first will be economic development, which, as will be seen, involves a far greater role for the state than is

<sup>1</sup> Immanuel C. Y. Hsu, *The Rise of Modern China*, 6th edn. (New York: Oxford University Press, 2000).

<sup>2</sup> See *ibid.*, pp. 602–3.

conveyed by the commonplace image of a formerly Communist government making haste to adopt capitalism.

Second, we will examine the most distinctive aspect of China's current rise: namely, its strong emphasis on the development of military power and the pursuit of irredentist territorial claims in Asia. We will suggest that taken to its logical conclusion, China's current military policies will undermine its economic prospects; free trade and peaceful economic development will not be able to thrive if and when China's military ambitions elicit countervailing responses from her neighbours, and concern about security rises in the Asian region.

Third, we will examine only briefly a very important question that lies outside the scope of this essay: namely, what will be the impact of China's rise *on China itself*. Given the array of social, economic, and political forces that have been unleashed in the decades since Deng Xiaoping seized power in 1978, it is difficult to imagine that China's own domestic political system of one-party dictatorship will somehow escape any impact. Here the transition of Taiwan from dictatorship to full democracy is perhaps of greater significance than is usually understood; so too the pushing and hauling over democratisation in Hong Kong, dramatised most recently in the Legislative Council Elections of September 2004, in which freely-cast ballots went overwhelmingly to the advocates of full democracy.

Before turning to these considerations, it may finally be useful to consider just exactly what we mean by the 'China' that is rising. A variety of states, each known to itself not as 'China' but by its proper title – Tang, Ming, Empire of the Qing – have risen and fallen in the eastern plain of Eurasia. They have been different from one another in many respects, from territorial extent to ruling ideology. We derive our word 'China' from the name of the first dynasty to unify most of the territory of that plain: namely, the short-lived Qin, which did so in 221 BCE. But today's 'China' is not defined by the Qin. Rather, the People's Republic of China has followed its predecessor, the Republic, in taking as its territory that of the Qing – minus Mongolia, which slipped away in the 1920s and is now acknowledged as independent by Beijing. The Qing was a multinational empire including Mongols, Turks and Tibetans, as well as what Westerners would commonly call 'Chinese' (*Han* in the ethnological vocabulary of the People's Republic) under the rule of the non-Chinese Manchu people of Northeast Asia.<sup>3</sup>

This Qing empire covered more than four million square miles; its two successor states, the Republic of China (1911–1949) in China proper, (thereafter to the present in Taiwan) and the People's Republic of China (1949–present) have claimed and sometimes ruled only a little less than this: about 3.7 million square miles of multi-ethnic territory. Contrast this with the Ming (1368–1644) the last Chinese-ruled dynasty, which was perhaps half that size at most, but *ethnically far more homogenous*. Economic and political development have generally stressed and strained multi-ethnic empires, and the People's Republic of China is likely to be no exception.

So for the purposes of this article, we should set aside deep rooted Western ideas of a Chinese 'Middle Kingdom' that has endured, with a high degree of continuity, for some five thousand years. (Not that this idea is entirely wrong: to take one

<sup>3</sup> For historical background see John King Fairbank and Merle Goldman, *China: A New History*, enlarged edn. (Cambridge, MA: Harvard University Press, 1998).

example, the linguistic continuity of the Chinese world is remarkable. But *zhongguo*, the Chinese phrase usually rendered as 'The Middle Kingdom' in fact antedates the first unified state of the Qin and is more properly understood as plural: 'the states (pre-221 BCE the east Eurasian plain contained a numerous and shifting array of effectively independent kingdoms) around the center'. Rather, think of China as more a Europe than a France: a civilisational area rather than a nation-state, and its rise more like that of Europe as a whole from the industrial revolution, rather than the brief hegemony of a France or a Germany within that entity.

### China's economic rise

Much may be learned about the nature of China's economic development by looking at Shanghai, the city, created in its modern form only in 1842 when it was opened to foreign trade, that nevertheless quickly moved to the forefront of Asian commercial centres, with massive manufacturing and trade, until it was effectively shut down after 1949 by the Communists, who believed that foreign trade – 'imperialism' – lay at the root of all of their country's ills.

So visitors to China in the late 1970s and early 1980s found no dynamic metropolis, but rather a city frozen in time, where elderly chefs and waiters were summoned from retirement to prepare the Western food that they knew from the 1930s for the first dignitaries. It would seem that everything has changed since then. Today Shanghai is the showplace of Chinese economic development, with skyscrapers, shopping malls, a fine museum and opera house, and a complex web of highways to accommodate its more than one million automobiles. From 1950 until the 1980s, the Communist government of China had systematically devalued the confident cosmopolitanism the city had traditionally symbolised, in favour of a rural ethos drawn from the deep inland provinces, notably Shaanxi in the far northwest. At the same time, the state had run down the city's formidable industrial establishment, constantly taking more in profits from nationalised enterprises and taxes than was returned in investment.<sup>4</sup> Now the government's hope is that Shanghai will become the hub of the Asian, if not the world, economy.

It would seem to be on track. Shanghai and other coastal cities and provinces like it, were by the 1980s already beginning to be linked into the routes of world trade; by the turn of the millennium their influence had become powerful, flooding the United States with exports creating a massive trade deficit, driving up the prices of raw materials such as oil and iron ore, as the Chinese government accumulated a stock of foreign exchange second in size only to that of Japan. Reported growth rates, in double digits, were so high that by 2003 the government was already talking about economic overheating and the need to slow growth. Suddenly exports to China became key for states such as Japan and Taiwan that had hitherto relied on the United States. Impressed by the prospect of seemingly endless Chinese growth, some observers identified it as a 'locomotive' for the regional, or even the world economy.<sup>5</sup>

<sup>4</sup> For a fascinating and very concrete account of how the new Communist government expunged what had gone before, see Beverley Hooper, *China Stands Up: Ending the Western Presence 1948–1950* (Sydney: Allen & Unwin, 1986).

<sup>5</sup> See Joe Studwell, *The China Dream* (New York: Grove Press, 2003).

But if Shanghai is the showplace of China's current economic development, looked at more closely it is also an object lesson in the contradictions and challenges of Beijing's approach to that development. For unlike the first leader of economic modernisation after 1978: namely, the Pearl River Delta, Guangdong, and Hong Kong in the deep south, which relied for their growth primarily on local and foreign investment, and retained profits, today's Shanghai is a state project *par excellence*.

Today's impressive Shanghai skyline was not built by merchants, using profits from investment, like its predecessor early twentieth century *bund* (from a Malay word meaning waterfront) whose offices, factories and hotels were all privately financed by businesses that had been earning in China for decades, but turned to heroic architecture only once profit flows were securely established. Rather, what one sees as one surveys the stunning prospect of today's Shanghai is a massive building project, carried out with borrowed money on the assumption of future earnings, and by foreign direct investment, which similarly looks to future, not past, balance sheets for its rationale. The greater Hong Kong area developed economically once its people were allowed to engage in trade, and even today downtown Guangzhou (Canton) while perhaps more solvent, when all is said and done, than is Shanghai, certainly cannot match the magnificence of its Northern neighbour.

By contrast, Shanghai's recent resurrection was initiated by a political decision and underwritten with state funds. Economically the decision was potentially very wise, for Shanghai's location at the mouth of the Changjiang or Yangzi river makes it the logical centre for imports and exports from a river system that links a population larger than Europe's. Politically the decision also made sense, for the speakers of Cantonese, the dialect of the far south, have always been a strong minded and proud lot, and Beijing (a city that, like ancient Rome, imports taxes and exports governance) was concerned lest, as the Southerners became completely self-sufficient economically and potentially politically as well, they might drift away. A political need existed for a connector, halfway down the coast.

Hence the massive state investment, untold billions of dollars, that has created the cityscape one now views with awe: Pudong, the new industrial centre to the east of the Huangpu river, rice fields two decades ago; the new central district, fronted by the familiar old buildings of the bund, but with a backfilling of hundreds of new skyscrapers, some of striking architectural merit. No one knows how much all this has cost the central government, which, along with Shanghai municipality, has paid for it not with profits from trade, or retained earnings, but overwhelmingly with loans from state banks (and substantial foreign direct investment). In August 2004, however, the *China Daily* reported that the municipality had earmarked US\$35 bn for investment in the development of Shanghai over the next three years,<sup>6</sup> an enormous figure, comparable to the total value of the world coffee market (\$49 bn) or the Marshall plan (if adjusted for inflation).

Whether these investments make or lose money is one of the pivotal questions for China's future, and one directly related to the future of the regime, for in most cases, as in Shanghai (but not in Guangdong) it is the state – and not, contrary to popular impressions, an emerging entrepreneurial class of owners – that is making the investment decisions for China. This they do by allocating loans, drawn from the

<sup>6</sup> See *China Daily*, (<http://www.chinadaily.com.cn/english>).

savings of the Chinese people in state banks. These go overwhelmingly to state-owned enterprises: bankers estimate that perhaps 1 per cent of bank credit goes to private entrepreneurs, and that at most 5 per cent of China's economy is completely privately held. The rest is a confusing amalgam of state, provincial, and local enterprises, usually competing with one another, and with foreign capital which, owing to its greater efficiency in resource utilisation, is gradually acquiring greater and greater control over China's economy.<sup>7</sup>

These economic developments should be, and for the most part are, beneficial both to China and the world. But one must raise two caveats. First, the Chinese economy today depends to an unhealthy degree on exports (roughly 40 per cent of GNP compared to a more normal 20 per cent at most for a large and populous continental state), and those exports are, to a very great degree, the product of foreign businesses making use of cheap Chinese labour for assembly and value-adding operations. Thus, fully 50 per cent of China's exports are accounted for by foreign participated firms (usually with a Chinese partner), and 70 per cent of its information technology sector is owned outright by Taiwan. As long as Beijing favours state-owned enterprises and constricts private entrepreneurship, foreign private companies and foreign direct investment will be the most efficient utilisers of the factors of production in China, most notably cheap labour. The result, as is already clear, will be an unhealthy degree of foreign control over the economy. A Marxist might grumble something here about the exploitation of cheap Third World labour by international capital.

What we are facing here is the issue of capital utilisation and investment decisions. Today, bank lending is overwhelmingly, by state direction, to state-owned enterprises. These enterprises, which would long since have gone bankrupt absent the loans, use the money to increase their production, leading to oversupply of goods for which no demand exists, and a steady downward pressure on prices. The money lent to these companies is for the most part not recoverable. The problem of non-performing loans now threatens the integrity of the entire banking system, which is state-owned. This issue of gross misallocation and waste of capital, in a capital-poor country, is perhaps the most serious problem now facing China's economy. Growth based on borrowing is not the same as growth based on profits and increasing efficiency.<sup>8</sup>

Nor will exports – the brightest part of the economic picture today – ever produce enough money to raise the standard of living of the vast majority of Chinese, who live on the land. If China is to sustain its growth, then it must begin to rely on internal demand, rather than on exports.<sup>9</sup>

Second, and less well recognised, China has an enormous problem with the protection of intellectual property rights. Recently we have seen a number of drug patents lifted by the government, with one major player, GlaxoSmithKline, deciding not even to contest the decision in the courts, as the chance of success was effectively nonexistent.<sup>10</sup> General Motors, which has poured vast amounts into its joint

<sup>7</sup> For an excellent survey of these complex phenomena, see Harvard professor Yasheng Huang's *Selling China: Foreign Direct Investment During the Reform Era* (Cambridge: Cambridge University Press, 2003).

<sup>8</sup> For an overview of this development strategy see Tony Saich, *Governance and Politics of China*, 2nd edn. (London: Palgrave Macmillan, 2004).

<sup>9</sup> Author's conversation with Ms Wang Xiaoming, deputy governor, Bank of China, August 2004.

<sup>10</sup> 'Glaxo Drops Patent Fight', *New York Times*, 19 August 2004, p. A1.

enterprises in China, has been astonished to note the resemblance of the Chery mini-sedan, produced by a Chinese company in Wuhu, Anhui to their own Korean-designed Sparkle. Again, however, GM apparently has no recourse. The same story is repeated on large scale and small: from automobile technology to the well-reputed Zippo lighter, now being massively counterfeited in China, in a poor quality imitation, that not only denies Zippo market share, but (by unpredictably exploding in flames) gradually ruins the brand's reputation.

So although plenty of room exists in the world for a new economic powerhouse that plays by the rules, enriching her own people and her trading partners, it is not clear that a state-controlled pirate economy will be so welcome. The United States is of course one of China's most important markets as well as sources of capital and technology. But no political constituency for China exists in the United States, except for business. Most Americans outside of business are troubled either by China's autocratic government or her military buildup or both. But business has striven heroically for two decades to advance China's cause: most notably in the case of the World Trade Organization membership.<sup>11</sup>

But suppose, as is already happening, the same American business that went into China with such high hopes and not inconsiderable quantities of money, were to conclude that the game was rigged: that they were being systematically robbed of their precious patents and intellectual property, without recourse, and then driven out of world markets by Chinese products copied from American originals? It is quite conceivable that business could then turn sour, feeling deceived and betrayed, and call for quotas, tariffs, limitations, and litigation. Investment and trade flows would shrink and China would risk losing her most important export market. This would be a catastrophe for China, and one that may well be coming (President Bush has already vetoed one such initiative) nevertheless.<sup>12</sup>

Finally, there is the question of the long-term viability of the approach to economics that China has adopted. China's economic growth has been real, but like Singapore's in the 1960s, the government has, for political and not economic reasons, shown a preference for state enterprises and holding companies, and foreign investment, as opposed to genuine domestic entrepreneurship. People imagine that somehow China has become a market economy, or even capitalist. This is quite incorrect. Party control of major industries is still a given. Had China's government wished genuinely to privatise, it would have done so a decade ago. But it does not. Rather it seeks to use government financing coupled with foreign investment and expertise as a therapy to create, somehow, a genuinely competitive economy that remains state-controlled. Whether this is possible remains to be seen. But it is certain that the survival of the Communist Party in power increasingly depends upon maintaining a rapid growth rate.

In recent years Beijing has followed an ultimately destructive policy of discouraging entrepreneurship by denying credit from the state banks, which are the sole custodians of the massive savings of the Chinese people, instead making loans to money-losing state-run enterprises. The result is misallocation of resources on a

<sup>11</sup> For a critical view of this business group, see Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (New York: Vintage Books), pp. 105–29.

<sup>12</sup> See 'US–China Commission releases findings and recommendations on China's WTO Record', US–China Economic and Security Review Commission, 25 March 2005, ([http://www.uscc.gov/pressreleases/2005/05\\_03\\_25pr.htm](http://www.uscc.gov/pressreleases/2005/05_03_25pr.htm)).



massive scale, which prevents China from achieving its full economic potential, and a steady accumulation of bad debt. Furthermore, jobs are not created as fast as they would be if free enterprise prevailed, which creates a terrible social problem, of between one hundred and two hundred million Chinese who lack real work and increasingly travel the country in search of it. But this author is not an economist and will say only that China's economy faces serious problems that are invisible to the average visitor, passing through Shanghai.

### **Military aspects**

We have mentioned already that China's economic policies of growth, and growth highly dependent upon exports, and her military and diplomatic policies, which are often provocative and irredentist, are almost certainly self-contradictory. The question is whether one or the other will prevail, or some sort of stalemate emerge. For just as China's economy has become increasingly influential on the economies of Asia and the world, so too its military and diplomatic policies, backed by a military transformed in its capabilities for long-range power projection and general quality, are beginning genuinely to affect the calculations of China's neighbours.

Just why China, a state having no obvious enemies, should devote an amount to its military comparable, by some calculations, to the US military budget, is a bit of a mystery. Some say that China's buildup is simply routine modernisation, which is certainly true to some extent: the 1980s found China with a 1950s Soviet style military that was obsolete. Others argue that China's buildup is a response to threats and provocations, such as territorial disputes with neighbours such as Japan and the Philippines, as well as the continued failure of the people of Taiwan to show any desire to become part of China.

Over the last fifteen years or so China's military power has grown immensely. Started in earnest shortly after the Tiananmen massacre of 1989 as in part a political payoff to the army, which had saved the regime, and thus arguably the product primarily of domestic factors, this military buildup has nevertheless been real, and is beginning to bring profound changes to the configuration of power in Asia, changes that are only beginning to be understood.<sup>13</sup>

Russia, India, and Japan are the three major military powers most immediately affected by the current Chinese buildup. Each has undergone major transformations during the period of China's military modernisation. In Russia and central Europe, the communist system was pulled down, starting in the year of Tiananmen and ending with the abolition of the Soviet Union and the lowering of the Soviet flag over the Kremlin, a spectacle of domestic power loss that, arguably, has been the most influential single factor in writing the current programme of the People's Republic of China, the basis of which is maintenance of Party power, whatever the cost.

With the end of the USSR, India could no longer balance between it and the United States. Nehruvian neutrality and exceptionalism began to be discarded; economic reform begun by the Congress Party and continued by the BJP, lifted the

<sup>13</sup> For authoritative information on China's military build-up, consult the numerous reports of the US Congress's China Economic and Security Review Commission, (<http://www.uscc.gov>).

state into a high-growth trajectory. India also began to react to China's military buildup, which posed both a direct threat (along contested frontiers) and an indirect one (through China's support of Pakistan's nuclear programme) by itself becoming an active nuclear power.

Finally Japan, by far the wealthiest and most sophisticated of these countries, began to re-evaluate its long-held pacifistic approach to international relations. This last development is perhaps of the greatest importance among these three highly consequential developments.

Japan, alone of the countries mentioned so far, is fully and truly modern, best considered as already an economic superpower, with the potential to become, in a matter of a few years, by far the most powerful military power in Asia as well. Indeed, Japan today is already very strong: she has, without question, the most powerful and effective navy in Asia, and highly competent land and air forces. What she lacks, by intention, is power projection capability, and autonomous intelligence-gathering ability. After the United States, Japan is the largest economy in the world; its foreign exchange reserves are the largest; its population is affluent and well educated, and its technological expertise is second to none.

So smack in the middle of China's road to power lies Japan. History suggests that the Japanese will do whatever they think is necessary to secure their islands. Whether or not Japan today chooses to become a great military will be determined by the stability of the area around her four relatively small islands (145,000 square miles; France is more than half again larger).

This linkage between changes in the power balance in her immediate neighbourhood, and Japan's military posture, should be borne in mind as we consider the present, for once again Tokyo potentially faces an abrupt change as the result of the rising power of China, and the threat posed by her client North Korea. The origins of Japan's belligerent policy in World War II are best found in the series of events set off by the ending, as the result of the Washington Conference of 1921–22, of the crucially stabilising Anglo-Japanese alliance and its substitution by a system of collective security, in which the Western powers and China also participated. Unlike China, which shuns alliances, Japan seeks them actively, so she placed real hope in the new 'Washington system'. But when, in the mid and late 1920s, this turned out to be a sham, Japan abandoned her ostensible partners in security, and sought to assure her national interests unilaterally, through actions leading ultimately to the Pacific War. Had the system of collective security actually functioned, or if the Chinese nationalists had proved less assertive in their challenges to Japanese interests, this ruinous war could most likely have been avoided.<sup>14</sup>

Turn now to the present and consider how the rise of Chinese military power looks to Tokyo (and to a lesser extent, the Koreans). Would the United States use nuclear weapons to protect Japan from either, even though the price today would be the destruction of American cities? In strategic terms, does American extended deterrence work in Asia any longer? The answer is probably 'no'. Washington's oldest and

<sup>14</sup> See Akira Iriye, *After Imperialism: The Search for a New Order in the Far East, 1921–1931* (Cambridge, MA: Harvard University Press, 1965); also the numerous works of Professor Ian H. Nish. For an important background document, see Arthur Waldron, *How the Peace Was Lost: The 1935 Memorandum 'Developments Affecting American Policy in the Far East' Prepared for the State Department by Ambassador John Van Antwerp MacMurray* (Stanford University, CA: Hoover Institution Press, 1992).



closest allies, France and England, have, after all, always insisted on maintaining their own independent deterrent, as has Israel.

The issue is not made easier for Tokyo by Chinese behaviour. For reasons that are difficult to fathom, except by invoking the imperatives of domestic politics in a dictatorship, China has increasingly taunted Japan militarily – most notably by regular violations of Japanese territorial waters around the Senkaku islands (claimed by China as the Diaoyutai), and by regular submarine voyages in Japanese waters.

Presiding over Germany's rise to world power, Bismarck went out of his way to avoid militarily-threatening behaviour and reassure his neighbours. With respect to Japan, China would seem to be doing the opposite. Beijing seems not to realise that the pacifistic Japan of the post-World War II period exists not because Japan has been incapable of developing her military, but rather because she had made a choice not to. Japan's decisive responses to external security challenges in both the nineteenth and twentieth centuries suggests that she will do whatever is necessary to keep herself safe in this century as well. The ability of Asian powers to target with nuclear missiles not only US forces in Asia, but also the continental United States itself, means that extended deterrence by Washington is no longer credible.

So we face two possibilities. One is that North Korea and China dramatically alter their military policies, thus reassuring Japan that she will be safe even if she continues to resist military development. This seems unlikely. The other is that, understanding the new threat and realising that the United States alone is incapable of dealing with it, Tokyo will alter its constitution, and develop a self-sufficient military capability, of great sophistication. (Remember that at the time of Pearl Harbor, Japanese military technology and training were superior to American in a number of fields, most notably aviation, where Washington had nothing to match the Mitsubishi 'Zero' fighter).

Another way of putting this is to say that if China continues on her present military course, Japan will develop capabilities comparable to China's two major nuclear-armed neighbours, India and Russia.

Indeed, India's development of an all-round military capability, including nuclear weapons, is the direct product of Indian concern about China's growing strength (and not about Pakistan, as is usually stated).<sup>15</sup> Just as China's shift to rapid economic development spurred India to abandon her complacent 'Hindu rate of growth', so China's rapid emergence as a genuinely formidable military power has led to an Indian reaction as well. This development has placed China in the strategically risky position of dealing with potentially two fronts, one on land and one on the coast, that in Qing times already had a name in Chinese: *saifang* (inland border defence) and *haifang* (coastal defence). India's response is a good example of how China's buildup is already eliciting counterbalancing responses around her periphery.

Beijing evidently did not anticipate this change in Indian military policy.<sup>16</sup> Perhaps she expected that the United States would somehow force India to abandon its newly acquired arms, while arguing that China was already an established power. The change is particularly unwelcome to Beijing owing to India's geographical position. Most of India's northern frontier is with Tibet, a culturally distinct polity that the

<sup>15</sup> Author's conversation with Indian Minister of Defence George Fernandes, 2001.

<sup>16</sup> For a summary of Chinese views of Sino-Indian relations at this time see Jing-dong Yuan, 'India's Rise after Pokhran II: Chinese Analyses and Assessments', *Asian Survey*, 41:6 (2001), pp. 978–1001.

People's Liberation Army conquered in the 1950s, and whose leader, the Dalai Lama, maintains a government in exile in Dharamsala, India; and whatever the two sides may say, the area is full of potential flashpoints and disagreements that will prove difficult to resolve.

Tibetan-style Buddhism is the religion of a whole arc of people, stretching from Tibet in the southwest to Mongolia in the north and northeast. Like the Muslims, to be mentioned below, the Tibetan Buddhists along China's inland borders, pose a latent threat.

Like her land frontier, India's sea coast also presents Beijing with a strategic headache. China is working actively to develop military and naval facilities on Indian Ocean islands belonging to Myanmar, and evidently through the construction of a major new port in Pakistan as well.<sup>17</sup> But to pose a genuine threat from either place, China will have to place a number of combatants at these facilities comparable to what India has. Even if she should do so, which would weaken her position along her own coast, these ships would be hostages to fortune, for resupply overland is well nigh impossible in both cases, and India (or another power in the area, Iran for example) would be well positioned to destroy these isolated fleets. Nor are the Chinese alliances with Pakistan and Myanmar genuinely robust. Pakistan's elite is English-speaking and Muslim, and quite uncomfortable on the personal level with their Chinese counterparts. They are together because they share a common potential enemy in India – but that enmity makes no sense for either Islamabad or New Delhi, and as it diminishes, Pakistan may decrease her alignment with China. Myanmar's people are viscerally anti-Chinese, occasionally rioting against resident ethnic Chinese and killing some. But Myanmar is a pariah state, ruled by a military that has chosen to maintain itself by alignment with China. Again, should Myanmar's regime change, or its military become dissatisfied with the growing Chinese presence on its territory, all of this could change.

China's position in Myanmar is particularly important because it provides a potential counterweight to India's control, through her bases in the Andaman and Nicobar islands, of the western entrance to the Straits of Malacca, the crucial sea line of communication along which moves nearly all the petroleum from the Middle East destined for Japan, South Korea, Taiwan, and increasingly China (where petroleum consumption increased 20 per cent in 2003, leading her to overtake Japan as the second largest importer). But this Chinese position in Myanmar is precarious and probably inadequate, not to mention counterproductive (because of the concern it elicits in India).

India's turn toward genuine military self-sufficiency was in part a result of the disappearance of the Soviet Union which had hitherto verged on being an informal ally. The breakup of the Soviet Union has also altered Moscow's military calculations in ways that are still rather inscrutable.

To begin with, Moscow lost a great deal of territory with the end of the USSR, though this is not necessarily a negative development. It may be better to have correct and peaceful relations with a state such as Ukraine or Georgia than to pay the price of unwelcome domination. Nevertheless, some of the territories shed by the USSR, most importantly perhaps the five independent states of Central Asia, are of great importance to Beijing. Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and

<sup>17</sup> Edward Cody, 'China Builds a Smaller, Stronger Military', *Washington Post*, 12 April 2005, p. A1.

Tajikistan are artificial states, carved by the USSR in the 1920s out of what under the Tsars had been Russian Turkestan, the western part of a territory partitioned with China, which retains its domination over East Turkestan, or Xinjiang – ‘new dominion’.

This vast territory – 617,000 square miles – is traditionally Turkic and Muslim, and was conquered by the Qing only with great difficulty.<sup>18</sup> As in Tibet, the Chinese destroyed religious sites – mosques – during the Cultural Revolution, and since then have systematically moved ethnic Chinese into the area in an effort to render it politically docile, while fighting a brushfire insurgency against the local Turks.<sup>19</sup> Obviously the replacement of the USSR as Xinjiang’s immediate western neighbour by a group of independent Islamic states cannot be welcome to China, even though those states remain Soviet-style dictatorships, almost as fearful of popular Islam as is China. In the interest of blunting the Islamic threat (and also obtaining access to petroleum and other resources) Beijing has attempted to assert her influence in former Soviet Central Asia by means of the Shanghai Cooperation Organization.<sup>20</sup> But she faces problems. The Muslims do not take naturally to the Chinese, and East Turkestan insurgents can still find active sanctuary in the region. Furthermore Russia, the United States, and India have all asserted interests of one sort or another in the area. As with her attempt to secure a position on the Indian Ocean and Arabian Gulf, Beijing’s attempt to secure Xinjiang by influencing Central Asia may prove a bridge too far. That is not only because the US, India, and Russia provide makeweights for the states of the region to use against the predominance of any one. More importantly it is because, with Islam gaining strength globally, it is quite likely that the Soviet successor states in the region may collapse or be overthrown, and merge into an irredentist Islamic entity, bordering one of China’s most neuralgic regions. The problem with Xinjiang and Central Asia was created when former Soviet territories became independent. But an even greater issue between Russia and China is the future of the former Soviet Union’s Pacific Coast, extending from Kamchatka to the North Korean border, rendering China’s three northeast provinces, the former Manchuria, landlocked except for the Liaodong peninsula in the very south.

Russia is a state lacking obvious natural boundaries. Its present form, as the brilliant analyst Professor William C. Fuller, Jr has argued,<sup>21</sup> is the product of strategic ambitions, challenges, and reactions. Certainly from the Urals to the East the Pacific Ocean marks the only natural limit and Russian expansion in that direction began in the seventeenth century, and in 1740 saw the foundation of the critically important port of Petropavlosk-Kamchatskii on the Pacific side of the Kamchatka peninsula, a position sufficiently to the east as to outflank the entire remaining coast of Asia as well as most of the major island groups, including Japan. But this harbour is located at 53 degrees north latitude, only six degrees south of faraway St. Petersburg, on Russia’s European frontier. One hundred and twenty years later Russia established the equally important port of Vladivostok, also on the

<sup>18</sup> See Peter C. Perdue, *China Marches West: The Qing Conquest of Central Eurasia* (Cambridge, MA: Harvard University Press, 2004).

<sup>19</sup> See Michael Dillon, *Xinjiang: China’s Muslim Far Northwest* (London: Routledge Curzon, 2003).

<sup>20</sup> Lowell Dittmer, ‘The Emerging Northeast Asian Regional Order’, in Samuel S. Kim (ed.), *The International Relations of Northeast Asia* (Lanham, MD: Rowman and Littlefield, 2004), pp. 331–62.

<sup>21</sup> William C. Fuller, Jr., *Strategy and Power in Russia 1600–1914* (New York: The Free Press, 1992).

Pacific coast, but a full ten degrees to the South. This is a strong position, the operational base of Russia's Pacific fleet, but owing to its position just to the North of the Korean peninsula, vulnerable to blockade or flanking by forces based on Korea's east coast. (Reports indicate that China has sought, and been refused, rights at North Korean ports fitting this description).

The Russian Far East, then, is of incalculable strategic importance to Russia, but it is difficult to hold. Remote from European Russia, to which it is linked only by a few railway lines, and with a diminishing Russian population, it is clearly vulnerable. But Russia remains a nuclear power, and although her military is currently so debilitated as to be hard pressed to hold this area in a conventional conflict, actually to attack it would be to invite nuclear war. Demographically, however, the Far East and Siberia are attracting emigrants from China and Korea – although this development does not necessarily favour Beijing. These emigrants, after all, are trying to get away and would probably love to have Russian passports.

Russia's future direction remains unclear, but it can be argued that the worst is past. Communism has been abolished, the media have been freed and then limited once again, democratic politics has come to stay, but with strong authoritarian and statist tendencies. The economy is recovering from the trauma of the immediate post-Soviet period. As part of this process, the Russian military is being reformed. Most likely the decades ahead will see a reconsolidation of Moscow's position on the Pacific Coast of Asia, rather than its abandonment.

Such reconsolidation, essential if Russia is to survive as a power, will represent yet another possible danger to China, both on land and sea. So one of the great puzzles of the last decade or so is why Russia has proved such a willing supplier of weapons to China. Rather than having to develop weapons systems from scratch, the People's Republic of China has benefited from two huge infusions of Soviet or Russian military technology. The first came during the period between the Korean War and the Sino-Soviet split in the late 1950s, during which time China obtained Soviet missile technology as well as a promise from Moscow, never literally fulfilled, to transfer nuclear weapons technology as well. Enough such technology was transferred during this period of good relations, however, to permit China to detonate its first atomic bomb in 1964. The second began as the government strengthened the People's Liberation Army in the wake of the Tiananmen massacre in 1989. It has witnessed an extraordinary transfer of both finished weapons and technologies: advanced fighter jets, quiet submarines, and a variety of missiles, including supersonic anti-ship missiles developed by the USSR to sink US aircraft carriers. Helped by other key technology transfers from the UK, France, Ukraine, Israel and the United States, China has been able to modernise her force structure much faster than would have been the case had she relied purely on indigenous capabilities (which she now possesses only with respect to ballistic missiles and nuclear warheads).<sup>22</sup>

The price, of course, is a high degree of dependence on Russia, which, history suggests, will not always side with China. How to explain this paradoxical policy? First, Chinese money keeps Russian military research afloat, and no doubt some of it finds its way into the pockets of individual Russian military experts. Second, China

<sup>22</sup> See David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley, CA: University of California Press, 2003).

has no other source for such advanced technology which it cannot itself develop quickly – though why China should feel so urgent a need for this capability is a hard question to answer. Third, sales to China are controversial in Russia, and reports suggest that the high command has attempted to rule out the export of the most advanced items and generally bring the situation under control. Still, the net result of Russian exports has been to transform qualitatively the armament of the most advanced Chinese units.

To sum up, China's military 'rise', the tremendous and unexpected improvement in her capabilities that began in earnest after the Tiananmen massacre in 1989, is transforming relations among Asian great powers in ways not always favourable to China. The most unfavourable reaction has been India's military modernisation and development of nuclear capability, which permanently creates a potential second front in any conflict, along the disputed Indian frontier with Chinese-controlled Tibet. The most favourable reaction would seem to have been Russia's, which has transferred billions and billions of dollars worth of relatively advanced weaponry and technology to China, seemingly indifferent even to the potentiality of Russian conflict with China, not to mention the effect on China's neighbours of the increase in her military power thus made possible. In the mid to long term, however, probably the most consequential reaction to China's military rise will be that of Japan, which seems likely, after some hemming and hawing, to develop forces of her own sufficient to offset China's, while drawing closer militarily and politically to other democratic states in Asia, and to the United States.

Balancing, in other words, is likely to be the net effect of China's rise on her three most important neighbours. As during the Cold War neither side ever gained a decisive advantage, despite the spending of untold billions of dollars on military efforts, so China's rearmament will probably lead to an Asia that spends far more on its militaries than is the case today, thus making war both less likely and more costly. Such at least is a rational calculation, and a historically sound one as well. The danger in such situations, of course, is that one power or another will either overestimate her own strength and launch a war by miscalculation (like France against Prussia in 1870–71 or Austria against Serbia in 1914) or else feel a momentary advantage slipping away, and thus seek pre-emption.

### **China, the United States, and American friends and allies**

So far every effort has been made to avoid mentioning the United States and issues, other than Japan, with which she is involved, most importantly Taiwan. The reason for this is to make absolutely clear that, as has been true throughout history and even at the apogee of American power in Asia as World War II concluded, the United States has never been or sought to be the dominant actor in Asia, though her power has regularly been the decisive weight, determining military success or failure. Given the tendency of both American and foreign commentators regularly to focus on Washington above all, this is an important point.

Washington's involvement in Asia has the same origin as her involvement at the other end of the Eurasian continent, in two World Wars and NATO: the inability of the local powers to maintain balance and peace among themselves, leading to their



tendency to try to involve the United States, and an American willingness, or even eagerness, to become involved.

In the Pacific, the United States, along with most of the countries of the region, have long since adopted the Westphalian model of international relations, based on a horizontal array of juridically equal states. But China, of course, has long held a different view: it has seen the world as hierarchically arranged, with China at the top.<sup>23</sup> Of course today Beijing subscribes to the Westphalian model. But to understand its diplomacy, the old hierarchical model should be kept in mind. Briefly, China wants to be 'great' – to be a great power, a *daguo* as one Chinese friend put it to this author. But 'great' measured according to what? Life expectancy? Income? Literacy? Number of atomic bombs? 'Greatness' in general does not really exist, but the desire for it – so obvious in Berlin's resentment of British condescension in the period before World War I – does, and China feels it. If one were to name a single metric by which the Chinese government judges itself, it would be the United States. Of course Chinese fascination and sense of rivalry with the United States are in part reciprocated by an irrational US romanticism about China.<sup>24</sup>

This US romanticism has given rise, repeatedly, to exaggerated hopes for Chinese American friendship and mutual profit. Roosevelt suffered from such unrealism when he insisted that Chiang Kai-shek's tottering government in the early 1940s, which refused to surrender in spite of massive defeats by the Japanese, should be one of the four policemen, along with the US, the USSR, and the UK, in the postwar world. When the Communists defeated Chiang in the civil war of 1945–49, anti-Americanism became the order of the day. Rather than make the slight sacrifice of face that would have been required by sending in 1949 an envoy from Beijing to Leighton Stuart, the American ambassador, who was in Nanjing hoping for just such a visit, Mao Zedong chose to refuse to do so (and President Truman forbade Stuart from going North). Thus began the Chinese-American estrangement, powerfully reinforced by China's decision to intervene in Korea, that lasted officially until 1979, when President Jimmy Carter broke all official political and military ties with the successor to Chiang Kai-shek's regime in Taiwan, which Washington had hitherto recognised as China's legitimate government, switching recognition to Beijing (though never, to this day, agreeing that either China, Chiang's or Mao's, had sovereignty over the island).

Despite this major change in protocol, however, the relationship between Washington and Beijing remains problematical and full of contradictions. It was accepted by China, which had refused previous American advances, during the 1970s, when the USSR was appearing very strong, and Beijing felt threatened enough to turn to the US for balance.<sup>25</sup> But that rationale for the relationship disappeared along with the USSR. What was worse, China's failure to liberalise and democratise, so evident in the massacre of 1989 and its aftermath, meant that the American and Chinese governments were totally different in character, one democratic, the other a dictatorship, a fact that rendered impossible the level of official intimacy achieved

<sup>23</sup> See John King Fairbank (ed.), *The Chinese World Order: Traditional China's Foreign Relations* (Cambridge, MA: Harvard University Press, 1968).

<sup>24</sup> See Peter Hays Gries, *China's New Nationalism: Pride, Politics, and Diplomacy* (Berkeley, CA: University of California Press, 2003).

<sup>25</sup> See Thomas W. Robinson and David Shambaugh, *Chinese Foreign Policy: Theory and Practice* (Oxford: Clarendon Paperbacks, 1994).



among fellow democracies (or the former Soviet bloc). Meanwhile, economic liberalisation, originally intended to be confined to a handful of special economic zones, spilled out over all of China. Exports soared and foreign investment poured in. Without having planned to do so, the United States and Chinese economies became deeply linked.

Yet at the same time, no new common view of the world replaced the previous shared antipathy toward the USSR. Instead, as China grew richer and stronger, she began to be a potential threat not only to the great powers of Asia, as we have seen above, but also to smaller and less powerful states. In pursuit of dubious territorial claims, China militarily annexed the Paracel Islands from South Vietnam and recently concluded agreements by which Hanoi yielded territory on land as well. China has occupied and built a small military facility on Mischief Reef, in the South China Sea, less than two hundred miles from the Philippines, which claims it, and a thousand miles from the Chinese coast. As already mentioned, China now regularly displays her military power to Japan. But when most people are asked about a potential trouble spot between the United States and China, they will mention Taiwan.

As is now becoming unmistakably clear, US handling of Taiwan since the 1970s has turned out to be one of the most dangerous failures of recent American foreign policy. As in the current case of Iraq, the United States government failed to give realistic consideration to all the possible consequences of its action in breaking ties with Taipei in 1979, preferring instead to tell itself a story about what would happen – what in strategic analysis is called ‘scripting’. We all know the script for the liberated Iraq quickly reconstituting itself as a grateful and stable American friend in the Middle East. In the case of Taiwan, the script was that the island’s government, then an autocracy run mostly by people who had fled there from China, would not be able to survive the blow of American withdrawal of diplomatic recognition and military support. Its government would reach over the heads of its disenfranchised people and make a deal with Beijing, by which Taiwan would become part of the People’s Republic of China, and at least the leaders who had made the deal, receive comfortable sinecures in return. The United States and China agreed that this was going to happen. The government in Taipei would grasp the situation and settle peacefully. So confident were both Beijing and Washington of this outcome that the United States stipulated that whatever happened must be peaceful, and Beijing came very close to renouncing the use of force.

The people in Taipei, however, failed to follow the script. Polite invitations from Beijing and powerful nudging by the United States, notably in the 1982 agreement to reduce arms sales to Taiwan provided Beijing did not threaten the island, were all brushed aside. Instead, Chiang Kai-shek’s son Chiang Ching-kuo, who had started his career running his father’s secret police, began democratisation. An opposition party was allowed to form; the press was freed, and after Chiang’s death, his successor Lee Teng-hui completed the transition with parliamentary and presidential elections. Political prisoners were released, exiles returned home, and Taiwan legitimated itself as a fully democratic state. All this was happening at the time of the Tiananmen massacre and after.<sup>26</sup>

But the newly democratic Taiwan had no place in the international system. Confident that it was going to disappear, the United States had allowed the vote that

<sup>26</sup> See Denny Roy, *Taiwan: A Political History* (Ithaca, NY: Cornell University Press, 2003).

would have permitted Taipei to stay in the UN General Assembly to be lost. Even though Beijing would recognise Seoul and Pyongyang simultaneously, the US failed to push for continued official relations with Taiwan – not even a consulate, which would have been required even if the island had joined China. Beijing felt betrayed when the US failed to deliver Taiwan, as they had expected, and alarmed as the people of Taiwan, like the people of Hong Kong, showed their dislike of Beijing at the ballot box. China reacted by beginning to experiment with force, firing missiles to bracket the island during two presidential elections, and building up an increasingly credible force both to subdue Taiwan and to keep the United States from coming to its aid – most importantly by purchasing a variety of former Soviet technology designed to sink American carrier battle groups. The United States, having all but guaranteed that Taiwan's future would be peaceful, had no choice, by the Clinton and Bush administrations, but to begin to understand that as China felt herself stronger and stronger, she might underestimate the risk of an attack on Taiwan, and undertake an operation that could draw the United States into war. China had to be deterred, which meant strengthening the US presence in Guam, from which the island could be reached quickly, while Taiwan needed help in bringing its military up to date after two decades of isolation. Such necessary steps irritated Beijing.

But the full import of developments in the Taiwan Strait has yet to dawn completely on Washington. The United States still pays lip service to the idea that Taipei and Beijing should somehow talk out their differences and come to a settlement. In fact Chinese control of Taiwan is unlikely ever to be accepted by the island's people, who can now vote about their future, nor is it in the real interest of Japan or Russia or the United States, not to mention the smaller East and Southeast Asian countries.<sup>27</sup>

Taiwan is about two thousand square miles bigger than Belgium and like that key European state, small but important by virtue of its location. By virtue of its vast internal harbour at Antwerp, and its position of potential dominance of the English Channel, not to mention its role as a corridor between Germany and France, Belgium is a country the control of which matters. In the past the British worried lest a great land power such as France or Germany gains access to her coast and thus the position from which to project force far more than Belgium itself could muster.

Taiwan is similar. It sits athwart the key sea line of communication that permits the other Asian states to obtain access to the Straits of Malacca, through which must pass oil on its way to Tokyo or Shanghai, or exports destined for the Middle East and Europe, not to mention a Russian or Chinese or American fleet seeking to move from the South China Sea to the Indian Ocean. As a secure and democratic state, having no territorial ambitions, Taiwan does not interfere with this crucial ocean pathway. But in Chinese hands it would provide a military position of great strategic importance, as it did to Japan, which held it from 1895 until the end of World War II.

At present, neither China nor the United States has any clear idea of how to resolve this problem, nor has the rest of Asia grasped the stake it has in what happens. All pretend to favour 'Chinese unification' but would the Philippines really welcome a Chinese military presence just north of the Bashi Channel? Would Russia be happy to have its Pacific shipping and naval forces pass through waters controlled

<sup>27</sup> For more detail, see the collection of articles edited by James R. Lilley and Chuck Downs, *Crisis in the Taiwan Strait* (Washington, DC: National Defense University Press, 1997).

by China? Would Japan welcome a Chinese military outpost a few tens of miles from its own Sakishima islands, and sitting on the route on which it depends for its oil supply? The fact is that, as with Belgium, so with Taiwan, it is in everyone's best interest that it remain a separate state and never draw states into war, as Belgium did Britain in 1914, when Germany violated her neutrality.

China's current government is unlikely acquiesce in any such solution, which means that tension in the area will rise. Over time the effect will probably be the emergence in Asia of an entente of democratic powers, with Japan and the United States at the core, balancing China, which will become increasingly frustrated with how little by way of actual gain her massive military expenditures have bought.

### China's rise and China

So far we have considered China's economic and military rise and their international effects, but we have not considered the most important question of all: namely, how will China's rise affect China? The brief answer, it would appear, is that both economic and military developments will place ultimately overwhelming strains on the present system of Party rule.

Following Mao Zedong's death in 1976, China has passed through a series of political successions that are illegitimate even according to Beijing's own constitution and Party regulations. Mao's successors were ousted in the fall of 1976 by a military coup, that eventually brought to power Deng Xiaoping, exactly the person Mao had not chosen. Deng greatly changed and opened Chinese society, though without any intention of abandoning Party rule. The contradictions in his approach led to the democracy movement of 1989, which saw the largest demonstrations in favour of freedom and elections in human history – and were also, perhaps unique among Chinese mass movements since the beginning of the last century, utterly free of any anti-foreign or xenophobic content. To deal with these Deng convened an extra-legal group of powerful elders, who decided to place the prime minister Zhao Ziyang under house arrest (where he remained until his death in 2005), unleash the People's Liberation Army to put down the movement by, in effect, sacking their own capital, and then instal as leader, again quite extra-legally, first Jiang Zemin, with the current leader Hu Jintao as his successor.<sup>28</sup> So far all of this has worked far better than many had expected. The Party has managed to stay in power, economic development has resumed, the June 4 'incident' as it is called on the rare occasions that it is mentioned, is thought by many to have been no more than a brief deviation from the steady course of authoritarian development upon which Beijing is embarked.<sup>29</sup>

That, however, misreads the situation. By setting his army on his own people, Deng Xiaoping blackened his historical legacy while throwing into obvious question the whole legitimacy of Communist rule. He also rendered relations with the army difficult, for most of its leadership was appalled by what the PLA did. To recapture

<sup>28</sup> See Arthur Waldron and John J. Tkacik, Jr., 'China's Power Struggle', *Asian Wall Street Journal*, 13 August 2004, p. A11.

<sup>29</sup> Zhang Liang, compiled by Andrew Nathan and Perry Link (eds.), *The Tiananmen Papers: The Chinese Leadership's Decision to Use Force Against Their Own People* (New York: Public Affairs Books, 2001).

legitimacy, China's rulers turned, like many before them in China and elsewhere, to patriotism and nationalism. A whole curriculum stressing China's historical grievances was introduced into the schools: *aiguo zhuyi jiaoyu*, literally 'love the country' education.<sup>30</sup> This 'patriotic education' combined an eclectic and ahistorical exaltation of anything 'Chinese' – from the Yellow Emperor to Confucius to the Great Wall – with constant criticism of the (genuine) misdeeds of the foreign powers against China – though of course even the Japanese did not come remotely close to killing as many Chinese as did the Chinese Communist regime. Added to this is a whole set of new rituals, such as the solemn daily flag raising in Tiananmen Square, introduced only two months after the massacre. For young people in particular, this sort of propaganda works, at least to some extent. Not that they all abandon their plans to study abroad, or wholeheartedly embrace the Party: not at all. But they do acquire a suspicion of foreigners, and a tendentious view of the history of the last hundred years. But none of this has genuinely restored the Party's legitimacy. In 2004, on the eve of the fifteenth anniversary of the massacre, party members were required to watch a film more than four hours long that purported to prove the necessity of the crackdown, and its beneficial effects. That such an effort should be made suggests that negative views are very strong, even within the Party.

In the short run, this propaganda approach has enabled the Party seemingly to put on the mantle of patriotism; to capture the flag. The United States and Japan are regularly denounced in the official media, as is Taiwan. Students have protested against all three. But these three states are also critical to China's future, both as an economy and as a member of the international community. China's exports have to go somewhere, and it seems unlikely that, say, France will pick up the slack if the United States should close its markets. Japanese investment and technology are critical to China's future, as is an amicable relationship with Tokyo. Too much belligerent talk and provocative military exercises jeopardise that interest. Taiwan investors own roughly 70 per cent of China's information technology industry. Indeed, if one removes the foreign-participated sector from China's economy – 'walks it out' as analysts say – what remains, the purely Chinese sector, is not very impressive and lacking in dynamism. This is intentional. Beijing does not want a real middle class of self-sufficient entrepreneurs. Such a class would threaten the political control that the Communist party has no intention of yielding. Hence the mutually contradictory military and economic policies; hence the borrowing to support state enterprises and the public demonstrations of prestige, such as the man in space and the upcoming Olympics. But as suggested in the comments at the outset, these policies may not be sustainable even in the economic sector.

Like the Soviet Union, China may hit an institutional dead-end, which may cause people holding authority to consider *perestroika*. Vast forces have been unleashed in the nearly thirty years since Mao Zedong's death. Surely institutions must change fundamentally to accommodate them? Surely Chinese who are encouraged to think about business and physics ought to have a say about politics as well? When we say China is rising, what we mean is that it is changing rapidly in many directions, gaining an array of new strengths that do not necessarily sit easily together. Once political change is begun, however, it will prove difficult to control. We are seeing

<sup>30</sup> See Suisheng Zhao, *A Nation-state by Construction: Dynamics of Modern Chinese Nationalism* (Stanford, CA: Stanford University Press, 2004), pp. 218–31.

now in Hong Kong only seven years after its return to China, that even Chinese are not purely economic animals, they are also, as the Greeks understood, political animals. Beijing's attempt to rule the former British colony through a nominated government allied to the great plutocrats of the Special Administrative Region, with a certain degree of electoral participation and freedom allowed to the people, is now failing and a stark choice is beginning to present itself. Either allow Hong Kong to rule itself, or enforce Beijing's will, just how is difficult to envision.

The most important effect of China's rise, then, will almost certainly be on China herself. Her rulers will soon face for the country as a whole the same issues and alternatives that they do now in Hong Kong: either to liberalise and democratise fully, or to pay the massive economic and political cost of an attempt to reimpose full Communist dictatorship, the success of which is by no means assured.

Whatever happens, the problems created by China's rise and consequent changes in China itself, will almost certainly be different from the ones explored here. For if China democratises, her military spending will almost certainly decline, in favour of more investment in things like rural irrigation systems, schools, and hospitals. That will be an outcome that will pose few problems for the international community. But if Beijing goes the other way, and cracks down, the result will be either civil strife, or the emergence of a threat so obvious that the sort of military balancing mentioned above, along with other measures, will proceed with far greater rapidity.

The true challenge of China's rise to the rest of the world is to maintain peaceful relations with the country as it changes or resists change. That requires two contrary sets of skills. The day to day management of relations with Beijing demands steady and very focused diplomacy that deals with the situation as it is. But combined with this as well must be an understanding that everything may and probably will start to change, without warning. That requires much historical knowledge, imagination, and a genuine ability to break out of accepted patterns of thought. Combining these two approaches will be challenging, but essential if China's rise is not to end in tears.