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HEARING: "EFFECTS AND CONSEQUENCES OF AN EMERGING CHINA"

"Thinking About The Security Implications of China's Rise"

by

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Mr. Chairman and Members of this distinguished subcommittee, I am pleased to have this opportunity to be with you.

I have been asked to address the issue of what China’s rise means for East Asia and the interests of the United States, particularly in the security realm. I want to commend this subcommittee for taking time to address this centrally important long-term issue even as we all are preoccupied with the welfare of our forces in the Middle East and Central Asia. It says a lot that an administration that came into office skeptical about what China’s rise may mean for America now is cooperating meaningfully with China in the war against terror and that President Bush as recently as March 18<sup>th</sup> (Beijing time) called China’s new president, Hu Jintao, to express the desire for closer U.S.-China relations.<sup>1</sup> In the last thirteen months President Bush met four times with Jiang Zemin (who just stepped down from the presidency, but may well remain the “core” of the leadership<sup>2</sup>) and once (last spring) with just-named President Hu Jintao.

**A Broad Perspective**

Here is my bottom line -- America’s strategy should be to reinforce the generally positive trends associated with China’s rise, create as benign an external environment as possible in East Asia, and maintain the capacity to respond if developments go awry.

Five propositions capture the thinking that leads me to this conclusion:

- In assessing the future impact of China’s rise, it is most prudent to assume that China will enjoy variable, though generally rapid economic growth for the next ten to twenty years. Consequently, China’s economic influence and military

power likely will become increasingly formidable. Though possible, it is unwise to bet that China will have sudden regime change, widespread instability, and that its economic growth will stall for a prolonged period. Nonetheless, China's modernization process will be tumultuous and full of uncertainties, one of which concerns the incomplete transition of power in China that has just occurred, another rising inequality, and a third the unhealthy financial system. Were China to fall into disorder and revert to its pre-reform-era posture of a dissatisfied power, this would be very inimical to U.S. interests. The likely scenario upon which we should base policy is that of continued growth, protracted political liberalization, and non-trivial social disturbances.

- We cannot be certain how Beijing will use its growing power. Unknowable internal considerations will shape future policy and we cannot now discern the external environment to which China's leaders will be responding. To shape and reduce these uncertainties, however, the United States needs to do two things: connect to leaders of Chinese society at all levels and work with Beijing and its neighbors to construct as benign an external environment as possible. A principal uncertainty for the future concerns ties between China and Japan. With respect to leadership, China's November 16<sup>th</sup> Party Congress and the just-completed 10th National People's Congress have brought to power hundreds of new leaders at all system levels. Moreover, society outside the state is growing. In the aggregate, there is no reason that we ought not be able to work with China's leaders and emerging middle class and there should be a concerted national effort to do so.

- The foundation for U.S.-China relations now is sounder than it has been since 1989, notwithstanding current frustrations in the UN Security Council and elsewhere and the mutual strategic apprehension each still has about the other. Beijing has been reasonably cooperative (and certainly not obstructionist) in the war on terror. Witness, for example, that while Beijing is not in favor of a war in Iraq at this time, there was never a serious danger of a Chinese veto of a second UN resolution and that, indeed, Beijing voted for UN Resolution 1441 on November 8, 2002. Although we have ongoing and legitimate worries about Beijing's proliferation behavior, China appears to be strengthening its export control regime (e.g., the August 2002 issuance of missile, chemical, and biological technology and agent control regulations and lists) and seems to see increasingly clearly the dangers that proliferation represents to its own interests (e.g. South Asia and North Korea). Nonetheless, there is room for further improvement in China's anti-proliferation work. The foundation for bilateral ties also has been strengthened through increasing U.S.-China economic linkages. For example, Beijing now holds 8.4% of U.S. Treasury notes (held by foreigners), second only to Japan, and holds about \$50 billion in U.S. state, local, and corporate debt instruments.<sup>3</sup> In short, in this globalized world, a solid foundation for ties requires both positive security and economic links, and these are now more robust than at any time in the last fourteen years. Having said this, China has substantial apprehensions about the September 2002 National Security Strategy of the United States of America.

- There is a reasonable chance that Chinese nationalism will be directed toward internal modernization for at least a decade or two, and not onto the road of militarization. Chinese leaders believe they cannot remain in power if they fail to meet popular material demands. A widely shared analysis in China ascribes the collapse of the Soviet Union to its excessive military expenditures and the Kremlin's inadequate attention to economic needs. In this light, the recent single digit (9.6%) military budget increase announced at the just-concluded NPC may be suggestive (the previous 13 years saw double digit increases). I hasten to caution that other military-related expenditures may have been larded elsewhere in the national budget.<sup>4</sup> More broadly, because about one-third of its exports go to the United States and employment in China is significantly affected by economic ties to America, China's leaders see a linkage between the capacity to effectively address their own internal problems and continued productive relations with America—this doesn't assure harmony, but it increases the odds of it.
- The Chinese realize that power has different faces—military, economic, and normative (ideological) power. Right now, China is finding that in the era of globalization, economic power (and potential economic power) is the form of power it has in greatest abundance and which it can use most effectively. As long as economic influence continues to be effective for Beijing, as it now seems to be in dealing with Taiwan, for example, China is unlikely to resort to military intimidation as its chief foreign policy instrument. Further, there is no doubt that Beijing recognizes the military superiority of the United States and consequently is cautious. Indeed, this is one reason why China is placing increasing emphasis

on using multilateral organizations (such as the UN Security Council) as a means to restrain the unilateral exercise of American power.

These views add up to a perspective on China's rise and its implications that is much different from that of the University of Chicago's John Mearsheimer. In his book The Tragedy of Great Power Politics, Mearsheimer asserts that it doesn't matter whether China becomes democratic or not; the mere fact that it is growing rapidly puts it on a collision course with America (p.4). This is so because the international system is a jungle; in the jungle force is most useful; and all states will convert economic power into growing coercive power to achieve dominance in that jungle. In contrast, I believe that China now defines its security principally in terms of internal economic welfare and social stability, that it is not striving for external dominance (with the important exception of Taiwan), and that if America helps create a moderately benign regional security environment there is no reason China and America cannot cooperate to their mutual advantage for a considerable period. In short, China is rising the "right way", not the wrong way, from the perspective of American interests, with the principal uncertainty being Taiwan. Those who see an inevitable conflict on the horizon propose adopting measures that assure the outcome they profess to wish to avoid.

The following issues merit specific consideration in light of China's increasing power and influence:

First, China is modernizing its military in terms of projection capability, a secure nuclear deterrent, and internal management. For the last eighteen years China has been trying to transform its military into a more professional force able to fight the next regional conflict offshore, not on its own territory as Mao Zedong contemplated. This

reflects the desire to protect China's increasingly valuable coastal assets and to deter Taiwan from making possible independence moves. The PLA has made steady progress, though it remains far behind U.S. technological and organizational levels. As its national economy grows Beijing will have more wherewithal to continue making progress.

Second, as the United States develops its missile defenses, and possibly transfers these capabilities to regional allies, China will increase its missile and warhead numbers and diversify its delivery modes in order to assure a second strike capability. Indeed, China has been modernizing its strategic forces gradually because its deterrent capability already is problematic. If one combines this "vertical" proliferation in China with "horizontal" proliferation in North Korea, the Republic of Korea, Japan, and Taiwan will come under increasing pressure to develop offensive forces themselves, perhaps nuclear capabilities. In short, there is no way that China can modernize its military without creating some anxiety among neighbors, thereby generating pressures for regional arms expansion. Conversely, proliferation around China may push Beijing along an upward trajectory as well. What Japan does will be particularly important in this respect.

### **Some Specific Policy Recommendations**

In an effort to minimize the action-reaction arms race cycle, the Administration should do several things: A) It should be exploring how the United States can build and deploy an ABM system that least threatens China's minimal deterrent and elicits the most restrained response from Beijing in terms of increasing warhead numbers. Washington needs to talk to the Chinese about strategic nuclear weapons and missile defenses, which the Administration seems loath to do, particularly the Department of Defense. B) The Administration should be developing a strategy for dealing with North Korea that China,

Japan, and South Korea can agree upon—we have not yet done so. This almost inevitably means Washington will have to speak directly with Pyongyang. The sooner we build this consensus and proceed with its logic, the better off we all will be. C) The Administration should be encouraging trilateral security dialogue among China, Japan, and the United States to stabilize that three-way relationship to the greatest extent possible. And D), the Administration should be exploring with Beijing what former President Jiang Zemin meant by his suggestion in October and November of 2002 that China might remove some of its missiles from threatening positions near Taiwan were the United States to show parallel restraint in its military links with Taipei. Without endorsing this rather vague proposal, it does provide an opening for dialogue that might help retard militarization in the Taiwan Strait, a militarization that Taiwan can ill-afford. So far, the Administration's response has been deafening silence.

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<sup>1</sup> “Hu Jintao yu Bushi tung dianhua: Zhongguo xiwang heping buyao zhanzheng” [Hu Jintao and Bush Talk by Phone: China Wants Peace, Not War], Renmin Wang,

<http://www.peopledaily.com.cn/Gbshizheng/16/20030319/946767.html> (accessed, March 17, 2003).

<sup>2</sup> See [http://news.xinhuanet.com/newscenter/2003-03/18/content\\_786235.htm](http://news.xinhuanet.com/newscenter/2003-03/18/content_786235.htm)

<sup>3</sup> David M. Lampton, “U.S.-China Relations—‘Normalized’ At Last?”, (March 2003), forthcoming, now in manuscript. Data from: “Foreign Exchange Reserves,” Financial Times Information, Global News Wire, The Korean Herald, February 19, 2003, <http://web.lexis-nexis.com/universe/document?> (accessed February 21, 2003). Also, David M. Lampton, “Notes of Meeting with Senior Chinese Official,” September 8, 2002, Washington, D.C.

<sup>4</sup> Xing Zhigang, “Military budget rise lowest in 14 years,” China Daily, Friday, March 7, 2003, p. 3; as to possibility that defense items may be elsewhere in the budget, this information comes from a recent interview with a Chinese citizen by David M. Lampton.