AU/ACSC/088/2000-04

AIR COMMAND AND STAFF COLLEGE

AIR UNIVERSITY

WARNING: FEEDING THE HEGEMON MAY BE HAZARDOUS TO YOUR HEALTH

ASSESSING CHINA'S FITNESS TO BE A SUPERPOWER

by

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A Research Report Submitted to the Faculty

In Partial Fulfillment of the Graduation Requirements

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DISTRIBUTION STATEMENT A
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April 2000

20010924 050

DISTRIBUTION A:

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Preface

The purpose of this research paper is to investigate what China's rapid economic and military growth portends for the United States. This topic intrigues me because, as the current world superpower, America has been aiding and nurturing China's growth through extensive trade and cooperation, seemingly without much formal thought or realistic policy as to how we will deal with that nation once it surpasses us economically. Like raising a lion cub, we cannot just keep feeding it without a plan of how to tame or civilize it before it grows too strong to handle. We have a chance now, while China is still relatively weak, to help constructively influence and shape China's future behavior. If we wait until China is a mature lion before we come up with some guiding policy, it may be too late.

It is my desire that, by raising a few of the more serious underlying issues preoccupying the Chinese leadership, US policymakers may be encouraged to take some immediate, constructive action. President Nixon chose to reach out to China in 1972 to help counter Soviet expansion.[1] Now that the lion is awake and growing faster than anyone could have ever anticipated, we need a plan of action to ensure the lion does not turn on us. We need to constructively influence its behavior before it usurps us to become the king of the jungle – or at least the hegemon of all it surveys in its hemisphere.

I wish to thank my research advisor, Lieutenant Colonel Robin Nestor, for his assistance in helping focus my efforts and guide my research.

AU/ACSC/088/2000-04

Abstract

As China continues its rapid advance toward economic supremacy, and strives to grow militarily, can it be trusted to remain friendly toward the United States? China is, after all, a communist country; and the fact that it has learned to harness many of the economic aspects of democracy to create the world's fastest growing economy does not make it less communist. China's leaders observed what happened to the Soviet Union when it rapidly traded-in its mantle of communism and quickly put on the garments of democracy. The Chinese leaders have seen the loss of control, power, and status the Russian communist leaders experienced and are not willing to make the same mistakes. Instead, China's leaders have taken a smorgasbord approach to democracy, cherry-picking those things they deem beneficial, while leaving on the table anything (individual rights, freedom of speech, freedom of the press, open national elections, etc.) that could threaten their control.

This paper documents China's rapid assent to the second largest economy in the world and poses the question; how will China treat the United States if and when they become the largest and assume superpower status? This paper examined open-source news articles and journals to explore some of the Chinese leaders' recent statements, policies and actions in an attempt to gain insight into what they may do in the future. While no one can foretell the future, some of their recent words and actions give an indication that China may not treat us favorably.

This author explored some of the difficult internal issues the Chinese leadership is dealing with on the home front, such as resource scarcity, potential rising unemployment and

underemployment, and how their growing population exacerbates these problems. The author also explored some of the external issues the Chinese leadership is dealing with such as trying to expand exports and improve their military projection capability in their quest to become the leader of East Asia.

The US currently has no consistently applied plan for shaping the relationship between the US and China. Consequently, as the US continues to import Chinese goods with increasing abandon, we are unwittingly doing little more than feeding the budding hegemon; contributing to it rapidly catching up and potentially surpassing us economically and militarily. It is evident that China has a plan for dealing with us. We cannot just continue to stand by while China grows strong eating from the giant trough of the US economy. It is time we put stipulations in place requiring some positive behavioral changes.

Notes

[1] Barry. B. Hughes, *Continuity and Change in World Politics* (Upper Saddle River, N.J.: Prentice Hall, 1997), 74.

Part 1

Introduction

The history of transition from one hegemon to another has been a history of conflict... because hegemons seldom voluntarily surrender systemic leadership; a challenging state usually forces the issue. [1]

— Barry B. Hughes

This paper is intends to demonstrate that China will soon be in a position to challenge the hegemony of the United States. Professor Samuel P. Huntington classifies the post-Cold-war political system as "a uni-multipolar system with one superpower and several major powers." He explains that the superpower, America, is the hegemon, having the greatest economic, military, and political power.[2] However, America's power is somewhat tempered by the existence of several major powers; one of which is China.[3] A hegemon can either use its power for the general benefit of all players in the system, or it can be imperialistic and domineering.[4] While the United States has not used its hegemon status entirely altruistically, it has, generally, used its influence to facilitate free trade and generally improve (or at least not worsen) humanitarian conditions throughout the world. It is doubtful we can expect the same from China.[5] How will China behave if it achieves superpower status? Specifically, how will it treat its neighbors and the United States? This author believes, based upon the evidence, China is likely to be an imperialistic hegemon.

Chapter two outlines how China has a rich ancient history, but its more recent history has been scarred by exploitation by aggressor nations. In the past two decades, China has grown from virtually a non-player in the world economy to the number two economy. Its population has also grown to an almost unfathomable size and is still growing. Chapter three shows that the rapid economic and population growth has strained its natural resources of water, food, and oil past the replenishment rate. This raises the specter of potential interstate aggression as China desperately tries to solve some of its resource problems by acquiring territory, such as the Spratly Islands, etc., from its neighbors.

The fourth chapter examines China's strange hybrid economy. It has established some democratic market reforms that operate within the confines of the communist government. While this hybrid has contributed to the creation of one of the world's largest economies in a short amount of time, China still remains a communist country with all the unsavory things that entails, such as limits on individual rights of religion and speech. Chinese leaders have made no attempt to hide their distrust and disdain for America, but they need our markets to keep their economy thriving.

Chapter five tries to cut through the double-speak on the amount of money China is spending on defense. Officially published defense budget figures are probably only a fourth of what is actually spent. The author will show how the Chinese defense budget compares to the US defense budget. With few serious external threats to their sovereignty, its large and growing defense budget is one of several indicators that it could be preparing for offensive military action.

The sixth chapter examines China's current military capabilities and highlights some recent and planned acquisitions. Its new offensive posture is an indication that it is looking outward, to

neighboring countries, for territories that may solve its resource problems. Of particular concern is its nuclear capability and radical nuclear doctrine, which holds that a nuclear war is winnable. China's military capability has improved considerably since our last show of force in the Taiwan Straight almost four years ago. As a result, America will have to weigh the risks carefully before we attempt another such show of force.

The concluding chapter raises the possibility of a war of Chinese aggression. In their quest for resources and status, the Chinese may flex some of their new military might and go for some easy territorial gains, starting with the islands in the South China Sea. Once they gain confidence, they will probably look for a resource rich neighbor to encroach upon and exploit and the United States may be powerless to intervene militarily. The US lacks the capacity to take on China in her own back yard. We need to work now to try to shape her behavior while we still have something she needs…US markets.

Notes

[1] Barry B. Hughes, *Continuity and Change in World Politics*, 3rd ed. (Upper Saddle River, New Jersey: Prentice Hall, 1997), 133.

[2] Samuel P. Huntington, "The Lonely Superpower," *Foreign Affairs* 78, no. 2 (Mar/Apr 1999)

[3] Huntington.

[4] *ibid.*

[5] Hughes, 133.

Part 2

The Lion Wakes up Ravenous

China? There lies a sleeping giant. Let him sleep! For when he wakes he will move the world. [1]

— Napoleon I

Few countries have a civilized history as long as China's. For more than 3500 years China developed in isolation from the West and flourished in science, philosophy, and agriculture. Its lead in these areas was lost, however, when the West began steaming ahead under the power of the industrial revolution in the 19th century. As a result, China fell victim to stronger countries in the 20th century and was ravaged and occupied by the Japanese during WWII. This victimization has left the Chinese with a sense of resentment still simmering to this day. Soon after the war, Mao Zedung led a peasant rebellion and ushered in communism as the law of the land in 1949. Red China began to systematically isolate itself behind a bamboo curtain as it implemented a socialist controlled economy. Failures in its "Great Leap Forward" plan led to collective farms under-producing and contributed to at least 30 million deaths through starvation between 1959 and 1961.[2] This isolation, coupled with communism's de-emphasis on individual incentive, caused China to drop further behind the West in a virtual state of hibernation from progress.

President Nixon and Henry Kissinger recognized that China's strategic location and mutual distrust of the Soviet Union could be used to counter Soviet expansion and decided to wake China up with a momentous visit in 1972. This cracked the door open for relations and trade,

which started slow, but were growing fast when the uprising in Tiananmen Square occurred in 1989. Taking their queue from the weakening of the Iron Curtain in Berlin, more than one hundred thousand Chinese students protested the oppressive communist dictatorship and demanded a voice. The world watched in awe on international television as the unarmed students were met with the tanks and guns of the People's Liberation Army (PLA).[3] Between 500 and 7,000 students were massacred and about 10,000 imprisoned.[4] Thirty-one students were tried and executed for their role.[5] While the West was appalled at the events, the US did not adhere to a formal policy of how to engage China. As a result, little was done in protest and trade relations resumed after the shock wore off.

China's economy has grown from virtually nil in 1972 to an incredible $1.15 trillion in 1999.[6] In unadjusted Gross Domestic Product (GDP) terms, China is currently the world's 7th largest economy and with just a few hundred million dollars more growth it will pass Italy and the United Kingdom this year to become the 5th largest economy.[7] This level of growth represents an incredible feat. However, an amazing thing happens when purchasing power is factored in. Because a dollar (GDP is measured in US dollars) goes a lot further in China than in the US, when accounting for purchasing power parity China emerges as the 2nd largest economy (see table).[8] If growth continues as expected, the World Bank projects China may be the World's largest economy by 2010 – 2011.[9] In addition, from 1972 to 1999 China's population grew from about 800 million to 1.26 billion and, in spite of its one-child policy, it is still growing and on track to peak at nearly 1.7 billion by 2045.[10] This massive population growth and steamrolling economy is exacting a heavy, and ultimately unbearable, toll on China's dwindling natural resources. How China chooses to deal with its resource scarcity problem may have serious implications for international security.

Table 1 1998 Actual GDP Compared to Purchasing Power Parity GDP

	A		B	C
		Actual GDP	Purchasing Power Parity GDP	PPP Factor
US	1	$8,211	$8,511	Parity
China	7	$961	$4,420	4.60
Japan	2	$3,783	$2,903	0.77
Germany	3	$2,142	$1,813	0.85
India	13	$383	$1,720	4.49
France	4	$1,433	$1,320	0.92
UK	5	$1,357	$1,252	0.92
Italy	6	$1,171	$1,181	1.01

Note 1: Purchasing Power Parity (PPP) accounts for the buying power of the US $ in each country

Note 2: A PPP factor less than one indicates the country is more expensive relative to the US, while a PPP factor greater than 1 indicates a US$ buys more in that country than in the US.

Sources: Column A: Worldbank.org[11], Column B: CIA World Factbook 1999[12], Column C = Column B/Column A

Notes

1 Alison Jones, ed., *Chambers Dictionary of Quotations*, (New York, N.Y.: Larousse Kingfisher Chambers Inc, 1997), 718.

2 Lester R. Brown, *Who Will Feed China*? (New York, N.Y.: W.W. Norton & Company, 1995), 17

3 Hughes, 214.

4 *ibid.*

5 *ibid.*

6 "China's Trillion Dollar Economy," *BBC News*, 29 December 1999, n.p.; on-line, Internet, 22 January 2000, available from http://news2.thls.bbc.co.uk./hi/english/business/newsid%5f582000/582419.stm.

7 *ibid.*

8 Avery Goldstein, "Interpreting China's Arrival," *International Security*, Winter 1997/1998, 56.

9 "China and Northeast Asia," *Jane's Sentinel Security Assessment*, June – November 1999, 120.

10 Brown, 35.

Notes

[11] "Total GDP 1998," *World Bank*, n.p., on-line, Internet, 14 February 2000, available from http://www.worldbank.org/data/databytopic/keyrefs.html.

[12]"Country Listing," *CIA World Factbook 1999*, [select country, then select economy] n.p., on-line, Internet, 14 February 2000, available from http://www.cia.gov/cia/publications/factbook/html.

Part 3

Resource Scarcity

The worst mistake political leaders can make entering the new millennium is to underestimate the dimensions of the food challenge.[1]

— *State of the World 1999*

The hunger for resources...has set states on the path of [territorial] expansion at least twelve times in this century.[2]

— John Orme

China is consuming resources at an unsustainable rate and the scarcity of the critical resources of water, food, and oil may drive it to actions that are destabilizing to world peace. Overuse of water is depleting aquifers and draining rivers dry.[3] It is, remarkably, producing enough grain to sustain its population now, but as its population grows and its standard of living increases, it will be forced to import mass quantities of food.[4] Finally, its booming industry and trade are heavily dependent on oil, which does not occur in great abundance in China.[5] Its increasing need for oil may drive it even closer to its rogue trading partners of Iran and Iraq.

China has about the same landmass as the US. However, only about 1/10th of their land is arable and it has to support more than 4 times as many people.[6] Only two poor populous countries have less arable land than China: Egypt and Bangledesh.[7] What little arable land China has is on the south and east coast and is only marginally fertile. Amazingly, through heavy use of irrigation and fertilizer, China has recently achieved the status as one of the most efficient

grain producers in the world. With nearly 50% of its cropland under irrigation (compared to 15% in the US) China has more irrigated land and uses far more fertilizer than any other country.[8] This tremendous consumption of water is causing serious environmental consequences.

Over-pumping of underground water has led to extensive aquifer depletion and water shortages virtually nationwide. In the southwestern Shanxi province, an area the size of Hungary has subsided or sunk due to a 230 foot drop in the water table.[9] In northern China 109 cities (including Beijing) report water shortages.[10] In the east, the Yellow River, a major source of irrigation, actually dried up for the first time in China's history in 1972 and has dried up every year since 1985.[11] Industrial growth not only consumes large quantities of water, but new factories are expanding into, and permanently taking over, scarce cropland.

China is at maximum efficiency in grain production – surpassing even the United States.[12] However, even at this impressive productivity rate, it barely produces enough to sustain its current population.[13] The problem is that the population will grow by another 300 million over the next 30 years and its growing economy is creating wealth, which in turn leads to richer appetites, which leads to increased food consumption.[14] In fact, by 2030 the population growth will cause a shortfall of 207 million tons of grain and the increasing standard of living could consume another 162 million tons of grain for a total deficit of 369 million tons.[15] To put that in perspective, that is more than twice the amount of grain that was for sale on the international market in 1994 [the time of the study].[16] Professor Zhou Guangzhao, head of the Chinese Academy of Sciences, has come to a similar conclusion saying that if the population grows as projected, "all of the grain output of the United States could not meet China's needs."[17] Even if there is sufficient food available on the world market, China will need lots of money to buy

enough to sustain its population. To earn this money China will need to increase its industrial production, which in turn will lead to an increasing use of water, cropland and oil.

In 1994 China consumed 5 barrels of oil per person each day compared to the United State's 53 barrels.[18] China's consumption is expected to double by 2004 and "to meet this rising demand, China will probably have to import 16 million barrels per day, which is twice the current production of Saudi Arabia."[19] Of course, China is not the only East Asian country with a growing appetite for oil. The East-West Center estimates that by 2010, 95 percent of the oil for the East Asian countries will be supplied from the Persian Gulf.[20] John Orme sums up the implications of this tremendous thirst for oil:

> The great majority of China's oil will be derived from the Persian Gulf. To safeguard this supply... China will deploy a blue water navy to patrol the sea-lanes and will seek strategic partnership with two of the countries with the greatest reserves – Iran and Iraq – policies with "unsettling implications" for Japan, the United States, and the rest of Asia[21]

Since the vast majority of this oil is shipped through the South China Sea, one can begin to understand China's recently renewed territorial claims on the region and its increasing desire for a blue water navy to enforce those strategic claims.[22] The fishing rights, potential energy resources in the region, and more than 25 percent of the world's shipping traffic traversing these waters only furthers its anxiety to control the territory.[23] It obviously views this territorial expansion as a partial solution to its resource dilemma. These resource scarcity statistics may not sound alarms by themselves, but when one considers they are happening in the country with the world's largest population and fastest growing economy, one can start to understand the serious internal pressures the government is facing and the potential repercussions for international stability.

Obtaining enough resources will be a major preoccupation for Chinese leaders. According to Arthur Westing, "the hunger for resources has set states on the path of [territorial] expansion at least twelve times in this century".[24] When faced with resource scarcity, the pattern of escalation is well defined. It begins with supplier countries controlling the level of exports, moves to internal rationing and then attempts to rig markets and prices. Finally, it culminates with seeking to acquire the resources of others.[25] For these reasons, China's resource rich neighbors like Kazakhstan should take notice.

Thomas F. Homer-Dixon cautions that environmental scarcity causes violent conflict and the frequency of the conflict will increase as scarcity worsens.[26] China is a particularly ripe candidate for scarcity induced conflict because its resource scarcity problems are compounded by its astronomical population growth.[27] Thomas F. Homer-Dixon's study concludes that countries which experience chronic internal conflict as a result of environmental stress generally either fragment and cause large out-migrations of refugees, or they will become more authoritarian. [28] Authoritarian regimes are more likely to divert popular attention away from the internal stresses by launching attacks against other countries.[29] Either of these options, fragmenting or becoming more authoritarian would be seriously destabilizing to international security. The next chapter will help demonstrate that the current regime is authoritarian and has already shown its proclivity for fanning the flames of nationalism to control popular attention. A recent example is the government's facilitation of student demonstrations following the bombing of its embassy in Kosovo.

Notes

[1] Linda Starke, ed., *State of the World 1999,* (New York, N.Y.: W. W. Norton & Company, 1999), 129.

[2] John Orme, "The Utility of Force in a World of Scarcity," in *Theories of War and Peace*, ed. Michael E. Brown et al. (Cambridge Massachusetts: MIT Press, 1999), 536.

Notes

[3] Brown, 67.

[4] Starke, 122.

[5] Kent Calder, "Asia's Empty Tank," *Foreign Affairs*, March/April 1996, 58.

[6] Brown, 54.

[7] Thomas F. Homer-Dixon, "Environmental Scarcities and Violent Conflict," in *Theories of War and Peace*, ed. Michael E. Brown et al. (Cambridge Massachusetts: MIT Press, 1999), 534.

[8] Brown, p. 67. The 15% of US land requiring irrigation came from: Starke, 124.

[9] Brown, 70.

[10] Starke, 137.

[11] Starke, 124.

[12] Starke, 126. Note: China produces 3.8 tons of wheat per hectare compared to 2.7 in the US.

[13] Starke, 122.

[14] *Ibid.*

[15] Brown, 97.

[16] Brown, 97.

[17] Brown, 99.

[18] Orme, 563.

[19] *ibid.*

[20] Calder, 60.

[21] Orme, 563.

[22] Calder, 61.

[23] Professor Geoffrey Till, "China, Its Navy and the South China Sea," *RUSI Journal*, April 1996, 46. (25% of world's shipping) Larry M. Wortzel, *China's Military Potential* (US Army War College: Strategic Studies Institute, 1998), 15. (oil and fisheries).

[24] Orme, 565. Quoting from: Arthur Westing, "Appendix 2," in Arthur Westing, ed., *Global Resources and International Conflict* (Oxford, U.K: Oxford University Press, 1986), 204-209.

[25] Martin Walker, "China and the New Era of Resource Scarcity," *World Policy Journal* 13, Spring 1996, 12.

[26] Homer-Dixon. 535.

[27] Homer-Dixon. 536.

[28] Homer-Dixon. 536.

[29] *ibid.*

Part 4

The Socialist Market Economy

Chinese leaders keep one foot on the economic accelerator and the other foot on the political brake. [1]

— Conable and Lampton

The communist leaders in China have embraced capitalism as a means to an end. They want the economic stimulation and receptive export markets that democracy offers, but they are not willing to privatize and thus lose control over state businesses. Deng Xiaoping coined the oxymoron "socialist market economy" to describe the unnatural situation of state-owned businesses participating in free trade.[2] Trying to maintain state control over banks and businesses while instituting piecemeal free market reforms is proving difficult to centrally manage. China's economy grew at an average annual rate of 9.5% between 1979 and 1994 and was classified as the fastest growing economy in the world between 1992 and 1996.[3] However, their rapid growth rate slowed to 7.8% in 1998 and 7.1% in 1999 which has Beijing concerned.[4] As long as the economy was growing fast, even the most inefficient of the state-run companies could keep workers fully employed. A slowdown means as many as 35 million may loose their jobs.[5] Larry Wortzel warns that it is just a matter of time before China's artificial propping-up of state-owned enterprises causes a serious financial crisis.

> "The centrally controlled banks of China and the government have been subsidizing state-owned enterprises with loans to prevent their collapse. Up to 90 percent of all loans granted to enterprises by state banks in 1996 went to state-

owned enterprises, but these enterprises produce less than 40% of China's industrial output."[6]

When this information is considered along with the high underemployment rate and the slowing economic growth, a real crisis is looming for the communist leadership. Beijing thinks acceptance into the World Trade Organization (WTO) and permanent Most Favored Nation (MFN) status will allow it to continue the kind of economic growth it needs to keep its people fully employed and thereby content.[7] A fully employed population will make it easier for communist leaders to maintain their tight control over the population and continue their pursuit of superpower status. They believe that any attempt by the US to keep them from achieving WTO membership is tantamount to an act of war against them.[8]

It is a common misperception here in America that China's economy is booming as a result of the newly unleashed communist companies participating in natural free market forces. The fact is that the communist state still owns 86 percent of the officially registered companies.[9] The companies that are not state-owned are primarily small upstarts like restaurants and shops and face huge state-imposed obstacles, not the least of which is the threat of state confiscation by corrupt local officials if they show signs of success.[10] All this is supposed to change, however, as China negotiates for acceptance into the WTO. The Chinese government publicly agreed to put private companies on "an equal footing with state-owned enterprises."[11] They also agreed to lift discriminatory taxes on private companies and allow them to get loans from banks or issue stock. An analyst at Goldman Sachs in Hong Kong acknowledged, "This is a significant ideological shift...."[12] But as with everything else Beijing says for the effect of getting something from the West, it must be taken with a grain of salt.

China's leaders have observed Russia's dismantling of their state owned businesses and the subsequent loss of control of the communist party and apparently determined they will not let

control slip from their grip.[13] Instead, they have done something much more clever. They have somehow enticed western companies to buy-in to their state-owned companies – and western companies have taken the bait! In fact, western companies have been so anxious to invest, China has even been able to place stipulations on investment. For example, if a company wants to build their product in China, they are pressed to transfer the technology that goes into making that product to the Chinese state-owned company.[14] There is nothing to stop the state-owned company from using that technology in competition with the company from which they derived it or from producing something else such as weapons. This begs the question, what is in it for the western company?

Western companies look at China, the most populous country in the world with the fastest growing economy and fantasize about 1.3 billion new customers for their products. Alarmingly, western companies have even knowingly partnered with or bought-in to PLA-owned businesses (see appendix for a discussion on PLA-owned businesses).

When it comes to trade, China has learned well from its successful Asian neighbors Japan, South Korea and Malaysia. China has learned that in the name of free trade it can enjoy free access to America's super economy without fully reciprocating. Like Japan, South Korea, and Malaysia, China is enjoying a huge trade surplus with America. It seems that America just "...pretend[s] that its trade deficits were the natural result of market forces rather than a consequence of the mercantilism and protectionism of its clients."[15] The result is a continuous outflow of wealth from America to boost those economies. One has to look no farther than the trade deficit America has with these countries to verify the success of their self-serving policies.[16]

There is a large body of Liberalist material that subscribes to the theory that economic engagement with China will inevitably convince it to become a democracy. Rex Li authored one of the most recent and thorough discourses on this subject. He concluded by agreeing with those that call for continued economic engagement with China. The premise of engagement is that the more we involve China with the most alluring benefit of democracy, free trade, the more it will become convinced of democracy's superiority as a way of governing.[17] This Liberalist theory further holds that the wealth, which inevitably comes with success in free enterprise, will create a new class of people in China. This new middle class will insist that their government reform and allow free elections. Free and open national elections are the essence of democracy and, thus, the theory purports, the West will win the country over as a brother democratic country without firing a shot. Most evidence suggests that since western-style democracies don't fight other democracies, we will have eliminated a major enemy by converting China to a democracy.[18] While this theory sounds reasonable, there are several hurdles that must be overcome. The most insurmountable of which is the Communist Party's unwillingness to loosen its iron grip on power.[19]

The Communist Party has demonstrated each time a potential threat to their control looms, that they will eliminate it at any cost. The Tiananmen Square massacre was a widely broadcast example of how the communist leaders dealt with a pro-democracy student demonstration. However, because of tight controls on the press, most communist abuses of power are not so well publicized. We heard tidbits of religious persecution and human rights abuses of Buddhists in Tibet, but until one of the young Buddhist leaders escaped to India in December 1999, these rumors were difficult to verify since their society is so tightly controlled by the Chinese.[20] We also heard rumors of Catholics and other Christians serving hard labor in prison just for

practicing their faith.[21] Most recently accounts have surfaced of the imprisonment and torture of the Fulan Gong movement. A 74-year-old retired Chinese Air Force general was recently sentenced to 17 years in prison just for supporting the non-violent members of the Fulan Gong.[22] This all points to a very insecure communist leadership that knows it cannot survive if individuals are allowed to think, behave, and speak freely. The leaders have forcefully stamped out individualism in the past and have tightened their control by strengthening their People's Armed Police to stamp it out in the future. Beijing also has resorted to other methods to control its population. It can tap in to the pride of the Chinese and stir up nationalistic fervor when it is convenient, such as when they bused protestors to the US embassy in Beijing to protest the US bombing of the Chinese embassy in Kosovo.[23] Beijing also maintains tight control over the media.

It is hard to imagine how a population of 1.2 billion can be controlled, but when nearly all media outlets are state-owned and content is carefully screened, one can begin to see how this huge country can be kept in the dark. In a report about China and Russia teaming up to support Slobodan Milosovic and condemn the NATO bombings of Serbia, *The Wall Street Journal* reporter, George Melloan, said state-controlled media outlets have kept the Chinese population ignorant of the facts. [24] The Chinese communist regime was able to stir nationalistic passions of its people by telling them that America deliberately bombed the Chinese embassy in Belgrade.[25] This could be interpreted as a misunderstanding until one reads the context, or lack of one, with which the information was presented to the population. The state-owned media has such a tight clamp on the news that the Chinese people did not even know (and most still don't) that there was anything going on in Serbia; no ethnic cleansing, no NATO retaliation, nothing.[26] Another report said the state media refused to print America's apology for the bombing and painted the

United States as an enemy.[27] However, one would think some of the Chinese with access to the Internet could learn the truth. In fact, Bruce Cummings writing in *The Bulletin of Atomic Scientists*, attempted to extol the virtues of the new and improved China by pointing out that we in the West don't realize "...that today in "communist" China [emphasis his] young people by the millions are hardwired to the World Wide Web...."[28] What Mr. Cummings may not have known is that the communist government controls the Internet portals and carefully sensors what is allowed through.[29] Secretary of State spokesman James Rubin just listed tight controls on Internet content as one of his many charges of increasing human rights abuses in China.[30] This tight control and self-serving manipulation of information by the state shows Chinese communists are determined not to lose control.

The joining of Russia and China in condemning the Kosovo bombings was just one of the many times the two countries have aligned themselves against NATO in recent years. They have also cooperated in supporting each other's internal military endeavors. For instance, former Russian president Yeltsin and his Prime Minister, Putin, made a sudden trip to Beijing to visit Chinese President Jiang Zemin two days before Russia renewed their offensive against Grozny on 11 December 1999. It was almost as though the Russians were seeking Chinese agreement to support them in the UN Security Council. China is also Russia's largest arms customer.[31] A 1997 article in *Aviation Week and Space Technology* identified clear evidence of this alliance. The reporter found that both countries could not stand "...US domination of the post-Cold War international scene."[32] He also found some in the Russian military that saw an opportunity to capitalize on anti-American sentiment in China to build an alliance between the two countries.[33] They have a long history of distrust and border disputes, but they have a common communist

heritage and a common dislike of American dominance. It appears this is a classic case of "the enemy of my enemy is my friend".

Notes

[1] Li, 12. Quoting from source: Conable and Lampton, *China: The Coming Power*, 140.

[2] O. Bogomolov and L. Kondrashova, "China in Transition," *International Affairs* 45, no 4, (1999): 59.

[3] Jane's Sentinal, p. 120

[4] "China's Trillion Dollar Economy."

[5] "China's Trillion Dollar Economy."

[6] Larry M. Wortzel, *China's Military Potential* (US Army War College: Strategic Studies Institute, 1998), 6.

[7] Barbara Hackman Franklin, "The US – China Relationship," *Vital Speeches of the Day* 65, no. 23 (September 15, 1999) 714.

[8] Goldstein, 63.

[9] Liz Sly, "A State of Paranoia," *Bulletin of the Atomic Scientists*, Sep/Oct 1999, 44.

[10] Sly, 44. "...it is common for local authorities to appropriate profitable businesses without compensation. Private businessmen are easy prey for corrupt local officials who can threaten them with closure if they don't pay up."

[11] "China Eases Restrictions on Private Enterprise," *BBC News*, 5 January 2000, n.p.; on-line, Internet, 22 January 2000, available from http://news2.thls.bbc.co.uk./hi/english/business/newsid%5f591000/591841.stm.

[12] "China Eases Restrictions on Private Enterprise."

[13] Chalmers Johnson, "In Search of a New Cold War," *Bulletin of Atomic Scientists*, Sep/Oct 1999, 44.

[14] "Cohen et al., "When Companies Leak," *Time*, 6 July 1999, 44.

[15] Johnson, 44.

[16] Robert Famighetti., et al, ed., *World Almanac 2000*, (Mahwah, N.J.: Primedia Reference Inc., 1999), 710.

[17] Rex Li, "The China Challenge: Theoretical Perspectives and Policy Implications," *Journal of Contemporary China*, November 1999, 477.

[18] Barry B. Hughes, *Continuity and Change in World Politics*, 3rd ed. (Upper Saddle River, New Jersey: Prentice Hall, 1997), 55.

[19] Johnston, 7.

[20] "Analysis: Lama's Flight Embarrasses Beijing," *BBC News*, 7 January, 1999, n.p.; on-line, Internet, 23 Mar 2000, available from http://news2.thls.bbc.co.uk/hi/english/world/asia%2Dpacific/ewsid%5F594000/594703.stm

[21] "The People's Republic at 50," America, 9 October, 1999, 3.

[22] "General Jailed for Falun Gong Links," *BBC News*, 14 Jan 2000, n.p.; on-line, Internet, 24 January 2000, available from http://news2.thls.bbc.co.uk./hi/english/business/newsid%5f603000/603165.stm.

[23] George Melloan, "China's Unspoken Goal is to Destroy America's Power," *The Wall Street Journal*, 11 May 1999, 23.

[24] *ibid.*

Notes

[25] *ibid.*

[26] *ibid.*

[27] Robert Kagan, "China's Number 1 Enemy," *The New York Times*, 11 May 1999, 23.

[28] Bruce Cumings, "China Through the Looking Glass," *Bulletin of Atomic Scientists*, Sep/Oct 1999, 31.

[29] "Online Boom for China," *BBC News,* 19 January 2000, n.p.,; on-line, Internet, 24 January 2000, available from http://news2.thls.bbc.co.uk./hi/english/business/newsid%5f609000/609971.stm. This article says that while Internet usage quadrupled in a year, the government tightly screens content and has blocked access to many foreign sites, including BBC.

[30] "US Attacks China Rights Abuses," *BBC News*, 11 January 2000, n.p.; on-line, Internet, 24 January 2000, available from http://news2.thls.bbc.co.uk./hi/english/business/newsid%5f599000/599532.stm.

[31] Nickolay Novichkov, "Russian Arms Technology Pouring Into China," *Aviation Week & Space Technology,* 12 May 1997, 72.

[32] *ibid.*

[33] *ibid.*

Part 5

The Military Budget Shell Game

Analysts now believe that [China's] military spending... is up to four times higher than officially listed [1]

— Dexter Roberts
Business Week, 10 August 1998

Perhaps no part of the Chinese government is shrouded in more secrecy than the military budget. Most major world powers make it a practice to be relatively transparent about their military spending and capabilities. The theory is that by being open about their spending and relative emphasis on their military, they can reduce the possibility of creating a security dilemma and diffuse potential arms races with other competing powers. Beijing obviously does not subscribe to this theory because it takes great pains to obscure how much it spends on defense and just what its capabilities are.[2] While most western observers discount China's current capabilities, this author intends to demonstrate that its spending indicates it is preparing for more than defense. China appears to be on a single-minded mission to become the supreme military power in its hemisphere.

At China's current rate of improvement it has already advanced to the point that it is a serious danger to any force sent against it. In fact, few Americans are aware China can currently launch nuclear missiles against the US mainland. With its recent acquisitions, it will soon be able to project lethal conventional power nearly anywhere in the world. The PLA has announced

several personnel reductions in the past few years, but as Larry Wortzel puts it, Beijing is engaging in a game of "smoke and mirrors."[3] As the PLA decreases in size, the People's Armed Police (PAP) increases. He relates that "...despite the announced troop reductions in the white paper Beijing issued on national defense, we have seen entire divisions of the PLA change uniforms and overnight become members of the PAP."[4] The PAP is the paramilitary arm of the Communist Party and is trained to handle riot control and other public demonstrations. Erik Eckholm wrote in *The New York Times* last March that the growth of this armed police force is a testament to the increasing need the Communist Party feels to maintain control over the people.[5]

When it comes to sheer numbers of military personnel, China is without equal. It has a standing military force (PLA) of 2,500,000, a militia and reserve force of 3,000,000, and the PAP force of about 800,000.[6] This military force of 6.3 million dwarfs America's 3.1 million active and reserve forces.[7] The need for a peacetime military of more than 6 million people is difficult to understand from an external threat perspective. To fill these ranks China primarily uses compulsory service, and the potential number of qualified candidates is staggering. If it needed more conscripts, the CIA estimates it has a pool of eligible men that exceeds 200,000,000.[8] Paying to modernize its weapons and equip this 6 million man military takes money.

Determining just how much money China spends on Defense is difficult because the official figure it publishes is not even close to what they actually spend.[9] Specifically, China's 1999 defense budget was officially listed as $12.64 billion dollars (104.65 billion yuan).[10] However, *Jane's Sentinel* estimates that the real defense budget is closer to $55 billion while *The World Almanac 2000* lists it at $36.6 billion.[11] *The CIA World Factbook* and the *World Defense Almanac* just list the official Chinese budget amount, but state that other money is obviously

available to the military.[12] But where does the other 'unofficial' defense money come from and how much does it really amount to?

In addition to the official defense budget, Arthur S. Ding identified two other sources of defense money: funds funneled through state and local governments, and profits earned by businesses owned and operated by the PLA.[13] An example of funds being funneled from other areas of the government was the $2.8 billion purchase of 50 Su27 fighter jets from Russia with non-defense funds by the State Council.[14] Other non-defense areas of the government, such as the Ministry of Finance, provide most of the funds to the military for training, operating, and arming the militia and the PAP.[15] This author could find no estimates for the total from the non-defense areas of government, but just using a conservative amount of $700 per person for the 3.8 million-man militia and PAP and allowing $2 billion for defense equipment purchases brings this total to about $4.7 billion. The amount of money received from the third area, PLA owned businesses, may be the largest of the three, but it is the most difficult to assess.

The late Deng Xiaoping allowed the military to supplement their then meager defense budget by going in to business for themselves. Beginning initially with making armaments, the PLA rapidly diversified into more lucrative ventures such as telecommunications, pharmaceuticals, and stock brokering firms, nightclubs, and brothels.[16] The exact number of military owned businesses is not known, but conservative estimates range from 15,000 to 30,000. Solomon M. Karmel found that due to corruption and lack of standard reporting procedures, no one, probably not even the military leaders themselves, knows just how much they net each year.[17] Karmel was able, however, to find, "...an internal Chinese government report suggests that, by 1996, total profits and taxes exceeded - perhaps greatly - 50 billion yuan, or US$6

billion...[which is] growing at a rate of around 20 percent per year in the 1990s."[18] [see appendix for further information]

Adding all three sources: $12.6 billion from official channels, approximately $4.7 billion from non-defense government channels, and about $10.4 billion ($6 billion in 1996, adjusted for 20% annual growth) from the PLA-owned businesses comes to about $27.7 billion annually. However, just as when comparing GDP between countries, when comparing the Chinese budget to the US budget, purchasing power parity must be considered. A dollar buys a lot more in China than in the US. Using only the difference in labor rates, one could easily justify using a factor of 20:1. This paper will use the more conservative purchasing power parity factor of 4.6:1 derived from the table in Chapter two. Applying this factor to the $27.7 billion estimate puts the Chinese budget at about $127 billion compared to the US's $270 billion.

The author could find no information on how the Chinese defense budget breaks-out the amount apportioned to weapons acquisition, payroll and operations and maintenance. However, if military payroll was removed from both budgets it would probably reveal the Chinese budget has a lot more available for weapons acquisition than the US military budget. This can be inferred from the vast amounts it is currently spending on acquiring modern and expensive weapons.

Just what Beijing hopes to gain by not accurately disclosing its defense budget is not much of a puzzle. It is clear it is in fast pursuit of a credible force and it is making the right kind of acquisitions to attain it. It is trying to do this discreetly so as not to start an arms race in the region. Like a poker player quietly drawing key cards, it doesn't want to tip its hand until the chips are down.

Notes

[1] Dexter Roberts, "China's Army Under Fire," *Business Week, 10 August 1998, 37.*

[2] Goldstein, 72.

[3] Wortzel, 7.

[4] *ibid.*

[5] Erik Eckholm, "A Secretive Army Grows to Maintain Order in China," *The New York Times*, 28 March 1999, 6.

[6] "China (PRC)" "World Defense Almanac 1998," *Military Technology*, 1998, 229.

[7] Famighetti, 215. [for US active and reserve forces]

[8] "Country Listing," *CIA World Factbook*, China.

[9] Roberts, 36.

[10] Xiang Huaicheng, "Report on the Implementation of the Central and Local Budgets for 1998 and on the Draft Central and Local Budgets for 1999," *Beijing Review* 42 (April 12-18, 1999): 34.

[11] Jane's Sentinal, 55; Faminghetti, 215.

[12] "China and Northeast Asia," *Jane's Sentinel Security Assessment*, June-November 1999, 55. And CIA Factbook on-line

[13] Arthur S. Ding, "China's Defence Finance: Content, Process and Administration," *The China Quarterly* 146 (June 1996), 430.

[14] Munroe, 24.

[15] Ding, 432-433.

[16] "No Longer the Army's Business," *Economist*, 8 May 1999, 34.

[17] Solomon M. Karmel, "The Chinese Military's Hunt for Profits," *Foreign Policy* 107 (Summer 1997), 106.

[18] Karmel, 106.

Part 6

China's Military Capabilities and Nuclear Doctrine

"For a relatively long time it will be absolutely necessary that we quietly nurse our sense of vengeance. We must conceal our abilities and bide our time." [1]

— General Mi Zhenyu, vice-commandant of the Academy of Military Sciences in Beijing, 1996

There is a general consensus among Sinologists that China's current military capabilities are limited. One analyst went so far as to call it the "worlds best military museum" while others refer to it as a "paper tiger."[2] China has studied our military and knows that our advantage lies in exploiting technology which gives us dominant battlespace knowledge.[3] While it understands that it cannot match our capabilities, the PLA is concentrating on purchasing the equipment necessary to jam or disrupt our information flow in the event of a conflict with it. The Chinese Air Force, referred to as the PLAAF, is modernizing and the Chinese rocket forces can already launch nuclear missiles against America.[4] This is particularly disconcerting given its dangerous nuclear doctrine built on the premise that nuclear war can be useful and survivable. Finally, the People's Liberation Army's Navy (PLAN), which has been little more than a small coast guard, has ongoing acquisitions to obtain state-of-the-art Russian destroyers and anti-ship missiles. These modernization efforts begun in the 1980s, along with lots of money from the booming economy, are already resulting in the fielding of some lethal weapons that should cause the

United States to think carefully before attempting to demonstrate resolve as they did when they sent two carrier groups to the Straight of Taiwan in 1996.

The Chinese are well aware of the US military's high tech capabilities and are determined to deny that advantage to us in the event of a conflict. China was an avid observer of the Gulf war in 1991 – rapidly setting up special antennas in its embassies in Turkey and Iran and other countries to record radar and other signals from coalition forces.[5] More recently, one of its intelligence gathering submarines was discovered trailing the carrier USS Kittyhawk.[6] The knowledge gained has undoubtedly contributed to its modernization philosophy that is aimed, not at achieving technical parity with the US, but at gaining an asymmetric advantage.[7] In other words, it wants to find a way to deny the US its advantage in information and high tech warfare in order to leverage its own advantage in sheer numbers. A *Business Week* article confirmed its asymmetric strategy in March 1999:

> Instead of aircraft carriers and bombers, China is investing heavily in electronic jamming and intercept techniques to thwart the Pentagon's satellite-based combat communications, just in case the US gets in Beijing's way. The PLA may be working on such Buck Rogers stuff as anti-satellite laser weapons.[8]

China's leadership has determined the fastest and cheapest method to upgrade is through technology transfers from advanced countries. The Chinese have become more savvy when purchasing foreign equipment and insist on technology transfers as part of the cost of doing business with them.[9] They have been rapidly upgrading through overt high technology transfers from France, Israel, Italy, and the UK and covert sensitive weapons technologies from Israel and Russia.[10] They have also been pushing their economic weight around and demanding technology transfers from their weapons suppliers.[11] But American companies may be China's best source of free sensitive technology. The American aerospace companies Loral and Hughes made news when they transferred critical space launch technology to China because that

sensitive technology had direct applicability to improving China's already lethal intercontinental ballistic missile (ICBM) program. Congress was briefed on the significance of a transfer like this: "Nations with Space Launch Vehicles could convert them into ICBMs relatively quickly with little or no chance of detection before the first flight test...."[12] But these incidents are just the tip of the iceberg. *Time* magazine reported in June 1999 "...the Wisconsin Project on Nuclear Arms Control found that from 1988 to 1998 'a large and steady flow of strategic equipment went to China with the US Commerce Department's blessing."[13] While it will take time to fully integrate all this new technology into its weapon systems, it has already fielded some weapons that could prove formidable - even to the US.

On the technological front the Chinese have been preparing to deny information to their enemies via information warfare. Taiwan claims China is conducting exercises to perfect its attack on enemy computers via specialized viruses. *The Economist* reported this in October 1999 that China has developed information warfare techniques to disrupt an enemy's command and control center and Taiwan claims that it has been used against them.[14] Taiwan and its neighbors have also been warily watching the changes in the third largest air force in the world.[15]

The Chinese Air Force (PLAAF) has switched from a defensive role to an attack role.[16] This is significant in that an offensive role is perceived by competitors as more threatening.[17] A switch to an offensive posture sends a warning to competitors, especially when considered together with their non-transparent budget, military buildup and their recent bellicose actions in the Straight of Taiwan and the South China Sea. While most of its aircraft are antiquated, the PLAAF has incorporated years of technology transfers from the West into their weapon systems and now possess such advanced marvels as electronic jamming capabilities and precision guided bombs.[18] They also have air-to-air refueling abilities that give them a new power projection

capability. Russia recently completed the delivery of 50 Russian Su-27 fighters complete with air-to-air missiles and the Chinese are beginning to produce 200 more themselves under license.[19] More foreboding than the Air Force, however, are the nuclear rocket forces.

Chinese rocket forces are fairly advanced as they demonstrated during their "test firings" near Taiwan in 1995 and 1996. Most of their missiles are, understandably, in the short to intermediate range to attack targets in the pacific region. However, they also have long-range missiles specifically designed to hit the United States. The Asian Defense Yearbook reports:

> Recent credible reports from US sources suggest that China actually fields 17 – 20 DF-5/5-As. This ICBM is capable of carrying a nuclear warhead with a very high explosive yield of 4 to 5 megatons up to 13,000km/8,060 miles. This missile was initially designed to target the continental United States, but it could be used to cover targets in Europe and the former Soviet Union, as well as North America.[20]

The US also has observed China's testing of multiple independent re-entry vehicles that will undoubtedly be married with these long-range missiles.[21] The Chinese missiles are highly survivable since they are launched from mobile or hardened sites.[22] But what makes these missiles even more dangerous is the unconventional nuclear doctrine that determines when and if they will be launched. In a Testimony before Congress in September 1999, the US National Intelligence Officer, Robert D. Walpole testified that, "Chinese strategic nuclear doctrine calls for a survivable long-range missile force that can hold a significant portion of the US population at risk in a retaliatory strike...."[23] It is obvious they have the US in mind as a potential target. Simply targeting us would not be so bad, except that their nuclear doctrine is much more trigger-happy than that of any other nuclear power in the world.

Civilized nations that possess nuclear weapons maintain them primarily as a deterrent against nuclear attack. The theory of deterrence holds that by merely possessing the capability to survive a first nuclear strike by an aggressor nation and be able to strike back will deter a nuclear

strike in the first place. China, it seems, holds a radically different view for the use of nuclear weapons. As with just about everything else, China is deliberately non-transparent in its nuclear doctrine and, in fact, is ambiguous when it comes to its targeting and launch doctrine.[24] But Alastair Iain Johnston gained some insight into these after examining several internal Chinese writings on the issue. He concluded that China believes nuclear weapons are not just for deterrence, but can be used to assure victory in any type of conflict. China seems to believe it can control a nuclear war and achieve its political goals.[25]

The key to controlling the escalation of a conflict from turning into a nuclear war lies in how much risk each opponent is willing to take. China believes it can accept more risk and thus force the hand of its opponent.[26] It believes that it can deter an enemy with nuclear weapons, but wants no adversary to ever perceive that China can be deterred by the adversary's threat of using nuclear weapons.[27] Like playing "chicken" with an oncoming driver, China wants the other driver to know that, no matter what; it will not turn aside from the course. If the other driver does not deviate, there will be a collision. This strategy calls in to question the viability of the US's Mutually Assured Destruction (MAD) policy against an adversary willing to take such risk.[28] Our MAD strategy, which worked in dealing with the former Soviet Union, rested on the assumption that two logical opponents each holding a match in a room filled with gasoline will not drop their match for fear of destroying himself in the process. While the Russians appeared to subscribe to that same logic, the Chinese do not. Rather, the Chinese strategy says when threatened with defeat, they will drop the match and still have enough people survive to claim the victory in the war. The Chinese strategists believe:

> "War-winning does not mean achieving complete political-military victory over an adversary at any level of violence and dictating political terms at the end of war, but it does mean inflicting enough counterforce and countervalue damage on the enemy such that it backs down and is thus denied victory."[29]

The Chinese have a plan for increasing their chances for survivability. They have had a nuclear civil defense program since they first clashed with the Soviets in 1969. For example, there is a large underground city beneath Beijing designed to survive a nuclear attack.[30] Civil planners have recognized that cities are critical to ensuring China's warfighting capability survives. They have concentrated on building satellite cities so that their population will be more dispersed and thus more survivable.[31] China has started more than 200 satellite cities, most under 500,000 in population in an effort to keep its already large cities from getting bigger.[32] It also understands that its population may already be larger that it can support in the near future and, thus, may be willing to accept the loss of a few hundred million people. Additionally, because the one-child policy encourages families to abort daughters, there is an unnatural imbalance in the men to women ratio – resulting in at least 47 million men that will not be able to find a mate in China.[33] In other words, a war that destroys a few hundred million men may not be as catastrophic as we in the west would believe.

One of the most disconcerting things Alastair Johnston found was the emphasis Chinese nuclear strategists placed on the importance of striking the first blow. He found "there are intriguing hints of interest in launch-on-warning or launch-under-early attack."[34] This raises the specter of concern given that China lacks a dependable early warning system and could, therefore, launch on some unconfirmed indication of launch detection.[35] Another disconcerting thing about its doctrine is that, presumably, it has not let other world nuclear powers know what its aggressive doctrine is. This is essential for deterrence because, as Peter Sellars said in the 1960s nuclear holocaust movie, *Dr. Strangelove,* "What's the point of having a doomsday weapon to deter an enemy attack if the enemy does not know that you have one?" In other words, for the Chinese strategy to work, the rest of the world needs to understand what it is – that

the Chinese will not hesitate to use nuclear weapons and will not turn aside at the last minute if it comes to a game of chicken.

Alastair Johnston also found that Chinese military strategists have been trying to determine the best way to use nuclear weapons in their future fight for resources. "PLA strategists have been struggling to figure out how to link conventional and nuclear weapons with the operational requirements of potential high-tech local wars over resources and territory around China's periphery."[36] This is just another indicator of China's aggressive intentions for expanding its territory - using nuclear force if necessary. Strengthening its navy is key to this expansion.

The People's Liberation Army's Navy or PLAN is currently little more than a brown water navy. It is best thought of in terms of a coast guard with little to no power projection ability. Their inferior capabilities were made painfully evident in 1996 when the US sent two carrier battle groups to the Straight of Taiwan to "persuade" the Chinese to stop firing tactical ballistic missile volleys toward Taiwan.[37] The Chinese were humiliated that they had nothing capable of countering the US carrier battle groups. Since then the PLAN has been rapidly working to upgrade and obtain larger ships to expand to a blue water navy, but that may take more than a decade. In the meantime, they have bought some modern Russian destroyers and retrofitted older ships with some serious ship-busting missiles.

A Chinese report released in January 1997 (just a few months after the 2 US carrier groups were used as a show of force in the Taiwan Straight) claimed the US was enemy number one.[38] That same month China made a $1 billion deal with Russia to purchase two Sovremenny-class destroyers equipped with supersonic 3M80E Moskit SS-N-22 Sunburn anti-ship cruise missiles.[39] It is almost as though they went to the Russians and said, "what do you have that will put a hole in a US carrier?" This is because reports indicate "...the SS-N-22 may be capable of a

Mach 4.5 terminal dive speed towards its target that may render current US and allied ship defenses ineffectual."[40] The PLAN will also be retrofitting its surface and submarines with this anti-ship missile in three to five years.[41]

If the reports about the inability to defend against these anti-ship missiles are true, the US Navy could be more of a "Naked Fleet" than Rear Admiral W.R. Smedberg IV, USN (ret) reported in an April 1999 *Proceedings* article of the same title. The Admiral recounted a Navy war game that pitted the US Navy against the Chinese Navy in the 2015 time frame and found that the US ships had radar signatures so large they were virtually naked to Chinese surveillance sensors and were subsequently showered by Chinese anti-ship missiles.[42] While the point of the Admiral's report was that the US needs to build stealthier ships because even the Chinese could see them coming, the war game also demonstrated that the anti-missile defenses of the US fleet would be overwhelmed by the Chinese missiles and, "...it would be fortuitous if much of it [the US fleet] survived...."[43] These new SS-N-22 anti-ship missiles may have moved up the timeframe by at least a decade.

Notes

[1] Richard Bernstein and Ross H. Munro, "The Coming Conflict with America," *Foreign Affairs* 76, no. 2 (March/April 1997): 20.

[2] Anslemo, 68 "Paper Tiger" reference. Crock, 53. For "Worlds best military museum" ref.

[3] Admiral William A. Owens, "Dominant Battlespace Knowledge," in *Aerospace Operations* 8, ed. Sharon McBide et al. (Maxwell AFB, AL: Air Command and Staff College, Feb 2000), 343. "Merging our increasing capacity to gather real-time, all-weather information continuously with our increasing capacity to process and make sense of this voluminous data builds the realm of dominant battlespace knowledge (DBK)." DBK occurs with the synergistic application of our systems to collect information, make and transmit decisions, use precision force to strike designated targets, and finally to analyze the results.

[4] Robert D. Walpole, "Foreign Missile Development," in testimony before the Senate Foreign Relations Committee, 16 Sep 1999. "...Chinese strategic forces threatened, as they still do, the potential for catastrophic, nation-killing damage."

[5] "Prasun K. Sengupta, ed., "People's Republic of China," *Asian Defense Yearbook 1998-1999*, 1999 ed. (Kuala Lumpur, Malaysia: Percetakan Osacar SDN BHD, October 1999), 128.

[6] Sengupta,124.

Notes

[7] Wortzel, 11.

[8] Stan Crock, Joyce Barnathan, et al, "China's Arms Buildup: Is the Paper Tiger Growing Claws?" *Business Week*, 1 Mar 99, 53.

[9] Cohen, 44.

[10] Sengupta, 124. Note: consessions from Russian arms suppliers is detailed in: Nickolay Novichkov, "Russian Arms Technology Pouring into China," *Aviation Week and Space Technology*, 12 May 1997, 72.

[11] *ibid.*

[12] Walpole.

[13] Cohen, 44.

[14] "Nerd World War," *Economist*, 30 October 1999, 46.

[15] Sengupta, 124.

[16] James Webb, "Warily Watching China," *The New York Times*, 23 February 1999, 23.

[17] Hughes, 232.

[18] Webb, 23.

[19] Anselmo, 69.

[20] "Peoples Republic of China," 125.

[21] Anselmo, 68. note: the DF-41 is MIRV capable and has a range of 12,000 km. This technology should be transferable to the DF-5s.

[22] Sengupta, 125.

[23] Walpole.

[24] Alastair Iain Johnston, "China's New 'Old Thinking': The Concept of Limited Deterrence," *International Security*, Winter 95/96, 14.

[25] Johnston, 14.

[26] Johnston, 15.

[27] Johnston, 17.

[28] Hughes, 153. Explanation of MAD "Every country with nuclear weapons wants to convince its actual or potential enemies that it is willing to use those weapons (for self defense). It also wants to minimize the danger that either side will actually use them. These two objectives led to the development of a deterrence strategy called mutual assured destruction (MAD). It requires that both sides have second-strike capabilities. Thus both sides can destroy the other, but they can also afford to wait and see how the other side handles a crisis situation. This creates a relatively stable nuclear balance...MAD remains central to strategic thought on both sides [between US and Russia]."

[29] Johnston, 19.

[30] Johnston, 30.

[31] Johnston, 30.

[32] Ian Johnson, "China's New Containment Policy: Fighting the Rise of Megacities," *The Wall Street Journal*, 11 December 1997, A20.

[33] "China", CIA – *The World Factbook 1999*, 3; on-line, Internet, 29 October 1999, available from http://www.cia.gov/cia/publications/factbook/ch.html. also Brown, p 41. "China's one-child policy has led to widespread female infanticide."

[34] Johnston, 21.

Notes

[35] Johnston, 22, 24, 31. P. 23 states "Chinese strategists are seriously concerned about the need to incorporate space satellites and weapons into China's nuclear and conventional operational doctrines. Also, p. 22. *If* China had "...an early warning system that could give real-time intelligence of an enemy's launch, China could have as much as twenty minutes in which to launch its own missiles before enemy missiles hit."

[36] Johnston, 42.

[37] Anselmo, 68.

[38] Sengupta, 120.

[39] Sengupta, 125.

[40] *ibid.*

[41] Sengupta, 122.

[42] Rear Admiral W.R. Smedberg IV, US Navy (ret.), "The Naked Fleet," *Proceedings*, April 1999, 89.

[43] Smedberg IV, 89.

Part 7

Conclusion

When the Indonesian Foreign minister asked for an explanation as to why dotted lines had recently appeared on Chinese maps implying Chinese ownership of all the territory of the South China Sea...the Chinese Foreign minister replied, "you must draw your own conclusions..."[1]

— Professor Geoffrey Till

This paper has, hopefully, broadened the reader's awareness of the serious and potentially destabilizing internal issues the Chinese leaders are facing. China is literally bursting at the seams and ravenously eating itself out of house and home. It has an industrial economy that is rapidly consuming oil and a burgeoning population that will be unsustainable as it continues to grow, and could be unsustainable at any time given a natural or man-made disaster that causes a crop failure. China's shortage of water and grain are projected to become so severe in the next several years that all the grain for sale on the world market may not be able to keep it from starving. Lester Brown laments, "It is an accident of history that China is turning to world markets just when growing world demand for food is colliding with the sustainable yield of oceanic fisheries, ...aquifers...and crops...."[2] Additionally, China's increasing need for oil may lead it to attack an oil rich neighbor or strengthen its dangerous alliances with Iran and Iraq. The communist leaders may conclude that their only viable long-term solution to the shortage of resources may be to expand into resource rich territories. They could then exploit those

resources for their homeland and even colonize the new territories, effectively exporting part of their excess.

China's immediate concern is keeping its economy stoked, and last year's slow down from 7.8% to 7.1% growth has Beijing worried. It believes acceptance into the WTO and permanent MFN status by the US will be a short-term solution. However, there is no guarantee that these will do much more than buy some time before resource scarcity and the resulting popular dissatisfaction forces it to look outward for long-term solutions. China has improved its military capability enough now to at least thwart future efforts of the US to attempt another military show of force as we did four years ago. However, in just a few years China may be strong enough to be considered the military hegemon in its region.[3] Its growing military capability, combined with its unsettling nuclear doctrine that says winning a nuclear war is possible, poses some serious threats to future international security. Add to that the fact China also has several hundred million people more than it believes it can sustain in the long term, and the fact that it has a huge imbalance of 47 million more men than women, and the specter of a potential war for resources looms large. In other words, what it may consider acceptable human losses in a future conflict is probably more than the entire US population. As radical as it may sound to us, Chinese leaders may think that sacrificing a few hundred million excess Chinese men is a fair price to pay for expanding their territory and gaining vital resources that will improve the long term quality of life for the rest of China. Armed with this knowledge, we should vigorously pursue an anti-ballistic missile program to protect America and support our allies in the region by providing them anti ballistic missiles and training. We should also continue to engage China with trade.

Trade should continue, but with serious and enforceable stipulations. US policy-makers should immediately legislate an enforceable policy that will keep our markets open to the Chinese as long as they abide by basic rules commensurate with responsible civilized behavior. In other words, we must use their intense desire for permanent MFN status and WTO membership to exact some humanitarian concessions from the communist leaders. We really have no other option than engagement because America would appear as a selfish bully if we tried to isolate and contain China. Containment would most likely serve to incite Chinese nationalism and would make the US appear to the rest of the world as the "bad guy." As today's lone superpower, we must take pains to demonstrate to the rest of the world that we are taking the higher road. In that vein, we should offer our help to find ways to reduce its water consumption and oil usage. Engagement does not mean we have to "sell them the rope [or weapons technology] with which they will hang us." However, unlike most people that advocate engagement, this author believes our main motivation should not be enhanced reciprocal trade, but should be to help shape and mold the world's next hegemon while we still can.

We should also take seriously China's repeated claims that America is its number one enemy, that its nuclear doctrine is designed to target the United States, and that it has every intention of using its nuclear weapons against an adversary if there is any danger of it not winning a conflict. It is virtually inevitable that China will attain superpower status, but without the cooperation and continued trade from the US it will take much longer for it to achieve that status. America should fully exploit China's strong desire to achieve permanent MFN status and WTO membership in order to exact concessions from it. Once it achieves permanent MFN and WTO membership, the US will not have much of a carrot left with which to influence China to change its ways. This author believes right now is our best, and quite possibly our last, chance to

insist on China meeting the basic requirements of civilization. That is, it must stop imprisoning those individuals with different political or religious beliefs, allow freedom of speech and press, and agree on a timetable for when it will allow free and open national elections.

The twilight for the American hegemon is approaching. It is important we use our remaining time as the lone superpower wisely to shape this future hegemon because, left to its own devices, China is rapidly developing into an irresponsible imperialist superpower that will be a threat to our allies and us. Because its tremendous population and economic growth rate is causing it to consume resources at an unsustainable rate, this author believes China will, at some point in the near future, be tempted to start a war over control of resources in East Asia or even Southwest Asia. It may only take something as simple as a drought or crop failure or rising oil prices to trigger such a war. In such a scenario, Beijing can be expected to harness the power of nationalism to direct attention away from the failures of the state and toward the conquest of some country's resources in the region. Facing such a huge and powerful adversary, western countries, including the United States, will be unable to project enough conventional power to the fight (without a degree of risk unacceptable to the American public) to successfully defend our allies and interests in the region. Nuclear weapons could be used, but is that a risk any western country is willing to accept? Does anyone really believe they can win or even survive a nuclear war? China does – and given its aggressive nuclear doctrine and excessively large population - it is probably right.

Notes

[1] Till, 45.
[2] Brown, 124.
[3] Li, 9.

Appendix

PLA- Owned Businesses

Lenin is supposed to have said...that the day would come when the capitalists would fight with each other for the privilege of selling the rope with which to hang them [the capitalists]. What he didn't know is that they would also offer credits to buy the rope.[1]

— Henry A. Kissinger, 1982

The late Deng Xiaoping allowed the military to supplement their then meager defense budget by going in to business for themselves. Beginning initially with making armaments, the military rapidly diversified into more lucrative ventures such as telecommunications, pharmaceuticals, and stock brokering firms, nightclubs, and brothels.[2] The exact number of military owned businesses is not known, but conservative estimates range from 15,000 to 30,000. The profitability of these companies is also a big unknown, but Solomon M. Karmel discovered their annual profits exceeded $6 million in 1996 and was growing annually by 20%.[3]

Western companies are so anxious to buy-in or partner with some of these military-run companies that many apparently forgo a thorough business analyses and jump in with their pocketbooks open. When asked why they would be interested in a joint venture with the PLA in building a hotel, the financing company for Ramada Corporation responded: "...Jia He [the PLA owned company] offers labor and machinery, the established respectability that can wangle the project through China's bureaucracy, plus soldiers to guard the construction site from pilferage."[4] While the benefits seem enticing, there is a high degree of financial risk since

communist-run companies are not constrained to follow generally accepted accounting principles. However, the lure of big profits seems to override the need for safety and control. For example, *Business Week* reported that GTE Corporation is involved in a $90 million joint venture with a unit of the PLA and, "Because of curbs on foreign involvement in telecommunications, GTE has no operating control, no board members, and no right even to audit the books."[5] It appears they and other western companies are unduly relying on the good graces of the PLA for an honest accounting of profitability, when even China's leaders are not sure how much these PLA enterprises make.

All this money with little or no oversight or controls by Beijing "...gave rise to a new level of corruption, and an officer class that acquired the taste for the trappings of wealth."[6] The military leaders adeptly exploited their status of being above the law. It should be noted that in an effort to reassert civilian control over the military, President Jiang Zemin ordered the Army to divest itself of all non-defense-related industries in 1998. The PLA happily divested itself of thousands of unprofitable businesses, but is still heavily entrenched in the profitable ones. The PLA is accustomed to getting around regulations and "...isn't going to retreat to its barracks without a fight."[7] It is the military's disregard for export laws that Beijing blames for Chinese arms like missiles and assault rifles showing up in terrorist countries.[8]

While reestablishing civilian control over the military is a good thing for American-Chinese relations, it remains to be seen what effect it will have on American-Chinese joint business ventures.[9]

Notes

[1] Jay M. Shafritz, *Words on War (*New York, N.Y.: Simon & Schuster, Inc., 1990), 187.
[2] "No Longer the Army's Business," *Economist*, 8 May 1999, 34.
[3] Karmel, 106.

Notes

[4] China's Entrepreneurial Army," *World Press Review*, (August 1988; reprint from *Economist*), 44.

[5] Dexter Roberts et al., "China's Army Under Fire," *Business Week*, 10 August 1998, 37.

[6] "No Longer the Army's Business," 34.

[7] Roberts, 37.

[8] Roberts, 36.

[9] Karmel, 109. In 1995 the Chinese government estimated there were more than 300 joint ventures between PLA businesses and foreign companies.

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