

Keynote Lecture

The Rise of Chinese Power and the Future of International Security

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Introduction

Throughout history, the rise of a new power has been attended by uncertainty and anxieties. Often, though not always, violent conflict has followed. The rise in the economic and military power of China, the world's most populous country, will be a central question for the Asia Pacific region, and for American foreign policy at the beginning of a new century.

The new international situation presents a fresh set of opportunities and challenges to all of the players in East Asia's political, economic and military arena. There are sound reasons for optimism that in the coming decades the East Asian situation will evolve in such a way as to preserve and even enhance regional stability. However, it is critical for United States, Japan and the other East Asian powers to recognize China's developing strengths as well as its lingering weaknesses in this new environment as they develop their regional policies. It is important for both U.S. and Chinese decision-makers not to succumb to pessimistic scenarios about the future of Sino-American relations.

The world at the onset of the 21st Century is experiencing changes in the distribution of power. The Soviet Union has disappeared, Russia is pre-occupied with internal problems, and China has ascended rapidly. The U.S. is the only superpower with global assets in all military, economic, and political dimensions of power. This does not mean that a unipolar world has replaced the bipolar balance of the Cold War. There are many important security, economic, and political goals that the U.S. cannot achieve by itself. Nor is the world fully multipolar. Every state except the U.S. lacks one or more key power resources.

Power is now distributed among states in a complex three-dimensional pattern. Military power is largely unipolar. The U.S. is the only country with both intercontinental nuclear weapons and large, state-of-the-art air, naval, and ground forces capable of global deployment. Economic power is tripolar, with the U.S., Europe, and Japan representing two-thirds of world product. China's dramatic growth may make economic power quadripolar after the turn of the century. At the level of transnational relations that cross borders outside of government control, a level that includes actors as diverse as bankers

and terrorists, power is currently widely dispersed.

The end of the Cold War reduced but did not eliminate the possibility of military conflict. Violent regional and local clashes remain possible in the 21st century, as does the threat of terrorism. Nonetheless, global security has improved overall, because in the information age territorially defined resources are declining in importance among the great powers. In the past, leading states were tempted to acquire land for its raw materials, agricultural potential, industrial factories, or strategic importance as either a platform for military attacks or a buffer against attacks by others.

These motives for the forcible acquisition of territory are much less compelling today. Modern economic production depends as much on human capital and service industries as it does on territory. In most cases, the acquisition of territory cannot do much either to enhance or to defend against long-range weapons of mass destruction. Moreover, most of the great powers are either already democratic or aspiring to be so.

Still, the danger of global conflicts cannot entirely be ruled out, as the potential remains for grave misunderstandings, security dilemmas, arms races, and aggression by internally unstable great powers. In East Asia, stability will depend very much on the evolution of markets and pluralism in China, and on relation between China, Japan, and the United States, and Russia when it recovers.

Perceptions of China

Some observers have compared the rise of China to that of Germany in the period preceding the First World War. The American sinologist Arthur Waldron has asserted, "Sooner or later, if present trends continue, war is probable in Asia...China today is actively seeking to scare the United States away from East Asia rather as Germany sought to frighten Britain before World War I by building its 'risk fleet.'" According to Robert Kagan, "the Chinese leadership views the world today in much the same way Kaiser Wilhelm II did a century ago...Chinese leaders chafe at the constraints on them and worry that they must change the rules of the international system before the international system changes them."

However, the historical analogy between the Kaiser's Germany and contemporary China, like most such analogies, is seriously flawed. By 1900 Germany had surpassed Britain as the world's second-greatest industrial power (behind the U.S.). Moreover, a century ago the Germany of Bismarck and Kaiser Wilhelm II was pursuing an adventurous, globally-oriented foreign policy that was bound to bring about a clash with the other great powers. Although China's economy and its post-Cold War diplomatic assertiveness have expanded considerably, in neither economics nor foreign policy is China simply a reborn Germany of the Kaisers.

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In short, while the situation is not yet alarming, there are enough tensions and anxieties accompanying the rise of Chinese power to remind us of the concerns raised by the historical analogies. Explaining the origins of the Peloponnesian war, Thucydides pointed to the rise in the power of Athens and the expectations of inevitable conflict. "The general brief was that whatever happened, war with the Peloponnesians was bound to come."

The Growth of Chinese Economic Power

The "rise of China" is, of course, a misnomer. "Re-emergence" would be more accurate. By its size and history, China has long been a major power in the Asia-Pacific region. Technologically and economically, China was the world's leader (though without global reach) from 500 to 1500. Only in the last half millennium was it overtaken by Europe and America. China's experience was partly the result of internal problems, but also reflected broader global changes that affected the region as a whole. As the Asian Development Bank reports, in 1820, at the beginning of the industrial age, Asia made up an estimated 58 percent of world GDP. By 1940, its share had fallen to 19 percent, even though the region was home to 60 percent of the world population. Rapid economic growth has meant a recovery to 37 percent of world income. "Looking ahead, fast growth could push this share up much further. Based on plausible assumptions, Asia could be back at around 57 percent of the world's GDP by 2025," although the recent Asian financial crisis offers evidence that the region's climb back will have its share of obstacles and setbacks.

Japan was the regional leader in adapting to these global economic forces, and its early success compounded China's losses between 1895 and 1945. Before 1979, China was not yet part of the East Asian transformation. In 1978, China was poorer per capita than Korea or Taiwan in 1960. Since then China's growth rates of 8 to 9 percent per year have led to a tripling of its GNP in less than two decades.

Purchasing power parity estimates place China's per capita income at about \$1,700 as of 1995, and a total GNP of about \$2 trillion. Some observers believe that China's total economy could surpass that of the United States within a decade. I believe that is exaggerated. To achieve a \$10,000 per capita income level (roughly half the current American level) in 20 years, China would need to maintain 9 percent growth rates which is unrealistically high for the long run. But at a more realistic 6 percent per capita growth, China would reach that level in 30 years and its economy would then total about \$16 trillion, or twice the size of the current U.S. economy. The Asian Development Bank projects China's per capita income to reach the equivalent of about 38 percent of the United States in 2025, about the same relative level that South Korea

reached in 1990.

Of course linear projections can be misleading. Politics can produce surprises for economics — and vice-versa, as Indonesia's Suharto discovered earlier in 1998. Thus far, China's path to economic reform has worked and its continuing growth despite the Asian economic crisis confirms Beijing's confidence that China is pursuing the correct policy course, as well as Beijing's fears of what failure would mean for national stability and the survival of the regime.

The Asian Development Bank posits two scenarios (assuming no major political disruptions); an optimistic scenario with 7 to 8 percent per capita growth over the next decade falling toward 5 to 6 percent in the 2020s as dependency rates rise and savings fall. Under the pessimistic scenario, China would fail to make essential reforms and bottlenecks and growing income inequality would slow growth to 4 to 5 percent per capita. Even that is impressive.

The Growth of Chinese Military Power

Is China's growing economic strength a base for equivalent military power? Date and interpretations are contentious since China does not divulge all of its defense-related expenditure. The official military budget does not account for the 600, 000 People's Armed Police, nor nuclear weapons procurement, some defense related R & D, and soldiers' pensions. The International Institute for Strategic Studies has concluded that China's actual defense spending is at least four times the official figure. In their book, *The Coming Clash with China*, Bernstein and Munro argue for a multiple of ten. "The official Chinese military budget for 1996 was 69.8 billion yuan or about \$8.7 billion. The most conservative Western analysts would multiply that figure by three, to reach a \$26.1 billion amount. That is already close to half of the Japanese defense budget, which is roughly \$50 billion. Our multiple of ten would put China's actual defense spending at around \$87 billion per year, which would make it nearly one-third the amount of American spending.

On the other hand, the East-West Center presents a more sanguine account. In their view, "China's military modernization is still far from meeting its defense needs. Military expenditures have been very low, especially when considered against the size of the country and military...China's low military spending reflects a clear-cut policy choice — that military modernization is subordinated to and supportive of national economic reconstruction." Military spending dropped steadily in the 1980's. In the 1990s, it began to increase moderately, partly in response to the Tiananmen Square catastrophe and partly due to the lessons of the Gulf War. Michael Swaine argues that "most of the increased spending has been applied to basic improvements in living

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conditions, salaries and infrastructure, not weapons systems.”

Whatever it is spending, what has China purchased for its money? With three million men, 8,000 tanks, 5,700 fighters and bombers, 50 submarines and 55 destroyers and frigates, 14 intercontinental ballistic missiles and 60 intermediate range missiles, the Chinese order of battle looks impressive on paper, but according to military observers, much less so in the field. Much of the equipment is obsolete; command, control and communication capabilities are weak; combined forces exercises are limited; and power projection capabilities are very limited. In the Taiwan Straits imbroglio of 1996, most expert observers believed that Taiwan could repel a cross straits invasion even without the United States navy becoming involved. Chinese capability to fight a serious engagement in the South China Sea is also doubtful.

Chinese military leaders are well aware of these deficiencies and desire to correct them. The Gulf War showed them how far China lagged behind modern military capabilities, and the Taiwan events of 1996 reinforced their concern to improve their offshore capability. Because of the economic distress of the former Soviet states, and joint Russian and Chinese concerns about U.S. global dominance, China has been able to import impressive ex-Soviet equipment from Russia.

The key question, however, is how quickly new imports and investments will remedy the current defects of Chinese military forces. Those who wish to paint an alarming picture focus on the new equipment and its capabilities. Those who wish to paint a less alarming picture point out that success in battle requires the integration of new equipment with existing capabilities and doctrines, many of which remain deficient. For instance, having first class long distance fighters or even an aircraft carrier does not ensure dominance of the South China Sea unless logistics and command and control are adequate to the task.

It is not enough just to have a few pieces of the puzzle. Nathan and Ross conclude that “for the foreseeable future China will lack the resources to compete as a military equal with the other great powers, much less establish regional domination or become a global superpower.” David Shambaugh argues that China will at best be able to field by 2005 a conventional military equipment to that of a NATO country in the early 1980s. “The recent hype in the media and by those in the American political system about the so-called Chinese threat is grossly overblown, not empirically grounded, irresponsible and politically dangerous.” Others disagree. Michael Ledeen believes that “China is the one nation capable of mortally challenging the U.S. over the next 10 or 20 years.”

Whatever the accuracy of such assessments of China’s military programs, the key question is net assessment, and that depends on what the United States (and other countries) will be doing over the next decades. The United States will not be

standing still. As Admiral William Owens and I have argued, military power in the information age will depend on the ability to collect, process, act upon and disseminate information so as to achieve dominant battlespace awareness. This will depend on such technologies as space-based surveillance, direct broadcasting, high speed computers, and above all the ability to integrate complex information systems. Other countries will develop some of these technologies, but the key capacity will be the ability to integrate a system of systems.

Again, having a piece of the puzzle is not sufficient. The position of the American economy as the leader in information technologies combined with the investments in the American defense budget make it very unlikely that the U.S. will lose this lead. According to Paul Dibb, the revolution in military affairs (or RMA) “will continue to favor heavily American military predominance. It is not likely that China will any meaningful way close the RMA gap with the U.S. ... If information is the coin of the new realm, the American publisher Henry Luce, who famously wrote in 1940 of “The American Century,” may prove to have been premature in his assessment — it is plausible that the 21st century, rather than the 20th, will turn out to be the period of America’s greatest global preeminence.

The editors of *The Weekly Standard* have claimed that “most experts agree that China aims in the near term to replace the United States as the dominant power in East Asia and in the long term to challenge America’s position as the dominant power in the world.” Even if this were an accurate account of Chinese intentions, the relevant question is whether they will have the capability. On a net assessment, it seems unlikely. After all, even the optimistic scenarios of Chinese economic growth put them at only two-fifths of American per capita income in 2025, far from a basis for parity as a global superpower, much less the ability to expel the U.S. from East Asia.

What is clear is that Chinese military strength is likely to grow over the next decades. Even if that does not make China a global or even regional power equivalent to the United States, it does mean that China is likely to look more awesome to its regional neighbors, and its enhanced capabilities will mean that any American military tasks will require greater forces and resources than is the case at present. In other words, the rise of Chinese military power, similar to the rise of its economic power, must be taken seriously as a new factor in the region. After stripping away the hyperbole and exaggeration, an important reality remains.

China’s Intentions

What China intends to do with its new capabilities is hotly debated as well. Much will depend on political developments. These include both the domestic evolution of the

Chinese regime, and the ways in which China will define its national interests. In the near term, continuity is likely. The 15th Party Congress in September 1997 confirmed the pre-eminent position of Jiang Zemin and the trajectory of current policies.

One way to try to guess China's intentions is to look at China's internal development. Another way to try to ascertain Chinese intentions is to forego efforts to examine domestic factors and instead rely on historical analogies and a realist view of China as a rational actor. Even here different experts come to different conclusions. Arthur Waldron and others quoted earlier believe that as China regains its strength, it will wish to regain its dominance in the region, and that will bring China into conflict with the United States. Others believe China will wish to become a global power because of historical parallels with pre-WWI Germany or the Soviet Union.

But China's history is much more regionally focused than either of these countries ever was, and its Communist ideology in the late 1990s is far weaker than USSR's was at almost any point in its history. Lee Kuan Yew argues that "China has not been an evangelical power driven by a missionary zeal to spread its way of life around the world. Nor has it been expansionist, at least not in the last 500 years since the Ming dynasty. China's pre-occupations are and will remain mainly domestic for a long time." Nathan and Ross believe that "we can expect conflict over China's role, but not what international relations specialists call a 'hegemonic war' in which China would bid for dominant world power.

National interests can change over time, and that is true for China as well as the United States. Every country has a wish list that is like a menu without prices. Defining national interests in concrete situations involves understanding constraints and prices. Left to itself, China might like to force the return of Taiwan, ensure its dominance of the South China Sea, and be recognized as the preponderant state in the East Asian region. But Chinese leaders have to consider prices and constraints. Those constraints come from other countries, and from trade-offs among China's own objectives. Given the priority which Beijing has attached to economic modernization and the reliance on external markets and resource, China faces a constraint of its own making. China also faces a constraint from the reality of American power, which is highly unlikely to vanish.

Finally, China faces constraints in terms of its relations with other countries in the region. In the real world, countries need to redefine their core interests. For instance, in the early 1980s, China defined its interests as avoiding involvement with the non-proliferation regime; in the '90s, with some minor exceptions related to its history with Pakistan, China defined its interests as adhering to the NPT. Similarly, in the early 1990s, China defined its interests as avoiding a comprehensive test ban. In 1996, at the risk of becoming isolated and losing face with other countries, China redefined its interests and

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signed the draft treaty. Obviously how China's national interest will evolve over time will depend on the policies of the United States and of its neighbors in the region.

American Policy

Unlike Europe, the Asia-Pacific region did not develop a rich web of institutions during the Cold War, and there was no reconciliation after World War II between China and Japan such as occurred between France and Germany in the context of the European Union and NATO. The receding of the Cold War has exposed the earlier historical conflicts in the region.

Many believe that the American presence in the region has produced the political stability that has undergirded the Asian economic miracle. The American presence is acceptable because the United States is a distant power with no local territorial claims, and because it provides the reassurance of stability that makes local arms races unnecessary. They point to the fact that the stationing of American forces in the region is welcome in nearly all capitals. Even in Beijing there is ambivalence. In the Chinese calculus, to the extent that American forces reduce any pressures for Japan to re-militarize, they are welcome; to the extent they reduce China's pressure on Taiwan, they are not.

The United States has at least four major alternatives to its current strategy towards the Asia-Pacific region.

1. Withdraw and pursue an Atlantic (and/or hemispheric) only policy.

While this would reduce the prospect of conflict with China, it is costly and unlikely. History, geography, demographics and economics make the United States a Pacific power. Hawaii is in the middle of the Pacific Ocean. Eight million Americans trace their ancestry to the region. Isolation from the most rapidly growing area of the world economy would have high costs for the United States. America's military presence is generally welcomed and enhances the U.S. influence in the region. Because of Japanese support, it costs the U.S. less to keep troops in Japan than in the continental United States. Moreover, policy of isolation does not enjoy broad support in the United States itself.

2. Create a local balance of power.

The United States would act like Britain did toward Europe in the 19th century. America would withdraw from its five formal alliances in the region (Japan, Korea, Thailand, Phillipines, Australia) and let a local balance evolve. The United States could play one state against another, and isolate itself more easily from some contentious

regional issues in which the U.S. does not necessarily have a clear stake. This scenario would likely lead to a re-militarized Japan and an arms race in the region which, ironically, could make occasional U.S. participation more costly and more dangerous as the U.S. tried to balance the new and enhanced forces that would be created. In addition, American domestic politics is poorly attuned to a classic Castlereigh-Metternich-Bismarck style balance of power politics.

3. Create regional security institutions.

The U.S. could create a set of regional security institutions to replace its existing structure of bilateral alliances, thus providing stability with less direct involvement. ASEAN and its Regional Forum already exist, and a Northeast Asian Security Forum has been discussed. As a supplement to alliances, such institutions make sense, but they are not easily or quickly developed under any circumstances. Current European institutions took decades to develop and had to overcome many obstacles.

4. Create a coalition to contain China.

Kagan argues that “the changes in the external and internal behavior of the Soviet Union in the late 1980s resulted at least in part from an American strategy that might be called ‘integration through containment and pressure for change. Such a strategy needs to be applied to China today...Containment would seek to compel Beijing to choose political liberalization as the best way to safeguard their economic gains and win acceptance in the international community.” There are at least three flaws in this approach. First, sanctions and isolation are less likely than economic growth and engagement to produce liberalization. Second, it discounts the changes already under way in China and the possibility that China can evolve to define its interests as a responsible power. If we treat China as an enemy now, we are likely to guarantee ourselves an enemy, particularly given that nationalism is rapidly replacing Communism as the dominant ideology among the Chinese people. Third, as a quick survey of Asian capitals makes clear, the U.S. could not now develop a coalition to contain China even if we tried. China’s neighbors do not see it as a threat in the way the Soviet Union’s neighbors saw it during the Cold War. Only if China becomes more aggressive in the future could such a coalition be formed. And to try containment without such a coalition would simply result in providing economic opportunities for other countries and thereby increase frustration at home.

The fifth option is the current strategy. The Clinton Administration describes its policy toward China as “constructive engagement” and “strategic partnership,” but the terms are overly simple. Engagement does not prescribe how to handle hard issues

like Taiwan, trade, or human rights. It did not preclude the Clinton Administration from sending two carriers off Taiwan in 1996, or from insisting on proper conditions for its objective of fostering Chinese entry into the World Trade Organization.

Despite the descriptive inadequacy of the slogans, however, the orientation or attitude that “engagement” signifies does matter. It means the United States has rejected the inevitability of conflict. President Clinton told President Jiang in 1995 that “a stable, open and prosperous China — in other words, a strong China — is in our interest. We welcome China to the great power table. But great powers also have great responsibilities.”

The United States has also reaffirmed its commitment to a “One China” policy, thus ruling out any flirtation with the idea of independence for Taiwan, the single most dangerous scenario for potential conflict between the U.S. and China. The U.S. remains committed by law and policy to ensuring that Taiwan cannot be taken over by force, but not to defending its independence should the island declare it unilaterally. Notwithstanding differences on trade, human rights and some of the details of nonproliferation policy, the U.S. also sees common interests with China. Most important, both countries have an interest in the prevailing stability that allows the prosperity of the region to grow to the benefit of all. Neither country wants a conflict on the Korean Peninsula or a nuclear arms race in the region. Clinton has told his Chinese counterparts that a weak or chaotic China that could not feed its people, stem flows of refugees, or manage its environmental problems is not in America’s interest.

In February 1995, the Defense Department issued its new security strategy report for the region. *United States Strategy for the East Asia-Pacific Region* outlined a four part strategy: (1) maintain the forward presence of American troops; (2) try to develop multilateral institutions as a reinforcing mechanism; (3) put our alliances, particularly with Japan, on a firm basis after the Cold War; and (4) from that position of strength, encourage China to define its interests in ways that could be compatible with ours.

The United States plans to keep about 100,000 troops in the area. This number was chosen after a review in 1993 of what it would take to fight and win two major regional conflicts — for instance, in the Persian Gulf and Korea — at about the same time. There is nothing sacrosanct about the number, but initial reactions in East Asia to its announcement were positive and helped to dispel accumulating concerns in the region about American withdrawal. Reassurance is more important than the exact numbers. Secretary of Defense William Cohen reaffirmed the commitment and the policy in the edition of the Strategy Report issued in 1998. The number may change as conditions change in the future. The important point is that there should be no unilateral

reductions without consultation if reassurance is to be maintained.

The American alliance with Japan, where the largest number of troops are stationed, is critical to American strategy. Over the past three years, the security relationship has been strengthened. In April 1996, Prime Minister Hashimoto and President Clinton publicly affirmed the work of a joint group that redefined the U.S.-Japan Security Treaty as the basis for stability in the region after the Cold War.

A number of recent commentators believe that power in East Asia is shifting from Japan to China. Stephen Roach, chief economist of Morgan Stanley Dean Witter, writes that "the economic and geopolitical leader of the region is no longer Japan but China." *Business Week* refers to "a tectonic shift for future histories." Japan's current recession compared to China's positive growth in the face of the Asian economic crisis has reinforced such perceptions, but the situation is considerably more complex than such comments support. By many indices Japan is still quite formidable, particularly in comparison to China.

China is a nuclear-armed state with a population and soldiery ten times that of Japan. China is also a permanent member of the UN Security Council. On the other hand China is still a less-developed country, while Japan vies with the U.S. for supremacy in many advanced technologies and in living standards. Japan remains the world's leading provider of economic aid. Despite current economic growth rates, no country would seriously prefer to have the Chinese rather than the Japanese economy. As the American Asia specialist Ezra Vogel has written, "It is an open question whether Japan will begin a long relative decline because of its failure to adapt sufficiently to market changes...but in certain critical stages in the past, Japan has been able to undertake powerful systemic changes that kept it strong." The U.S. seeks a stable triangle of relations in East Asia, but the triangle is not equilateral. While the U.S. seeks good relations with China, it has a formal alliance with Japan.

The United States, Japan, and China each has an interest in the stability that allows the prosperity of the Asian region to grow to the benefit of all. None of the three wants a conflict on the Korean Peninsula or a nuclear arms race in the region. Neither the U.S. nor Japan desires a weak or chaotic China.

No one can be certain that the current strategy will accomplish its objectives. History has its ironies and accidents. But the strategy that the United States is pursuing is better than any of the alternatives listed above. It builds on current investments and strengths. It is alterable or reversible in the event that conditions change. An aggressive China would stimulate a new policy.

How China will behave as its power grows is an open question. If China were somehow completely unconstrained, Beijing might well wish to expel the United States from the region, and exercise hegemony (despite its expressed distaste for the concept)

over China's neighbors. But in the real world, where constraints are virtually unavoidable, states can learn to define their interests in practical ways. The United States will remain the largest power in the world at least well into the next century. The American presence in East Asia provides a stability, which in the absence of other institutions, has benefits for all countries in the region, particularly as the Asian Pacific states work to resume their economic development.

The American strategy of engaging China as a responsible major power opens a future of benefits for the U.S., for China, and for East Asia in general. So long as the Americans exercise their power in a reasonable way so that other countries (including China) continue to benefit from the stabilizing effects, and so long as the United States invests wisely to maintain its power resources, it is unlikely that any country or coalition will be in the position of a strong challenger. In that sense, the prospects for avoiding conflict with China, and hence for maintaining regional and ultimately global stability, look better the more the United States maintains its strength in the East Asian region. It is critical for American, Japanese and Chinese leaders to avoid the idea that conflict is inevitable and instead to create a stable security structure to underguard the future prosperity of the region.