

# China's Foreign Policy and Northeast Asian Security: Its Domestic Sources and Evolution

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The People's Republic of China (hereinafter referred as the PRC) celebrated its 60<sup>th</sup> anniversary in 2009. In the past six decades, the PRC has experienced rich development of the nation and built extensive foreign relations, and has over time had both great successes and significant lessons. The timely overview of its foreign relations shall set a somber direction for the country to move ahead while avoiding potential flashpoints and faulty lines.<sup>2</sup>

## **THE HISTORICAL CHALLENGES**

Though China has a relative continuum of civilization, its modern republican history is nevertheless short, still less than one century. Even during its less-than-century-long republic strive to rid feudalism, it has incurred many misfortunes, with struggling ties with Japan, the United States (hereinafter referred as the US) as well as the Soviet Union etc., not to mention the turbulent movements of domestic political campaigns.

In terms of past flashpoints in China's foreign relations, at least the PRC has waged, directly or indirectly for some a dozen times, against a couple of countries including France, the US (in Korea and Vietnam), the then Soviet Union, India, Republic of Korea (ROK), South Vietnam, and the united Vietnam (a couple of times) etc. The Chinese Communists sent military advisory group to advise Viet Cong to gain independence from French colonial rule, especially through the Battle of Dien Bien Phu in 1954. It dispatched Chinese Volunteer Army into Korea in 1950-1953, and into North Vietnam in its uniform to help fight American armed

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<sup>2</sup> For some of the western literatures on modern Chinese foreign relations, see Samuel, S. Kim et., *China and the World: New Directions in Chinese Foreign Relations* (Westview: Boulder, 1989, second edition); David M. Lampton ed., *The Making of Chinese Foreign and Security Policy* (Stanford University Press: Sanford, 2001); Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War* (Rowman & Littlefield: Lanham, 2008).

forces from 1965-1973. In 1962, China had a short-term but intensive border clash with India, routing the Indian force which was viewed as too aggressive encroaching the land where Chinese traditionally had settled. In 1969, Beijing and Moscow collided over Zhenbao Island (Damansky Island) and was later retaliated by the Soviets in Xinjiang. The PRC has also fought a number of times with Vietnam, either prior or after its unification, on the land or at sea, including a major warfare in 1979.

Certainly China was unwilling to engage or be engaged in so many conflicts with a number of major military powers in just few decades and Beijing indeed exercised much restraint in resorting to the use of force, but it still failed to avoid them, especially in PRC's first thirty years. Beijing could attribute the cause of these armed confrontations to the foreign countries – actually it has done so. But it could have its own reasons to account for the aforementioned conflicts, just like Mao Zedong used to state, “all contradictions have their own internal and external factors”.<sup>3</sup> In particular, the driving forces of PRC's foreign policy in its early years – ideology and nationalism – made China more inclined to collide with the others, compared with otherwise. Given the fact that the PRC at its early stage was not skilled in crisis prevention, Beijing met even more challenges in conducting its foreign policy in 1950's-1960's.

As the PRC has been led by the Chinese Communist Party (CCP) and the CCP has officially equated Chinese people's interests (or state interests) to its own interests – the party has long professed that it has no interests other than people's interests – China's system has long been dubbed as a “party-state” one, though it remains challenging to genuinely equate both interests presently. Consequently, this party-state system makes its foreign policy in its own way – currently the standing committee of the CCP politburo and/or party's small leadership group of foreign affairs decides major foreign policies of the nation, and the State Ministry of Foreign Affairs has only limited role in China's foreign policy decision making. Therefore, the party shall let the importance of its leadership precede all other considerations, including foreign policies making. Reportedly at the first round of China-US Strategic and Economic Dialogue (S&ED) in Washington in July 2009, the Chinese interlocutor made it clear to American counterpart that China's core national interests are, in terms of priority, institutional security, national integrity,

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<sup>3</sup> Mao Zedong, On Contradiction, in *Selected Works of Mao Zedong* (People's Press: Beijing, 1991, second edition).

and economic development.<sup>4</sup>

In other words, the institutional security equates regime security, or sustaining party's leadership. This is the most important variable in interpreting contemporary China's behavior, including constructing China's foreign policy. This theorem or hypothesis is also applicable, in this study, in deciphering foreign policy conducts of modern China, especially in its early ideology-driven time. In the following, a sizable amount of analyses will be devoted to the understanding how China's domestic desire could have motivated its foreign policy contour. It will also be pointed out that the lack of will and/or expertise by the western powers in respecting oriental culture, especially a newly-decolonized communist type, didn't help lessen their political divide and distrust that fermented PRC's isolation.

Simply because of their belief in communism which foretells that such an institution should and could be only realized all over the world at the same time in the future, many communist countries have placed proletariat internationalism above national sovereignty and national interests. They tend not to accept a "revisionism" behavior, if it would occur in another country that shared the same ideology but deviated from "orthodox" Marxism. For instance, the PRC could not tolerate Nikita Khrushchev's Soviet Union to defame Joseph Stalin in the late 1950s, and in a similar vein, Albania could not excuse China's "revisionism" in normalizing relations with America in 1970s. Possibly the Democratic People's Republic of Korea (DPRK) may also be perplexed in figuring out the nature of China's reform of the last thirty years.

Among communist countries, they used to handle relationship through dual approaches: the inter-state relations in parallel to inter-party relations. Often time, they place party-to-party relations above state-to-state relations, for the sake of ideology. China's challenge to Soviet "revisionism" in 1963-1964 opened a big crack in international communism, in violation of what the Five Principles of Peaceful Co-existence would preach: respecting mutual sovereignty amongst states. Honestly speaking, reevaluating Joseph Stalin was largely an internal affair of the Soviet Union, just like reevaluating Mao Zedong at the end of the Cultural Revolution was largely an internal affair of China, both warranting no foreign interference. However, Chinese side in 1950s-1970s often transcended sovereignty with international communism, hurting both inter-party and inter-state relationship

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<sup>4</sup> See for instance, "Senior Chinese official calls on U.S. to respect China's core national interests," [http://www.gov.cn/misc/2009-07/29/content\\_1378256.htm](http://www.gov.cn/misc/2009-07/29/content_1378256.htm), July 29, 2009.

between Beijing and Moscow. Even worse, such ideological debate had prepared a crucial prelude of the Cultural Revolution, as few years later Beijing launched a frenzy campaign to dig out China's Khrushchev beside Great Leader Mao, and to prevent Chinese capitalist roader to seize power.

Actually not all foreign intervention was absurd. China used to condemn apartheid in South Africa and imposed sanctions against it out of human rights concern. This was a noble intervention, placing human rights above sovereignty. For long time, China denounced the crackdown by ROK military dictatorship against Korean youth, and supported American civil rights movement led by Dr. Martin Luther King, Jr., all for the sake of protecting human rights. Therefore, despite the philosophical notion of the Five Principles of Peaceful Co-existence, there exist some legitimate exceptions regarding human rights preceding sovereignty. But the Chinese assistance to Soviet Union in cracking down Hungary's revolt in the 1950s, and China's challenge to Soviet Union's assessment of its own leadership and its improving relations with the West in 1960s, violated, improperly, the Five Principles through imposing the CCP's value upon the Soviets, harming their interstate relations to eventually collide over border disputes.

The Sino-Soviet ideological rift was one of the most significant events in the history of the 20<sup>th</sup> century. It turned the two major communist countries into hostile relationship, each eager to present itself as the authentic ideologue to their followers. With the deterioration of Sino-Soviet relations, China had to adjust its external ties by repairing relationship with America and the west, paying a major cost – failing to get the US consent to stop selling weapons to Taiwan as a precondition for “normalizing” their official bond in 1979.

China's involvement in Vietnam's independence in 1950s, the Korean War in 1950s and Vietnam War in 1960s-1070s all had ideology to do: in addition to China's national physical interests in these events, Beijing could not sit idle when its neighboring comrades were suffering from colonization or foreign aggression. In addition, the challenge of ideology to China's managing of foreign relations was not restricted only within these relations. As mentioned above, China had verbally supported various decolonization processes and efforts to overthrow some reactionary governments abroad. As if these verbal supports would not be moral enough, Beijing was believed to have physically trained foreign nationals, inside China, and sent them home to topple their governments. Such export of revolution was by nature of interference of internal affairs of the concerned foreign countries,

and added to the difficulties of China's foreign relationship. In particular, some of the Southeast Asian countries were suspicious if China was willing to observe the abovementioned Five Principles.<sup>5</sup>

Communism ideology transcending sovereignty aside, nationalism, as a double-sided sword, had over time posed another major challenge to China's ability to manage its external relations. On the one hand, out of its ideation of friendship and a fair world order, China has made concession to the DPRK in sharing Tianchi (Cheonji) in early 1960s, and supported the making of UNCLOS (United Nations Convention on the Law of the Sea) in 1982 which might later impair Beijing's claim over some of the South China Sea. On the other hand, China has employed a non-yielding nationalistic stance toward some of its other neighbors.

China first proposed the Five Principles of Peaceful Co-existence to India in 1953 in settling their relations concerning Tibet and the notion of these Principles was embraced by New Delhi. Then in 1955, at the Asian-African Conference in Bandung, Indonesia, the Five Principles were adopted entirely in the Declaration on Promotion of World Peace and Cooperation, demonstrating China's soft power in those early years.

However, seven years late China and India fought a short but bitter warfare, sowing the seed of mutual suspicion and hedging for the following decades, in serious violation of the first principle of the Five Principles. Though China has blamed India for taking the responsibility of triggering the warfare, the fact that there has never been a mutually accepted borderline between the two countries beforehand indicates that the respective claim of "invasion" all lacked a solid base. While New Delhi's aggressive advancement along the McMahon Line could have forced China to respond in kind, China's prior taking over Aksai Chin, an uninhabited land though on Qing Dynasty's map, without consulting with or informing India appropriately, seems to have repeated the similar Indian behavior. China and India have maintained tranquil relations for ages until both entered their republican time. Ever since the modern republics gained independence in late 1940s, they have entered a nationalistically competitive and late a longtime troublesome relationship. With co-rise of China and India presently, their nationalistic competition tends to continue, as intensified over the past years, posing challenges to both leaderships.

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<sup>5</sup> Chinese press has reported that China has apologized for its export of revolution. See, "Deng Xiaoping admitted two mistakes when meeting with Lee Kuan Yew in 1978," <http://history.huanqiu.com/china/2008-10/246433.html>, October 8, 2008.

## DE-IDEATION AND MODERATION

Ideology and nationalism are both double-sided swords – while they enhance the self-narratives and strengthen national identity, their over-emphasis could also mislead, particularly when one has been mistakenly labeled or branded. This was especially relevant when the PRC was trying to speed up its pace to enter the communist utopianism, by “taking over Britain and surpassing America” in late 1950s, and by ignoring the Soviet advice not to do so. Such radical illusion during the Great-Leap-Forward campaign reflected the nation’s inability to comprehend the genuine Marxism: to know where China was situated and what it should truly aspire to attain in commensurate with its capacity. Subsequently, such radical pursuit undercut the nation’s self-fulfillment and acerbated its deep disappointment if not despair. In the meantime, its ideological passion kept expanding to area beyond China proper, stimulating the short-term surge, but longer-term ebb, of communist movement in wider regions.

To regain its ideological credibility and to repair its international standing, China launched a major institutional revamping some three decades ago, after the end of Cultural Revolution. Beijing ushered in its economic reform and opening, realizing that its traditional way of understanding of and approach to socialism had been at least partially not viable. In December 1978, China’s paramount leader Deng Xiaoping and his associates started revising the party’s mission, by i) domestically, moderating its rigid orthodox system of planned economy, trading an improved living standard of its people with their public support to the regime at an age of globalization; and ii) externally, by trading elements of China’s productivity with those of the rest of the world, not to deny the accomplishment of contemporary capitalism anymore. In particular, China had to match its massive inexpensive labor forces with foreign capitals. Beijing quickly revised its definition – market economy is no longer necessarily a capitalist tool; and even if it is, as long as it works for China, just do it without debating. Such a pro-development stance was a significant departure from CCP’s traditional philosophy that surely impacted on evolution of Chinese foreign policies.

China’s fresh development of de-ideation pragmatism has served interests to all walks of its society. This provides the government with both face and a new guideline to follow, and assures the world that Beijing now aspires to lift the performance of its governance, caring less about debate of ideological controversy.

For instance, while China had used \$945 billion of foreign direct investment (FDI) by January 2009, Beijing had hardly screened the political background of foreign capitals or Taiwan/Hong Kong/Macau investments.<sup>6</sup> China has welcomed all sorts of investment as long as it helps generate new wealth, even at environmental cost. Thus far, such a realistic approach has indeed generated 45 million jobs due to foreign direct investment, i.e. every one out of eight jobs existing in mainland China today has been created by the influx of the aforementioned fund, and China's export due to foreign direct investment has accounted for 56% of its total export.<sup>7</sup> This is an incredible achievement in China's efforts to rid its poverty.

On the plus side, through diluting its ideology, China has become a more "normal" member of the international community. Though the CCP still stipulates in its Charter to ultimately attain communism, i.e., to turn the entire world to such future institution altogether, in reality it promulgated its Property Right Law in 2007, more distancing itself from a total public ownership system. It has also understood that it is not well in a position now to liberate all people of the world – it needs external fund to liberate its own poor people in the first place! Over time, China has restored its seat in the United Nations, and joined the World Trade Organization etc., therefore sufficiently been integrated into the world system. So far, it has retained far less interests in remaining a revisionist country in international hierarchical structure, but rather benefits hugely from being pro *status quo* and rising peacefully in accordance with existing international code of conduct.

China's shifting theory and practice has therefore improved its relations with the world. Ideologically, China no longer argued with Moscow in 1980s as to who more genuinely had represented the Communist world. Realizing the importance to lift the party's domestic legitimacy, the government has employed market economy to boost people's enthusiasm in producing and generating wealth according to the supply-demand need of the society. At the reform age, Chinese entrepreneurship has been much unleashed, demanding its official international relations to be more constructive and proactive.

Instead of traditional ideology of "liberation", doing business and making

<sup>6</sup> In 2009 and 2010, China's use of foreign direct investment is \$860 billions and \$945 billions. See, "Ministry of Commerce: Foreign investment in China will steadily increase," <http://www.chinanews.com.cn/cj/gncj/news/2009/02-16/1564806.shtml>, February 16, 2009; and "State Council on further well use foreign investment," <http://finance.people.com.cn/GB/11368944.html>, April 14, 2010.

<sup>7</sup> "State Council on further well use foreign investment," <http://finance.people.com.cn/GB/11368944.html>, April 14, 2010.

money have become a new buzz word in the country for the recent three decades. China needs to be cooperative in order to be able to bring into it capital investment, technology transfer, management skill, as well as opportunity of export market. As international cooperation has become the CCP's new lifeline, it has to open its own labor forces, consumer market, as well as green resources to be accessible by the external world. Global partnership has shaped China's view toward the capitalist world, to both rely on its own resources for domestic development and to share its visions concerning transnational threat perception, protection of intellectual property rights, as well as environmental and ecological preservation etc. with the world at large. Over the past two decades, China has been mending its differences with America and other western powers persistently, ranging from anti-terror, nonproliferation of WMDs (weapons of mass destruction), export control over dual-use sensitive technologies and items, tapping clean development mechanism for better environment and containing climate change, exchanging information of pandemics such as H1N1 flu, which used to be viewed as secretive national data.

China's has employed more multilateralism to advance its foreign relations. While bilateral talks remain China's key elements of diplomacy, it has familiarized itself with more multilateralism since mid-1990s. At official level, Beijing is now at expert on multilateral fora such as the United National General Assembly and Security Council, and World Trade Organization and World Health Organization etc. It has also worked on Asia-Pacific Economic Cooperation (APEC) Summit for some twenty years, and on other inter-governmental organizations such as ASEAN Regional Forum (ARF) and ASEAN plus China (10+1) dialogue. It has tapped the global financial crisis to become the main actor of the newly established G20, a group of twenty main economies in the world in addressing the world economic and finance. It has also been a major player of the annual Asia-Europe (ASEM) meeting.

China has felt the importance of leadership in an international setting. It has worked with Russia to establish Shanghai Cooperation Organization (SCO), addressing the terrorism, separatism and radicalism along the border area between China and Central Asian countries. China has managed to play the host of Six-Party Talks, an effort to de-nuclearize the DPRK in the presence of China, Russia, Japan, ROK and the US. At semi-official level, China has also been active since mid-1990s in engaging in various international settings, including the prominent process of Council for Security Cooperation in the Asia Pacific (CSCAP).

Since the start of its reform and opening, China has exercised more restraints in managing relations with the West. While the exportation of revolution could violate the Five Principles of Peaceful Co-existence that Beijing invented, exporting weapons to Taiwan, a part of China that all western powers have agreed, also violates the UN Charter and the same Five Principles. Nowadays Beijing has ended its meddling of internal affairs of some of its neighbors – instead China didn't compete with ASEAN countries to depreciate its currency during Southeast Asian financial crisis a decade ago – the US arms sale to Taiwan still lingers. Presently Beijing enjoys a more solid footing in asking America to end its weapons sale to Taiwan, either legally or militarily. In the event of a Taiwan contingency, Beijing might not be on the lose-side. Its fleet of modern war fighter and attack submarine, anti-ship cruise missile and ant-missile capabilities, in couple with strategic deterrence and COMPASS independent navigation and positioning system (Beidou) and other space assets, increasingly accord it with more respect of military professionalism. But China has still curtailed its mood by not retaliating the latest American weapons sale to Taiwan in 2009/2010, despite its one-time verbal threat.

Beijing's restraint has led it to avoid immediate military conflict and brought it with opportunities to grow very rapidly – entering the 21<sup>st</sup> century, China's GDP (gross domestic product) and defense spending have both quadrupled in merely eight years from 2000-2008. Chinese leadership has tapped the globalization and America's war on terror to avoid a major confrontation with Washington, and to speed up its own economic and social development, preparing for the arrival when China's GDP would be on a par with America in another decade or two, a time when the US weapons sale to Taiwan would be expected reasonably to recede.

When Sino-US relations would be largely stable, Beijing's tie with the rest of the world might be easier to manage. Over the last thirty years, China has only waged one significant ground war with Vietnam. Enter the 21<sup>st</sup> century, China has managed its relationship with Japan and gradually turned it more stable. With a more reform-minded Prime Minister Yukio Hatoyama in power, Japan seems more inclined to accept its “new middle power” position and building up a “brotherly” relationship with Beijing, much reducing the chance to collide with China over competition of global leadership.<sup>8</sup> Presently, India, Australia and few members of

<sup>8</sup> After his meeting with Chinese President Hu Jintao in New York on September 21, 2009, Japanese Prime Minister Hatoyama stated openly that the brotherly relationship between China and Japan is the focus of build-up of what Japanese aspires to be an East Asian Community. See Ming Pao (Hong Kong), September 24, 2009.

the EU might still have some problems in seeing China's rapid rising status in the world, but each of them lacks an ability to compete with China comprehensively, in terms of a combination of vast human resource pool and natural resources as well as an institutional edge of a learning and adaptive "authoritarianism". After another decade or two, when China's economy will have expanded much further, the world is likely to witness a new world center to emerge in Beijing, accounting for some one fifth of the total economy of the world (comparing with 7-8% at present level). At that time, the PRC's global share of economy could be the same of its population share in the world. It shall also be pointed out that at that time, Taiwan's military capability will be completely dwarfed by the mainland, and its weapons importation from the outside simply would not bring it more military security.

Presently, China's increased capacity has already backed its foreign policy and national development, especially in redefining its shifting relationship with America. China's unlimited potential market has its temptation hard to resist, and its high foreign currency reserve renders its power to buy foreign bonds to at least serve for the interests in stabilizing external relations. China still has some 254 million people living under the UN new recommended poverty standard at \$1.25 per day, in 2005 PPP (purchasing power parity) dollars, which is both deplorable and promising for any foreign investors for the chance of labor outsourcing.<sup>9</sup> Therefore, China is building a complex and mutually dependent relationship with the world for mutual benefits. This strength allows China capability to tap mineral and other resources to support domestic development and resist American pressure, and to condition China-US relations in a certain stable way.

Meantime, China's fast defense buildup, with official defense budget doubling every four years and quadrupling every eight years, except for the budget of the year 2010, also brings its forces to balance the powers. In 2007, China succeeded in launching an anti-satellite shoot, and in 2010 it first announced its success in conducting an anti-ballistic missile test, unveiling its missile defense program. With both deploying an independent COMPASS system and other assets in the space, China is more confident in asserting its foreign policy backed by its armed force, while cooperating with the others in regional security. In fact the year 2009 registered a number of naval stalemates between China and the United

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<sup>9</sup> "From poor areas to poor people: China's evolving poverty reduction agenda," World Bank, March 2009, p.17; Sky Canaves, "Facts about Poverty in China Challenge Conventional Wisdom," *The Wall Street Journal*, April 13, 2009.

States in South and East China Seas. Though the two navies differ in their legal interpretation of the UNCLOS's applicability, Chinese navy seems increasingly assertive in keeping US naval operation outside China's exclusive economic zone.

## **FLASHPOINTS AHEAD: DOMESTIC AND EXTERNAL**

China's rapid rise to present prominent level sounds a miracle, nevertheless, its continuing rise to the top notch of the world would not. To view Beijing's present ascendance as a fiction could indicate that one is unable to understand that China is capable to learn, adapt, be innovative, pragmatic and not to be bound by a classic theorem.

Because China has a one-party system, it has been enjoying a unique advantage that the so called "liberal democracies" would neither be able nor care to possess. For instance, China could take the hardship to "normalize" relations with America, with neither prior success in securing the US commitment to stopping weapons sales to Taiwan, nor proper consultation with Chinese people and the Congress and bargaining with various domestic constituents. This non-consulting but strategic/pragmatic and efficient handling much improved and stabilized Beijing's relationship with Washington, reducing their potential flashpoints in late Cold War period, and helped deter the former Soviet Union. Certainly, the normalization of Sino-US relations was not without a major cost of principle and dignity, but it much relieved China's security concern, allowing PRC to devote to economic development and overall modernization more forcefully. In the meantime, consulting with the public could be time consuming as the Chinese mass, through prior indoctrination, would have difficulty in accepting such a strategic deal of normalizing relation with America which failed to end the US weapons sale to Taiwan

With China's rise and getting mature in managing foreign relations, Beijing is almost certain that it is facing no major threats from outside. The US weapons sale to Taiwan, India's non-yielding position on Southern Tibet (Arunachal Pradesh), Japan's bidding of maritime sovereignty over some of the East China Sea, territorial disputes with some of the ASEAN states, nuclear development of the DPRK and Iran, pirating in international sea lane of communication, etc., indeed present potential flashpoints to the PRC. These disturbing events entail the PRC to devote significant resources to addressing them.

Nevertheless, PRC's main fault lines have lain within the country: the cohesiveness of the CCP given its economic opening and political reform that are yet to be more balanced; rampant corruption and increasing unfair distribution of wealth; the health of its economy and finance; sustainability of development and environment; food and resources security; effectiveness of thwarting independence concerning Taiwan, Tibet and Xinjiang, to name a few. Internationally, none of the abovementioned external flashpoints would be able to choke the breath of the PRC, but the breaking-out of any single source of domestic flashpoints would present serious challenge to the authority, and undermine China's international image as well as foreign relations. If many of them would explode at the same time, especially when the internal and external challenges would merge together, that would present unprecedented challenge to the regime's survival.

Indeed there have been debates on the balanced development – or the so called scientific development concept. It is not difficult to understand the importance of a paced and balanced economic opening and political reform. If economic opening is related to PRC's economic viability, then political reform is about the party's revitalization – within the framework of its unitariness, how the governing party could attain effective infra-party check and balance. As there is no guarantee that this must be able to succeed, the party might be less enthusiastic to widen its reform, and to ensure more transparency to its governance. If this would remain unaddressed in the next decade, it is hard to foresee that corruption could wane substantially and the system could pick up its cohesiveness. But if this could be successfully tackled, the modality of Beijing Consensus has more chance to be appealing. China's model would also affect international relations: some other authoritarian systems would be more encouraged, and a new type of institutional mode in some countries would possibly expand if not prevail worldwide.

China still possesses most of the foreign currency reserve in US dollars outside America, and is the biggest owner of US official debts. However, this doesn't necessarily indicate that China's economy is much healthier than that of America. China's high saving rate and low consumption desire and ability, plus its excessive production capacity, still makes the country highly dependent upon the world, in particular the western powers which consume Chinese export. On the one hand, such interdependence reduces independence and sovereignty of all state actors. On the other hand, it restrains flashpoints and makes China and its partners share more common stakes. When some Chinese economists discouraged the government to

keep its possession of the US Treasury Bond in the aftermath of 2008/2009 financial crisis, Chinese authority actually increased, continuously, such possession, to over \$800b by the end of 2009, given the already highly interwoven economic ties of the two countries. Beijing and Washington have to share the risk and to reduce the burden together, forging a coevolution partnership for the coming decades.<sup>10</sup>

The Taiwan issue would no longer pose a serious flashpoint. The threats to stability still exist but they are increasingly less explosive. In the author's view, those pro-Taiwan independence elements are seldom convicted of independence, but rather anti-communist opportunists, i.e., their independence is conditioned on a weak mainland and strong American security commitment. Many of them care their own lives and properties more than their belief. If the mainland grows more strongly, in terms of material strength and institutional power, and if the US would withdraw its defense umbrella, Taiwan will be shaped to be more realistic, and operate under the framework of *status quo*. This chapter is of the expectation that China's GDP will catch up with America, and its defense spending could meet half of the US by 2020-2030. It is quite likely that America has to be prepared for terminating its weapons sale to Taiwan well before that time, and Taiwan has to seek fundamental reconciliation with the mainland for its security.

The PRC is cooperating with Taiwan authority in expanding cross-Strait economic cooperation. The two sides are likely to sign their Economic Cooperation Framework Agreement (ECFA) which will permit wider and more equal economic and investment access to each other. With sufficient public policy debate on the island, the ECFA could gain a solid base for a stable and expansive economic collaboration across Taiwan Strait that cuts the chance of flashpoint between Chins and the US.

At the turn of 2009-2010, China and the US were seeing increasing amount of frictions – the Obama administration approved an arms sale to Taiwan, and the US sanctioned more Chinese businesses for their export to America for the alleged unfair dumping practice. While the two countries argued about President Obama's meeting with Dalai Lama, the US internet search magnate Google withdrew from the mainland for Chinese government's long-held regulation of censorship and alleged government-related hacking on Google-based Chinese dissidents' email accounts. Last but not least, in Copenhagen in December 2009, the two countries collided, soon after their issued a joint statement after Obama's visit to China, to

<sup>10</sup> See Joshua Cooper Ramo, "How to Think about China," *Time*, April 19, 2010, pp.18-23.

global disappointment.

Despite these thorny problems, none of these would derail China-US relations too much for too long. Given Chinese defense modernization, Taiwan's acquisition of US weapons hardly affects the changing balance of power across the strait to Beijing's favor. President Obama has not approved any new sale to Taiwan: he has permitted the \$6.5B sale that was decided by President George W. Bush in October 2008, the only sale for Bush's presidency of 2001-2009. Quantitatively, the US has reduced its sale from \$2b per year from 1979-1999 to \$800m from 2001-2009, not to including the depreciation of US dollars.<sup>11</sup>

Concerning the trade sanctions, those under disputes only account for merely few percents of total Chinese export to America, while the majority would remain unaffected. The Google incident would even less hurt China-US relations, though its withdrawal might infringe upon China's open image for a while. As for Dalai Lama, both he and President Obama have claimed that Tibet is a part of China (both of them also claimed on different occasions that Taiwan is a part of China). For the UN Summit on Climate Change, the Copenhagen is not the end at all; the next round of COP16 in Mexico City will continue the search for a global consensus. Even if this fails, there will be one more round in 2011 before Kyoto Protocol will expire.

In security area, even if China and the US could enter an unsymmetrical competition in the next decade, this still wouldn't ignite a flashpoint. The two countries could enter some competition not because of their dispute over Taiwan's status, but for their respective global positioning and mutual hedging. The US is surely a global power. China's landmass is similar to that of America and its population is few times more than the US, demanding China to be more global as a normal country, and requiring its defense modernization commensurate with China's expanding global role and resources available. Such a competition differs with the US-Soviet type during the Cold War era that was unfolded for global dominance, at least for Chinese.

China's relations with other countries also would not excite much flare. China and Japan will have to handle their disputes over maritime rights peacefully, and both would be cautious in utilizing their military to settle difference. Indeed China

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<sup>11</sup> See Shen Dingli, "The Development of China-US Military-to-Military Relations and the Nature of Sino-US Relations," in Xie Xide and Ni Shixiong eds., *An Uneasy Path of Sino-US Relations: 20 years since Establishing Diplomacy* (Fudan University Press: Shanghai, 1999), pp.45-63.

and India have not been able to resolve their border disputes thus far. Though this issue has been much in the news in India, both governments want to settle them for good at an auspicious time when their powers are further developed and more balanced – today China's GDP output is some four times bigger than India (with PPP still one time bigger), making New Delhi unacceptable to make concession.<sup>12</sup> Their real difference is not insurmountable: Beijing seems ready to accept *fait accompli* in India's favor but India has to give some return political gesture as well. In regard to nuclear program of Iran and North Korea, China shall feel upset and dissatisfied with such development, but it has rich experiences in living with nuclear US, Russia and India and Pakistan. It is absurd that China's foreign policy will meet flashpoints simply because there emerge two more nuclear programs in the world. China's responsibility is to help put off them but it could not control its success. While the US expects China to increase its pressure on Iran, it is hard to see the US rid its restraint on India through the Nuclear Suppliers Group with a strategic purpose to check and balance China.

China's real fault line is to sustain its domestic development with resources, including clean water, energy and minerals. As PRC has more than quadrupled its economic output in less than one decade lately, it is unlikely to sustain the same surge in the next decade(s). When China boasts its high development, it has actually paid a dear cost of environmental and ecological degradation, plus certain cost of human rights of those migrant workers, in terms of decency of their work environment and payment. Meantime, its pollutants could spill over, posing transnational challenge to its foreign policies. The lack of clean water due to industrialization would not only seriously threaten its own people and modernization, but potentially brew cross-border disputes.

China is both a major energy producer and consumer. Presently, some 10% of China's energy consumption depends upon importation, accounting for some 5% of total world oil exportation.<sup>13</sup> If China's present development speed will continue and its domestic energy supply and efficiency don't increase, all *current* international oil exportation could only meet 50% of China's need of importation after a decade, which is totally impossible to be met and accepted by the world

<sup>12</sup> For comparison, see Central Intelligence Agency, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html> (accessed May 1, 2010).

<sup>13</sup> See, Information Office of the State Council, White Paper on China's Energy Conditions and Policies, December 26, 2007, Beijing; and, *Blue Paper on China's Energy 2009*, Social Science Literature Press: Beijing, 2009.

community. In the meantime, China would emit unacceptable amount of additional green houses gases, given the fact that it may be already the biggest emitter of such gases in the world.<sup>14</sup>

Therefore, another quadrupling of China's economic output in one more decade would seriously demand China to transform its development mode: it has to be fulfilled if China would drastically invest on its energy sector, raising energy efficiency (or to reduce its energy elasticity) significantly, and to use much more alternative energies: photo-voltaic, underground-thermal, hydro, nuclear (fission), biomass, hydrogen, and eventually fusion energy, or currently underdeveloped exotic type of energy. A technological revolution of clean energy is what China has to experience to attain its world top tier position. Failing this, the PRC would either be restrained due to limit in accessing to energy, or would more tend to compete with other countries for energy, restraining its policy options and triggering potential flashpoint.

Producing more pollutants would harm China's foreign relations, and present increasing amount of irritants to Beijing's international image.<sup>15</sup> At the end of 2005, some benzene-related chemicals seriously polluted Songhua River in Northern China and threatened its lower streams in Russia. Since then more incidents of serious pollutions in Chinese rivers and lakes have occurred, threatening people's lives in this country. Given the existence of thousands of small chemical plants failing to meet operation standards, such dangers are expanding and hurting the legitimacy of the governments. These occurrences generated from within more threaten the regime and pose more serious international disputes than traditional types of external threats.

Therefore, at an era of globalization, the main contradictions that China faces have been transformed – for the part of the US, from defending Taiwan to also containing Taiwan's hard push for independence; from confronting China militarily to waging war on terror that requires China's support; from alleging China to

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<sup>14</sup> Before Copenhagen summit in 2009, China committed to cut 40% of CO<sub>2</sub> emission per unit of GDP produced by 2020, comparing with 2005. Since China quadrupled its GDP from 2000-2008, in case China would keep this pace of development, its GDP would increase some 6-7 times from 2005-2020. This means that given China's relative cut of 40%, its net increase of CO<sub>2</sub> emission will still reach 260-320%, if its energy efficiency and structure would not chance much in the next ten years. This bodes ill for China's relations with the world due to its energy use for economic development.

<sup>15</sup> For a somber research of China's river pollution, see a Council on Foreign Relations book by Elizabeth C. Economy, *The River Runs Black: The Environmental Challenge to China's Future* (Cornell University Press: Ithaca, 2005).

have engaged in proliferation to working with China on containing the DPRK and Iran's nuclear development. Presently, China's potential external flashpoints are softer but more substantial – bargaining on currency appreciation, protecting trade barriers, enforcing environmental standards instead of pushing directly for human rights. These soft external pressures are more manageable, contingent on flexible negotiation and bargaining.

And these soft contradictions offer opportunities. Through appreciating Renminbi incrementally, Chinese could enhance their purchasing powers abroad. Lowering tariff offers mutual opportunities and is the right trend of the globalization. Protecting China's environment, in accordance with the PRC's present policy and capacity, is in Beijing's long-term interests. Generally speaking, for the next two decades, threats to China are mostly from within, demanding careful management of its governance. Through more opening and reform, as well as international cooperation, China is hopeful to fix its fault lines and smooth its international relations while climbing up to the top ladder of a world power tier.