

Chapter 6

China

The situation in and around China remained relatively calm in the year 2000. There were no serious economic or diplomatic problems. However, it became increasingly apparent that many challenges have to be overcome both internally and externally if Chinese government was to maintain the communist regime and at the same time continue with economic development throughout the 21st century. President Jiang Zemin will have to make hard decisions in steering the course of policy and keeping the balance between two goals.

On the economic front, the Chinese government has carried out such pressing reforms as the reform of state-owned enterprises, and has made headway toward joining the World Trade Organization (WTO) by working out agreements with various countries. However, rapid growth and internationalization of the economy have brought about significant changes in the society, giving rise to corruption of communist executives and increasing unemployment. At the same time, the values of the Chinese people are also changing. These problems and changes undermine popular support for the communist regime, presenting a serious challenge for the government. Dialogue between China and Taiwan made little progress on account of a dispute over the principle of "One China" and no clue to the solution of the problem is in sight.

Foreign policy of the Chinese government showed both cooperation and confrontation. On such issues as the national missile defense (NMD) program of the United States, China showed a confrontational approach by taking the position of opposing it together with Russia. On other issues, however, China maintained basically a cooperative stance on its relations with Japan and the United States for primarily economic reasons. Meanwhile, China sought to improve its relation with North Korea and made overtures of friendship to ASEAN countries.

China has made progress in modernizing the organization and weaponry of its armed forces. Its navy has broadened the sphere of its activities as was witnessed by its vessels that sailed repeatedly

around Japan seemingly gathering naval intelligence. On the other hand, the Chinese government has been emphasizing “adherence to the absolute leadership of the party over the military.” This suggests that tightening of thought control is necessary even in the military.

1. Angst of the Communist Regime and Its Efforts for a Solution

(1) The Jiang Zemin Regime Tightens Ideological and Political Regimentation

The Communist Party of China (CPC) that has governed the country since the founding of the People’s Republic of China is now confronted with problems that, depending on how it handles them, could challenge the legitimacy of its rule. This is because as the values of society became increasingly diverse as a result of reform and open-door policies the government has pursued, the CPC has become more distant from the people at large. Its traditional function of reflecting the needs of the people in government policies is in near paralysis. Corruption among party executives has become rampant and the Falun Gong, which started resisting the CPC in 1999, is still very much alive in 2000. Alarmed by such developments, the leadership of the CPC is aiming at restoring its credibility by strengthening ideological and political regimentation of its members. Jiang Zemin seeks to tighten thought control of CPC executives and win broader support of the populace by proposing the idea of “three representatives.”

Cases of corruption involving party executives and senior government officials showed no sign of abating. Hu Changqing, vice governors of Jiangxi Province (in March 2000) and Cheng Kejie, vice chairman of the Standing Committee of the National People’s Congress (NPC) (in September 2000) were executed on corruption charges. In November, contraband trade based in Xiamen, Fujian Province, the largest since the founding of the People’s Republic of

China, was exposed, and ranking executives of the CPC who had masterminded the smuggling operations were sentenced to death. The rampancy of corruption involving ranking executives of the CPC has provoked strong public criticism against it. The party leadership is fully aware of the public sentiment. For instance, in his speech at the fifth plenum of the 15th Central Committee meeting in October, Premier Zhu Rongji said that eradication of corruption was a life-or-death question for the party.

Even after being outlawed and cracked down on by the government, Falun Gong continued to be active. On the 50th founding anniversary of the People's Republic of China on October 1, 2000, more than 1,000 members of Falun Gong demonstrated against the government in Tiananmen Square and were arrested by the security police. Falun Gong has tens of million *qigong* practitioners as its members, many of them said to be middle-aged or older who failed to get on the bandwagon of the market-oriented economic reforms. The CPC has failed to alleviate the discontent of these people and invited a protest movement of Falun Gong at Zhongnanhai in Beijing in April 1999. Even party executives and ranking military officers were among Falun Gong members. Falun Gong's ability to organize has given the CPC leadership a severe challenge. The government banned the activities of Falun Gong as a heretical religion. However, underlying reason for Falun Gong's popularity is the problems of uncertainty about social security after retirement and loss of identity which are common problems of many people in the country. This is why the problem of Falun Gong is so critical for the government.

Confronted with the growing rampancy of bureaucratic corruption and the organized resistance of Falun Gong on a nationwide scale, the leadership of the CPC sought to cope with the crisis by strengthening an ideological and political indoctrination of party executives. And the CPC pushed ahead with an indoctrination campaign for county and city leaders under a political slogan of "three-emphases" education and "three representatives" advocated

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Three-Emphases Education

The three-emphases education of party executives and government bureaucrats means one that stresses “theoretical study, political awareness and good conduct.” The campaign was launched in November 1998 and was carried out in earnest starting in March 1999. It is designed to improve the quality of political competence and leadership of party executives and government officials at the level of cities and counties and higher, enhance their morality and rectify their ideological grounding by causing them to make in-depth studies of the doctrine of Deng Xiaoping and the spirit of the 15th CPC Congress. The party leadership urges the managers of this education campaign to adhere to the basic policy of the party — the construction of socialism with China’s characteristics — and the fundamental principle of devoting themselves to serving the best interests of the people, and spread the excellent political style of the party.

by Jiang Zemin in 1999. The three-emphases education stresses (1) theoretical study, (2) political awareness and (3) good conduct. The “three representatives” means that the party should always be the representative of (1) advanced social productivity, (2) correct cultural and social trends, and (3) the fundamental interests of the majority of the Chinese people. Jiang Zemin stressed that the party can win the support of all ethnic groups of the country and continuously lead the people forward only when it acts as three representatives. He went on to say that it was not easy to manage the huge party and government machinery, and candidly admitted that the party was saddled with many problems that have been caused by its failure — ideological, organizational and attitudinal — to serve and promote the best interests of the people. It appears that the CPC leadership is trying to step up political indoctrination of its members by advocating the necessity of the “three representatives” and win broader support of the people by promoting the fundamental interests of the majority of the Chinese people.

At an ideological and political work conference of the CPC

COLUMN**Three Representatives**

This is a theory of party building for the new era propounded by Jiang Zemin, general secretary of the CPC Central Committee, when he visited Guangdong Province in February 2000. In a statement he made then, Jiang Zemin said that the Communist Party represents (1) “the development requirements of China’s advanced social productive forces,” (2) “the progressive course of China’s advanced culture” and (3) “the fundamental interests of the majority of the Chinese people.” This is designed to press ahead with a program for the construction of a socialist society with China’s characteristics in the face of a complex and intricate situation, domestic as well as international, the Communist Party might have to deal with in coming years, to achieve success in the reform, open-door and modernization policies, to win broader popular support, and to establish a perpetual position by providing enlightened leadership to the people. The party will press ahead with the party rebuilding program pursuant to the principle of “three representatives.” Party executives will champion the cause of party reform that puts the interest of the party and the people at the top of its agenda, strictly manage and restrain themselves, and lead the people toward modernization of the economy as their representatives.

Central Committee in June 2000, Jiang Zemin urged the committee to adhere to the populist line. He said that executives of the party at all levels should never lose sight of the standpoint of the people and “should serve the people heart and soul,” and demanded all members of the party to step up the party building in accordance with the call for “three representatives.” In an editorial carried in the May 21 issue, the *Renmin Ribao* (*the People’s Daily*), the party newspaper of the CPC, said that the “three representatives” advocated by Jiang Zemin is a basic answer to the question as to what kind of party China should build in the 21st century and a great principle for strengthening the party under new historic conditions. This enshrines the remark of Jiang Zemin as the guiding principle of the party, made conscious of transfer of power to a fourth-generation leader after Mao Zedong, Deng Xiaoping and

Jiang Zemin. It is reported that the “three representatives” will be incorporated into the party program at the 16th National Congress of the CPC scheduled in 2002 with a view to maintaining the influence of Jiang Zemin over the next-generation leaders.

In a lecture delivered before young party members at a national conference of party schools in June 2000, Jiang Zemin pointed out that “for party executives, it is a critical period of transition of power from the old generation to the young one.” He said that whether China could achieve sustainable prosperity in coming years in the face of fierce international competition depended on whether China could consistently produce talents. He stressed the importance of ideological indoctrination given to young and middle-aged executives of the party. He believes that they are well versed in matters relating to economic development due to the on-the-job experience they had under the reform and open-door policies, but that they lack adequate understanding of the tradition that “the party serves the people heart and soul.” The party leadership believes that with the domestic problems growing increasingly serious and complex, ideological soundness translating the true intent of the party into action is essential. In August, the General Office of the CPC announced *Guidelines for Reforming the System of Appointing Party Executives* that introduced an open selection system of recruiting managerial personnel of the party, the government and state-owned enterprises. Under this system, they started recruiting managerial staff on the basis of competition. It appears that the government seeks to secure more talented personnel and alleviate the problem of corruption.

(2) The Chinese Economy on a Recovery Track

In 2000, the last year of the ninth five-year program (1996-2000), China achieved certain results in reforming state-owned enterprises, its long sought-after objective. And in the first half of the year, its gross domestic product (GDP) increased a high 8.2 percent over the same period of a year ago, and has thus shown signs of recov-

ery. Amid such development, the government came up with a program for the development of China's western areas with the aim of narrowing the regional gap of economic development. China actively negotiated for membership in the WTO, and has been gearing up for competition that was expected to intensify after the globalization of its market. On the other hand, China's economy is faced with a number of problems, such as increasing number of jobless workers who were laid off by restructuring state-owned enterprises and regional disparity of income.

China's economy had been stagnating from the impacts of Asian financial crisis of 1997. Exports have slowed down, consumption continued to be sluggish and foreign direct investment decreased. In an effort to shore up the faltering economy, the Chinese government came up with a fiscal stimulus package and floated 360 billion yuan worth of government bonds in 1998-2000 to stimulate domestic demand. According to an official estimate, these government bonds helped boost GDP by 1.5 points in 1998 and 2 points in 1999. In 2000, also, the government issued 50 billion yuan worth of long-term government bonds, and they are expected to help GDP grow further. According to the State Information Center of China, its GDP is expected to grow 8.3 percent in 2000 over the year before to more than \$1 trillion. According to the figures published by the Chinese government, its economy has begun to show signs of brightening.

Unable to meet changes brought about by a rapid shift to market-oriented economy, state-owned enterprises are in desperate straits. To help them recover their economic health has become an important task of the Chinese government. As of July 2000, 6,599 large-to-midsize state-owned enterprises and 3,463 large-to-midsize holding companies (52.5 percent of the total) have climbed out of the red ink. Of the 14 key industries to which the government attached importance, industries such as textile, metallurgy and petrochemical, other than the coal and munitions industries, have made money as a group. However, some in China point out that

these enterprises and industries are barely out of the woods. They argue that the real problem is how to institute a system for defining the responsibility for having caused losses and how to help state-owned enterprises to build competitiveness on their own.

The number of workers laid off by large-to-midsize state-owned enterprises stood at 6.77 million as of the end of June 2000 and was expected to increase to 12 million at the end of the year. In 1999, no less than 11 million workers were laid off, and only 4.92 million, or less than a half of those laid off, found jobs again. In the first half of 2000, unemployment benefit paid them monthly by the government averaged 323 yuan, up 27.7 percent over a year ago, and the government was barely able to finance it. In addition to the 6,599 large-to-midsize state-owned enterprises that the government sought to lift from the red ink, there are more than 200,000 struggling small-to-midsize state-owned enterprises, and it is even more difficult to turn them around. With bureaucratic graft and corruption growing increasingly rampant, there is no denying the possibility that the hardships of laid-off workers and the widening regional disparity of income will inflame popular discontent, and fan the sense of uncertainty about their future.

While the coastal regions have achieved rapid economic growth as a result of the economic reform and open-door policy, economic development in inland regions that have received less benefits of such policy was slow in coming, with the result that income disparity between these two regions has widened. To accelerate economic development in inland regions and achieve balanced development across the country, it is essential to secure social stability and maintain the unity of its people. The government has come up with a program for the development of China's western region and started undertaking development projects.

At a session of the National People's Congress (NPC) held in March 2000, Premier Zhu Rongji delivered a report on a strategy for the development of China's western region. The strategy is designed to attract direct investment, domestic as well as foreign, to

tap the energy and mineral resources the western region has in abundance, so that the economy of this region will develop in step with that of the eastern region and raise the comprehensive national power of China. The program was given extensive media coverage, and an increasing number of party and government leaders toured the western region. In June, Jiang Zemin went to Ningxia Province and Gansu Province. And the government has been trying to lure foreign direct investment by offering tax incentives to foreign investors. In June, the Chinese government solicited foreign investment by unveiling a list of 255 projects with preferential tax policies in 20 central and western provinces, autonomous regions, and cities. However, these regions lack adequate infrastructure to support development projects, and the question is whether industrial projects undertaken in these regions would generate enough profits to justify the huge initial cost of building such infrastructure. So far, the reaction of foreign investors to the western development projects is anything but active, and the Chinese government has little room to finance the construction of infrastructure. It therefore appears that it will be quite some time before these projects can be started in earnest.

In 2000, China has vigorously promoted negotiations for joining the WTO. China would have to cut tariffs when it joins the WTO, and business enterprises that had neglected to build their competitiveness under government protection would receive a severe blow when they are suddenly exposed to foreign competition. Despite such risks, the Chinese government has been seeking to join the WTO because it believes that membership will help accelerate its economic development. The Chinese government believes that while inefficient industries would receive a blow in the short run, WTO membership would boost China's exports and foreign direct investment in China. It also believes that membership would help accelerate economic reforms and industrial structural adjustments, strengthen international competitiveness of its industries and enhance the international position of China in the long run. China

ranks seventh in the world in terms of GDP, tenth in terms of foreign trade, second in terms of foreign direct investment received, and thus carries a big weight in the world economy. China maintains that its membership in the WTO would contribute to stabilizing, and accelerating the development of regional economies and the world economy. However, it must be noted that while WTO membership will bring benefits to China, it also obligates China to abide by international rules. Should it give negative impacts, resulting for instance in an increase of business enterprises succumbing to international competition to such an extent that they refuse to observe international rules, the Chinese government may opt to give precedence to social stability or to maintaining its domestic political power. If that happens, it may take time before the international rules take hold in the Chinese economy.

2. China's Foreign Policy Oscillates between Cooperation and Confrontation

(1) Characteristics of Chinese Foreign Policy

The task Chinese government is faced with — to achieve sustainable economic growth and maintain the authority of the Communist Party — has been reflected in its foreign policy. As a result, its diplomacy has come to take on dual aspects — cooperation and confrontation.

China needs the cooperation and assistance of Japan, the United States and other industrial countries to sustain its economic development, and with membership in the WTO looming, it pursued a cooperative foreign policy in 2000. However, to win public support for its foreign policy, the government had to preserve national dignity as a major power by not giving the impression that China's foreign policy was subservient to U.S. demands. Furthermore, in the medium to long term, China seeks to strengthen its influence in the international community, particularly in East Asia. To achieve this goal, China has to weaken U.S. position as the world's

only superpower and create a multipolar world. This attitude was manifested by its opposition, in concert with Russia, to a U.S. national missile defense (NMD) program and by getting actively engaged in the promotion of its relations with Middle East countries.

As the Chinese economy continues to expand and become modernized in coming years, the tendency of China's foreign policy toward one that pursues both cooperation and confrontation will grow stronger. A stronger comprehensive national power of China would make it difficult to balance its domestic demand against the demands of the international community. The rise of China to a world power would increase the vigilance of other countries. Friction with China is likely to grow regardless of the intentions of both sides. On the economic front, also, as the Chinese economy becomes increasingly integrated with the world economy and their interdependence grows deeper, China will find it all the more difficult to maintain its domestic social stability and ideological unity. It is highly conceivable that tariff cuts and market liberalization after China's accession to the WTO would deal a severe blow to business enterprises that had been protected, causing them to go bankrupt in droves. It is inevitable that in the short term, there would be some negative impact of joining the WTO. The question as to how strongly the Chinese people would support their joining the WTO and how they positively accept the resulting hardships in enhancing the effectiveness of the open-market policy are of great importance. And the international community is watching what domestic reforms China will carry out and what actions it will take to conform to the rules of the WTO. It will not be easy to meet these domestic and foreign demands at the same time, and therefore, China's membership of the WTO could have a far-reaching impact on the China's foreign relations.

(2) Improving Relations with the United States

For China, the United States is, and will remain to be, diplomatically the most important country. This is because not only the

United States brings various benefits to China, it also has the power to check the achievement of China's policy objectives such as economic development, unification of Taiwan and the expansion of China's influence in East Asia. While cooperating with the United States in the economic field, China vehemently opposed U.S. policies, notably, the problem of Taiwan and the development of the NMD system.

China reached an agreement with the United States in November 1999 for joining the WTO, and settled in December the question of compensation for the damage caused by the accidental bombing of the Chinese Embassy in Belgrade in May 1999. Its relations with the United States have been restored in 2000. Particularly, the cooperative stance China took on economic matters was notable. When a Permanent Normal Trade Relations (PNTR) bill that would grant China the status of a permanent most-favored nation passed the House of Representatives in May 2000, President Jiang Zemin called U.S. President Bill Clinton in person. Jiang highly praised the efforts the Democrats, the Republicans and the president had made to pass the bill, and expressed his gratitude. When the U.S. Senate passed the PNTR bill in September, the spokesperson of China's Ministry of Foreign Trade and Economic Cooperation said that the PNTR "is conducive to the development of Sino-U.S. trade and economic cooperation and bilateral relations, and it is in the fundamental interests of China and the United States." While saying that it "still contains certain clauses that are irrelevant to trade and are intended for interfering in the internal affairs of China and harming China's interest, which is resolutely opposed by the Chinese government," he eagerly welcomed the passage of the PNTR. Leaders of both countries actively exchanged visits. U.S. Secretary of State Madeleine Albright and Defense Secretary William Cohen visited Beijing in June and July, respectively. President Clinton met twice with President Jiang Zemin, once during the United Nations millennium summit in September, and during the summit meeting of the

Asia-Pacific Economic Cooperation (APEC) held in November.

However, there remained a number of issues over which the two countries had differences. This was largely because China feared that the United States has become the single superpower dominating the world after the end of the Cold War. China has become increasingly wary of the diplomatic and military activities of the United States which China sees as a predominant military power pursuing values that endorsed intervention in the internal affairs of other countries in the name of humanitarianism. The vehement denunciations China had delivered in 1999 against the military intervention in Yugoslavia by NATO were prompted in part by the accidental bombing of its embassy in Belgrade killing a number of Chinese. But more importantly China feared that the NATO campaign would set a precedent for military intervention in the internal affairs of other countries for humanitarian reasons. Humanitarian interventions have increased since the end of the Cold War, and in the eyes of Chinese leaders, such interventions gave precedence to human rights over the sovereignty of an independent country. China is worried that such humanitarian interventionism could lend support to the independence of Taiwan and Tibet.

In February 2000, the U.S. House of Representatives passed a Taiwan Security Enhancement Bill. In the course of deliberation of the bill, some congressmen argued that the United States should deploy the theater missile defense system (TMD) in Taiwan, and it provoked strong opposition from China. In the months preceding the presidential election in Taiwan in March, Sino-U.S. relations strained with mounting tensions across the Taiwan Strait. However, the confrontation between the United States and China has not escalated as sharply as it had during the previous presidential election of Taiwan in 1996. In 1996 the PLA conducted missile exercise near Taiwan, in response to which the United States dispatched two carrier battle groups to the sea near Taiwan. In 2000, China conducted military exercises, but no serious confronta-

tion ensued. Nevertheless, the Taiwan question remains the most sensitive issue between the two countries. When Jiang Zemin visited the United States in September, he said, "Our relations have experienced ups and downs over the decades, most of which can be traced to the Taiwan question."

On the question of the NMD program the United States is developing, China expressed strong opposition. According to sources such as *The Military Balance* published by the International Institute for Strategic Studies, China has more than 10 long-range missiles with nuclear warheads that can reach the continental United States. If the United States deploys the NMD system, it would compromise China's nuclear offensive capability against the United States. This is why China is strongly opposed to the NMD system. It appears that as Russia and European countries are also opposed to the NMD system, China is trying to curb the influence of the United States by aligning with these countries. As the administration of U.S. President George W. Bush advocates a tougher policy toward China than its predecessor, changes in U.S.-China relations in coming months bear a close watch. When Bush characterized China as "a strategic competitor" not "strategic partner" during the presidential election, many Chinese leaders took exception to the changed characterization. However, once Bush won the election, they changed their tone and began making remarks in favor of maintaining friendly relations with the United States.

(3) Closer Cooperation with Russia

Both Russia and China are opposed to the unipolar dominance of the United States. China sought to strengthen its cooperative relationship with Russia on issues that involved their common interests. Particularly, in the area of policy for containing the military power of the United States and for opposing ethnic separatist movements in their respective countries, China acted in concert with Russia.

In July 2000, Russian President Vladimir Putin visited China

and signed the Beijing Declaration with President Jiang Zemin. The declaration said that “China and Russia would develop a strategic cooperative partnership, and promote a multipolarized world,” and they expressed opposition to U.S. hegemony or “group politics.” The term “group politics” seems to allude to U.S.-led military alliances such as NATO and the Japan-U.S. security arrangements. The two leaders issued a joint statement firmly opposing the ballistic missile defense (BMD) system.

The two countries drew a distinction between their position and that of Western countries about ethnic separatist movements. They also raised opposition to the thinking that gave human rights and self-determination of peoples precedence over the sovereignty of state. China expressed support for the actions taken by Russia against the Chechen rebels in the face of strong criticism from Western countries, and Russia did likewise for the Taiwan policy of China. In addition to those of China and Russia, the heads of Kyrgyzstan, Tajikistan and Kazakhstan gathered at what was commonly known as the “Shanghai Five” summit in July in Dushanbe, the capital of Tajikistan. In the Dushanbe statement issued after the summit, the leaders pledged to step up cooperation among their nations in the fields of politics, diplomacy, trade and military, and expressed their resolve to crack down on “separatism, international terrorism, and religious extremism.” Moreover, they opposed interference in internal affairs of other countries under the pretext of humanitarianism and the protection of human rights, and expressly supported the desire of China to maintain its national unity, and Russian position on the Chechen problem. President Islam Karimov of Uzbekistan also attended the summit as an observer. Countries participating in the Shanghai Forum could increase in coming years.

Also at the Sino-Russian summit in Beijing, Jiang and Putin talked about economic cooperation. Topics discussed at the summit included the expansion of market shares in each other’s country and the possibility of laying natural gas pipelines between the two

countries. However, Russia has no capacity to extend meaningful cooperation to China for its economic development, and chances of Russia becoming a power matching the United States as the Soviet Union had done before is remote. So far, Russia's economic cooperation with China is limited to arms sales. China argues that present Sino-Russia relations, which are based neither on confrontation nor on alliance, are exemplary for the post-Cold War era, but such argument is yet to find followers. In most cases, cooperation between China and Russia is aimed at containing an excessively strong United States. It seems to be based on their hope of weakening the influence of the United States by acting in concert with each other. At this point of time, however, it is difficult to determine as to whether China aims at realizing a multipolar world or a world consisting of one superpower and many powers in cooperation with Russia, or is merely using Russian cooperation as a ploy to improve its relations with the United States.

(4) Economy-First Diplomacy with Japan

In dealing with Japan, China again showed two conflicting attitudes of cooperation and confrontation. One example is that while China showed relatively restrained reaction to the differences over the interpretation of history, it expressed on repeated occasions a strong sense of vigilance against the buildup of Japan's defense capability. On the economic front, China expressed its gratitude for the development assistance from Japan, and has been keen in promoting economic cooperation.

Chinese reaction to the issue of interpretation of history showed a marked change. For example, when Premier Zhu Rongji visited Japan in October 2000, he suggested that China would no longer press Japan for an apology. This change might have been prompted by the realization that Jiang Zemin's repeated emphasis on the history issue during his 1998 visit to Japan turned out to be counter-productive in other areas of cooperation between the two countries. In a Report on the Work of the Government at the third session of

the 9th National People's Congress (NPC), Premier Zhu Rongji stated that "the attempts of a handful of ultraright forces in Japan to obstruct and undermine Sino-Japanese relations must be guarded against." This statement may be taken as a suggestion that the Chinese government is concerned about the position ultraright forces are taking over the interpretation of history and militarism, and not the Japanese as a whole. In May, Foreign Minister Tang Jiaxuan visited Japan and met with Foreign Minister Yohei Kono, when Tang said that the Japanese government should take steps to curb "noises" made by a handful of ultraright forces in Japan, and urged it to crack down on them. The tone of the Chinese media also has changed. On August 15, Chinese news media, while showing scenes of Japanese Cabinet ministers visiting Yasukuni Shrine (where World War II dead are enshrined), gave extensive coverage of civic groups demonstrating in protest against their visits to the shrine. *The People's Liberation Army (PLA) Daily* also took up the event but generally in a manner creating the impression that today's Japan on the whole is a peace-loving country. They reported statements issued by the Japanese government and political parties pledging to make efforts for peace on the basis of lessons learned from, and remorse over acts committed during World War II, and carried articles describing pacifist movements in Japan.

In the years to fiscal year 1999, Japan's economic aid to China amounted to a cumulative total of ¥2.68 trillion (\$22.4 billion at the rate of ¥120 to the dollar). But no clear expression of thanks had come from the Chinese government except in the Japan-China joint declaration of 1998. This, coupled with China's increased defense expenditure in recent years,



Premier Zhu Rongji inspecting the Guard of Honor (October 13, 2000, Tokyo)

has raised the hackles of the people in certain quarters of Japan. In response, the Chinese government has expressed its gratitude on several occasions in 2000 to improve relations between the two countries. When he came to Japan in May, Tang Jiaxuan acknowledged that "Japan's official development assistance (ODA) has played an important role in the economic development of China." However, with the Foreign Affairs Division of the governing Liberal Democratic Party (LDP) taking a view highly critical of continuing ODA to China, Yohei Kono told Tang that as China has sharply increased its defense expenditure while Japan was experiencing acute financial difficulty in wringing funds out of a tight budget for ODA to China, domestic pressure was mounting to review the advisability of giving ODA to China. He also told Tang that with the fourth special yen loan program ending in 2000, the Japanese government plans to take a comprehensive review on economic aid to China in coming years. In July, the Ministry of Foreign Affairs launched a round-table conference ("the Conference") consisting of knowledgeable people drawn from many fields to review Japan's economic cooperation with China. In a report released in December, the Conference concluded that while it acknowledged the profound political significance of economic aid to China, "careful handling of ODA must be needed not to let it contribute to a military buildup of China," and recommended that instead of continuing to give the same amount of funds in ODA as Japan has been doing, each ODA project should be put through critical scrutiny. Meanwhile, the LDP had reviewed the ODA budget proposal of the government with a view to cutting ODA funds for China, and the Ministry of Finance cut the overall ODA budget proposals for fiscal 2001 by 3 percent. However, the government decided at a Cabinet meeting on October 6 to provide China with about ¥17.2 billion (\$143.3 million) in special yen loans.

In response, Premier Zhu Rongji, who came to Japan on October 12, said at a meeting with Prime Minister Yoshiro Mori that "economic and trade cooperation between China and Japan constitutes

an important part of friendly cooperative bilateral relations.” At a reception on October 8 to commemorate the 20th anniversary of Japan-China economic cooperation, State Councilor Wu Yi expressed on behalf of the Chinese government his gratitude for the cooperation and support extended by Japan for the economic construction of China. A total of about 200 ranking members of the three reigning coalition parties, including their secretary generals, attended the reception. The following day, the *Renmin Ribao* (the *People's Daily*), carried an article about the reception, in which it introduced the substances and amount of Japan's economic aid to China. Foreign Minister Kono said that Premier Zhu candidly expressed his thanks for the Japanese economic cooperation and stressed its importance, and noted that the Chinese government highly appreciated Japan's ODA to China and would give wider publicity about it in coming months.

In contrast with the affirmative stance China has shown on history issue and economic cooperation, China's rhetoric about its wariness against Japan's growing military role and improving defense capabilities has become increasingly pronounced. Behind such rhetoric is its perception that the military role of Japan has increased under the Guidelines for Japan-U.S. Defense Cooperation (“the Japan-U.S. Guidelines”) and the Law Ensuring Peace and Security in Situations in Areas Surrounding Japan. Especially, Chinese leaders take the view that an increase in the military role Japan might play relative to the Taiwan problem “has become a potential threat to the unification of China.”

China took offense at passages in the Defense White Paper, *Defense of Japan* that described the state of ballistic missiles deployed in China and the activities of its naval ships and marine scientific research vessels. The *PLA Daily* charged that Japan was using the “China threat” theory as a pretext to justify its defense buildup. Commenting on Japan's new Mid-Term Defense Program adopted on December 15, Chinese news media took note of the improvements Japan has made in responding to a cyber-attack and

the introduction of air refueling planes. They argued that the introduction of large-size military equipment by Japan's Self-Defense Forces has increased its power projection capability, posing a threat to neighboring countries. In Japan, in the meantime, increases in defense expenditure by China, the activities of Chinese intelligence gathering vessels around Japan and the increasing activities of Chinese marine scientific research vessels in Japan's exclusive economic zone (EEZ) have provoked mounting criticism. These problems were taken up when Foreign Minister Kono visited China and again when Premier Zhu came to Japan. Working-level talks aimed at hammering out an agreement obligating China to give Japan prior notification if any Chinese research vessel plans to conduct investigation in a disputed sea area, have since continued.

(5) China Welcomes the Inter-Korea Summit

Toward the Korean Peninsula where the two Koreas had conducted the first-ever summit, China pursued a diplomatic policy designed to balance its aim at maintaining good relations with the North and the South against its strategy of strengthening its influence on the two Koreas.

In the case of North Korea, Kim Jong Il, general secretary of the Worker's Party and chairman of the National Defense Commission, informally visited Beijing in May to talk over various matters with President Jiang Zemin and other Chinese leaders. The visit preceded an inter-Korea summit scheduled for the following month. In China, Kim Jong Il made a tour of personal computer plants and Tiananmen Square, and made an appearance before the foreign press corps. The relations of the two countries improved through Kim Jong Il's visit to the Chinese Embassy in Pyongyang in March, followed by a series of meetings between officials of the two countries.

Their relations had been frosty since China normalized its diplomatic relations with South Korea in 1992. It appears that the aim

of North Korea wanting to secure the backing of China before the forthcoming inter-Korea summit, and that of China wanting to enhance its influence over the Korean Peninsula before North Korea improves its relations with the United States, have converged paving the way for improvement. The choice of China by Kim Jong Il, long shrouded in mystery, as a stage to make his diplomatic debut has served to impress the world with the close relationship between China and North Korea.

In the case of South Korea, Zeng Qinghong, head of Organization Department, visited Seoul in April to have talks with President Kim Dae Jung, and Minister Lee Joung Binn of Foreign Affairs and Trade paid a return visit to China the same month. In addition, Lee Su Yong, chief of naval operations visited China the same month to meet with Fu Quanyou, chief of the General Staff of the PLA. Two days after a visit of Kim Jong Il of North Korea to China was announced, Huang Ju, Shanghai Municipal Committee secretary and a member of the Politburo of the Central Committee of the CPC, who is considered close to President Jiang Zemin, visited South Korea. And Premier Zhu Rongji officially visited South Korea on October 17. Some in South Korea take the view that Kim Jong Il's visit to China helped enhance China's presence in and therefore its influence over South Korea.

After the inter-Korea summit, President Jiang Zemin sent a letter to Kim Dae Jung and Kim Jong Il congratulating them on the success of the summit. In an editorial titled "A Historic Handshake of the Korean Race," *The People's Daily* spoke very highly of the inter-Korea summit by saying that it "has created an environment and conditions that are conducive to the peace and stability of the Korean Peninsula, Northeast Asia and the world." The Ministry of Foreign Affairs of China released a statement that the inter-Korea summit is an event of a historical importance and that China supports an autonomous and peaceful unification of the two Koreas.

That China supports the easing of tension on the Korean Peninsula is largely attributable to China's immediate need for a

stable international environment for the economic development. To that end, China wants a stable Korean Peninsula, and it welcomes the inter-Korea summit and the moves toward the normalization of diplomatic relations between the United States and North Korea. For the time being, the interests of the North, the South and China coincide in the stability of the Korean Peninsula, and the coexistence of the two Koreas. However, it is not clear as to what medium- or long-term strategy China has with respect to the Korean Peninsula. It is said that China is urging North Korea to pursue a reform and open-door policy, but it is not clear whether China would condone such a reform to the level as South Korea wants developed in the North. As a unification of the two Koreas would have favorable implications for the Taiwan issue, China supports the unification in principle. However, China has not made clear as to the terms and conditions on which the two Koreas should be unified. For instance, China is opposed, in principle, to the continuing presence of the U.S. forces in the Korean Peninsula. Kim Dae Jung indicated his approval of continued stationing of U.S. forces even after unification, and Kim Jong Il reacted as if he had consented to Kim Dae Jung's position on this matter, but China has issued no critical comment. It is not clear as to whether China would connive at moves that could lead to the perpetuation of the stationing of U.S. forces in the Korean Peninsula.

(6) China Makes Friendly Overtures to ASEAN

In the past, China had attached importance to strengthening bilateral ties with member countries of the Association of Southeast Asian Nations (ASEAN), not with the organized body ASEAN itself. This was because the United States and Japan had strong influence on ASEAN, and China felt that it had the upper hand in negotiating about bilateral issues directly with individual member countries, rather than with ASEAN as a whole. However, China's relations with ASEAN have deepened since 1996 when it became ASEAN's dialogue partner. In 2000, China, along with Japan and

South Korea, participated in an ASEAN+3 foreign ministers meeting and their summit meeting. China participated for the first time in an ASEAN+China meeting that aimed at formulating a code of conduct in the sea area surrounding the Spratly Islands whose ownership is disputed between China and Southeast Asian countries. Although the meeting failed to dissolve differences over the territorial issue, China showed attitude more conciliatory toward ASEAN than before.

China had suspected that ASEAN, along with the Japan-U.S. and U.S.-ROK alliance, would serve as an instrument to contain China. However, as its relations with the United States, Japan and South Korea have become stabilized and as the China policy of its neighboring countries has tilted toward engagement with, not containment of, China, it came to develop its relations with ASEAN more positively than before. Moreover, the financial crisis of Southeast Asian countries in 1997 brought home to China the importance of economic cooperation in Asia. The waning influence of ASEAN in the aftermath of the crisis has also made it easier for China to negotiate its relations with ASEAN from a position of strength.

The largest issue pending between China and ASEAN is the ownership of the Spratly Islands, and China is least likely to make a concession on this issue. The reasons for this are threefold. First, the ownership of the Spratly Islands is a question of sovereignty. Along with the Taiwan question, China has added the issue of the Spratly Islands several years ago to the agenda of the Patriotic Education Movement. Second, it involves the ownership of marine resources. There is a possibility that the sea area surrounding the Spratly Islands together with the South China Sea and the East China Sea have deposits of oil and other mineral resources, which are needed for continued economic development. Therefore, it is critical for China to secure these natural resources. In August 2000, China adopted the political agenda to become "a modernized maritime power" as a goal to be achieved in the 21st century, and

defined the oceans as the last space left for sustainable development of the countries in the world. Third, China considers the Spratly Islands as a stage for its power projection, and at the same time, as justification for strengthening its naval power by the necessity to defend the Islands. It was reported that China has improved facilities built on the reefs, which it now effectively controls, to better accommodate its garrison posted there on a long-term basis. The facilities include heliports constructed at two locations for airlifting ammunition and subsistence goods.

There were also disputes over fishing rights. In January, the Philippine government protested to the Chinese Embassy in Manila against poaching of coral by Chinese boats in the sea near Huangyan Island about 200 kilometers off Luzon. Even after the protest, the Chinese boats stayed on, and a Philippine warship fired warning shots. In February, the Philippine armed forces conducted a joint military exercise with U.S. forces, the first in four years. In March, Defense Secretary Orlando Mercado of the Philippines announced that a Chinese fishing boat anchored in Philippine territorial waters around Pagasa Island over which the Philippines has effective control. He pointed that violations of Philippine territorial waters by Chinese fishing boats had increased sharply in recent months. In May, a crewmember of an infiltrating Chinese fishing boat was killed in an exchange of fire with a Philippine national police patrol boat in the Philippine territorial waters off Palawan Island in the western Philippines.

In March, the first working group meeting to discuss a code of conduct in the South China Sea was held between China and ASEAN. Differences remained among them, but that China participated in the multilateral talks, the first ever, is worthy of mention. A draft code of conduct submitted by ASEAN, applicable to the sea areas surrounding the Spratly Islands and Paracel Islands, was designed to maintain the status quo by banning countries from newly making inroads into islands and reefs that are not currently occupied by any country. On the other hand, a draft submitted by

China is reported to have called on the participating countries to refrain from conducting hostile military exercises or seizing fishing boats of other countries operating in the sea area around the Spratly Islands. The Chinese proposal seems to be designed to restrain the Philippines from firing upon Chinese fishing boats and from conducting combined exercises with the United States in these sea areas. At the second meeting of the working group held in August in Dalian, China, the ASEAN side presented a compromise proposal calling for giving a prior notification to all countries before conducting a military exercise. But China refused to go along with this proposal. The spokesperson of the Chinese Ministry of Foreign Affairs expressed an affirmative view by saying that the gap between the ASEAN proposal and that of China has narrowed. In the next breath, however, the spokesperson stressed that the code of conduct under consideration was a politically binding one aimed at promoting friendship among the countries, and stability, of the region, not a legally binding one for settling specific disputes. And he rejected compromise by saying that there was no major problem on which the participating countries were divided when viewed from Chinese perspectives.

3. China's Military Strengthens Its Power

(1) China Attaches Importance to Ideology and Military Strength

The PLA is an extremely important instrument that underpins the rule of the Communist Party. In 2000, the Chinese government tightened thought control over the PLA. It stressed the importance of firmly guaranteeing the party's absolute leadership over the armed forces as the "soul" of the PLA. This was probably because activities of non-communist organizations, notably, Falun Gong, had gained considerable influence over the military personnel since 1999. After the Tiananmen incident of 1989, the Chinese government had conducted a campaign criticizing the tendency toward

nonpartinization, nonpoliticalization and nationalization of the PLA with a view to strengthening the leadership of the CPC over the military, and checking the drift of the military toward Westernization and liberalization. A similar campaign has resurfaced in 2000.

Meanwhile, as it did the year before, the Central Military Commission of the CPC in 2000 appointed 16 military and navy officers as “Shangjiang” (Generals and Admirals), the highest rank in the PLA. With 30 out of the 31 PLA generals and admirals currently on active duty appointed by Jiang Zemin, it may be said that Jiang’s influence over the military has strengthened.

In October 2000, the Chinese government published a defense white paper titled *China’s National Defense in 2000*, the second since 1998. Although it is less voluminous than the previous one, it

Table 6-1. China’s High-Ranking Military Officers Promoted to Generals and Admirals

Name	Present Position	Year Born	Party Post
Kui Fulin	Deputy Chief of General Staff	1938	
Wu Quanxu	Deputy Chief of General Staff	1939	
Qian Shugen	Deputy Chief of General Staff	1939	
Xiong Guangkai	Deputy Chief of General Staff	1939	
Tang Tianbiao	Deputy Director of the General Political Dept.	1940	
Yuan Shoufang	Deputy Director of the General Political Dept.	1939	
Zhang Shutian	Deputy Director of the General Political Dept.	1939	
Zhou Kunren	Political Commissar of the Gen. Logistics Dept.	1939	
Li Jinai	Political Commissar of the Gen. Armament Dept.	1942	
Shi Yunsheng	Navy commander	1940	
Yang Huaiqing	Navy political commissar	1939	
Liu Shun Yao	Air force commander	1939	
Wang Zuxun	Commandant of the Academy of Military Sciences of the PLA	1936	
Du Tiehuan	Political Commissar of Beijing Military Region	1938	
Liao Xilong	Commander of the Chengdu Military Region	1940	
Xu Yongqing	Political commissar of People’s Armed Police Force	1938	

Source: Compiled on the basis of data drawn from the June 22, 2000 issue of the *Renmin Ribao*

Note: indicates a member of the 15th CPC Central Committee, and indicates an alternate member of the CPC Central Committee

is richer in substance, and one has the impression that the Chinese government has shown greater care to improve the transparency of its defense policy and armaments. However, information concerning the organization and deployment of its military units, and the number and type of weaponry it has is sketchy at best, and further transparency is desirable.

There was no significant change in China's basic perception of the international situation as expressed in its defense white paper. But it specifically leveled criticism at the United States on NMD and TMD systems, and at Japan for enacting the Law Ensuring Peace and Security in Situations in Areas Surrounding Japan. Where the Taiwan problem is concerned, it criticized Lee Teng-hui (former president of Taiwan) for advocating the "two-China" theory. In addition, it criticized the United States for selling weapons to Taiwan and for including Taiwan under the umbrella of a TMD system, and Japan and the United States for trying to include Taiwan within the scope of "situations in areas surrounding Japan." Whereas its 1998 edition had dealt with the nuclear weapons problem under a subitem, its 2000 edition devoted a full section to the issue under the title of "Nuclear weapons and missile problem." This strongly suggests a growing concern and sense of crisis of China about the NMD and TMD programs. As it did under the item "Security Situation," the Chinese defense white paper specifically criticized Japan and the United States. It appears that China wants to thwart the NMD and TMD plans that could neutralize China's nuclear capability, and took a position "strongly opposed" to the deployment of the NMD and TMD systems. In a statement relating to its defense policy, the white paper says if any country mounts a nuclear attack on China, "any such attack will inevitably result in a retaliatory nuclear counterstrike by China."

(2) Preparation for High-Tech Local Wars

China takes the view that the world is far from being peaceful even after the Cold War. China argues that hegemonism and power

politics still continue to prevail, that enlarging military blocs and stronger military alliances pose a threat to peace and security, and that civil wars and local conflicts keep erupting. It sees that hostile forces in the West are continuously scheming to Westernize and fan separatism in China, and harbors wariness toward what it calls "peaceful evolution." Therefore, China is pressing ahead with a defense modernization program in the belief that to prevent external aggression, defend its socialist regime, secure the sovereignty of state and the unification of its territory, and preserve maritime interests, it is essential for China to build a powerful defense capability.

In 1985, the PLA had changed the focus of its strategy from one stressing preparedness for a full-scale war to one emphasizing preparedness for local wars. In 1993, it changed the focus of its strategy once again to one geared toward meeting changes after the Cold War. The new strategy adopted by the Central Military Commission was defined as "a policy of military strategy for the new era" and changed its focus from one stressing the importance of "local war under ordinary conditions" to one stressing the importance of "local wars under high-tech conditions," obviously reflecting lessons learned from the Gulf War.

For several years, the PLA has been endeavoring to train its troops in carrying out their missions in a local war under high-tech conditions. In 1997, China adopted a policy to effect "two radical changes" in the structure of its armed forces "from a numerically to qualitatively superior type, and from a manpower-intensive to a technology-intensive type." In the fall of 1998, it was learned that the Central Military Commission had issued a directive "to win a local war under high-tech conditions." The directive urged the military to put into practice Jiang Zemin's idea of "strengthening the armed forces by relying on science and technology" (to build a strong army by adopting science and technology) and "carry out military training featuring new technology" (by incorporating science and technology into training) in line with Jiang Zemin's

strategic thinking. The General Staff Headquarters of the PLA had adopted Jiang's strategic idea forthwith, and had instructed all units of its armed forces to carry out military training featuring new technology in January 1999. Pursuant to these instructions, the PLA sought in 1999 through 2000 to improve the efficiency of training of its units by utilizing simulation techniques and the Internet. It also actively carried out long-distance combined maneuvers training of its ground troops, navy and air force, and night attack training of its air force.

In June 1999, the PLA adopted the "new 3 attacks and 3 defenses" as tactics of winning local wars under high-tech conditions. The tactical concept "3 attacks and 3 defenses" was originally adopted in 1978 and was designed to interdict enemy tanks, aircraft and paratroops invading China, and defend the country against nuclear, chemical and/or biological weapons. By contrast, the "new 3 attacks and 3 defenses" tactics is designed to interdict enemy stealth aircraft, cruise missiles and helicopter gunships attacking targets in China, defend domestic facilities against the likes of high-tech warfare — precision guidance, reconnaissance/surveillance and electronic jamming — experienced in the Gulf War and the NATO's campaign against Yugoslavia. The number of military training exercises that have been actually carried out by the PLA with the "new 3 attacks and 3 defenses" tactics in mind has been increasing in recent years. They included measures designed to counter electronic warfare, attacks on enemy radar sites or missile launching sites by fighters of ground attack units, launching of missiles and firing of antiaircraft guns to intercept incoming enemy cruise missiles, and various types of camouflage training to thwart enemy reconnaissance activities.

For four days from October 13 through 16, 2000, the PLA carried out what it called "the largest show of military training achievements," a large-scale joint exercise that combined military training featuring new technology and the "new 3 attacks and 3 defenses" tactics. It was held simultaneously at four sites: the Beijing

Yanshang Region, the Bohai Sea, the Inner Mongolia Autonomous Region and the Northeast China Region (Liaoning and Jilin). On the first day of the exercise, Jiang Zemin reviewed troops at a military shooting range in the Beijing district and delivered an “important address.” In the four-day exercises, more than 10,000 men and women drawn from all military regions and services participated. They then conducted free play exercises on the Internet in addition to live fire exercises

Characteristic of exercises conducted in 2000 was a shift in emphasis from defense to offense, and the number of the latter has increased. They included landing operation training of ground troops, the training of airborne units in attacking and securing airfields, training of armored divisions in pre-emptive attacks on enemy ground troops, and training of marine corps in landing and island attacks. Probably, the PLA might have been prompted to conduct these exercises by the “Two-State Theory” advocated by then President Lee Teng-hui of Taiwan in 1999 and the remark made by President Chen Shui-bian that “unification is not the only option open to Taiwan.” And these military exercises might have been intended to flex China’s military muscle to restrain Taiwan’s aspirations for independence.

Meanwhile, China has been taking an increasing interest in information warfare. China established in the Communication Command Academy in 1999 an information warfare theory development section for training selected cadres of important military units and military command instructors of PLA’s military academies and schools. In the belief that the failure to gain command of information would rule out control of the sea and air and make it extremely difficult to gain the upper hand in any military operations, some argued that China must develop the C4ISR system (command, control, communications, computers, intelligence, surveillance and reconnaissance) of the PLA. They aggressively promote the development of means — such as electromagnetic pulse bomb and directed energy weapon — for attacking enemy electron-

ic equipment and computer networks. As if to confirm their argument, there are signs indicating that the PLA has adopted defense against hacker attacks on the PLA's computer network as an urgent subject of military training. It may be said that these moves China has taken reflect its sensitiveness to the Revolution in Military Affairs (RMA) being pursued by the United States.

(3) Reorganization of Its Armed Forces

With a view to further promoting the introduction of high-tech weapons and building lean elite units, the 15th National Congress of the CPC adopted in September 1997 a plan for cutting 500,000 military personnel during the next three years. Commenting on this troop reduction plan, Jiang Zemin said at the annual session of the PLA deputies to the 9th National People's Congress in March 2000 that "Now we can declare to the world that by the end of last year the target to reduce 500,000 PLA soldiers set at the 15th National Congress of the CPC has been realized." However, it was reported as late as July 2000 that placement of demobilized military cadres to civilian jobs continued. What is more, provincial government agencies and state-owned enterprises that were expected to take them on are undergoing the restructuring, making it difficult for them to hire demobilized military cadres. Therefore, it is highly unlikely that the PLA has completed its personnel reduction plan by the end of 1999.

Unlike the previous demobilization of 1 million military personnel effected in 1985 that was accompanied by a large-scale reorganization of the PLA, it seems that the recent cuts entailed only partial changes in the structure and formation of the PLA. Since 1999, there have emerged signs that the PLA had carried out reforms of its military educational institutions, had shifted to a combined logistics for all services and arms, and had disbanded part of the group army and task organization units of the navy and the air force.

According to available data, 500,000 soldiers who were supposed

to have been demobilized under the plan included only 203,000 officers and 100,000 noncommissioned officers and enlisted men. The remaining 177,000 soldiers were not technically demobilized. It is estimated that the figure of 177,000 represents conscripts who have been discharged ahead of their term under the amended Military Service Law (the term of military service was universally cut to two years from three years for the army and four years for the navy and the air force) and a cut in the number of conscripts in and after fiscal 1998.

Along with the cut in the number of troops, the PLA set itself to the task of reforming its logistics system. In a congratulatory address delivered at an Army Day reception on July 31, 2000, Defense Minister Chi Haotian said that “the reform of the logistics system has made steady progress, and the three services logistics posture has formally started.” The term “logistics” means materials, expenses, facilities, technologies, transport and medical service. The combined logistics for all services and arms is designed to improve the efficiency of logistics by consolidating the logistical services provided separately by the logistics departments of the army, the navy and the air force.

Different aspects of the combined/joint logistics system had been tested in the 1950s, 1970s and 1980s in selected regions. The experience the PLA had had with the system thus far was summed up in 1990 in an article of the *Jiefang Junbao* (Liberation Army Daily) under the title “A Brief Comment on the Combined Logistics for all Services and Arms.” It pointed out the urgency of reforming the logistics system by saying that “the army, the navy and the air force have respective combat service support postures consisting of vertical organization systems. When we consider the unity and synthesis of modern warfare, the present posture is unsuitable. To solve this problem, we should push forward the reform to construct the three-service joint logistics posture.” Subsequently, it was learned that the name of the logistics departments of all major military re-

gions had been changed to “combined logistics department” in December 1998.

The PLA had been considering for about half a century various options for reforming the logistics system and for building a combined/joint logistics system. And it had searched for ways to carry out such reforms in conjunction with the achievement of its other objectives — to create leaner elite units and streamline its organization. However, the complexity of the rear area support mission and the broadness of its scope had hampered its efforts. Moreover, there existed a system that allowed the sections of the logistics departments of all military regions to build vested interests of their own. They were authorized to manage funds at their own discretion and get actively involved in running businesses and commercial activities. These vested interests had stood in the way of expeditiously carrying out the reforms. And the success the PLA has achieved in changing the existing system over to the combined/joint logistics system is attributable to an order issued by the PLA in July 1998 that banned all military units from engaging in economic and commercial activities. Under the order, businesses and hotels that had been run by the military were either transferred to provincial governments or liquidated, and the government has succeeded to a certain degree in divesting the military of its vested interests. It was announced officially in March 2000 that the original purpose of the ban has been basically accomplished.

(4) Modernization of Military Equipment

It appears that the PLA has been devoting major efforts to the modernization of aircraft, navy vessels, submarines and various types of missiles. The modernization of its military equipment is not aimed merely at improving China’s overall deterrent and defense capability. It also reflects Chinese concerns over the remarkable modernization of the Taiwanese military. There are indications that China is trying to enhance its offensive and deterrent ca-

pabilities by procuring from Russia and other countries weapons which it cannot develop on its own anytime soon, and thus maintain a military balance between it and Taiwan. On the other hand, as China may be able to use its modernized military power in the sea area surrounding the Spratly Islands whose ownership is in dispute, a modernized PLA has become a factor to be reckoned with for other countries concerned.

It seems that over the past several years, the PLA has procured from Russia 48 Su-27 fighters, four *Kilo*-class submarines and a number of S-300 surface-to-air missiles (SAMs) enough for eight battalions. China has started producing Su-27 fighters at its Shenyang Aircraft Corporation under a license obtained from Russia, and it will produce a maximum 200 fighters during the next decade or so. It is reported that China plans to buy one additional *Kilo*-class submarine from Russia. One of the two *Sovremenny*-class guided missile destroyers, long rumored to have been purchased from Russia, has arrived at a Chinese port in or before February 2000. Named *Hangzhou*, the destroyer has reported been assigned to the East China Sea Fleet. The second one was supposedly delivered to a Chinese crew at a shipyard in St. Petersburg on November 25. It was also reported that China plans to purchase two additional *Sovremenny*-class destroyers.

In addition, there are reports indicating the possibility that China has purchased 60 Su-30 fighters and surface-to-air, ship-to-air, antiradar and submarine-to-ship missiles from Russia in 1999. China had once planned to purchase an early warning system called *FALCON* from Israel, but due in part to the pressure from the United States, which was concerned about a change in the military balance in the Taiwan Strait that could be brought about by the sale of *FALCON*, Israel notified China in July 2000 of its decision to cancel the sale.

In August 1999, China announced that it had successfully test launched what was believed to be *Dongfeng*-31, a solid fuel-fired strategic missile with a range of 8,000 kilometers. On December

12, 2000, the U.S. Defense Department announced that China had test launched a strategic missile of the same type on November 4. Although it was reported that China had started building a new 094 type nuclear powered ballistic missile submarine (SSBN), its details are not known.

(5) China Attaches Importance to Military Exchanges

With a view to promoting mutual understanding and friendly relations with other countries, China attaches importance to military exchanges, and has been actively seeking to promote exchanges and cooperation in the fields of military technology, scientific research, education, management, culture and medical service. In line with this thinking, China had actively conducted military exchanges with the United States, Japan, Russia, major European countries, Middle East and Third World countries in 2000.

Military exchanges with the United States had been suspended after the accidental bombing of the Chinese Embassy in Belgrade in May 1999, but were resumed toward the end of January 2000 when Deputy Chief of General Staff Xiong Guangkai visited the United States to attend the third U.S.-China consultative meeting of defense ministries. His visit to the United States was followed by visits of Navy Commander Shi Yunsheng in April, Commander Liang Guanglie of the Nanjing Military Region in June, Commandant Wang Zuxun of the Academy of Military Sciences in August, and Director Yu Yongbo of the General Political Department in October. From the U.S. side, meanwhile, Commander in Chief, Pacific



Xiong Guangkai, deputy chief of the General Staff of the PLA, presenting an address at the National Institute for Defense Studies, Japan (November 2, 2000, Tokyo)

Command, Admiral Dennis Blair visited China in February, Secretary of Defense William Cohen in July, Commander in Chief Thomas Fargo of the U.S. Pacific Fleet in August, and Chief of Joint Staff Henry H. Shelton in November the same year. And the guided missile cruiser (CG) *Chancellorsville* of the U.S. Navy called at Qingdao and one of the newest destroyers and a replenishment oiler (AOR) of the Chinese Navy visited Pearl Harbor and Seattle.

China also carried out military exchanges with Russia. A PLA friendship delegation led by Deputy Director Xu Caihou of the General Political Department visited Russia in June 2000, and Defense Minister Igor Dmitrievich Sergeev visited China in July as a member of President Putin's entourage. Though the number of mutual exchanges was small, in March, the first meeting of defense ministers of the Shanghai Five states — China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan — was held to exchange views on the global and regional security environment, and confidence building among them on military matters. They issued a joint statement after the meeting.

China pursued active military exchanges with both North and South Korea, keeping balance between the two. Kim Il Chol, vice chairman of the National Defense Commission, and minister of People's Armed Forces of North Korea (Democratic People's Republic of Korea or DPRK) visited China in June and a Korean People's Army (KPA) friendship delegation headed by Vice Commander Han Wonhwa of the Army Corps did likewise in July. In return, Gen. Chi Haotian, minister of national defense of China visited North Korea in October. Meanwhile, Gen. Chi Haotian visited South Korea (Republic of Korea or ROK) in January, and from the South Korea side, Chief of Naval Operation Lee Sooyong (in April) and Chairman Cho Youngkil of the Joint Chiefs of Staff (in August) visited China.

Where military exchanges with Japan are concerned, relations between the two countries have been relatively good since visits were exchanged between the national defense minister of China

and the director general of the Defense Agency of Japan. Chief of General Staff Fu Quanyou of China visited Japan in April 2000 and Chairman Yuji Fujinawa of the Joint Staff Council of Japan paid a return visit in June. The two countries had the seventh Japan-China Security Dialogue in Beijing the same month. In October, Chief of Staff Shouji Takenouchi of the Japan Air Self-Defense Force visited China, the first ever, and it was agreed that the air force commander of the PLA would visit Japan in 2001. Deputy Chief of General Staff Xiong Guangkai of China, who came to Japan in November to attend a vice defense ministerial consultation meeting, agreed with Administrative Vice Minister of Defense Ken Sato of Japan to have Chinese Navy vessels call at a Japanese port in 2001, and delivered a speech on the defense policy of China at the National Institute for Defense Studies.

(6) Activities of Chinese Naval Vessels in the East China Sea and the Sea Areas Surrounding Japan

While there was progress in military exchanges between Japan and China, increased activities of Chinese vessels near Japan became source of concern for Japan. As exploration of the East China Sea has turned up promising signs of deposits of natural resources, China has been conducting research in the area since 1974. Japan's position is that an equidistant drawn between Japan and China is the line delimiting an exclusive economic zone (EEZ) of Japan and that of China. However, since 1995, Chinese vessels have been conducting marine research and drilling experimental oil wells beyond the equidistant line, inside the waters Japan claims as its EEZ. Moreover, they have penetrated on repeated occasions Japan's territorial waters around the Senkaku Islands within Japan's EEZ under the pretext of marine research. China conducted marine research in Japan's EEZ 16 times in 1998, 30 times in 1999 and 24 times in 2000. The two countries have started a consultation meeting on September 15 to work out an agreement on giving prior notice of marine research in Japan's EEZ, and such activities of

Chinese vessels have not been spotted in Japan's EEZ after September 5.

It is suspected that the increasing activities of Chinese marine research vessels on the Japanese side of the Japan-China equidistant line are designed to make such activities a *fait accompli* that China can use to its advantage in defining a boundary of its own EEZ and its continental shelf.

In addition to the activities of Chinese marine research vessels, several

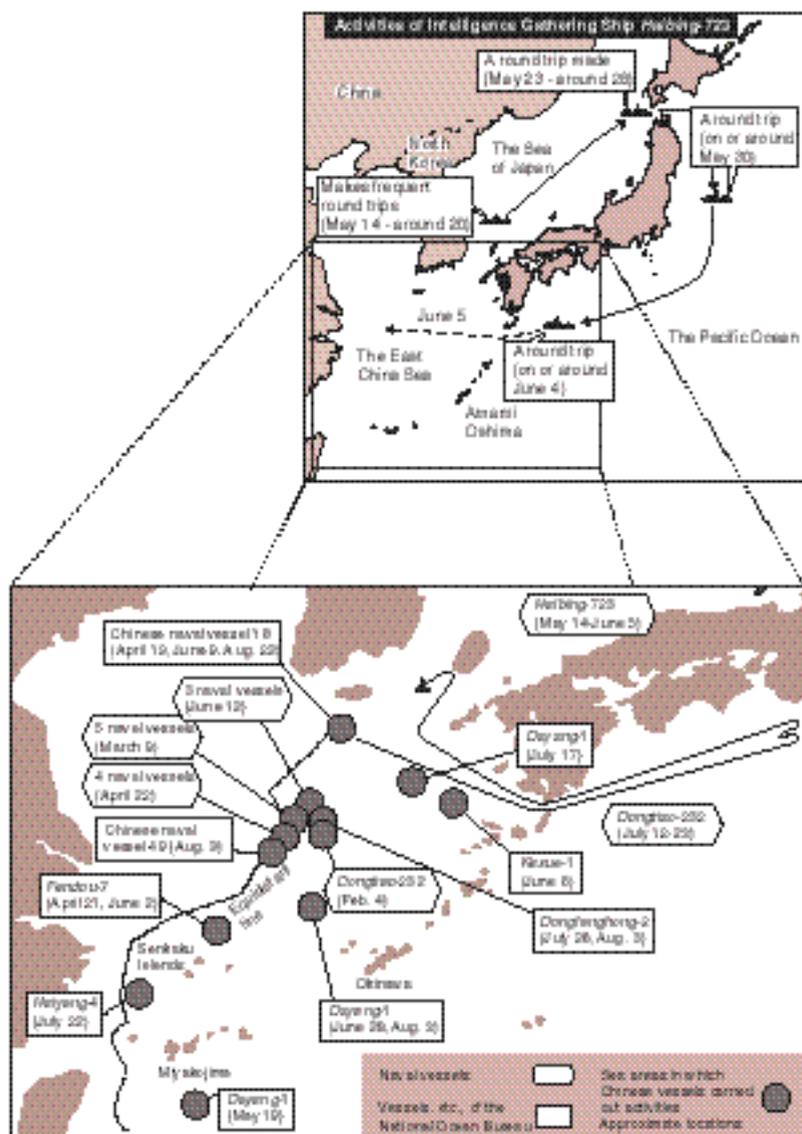
Chinese naval fighting ships have become quite active in Japan's EEZ in the East China Sea since 1999. Their activities were observed in this sea area twice in 1999 and three times in 2000. In the mid-1980s, China changed its naval strategy from coastal defense to offshore defense. This was accompanied by enlargement of the size and modernization of equipment of its naval vessels. It appears that the objectives of such activities of its naval vessels are to improve the capability of deploying them to, and fighting in, far-away seas.

In addition, China has increased vigilance against the Japan-U.S. security arrangements that have been strengthened since 1996 and the enactment of the Law Ensuring Peace and Security in Situations in Areas Surrounding Japan. China said, in particular, that Japan and the United States were trying to include Taiwan in the scope of "situations in areas surrounding Japan." The deployment of its naval vessels in the East China Sea may be taken as a



China's intelligence gathering ships Dongtiao-232 (top) and Haibing-723 (above)

Chart 6-1. Activities of Chinese Naval Vessels in the East China Sea (2000)



Source: Compiled on the basis of the data drawn from published materials of the Japan Maritime Self-Defense Force

demonstration of China's opposition to including Taiwan in the scope of "situations surrounding Japan." Moreover, the deployment of its naval vessels may be designed to restrain Japan and Taiwan from introducing a TMD system or the newly elected president of Taiwan from escalating his bid for independence of Taiwan. Now that China has sent its naval vessels to the sea area in addition to its marine research vessels, it is likely to dispatch aircraft of its navy and air force to provide these vessels with air support. So much so that moves China is likely to make in this area bear a close watch.

In May through June 2000, *Haibing-723*, a Chinese icebreaker/intelligence gathering ship, circumnavigated Japan on a suspected intelligence gathering mission. The ship, after carrying out a series of activities in the sea area near the Tsushima Strait, sailed north through the Sea of Japan, crossed the Tsugaru Strait three times back and forth, sailed south along the seashore of Japan bordering on the Pacific, past the Boso Peninsular, Shikoku and Amami Oshima. It was also verified that *Dongtiao-232*, a Chinese missile range instrumentation ship, had engaged in intelligence gathering activities in July in sea areas off Irako-misaki, Aichi Prefecture, and in sea areas south of the Kii Peninsula. On top of the increasing activities of Chinese marine research vessels and navy vessels in Japan's exclusive economic zone (EEZ) in recent years, those of China's intelligence gathering ships in the neighboring waters of Japan have been escalating, and their activities are attracting increasing attention.

Commenting on the recent strengthening of the Japan-U.S. security arrangements, Chinese media have repeatedly charged (1) that Japan has changed the focus of its defense policy to one aimed at dealing with plural sources of threats occurring in areas surrounding Japan, (2) that Japan has been completely transformed into an accomplice of the United States in military operation undertaken by the latter in the Asian region, (3) that Japan's offering of military cooperation to the United States — military operations, intelli-

gence and logistical support — represents a change in its status from a recipient of U.S. protection to a participant in military actions of the United States, and (4) that the United States has strengthened its alliance with Japan to maintain its hegemony, and Japan is using the clout it gained from the military alliance with the United States to accelerate the pace of its pursuit of the status of a military power. As these charges suggest, China seems to fear the possibility of Japan and the United States actively undertaking military actions in coming years.

In addition to gathering intelligence by electronic means about the activities of the Japan Self-Defense Forces (JSDF) and the U.S. Forces in Japan (USFJ), China's intelligence gathering vessels often sighted in the neighboring waters of Japan appeared to be (1) part of the training of its vessels to enrich their experience in intelligence gathering, and (2) a marine survey (depth, water temperature, currents and sea-bottom topography, etc.) for military purposes such as submarine operations. It is possible that their activities in the neighboring waters of Japan are designed to restrain the JSDF and the USFJ and test the reaction of the Japanese government, public opinion and the JSDF.

Having said that, intelligence gathering is an important peacetime mission of the armed forces of all countries, and it is natural that the China's naval vessels should be watchful for the military activities of its neighboring countries. In this sense, intelligence gathering activities of the Chinese naval vessels may be viewed as a part of the modernization effort of the Chinese navy in general, as it modernizes the training of its men and its military equipment.

4. A New Administration Starts in Taiwan

(1) The Birth of the Chen Shui-bian Administration

The presidential election held in Taiwan in March 2000 was won by Chen Shui-bian, former mayor of Taipei, who ran on the pro-independence Democratic Progressive Party (DPP) ticket. It ended

the Kuomintang's (the Nationalist Party) more than 50 year rule. However, the DPP that came to power lacked leaders for, and experience in, running the government and was a minority party in the Legislative Yuan (parliament). Although Chen advocated a "government for all people" and sought the

Chen Shui-bian winning the Taiwan presidential election (March 18, 2000, Taipei)
(Reuters-Kyodo Photo)

cooperation of the opposition parties that had a majority in the Legislative Yuan, confusion ensued and he was confronted by many problems.

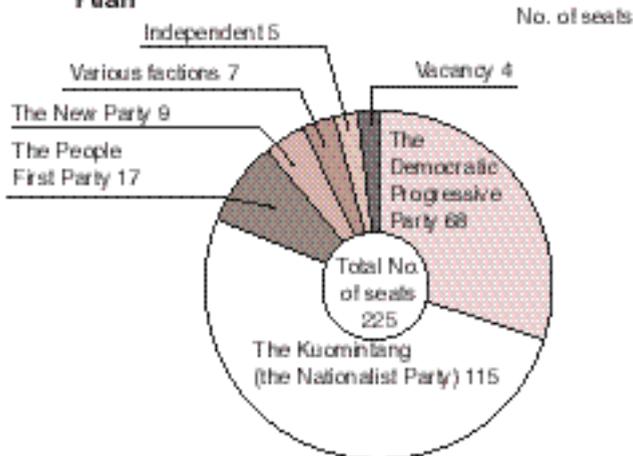
Chen took office as the 10th president of Taiwan in an inauguration ceremony held on May 20. In his inaugural address, he pledged to "defend the Constitution of the Republic of China and secure its sovereignty." And on the China-Taiwan relations, he said that "as long as the CPC regime has no intention to use military force against Taiwan," he would: (1) not declare independence of Taiwan, (2) not push forth the inclusion of the so-called "state-to-state" relations description in the Constitution, (3) not endorse a referendum on independence or unification, (4) not change Taiwan's formal name and (5) not abolish the National Reunification Guidelines (collectively called "five no's") — with a view not to excessively provoke China. According to an opinion poll taken thereafter, close to 80 percent of the respondents were satisfied with the inaugural address, and China showed no violent reaction.

In forming a cabinet, Chen has named as premier Tang Fei, a former defense minister and a Nationalist, and filled 10 out of the remaining 44 Cabinet posts (three of them are double posts) with

members of the preceding Cabinet. Chen characterized his administration as “a government for all people” manned by talents drawn from all quarters of Taiwan, and took a nonpartisan stance representing the will of the people. However, his government for all people ran into difficulties with the opposition-controlled Legislative Yuan. DPP is a minority party holding only 30 percent (68 seats) of the 225-seat in Yuan. Chen’s legislative program has been undermined by resistance from the opposition parties that held a majority. The Chen administration was severely attacked in the Legislative Yuan when a rescue attempt failed and four workers were washed away to death in Pachang Creek toward the end of July.

Coming as it did at such a critical juncture, controversies over the fourth nuclear power plant then under construction mounted, pushing “the government for all people” to a crisis. The DPP had opposed nuclear power when it was in opposition, and it can ill afford to climb down from that long-held position. Toward the end of September 2000, the Ministry of Economic Affairs submitted a re-

Chart 6-2. Party Affiliations of Members of the Legislative Yuan



Note: As of the end of October 2000

port to Premier Tang Fei notifying him of its decision to stop the construction of the fourth nuclear power plant. But Tang insisted on continuing the construction work and has thus clashed with the DPP and President Chen, who called to stop the project. The two sides could not reconcile their differences, and Tang resigned in the end for reasons of "ill health," and was succeeded by Chang Chun-hsing of the DPP. Encountering this major crisis as early as fourth month in office, the "government for all people" has stumbled on a rock.

Since taking office, Chen Shui-bian had enjoyed a high approval rating, which has then dropped on account of the Pachang Creek incident and the resignation of Premier Tang Fei. More specifically, the approval rating of his administration dropped from 78 percent at the time of his assuming office to 53 percent after the Pachang Creek incident, to 43 percent on news of the resignation of Tang. More than half of the population opposed cancelling the fourth nuclear power plant, and the opposition parties have intensified their attack on the Chen administration. In November 2000, the Legislative Yuan passed a bill that prescribed procedures for dismissing the president and the governing party and the opposition parties locked horns over the proposed dismissal of the president. Meanwhile, the number of people who supported the discontinuation of the construction of the nuclear power plant has increased as months went by. And the opposition parties that had seemed to have been united in their opposition to the Chen administration have fallen into disarray in part because of the differences in their factional interests. Close to 70 percent of the people were opposed to the dismissal of the president. Disappointed by the political confusion, stock prices dropped and it cast a cloud over the economy, putting the Chen administration to the test.

On the diplomatic front, China's diplomatic offensive has gradually narrowed the international survival space of Taiwan. Under such circumstances, Taiwan is endeavoring to enlarge the sphere of its diplomatic activity and build friendly relations with as many

countries as possible to make its presence known in the world. In August, President Chen Shui-bian made a tour of six countries in Central America and Africa, the first since he assumed the presidency. During the two-week trip, he stopped over in the United States in defiance of China's protest, and sought to strengthen Taiwan's diplomatic ties with these countries. At present, Taiwan maintains diplomatic relations with 29 countries, 14 of them in Latin America and eight in Africa. China charged that Chen's tour of the countries in Central America and Africa was a continuation of Lee Teng-hui's dollar diplomacy. After returning home, Chen stressed the importance of his achievement by saying that his pragmatic foreign policy had helped broaden the diplomatic arena and had succeeded in impressing the international community with the presence of Taiwan. He said that in order for Taiwan to join international organizations such as the United Nations and its agencies, the president should go to these organizations, suggesting the importance of head-of-state diplomacy. Early in August, 12 countries, including Senegal and Granada, submitted a proposal urging the United Nations to admit Taiwan into the world body. Despite China's strong opposition, proposals for Taiwan's admission into the United Nations have been submitted each year since 1993. Taiwan has also been asserting itself in the international community as a country that has successfully achieved democratization.

(2) The Taiwan Armed Forces in Transition to a New Structure

Immediately after assuming the presidency, Chen Shui-bian visited Kinmen Island, the frontline of Taiwan's defense and used the occasion to demonstrate to the people of Taiwan and the world the supreme command he has over the three services of its armed forces. Thus he showed the high importance he attached to the defense of Taiwan. Wu Shih-wen, former vice minister of national defense, took office as minister of national defense and pressed ahead continuously with the program for building elite units. When the five-year program called "Armed Forces Reconstruction Program"

is due to be completed at this year-end, the reorganization of Taiwan's armed forces into one with increased firepower and mobility will have been achieved. On the other hand, the military has many problems to contend with, notably a scandal involving bribetaking by a high-ranking military officer in connection with weapons purchased from France.

In August, the Ministry of National Defense published *2000 National Defense Report* (Defense White Paper), biennial publication. It analyzes the military situation of China and an estimated strength of troops invading Taiwan, and makes clear the defense posture of Taiwan to counter it. Among other things, the white paper strongly stressed the missile threat from China.

During his visit to Kinmen Island, Chen declared to the people of Taiwan that he attached importance to the security of the country by saying that "without security, there will be no sovereignty and dignity." In addition, he started a tour of inspection of troops of all services in June, and toward the end of the month, he approved the promotion of 61 officers to the rank of lieutenant general and major general or vice admiral and rear admiral, in an effort to boost the morale of the military and gain control over the entire armed forces.

In a speech given at a celebration held in mid-June to commemorate the 76th anniversary of the Army Academy of Taiwan, Chen urged the military cadets to live up to the traditional "Whampoa" spirit. Late in June, he called his first meeting of top military leaders to grasp the current state of Taiwan's defense posture and was briefed by the Ministry of National Defense on the military situation across the Taiwan Strait. In July, he attended a ceremony commissioning the 443rd Wing of the air force equipped with *Ching Kuo* fighters (known as Indigenous Defense Fighters or IDFs) that was held at the Tainan air base and urged the commander of the base to further improve the firepower of the fighters under his command and gain effective air supremacy over the strait. He also attended a ceremony commissioning the *Anchorage*-class Hsu Hai

Fleet held at the navy's Zuoying base in Kaohsiung, and in a speech delivered at the ceremony, he urged local citizens and the people at large to lend their support to the navy and their understanding of his administration's efforts to build national defense.

Chen has thus appealed to the people for their understanding of the importance of defense of Taiwan by seizing the opportunities offered by these ceremonies, and stressed the relevance of building up strong armed forces. He participated in an inter-service joint operation "Hankuang No.16 exercise" that started toward the end of August, and personally inspected a command post exercise at the strategic command center in Taipei's suburb. During this exercise, emphasis was placed on drills in cyber warfare using many of the 2,000 computer viruses. The exercise was carried out with the participation of the president and top Cabinet ministers for the first time, and was the largest ever in scale.

2000 National Defense Report points out that with the modernization of the PLA of China gathering pace, the focus of the arms race between China and Taiwan has shifted from quantity to quality, and that the military strength of China is likely to surpass that of Taiwan in the next several years. It points out that the mode of China's armed invasion of Taiwan will become increasingly diversified, and argues that while the PLA is expected to quicken the pace of its modernization, Taiwan's armed forces could lose their qualitative edge if the defense budget decreases as it has in recent years, and stresses the necessity to secure a reasonably adequate defense budget.

The defense white paper says that China has deployed over 400 ballistic missiles on the opposite shore of Taiwan, and views that the short-range mobile ballistic missiles such as the *Dongfeng-11* (M-11) with a range of 300 kilometers, and the *Dongfeng-15* (M-9) with a range of 600 kilometers, pose the greatest threat to the security of Taiwan. It points out that the number of ballistic missiles deployed by China in this area will increase to 600 by 2005. For the first time, the defense white paper has changed the characteriza-

tion of Taiwan's defense strategy from one aimed at "strong defensive posture and effective deterrence" to one aimed at "effective deterrence and strong defensive posture." This seems to reflect the concept of "fully engaging the enemy in territory outside Taiwan" (a concept that advocates that hostile forces invading Taiwan should be repelled not on the land of Taiwan but on the sea before they land in Taiwan) advocated as the direction of defense building by Chen in a speech he had delivered at the Military Academy.

Since 1997, the armed forces of Taiwan has been carrying out a restructuring program, which is due to be completed within year 2000. By early September 2000, most of the program except the part relating to the restructuring of a certain part of the command staff has been carried out. The program has sought to reduce the overall troop strength from 450,000 to 400,000 and reorganize them into leaner, elite and powerful units. In January 2000, the coast guard command (18,000 men) was transferred from the armed forces to the executive. As a result, the overall military strength was reduced to about 380,000, more drastically than originally planned.

The troop strength of the army was reduced to about 190,000 men, and its divisions were reorganized into joint-branch brigades that have greater firepower and mobility. They were divided into brigades that were assigned to deny the invasion of enemy units and those assigned to destroy enemy units that have landed. The major equipment these brigades have includes M60A3 and M48H tanks, M109A5 artillery pieces and AH-1W attack helicopters.

The navy has about 50,000 men, including those engaged in amphibious operations, and is equipped with guided missile destroyers and frigates. Early in June, Taiwan took delivery of one *Anchorage*-class dock landing ship on lease from the United States. This ship is capable of transporting troops at a high speed and can play an important role in amphibious operations. In July, the navy received the three of 11 additional S-70C(M)-2 *Thunderhawk* anti-submarine warfare (ASW) helicopters ordered from the United

States. Taiwan had earlier been delivered 10 S-70C(M)-2s.

The air force has about 50,000 men and its major equipment includes 60 units of *Mirage* 2000-5 fighters, 150 units of F-16A/B fighters, and 130 A-1 *Ching-kuo*. With the formation of the 443rd wing in July, the reorganization of the IDFs has been completed. In July, President Chen pointed out that China's Air Force could become a serious threat to the security of the Taiwan Strait within the next five years, and stressed that Taiwan's Air Force holds the key to deterring Chinese invasion and must start preparing for the introduction of next-generation fighters. China has started equipping its air force with long-range Su-27SK fighters and Su-30 fighters. In response, the Taiwan's Air Force plans to implement a seven-year program that started toward the end of 2000 to improve the combat capability of IDF fighters.

Meanwhile, the air force has many problems to contend with. According to the *United Daily News* of Taiwan, its air force is short of pilots for its fighters. Particularly, there is an acute shortage of pilots for F-16A/B fighters and the *Mirage* 2000-5 fighters that are deployed to front-line units. This is because due to an increase in deaths that have occurred while in training flights and in the number of aged pilots, their ranks have thinned, and it takes time to train new pilots. It is said that as the aircraft of the Chinese Air Force has become increasingly active over the Taiwan Strait since former President Lee Teng-hui advocated the so-called "a special state-to-state relationship" ("two-state theory") with China in 1999, Taiwan's Air Force had to maintain an around-the-clock alert, leaving no time for flight training. Although the shortage of IDF pilots is reportedly easing, the shortage remains an Achilles heel of Taiwan's Air Force.

The armed forces of Taiwan rely heavily on the United States for military equipment. In April each year, Taiwan negotiates with the United States for the purchase of weapons. In April 2000, the United States put off actions on Taiwan's request to buy *Aegis*-equipped destroyers with which Taiwan wanted to counter the mis-

sile threat of China. And the equipment the United States approved to sell was limited to that which had been agreed the year before: long-range radar known as PAVEPAWS (Precision Acquisition Vehicle Entry Phased-Array Warning System), an upgraded version of the *Maverick* air-to-ground missiles, and advanced medium-range air-to-air missiles (AMRAAM), plus some rear-area support systems and training equipment. As regards the *Aegis* destroyers, the United States said that it would consider the matter in and after the next fiscal year by taking into account the needs of Taiwan for its maritime defense. The *Jane's Defense Weekly*, a British magazine specializing in military affairs, reported that Taiwan was negotiating with the United States for the purchase of four *Kidd*-class destroyers, and Taiwan seems to be seeking to procure other types of equipment in lieu of *Aegis* destroyers.

In addition, Taiwan has carried out several defense reform programs. In January the Legislative Yuan passed the National Defense Bill that formally abolished control of the Kuomintang (the Nationalist Party) over the military by unifying the authority of issuing military orders and administering military affairs, and placing it under the direct jurisdiction of the Defense Ministry. Until then, Taiwan's armed forces was a military arm of the Kuomintang, and former President Lee Teng-hui tried to transform the military of Taiwan into a national ones. Under the National Defense Law, the armed forces of Taiwan have been reorganized as the formal Armed Forces of Taiwan, and was placed under civilian control. In May, the Interior Ministry began accepting applications for alternative military service of conscripts. In 2000, the ministry planned to recruit 5,000 would-be conscripts for alternative military service — such as firefighting, social services including disaster relief, environmental protection and medical services — for a 22-month stint. In May, Taiwan established a National Defense University, the highest institution of the military, by consolidating universities of the three services of the armed forces, the Chung-Cheng Institute of Technology and the National Defense

Management School for the purpose of training students to develop and strengthen the defense capability of Taiwan.

5. China-Taiwan Relations at an Impasse

(1) A War of Words over the “One-China” Policy

Since the pronouncement in July 1999 by then President Lee Teng-hui characterizing the relations between China and Taiwan as “a special state-to-state relationship” (“two-state theory”), dialogue between the two countries had been suspended, and even after a change in power in Taiwan, there have emerged no prospects for the resumption of dialogue between them. China insisted that Taiwan accept the “one-China” principle. In response, President Chen Shui-bian maintained that the one-China principle can be taken up as an agenda item of bilateral talks. As a result, the two sides remained far apart on the issue.

In February 2000, China published a white paper on Taiwan titled *The One-China Principle and the Taiwan Issue*. In that white paper, China asserted that peaceful unification of China and Taiwan could be achieved only when Taiwan accepted the one-China principle and that China had the right to employ any means to realize the reunification of China. It maintained that the Taiwan issue is purely an internal affair of China, that unification of Taiwan by force of arms is the last option when other means will have been exhausted, and that it is a legitimate right of China. While making a conciliatory gesture that it would conduct negotiations with Taiwan on an equal footing (Taiwan not as a Chinese province) if Taiwan accepted the one-China principle, China warned that it would take every measure within its power, including the use of force of arms, if Taiwan refused indefinitely to solve the issue through peaceful negotiations. Taiwan reacted strongly charging that the white paper tried to impose a unilateral solution on Taiwan, and the United States showed its concern over the Chinese assertion. Meanwhile, Chinese Vice Premier Qian Qichen

asserted that the Taiwan issue could not be put off indefinitely and that China could not compromise on the one-China principle and tolerate an indefinite postponement of the Taiwan issue. Tension between China and Taiwan on the one-China principle has thus intensified.

No change has emerged in the claim of China on this issue even after the presidential election in Taiwan. Chen rejected China's demand by saying that Taiwan would go into talks with China on all issues if the "one China" principle was presented as one of the topics but not as a precondition for talks. In June, Chen called on China to have a summit with Taiwan by citing the historical inter-Korea summit held earlier in mid-June as an example. However, China maintained that it was only within the framework of the one-China principle that a solution could be found to the Taiwan issue. Asserting that, unlike the Korean question, the Taiwan issue was a holdover from the civil war of China and that it was an integral part of Chinese internal affairs, China repeated that the acceptance of the one-China principle is a precondition of any talks between the two sides. Insisting that private groups on both sides of the Taiwan Strait had reached a verbal agreement to uphold the principle of one China in 1992, China urged Taiwan to honor the common understanding of 1992. However, Chen refuted that these private groups had discussed the one-China principle but had not reached a common understanding about the principle, that if they had reached a common understanding, it represented a verbal expression of their individual views on the question of one China, and that there was no common understanding among them as China claimed.

In August, China shuffled the leadership of the Taiwan Affairs Office of the CPC. In the process, the CPC appointed as its deputy directors Harvard-educated Zhou Mingwei, 45, and Maj. Gen. Wang Zaixi, 53, an intelligence general staff officer who is well versed in Taiwan affairs. It appears that the CPC has picked for key posts of the Taiwan Affairs Office officials who are internation-

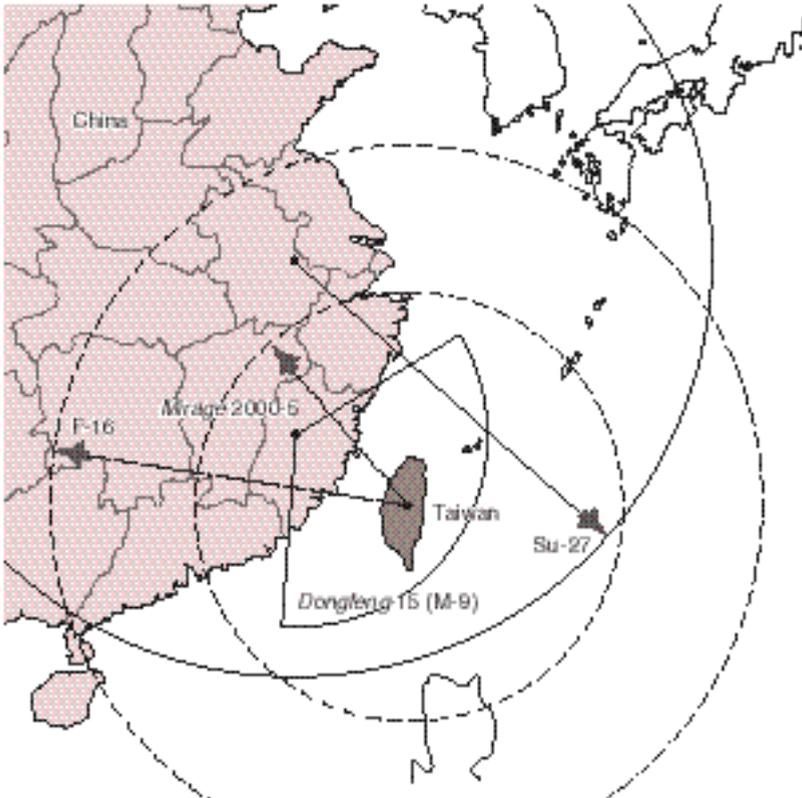
ally-minded graduates of foreign universities and military cadres who have a lot of expertise in fields relating to the Taiwan issue. In September, the Chinese government has established for the purpose of stepping up studies of the situation in Taiwan a Cross-Strait Relations Research Center manned by specialists drawn from various quarters, and has appointed Wang Daohan, president of the Association for Relations Across the Taiwan Strait (ARATS) as its honorary director. These moves suggest that China started to review its Taiwan policy from many angles.

China approached groups that take positions on the Taiwan issue different from that of Chen Shui-bian with a view to shaking up the Chen administration. China has sought to undermine the power base of the Chen administration and isolate it from politicians and the business community of Taiwan by inviting politicians of large opposition parties and leading businessmen to China, and by winning their sympathies for its cause. Delegations of the Kuomintang, the People First Party and the New Party visited China one after another, and in November Wu Bai-hsiung, vice president of the KMT, visited China and had talks with Vice Premier Qian Qichen. All told, more than a third of the members of the Legislative Yuan had been invited to China. Furthermore, China approached the DPP, Chen's own party, and tried to persuade Xie Zhang-ting, chairman of the DPP and mayor of Kaohsiung, to visit China, and in November former Chairman Xu Xin-liang of the DPP visited China at the invitation of the Chinese government. During a meeting he had with the delegation of the DPP toward the end of August, Vice Premier Qian Qichen remarked that "There is only one China, and Taiwan and the mainland belong to China." Up to now, China had treated Taiwan as one of its provinces, but some are inclined to take Qian's remark as a signal that China will treat Taiwan as its equal. However, his remark seems to be intended for Taiwanese consumption, and China has since been repeating its traditional claim in public forums.

Meanwhile, during a visit to the Dominican Republic in August,

Chart 6-3. Major Fighters and Missiles of China and Taiwan

Su-27 fighters with a combat radius of 1,500 km
F-16 fighters with a combat radius of 1,250 km
Dongfeng-15 (M-9) missiles with a range of 600 km
Mirage 2000-5 fighters with a combat radius of 700 km



Source: Compiled on the basis of the data drawn from the *World Aircraft Annual, 2000*.

Chen Shui-bian expressed doubts about the possibility of reunification by saying that there is room for considering whether unification is the only and the final option. After returning home, Chen has virtually shelved the guidelines for national unification formulated by his predecessor and has proposed to form a cross-party task force to build a new consensus of the people of Taiwan in lieu of unification. However, the Kuomintang and the People First

Party that supported the National Unification Council, a long-standing advisory body, refused to join the task force, and the task force started without the participation of these opposition parties began building a new “consensus.” Commenting on the task force, the spokesman of the Taiwan Affairs Office of the State Council of China charged that the remarks of the leader of Taiwan authorities, particularly, the one that “reunification is not the only choice” and that “Taiwan is a country of independent sovereignty,” are in effect “a separatist advocacy of Taiwan independence that is very dangerous and should arouse the vigilance of the whole Chinese people, including the Taiwan compatriots.” China became more sensitive to the movement of Chen Sui-bian who are seeking other solutions than the unification.

(2) Restrained Military Tension between China and Taiwan

Since July, troops on both sides of the Taiwan Strait stepped up the pace of training and exercises. As fighters of China and Taiwan reportedly flew across the center line drawn on the Strait, there were possibilities tensions between them could escalate depending on what actions they took. However, both sides have managed to avert a crisis, and military tension between them remained subdued in 2000 compared with the year before.

With the aim at influencing the outcome of the presidential election to be held in March, China brought pressure on Taiwan by manipulating the mass media. On March 6, for instance, China's *PLA Daily* carried an editorial titled “Independence of Taiwan means a war.” On March 13, the *Renmin Ribao* (People's Daily) carried the comment, “Independence of Taiwan means war,” and said no peace could emerge from the separation of Taiwan from China. The following day, the Central Television of China told the voters that if Chen Shui-bian was elected president of Taiwan, there would be no peaceful day between China and Taiwan. What is more, one day immediately preceding the election, Premier Zhu Rongji stepped up

pressure by saying that no matter who attained power, he should not declare independence of Taiwan, and China would never waive the option to use force of arms. For all its efforts, however, pro-independence Chen Shui-bian was elected president.

Confronted with such an adverse outcome, China switched tactics from soft and hard policies simultaneously applied to a soft one in an effort to break up the Chen administration from within by winning those who are close to Chen over to its side. China's white paper titled *China's National Defense in 2000* released in October pointed out that "The new leader of the Taiwan authorities is taking an ambiguous attitude on the one-China principle," and put a special emphasis on the hard policy by saying that "Taiwan independence means war." For the present, however, China seems to feel that creating tension at this juncture would be counterproductive and would strengthen the unity of the Chen administration, and that it is more effective in shaking up the Chen administration to win the opposition parties to its cause.

On the military front, the *PLA Daily* reported that F-16A/B fighters and *Ching-kuo* of Taiwan had crossed the center line of the Taiwan Strait in mid-July and J-8 fighters and Su-27SK fighters of China had scrambled to send them back to the Taiwan side of the line. In mid-August, the *United Daily News* of Taiwan reported that aircraft of the Chinese Air Force had approached the center line. These incidents indicated the possibility of a crisis occurring from the actions of these fighters. Such incidents have occurred because the air space over the Taiwan Strait is very narrow, that the so-called center line has been drawn arbitrarily by each side without any official agreement between them, and that the scope of activities of their aircraft is left to political decisions. And the fact that the combat radius of the Chinese fighters has been extended has become an important factor.

What is more, the headquarters of the Nanjing Military Region conducted early in August a large-scale maritime exercise in areas covering Jiangsu province and Fujian province involving as many

as 110,000 soldiers. The *PLA Daily* reported that these troops had conducted amphibious operations and that the navy had supported cross-strait and landing operations of marines. In addition, the troops of the region had reportedly mobilized private vessels based on the ports of Zhejiang province that happened to be off season and idling, but they have not led to military tension between China and Taiwan. Taiwan conducted the *Hang Kung* No.16 exercise. Although the scale of the maneuvers was larger, and its duration was longer, than previous ones, the maneuvers were conducted in a smaller area so as not to provoke China.

Tension between China and Taiwan has thus been defused, and this is perhaps because China felt that creating excessive tension with Taiwan was not to its advantage, given the fact that in his inaugural address, Chen stated that “as long as the CPC regime has no intention of using military force against Taiwan, I pledge that during my term in office, I will not declare independence,” that although the U.S. House of Representatives had passed the Taiwan Security Enhancement Act on March 24, the Senate put off a vote on the act, and that the proposed affiliation of China with the WTO is at a sensitive stage. China seems to be thinking that heightened tension with Taiwan would strengthen, not weaken, the power base of the Chen administration, making it more difficult for the administration to accept the one-China principle.

