

Chapter 6

China

Jiang Zemin stepped down as general secretary of the Communist Party of China (CPC) Central Committee at the 16th National Congress of the CPC held November 8–14, 2002. Jiang also resigned as president of the People’s Republic of China (PRC) at the National People’s Congress in March 2003. Vice President Hu Jintao succeeded Jiang both as general secretary of CPC and as president of the PRC. The other “third-generation” leaders retired with Jiang and the reins of government were transferred to the fourth generation leaders. Jiang retained his position as chairman of the Central Military Commission of both the party and the state to keep his influence. Nonetheless, the transfer of power to the younger generation is happening fast. All those elected to the Central Committee at the 16th CPC National Congress had joined the party after the communist revolution in 1949. China will be run by these “post-revolutionary” leaders in the years ahead.

The National Congress of the CPC confirmed that the Communist Party represents not just the proletariat, but all the nation, including private “capitalist” entrepreneurs. This marks a significant transformation in the nature of the party. The CPC has undergone a series of changes since the introduction of market economy in 1978, but nominally, it has always represented peasants and workers. The incorporation of entrepreneurs is part of a strategy designed to maintain the communist regime and to ensure economic growth. At the same time, however, it has transformed the party from a proletarian revolutionary party to an all-embracing political party that gives top priority to economic development.

China’s foreign policy will inevitably have to serve economic development. This suggests that at least in the near- to mid-term, China will place the greatest importance on improving relations with developed countries. Seizing the opportunity provided by the September 11 terrorist attacks, China improved its relationship with the United States, and is now seeking to increase its influence within the current international system.

On the military front, too, at the 16th National Congress China

sought to rejuvenate the leadership of its military. The modernization of its military is progressing steadily, and China is seeking to upgrade its military equipment by importing equipment from Russia and by developing on its own. In addition, it is recruiting talented people and stepping up military training to carry out various reforms.

China and Taiwan have turned the “three direct links” problem into a political football. In an address, President Chen Shui-bian referred to the idea of “one country on either side,” but this did not lead to increased military tension. However, prospects for the resumption of talks on the “one China” principle remain remote. Meanwhile, Taiwan enforced two laws in March under which its armed forces unified the chain of command and have begun functioning as the armed forces of a democracy.

1. China during a Leadership Transition

(1) The 13 Years of Jiang Zemin’s Presidency— The Policy of Opening Up Takes Hold

The greatest significance of the 16th National Congress of the Communist Party of China (CPC) lies in its incorporation of the idea of the “three represents” into the party constitution, opening the way for private entrepreneurs to join the CPC. By this measure the party confirmed that economic development will be the top priority of the nation. Until now, private entrepreneurs were not admitted to the CPC, and officially were kept out of the loop of economic development. From now on they are expected to play an important role of pushing the economy forward. Since there had been cases where party members became private entrepreneurs after they had joined the party, this new constitution, in effect, simply confirms an existing fact. Nevertheless, the change it has brought about in the official thinking of the party has far-reaching implications. The amended constitution has added a new dimension to the CPC by characterizing it as the vanguard of the Chinese people

and “the Chinese nation,” in addition to being the vanguard of the “Chinese working class.” Moreover, it plays up far more than previously those characteristics of the CPC that are uniquely Chinese, and there is no reference to the Communist Manifesto.

A report approved by the Congress was titled “Build a Well-off Society in an All-Round Way and Create a New Situation by Building Socialism with Chinese Characteristics,” stating China’s goal to quadruple its 2000 gross domestic product (GDP) by 2020. The reforms and opening-up policies launched by Deng Xiaoping—the then highly charismatic supreme leader—and subsequently institutionalized by President Jiang Zemin, laid the groundwork for the younger generation. While the policies have realized economic growth, poverty and income disparity among regions have worsened. Furthermore, there are no signs of rapid improvement in the living standards of the farmers and the workers of state-owned enterprises who had long supported the CPC. The party leaders are aware of the dangers of the social instability this situation might create, but they have chosen to continue with the opening-up policies in order to enlarge the economic pie, which they hope will alleviate discontent among the impoverished. This strategy is a double-edged sword that reflects both the leadership’s confidence and sense of crisis. As China will host the Beijing Olympics in 2008, and an international exposition in Shanghai in 2010, China must irreversibly pursue an opening-up policy.

Internationally, China has little choice but to cooperate with other countries. In December 2001, China joined the World Trade Organization (WTO), and its economy has become more integrated into the world economy. In order to sustain the forward momentum of its economy, China has to rely more heavily on technology transfers and direct investments from industrialized countries. China’s dependence on foreign economies will become a stabilizing factor. This is why China can no longer resort to adventurism without undermining its own interests, even if China chooses to use belligerent rhetoric at times.

When Jiang Zemin was elected general secretary of the CPC Central Committee in 1989, China was in the midst of a domestic crisis after the Tiananmen Incident. The incident generated a strong sense of crisis among the leaders. The Cold War was winding down, and communist regimes in the Soviet Union and East European countries were collapsing. Avoiding the same fate as the Soviet Union became the CPC's categorical imperative, with the promotion of economic development and the maintenance of domestic stability as its top priorities. The Chinese government promoted the development of a market-driven economy by permitting non-public ownership (privately owned businesses). At the same time, the government, wary of losing the party's grip on power, restricted political freedom and tightened control over the freedom of speech. This was in stark contrast to the political liberalization happening in other communist countries around the world.

During the 13 years President Jiang Zemin was in power, China achieved remarkable economic growth. Its GDP grew at an annual rate of 9.3 percent, and its dollar value trebled. Despite widespread speculation that "China will be the next communist regime to collapse," its GDP jumped from tenth place in the world to sixth, and the dollar value of its exports rose to fourth largest in the world. The dollar value of trade between China and Japan soared from about \$20 billion in 1989 to about \$90 billion in 2001.

Jiang Zemin can also be credited for institutionalizing politics. Jiang's lack of charisma coupled with a waning of popular support for socialism since the introduction of a market economy have necessitated Jiang to institutionalize power. According to a survey conducted by the CPC, about 80 percent of its members replied that they have no faith in communism. The party leadership felt that in order to maintain the credibility and legitimacy of the party's rule, political institutionalization and the establishment of the rule of law were imperative. Regulations on the Work of Selecting and Appointing Leading Party and Government Cadres, announced by the CPC in July 2002, spelled out rules for appoint-

Commentary**The National Congress of the Communist Party of China (CPC)**

The National Congress is the highest organ of the Communist Party of China (CPC). In reality, China is run by the dictatorship of the CPC. Its National Congress, convened once every five years, performs the important role of deciding the nation's policies. The State Council (the executive branch) and the National People's Congress (the legislature) are, in effect, subordinate to the CPC.

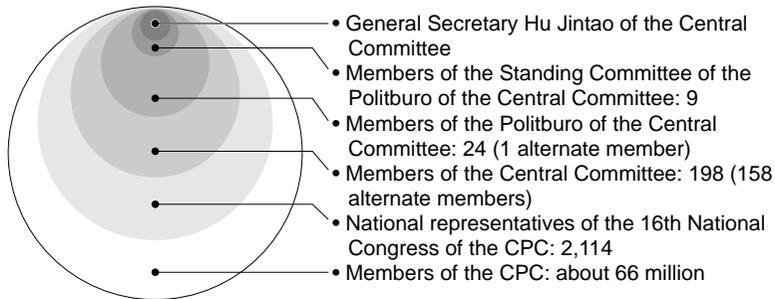
The National Congress elects members to the Central Committee and has the power to amend the Party Constitution. A political report delivered by the general secretary of the CPC Central Committee to the National Congress declares the basic policies to be followed over the next five years, characterized, in effect, as national policies.

The Central Committee exercises the authority on behalf of the National Congress while it is adjourned. When the plenum of the Central Committee, held once or twice a year, remains adjourned, the Politburo of the CPC Central Committee exercises authority on its behalf. The Standing Committee of the Politburo, established in the Central Committee, is the de facto supreme decision-making body of the CPC and is the center of power that governs China. Hu Jintao and eight others who were elected by the 16th National Congress are members of the Standing Committee of the Politburo.

A plenum of the Central Committee is convened by the Politburo. The Xth plenum session of the Central Committee that was elected at the Yth National Congress of the CPC is called the Xth plenum of the Yth Central Committee. The first plenum of the Central Committee, elected soon after the 16th National Congress, is called "the first plenum of the 16th CPC Central Committee." At this plenum, new members of the Politburo and its Standing Committee were elected.

At present, membership of the CPC stands at about 66 million, and their representatives (2,114) attended the 16th National Congress. These representatives were elected during the ten months following October 2001. Candidates are nominated from lower echelons to higher echelons of the party organizations, such as workplaces. It is reported that 98 percent of local cells have participated in the nomination process, and in the first round of elections, about 1.1 million were elected as candidates. Finally, representatives of the party are elected from 38 election units, such as provinces (autonomous regions and cities under direct control of the central government), agencies under direct control of the party, agencies of the central government, and the People's Liberation Army. Party executives account for 75.7 percent of the representatives, females 18.0 percent, and ethnic minorities 10.8 percent. Party members who joined the party before 1949 accounted for a mere 2.5 percent, with the remaining 97.5 percent having joined the party since the Chinese revolution.

Structure of the CPC



ing party cadres, and specifically provided for a mandatory retirement system. At the 15th National Congress, the CPC set the mandatory retirement age for members of the Central Committee at 70, and the generation change seen at the recent National Congress conforms to that decision. However, since this mandatory retirement age does not apply to senior executives of the military and armed police, Jiang Zemin was able to stay in office as chairman of the CPC Central Military Commission. However, if Jiang Zemin stays in office far beyond 70, he could risk undermining the system.

The report delivered to the 16th National Congress contained a new phrase, “political civilization.” Although a clear definition was not given, it was explained that it refers to those activities relating to politics, such as the political system and political culture, and combined with the spiritual and material civilizations advocated by the CPC, it forms the civilization of mankind. In a speech delivered at the Party School of the CPC Central Committee on May 31, Jiang Zemin emphasized the importance of establishing a socialist political civilization and developing “socialist democracy with Chinese characteristics.”

These movements reveal a sense of crisis among the party leadership that popular demand for political reforms and democratization will pose a serious challenge in the coming years. Heavy-hand-

Table 6-1. Lineup of the Politburo of the CPC Central Committee of the 16th National Congress

Name	Date of Birth	Age	Educational Background	Career	Native Province
Hu Jintao	Dec. '42	59	Water Conservancy Engineering Dept., Tsinghua University	Vice President of PRC, (former Vice Chairman of the Gansu Provincial Construction Committee, First Secretary of the Secretariat of the Central Committee of the Communist Youth League, Secretary of CPC Guizhou Provincial Committee, Secretary of the CPC Committee of the Tibet Autonomous Region	Anhui Province
Wu Bangguo	Jul. '41	61	Radio Electronics Dept., Tsinghua University	Vice Premier (former Secretary of CPC Shanghai Municipal Committee)	Anhui Province
Wen Jiabao	Sep. '42	60	Graduate school, Beijing Institute of Geology	Vice Premier (former Deputy Director General of Gansu Provincial Geological Bureau)	Tianjin City
Jia Qinglin	Mar. '40	62	Electric Power Dept., Hebei Engineering College	CPC Beijing Municipal Committee Secretary (former mayor of Beijing, Secretary of the CPC Fujian Provincial Committee)	Hebei Province
Zeng Qinghong	Jul. '39	63	Automatic Control Dept., Beijing Institute of Technology	Head of the Organization Dept. of the CPC Central Committee (former Secretary of Shanghai Municipal Committee)	Jiangxi Province
Huang Ju	Sep. '38	64	Electrical Machinery Engineering Dept., Tsinghua University	Secretary of CPC Shanghai Municipal Committee (former mayor of Shanghai)	Zhejiang Province
Wu Guanzheng	Aug. '38	64	Graduate School, Thermal Measurement & Automatic Control, Tsinghua University	Secretary of CPC Shandong Provincial Committee (former Secretary of CPC Jiangxi Provincial Committee)	Jiangxi Province
Li Changchun	Feb. '44	58	Electric Machinery Dept., Harbin Institute of Technology	Secretary of CPC Henan Provincial Committee (former Liaoning Provincial Governor, Deputy Secretary of CPC Provincial Committee)	Liaoning Province
Luo Gan	Jul. '35	67	Freiburg Institute of Mining and Metallurgy, East Germany	Member of the Secretariat of the CPC Central Committee, State Councilor (former Minister of Labor, Secretary of the State Organs Work Committee under the CPC Central Committee, Vice Governor of Henan Province)	Shandong Province

Note: Ages as of November 2002. Source: Compiled from *The People's Daily*.

ed suppression of these aspirations could trigger a social explosion among the people, yet, while aware of them, the Communist government can ill-afford to recognize democracy based on the separation of three branches of government (administrative, legislative, and judicial). Freedom of speech and freedom of association that lead to a multi-party system cannot be tolerated. The Communist government has to maintain a delicate balance between initiating some form of political reform and thereby meeting popular demand, and curbing any kind of democratization that undermines social and political stability. To accomplish this, it is necessary to formulate a concept unique to China that is different from the conventional idea of democracy. Therefore, the report warns “we should never copy any models of the political system of the West,” though it also says China can “learn from the achievements of the political civilization of mankind.”

While achieving remarkable economic development, the government still faces many problems, one of which is to alleviate the suffering of those cut off from the benefits of economic reform. Unless these problems are solved, social instability cannot be overcome. Particularly serious are the widening disparity in development among regions and the income disparity among the people. The Chinese government has been directing its development efforts to regions that are easier to develop. As a result, coastal provinces that provide foreign capital with easier access have achieved remarkable growth, while development of inland regions that have no adequate industrial infrastructure (railroads and roads) have lagged. As regional development disparity widened, observers worried that the situation in China may be worse than in pre-civil war Yugoslavia, and they voiced concern over the growing social instability. The government is also aware of the seriousness of the situation, and is planning to revitalize the economy of inland regions by implementing a development program in China’s western region, but little progress has been made so far. In order to remedy regional and income disparity, it is necessary to redistribute wealth from

coastal regions to inland regions, from private entrepreneurs to farmers. Without this, it is impossible to build a nationwide “well-off society.”

A survey conducted in 2000 found that the living standard of three-quarters of the people reached the “well-off” level. Wanting to raise their living standard even higher, the government plans to raise per-capita GDP to \$3,000 by 2020. Per-capita GDP stood at \$911 in 2001, around 140th in the world, and on par with Sri Lanka, Papua New Guinea, and Georgia. Per-capita GDP of Shanghai (\$4,516) and Beijing (\$3,057) have already exceeded \$3,000, but those of Guizhou Province (\$346) and Gansu Province (\$504) fall far short. In 1990, per-capita GDP of Shanghai, the highest in the country, was 7.3 times that of Guizhou, the lowest. The ratio continued to grow to 9.4 times in 1993, and to 13.1 times in 2001.

As of 2002, there were more than 30 million farmers and about 10 million city dwellers in China below the poverty level (an annual income of 635 yuan or approx. \$77). Recently, this number has been increasing in the cities because of workers laid off from state-owned enterprises. Given the fact that previously there had been 250 million people below the poverty level, this represents a remarkable improvement. However, when economic growth creates a disparity of income, the poor could become a destabilizing factor. If, as is likely, state-owned enterprises push ahead with their restructuring plans, the number of laid-off workers will increase, swelling the ranks of the impoverished.

Moreover, raising the standard of living among farmers represents a serious challenge. Farmers are estimated to number about 700 million, or about 60 percent of China’s population. Admitting private entrepreneurs into the CPC is important because these people contribute to economic growth, but such a policy also puts farmers’ interests on the back burner. True, China is pursuing measures to expand regional cities to absorb farmers, but this is no easy task because it is difficult to create enough jobs for so many idle workers.

Foreign relations during these 13 years, by and large, have been good, and no military conflicts occurred, except for the Taiwan Strait Crisis of 1996. In parallel with the integration of the Chinese economy into the world economy, integration of military affairs—nuclear arms control and disarmament—have also made progress. In March 1992, China became a signatory to the Nuclear Non-Proliferation Treaty (NPT), and in 1996 it signed the Comprehensive Nuclear Test Ban Treaty (CTBT). China has a tendency to use disarmament to its advantage, rather than respect the values of nuclear arms control and disarmament regime. For example, China conducted a nuclear test immediately before it signed the CTBT in July 1996, leading many critics to question its sincerity. However, considering the fact that China has less nuclear weapon capacity than the United States, Russia, the United Kingdom, and France, and has not yet succeeded in developing multiple independently-targetable re-entry vehicles (MIRV), its need to conduct nuclear tests is more pressing than other nuclear powers. That China signed the CTBT under such circumstances is commendable. However, China has not ratified the treaty as of the end of 2002.

Despite all the efforts China has made in integrating its economy into the world system and in pursuing cooperative policies with the international community, from the mid-1990s, so-called “China threat” arguments emerged in many countries. Many began to perceive China with skepticism and felt that it cannot be trusted. China’s relations with other major countries began to deteriorate after the fourth plenum of the 14th Central Committee meeting held in September 1994. This was around the time Deng Xiaoping’s grip on power weakened and President Jiang Zemin established a leadership role. The biggest cause of the emergence of these negative views is probably the change in the world power structure after the end of the Cold War and the collapse of the Soviet Union. Other countries began to view the growing economic strength of China as a potential threat, regardless of China’s intentions. In ad-

dition, China's handling of its foreign policy during this period aggravated the situation. China neglected to explain its defense policy objectives and military buildup. This lack of transparency has contributed to the mistrust of other countries, especially because China continued to strengthen and modernize its military although China's assessment of its international environment was that it had improved following the end of the Cold War.

China's human rights record has also worsened its international image. China has repeatedly made statements and taken actions that violate human rights, as understood by the West. Since the end of the Cold War, there is a tendency among the major powers including the United States to support military intervention on humanitarian grounds when a country blatantly violates human rights or lacks the ability to govern. There is a growing gap between these countries and China. Many countries argue that use of force against its own civilians is not permissible, and thus the international community has the right to intervene in internal affairs of a state. China, on the other hand, maintains it has the right to use force to suppress dissidents (such as in the Tiananmen Incident) and to solve the dispute with Taiwan, and that other countries should not interfere in China's internal affairs. China's position on this issue stems from the same belief that led Jiang's government to refuse to tolerate political liberalization.

(2) The New Government under President Hu Jintao—

Following the Policies of Deng Xiaoping and Jiang Zemin

China's political power is held by members of the Standing Committee of the Politburo, the supreme leadership of the Communist Party. At the 16th National Congress of the CPC, all six members of the Central Committee except for Hu Jintao resigned. At the first plenum of the 16th Central Committee on November 15, immediately after the National Congress, General Secretary Hu Jintao and eight others were elected as new members of the Standing Committee of the Politburo of the CPC. The nine

members of this “fourth-generation” leadership, with an average age of 55.1, are younger than their predecessors. All of them are university graduates who majored in engineering. It is said that such a lineup reflects the emphasis the new leadership places on economic development, its top national priority.

This new government is expected to follow the policies of Deng Xiaoping and Jiang Zemin, and press ahead with reform and opening-up policies even more vigorously than its predecessor. In this sense, under the new government, China’s foreign and domestic policies are not expected to change significantly. Meanwhile, solution to the “three farm problems” (agricultural production, farmers, and farming villages) will take on added importance, though none of the nine members has expertise in agriculture. Another urgent priority of the new government is the eradication of corruption. However, the wife of Jia Qinglin, a member of the new Politburo, is allegedly implicated in a scandal, and some question the seriousness of the new leadership.

The 16th National Congress of the Communist Party of China (November 8, 2002) (Kyodo Photo)

Some observers point out the strong influence of Jiang Zemin over the fourth-generation leadership headed by Hu Jintao. There is speculation that by remaining in office as chairman of the Central Military Commission, Jiang Zemin might try to control the new government behind the scenes. When Zhao Ziyang was elected general secretary of the CPC at the 13th National Congress in 1987, Deng Xiaoping resigned from the Central Committee but remained chairman of the Central Military Commission and continued to exercise his influence. It is said that at that time there was a secret resolution that specified “Comrade Deng Xiaoping will handle important matters.”

Signs of Jiang Zemin’s strong influence can be seen among these

nine men. Six members of the Standing Committee—other than Hu Jintao, Wen Jiabao, and Luo Gan—are said to be Jiang's close aides, and Zeng Qinghong is said to be his close confidant. When Jiang Zemin, who had been mayor of Shanghai and then secretary of the Shanghai Municipal Committee of the CPC, moved to Beijing from Shanghai in 1989, Zeng Qinghong was the only subordinate Jiang took with him. Zeng Qinghong was expected to be elected a member of the Politburo at the 1997 National Congress of the CPC, but was chosen as an alternative member instead. Therefore, his election to the Standing Committee at the 16th National Congress was a double promotion, suggesting Jiang Zemin's increased influence. In addition, Wu Bangguo, who had served as secretary of the Shanghai Municipal Committee, and Huang Ju, who had served as mayor of Shanghai, are members of the Shanghai clique hand-picked by Jiang Zemin. How strong an influence Jiang Zemin continues to have is not clear, and the differences, if any, between Hu Jintao and Jiang Zemin are a matter of conjecture. However, not knowing who has the final say on important matters when seen from the outside could become a destabilizing factor.

(3) China's Accession to the WTO

During the year following China's entry into the World Trade Organization (WTO), it took in stride the much-feared shock of dislocation that might follow opening up its markets to world competition under the rules of the WTO, and has supposedly achieved better-than-expected results. According to the National Bureau of Statistics of China, GDP increased 7.9 percent during the first nine months of 2002 over the same period a year ago, to 7.17 trillion yuan (renminbi) (approx. \$866 billion). At this rate, its GDP would top 10 trillion yuan (\$1.2 trillion) by the end of the year, representing a historic achievement. Contributing to this phenomenal growth were strong exports and direct foreign investment. In the first nine months, the total dollar value of exports and imports increased 18.3 percent over the same period a year ago, to \$445.2 bil-

lion: exports increased 19.4 percent to \$232.6 billion, and imports 17.2 percent to \$212.6 billion. Foreign investment also increased sharply: Committed investments jumped 38.4 percent to \$68.4 billion, and investments actually made increased 22.6 percent to \$39.6 billion. If all goes according to plan, foreign investment may reach \$55 billion by the end of the year. Meanwhile, the number of Chinese firms (excluding financial institutions) that have established overseas operations has increased to 6,758 as of the end of June 2002. On the domestic front also, the auto industry has expanded rapidly and has achieved record sales. And the spread of mobile phones and computers has greatly changed the consumption patterns of the Chinese.

However, given the tight control the Chinese government imposes on information and the press, some doubt the credibility of these figures. Professor Thomas G. Rawski of the University of Pittsburgh argues, by citing the rate of energy consumption, that the GDP growth rate published by the Chinese government lacks credibility. Although the Chinese government refutes this, it is obligated to compile and disclose more accurate data under the rules of the WTO.

At a press conference of the National Congress in November, Minister of Foreign Trade and Economic Cooperation Shi Guangsheng stated that opening the Chinese market to foreign competition has entered a new phase, and confidently remarked that some positive effects of WTO membership have clearly begun to surface. However, this remark must be taken with a grain of salt. Following a tariff cut, large quantities of low-priced merchandise poured into China, triggering fierce price competition with local products. As a result, firms that could not compete with foreign imports, particularly inefficient state-owned enterprises, have been forced to restructure their operations and deal with various labor disputes.

In order to sustain economic growth, jobs must be created to absorb those workers laid off by the restructuring—or failure—of in-

efficient industries and state-owned enterprises. Jobs must also be secured in the farming areas where there is only limited room for improved productivity. However, the fact remains that the unemployment problem has worsened. In an interview in November 2002, Labor and Social Security Minister Zhang Zuoji disclosed that the unemployment rate in urban areas has increased to 7 percent in real terms. As of the end of 2001, the number of unemployed workers in urban areas stood at 6.8 million. Add to this the number of workers laid off by state-owned enterprises, and the total would be about 12 million. Moreover, somewhere between 12 million and 13 million new workers join the labor market each year. Even if the Chinese economy grows at an annual rate of 7 percent, it can create only about 8 million jobs a year, a far cry from solving the unemployment problem. Worse yet, the number of farm workers likely to flock to the cities in search of jobs is estimated at 150 million, threatening to make the situation even worse.

China's entry into the WTO is having a far-reaching impact on agriculture. It is said that Chinese produce is of lower quality and more expensive than that of other countries, with its farming techniques lagging behind, and therefore the produce cannot compete in the world market. On top of that, farmers shoulder a heavy tax burden and are insecure about their income. The government has been trying to lessen their tax burden, but given the fact that 60 percent of the population live in the countryside, and that one half of the working population are farmers, it is difficult to rapidly raise the international competitiveness of China's agriculture.

In such an environment, the rapid development of private enterprise is attracting considerable attention. For instance, the number of private enterprises in Shanghai has increased to 32,000 during the first half of the year, accounting for 53 percent of the city's industries. Nationwide, their total number stood at 2,028,600 at the end of 2001, employing 74.74 million workers.

So far, the central and local governments have followed the directions of the CPC, and all decisions were made by party executives.

However, now that China has joined the WTO, it must observe all of its rules and regulations, so finding and training competent party executives familiar with the rules is becoming an urgent task. Therefore, affiliation with the WTO will have a continuing impact not only on China's economy, but on the leadership of the CPC as well.

2. Chinese Diplomacy Aims at Increasing Its Influence

(1) Cooperative Foreign Policy with the United States Focusing on Antiterrorism

The political report delivered at the CPC National Congress addressed at the outset the improvement and development of China's relations with industrialized countries, reflecting the importance China places on sustaining the forward momentum of its economy. More specifically, the leadership realizes that China needs the transfer of advanced technology and investment from industrialized countries. Additionally, the report lists good neighborly policies and solidarity with the Third World. The political report delivered at the 1997 National Congress discussed these last two points but did not touch on relations with industrialized countries. And in the same report in 1992, only solidarity and cooperation with the Third World were discussed, illustrating China's changes in foreign policy during this period.

By capitalizing on changes in the international environment in the wake of the September 11 terrorist attacks, China tried hard to improve relations with the United States. (See Chapter 5 of *East Asian Strategic Review 2002*.) China had previously valued its relations with the United States, but occasionally had displayed an uncompromising attitude. Its cooperative relations with Russia often were partly designed to restrain the United States, and China vigorously opposed the U.S. National Missile Defense (NMD), as well as military intervention in other countries on humanitarian grounds.

However, an examination of the diplomatic moves China made in 2002 shows that it has fallen into step with the United States on important issues: in November, at a summit of heads of states from China and the Association of Southeast Asian Nations (ASEAN) held in Phnom Penh, China signed a joint declaration on antiterrorism, and it was among the first major countries to call for a nuclear-free Korean Peninsula. These events suggest China recognizes that by acting as a responsible power, it can command a bigger voice in the international community and promote its national interests. China seems to be hoping to improve its relations with the United States while the attention of the hawks within the Bush administration who view China as a threat are preoccupied with al-Qaeda and Iraq.

An underlying factor that contributed to the improvement of U.S.-China relations is the fact that both countries need one another's cooperation. After joining the WTO, China has been seeking to develop a closer relationship with the United States by further integrating its economy into the world economy. And faced with the critical period following its change of political leadership, China wants to avert tension with other countries. On the other hand, with the war on terrorism dragging out and expanding, the United States sought China's cooperation. However, at the same time, China is actively seeking to cultivate diplomatic relations in the Middle East—and thereby gaining a bigger voice—while cooperating with the United States.

Since the September 11 terrorist attacks, China has indicated its support (even if conditional) for the U.S.-led war on terrorism, wanting the United States to recognize its stringent crackdown on Islamic extremists in the Xinjiang Uighur Autonomous Region seeking independence from China. Initially, there was criticism from human rights groups against China's crackdown on ethnic minorities. However, when Assistant Secretary of State Richard Armitage visited China in August, he announced that the Eastern Turkistan Islamic Movement (ETIM) had been designated a terror-

ist organization by the U.S. State Department, in line with China's previous designation, eliciting satisfaction and commendation from the Chinese government. This can be seen as demonstrating that the United States, at the time considering the use of force on Iraq, was eager for China's cooperation.

In February, President Bush visited China to commemorate the 30th anniversary of the Shanghai Communiqué and met with President Jiang Zemin. In October, President Jiang Zemin paid a return visit to the United States and met President Bush at his private ranch in Crawford, Texas. Emerging from these meetings was an agreement on North Korea's nuclear weapon program, with President Bush stating "this is a chance for the United States and China to work very closely together," while for his part President Jiang Zemin stressed the need for a peaceful solution, saying that "China has all along supported a nuclear-free Korean Peninsula." On the Iraqi question, although President Jiang Zemin did not support the new draft resolution the United States planned to submit to the U.N. Security Council (UNSC), he declared that Iraq should abide by UNSC resolutions demanding inspections for weapons of mass destruction (WMD). He neither approved nor strongly opposed the use of force by the United States, but expressed support for the U.S. policy to halt the proliferation of WMD.

Military-to-military contact between the United States and China stalled since the accidental clash between a U.S. patrol aircraft and a Chinese jet fighter in 2001, because all such contact with China must be approved by the U.S. secretary of defense. When Hu Jintao visited the United States and met with Defense Secretary Donald Rumsfeld in April 2002, signs of improvement emerged. And when Assistant Defense Secretary Peter W. Rodman visited China, he met with Defense Minister Chi Haotian, and they basically agreed to promote military-to-military contact. At a summit in October, the leaders of the two countries agreed to begin security dialogue, and in November, USS *Paul F. Foster* of the U.S. Seventh Fleet called at Qingdao, Shandong Province. In December,

a meeting of U.S.-China defense consultation talks (DCT) was held.

(2) Japan-China Relations Strained by Prime Minister Koizumi's Visit to Yasukuni Shrine

The year 2002 marked the 30th anniversary of normalization of diplomatic relations between Japan and China. Although the two countries planned a number of events, including a cultural exchange of 10,000 Japanese visitors to commemorate the anniversary, an exuberant mood failed to materialize. Both Prime Minister Junichiro Koizumi of Japan and President Jiang Zemin of China repeatedly stressed the importance of good Japan-China relations, but a trip to China around the anniversary date (September 29) planned by Prime Minister Koizumi did not take place because his visit to Yasukuni Shrine clouded relations between the two countries. China is opposed to the prime minister's visit to the shrine because Class A war criminals are among the war dead enshrined there. While the heads of states of the United States and China visited one another, the leaders of Japan and China have not exchanged visits as often as one would expect, despite the absence of any serious bilateral problems. At the working level, however, problems have been solved in a businesslike manner, suggesting mature relations between the two countries.

In April 2002, Prime Minister Koizumi visited China to attend the Boao Forum for Asia, telling Prime Minister Zhu Rongji that he intended to visit China within the year. Prime Minister Koizumi gave a speech emphasizing the importance of improving Japan-China relations. President Jiang Zemin praised him for not viewing China as a threat and for wanting to further develop Japan-China relations. Prime Minister Zhu Rongji was quoted as saying "my talks with Prime Minister Koizumi were livelier than any I've had with other Japanese prime ministers," confirming the friendly atmosphere between them.

However, when Prime Minister Koizumi visited Yasukuni Shrine on April 21, after returning from China, many were apprehensive

about the possible negative impact his visit would have on Japan-China relations. Although Prime Minister Koizumi had deliberately avoided visiting the shrine around August 15 (the day World War II ended) in deference to China, the Chinese government strongly protested to Japan's ambassador, and wound up postponing a visit of then Minister of State for Defense, Director General of the Defense Agency Gen Nakatani, as well as the first-ever call by a Chinese naval fleet to Japanese ports. At a Japan-China meeting in Mexico in October—during the APEC summit—President Jiang Zemin said it was necessary for Prime Minister Koizumi to bear in mind that his shrine visit hurt the feelings of 1.3 billion Chinese. Prime Minister Koizumi responded by saying that he had visited the shrine not to pay respect to any particular individual, but rather as a token of respect to the memory of those who were sent to fight and died in the war.

On May 8, five North Koreans tried to bolt into the Japanese consulate in Shenyang in northeastern China, but were arrested and taken away by Chinese police. Japan protested that its consulate officials had not consented to the police entering the consulate, or to the arrest of the North Koreans, and that the Chinese police had encroached upon Japan's inviolable rights. The Chinese side retorted that since the police had obtained the consent of a Japanese official, their entry did not constitute a violation of the Vienna Treaty. As late as September, Foreign Minister Tang Jiaxuan repeatedly told the Japanese government that the incident had been settled and that it was necessary to deal with the situation on the basis of facts. On the other hand, China agreed, at Japan's request, to hold a councilor-level meeting on consular cooperation to prevent a recurrence of similar incidents.

On other issues, China was cooperative. Although it was almost six months after the incident, China agreed in June 2002 to allow Japan to refloat the North Korean spy boat sunk in the East China Sea in a gun battle with a patrol boat of the Japan Coast Guard in December 2001. Since the spy boat had sunk within China's exclu-

sive economic zone (EEZ), it was feared that China might oppose the operations, yet its reaction was relatively restrained. Immediately after the incident, Zhang Qiyue, a Ministry of Foreign Affairs spokesperson, did not criticize Japan for having used weapons within its EEZ and merely stated that China was “paying attention” to how the situation developed. When China agreed to allow Japan to refloat the ship, Liu Jianchao, another Foreign Ministry spokesperson, stated that Japan had taken the necessary steps.

Although newspapers such as *The PLA Daily* were critical of the refloatation, *The People's Daily* did not carry articles associating the operation with Japanese militarism, as it had done in the past. However, there were comments in China stating that Japan's actions regarding the spy boat were different from those it had taken in similar incidents, and that Japan has been actively enacting defense-related laws to provide for national emergencies.

(3) Sino-Russian Relations—Weakened Balancing Policy vis-à-vis the United States

In June 2002, at a disarmament conference in Geneva, China and Russia jointly proposed a draft of the Legal Agreement on the Prevention of the Deployment of Weapons in Outer Space. As this move indicates, the two countries maintained cooperative relations, though less so than when the China-Russia Treaty of Good-Neighborliness and Friendly Cooperation was signed in July 2001. As neither was able to compete single-handedly with the United States, they joined forces to restrain the United States. However, since the United States and Russia cooperated in the war on terrorism after September 11, China's plans to confront the United States together with Russia were no longer realistic. Until then, both China and Russia had been publishing documents opposed to U.S.-engineered power politics, but anti-U.S. rhetoric has disappeared from statements issued since 2002.

China and Russia actively promoted cooperative relations through the Shanghai Cooperation Organization (SCO), composed

of China, Russia, and four Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan). Originally, the SCO was launched to control terrorist activities of Islamic extremists in SCO regions. At the second summit in St. Petersburg, in June 2002, the heads of states signed a Charter for the Shanghai Cooperation Organization, a Declaration of the Shanghai Cooperation Organization, and an agreement on a regional counter-terrorism agency, deciding to run the organization as a permanent multilateral body with a secretariat in Beijing. They are expected to adopt cooperative policies enacted by the Regional Counter-Terrorism Agency based in Bishkek, Kyrgyzstan, focusing on preventing Islamic extremist crimes. In a speech delivered at the meeting, President Jiang Zemin referred to the "Shanghai spirit," a new outlook on security transcending the Cold War mentality, and urged the leaders to promote this. At a summit with President Vladimir Putin, he also stressed the importance of the SCO.

Although members of the SCO stepped up cooperation in anti-terrorism efforts, the strategic importance of the SCO has declined, and its anti-U.S. color has weakened as the United States strengthened its military presence in Central Asia, including SCO members Kyrgyzstan and Uzbekistan, after attacking the Taliban in Afghanistan. The Declaration of the Shanghai Cooperation Organization, signed at that summit, toned down its anti-U.S. rhetoric. It said, in part, that "globalism should be complementary to each country's national interests and not exclusive of them," and that "the human rights issue should not be used as a pretext for interfering with the internal affairs of other countries," with both statements aimed at restraining the United States without criticizing it outright. The Sino-Russian joint declaration signed by President Jiang Zemin and Russian President Putin when the latter visited Beijing in November soft-pedaled on restraining the United States, but stressed the necessity to create a nuclear-free Korean Peninsula, demanding that North Korea abandon its nuclear weapon program.

Economic relations between the two countries have deepened, with bilateral trade topping \$11 billion a year. Russia is China's sixth largest trading partner, and China is Russia's eighth.

**(4) Relations with the Korean Peninsula Shaken
by the Asylum Issue**

Relations between China and North Korea have become strained due to the North's nuclear weapons program and the flow of North Koreans seeking asylum in China. When the United States announced on October 17, 2002, that North Korea admitted to having been carrying out nuclear development, a spokesperson of China's Foreign Ministry stressed that China supported denuclearization of the Korean Peninsula, and urged that the problem be solved through negotiations. In a China-Russia joint declaration subsequently issued, the denuclearization of the Korean Peninsula was included. In addition, at a vice defense ministerial talk held in the United States in December, China confirmed its policy of not tolerating the emergence of a nuclear power on the Korean Peninsula. However, there were no signs of pressure applied to North Korea by China, and it merely watched changes occurring in U.S.-North Korea relations.

On the asylum issue, China has caused trouble not only to Japan but also to South Korea over the handling of North Korean asylum seekers. The problem took an acute turn on June 13 when four staff members of the South Korean embassy in Beijing and South Korean newspaper reporters were injured in a scuffle with Chinese police trying to remove North Koreans from the embassy. The South Korean government protested that China had violated the Vienna Treaty that provided for the inviolability of foreign diplomatic missions. The Foreign Ministry of China expressed displeasure over South Korean embassy officials, charging that they had obstructed police simply carrying out their duties. As 2002 marked the tenth anniversary of the restoration of diplomatic relations between them, they reached an agreement on June 23, in deference to

the overriding importance of their mutual relations.

However, North Koreans are expected to continue to seek refuge in the coming months. The Chinese government indicated that it would ensure the safety of foreign diplomatic missions in China, observe international law, and respect humanitarianism, while asserting that "foreign embassies have no right to grant asylum to citizens of a third country." Although Chinese police took into custody the North Koreans who tried to bolt into foreign embassies, the Chinese government eventually allowed them to seek asylum in various countries. Obviously, China does not want its country used by North Koreans as a route to asylum, but when other countries became involved, it compromised.

There are a large number of illegal North Korean immigrants in China. According to Amnesty International, China sent back about 1,400 illegal immigrants to North Korea during April and May 2000. For China, illegal North Korean immigrants are a serious problem, and a Chinese Foreign Ministry spokesperson said that one North Korean had illegally entered China 12 different times.

(5) Policy toward ASEAN for Economic Integration

China realizes the importance of expanding economic relations with ASEAN countries, and has been actively promoting diplomacy in order to conclude a free trade agreement (FTA) with them. At an ASEAN summit in November 2001, China and ASEAN agreed to work hard toward concluding an FTA within the next ten years. At an economic ministerial meeting with ASEAN members on September 13, 2002, China and ASEAN agreed to start cutting tariffs on agricultural products by 2004, ahead of the FTA, and abolish them by 2007. At a China-ASEAN summit in Phnom Penh, Cambodia, in November, they signed an agreement outlining the general FTA framework. Under this agreement, trade in meat, fishery products, and vegetables will be liberalized in 2003. Tariffs on other products will be cut and abolished in stages, and the FTA could become a reality as early as 2015.

A joint declaration adopted at an ASEAN ministerial meeting on July 30 expressed hopes that an agreed framework for an ASEAN-China FTA would be signed. ASEAN represents China's fifth largest trading partner, and China ASEAN's sixth, with the dollar value of trade and investment between them increasing year after year. According to customs statistics of China, the dollar value of two-way trade topped \$41.6 billion in 2001, and the first half of 2002 was up 18.7 percent over the year before, to \$23.6 billion. Of this, ASEAN's exports to China increased 16.1 percent. ASEAN has been actively promoting an FTA not only with China but also with Japan. At a Japan-ASEAN ministerial meeting on September 13—the same day China decided to cut its tariff on agricultural products—it was agreed to conclude an FTA between Japan and ASEAN within ten years. It appears that China seeks a leadership role to engineer the integration of East Asian economies, but is keeping an eye on Japan. China sees an FTA with ASEAN as an important driver for its economic development in the coming decades. They argue that the western region of China, less developed than the coastal provinces, can greatly benefit by tapping the markets and capital of ASEAN member countries.

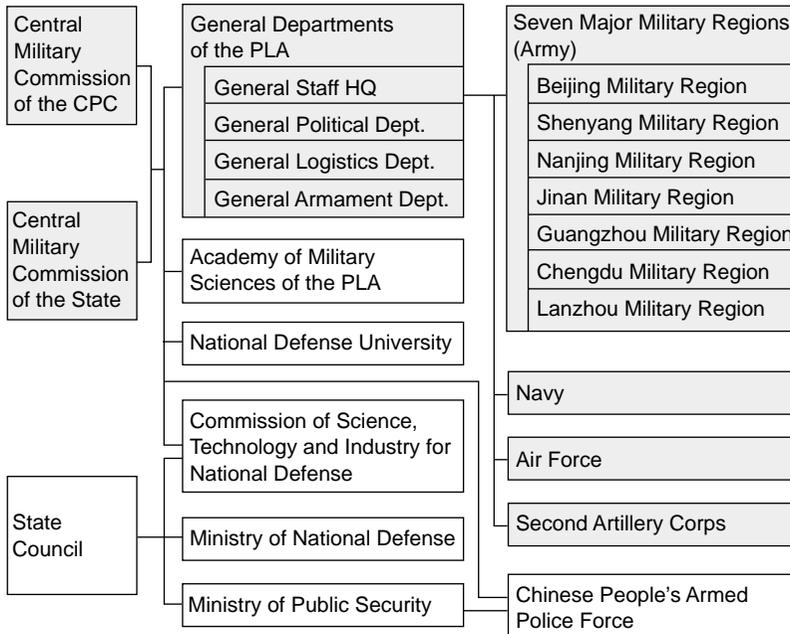
On the security front, foreign ministers of China and ASEAN countries signed the Declaration on the Conduct of Parties in the South China Sea on November 4, the first political document China signed with ASEAN on this issue.

3. Continuation of “Strengthening the Armed Forces by Relying on Science and Technology”

(1) The Party-Military Relationship under the New Government, and the Task of Building Up the Military

The People's Liberation Army of China (PLA) guarantees the single-party rule, and serves as the army of the CPC. Between the party and the military there is an ironclad rule that says “the party commands the guns,” or “consistently uphold the party's absolute

Chart 6-1. Organizational Chart of the PLA



Sources: Compiled from Radiopress, Inc. *China Directory 2002*, and others.

leadership over the army.” Forty-four military leaders were among the 198 elected after the 16th National Congress of the CPC as members of the Central Committee of the CPC, the highest leadership body. They make up about 22 percent of the Committee. (After the 15th National Congress, 41 out of 193 members were elected from the military.) Commanders (16) of large military units including seven major military regions and political commissars (7) account for a majority of those hailing from the military, and commanders of the navy and air force (3 from each) have been elected, suggesting that the status and influence of the military in the party is still substantial.

At the first plenum of the 16th Central Committee of the CPC held after the National Congress, the military sought to reshuffle

Table 6-2. Central Military Commission of the CPC

Major Post	New Leaders (age)		Career
Chairman	Jiang Zemin (76)	Holdover	Former General Secretary of the CPC and former State President
Vice Chairman	Hu Jintao (59)	Holdover	General Secretary of the CPC, State President
	Guo Boxiong (60)	Promoted	Executive Deputy Chief of General Staff
	Cao Gangchuan (67)	Promoted	Former Director of General Armament Dept.
Member	Xu Caihou (59)		Director of General Political Dept., former Executive Deputy Director of General Political Dept.
	Liang Guanglie (61)		Chief of General Staff, former Commander of Nanjing Military Region
	Liao Xilong (62)		Director of General Logistics Dept., former Commander of Chengdu Military Region
	Li Jinai (60)		Director of General Armament Dept., former political commissar of General Armament Dept.

Note: Ages as of November 2002.
Source: Compiled from *The PLA Daily*.

members of the Central Military Commission of the CPC and elect those in their 60s as the new leaders. However, the much-watched post of chairman of the Central Military Commission was held for outgoing President Jiang Zemin. Although the new leadership was rejuvenated, former President Jiang Zemin continued to have influence over the Central Military Commission.

In June 2002, President Jiang Zemin promoted seven military officers to full general/admiral. Up until then, a total of 81 officers had been promoted to full general/admiral, of whom 64 were appointed by President Jiang Zemin. However, since more than a half of them retired, their number decreased to 29, of whom 28 had been appointed by President Jiang Zemin. Toward the end of July, President Jiang Zemin promoted nearly 100 officers to lieutenant general/vice admiral and major general/rear admiral. Today, there

are about 1,500 generals/admirals in the whole military. Since most were appointed by President Jiang Zemin, they are serving in the government of President Hu Jintao but under the influence of former President Jiang Zemin.

The new regime has a number of problems to address in the coming years. For instance, faced with the commitment to open up its market, it is becoming increasingly difficult to maintain a mobilization system that combines peacetime and wartime, military and civilians, as envisioned in the People's War doctrine. Already, people have begun to flock to population centers in search of higher incomes, and the number of people leaving their native places has been increasing sharply, estimated at more than 120 million. Particularly, a continuous flow of farmers to urban centers will force party and military leaders to seek new measures to recruit military personnel and reserve forces.

In border regions where China had maintained its posture of high alert, changes have occurred under the policies of reform and opening up. The government has to learn how to create secure borders while pursuing economic interest by encouraging cross-border trade. Also, as rapidly spreading liberal ideas influence the values of China's servicemen, the stability of the military may be threatened. To allay such fears, the government revised the Routine Service Regulations and the Discipline Regulations of the PLA in April 2002. The new Routine Service Regulations changed some provisions relating to the morals of servicemen, and toughened the rules about confidentiality. For instance, servicemen are strictly banned from entering places likely to corrupt their morals or ideology. In addition using mobile phone is not allowed in places such as operation and information centers, communication facilities, military airfields, navy vessels, and missile launching sites.

These measures suggest that the military environment has profoundly changed, and the Discipline Regulations were revised to adapt to the new situation—the disciplining of servicemen and the revision of the noncommissioned officer system. However, whether

the impact of liberalization among servicemen can be checked, and whether the desired sense of values of the servicemen for the military can be maintained, will test the managerial savvy of China's new leadership.

(2) Promoting Modernization of the Armed Forces

Many details about China's actual military strength remain unknown. China has been actively purchasing Russian-made weapons, but the specifics of these purchases have not been made public, as is also true of its defense spending. This lack of information is arousing concern among its neighbors.

In a budget report delivered at the fifth session of the ninth National People's Congress in March 2002, Finance Minister Xiang Huaicheng stated that "China will increase its defense expenditures for national defense by 25.2 billion yuan (approx. \$3.0 billion) this year, an increase of 17.6 percent from last year." He also said that in order to cope with changes in the international situation, China would appropriately increase expenditures for national defense to raise the army's defense and combat capabilities by utilizing modern technology, especially high technology. This represents a double-digit annual increase in its defense spending for 14 consecutive years. When compared with the original defense budget of the year before, this represents a 19.4 percent increase, the highest rate of increase in recent years. According to the *Annual Report on the Military Power of the People's Republic of China*, released by the U.S. Department of Defense in July, China's total annual military spending is closer to \$65 billion, over three times more than the Chinese government announcement.

It appears that these increases are aimed at modernizing its outdated military, at becoming a major military power, and at forestalling Taiwan's independence movement. It is believed that China's modernization will focus on strengthening its nuclear deterrence toward the United States, and on upgrading and strengthening its navy and air force. Illustrating this point was the test fir-

ing in November 2002 of a new type of long-range ballistic missile, the DF-31 (CSS-9), with a range of 8,000 kilometers (5,000 miles) from Wuzhai, Shanxi Province at a target in Takla Makan. This ballistic missile is capable of carrying a nuclear warhead, and its mobility provides a high degree of survivability. Furthermore, since it uses solid fuel, preparing for launch can be completed in a short time, thus greatly improving China's nuclear deterrence. In addition, China has been increasing its stockpile of short-range ballistic missiles—the DF-15 (CSS-6) with a range of 600 kilometers and the DF-11 (CSS-7) with a range of 300 kilometers—supposedly targeted at Taiwan.

China has also recently been seeking to build up its navy and air force by purchasing a large number of Russian-made weapons—the Su-27 and Su-30 fighters, submarines, destroyers, and air defense systems. In 2002 alone, China signed purchase contracts worth about \$5 billion, and will additionally make a third purchase of 38 Su-30 fighters. The performance of this type of aircraft has greatly improved, and they will be used by the navy for the first time. The aircraft is equipped with advanced anti-ship missiles called the Kh-31 (AS-17), and they will be delivered to China between 2003 and 2004. Moreover, China has decided to purchase medium-range air-to-air missiles, the R-77 (AA-12), which have already been test fired from Su-30s. China agreed to the purchase of the Su-30 in 1999, and 38 have already been deployed to its air force. The second purchase of 38 units is expected to be completed by the end of 2003. In addition, China's air-defense capability has been strengthened by deploying defense systems and S-300 surface-to-air missiles at three bases. For its navy, China has decided to purchase two *Sovremenny*-class destroyers and eight *Kilo*-class submarines, bringing the total of the former to four and the latter to 12. At the same time, China has reportedly agreed to purchase the 3M55 (SS-N-26) anti-ship cruise missile and the 9M38M2 (SA-N-17) anti-aircraft missile. The SS-N-26 has a range of 300 kilometers, longer than that of the 3M80 (SS-N-22) at 133 kilometers, which the same

type of destroyers normally carry. Similarly, the anti-aircraft missile SA-N-17 is an improved version of the 9M38M (SA-N-7), normally carried by *Sovremennyy*-class destroyers.

China is also pressing ahead with a weapons development program on its own by importing military technology from foreign countries. For instance, the J-8 III, J-10 and FC-1 are fighters developed on its own, using technology borrowed from abroad, and China wants to build 300 J-10s by 2005. Based on the Israeli *Lavi* fighter, China has developed the J-10 and equipped it with Israeli radar and weapon control systems to counter F-16A/B and *Mirage* 2000-5 of the Taiwan Air Force. And by converting 20 to 25 units of its 150 H-6 bombers into air-refueling aircraft, China has improved the long-range capability of its air force. Wanting to improve its early warning detection capability, China has modified two to four Tu-154s into electronic warfare platform by equipping them with radomes and antennae, as well as the Y-8 transport into airborne warning and control system (AWACS) by equipping them with *Skymaster* radar imported from RACAL, a British firm.

The army, too, has been improving its readiness and amphibious capability by reorganizing some divisions under Group Armies. The First Division of the First Group Army of the Nanjing Military Region that faces Taiwan has strengthened its amphibious capabilities by deploying an improved version of Type 63A amphibious tank. As this suggests, China is actively involved in modernizing its military equipment to gain control of both the sea and the air over the Taiwan Straits.

(3) Securing Capable People and Improving Their Treatment

Even more critical for the military than the modernization of its equipment is securing people who are capable of effectively fighting a modern war. As China's one-child policy took hold, and as many talented people were drawn to non-military jobs following development of the market-driven economy, the military has become increasingly worried over the lack of talented people. The military,

therefore, is trying hard to attract and train talented people by improving conditions.

In May 2002, the military launched a concentrated program for the construction of military educational institutions, planning to train talented military personnel by investing five times what it had spent during the preceding five-year period (1996-2000). As of the end of 2001, the military had a total of 26,000 officers with a doctor's or master's degree, and about 1,000 servicemen studying abroad. At the army conference in February on military personnel studying abroad, President Jiang Zemin stressed the importance of learning advanced military technologies from other countries, and acknowledged that since 1996, Chinese servicemen who had studied in over 20 countries had greatly contributed to the modernization of the Chinese military. In 1999, the military established five universities—the National Defense Science and Technology University, the PLA Information Engineering University, the PLA Science and Engineering University, the Navy Engineering University, and the Air Force Engineering University—and defined education as its top priority, pressing ahead with military training programs. Owing to these measures, university graduates and those with advanced degrees account for 88 percent, 90 percent, and 75 percent, respectively, of all commanders in armies, divisions, and regiments. For the military as a whole, 71.8 percent of all officers are graduates of universities and higher institutions, and close to half of the officers are technical officers.

In June 2002, the General Political Department of the PLA announced that about 60 military schools across the country would admit graduates of ordinary high schools. Needing to attract talented people, the government subsidizes their school expenses and provides a monthly stipend. The government has also created a recruitment system under which military cadres are selected from ordinary high school students and assigned to one of the three services. They are given defense scholarships and commissioned as cadets after graduation. In 2002, a total of 600 cadres who graduat-

ed from high school were recruited to the three services. At present, the number of cadres who are studying at some 50 ordinary high schools stands at about 5,000.

At the same time, efforts are being made to improve the treatment and working conditions in the military. Salaries were once again raised on the 75th anniversary (August 1, 2002) of the PLA, marking the fourth time since 1999. The treatment of military personnel has markedly improved as a result of an amendment to the Military Service Law, and has been extended to other areas, such as the housing system, the military insurance system, and the military medical security system. In September, the Central Military Commission decided to launch an incentive program for engineers by subsidizing superior professional engineers, starting in 2002. In addition, the Central Military Commission and the PLA General Departments decided to appropriate 1.6 billion yuan (approx. \$193 million) to improve the working and living conditions for servicemen in remote and inhospitable regions. Previously, units stationed in these areas had to contend with a number of problems, including those relating to water, food, electricity, and medical services. *The PLA Daily* reports that owing to these measures, military installations in these regions are equipped with standard amenities such as potable water, electricity, heating equipment, satellite communication facilities, internet service, recreational facilities, and libraries, resulting in much better environments in which to live and work.

(4) Military Exercises under the “New Outline”

Military exercises are imperative to improve the operational and combat capabilities of any armed forces. Regardless of the number of advanced arms and talented people it may have, well-planned military exercises are required to harness this power in an organized manner. In January 2002, the General Staff Headquarters issued a new “Outline of Military Training and Evaluation (New Outline)” that serves as a guideline for military exercises and

training. This outline is designed to provide more practical training, by drawing on lessons learned over the past three years from training using advanced technology. In September, the General Staff Headquarters amended the Regulations on Military Training of the PLA that had been used over the past 12 years, and enforced its New Regulations on Military Training of the PLA to improve training methods.

A military exercise carried out in the Nanjing Military Region. (People's Network, <http://j.people.ne.jp>)

Pursuant to this New Outline, each year the General Staff Headquarters announces the total number of required training hours and the courses applicable to the entire PLA. Each military region and each branch of service then draws up its own training schedule for the year, including field training exercises (FTX) and live-fire training. Each unit belonging to the Group Army allocates a certain number of hours for different types of training, in accordance with the schedule from its military region, and strives to improve its operational capabilities. More specifically, the headquarters of each unit oversees the training at each stage, from basic training to tactical-level training and joint exercises, determining each unit's operational duties, targets, and battlefield environments, and scientifically evaluating its abilities.

The General Staff Headquarters demands that field units improve their combat capability, pursuant to the new outline, the Regulations on Military Training, and the Rules for Evaluating the Class of Military Training. Training in the use of science and technology to determine combat capability, special training designed by commanders, training to acquire skills to operate new equipment, command post and unit training, integrated operational training, and antiterrorism training are also the responsibilities of the military.

By drawing on lessons learned from the Kosovo conflict, the military is actively carrying out "new three offenses and three defens-

es” tactics—countering stealth aircraft, cruise missiles, and armed helicopters, and defending against surveillance and reconnaissance, electronic jamming, and precision strikes by an enemy. In addition, the military has come to grips with “base training,” “simulated training,” and “network training,” though details remain sketchy. It seems that “base training” means battlefield conditioning carried out on a base created for training purposes, “simulated training” is carried out using the lifelike model of advanced equipment, and “network training” is aimed at improving C4I capability using command and control, communications, computers, and intelligence systems. Given top priority in 2002 was integrated operational training, with General Staff Headquarters urging all PLA units to improve the quality and level of integrated operational training to meet the challenges of modern warfare. Wanting to improve the efficiency of the five types of training—command and coordination, tactical maneuver, firepower strike, security and protection, and logistics support—and the overall quality of training, the General Staff Headquarters toughened training management. In addition to the traditional four evaluation grades (excellent, fair, success, and fail), it introduced two new ones: complete success and partial success.

The PLA, it is said, spends fewer hours training than military forces in advanced countries, and attention is being focused on how effectively the PLA can raise its training level under the New Outline. Proponents of a proposal to improve training argue that in addition to the “new three offenses and three defenses” tactics, the former “three offenses and three defenses” tactics—attacking enemy tanks, aircraft, and airborne troops, and defending against enemy nuclear, chemical, and biological weapons—and the old “three defense” tactics should not be ignored. This proposal is based on the thinking that the 21st century will see intelligence and high-tech wars, fought under nuclear threat. They say that the possibility of using nuclear, biological, and chemical weapons cannot—and should not—be ruled out.

The PLA Daily points out that the mode of war in the 21st century will increasingly diversify, and that as the world situation changes, training methods should be flexible, while old-fashioned training ought to be maintained. This thinking seems to have been inspired by the realization of the devastating effect and modality of recent U.S. military operations. The military has been carrying out active combat training and exercises, pursuant to the New Outline and the new Regulations on Military Training. The possibility exists that the General Staff Headquarters will work out new methods of training or revise the old “three defenses” tactics, in light of the lessons learned from the antiterrorist operations of the United States, and future developments bear watching closely.

(5) The Navy Heads for Blue Water

In recent years, the Chinese navy has been actively carrying out military exercises and training, and its fleets have visited other countries, reflecting the fact that modernizing naval equipment, and training its personnel, have been proceeding. The navy requires professional engineers, and supporting its core are noncommissioned officers who account for 70 percent to 80 percent of all personnel. They are the key to the navy’s successful technical operation.

The navy attaches great importance to visits by its fleets to foreign countries. The visits to four European countries (Germany, the United Kingdom, France, and Italy) between August and October 2001 by a Chinese fleet was the only story concerning China in *The PLA Daily’s* top ten military news stories of fiscal 2001. *The PLA Daily* gave prominent coverage of these visits, featuring a photo larger than those of the September 11 terrorist attacks. Chinese navy squadrons have visited foreign countries continuously in 2002. In the beginning of May, a naval vessel unit, consisting of the missile frigates *Jiaxing* and *Lianyungang* of the East Sea Fleet of China, left Shanghai for Inchon, South Korea, on a four-day friendship visit. Also in mid-May, the guided missile de-

destroyer *Qingdao* and supply ship *Taicang* of the North Sea Fleet, left Qingdao port for its first round-the-world voyage. After departing Qingdao, the vessels set out on a four-month, 30,000-nautical-mile voyage, and visited ten countries (including Singapore, Egypt, Turkey, Ukraine, Greece, Portugal, Brazil, Ecuador, and Peru). Carried out as part of China's military exchanges with other countries, these foreign visits are designed to improve the navy's sustained combat capability, to boost the morale of the sailors, and to improve naval shipbuilding technology.

Foreign visits of Chinese naval vessels started in 1985. Although initially troubled by mechanical difficulties, technology has since improved. The recent ten-country visit marked the navy's 21st visit, with a total of 39 vessels having participated over the years, indicating the improved operational capability of the Chinese navy. China sees a need to secure its maritime interests, and the navy seeks to improve its operational capability in the oceans. It appears that the Chinese navy wants to become a regional navy, similar to the Russian and Indian navies. Expected to equip itself with larger vessels, the Chinese navy is now reportedly building two improved *Luhai*-class destroyers at Jiangnan Shipyard in Shanghai. This vessel will have a displacement of 5,000-6,000 tons, and the same type of equipment as aboard the *Sovremennyy*-class destroyer of Russia, powered by an engine system based on French technology provided by Ukraine. As such, it will be superior to the *Luhai*-class destroyer *Shenhen* China currently has. In addition, a large shipyard, now under construction near Shanghai, is expected to be completed in 2003, and will be able to build supply ships and aircraft carriers.

Meanwhile, it is reported that the navy has begun research to develop aircraft carriers. There seems to be a growing consensus within the military for the need to accelerate the pace of building an aircraft carrier, especially with a view to a Taiwan contingency. If China decides to develop a carrier by itself, shipyards in Dalian and Shanghai have the capability to build one. Dalian Shipyard

has a dock that is 365 meters long and 80 meters wide, the largest in China, and is capable of building a 300,000-ton class vessel. Toward the end of August 2002, the Dalian Shipyard delivered a very large crude carrier (VLCC) of the 300,000-ton class to Iran. Jiangnan Shipyard in Shanghai is located close to Shanghai Baogang (steel mill), facilitating the delivery of steel products. Zhonghua Shipyard, also located close to Shanghai, has ample experience in building naval vessels, and is in a position to receive help from the navy shipyards in Wuhan and Bohai. It is believed that if the Chinese navy decides to build an aircraft carrier, it will choose a shipyard from among those in Shanghai. As the Chinese navy improves its ability to operate in the ocean, public support for China to acquire aircraft carriers is rising. The Chinese government has decided to purchase Su-30 fighters from Russia for the first time, for its navy, and it is possible that China is contemplating an aircraft carrier in the coming years—so much so that its future moves merit attention.

4. China-Taiwan Relations

(1) China-Taiwan Relations Moving under the “Three Direct Links”

Based on Taiwanese President Chen Shui-bian’s indicated desire to improve China-Taiwan relations by establishing the “three direct links” (travel, postal service, and trade), both parties began political positioning. When he visited Kinmen Island in May 2002, the president said that resuming a dialogue between Taiwan and China was necessary, and that the first step would be mutual visits by the leaders. He indicated when he took office as chairman of the Democratic Progressive Party (DPP), he would send a party delegation to China to begin a dialogue with the CPC. At the same time, he stated that the “three direct links” were avenues both Taiwan and China could not ignore, that he would authorize the “small three links” for specified areas (Kinmen Island and Matsu Island),

and then he would increase the number of specified areas. He hinted at the possibility of delegating a certain degree of responsibility for negotiating the terms of the “three direct links” to private organizations under government supervision by saying he would enlist the cooperation of private groups.

In response, China said it would welcome negotiating the terms of the “three direct links” with government-approved Taiwanese firms, and looked forward to establishing the “three direct links” as early as possible. Chinese Vice Premier Qian Qichen said that since the “three direct links” are basically an economic issue, talks should not be influenced by political considerations, and that they could be realized in short order if viewed as one state’s domestic affairs. However, President Chen rejected this idea, saying that China’s characterization of the “three direct links” as domestic affairs amounted to a precondition designed to induce Taiwan into accepting the “one-China” principle.

When President Chen took office as chairman of the DPP in July 2002, he announced that he would actively promote an exchange of visits between political parties of Taiwan and China with a view to normalizing the cross-straits relations. And he urged China to unconditionally resume a dialogue toward normalization, saying that if China ignores his goodwill message, Taiwan has no other choice but to think seriously about the way it proceeds. In an August speech delivered through the Internet at a meeting of the World Federation of Taiwanese Associations held in Tokyo, he stated that the relationship between Taiwan and China is that of “one country on either side” of the Taiwan Straits, and that this distinction should be made clear. He also said that “Taiwan must now seriously consider passing a referendum” to choose its future course. In response, the Chinese press vehemently opposed these ideas, saying that President Chen’s remark presupposed a “state-to-state” relationship, one reiterated by former President Lee, revealing his true colors as an advocate of Taiwanese independence, and demanding in strong terms that he withdraw the remark before it triggered a

crisis. *The China Daily*, an English-language paper affiliated with the Chinese government, hinted at the growing possibility of China's use of force, and suggested that the Chinese government would not sit idly by and watch Taiwan gain independence. However, China stopped short of threatening Taiwan with an armed attack for the following reasons: (1) news media across the world had criticized or taken a negative view of President Chen's remark; (2) the United States adhered to the "one-China" policy and indicated it did not support Taiwan's independence, urging both sides to calm down; and (3) President Chen moved to defuse the situation by calling off a planned military exercise, and rephrased "one country on each side" to "two sides enjoying sovereign parity."

Due to his "one country on each side" remark, the "three direct links" project faded into the background. Yet when China's Vice Premier Qian Qichen visited Fujian Province in early September, he expressed a renewed interest in the "three direct links." During a conversation with delegates to the World League for Freedom and Democracy—as well as an interview in Taiwan's *The United Daily News*—Vice Premier Qian stated that the links were an economic issue, not a political one, and therefore there was no need to accept the "one-China" principle before implementing them. He added that there was no need to call direct flights between China and Taiwan either international or domestic flights, and suggested the phrase "cross-straits route," hoping to appease Taiwan.

President Chen welcomed Vice Premier Qian's remarks, yet opinions in Taiwan remain divided. Cross-straits business has been increasing monthly, and calls from Taiwan's business community for an early commencement of the "three direct links" ban have become increasingly vocal. The Taiwanese government had followed a "no haste, be patient" policy, but it was pressured by the business community because the "three direct links" promise great benefits to both China and Taiwan. Although the wave of popular demand seems unstoppable, Taiwan still feels threatened by China's refusal

to rule out the use of force, thus discouraging Taiwan from throwing open the gate to the “three direct links.” At the National Congress, the CPC came up with a three-point proposal: (1) “There is but one China in the world;” (2) “Both the mainland and Taiwan belong to one China;” and (3) “China’s sovereignty and territorial integrity brook no division.” In other words, the proposal did not define Taiwan as a province of China but said that both China and Taiwan belong to one China. China toned down its hard-line stance and urged Taiwanese businesspeople and their families on the mainland to use direct chartered flights to Taiwan during the Chinese New Year holidays. The Taiwanese authorities agreed to operate chartered flights between Shanghai and Taipei, but only via Hong Kong and Macao. Although China expressed displeasure over these indirect flights, it went along nonetheless.

Some say that changes in China’s stance toward Taiwan were made at the initiative of the new government of Hu Jintao, but perhaps China was eyeing Taiwan’s upcoming presidential election in the spring of 2004, having closely followed the December 2002 mayoral elections in Taipei and Kaohsiung, generally seen as a prelude to the presidential election. The Taipei election turned out to be an exclusive contest between the candidates of the ruling and opposition parties. In the end, incumbent Mayor Ma Ying-jeou of the Kuomintang (KMT) defeated the opposition candidate by a wide margin. Aware of the support among Taiwan’s business community for opening up the “three direct links,” Ma Ying-jeou advocated direct flights between China and Taiwan, contrary to President Chen’s policy. Meanwhile, among the five mayoral candidates in Kaohsiung, incumbent mayor Frank Hsieh of the ruling DPP won by a small margin over the opposition KMT, and the government of President Chen barely managed to hold on to its southern power center.

The results of the recent mayoral elections helped the opposition parties gain momentum, raising the possibility of forming a united front against the ruling party in the next presidential election. The

inept handling of financial reforms has deeply undercut the approval rating of President Chen Shui-bian, making it increasingly difficult to manage his government. The Chinese government is expected to shake up the government of President Chen by winning over the business community of Taiwan with a focus on the “three direct links,” and step up contact with the opposition parties. Since the “three direct links” will have a serious impact not only on China-Taiwan relations but also on the next presidential election, attention is being focused on how Taiwan’s government will handle the issue.

(2) Taiwan’s Armed Forces under a Unified Command

In March 2002, Taiwan unified the chain of command of its armed forces under a civilian minister of national defense by enforcing the National Defense Law and the Defense Ministry Organic Law. Along with its system of electing a president by direct popular vote, begun in 1996, the establishment of civilian control over the military suggests the formation of a democratic military. Until then, authority over military operations rested with the General Staff Headquarters, and authority over personnel administration and military equipment with the Ministry of National Defense. The chain of command had a dual structure, namely, military command and administrative systems. As a result, the minister of national defense, while being technically above the chief of the general staff, had less de facto power to get involved in directing the three services, and in personnel management and the procurement of military equipment.

As democratic institutions and procedures began to take hold in Taiwan, pressure has grown on the military to democratize, and voices calling on the military to unify its chain of command have mounted. Wanting to establish a democratic chain of command, the Legislative Yuan (parliament) has taken the necessary steps, and the Ministry of National Defense has instituted an Organization Planning Committee in January 2001, and has started work to

unify the military command and administrative systems. In October 2001, the Legislative Yuan enacted two necessary laws, and the government began to formally enforce them in March 2002. Under this reorganization plan, the Ministry of National Defense created under the defense minister the post of the chief of general staff, a vice minister for the military administration, and a vice minister for the military equipment, charging them, respectively with the responsibility for operational command, for the administration of military personnel, and for the administration of military equipment. A system supporting a civilian minister of defense was established, enabling the armed forces of Taiwan to defend the nation under a unified chain of command.

However, Chinese forces facing Taiwan have begun to increase their power at an even faster pace than before, making it difficult for Taiwan to maintain its deterrent posture into the future. According to the 2002 Republic of China (ROC) National Defense Report revealed in July, China has replaced its conventional weapons with advanced ones, and has improved its capability for a first strike on Taiwan by providing against an asymmetric war through outer-space warfare, electronic warfare, and missile warfare. The report points out that the qualitative military balance between China and Taiwan could tip in China's favor by around 2010. It also says that short- and medium-range ballistic missiles, such as the DF-15 (M-9) and the modified DF-11 (M-11) which can cover all of Taiwan, have been deployed in Jiangxi and Fujian provinces, and predicts that missiles targeted at Taiwan will increase to over 600 by 2005. It reports that China has repeatedly carried out exercises to prepare its troops to deter any Taiwanese independence movements, and notes the potential danger for an armed clash between China and Taiwan.

In an effort to strengthen the defense capability of Taiwan, the U.S. government decided in September to sell Taiwan a total of \$520 million worth of arms including anti-tank missiles, air-to-air missiles, and amphibious tanks. However, Taiwan wants to buy

only the weapon systems it really needs. Taiwan has set a defense budget for 2003 at 259.9 billion new Taiwanese (NT) dollars (approx. \$7.7 billion), the lowest since 1996. With personnel expenses increasing, Taiwan is having difficulty financing the purchase of new equipment. The government plans to allocate about NT\$600 billion (\$17.7 billion) for the procurement of a variety of weapon systems from the United States over the next ten years. About 50 percent of this will be for the navy, about 30 percent for the army, and the remainder for the air force. Over the past ten years, the air force had priority over the army and the navy, and it purchased fighters—F-16A/B, Indigenous Defensive Fighter (IDF *Ching Kuo*), and *Mirage* 2000-5. Therefore, the government has shifted its priority from the air force to the navy, which plans to purchase eight diesel-powered submarines, 12 P-3C patrol aircraft, an unidentified number of MH-53E helicopters, four *Kidd*-class destroyers and an unknown number of AAV7-A1 amphibious assault vehicles—at a total cost of NT\$284 billion (\$8.4 billion). The army's procurement list includes about 30 AH-64D attack helicopters, two or three sets of Patriot PAC-III air defense systems, M109-A6 self-propelled howitzers, and may add the M1A2 tanks.

Negotiations for the sale of weapon systems between the United States and Taiwan are held in April each year. In March 2002, Taiwanese Minister of National Defense Tang Yao-ming attended the so-called "U.S.-Taiwan Defense Summit" for the first time since the United States had broken off diplomatic relations with Taiwan in 1979. In September, Vice Minister of National Defense Kang Ning-hsiang visited Washington, D.C., to discuss the purchase of weapons, and military-to-military contact between the United States and Taiwan has become increasingly close. Taiwan's recent move to unify the chain of command under the minister of national defense is likely to deepen mutual trust between the two militaries. The Taiwanese armed forces carried out a maneuver dubbed the "Hang Kung No.18" for 42 days in April and May 2002, aimed at stopping a hostile army landing on its shore. The Chinese govern-

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ment charged that, as was true with the “Hang Kung No.17,” U.S. forces were deeply involved in the maneuver, and expressed its strong concern over the military cooperation between Taiwan and the United States.

