

Chapter 3

China— Hu Jintao Sets a Fresh Course Amidst Diverse Challenges

For China, the year 2007 marked the end of the Hu Jintao administration's first term and the start of its second term, and hence was the halfway point in Hu's reign as General Secretary of the Communist Party of China (CPC), assuming that he does not serve beyond his second five-year term. This juncture represents the opportunity most likely to be used by Hu to clearly differentiate himself from his predecessor, Jiang Zemin. If the Hu administration intends to strike out on a new heading in its administration of domestic affairs, diplomacy, the military, and policy toward Taiwan, there is little reason to believe that it will do so at any time other than the present.

During the Seventeenth National Congress of the CPC (hereafter, all such congresses are referred to as "Party Congress"), Hu Jintao presented a work report in which he stressed a shift from the old exclusively growth-focused model of development to a "people-centered" model that was more attentive to resources and the environment. The Hu administration's agenda was further bolstered at the congress when Hu's signature concept of "Scientific Outlook on Development" was ratified as part of the CPC's constitution. At the same congress, two younger party leaders, Xi Jinping and Li Keqiang, were elevated to members of the Standing Committee of the Politburo of the Central Committee. The promotion of these two members has provided a glimpse of the shaping China's next generation of leadership in the post-Hu era.

China's recent diplomacy has been guided by the principle of peaceful development, as evidenced by its proactive stance toward the enhancement of ties with major powers—the United States and Japan—and toward diplomacy with neighbors, including the denuclearization of North Korea. In the five years since the Sixteenth Party Congress, China has displayed increased confidence toward diplomacy.

As for military affairs, a new direction in military policy was expressed at the Seventeenth Party Congress: the combined goal of increasing national prosperity while building military strength. At present, the People's Liberation Army (PLA) is stepping up its modernizing efforts, which have included the exploration of possibilities for operational integration and the navy's operation on the high seas. In addition, China has sought to improve its image abroad through military diplomacy, such as making port call in Japan by a PLA Navy vessel.

In Taiwan, there was brisk campaigning for the March 2008 presidential election after candidates were fielded by the government party and an opposition

party. China will host the Olympic Games in Beijing in August 2008, and thus is not in a position to display a hard-line attitude to the world. The Taiwanese government will apparently take advantage of this lull by conducting a national referendum concerning membership in the United Nations (UN), which is an inflammatory issue to China. Openly, Beijing is applying pressure on Taiwan via the United States, but below the surface the tension between China and Taiwan is rising.

1. Strengthening of the Hu Jintao Regime

(1) The Mixed Blessings of China's Growth

During the fifth session of the Tenth National People's Congress (NPC) held from March 5 to 16, 2007, Premier of the State Council Wen Jiabao delivered the Report on the Work of the Government, which provided a review of FY2006 and an outlook for FY2007. The report exuded ambition and confidence concerning the development of China's economy, as seen in its revelation that the economy expanded at a year-on-year rate of 10.7 percent in FY2006—marking the fourth straight year of double-digit growth—and avoided steep inflation through the government's successful macro-controlling efforts. Underlying this achievement was a year-on-year rise of 19 percent in revenue that increased the national coffers to 3.93 trillion RMB and thus gave the government plenty of leeway to operate.

The report also extolled the government's steps to bolster the so-called "three farm-related measures" (problems facing agriculture, rural areas, and farmers), declaring that "steady progress was made in building a new socialist countryside" and that the government "placed greater emphasis on saving energy and protecting the environment...and established a general responsibility system for meeting energy saving and pollution discharge reduction targets." However, the report had to concede that "there are still many difficulties and challenges in China's economic and social development and some shortcomings and inadequacies in the work of the government."

The media are reporting more and more cases of trouble resulting from China's exclusively growth-focused economics and the delays in implementation of political reforms. In June 2007, authorities uncovered dozens of underground brick factories in Shanxi and Henan Provinces that used numerous abducted children and migrant workers (*mingong*) as forced labor. The news was reported

nationwide, with the accounts of “modern-day slave factories” sending shock waves across China. There are also an increasing number of news reports on serious environmental concerns, adding to the evidence that China has yet to make, at the grassroots level of society, a break away from the economic growth-oriented course set in the Jiang Zemin era.

On June 25, CPC General Secretary Hu Jintao gave a keynote speech at the Party School of the Central Committee of the CPC in which he announced that the nation would follow the Deng Xiaoping Theory and the important thought of “Three Represents,” thoroughly apply the Scientific Outlook on Development, firmly uphold the CPC’s fundamental course, principles, and experience, continue to emancipate the mind, persist in reform and opening up, pursue scientific development, promote social harmony, and strive for new victories in building a moderately prosperous society in all respects. He also emphasized that the Scientific Outlook on Development, his pet concept, would serve as the model for China’s future growth. Subsequently this speech was repeatedly cited in various pronouncements, and it formed the basis for the keynote address of the Seventeenth Party Congress in October.

(2) Growing Debate on Political Reform

Over the years, the guiding hand of the CPC has compensated for China’s lack of a democratic system for reconciling interests when social issues emerge. Today, however, the nation is the scene of serious study and discussion of political reform for revamping such traditional approaches to administration. For instance, a call for democratic governing was made in the Resolution on the Building of Ruling Capacity of the Party, which was adopted in October 2006 at the fourth plenary session of the Sixteenth Central Committee of the CPC. China’s devotion to economic expansion has given rise to a variety of growing economic disparities between and within regions, but what has really caught the attention of many pundits is the government’s sluggishness in carrying out political reform. As the Hu Jintao regime embarks on its second term, there is widespread anticipation that the administration will get down to business with the process of political reform. The question, however, is where and how far that reform will be taken.

In January 2007, a task force of the Party Building Research Institute, a division of the Organization Department of the CPC Central Committee, released a report on its study of democratic governing. The report offered several specific

recommendations for achieving a system of democratic governing, such as: (a) enrich the democratic electoral system by fielding more candidates than the number of seats available; (b) fill out the democratic policy-making system by establishing a permanent system of delegates, rather than just having party delegates debate and vote at party congresses; (c) enhance the democratic system of administration through greater transparency; (d) completely develop the internal supervision mechanisms of the party, and strengthen democratic oversight by the NPC and the Chinese People's Political Consultative Conference (CPPCC); (e) reduce party members' occupation of leading posts of the local people's congresses and governments in cases where those posts overlap with ones held by non-party members.

Hu Jintao has also made statements concerning political reform, including at the Politburo's thirty-sixth collective study meeting, a closed meeting believed to have been held in November 2006. There, Hu declared that China would, under a new state of affairs, constantly seek to raise the level of its efforts to develop grassroots socialist democracy by holding a deep understanding of the rules and characteristics of grassroots socialist democracy, respecting the people's creative spirit, adeptly applying to government policies the experience and methods acquired from the nation's practice of grassroots social democratic government, and elevating matured policies into laws and regulations. The statement signified that the quasi-competitive election systems being developed for village committees in rural areas would also be applied to the various intra-party elections.

The May 2007 issue of *Theoretical Trends (Lilun Dongtai)*, a journal published by the Party School of the Central Committee, carried a treatise on the construction of democratic government that was written by a task force of the CPC's Shanxi Provincial Party School. The article underscored the importance of complementing the CPC's traditional focus on "substantial democracy" with the introduction of "procedural democracy," a topic long criticized as bourgeois by the party, and it recommended that China actively draw upon the achievements of other civilizations while firmly sticking to its "own path." In addition, the article hinted that China's political elite were divided into two camps regarding political reform, with one arguing for accelerated implementation of reform, and the other holding that reform would and should naturally occur as the economy and society developed. This seems to indicate that there already are forces in China that advocate radical, fundamental democratization in the direction of Western liberal democracies.

One of the main focuses of attention surrounding the Seventeenth Party Congress was the question of how far democratic political reform would be taken to systemize the reconciliation of interests within society.

(3) The Course Plotted by Hu Jintao at the Seventeenth Party Congress

The CPC made key decisions concerning its course of policy and personnel assignments during the Seventeenth Party Congress held from October 15 to 21, 2007, and during the first plenary session of the Seventeenth CPC Central Committee, which was held immediately afterwards on October 22.

An examination of those decisions best begins with a look at the policy course changes expressed in the report that Hu Jintao, speaking as general secretary of the CPC Central Committee, made on the first day of the congress. The report stated that the theme of the congress was “to hold high the great banner of socialism with Chinese characteristics, follow the guidance of Deng Xiaoping Theory and the important thought of Three Represents, thoroughly apply the Scientific Outlook on Development, continue to emancipate the mind, persist in reform and opening up, pursue development in a scientific way, promote social harmony, and strive for new victories in building a moderately prosperous society in all respects.”

Scientific Outlook on Development, an initiative formulated by Hu Jintao, was defined by the report as an “important guiding principle” that was “in the same line as Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory and the important thought of Three Represents.” During the congress, the delegates voted to incorporate this initiative into the CPC Constitution as an “important guiding principle.” Moreover, the ideal of social harmony espoused in Hu Jintao’s report was also written into the constitution with the sentence “The Communist Party of China leads the people in building a harmonious socialist society.” That an incumbent general secretary was able to have

his guiding principles enshrined in the CPC Constitution represented a very rare accomplishment, one that even Deng Xiaoping and Jiang Zemin failed to achieve. As such, it can be interpreted as a sign that the Hu Jintao vision, which boldly blazed a path for sustained, balanced growth, had earned legitimacy among a broad base of support in the party.

Hu Jintao's report also touched upon the subject of democracy, stating "The essence and core of socialist democracy are that the people are masters of the country. We need to improve institutions for democracy, diversify its forms and expand its channels, and we need to carry out democratic election, decision making, administration and oversight in accordance with the law to guarantee the people's rights to be informed, to participate, to be heard, and to oversee." Nevertheless, the report did not spell out any new steps for reshaping the established methods of administration—namely, the system of people's congresses and the system of multiparty cooperation and political consultation. Likewise, the grassroots democracy-related reforms outlined in the report were merely extensions of existing policies.

Notably, the so-called process of "intra-party democracy," which seemed to show signs of evolving, died without achieving anything more than a handful of quantitative advances. For the congress, 2,213 delegates were selected from among the CPC's more than 73 million members through multi-candidate elections. The number of candidates was 15 percent above quota, which was higher than the 10 percent margin of the Sixteenth Party Congress in 2002. The delegates' selection of Central Committee members and alternate members was also handled through multi-candidate election, but the CPC did not publicly disclose the details of these elections, including the number of votes cast for each candidate. While there were some small signs of increased transparency, such as information disclosure and press conferences for some provincial delegate group meetings, the Central Committee elections themselves were cloaked in secrecy, as the candidates made no campaign speeches, and the delegates were relieved of their cell phones and housed in a heavily guarded hotel, under strict orders not to communicate with the outside.

As this situation indicates, political reform is not making significant headway in China. Although Hu Jintao's report used "democracy" and "democratic" as keywords in as many as sixty-seven references, the nature of CPC discussions leading up to the Seventeenth Party Congress suggests that the lack of progress is

not so much a symptom of extremely conservative reform as it is a sign that the government has hardly begun to pursue reform. It would not be an exaggeration to characterize Hu Jintao's policy as nothing but a minutely quantitative enlargement of the framework laid out at the Sixteenth Party Congress. Indeed, a large gap exists between the CPC's concept of democracy and the way that it is generally understood in Japan and Western democracies. It is reasonable to assert that the CPC's bandying of such terms as "democracy," "disclosure," and "transparency" since before the Seventeenth Party Congress represents merely an attempt to enhance the party's image, not an intention to carry out substantive changes.

With regard to foreign policy, Hu Jintao's report set as a goal the building of a "harmonious world" and stressed that China would "unswervingly follow the path of peaceful development." Contrasted with the general secretary's report at the Sixteenth Party Congress five years earlier, which included a rebuttal against the so-called "China threat theory," the Seventeenth Party Congress report paints a picture of a China more confident about its economic growth and improved standing in the international community. The report also revealed the Hu Jintao regime's intention to further pursue omnidirectional diplomacy in a globalizing world, avowing that China was committed to "combining the interests of the Chinese people with the common interests of the people of other countries," and that "China cannot develop in isolation from the rest of the world, nor can the world enjoy prosperity and stability without China."

The Seventeenth Party Congress was also a venue for personnel shuffles. The party delegates elected 204 members to the Central Committee, and a further 167 as alternate members for that committee. Next, the Central Committee members selected twenty-five Politburo members, nine members of the Politburo's Standing Committee, and one general secretary. Moreover, the congress saw the selection of members for the Secretariat based on nomination by the Standing Committee, the appointment of members to the Central Military Commission (CMC), and the ratification of personnel selections for the Central Commission for Discipline Inspection's (CCDI) secretary, deputy secretaries, and Standing Committee members, who were nominated earlier at the CCDI's first plenary session.

The spotlight in personnel reshuffling was focused on the selection of those who would lead the CPC Central Committee following the end of Hu Jintao's reign. It is expected that Hu Jintao's future successor as general secretary would be among the younger party members newly appointed to the Politburo's Standing

Table 3.1. Standing Committee members of the Politburo of the 17th CPC Central Committee

Name	Appointment	Born	Education	Career	Native Province
Hu Jintao	Continuing	Dec. 1942	Tsinghua University	CPC General Secretary, President of the PRC, Chairman of the CMC	Anhui
Wu Bangguo	Continuing	July 1941	Tsinghua University	Chairman of the Standing Committee of the 10th NPC	Anhui
Wen Jiabao	Continuing	Sept. 1942	Beijing Institute of Geology	Premier of the State Council	Tianjin City
Jia Qinglin	Continuing	March 1940	Hebei Engineering College	Chairman of the 10th National Committee of the CPPCC	Hebei
Li Changchun	Continuing	Feb. 1944	Harbin Institute of Technology	Secretary of the CPC Guangdong Provincial Committee, Chairman of the Central Committee of Spiritual Civilization Construction	Liaoning
Xi Jinping	New	June 1953	Tsinghua University	Member of the Secretariat of the CPC Central Committee, Secretary of the CPC Shanghai Municipal Committee	Shaanxi
Li Keqiang	New	July 1955	Peking University	Secretary of the CPC Liaoning Provincial Committee, Chairman of the Standing Committee of the Liaoning Provincial People's Congress	Anhui
He Guoqiang	New	Oct. 1943	Beijing Institute of Chemical Engineering	Secretary of the CCDI, Head of the Organization Department of the CPC Central Committee	Hunan
Zhou Yongkang	New	Dec. 1942	Beijing Petroleum Institute	State Councilor, Deputy Secretary of the Committee of Political and Legislative Affairs of the CPC Central Committee, Minister of Public Security	Jiangsu

Sources: Nov. 23, 2007 issue of the *People's Daily* and other media reports.

Committee. Five of the committee's current members were kept on, and four new members were assigned, including Xi Jinping and Li Keqiang, both of whom are in their early fifties. It is believed that Hu Jintao originally picked as his successor Li Keqiang, then secretary of CPC Liaoning Provincial Committee and, like Hu, an alumnus of the Chinese Communist Youth League. However, it appears that the position of strongest contender as tomorrow's leader of China has been usurped by former Secretary of CPC Shanghai Municipal Committee Xi Jinping, a son of former Vice Premier Xi Zhongxun. Considered a member of the "prince party," or children of the CPC elite, Xi Jinping passed over Li Keqiang to become the CPC's sixth-ranked member.

It was at the Fourteenth Party Congress in 1992 that Hu Jintao was appointed as the youngest member of the Politburo's Standing Committee, having been selected by Deng Xiaoping as a future candidate for the position of general secretary. The question of whether Li Keqiang is in the running for general secretary cannot be answered until it is seen whether he is appointed as a vice premier of the State Council at the NPC scheduled for March 2008. However, it appears that Hu Jintao was unable to have his protégé Li Keqiang elevated to that position at the Seventeenth Party Congress. Xi Jinping's backer is believed to be another "prince party" member, Zeng Qinghong, who retired at the Seventeenth Party Congress on account of his age. If Hu Jintao retires, as is the CPC custom, at the Eighteenth Party Congress five years from now and is succeeded by Xi Jinping, there is a possibility that Zeng Qinghong will become the patron behind China's top leader. Observers are likely divided in opinion over whether this potential situation is a reflection of Hu Jintao's lack of leadership, or represents a diversification of power in the CPC's core as a result of increased systematization. In either case, the shape of post-Hu Jintao China has become murkier than before.

2. The Path of "Peaceful Development" and the Evolution of Diplomacy

(1) Deepening of US-China Strategic Ties

China's strategic ties with the United States—its most important bilateral partner in many respects—took a stride forward in 2007, with contact increasing between the defense ministers of both sides. In Singapore in early June, PLA Deputy Chief of General Staff Zhang Qinsheng and US Secretary of Defense Robert Gates

participated in the Asia Security Conference (Shangri-La Dialogue), a meeting on defense and security issues that brings together ministerial-level officials and experts from across the Asia-Pacific region. China had refrained from sending high-level officials to previous sessions due to the presence of Taiwanese representatives, so the 2007 meeting marked the first time for a Chinese deputy chief of general staff to attend, indicating that China had taken on a positive attitude toward the talks.

During the conference, Gates expressed the United States' concern about the lack of transparency in China's military budget and program for modernizing military equipment. China responded to this criticism by explaining that the increases in its defense spending were largely the result of improvements in compensation for PLA personnel—better pay and post-retirement benefits—and by arguing against the credibility of the “Annual Report to Congress: Military Power of the People's Republic of China 2007” that the US Department of Defense released immediately ahead of the conference. Overall, however, both sides maintained an upbeat tone toward each other, frequently making optimistic assessments of their relationship as being one based on “common interests.” Also, Zhang Qinsheng spoke about prospects for setting up a hotline between China and the United States.

Gates traveled to Beijing in November for separate meetings with Minister of National Defense Cao Gangchuan and President Hu Jintao, making the first visit to China by a US defense secretary in the nearly two years following Donald Rumsfeld's October 2005 visit. Considering that Rumsfeld's visit itself was the first in five years, Gate's trip signified that defense minister-level exchange between both sides was getting on track and that China had taken on greater weight in the United States' perception of military and security affairs. During this visit, both sides agreed to set up a hotline between their defense ministries, a project that might serve as a template for the hotline that China and Japan have decided to establish under a similar basic agreement.

In their agreement, Cao Gangchuan and Gates pledged to have their respective agencies immediately launch talks on the technical aspects of opening up the hotline. If brought to reality, the hotline is expected to help prevent accidents from escalating into crises, which nearly happened when US and Chinese military aircraft collided in April 2001. However, such a hotline cannot be effectively used if both sides do not adequately reveal to each other their decision-making processes

and chains of command. Without such openness, the hotline could end up being a risk factor instead, as the potential for miscommunication could lead to crisis escalation. It deserves to be seen how China and the United States will go about establishing and operating the hotline.

It should also be noted that Cao Gangchuan and Gates discussed the need for both sides to advance and deepen their military-to-military dialogue, including with regard to nuclear policy, strategy, and doctrine. Seemingly, the US intention to have such dialogue with China is to determine whether China poses a strategic threat by revealing the aims of China's efforts to modernize its nuclear weapons and ballistic missiles. The meeting also produced mutual pledges to step up dialogue and exchange at various levels, implement joint exercises in humanitarian aid and disaster relief, increase exchange between military training centers and between junior officers, cooperate in accessing Chinese military archives to aid the United States' search for US armed forces personnel who became missing in action during the Korean War, and promote cultural exchange between the two militaries. In addition, Cao Gangchuan praised the progress in US-China relations, but also called upon the United States to maintain peace and stability in the Taiwan area through concrete action—namely, terminating military ties with Taiwan and the arms sales to Taiwan. For his part, Gates stated that the purpose of his visit was to deepen US dialogue with China, build up shared understanding, and advance the common interests of both sides. He also indicated that although the United States remained firm on its basic policy regarding the Taiwan issue, it would continue to embrace further exchange with China.

Despite such positive developments as Gates' visit, however, US-China relations have been marred by problems emerging in many areas. In late May, Vice Premier Wu Yi visited the United States to hold a second round of strategic economic dialogue with US Secretary of the Treasury Henry Paulson. The talks failed to satisfy US demand for action regarding its soaring trade deficit with China, which rose to \$2.33 trillion in 2006 while the renminbi exchange rate has risen only 7.9 percent since 2005. Furthermore, as the US market continues to be flooded with Chinese imports, the US Congress has become increasingly displeased with the growing number of reports about hazardous defects in pet food, tires, toys, and other everyday items manufactured in China.

Friction exists between China and the United States over issues pertaining to human rights and religious freedom as well. On October 17, during China's

Seventeenth Party Congress, the US Congress bestowed its highest honor, the Congressional Gold Medal, on the fourteenth Dalai Lama, the head of Tibetan Buddhism. The medal was presented at a ceremony in Washington by President George W. Bush, the first US president to participate in an official function attended by the fourteenth Dalai Lama. Previously, President Bill Clinton met the fourteenth Dalai Lama at the White House, but the event was staged as a “chance encounter.” During the ceremony, President Bush signaled his intent to support the resolution of the Tibet issue by declaring “Americans cannot look to the plight of the religiously oppressed and close our eyes or turn away. And that is why I will continue to urge the leaders of China to welcome the Dalai Lama [now living in exile in India] to China.”

The US-China strategic relationship has also been overshadowed by an incident that took place in late November. The aircraft carrier USS *Kitty Hawk*, which had earlier requested permission to enter Hong Kong’s port for the US Thanksgiving holiday, was denied that permission with no reason stated, just before the scheduled visit. At the time, hundreds of the crew’s family members were reportedly awaiting the ship’s arrival to Hong Kong. In addition, two US minesweepers seeking shelter from stormy weather were refused entry into the same port. As these denials contravened internationally accepted seafaring customs, the US Navy issued a strong statement of protest to the PLA.

The reason for China’s refusal was unclear from the beginning, though Minister of Foreign Affairs Yang Jiechi is said to have unofficially informed President Bush that the incident was the result of a misunderstanding. However, days later a Ministry of Foreign Affairs spokesperson made references to problems like the Dalai Lama and arms sales to Taiwan, suggesting that the real reason for the incident was Chinese displeasure with the United States. The Ministry of Foreign Affairs expressed further dissatisfaction with US actions, voicing “grave concern” about the fact that the USS *Kitty Hawk*, after being denied entry into Hong Kong, sailed through the Taiwan Strait to Japan due to weather-related reasons.

It is unclear what sort of internal decision-making process was behind China’s port entry denials. If the orders were issued by President Hu Jintao and other members of the CMC, this would represent a message intended to curb the United States, but it is unlikely that the commission would use this ploy. On the other hand, if the PLA’s central command made the decision, this would imply that the Chinese military is capable of arbitrarily taking actions that could provoke

diplomatic trouble. Or, if it is the case that the authorities in Hong Kong refused permission at their discretion, this would mean that a serious problem exists in the central government's (or the PLA central command's) control over regional units. In any event, the USS *Kitty Hawk* incident impressed upon the international community the risks posed by China's blurred, uncertain decision-making system, and tarnished China's otherwise healthy relationship with the United States.

(2) Solidifying the Japan-China Strategic Relationship

Summits and other high-level exchanges between China and Japan have stably continued ever since bilateral summits were restarted with the October 2006 visit to China by Prime Minister Shinzo Abe. Contact between the leaders of both sides has also taken place in multilateral settings, including a summit held between Japan-China, and South Korea during a January 2007 summit in Cebu that involved mostly leaders of the Association of Southeast Asian Nations (ASEAN), and a Japan-China summit convened in April in New Delhi during a summit of the South Asian Association for Regional Cooperation (SAARC). Such smooth progress in top-level contact saliently indicates that China and Japan's diplomatic relations are functioning normally.

Compared with the situation a year ago, these bilateral talks have undergone a shift in focus from the problem of perceptions of history to more constructive topics, such as concrete issues existing between both sides, areas for cooperation, and efforts for tackling regional and global challenges.

The biggest highlight of top-level exchange in the first half of the year was Premier Wen Jiabao's visit to Japan in April, which included a summit in Tokyo that produced a Japan-China Joint Press Statement. According to the statement, both sides reaffirmed that they would "strive to build a 'mutually beneficial relationship based on common strategic interests' [hereafter, "strategic relationship"], and achieve the noble objectives of peaceful co-existence, friendship for generations, mutually beneficial cooperation and common development."

Specifically, both sides agreed to pursue the strategic relationship in five areas as follows:

"(i) Both countries will mutually support their peaceful development and enhance mutual trust in the area of politics. They will maintain and increase mutual high-level visits. (ii) Both countries will deepen mutually beneficial cooperation and achieve common development. They will strengthen cooperation

in the areas of energy, environmental protection, finance, information and communication technology, and protection of intellectual property, and enhance and establish mechanisms of the cooperation. (iii) Both countries will strengthen dialogue and exchange in the area of defense and make utmost efforts for the stability of the region together. (iv) Both countries will strengthen human and cultural exchanges, and enhance mutual understanding and feeling of friendship between the two peoples. They will hold wide-ranging exchanges between the two countries' youths, press, friendship cities and private entities, and promote diverse cultural exchanges. (v) Both countries will strengthen coordination and cooperation, and tackle regional and global challenges together. They will together make utmost efforts for maintaining peace and stability in Northeast Asia, adhere to peacefully settling the nuclear issue of the Korean Peninsula through dialogue, and achieve the goal of denuclearizing the Korean Peninsula. Both sides support that necessary and rational reform of the UN including Security Council reform should be carried out. They will support ASEAN playing a pivotal role in East Asian regional cooperation, and promote regional cooperation in East Asia based on the three principles of openness, transparency and inclusiveness."

During his stay in Japan, Premier Wen Jiabao delivered a speech to the Japanese Diet in which he declared the need to strengthen the two nations' friendship and cooperation by drawing lessons from "the unfortunate days of the past," and mentioned three historical examples of ways that Chinese helped Japanese. He also said that the Chinese government and people appreciated the positions expressed on the historical issue by the Japanese government and people, and stated his hope that Japan would translate those outlooks into action. The tenor of his speech suggested that China welcomed the softer stance shown toward it by Prime Minister Abe, and that relations between the two sides would further evolve.

However, Abe suddenly announced his resignation in September, following a defeat suffered by the Liberal Democratic Party in the upper house election. He was replaced by former Chief Cabinet Secretary Yasuo Fukuda, who later held a summit with Premier Wen Jiabao during the East Asia Summit in November. At that meeting, both leaders reaffirmed the pledge to deepen China and Japan's strategic relationship. This gathering was followed on December 1 by the Japan-China High-level Economic Dialogue, in which Japan was represented by Minister for Foreign Affairs Masahiko Koumura, as well as the finance minister, the

economy, trade and industry minister, the minister of state for economic and fiscal policy, the agriculture minister, and the environment minister. The participants discussed complex issues pertaining to various domains, ranging from economy to the environment.

Despite these bilateral meetings, there still are no solutions in sight for most of the bilateral issues that easily escalate into political problems, and both sides continue to diverge in their lists of priorities. For instance, Japan has tended to press for appreciable advances in the issue of East China Sea gas fields, while China has typically put greater weight on the issues of Taiwan and historical perceptions.

Prime Minister Fukuda visited China from December 27 to 30 to meet with President Hu Jintao and Premier Wen Jiabao. The leaders engaged in serious, down-to-earth discussion of specific ideas for dealing with the East China Sea question, and achieved a measurable step forward by pledging in the “New Common Recognition by Both Leaders of the Issue of the East China Sea” to work toward solving the issue as soon as possible within the process of further developing China and Japan’s ties. However, this document does not clearly define its reference to “active advancement.”

Wen Jiabao stated that the history and Taiwan issues were the political basis of the Japan-China relationship and expressed his concern over the situation of Taiwan. In response, Fukuda stated that it was “important to face up to history, all the more so were it to be an unfortunate history that one was reluctant to look back to” and asked for the Chinese people’s understanding on the steps Japan had taken as a peaceful nation. Fukuda also said that Japan was unwavering in its stance on Taiwan, and declared that Japan did not wish for any situation that would heighten cross-strait tensions through the holding of the referendum in Taiwan, nor could support any referendum that would lead to the unilateral action to change the status quo. While Japan did not modify its position on Taiwan,

Fukuda's conditional rejection of the referendum represented a diplomatic accomplishment for China.

(3) Advances in Neighboring and Multilateral Diplomacy

Although China's pursuit of "neighboring diplomacy" has made advances, this progress has often failed to fully develop along the lines expected. The process of the Six-party Talks led by China picked up steam following the United States and North Korea's signing of an agreement in Berlin in January 2007, and it eventually blossomed into an agreement in October that required North Korea to disable its nuclear facilities by the end of 2007. By successfully mediating with North Korea and facilitating US-North Korea talks, China raised its standing in the international community.

The April 2007 issue of the reformist-leaning *Journal of World Economics and Politics* featured an article that explored the degree of China's influence on the issue of nuclear weapons on the Korean Peninsula. The article reached the conclusion that China had played the role of mediator and crisis handler in the effort to defuse the crisis, and that North Korea showed greater flexibility the more that China became actively involved through high-level visits to Pyongyang and other efforts. Few papers on Chinese sway over North Korea are published in China, so it would seem that the article above is reflection of the increased self-confidence that the nation has gained through its successful arbitration.

However, US-North Korea dialogue started rapidly evolving in April, triggering alarm in China that it might lose the ability to play against the United States the "North Korean card" gained from its role as mediator. Some observers have opined that China is already beginning to lose this key tool for leverage in diplomacy with the United States. It was because of China's influence on North Korea that the United States sought its support as mediator, thereby providing the opportunity for China to enhance its international standing (see "The Significance of North Korea for China"). If China were to lose the initiative, it would no longer have a part to play in the process.

Another source of concern for China is North Korea's attempt to keep China out of the loop. At a Pyongyang summit between North and South Korea in October, both sides issued a Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity, which stated "The South and the North both recognize the need to end the current armistice regime and build a permanent

peace regime. The South and the North have also agreed to work together to advance the matter of having the leaders of the three or four parties directly concerned to convene on the Peninsula and declare an end to the war.” Some experts suggest that the Chinese foreign ministry was inwardly outraged over the word “three,” having interpreted it to mean South Korea, North Korea, and the United States—and hence an attempt to cut China out of the picture. Furthermore, the same declaration made no mention of the ideals of reform and openness that China had repeatedly tried to sell to North Korea. The relationship between these two countries continues to be marred by a breakdown of trust.

At the same time, however, China has gained momentum in its diplomatic relations with Russia and Central Asian countries. In late March 2007, President Hu Jintao made a state visit to Russia, where he met with President Vladimir Putin in Moscow. Both sides signed a joint declaration that included a vow to strengthen their strategic and cooperative partnership. In addition, the two leaders emphasized that the only way to resolve the Iranian nuclear issue was peaceful settlement through negotiation. They also stressed their intent to collaborate in helping Iran to comply with additional sanctions imposed by a UN Security Council resolution that was adopted just before the summit, revealing a stance that diverged from the United States hard-line approach.

Hu Jintao and Putin also agreed to implement large-scale projects for bilateral cooperation in such energy sectors as natural gas and electricity, and to bolster their economic growth and economic security. Furthermore, with regard to the Shanghai Cooperation Organisation (SCO; led by China and Russia), they pledged to strengthen its functions in economic, social, and cultural areas while continuing to engage in existing forms of cooperation.

The SCO, which comprises Russia, China, and four Central Asian nations, held its first expanded summit on August 16 in Bishkek, the capital of Kyrgyzstan. Hu Jintao, Putin, and the leaders of the other member states adopted the Bishkek Declaration and signed the Agreement on Long-term Neighborly Relations, Friendship and Cooperation. Also attending the meeting were the presidents of Iran and Mongolia, who sat in as observers, and, by invitation, the presidents of Turkmenistan and Afghanistan. The Bishkek Declaration stated, among other things, that the SCO members would pursue energy cooperation and concert their security-related efforts, particularly with regard to counterterrorism. It also contained language that represented a veiled demand for the United States to

The Significance of North Korea for China

China is to be credited for persuading North Korea to return to the Six-party Talks following the latter's shocking nuclear test in October 2006. Yet, there is some question as to how much sway China has over its neighbor, and how far China intends to exert that influence. Some say that China supplies 90 percent of North Korea's energy and 20 percent of its food, and hence holds the power of life or death over that country. If that is the case, then it is clear that China possesses a critically high level of influence. However, it is extremely unlikely that China could force Pyongyang to abandon nuclear development by using its weight to drive North Korea to the brink of collapse, given the following two reasons.

First, the North Korean threat as perceived by China is not so much rudimentary nuclear capabilities as it is the risk of war, regime collapse, or North-South reunification. In the event of war or regime collapse, hundreds of thousands of North Korean refugees would storm into China across the single river that separates the two states, leading to chaos that would severely disrupt China's economic growth. On the other hand, North-South reunification would extend the influence of South Korea, the United States, and Japan all the way to the Chinese border, and would potentially destabilize areas of China populated with ethnic Koreans.

Second, China has not forgotten its own experience in the 1960s, when more than 20 million of its people died of starvation while the government relentlessly developed nuclear weapons to confront the United States and the Soviet Union. Guided by that memory, China's policymakers have apparently decided that excessive pressure on North Korea would only strengthen its solidarity and resolve. In other words, they see a Chinese embargo on North Korea as a gamble that could backfire by eroding their bilateral relations and starving countless people to death, without achieving the denuclearization and stabilization of North Korea. Accordingly, the logical choice for Beijing in any situation is to continue encouraging peaceful settlement through dialogue and providing North Korea with just the right amount of aid.

For these reasons, China constantly makes two contradictory statements on its power over North Korea. On the one hand, it says that it has influence, since this motivates the United States to solicit China's assistance in resolving the North Korean problem, and thus gives China a vehicle for enhancing its international prestige. If China were to indicate that it had no influence, the United States would not bother with using China as a middleman. On the other hand, China is forced to say that its influence is limited, so that the international community would not hold it fully responsible for any extreme action that North Korea might take. The leaders in Beijing are very cautious not to push their socialist neighbor toward collapse at the behest of the United States or Japan and assert that conciliation between the United States and North Korea is more important, so as to emphasize those two nations' responsibility to meet each other halfway.

Needless to say, China understands that North Korea is a troublesome neighbor, and would like to have it give up a nuclear program that China perceives as a potential impetus for encouraging neighboring countries to arm themselves with nuclear weapons. The problem, however, is that China's national priorities are

stacked differently from those of Japan and other nations. This is why Chairman of the National Defence Commission Kim Jong Il is able to take advantage of China's dilemma and rampantly engage in provocative behavior. As such, China should be seen as intentionally limiting its role as an honest broker between the United States and North Korea in the process of bringing the Six-party Talks to the successful creation of a multilateral security mechanism for Northeast Asia.

withdraw its military forces stationed in Kyrgyzstan: "The heads of state believe that stability and security in Central Asia can be provided first and foremost by the forces of the region's states on the basis of international organisations already established in the region." A subsequent SCO summit in November produced a joint communiqué in which the member states promised to implement measures for further realizing the aims of the Bishkek Declaration.

Trilateral coordination between China, Russia, and India, which began in 2006, showed signs of becoming a routine undertaking. On October 24, 2007, the three nations met in Harbin in Northeast China for their third foreign ministerial meeting, which was attended by Chinese Minister of Foreign Affairs Yang Jiechi, Russian Minister of Foreign Affairs Sergey Lavrov, and Indian External Affairs Minister Pranab Mukherjee. The meeting was followed by the release of a joint statement that outlined goals for enhancing diplomatic and pragmatic cooperation, including the establishment of a mechanism for facilitating trilateral bureau director-level consultation to deal with global and regional issues. The statement highlighted the importance of multilateralism and a UN-based approach to issues, and, in an indirect reference to the United States, declared that "drawing lines on the grounds of ideologies and values is inconsistent with the trends of the times." Additionally, the statement indicated support for the elevation of India's position at the UN as part of the efforts to reform that organization.

Participants in the ASEAN+3 (Japan, China, and South Korea) Finance Ministers Meeting in May agreed to build a new system for pooling and collectively managing currency reserves, with an eye on avoiding situations like the Asian Financial Crisis a decade earlier. They also vowed to examine, at the deputy finance ministerial level, such matters as economic surveillance, size of commitment, borrowing quotas, and an activation mechanism.

China's diplomacy has sparked international concern in some instances. The ongoing civil conflict between Arabic militias and armed groups of ethnic Africans

in Sudan's Darfur region has resulted in more than 200,000 deaths and nearly 2 million internally displaced persons. China has shown some consideration toward settling the conflict, such as by deploying a peacekeeping unit to Sudan in 2006, and sending a special envoy there in April 2007. Nevertheless, as nation dependent on Sudanese oil and reluctant to attach human rights-related terms to its foreign policy, China has continued to maintain close ties with the Sudanese government, despite the latter's human rights violations.

Beijing is also lukewarm to the imposition of sanctions on Iran for suspected nuclear development—a passivity that is believed to be motivated by the desire to secure oil supplies from Iran—as well as sanctions on Myanmar's regime, which used armed forces to crush a peaceful demonstration of Buddhist monks in the capital. In a joint press conference that followed the foreign ministers' meeting between China, Russia, and India in October, all three sides expressed opposition to sanctions on Myanmar. During the East Asia Summit in November, China urged other members to join with it in calling for the retraction of the Myanmar situation report issued by the UN Special Adviser to the Secretary-general on Myanmar Ibrahim Gambari.

It is without question that China already holds and is seeking to further acquire pivotal positions in arenas of multilateral diplomacy. As the 2008 Beijing Olympics approach, China must endeavor to avoid any deterioration of its image. China has, as exemplified by the issues described above, repeatedly failed to pay adequate attention to the values universally treasured by the international community. However, the nation may now be at a turning point where it can be argued that such disregard no longer serves the national interest. From time to time, contradictions erupt from the dichotomous nature of Chinese diplomacy, which on the one hand pursues resource acquisition and other exclusively national interests, and on the other hand engages in international cooperation that enhances the nation's image abroad.

3. A New Phase for the PLA

(1) The PLA's Eightieth Anniversary

The PLA began switching to "07 style" military uniforms on August 1, 2007, the eightieth anniversary of the PLA's founding. According to a PLA spokesperson, the uniform change signified three things: (a) the benevolence of the CPC Central

Committee and President Hu Jintao; (b) modernization of the military and a higher level of regularization; and (c) elevation of military members' sense of mission, and enhancement of their social status. The implications of these three aspects are, in the same order, Hu Jintao's control over the military, reform of the PLA's image and strengthening of military discipline, and a more appealing military that can better attract young enlistees. These three meanings happen to reveal a clear picture of the challenges currently faced by China's military, and the uniform change itself is symbolic of a PLA entering its eightieth year of operation.

The PLA opened the year 2007 by destroying one of China's satellites in an anti-satellite test that freshly underscored the nation's technological advancements and stirred up proponents of the China threat theory (see Chapter 1). Concerns about China's military buildup were fanned by reports in March indicating that the defense budget for 2007 had risen to almost 351 billion RMB, representing a 17.8 percent increase over the preceding year's level, and the nineteenth consecutive year of double-digit growth on an annual budget basis. China cited three reasons for the larger budget: (a) to increase pay and allowances for PLA personnel, and keep the income of officers and retired brass in step with economic growth; (b) to meet higher expenses for food and public programs, including training; and (c) to moderately expand equipment spending for strengthening defense strategy capabilities under conditions of informationization.

As the international community became more widely concerned about the augmentation of China's military, President Hu Jintao actively made public statements on the rise in defense spending. During the PLA Eightieth Anniversary and PLA Heroes and Model Servicemen Representative Conference (hereafter, "PLA anniversary conference"), Hu remarked that China would "gradually increase input in national defense as the economy grows, and continue to modernize national defense and the armed forces." Unlike preceding President Jiang Zemin, who had the time to consolidate his control of the military during his lengthy reign, Hu Jintao has been the chairman of the CMC for only three years, so it is difficult to portray him as having a firm grip over the military, regardless of the various policies he has pursued to strengthen his foothold. Hu Jintao's delicate position in this regard was dramatized by Jiang Zemin's occupation of the second seat of honor at the PLA anniversary conference. As Hu Jintao is now at the halfway point of his administration, increased military spending represents an effective means of strengthening his control of the PLA. It can also be said that

Hu's endorsement of greater defense spending stems from his emphasis on the military as a force for enabling the CPC's one-party system and the nation's economic growth.

Still, Hu Jintao is not just simply dangling a carrot before the PLA; he is also calling for the military to reciprocate on the defense budget increases by honing its discipline. In January, a PLA discipline inspection work conference was held in conjunction with a plenary session of the CCDI. The conference featured a report indicating that progress in combating corruption was being made in the military as well. In the wake of comments that Hu Jintao made about creating a "work style" for China's leadership when he spoke as the CPC general secretary at the aforementioned plenary session, the PLA's own newspaper, the *PLA Daily*, published an article that pointed a finger at PLA leaders' misconduct, irresponsibility, abuse of power, doctrinairism, hypocritical attitudes, formalism, scorn for ideology, and extravagance. The article also said that the strengthening of work style construction was also a vital duty for building political ideology among military personnel. The effort against military corruption went beyond the spouting of slogans to encompass changes in the legal framework. On March 1, a new version of the Audit Regulation of the People's Liberation Army was enacted to shore up audits of the PLA and to prevent arbitrary and wasteful use of military funds. Moreover, in December the government took another step toward rooting out military corruption by promulgating the "Opinion on Intensification of Military Fund Management and Supervision," which included demands for disclosure of fund use and accountability for spending abuses.

As the CPC prepared for the Seventeenth Party Congress, ideological discipline for the military as a whole became a frequent topic from the start of the year. The New Year's Day editorial of the *PLA Daily*, the PLA Eightieth Anniversary editorial, and the keynote speech at the PLA anniversary conference all described General Secretary Hu Jintao's Scientific Outlook on Development as an important guiding principle for strengthening national defense and the armed forces, and the same keynote speech is positioned as a guide for strengthening national defense and the armed forces. As such, these pronouncements were aimed at solidifying Hu Jintao's base of power over the military. In addition, the importance of army loyalty to the CPC was stressed over and over in the New Year's Day editorial, the PLA Eightieth Anniversary editorial, the keynote speech at the PLA anniversary conference, and Hu Jintao's speech to the PLA deputies to the fifth session of the

The PLA's "Post-1980 Generations"

The CPC's efforts to reinforce its absolute control over the PLA are believed to be motivated by the presence of the so-called "Post-1980 generations," meaning the Chinese who were born in or after the 1980s and grew up in a freer environment created by the country's pursuit of reform and openness.

The "Post-1980" officers and soldiers, now in their twenties, form the backbone of the military's grassroots units and are destined to hold positions of leadership in the near future. For this reason, it appears, the CPC sees the need to beef up ideological and political education to ensure that the PLA continues to toe the party line. This is especially true with regard to future officers, now that the PLA has a system for selecting officer candidates from among college graduates in the general population or in the noncommissioned officer corps. Compared with their predecessors, the Post-1980 generations are more likely to lean toward the removal of party controls and the nationalization of the armed forces.

At the same time, these younger troops are indispensable to the informationization of the PLA. One of their biggest assets is their savvy with information technology (IT). Statistics for a certain armored regiment indicate that 82 percent of the 400 new members enlisted at the end of 2006 had accessed the Internet before, and that 10 percent were Internet addicts. It is troops like these who represent valuable human resources for the PLA as it rapidly informationizes its equipment and outfits its command centers and operational units with IT systems.

In the draft for FY2007, the State Council and the CMC ordered that the conscription of urban household registrants be targeted at youths with at least a college or vocational school degree, and that conscription of rural household registrants be directed at youths with at least a high school diploma. In the coming years, one of the key challenges in the political work of China's leadership will be addressing the dilemma that the sophisticated human resources needed for informationization are also the younger generations who enjoy freedom.

Tenth NPC. On January 1, the PLA put into effect a trial set of internal guidelines for ideological and political education to ensure the implementation of Hu Jintao's key instructions and promote loyalty to the CPC.

(2) The Fusion of National Prosperity and Military Strength

In his speech to the Fifteenth Party Congress in 1997, President Jiang Zemin stated "The army should subordinate itself to and serve the overall interests of national economic development." At the Sixteenth Party Congress in 2002, he declared "We must uphold the principle of coordinated development of national defense and the economy and push forward the modernization of national defense and the army on the basis of economic growth." President Hu Jintao also spoke

about defense in his address at the Seventeenth Party Congress in October 2007: “Bearing in mind the overall strategic interests of national security and development, we must take both economic and national defense development into consideration and make our country prosperous and our armed forces powerful while building a moderately prosperous society in all respects.” These three excerpts reveal a transformation in how China’s leadership has prioritized national defense. In the Fifteenth Party Congress speech, economic development and defense development are portrayed as opposing concepts, with the latter placed in a subordinate role. However, they became roughly equals at the Sixteenth Party Congress, and merged into a unified model for socioeconomic growth at the Seventeenth Congress. In concrete terms, Hu Jintao’s unified concept signifies that the construction of civil infrastructure—railways, roads, ports, communication networks, etc.—will be carried out with thought to how they can be employed for wartime troop maneuvers, transport of weapons and equipment, military communication, as well as national defense mobilization and people’s air defense. Such harmonization of military and civilian development without the usual squandering of resources is the very essence of Hu Jintao’s slogan of “Scientific Outlook on Development,” and it serves the request in Hu’s Seventeenth Party Congress speech to “take the Scientific Outlook on Development as an important guiding principle for strengthening national defense and the armed forces.” This fusion of national prosperity and military strength can be interpreted as an attempt to rein in the PLA by rejecting military development that is not tied to economic development, and defense development unilaterally steered by the PLA.

The leadership of the PLA was reshuffled before and after the Seventeenth Party Congress. Prior to the congress, reassignments were successively made within the Major Military Area Commands, including the replacement of the commander for each area (Beijing, Shenyang, Nanjing, Lanzhou, Chengdu and Guangzhou). Gen. Xu Qiliang, deputy chief of general staff, was appointed Air Force commander. The personnel changes were based on a strict application of the mandatory retirement age of sixty-five, which facilitated a changing of the guard. A salient example of this was Lt. Gen. Fang Fenghui, a reportedly IT-savvy officer who at the relatively young age of 56 was elevated two ranks, moving up from chief of staff of Guangzhou Military Area Command to commander of Beijing Military Area Command. Such selection of so-called “new-type, high-caliber military personnel” suited to the information age portends the future shape of

PLA personnel. In the PLA General Departments, Chief of General Staff Liang Guanglie was replaced by Director of General Armament Department Chen Bingde, whose vacancy was filled by Chang Wanquan, commander of Shenyang Military Area Command. Zhang Qingwei, deputy chief commander of China's manned space program, was installed as the minister of the Commission of Science, Technology and Industry for National Defense at the age of forty-six. Zhang has been constantly involved in rocket development and is a backer of China's space development program. Here, too, is another area where China is undergoing a change of generations, as evidenced by not only Zhang's age, but also the age composition of the ground control personnel behind the October 2007 launch of the nation's first lunar orbiter *Chang'e 1*—80 percent of the staff graduated from college after 1994, and the key positions were filled by personnel whose average age was thirty.

Table 3.2. Central Military Commission

Post	Name (Age)	Appointment	Non-CMC Posts
Chairman	Hu Jintao (64)	Continuing	General Secretary of the CPC Central Committee, President of the PRC
Vice-chairmen	Guo Boxiong (65)	Continuing	CPC Politburo Member
	Xu Caihou (64)	Continuing	CPC Politburo Member, former Member of the Secretariat of the CPC Central Committee
Other members	Liang Guanglie (66)	Continuing	Former Chief of General Staff
	Chen Bingde (66)	Continuing	Chief of General Staff, former Director of the General Armaments Department
	Li Jinai (65)	Continuing	Director of the General Political Department
	Liao Xilong (67)	Continuing	Director of the General Logistics Department
	Jing Zhiyuan (62)	Continuing	Commander of the Second Artillery Corps
	Chang Wanquan (58)	New	Director of the General Armaments Department, former Commander of Shenyang Military Area Command
	Wu Shengli (62)	New	Commander of Navy
	Xu Qiliang (57)	New	Air Force Commander

Sources: Compiled using data from the *PLA Daily* and *RP China Trends*.

Following the CPC Central Committee member selections made at the Seventeenth Party Congress, military personnel accounted for 20 percent of the committee's full members (41 out of 204), 13.7 percent of the alternate members (23 out of 167), and 17.2 percent of the total membership. These numbers were close to the levels in previous congress' selections and hence showed that the CPC had not changed its consideration toward the military. The Seventeenth Party Congress also decided to retire Cao Gangchuan (Politburo member, CMC vice chairman, and minister of national defense) and Qiao Qingchen (CMC member and former Air Force commander).

The roster of CMC members was announced at the first plenary session of the Seventeenth CPC Central Committee, which was held on the day after the Seventeenth Party Congress ended. Cao Gangchuan and Qiao Qingchen stepped down, while Hu Jintao and eight others remained on board, joined by newcomers Director of General Armament Department Chang Wanquan, Commander of Navy Wu Shengli, and Air Force Commander Xu Qiliang. The commanders of the PLA Navy, the PLA Air Force, and the Second Artillery Corps were also named to the commission to strike a balance between branch representations. The number of vice chairmen was reduced from three to two. As was the case with Hu Jintao, one of the vice chairmanships may be assigned to the person being groomed as China's next supreme leader. Also, it is anticipated that the candidate for defense minister in 2008 will be moved down from one of the vice chairmanships to a regular position within the CMC.

(3) The Pursuit of Military Diplomacy

The PLA actively engaged in "military diplomacy" during 2007, particularly in the form of joint military exercises with other nations. Those exercises included: (a) Peace Mission 2007, a joint anti-terrorist exercise between the six SCO members that was conducted in Russia and China; (b) Cooperation 2007, an anti-terrorist exercise staged in Russia between Russian and Chinese security forces; (c) Shock Action 2007, which brought together Chinese and Thai special forces in Guangzhou; and (d) Hand-in-hand 2007, a joint anti-terrorist exercise in Kunming between the armies of China and India, a nation with which China has been embroiled in territorial disputes. The PLA Navy participated in a joint exercise in March in waters off Pakistan along with Bangladesh, France, Italy, Malaysia, Pakistan, Turkey, the United Kingdom, and the United States as well as a

multilateral naval exercise near Singapore's coast in May. Moreover, PLA Navy vessels made port calls in Europe from July to October, and in Australia and New Zealand from September to November. During the year, high-level PLA officers paid visits to other countries, including a trip to Japan in August by Minister of National Defense Cao Gangchuan, and trips to the United States by Deputy Chief of General Staff Ge Zhenfeng (January), Commander of Navy Wu Shengli (April), and Deputy Chief of General Staff Ma Xiaotian (December).

"Peace Mission 2007" marked the PLA's first-ever participation in a large-scale, inter-service, and inter-functional exercise abroad that involved long-range maneuvers. According to CMC Vice Chairman Guo Boxiong, the exercise was a key channel for showing the international community the PLA's achievements in modernization and strategy capabilities under conditions of informationization, and was a rare opportunity for honing PLA members' skills. The *PLA Daily* reported that the Chinese contingent comprised 1,600 army, naval, and logistical personnel, as well as wheeled infantry fighting vehicles, wheeled armored vehicles, assault guns, transport helicopters, armed helicopters, fighter-bombers, transport aircraft, and airborne fighting vehicles. In addition to being a test of inter-headquarters cooperation and anti-terrorist tactics, the exercise also provided China with its much-desired opportunity to rehearse capabilities in the long-range transport of military forces by rail and air. Accordingly, the transport operations were supported not only by PLA personnel, but also thousands of members of more than ten state organizations, including the air traffic control, customs, meteorological, and railway agencies. The degree to which China emphasized this training focus was also evinced by the *PLA Daily's* intensive reporting of the long-range air and rail maneuvers. The command group head of China's control department described the exercise as a comprehensive test of capabilities in long-range maneuvers, and said that China was able to gain a certain amount of practical experience from its participation, underlining an improvement in the PLA's power projection capabilities in ground operations. International interest in the PLA's long-range maneuvering capabilities has tended to focus on capabilities in power projection beyond Chinese territorial waters. However, attention should also be paid to China's strengthening of its long-range inland maneuvering capabilities, as such enhancement would serve the reinforcement of the frontal theater in the event that China made an armed invasion of Taiwan.

Cao Gangchuan visited Japan from August 29 to September 2, 2007, making the first trip to Japan by a Chinese defense minister in nine and a half years since



Chinese Minister of National Defense Cao Gangchuan inspecting honor guard at Japanese Ministry of Defense (August 30, 2007)

1998. He met with then Japanese Minister of Defense Masahiko Koumura, and both sides agreed to implement several actions, such as maintaining high-level exchange, carrying out mutual port calls by PLA Navy and Japanese Maritime Self-defense Force vessels, and setting up a hotline between their ministries. However, Cao Gangchuan did not satisfactorily address the concerns expressed by Koumura

regarding China's increased defense budget spending. In addition, during a speech in a Tokyo hotel on August 30, Cao merely reiterated China's official view on its defense spending, rejecting any insinuations that China posed a threat to other nations. As such, his trip appeared to represent a symbolic re-opening of defense exchange, and hence might be characterized as a pilgrimage to neutralize the China threat theory. While the visit can be applauded for producing agreement on specific measures for defense exchange, it largely failed to advance basic mutual understanding, trust, and friendship as envisioned by Japan. Judging from this situation, it appears that China primary intends to produce agreements on non-contentious matters without taking into consideration Japan's security-related concerns, so as to make the Japan-China defense exchanges a fait accompli despite the lack of a firm foundation of trust. In doing so, China may likely exploit this superficial exchange as a tool for advertising itself as a peaceful state.

The *PLA Daily* has been advocating "military soft power" as a means of winning without war—meaning the capability to achieve militarily strategic goals through non-forceful methods. The core element of this approach is the military's image, namely, the image of a righteous, peaceful force. This power comes into play the realm of military diplomacy, as seen in "Peace Mission 2007," where the participating PLA forces' slogan was to build the image of China as a responsible power, and spread the image of a peaceful military. China's endeavor to project a peaceful image also seems to be manifested in Cao Gangchuan's call for a treaty banning anti-satellite tests, which he made during his speech in Japan, and in China's announcement in September that it would participate in the UN Military

Transparency Mechanism and resume providing the data for the UN Register of Conventional Arms.

China is looking to cast itself in a positive light through all sorts of undertakings in military diplomacy. In September 25, the PLA conducted an exercise named “Warrior 2007” in Shenyang Military Area Command, with attendance by fifty-five foreign observers invited from thirty-five nations, including two Japanese Ground Self-defense Force representatives. In a statement on the exercise, the Foreign Affairs Office of China’s Ministry of National Defense said that China had broadcast the image of an open, confident PLA. Commander of Navy Wu Shengli, writing in *Seeking Truth (Qiushi)*, a theoretical journal sponsored by the CPC Central Committee, asserted that the PLA Navy would take on an increasing important role in order to advance exchange with other countries, present a positive image of the Chinese military, enhance China’s international standing, and advertise the amity of the Chinese people. One example of this endeavor are the PLA Navy vessel visits to Australia and New Zealand, which the *PLA Daily* extolled as having demonstrated the hard and soft power of Chinese naval development. Also, China’s guided-missile destroyer *Shenzhen* visited Japan from November 28 to December 1 in what was obviously a mission to create a peaceful, friendly image. Chinese Ambassador to Japan Cui Tiankai glowingly spoke of the *Shenzhen* crew as ambassadors of the PLA’s image and messengers of peace for the Chinese people. Similarly, Deputy Commander of South China Sea Fleet Xiao Xinnian, commander of delegates to Japan, said that the visit actively contributed to the effort to make the East China Sea a “sea of peace, friendship and harmony.”

In its coverage of Japan and China’s talks on the issue of East China Sea gas fields in November, a Japanese news agency reported that when Japanese representatives hinted at starting exploratory drillings, the Chinese side said that it would dispatch naval vessels to the area. If this report is true, it means that China employed the deterrent effect of military power by signaling to Japan that the PLA



Deputy Commander of South China Sea Fleet Xiao Xinnian (right) paying courtesy call to MSDF Chief of Staff Eiji Yoshikawa (November 29, 2007)

Navy was ready to deploy at any time. It appears that China is seeking to establish effective control over the East China Sea by discouraging Japanese activity there through the combination of military deterrence with a port call intended to foster a mood of peace and amity. In other words, China is trying to secure the upper hand over Japan through the use of hard and soft power.

(4) The Pursuit of Integrated Joint Operation

The Kosovo Conflict and recent military action in Afghanistan and Iraq have opened the PLA's eyes to the urgent need to informationize its forces. Accordingly, the PLA is shifting its perception of modern warfare from "local/limited wars under high-tech conditions" to "local wars under conditions of informationization," and decided at the PLA-wide military training conference in June 2006 to switch from training under conditions of mechanization to training under conditions of informationization. The PLA has only begun to work out the details of informationization-oriented military training, but the *PLA Daily* has provided a glimpse of what this training basically entails: (a) on-base, simulated, and networked training founded on science and technology; (b) cultivation of sophisticated human resources; (c) construction of a training system that interlinks a PLA-wide joint training base, theater training bases, and unit tactical training fields; and (d) an integrated approach to research, testing, and implementation. In conjunction with this transition, the Chinese military started rewriting the Outline of Military Training and Evaluation following the PLA-wide military training conference, and had begun unit-level testing of the new system as of the end of 2007. The PLA plans to complete the transition by the end of 2008.

The members of the PLA-wide military training conference have defined integrated joint operations as the basic operational format for local wars under conditions of informationization, and are emphasizing the enhancement of the integrated joint operational capabilities of various services and arms. Although research and unit-level tests in integration have been ongoing, the PLA has not yet acquired the capability to function as an integrated force. With the aim of accelerating the shift to integrated joint operations, President Hu Jintao called for greater adjustment and reform of the PLA's organization and structure during his speech to PLA deputies to the fifth session of the Tenth NPC in March 2007. A program of adjustment and reform is now being focused on developing a joint operational command system, training system, and support system.

As it seeks to build a joint operational command system, the PLA is concentrating on introducing a system of C4ISR (command, control, communications, computer, intelligence, surveillance, and reconnaissance) and training joint operational command experts. News articles on unit training in the *PLA Daily* indicate that the C4ISR system is already being used by some divisions and smaller units (brigades and lower). During the formulation of the Eleventh Five-Year Plan, training of joint operational command experts was included as a key challenge under the PLA-wide scientific plan of military education. In August 2007, the PLA held a military-wide seminar on joint operational command experts training that covered a variety of topics, such as training methods and models, and the training systems of other nations. Moreover, the National Defense University worked out a plan for educational program reform targeted at enhancing the school's training of joint operational command experts.

The importance of joint operational training was highlighted in the military training instructions issued for the new year by the General Staff Headquarters in January 2007. The instructions specify the use of unit-level tests, development of joint operational platform with emphasis on inter-service, intra-service, and intra-functional joint operational training, and identification of methods for joint operational training spanning multiple Military Area Commands. The PLA has also launched an experimental program for joint education and training within each service branch. Under this program, the intermediate command expert training schools, training bases, and units of the service collaborate to provide practical education in a manner that allows them to effectively complement each other's lack of equipment, training areas, or instructional units.

A system for joint logistics has also been put into operation. In 2000, the Logistics Departments of all Military Area Commands were recast as Joint Logistics Departments, and on April 1, 2007, the Jinan Theater, following a three-year unit-level test, formally instituted a joint logistics system that integrated the logistics operations of the three service branches. This transformation eliminated the intermediate nodes of the services, condensing the chain of communication to: General Logistics Department – Theater Joint Logistics Department – logistics units. The PLA's plans call for the comprehensive development of a modern logistics system by 2010, the basic implementation of integrated, outsourced, informationized, and scientifically managed logistics by 2020, and the completion of the informationized logistics platform by 2050, all with the strategic goal of

ensuring victory in informationized wars. Toward this end, the PLA adopted in December 2007 an outline for building a modern logistics system. During the period covered by the Eleventh Five-Year Plan, the CMC is to promote the outsourcing of logistical operations. In July 2007, progress was achieved in this direction when the CMC and the State Council made a decision to conduct logistics outsourcing tests in Jiangsu, Hubei, and Shaanxi.

The PLA conducted “Joint 2007,” a tri-service joint exercise, at the Weifang military training cooperation area in Shandong Province for four days starting on September 3. This important exercise, which was assigned to Weifang under the General Staff Headquarters’ annual military training instructions, was conducted to assess the degree of joint operability between the three services, and was divided into four phases: long-range maneuvers, operation planning, transportation by landing ships, and amphibious operations on islands. Commanded by the combined corps commander as director of the control department, the exercise tested tactical corps’ capabilities in joint intelligence gathering, joint command and control, joint fire and electronic strikes, and joint logistics support. As the exercise was held in the Jinan Theater—the theater with a first tri-service joint operation system in place—it represented a significant first step toward integration of the PLA.

There are nine military training cooperation areas in China, which were approved by the CMC in 2004. Located in regions with concentrations of military academies and PLA ground, naval, and air units, these areas are considered key venues for joint operational training and unified training, as they are designed for mutual cooperation and coordination in training and the use of the three services’ training resources. The sharing of these facilities by the three services is seen as a cost-saving measure, as it allows the PLA to avoid wasting money on training centers that are separate but overlap in function.

In recent years, the PLA has come to put extremely heavy emphasis on tri-service joint operational training. However, despite the use of the advanced training cooperation areas for joint operational training, the PLA’s leaders concede that such training is still at the rudimentary stage. There are three challenges that must be tackled in order for that training to progress to higher stages: (a) poor awareness among troops and some officers concerning joint operational training; (b) the existence of command and training management systems that are not suited to joint operational training; and (c) a lack of funds and the mixed use of old and new

equipment. The PLA is expected to improve its joint operability as it progresses with the development of joint logistics systems at every Military Command Area, and repeatedly conducts practical exercises at the training cooperation areas.

(5) PLA Navy—Transitioning from Green Water to Blue Water

Speaking at the tenth CPC meeting of the navy on December 27, 2006, in Beijing, Hu Jintao called for the building of a strong and modern navy force to “effectively fulfill its historic mission in the new stage of the new century,” and he stressed that “China’s territory boasts a large sea area and the navy is of vital importance in defending state interests and safeguarding national sovereignty and security.” As his comments suggest, the Chinese navy is one of the PLA forces that is being given priority in the allocation of resources, and it is steadily modernizing its equipment. The PLA Navy is attracting global attention for its aggressive modernization campaign, especially with regard to the question of whether it will acquire aircraft carriers. The addition of aircraft carriers to China’s fleet would not just simply help to defend national interests and provide a symbol of the state’s overall power; it would also be an extension of the Chinese challenge to US supremacy on the sea, and would increase the threat perceived by nations that share territorial water boundaries with China. For these reasons, the international community is strongly interested in the aircraft carrier issue. According to the Hong Kong-based newspaper *Wen Wei Po*, a PLA Navy vice admiral attending the March 2007 meeting of the NPC stated that aircraft carrier development was progressing smoothly, and that the program could be completed by 2010 if the pace accelerated. Since a Ministry of Foreign Affairs spokesman confirmed that China was pursuing aircraft carrier research as reported, it appears that the Chinese leadership has a shared understanding of the goal of possessing aircraft carriers. Further hints of an ongoing carrier development project came in 2006, when information leaked out that China was planning to purchase Russian-made carrier-based fighters (Su-33), and in 2007, when a report indicated that China had acquired braking equipment for carrier landings, and test-purpose carrier aircraft. However, the construction and maintenance of aircraft carriers requires vast expenditures, which would threaten to impede the PLA’s acquisition of equipment necessary for informationization, so it is likely that Chinese carrier construction would take considerable time to complete. Furthermore, such a project could be further delayed by adverse economic conditions.

In China, the issue of aircraft carrier construction has stimulated debate on the nation's naval strategy as a whole, with some discussants arguing that the strategy's scope should be enlarged from offshore waters ("green water") to the high seas ("blue water"). In March 2007, a Peking University researcher made the assertion that China should put carrier construction on hold since the nation was a land power, triggering intense discussion of the pros and cons of carrier possession, which escalated into strategy-related debate in the pages of the Chinese journal *Naval and Merchant Ships*. Excluding the finer points in dispute, the discussion in that journal leaned toward carrier possession, with proponents sharing the view that the PLA Navy should be active on the high seas. The Chinese navy currently operates under an offshore defensive strategy, but it appears that this is not with the intention of limiting the navy's geographical reach; instead, that reach is likely to be extended along with the enhancement of the naval forces. This outlook is supported by the white paper *China's National Defense in 2006*, which states "The Navy aims at gradual extension of the strategic depth for offshore defensive operations." While it may not be clear whether China's ultimate goal is to operate its navy on the high seas or merely extend offshore defense, this white paper, as well as the discussion in *Naval and Merchant Ships*, apparently asserts that China will expand the range of its naval activity.

Opinions on naval strategy have also emanated from the upper echelons of China's naval administration. Writing in the Chinese journal *National Defense*, Deputy Director of Political Department Yao Wenhui outlined the following recommendations: (a) more weight should be put on naval development since the traditional systems and structures of the army are no longer in tune with today's realities; (b) since the navy has completed its transition to an offshore defense strategy, it should improve its general offshore operational capabilities within the first island chain perimeter while gradually enhancing blue-water maneuvering capabilities for a potential shift to blue-water defense; and (c) since the naval combat area is being enlarged from green water to blue water as a result of advances in the range and accuracy of modern weapons, the development of blue-water maneuvering capabilities will become an increasingly critical and urgent task for national security. How China exactly defines "blue water" is something of a question, but an idea can be gained from the navy strategy that was officially approved in 1987 after being largely formulated by then CMC Vice Chairman of Liu Huaqing. That strategy indicated that the navy's theater of operation would,

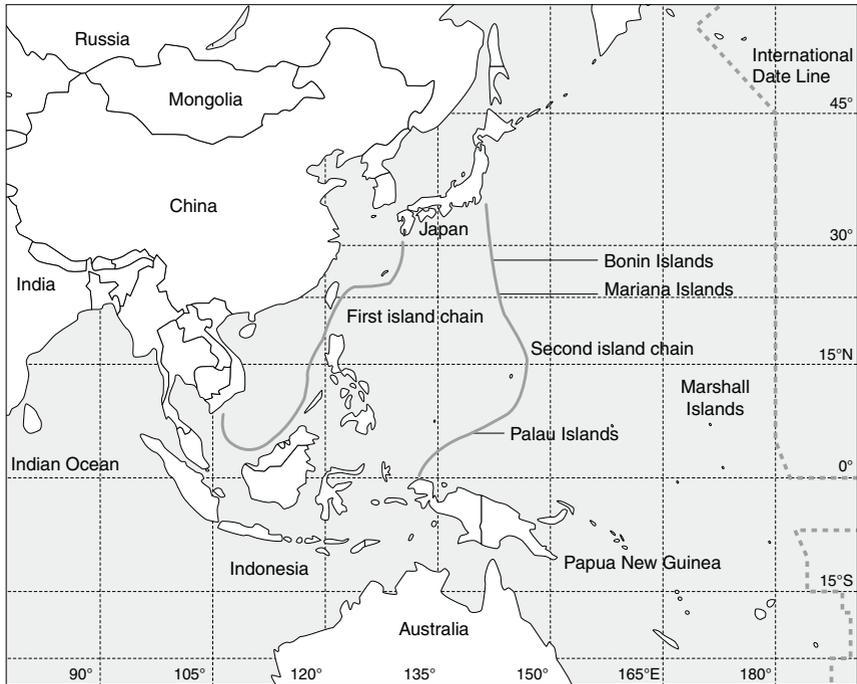
for a long time, encompass mainly the first island chain, the outer littoral waters of that chain, and the portions of the Yellow Sea, East China Sea, and South China Sea lying within the chain. It also stated that the lines would be gradually pushed out to the northern Pacific Ocean and the second island chain, in conjunction with the constant development of China's economic strength and standards of science and technology, and with further strengthening of the Chinese navy. Moreover, the strategy positioned the protection of Chinese sea lanes as one of the navy's strategic missions in wartime, and said that necessary operating capabilities included the ability to operate in waters adjacent to China's surrounding seas (Yellow Sea, East China Sea, and South China Sea), so it seems that the definition of "blue water" also includes the Indian Ocean (see Figure 3.1).

Operation on the high seas requires logistic support. In an article in *Seeking Truth (Qiushi)*, Commander of Navy Wu Shengli noted that the PLA Navy would accelerate its efforts to shift from land-based support to sea-based support, and to expand offshore support capabilities into blue-water support capabilities. According to the *PLA Daily*, the navy boosted its comprehensive blue-water support capabilities through a resupply exercise that took place in the Indian Ocean in early August 2007 between the comprehensive supply ship *Weishanhu* and the guided missile destroyer *Guangzhou*, which were at the time sailing to Europe. The *PLA Daily* also reported that the guided missile destroyer *Harbin* and the comprehensive supply ship *Hongzhehu* conducted a comprehensive resupply exercise during a storm in the Pacific while en route to Australia and New Zealand.

In addition to making a world tour in 2002, the PLA Navy dispatched fleets on four occasions in 2007, with the aforementioned tours to Europe and Australia/New Zealand taking place at the same time. This normalization of the PLA Navy's blue-water activity mirrors the advancement of its overall capabilities, and bespeaks Chinese intentions to have a presence on the high seas.

Taken together, the aircraft carrier development program, the emergence of a doctrinal framework for high-seas operation, the enhancement of blue-water supply capabilities, and the normalization of blue-water activity should be interpreted as signs that China has already started to establish a presence on the high seas. This trend should be closely monitored, not only because it represents a potential threat to China's neighbors and a possible source of friction with such powers as the United States and India, but also because it will have an impact on sea lanes that are a lifeline for Japan.

Figure 3.1. First and second island chains



Source: US Department of Defense, "Annual Report to Congress: Military Power of the People's Republic of China 2007," p.16.

4. Taiwan—Preparing for a Presidential Election

(1) The Presidential Race and its Effect on China-Taiwan Relations

In 2007, the government party and an opposition party in Taiwan fielded their candidates for the presidential election slated for March 2008. The largest opposition party, the Kuomintang (KMT), selected former Mayor of Taipei Ma Ying-jeou for its presidential candidate and former Premier of Taiwan Vincent Siew as his running mate. The government party, the Democratic Progressive Party (DPP), nominated as its presidential and vice presidential candidates two former premiers of Taiwan, Frank Hsieh and Su Tseng-chang. Early in the year, opinion polls indicated overwhelming support for Ma Ying-jeou, but his popularity began to fade thereafter due to controversy over his indictment on charges of

embezzling a “special allowance” during his mayorship. Although he was found innocent by the first and second trials, the scandal has chipped away at his lead in the presidential race. The rival camp of Frank Hsieh has also been mired in a scandal over alleged corruption by his aides when he was the mayor of Kaohsiung, so judicial issues have become one focus of the race.

The center of attention in Taiwan’s political landscape, however, is not so much the two candidates’ platforms as it is a referendum proposed by President Chen Shui-bian for determining whether Taiwan should apply for UN membership. The charting of this provocative agenda has already had an impact on Taiwanese relations with China and the United States. During a May 29 videoconference between the Presidential Office Building in Taipei and the National Press Club in Washington, D.C., Chen Shui-bian declared that Taiwan would seek UN membership under the name “Taiwan,” rather than the longstanding name “Republic of China (ROC).” The referendum on UN membership as “Taiwan” is scheduled to take place in conjunction with the presidential election, and the entire Chen Shui-bian administration is orchestrating a campaign to solicit public approval of that membership goal.

Taiwan unsuccessfully petitioned for a UN seat as the “Republic of China” for fifteen years from 1993. Despite those rejections, the Taiwanese public strongly supports the idea of UN membership. A public opinion poll conducted by the Executive Yuan’s Mainland Affairs Council on August 17 showed that 73.4 percent of the respondents approved of seeking UN membership under the name “Taiwan,” and that 77.6 percent rejected Beijing’s assertion that Taiwan had no right to a UN seat because it was a part of China. A DPP poll indicated that half of the party’s supporters were in favor of UN membership as “Taiwan.” Moreover, a DPP-related Taiwan think tank announced in mid-June the results of survey showing that 85.3 percent of the respondents felt cross-strait relations were disadvantaged by China’s efforts to block Taiwanese participation in international organizations and by its denigration of Taiwan’s status at international organizations.

This is to say that Chen Shui-bian is using the strategy of holding a referendum on a proposal already supported by an absolute majority of the public. This approach is very similar to how he managed to come from behind and recapture the presidency four years earlier by holding a national defense-related referendum in tandem with the presidential election. This time, however, he is free of the pressure to seek re-election, as the Taiwanese Constitution bans presidents from

-serving a third consecutive term. Instead, his strategy seems to be intended to establish the legacy of his eight years of independence-focused administration while putting forth an exclusive presidential campaign issue (the referendum), so as to lead the DPP candidate to victory by putting the opposition on the defensive, and to have his successor maintain his policy course.

On June 28, the KMT proposed holding a referendum that would ask the public if they agreed to petition for Taiwan's re-entry into the UN under "Taiwan," "Republic of China," or another dignified title, and to Taiwan's joining other international organizations. The KMT also stated that their usage of the name "Taiwan" meant the ROC. This tactic was based on the bitter lesson learned by the KMT in the aforementioned defense referendum, in which their opposition put them on the same side of the fence as the CPC, and thus cost them the presidential election. In other words, Ma Ying-jeou's KMT has judged that they could not survive in Taiwan unless they aligned themselves with the growing Taiwanese identity.

From China's perspective, the same opposition party that sought to defeat the referendum four years earlier now held almost the same position as the government party, meaning that both the government and opposition parties had basically dropped the idea of unification from their agendas and were now debating each other over Taiwan's identity. The passage of either or both UN membership referendums would provide a legal basis for the claim that the majority of Taiwanese favored true independence, not unification, and would essentially broadcast this message to the world. In 2005, China enacted an Anti-secession Law that codified the use of "non-peaceful means" against Taiwan in the event that it declared independence. The tide of hard-line opinion against Taiwan is rising in China, placing the Hu Jintao administration in a bind as it seeks to create a positive image for the upcoming 2008 Beijing Olympics.

Moreover, China sparked ire among Taiwanese for putting a number of conditions on the passage of the Olympic torch relay through Taiwan, including a prohibition against displaying of the Taiwanese flag—considered the "national flag"—along the relay route. Even in a public opinion poll by the anti-independence broadcaster TVBS, 64 percent of those surveyed said that if China was going to put restrictions on Taiwan's national flag, emblem, and anthem, then the torch relay need not come to Taiwan, and 87 percent stated that China's demand concerning the Taiwanese flag was absurd. As it turned out, Taiwan was not included as a torch relay stop.

Taiwan's economy is becoming increasingly dependent on China, yet at the same time the Taiwanese people are gaining a stronger sense of their own identity. According to a public survey by a Taiwanese think tank believed to be associated with the DPP, 61 percent of those polled felt that the Taiwanese territory encompassed only Taiwan, Penghu, Kinmen, and Matsu, and 76 percent responded that "Taiwan's sovereigns are its 23 million residents." Ultimately, the root of the Taiwan issue is the gulf that exists between this palpable sense of Taiwanese identity and the mainland's Taiwan policy, which flatly ignores this identity. Furthermore, it is this gap that enables Chen Shui-bian's election strategy of putting Taiwanese identity at the forefront.

International concern is mounting that Taiwan might dare to cross the red line laid down by the Anti-secession Law, and China's sense of crisis has become extremely heightened. In the last three Taiwanese presidential elections, China has witnessed how its tough stance toward Taiwan has stirred up Taiwanese resistance, thereby unintentionally encouraging the election of the candidate least desired by China. Now wiser, Beijing is relying more on the United States to apply indirect pressure on Taiwan. In an August 27 interview with Hong Kong-based Phoenix TV, US Deputy Secretary of State John Negroponte said that Taiwan's decision to hold the UN membership referendum was a "mistake," and that it represented a step toward a declaration of independence of Taiwan, and toward an "alteration of the status quo." On August 30, US National Security Council Senior Director for Asian Affairs Dennis Wilder publicly stated "Taiwan, or the Republic of China, is not at this point a state in the international community," and added that the position of the US government was that Taiwan was "an issue undecided." In a meeting between President Hu Jintao and President Bush on September 6 during the Asia-Pacific Economic Cooperation (APEC) summit in Sydney, Hu criticized Taiwan's referendum plans and warned

that the current year and the next would be “a highly dangerous period for the situation in the Taiwan Strait.” For his part, Bush said the United States opposed any unilateral act to change the status quo across the Taiwan Strait. In December, US Secretary of State Condoleezza Rice added to the criticism of the referendum by denouncing it as a “provocative policy.” As these statements demonstrate, the United States steadily cranked up its pressure on Taiwan ahead of the Taiwanese presidential election.

In contrast with this strong censure of Taiwan, however, Hu Jintao took a softer tone in the CPC general secretary’s report that he delivered at the Seventeenth Party Congress. This was seen in such statements as: “On the basis of the one-China principle, let us discuss a formal end to the state of hostility between the two sides, reach a peace agreement, construct a framework for peaceful development of cross-strait relations, and thus usher in a new phase of peaceful development,” and “China’s sovereignty and territorial integrity brook no division, and any matter in this regard must be decided by the entire Chinese people including our Taiwan compatriots.” This use of language portraying China and Taiwan as inseparable partners gives Beijing the grounds to reject the UN membership referendum if it passes, since the referendum’s unilateral nature would render it “invalid.” At the same time, however, this stance denies China the opportunity to choose the unilateral, and thus invalid, path of forcibly annexing Taiwan. As such, the Hu Jintao administration has created another logic for avoiding the use of armed force in the event that the Taiwan situation moves in a direction disadvantageous to China’s interests.

Given that China has handcuffed itself in this fashion, it is all the more improbable that the Taiwanese administration will drop its referendum plans. This is because China is unlikely to take any military action as it prepares to host the Beijing Olympics, and because the United States will have little choice but to deal with the new Taiwanese administration established after Chen Shui-bian’s departure. However, in China-Taiwan relations, it is when the sense of crisis is weak that the potential for accidental clashes is higher. Both sides are building up their military power, and the slightest error in judgment could trigger unexpected consequences. As the March 2008 Taiwanese presidential election draws closer, the international community is increasingly compelled to keep a careful watch on the situation across the Taiwan Strait.

(2) Trends in Military Exercises and Procurement

In order to prepare itself to deal with the increasingly complex threat posed by China, Taiwan has annually held the “Yushan Political and Military Exercise” (hereafter, “Yushan”) since May 2005. Historically, Taiwan’s largest contingency exercise has been “Hankuang,” which is designed to train military personnel to counter an armed invasion by China. Unlike the military-focused “Hankuang,” which will be discussed in more depth later, “Yushan” is a politico-military exercise whose planning and implementation is spearheaded by Taiwan’s National Security Council.

In “Hankuang,” the president leads the three service branches from Hengshan Military Command Center, which was established in Taipei to function as the main military crisis management center. However, the chain of command in this case is limited to the military only, and hence does not fully serve the president’s need to simultaneously control governmental agencies in situations where the choice between civilian response and military response is fuzzy, such as assassinations of key officials, cyber-terrorist attacks, stock market turmoil, dissemination of black propaganda, and actions by insurgents.

In order to address that need, “Yushan 2” simulated military, diplomatic, economic, and psychological responses to a diverse set of scenarios. The exact details of the exercise are not available since the scenarios were kept under close wraps, but it is known that the first phase started at 5 a.m. on April 11 with the president, the vice president, the premier, and other leaders traveling from their residences to Yuanshan Military Command Center. The second phase began at 10 p.m. on April 14 with the same leaders once again gathering at Yuanshan. The second phase ended twenty hours later in the afternoon of April 15, following the completion of six gaming scenarios.

During the four days from May 15 to 18, Taiwan conducted “Hankuang 23,” an annual exercise for landing invasions. Notably, this year’s exercise saw the debut of AIM-120 air-to-air missiles (carried on F-16 fighters), which illustrated the recent enhancements in Taiwan’s airpower. On May 16, a tri-service joint interception exercise was held on Taiwan’s northern coast in Suao, Ilan County. The choice of location for this exercise seems to have been influenced by concern over how the PLA Navy has enlarged its sphere of operation from the Taiwan Strait into the Pacific east of Taiwan. As a matter of fact, it was reported later that a guided missile destroyer-led fleet of PLA Navy vessels had transited waters east of Taiwan

on three occasions in April and May, the time of “Yushan 2” and “Hankuang 23.” On May 17, a heliborne drill was performed in Hukou, Hsinchu County, and a joint anti-ship firing exercise was held in Checheng, Pingtung County. The remaining drills of “Hankuang 23” were completed on the following day.

Both “Yushan 2” and “Hankuang 23” were marred by unexpected incidents that left a number of challenges to be resolved. In one instance, a Chinese hacker broke into a Taiwanese military official’s computer and stole secret information pertaining to both exercises. On May 11, an F-5F fighter conducting a rehearsal flight for “Hankuang 23” crashed in Hsinchu County, killing the two crew members and two persons on the ground, and injuring nine others. The accident occurred near a Singapore Armed Forces (SAF) training detachment, and the casualties other than the two crewmen were reported to be SAF personnel. In yet another incident, a failed missile left unrecovered on a beach accidentally detonated after the exercise had ended. Mishaps such as these suggest a possible deterioration in the Taiwanese military’s readiness.

Special budget bills for arms procurement are often viewed as an indicator of trends in the military balance between China and Taiwan. On June 15, the final day of the Legislative Yuan plenary session, Taiwanese lawmakers finally passed the long-pending three major arms procurement budget bills. The original proposal had called for approximately 46 billion New Taiwan dollars (hereafter, “NT\$”; NT\$1 = approx. US\$0.03) toward the purchase of twelve P-3 Orion anti-submarine patrol aircraft, but the budget as passed set aside only roughly NT\$6.1 billion for this account. The budget also filled a NT\$3.5 billion request for three Patriot Advanced Capability (PAC)-2 missile systems, but did not provide the NT\$11.3 billion demand for PAC-3 guided missile system acquisition. In addition, it allocated only about NT\$200 million for research costs connected to the planned acquisition of eight diesel submarines. Many details surrounding the submarines, including how they will be manufactured, have not yet been made clear.

In addition, Taiwan has asked the United States to supply sixty-six F-16C/D fighters. The Taiwanese air force already possesses nearly 150 F-16A/B fighters, but is seeking to acquire models with better combat capabilities. If the sale goes through, the additional fighters will dramatically boost Taiwan’s airpower. The Legislative Yuan has tentatively earmarked NT\$16 billion toward this purchase, pending lawmakers’ approval, but the entire amount is currently frozen. Moreover, in the midst of rising tension between Taiwan and the United States over the UN

membership referendum, President Bush is reported to have shelved the F-16C/D sale. The Legislative Yuan needed to receive a letter of intent and a cost estimate from the United States by October 2007 in order to approve the purchase, but since these were not received, the proposal has been effectively deferred until after a new president takes office in 2008.

However, progress has been made in arms purchases under the ordinary budget. The legislature has passed a budget for procuring four sets of the PAC-3 systems dropped from the special budget, as well as sixty UH-60M Black Hawk utility helicopters and thirty AH-64 Apache anti-tank helicopters. This will allow Taiwan to thoroughly overhaul its existing fleet of helicopters, which have been involved in accidents due to their age.

In late 2006, Taiwan finished taking delivery of four *Kidd*-class destroyers, which offer excellent anti-air capabilities, and in October 2007 it announced that it had operationally deployed two domestically developed missiles, the ballistic missile interceptor Tien Kung 3 and the supersonic anti-ship missile Hsiung Feng 3. Now that the arms procurement budgets have been passed, the Taiwanese military is ready to take another stride forward in its modernization efforts. The purchase of P-3 Orions is a critical move that will allow Taiwan to significantly bolster in a relatively short time its defensive capabilities against the growing fleet of Chinese submarines. It will take some time for these arms procurement decisions to be translated into actual fighting power, but the same is true of China. As a result of these advancements in Taiwan's arms acquisition efforts, it appears that the China-Taiwan military balance will continue to hang in China's favor for a slightly longer time.